

TWSE: 8926



TAIWAN COGENERATION CORP.

**Handbook for the  
2017 Annual General Meeting of Shareholders**

21 June 2017

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## **I. Meeting Procedure**

### **Taiwan Cogeneration Corporation Procedure of the 2017 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. Discussions and proposals
7. Elections
8. Other matters
9. Questions and motions
10. Adjournment

## **II. Agenda of the 2017 Annual General Meeting of Shareholders**

### **Taiwan Cogeneration Corporation Agenda of the 2017 Annual General Meeting of Shareholders**

Time: 9:00 a.m., Wednesday, 21 June 2017

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) 2016 Business Report
  - (2) Supervisor's review report on the 2016 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 2016
5. Adoptions
  - (1) Adoption of the 2016 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Profit Distribution of 2016
6. Proposals and discussions
  - (1) Amendment to the Company's "Articles of Incorporation"
  - (2) Amendment to the Company's Rules for Directorial and Supervisorial Elections at AGM
  - (3) Amendment to the Company's Loaning, Endorsements and Guarantees Operating Procedures
  - (4) Amendment to the Company's Asset Acquisition and Disposal Operating Procedures
7. Elections
  - Directorial elections
8. Other matters
  - Proposal: Relief of the non-compete clause on directors of this Company.
9. Questions and motions
10. 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) 2016 Business Report

Explanation: Please refer to the 2016 Business Report in Annex 1 (pp. 12-13) of the Handbook of 2017 Annual General Meeting of Shareholders.

(2) Supervisor's review report on the 2016 financial statements

Explanation: Please refer to Supervisor's Audit Report in Annex 2 (p. 14) of the Handbook of 2017 Annual General Meeting of Shareholders.

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

Explanation: The external endorsements and/or guarantees offered by this Company by 31 December 2016 are as follows:

- 1) This Company makes no endorsement and/or guarantee.
- 2) TCIC, a subsidiary of this Company, has agreed to offer guarantees as follows for RP Energy (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. The total guarantee amount in the foregoing items at NT\$1.053 billion 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 2016.

Explanation

- 1) The 2016 net profit of this Company was NT\$948,966,311. After setting aside 10% for the legal reserve at NT\$94,896,631, a special reserve at NT\$184,703,406 (10% legal reserve has been deducted, see note) is adopted based on the effects of IFRS adjustment at NT\$205,226,007 of IPP companies, and the balance is NT\$669,366,274. 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\$20,080,988 and 1% as remunerations for directors and supervisors at NT\$6,693,663. 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 Article 38 of the Articles of Incorporation after amendment, the rate of distribution is 1.98% and 0.66% 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 2016 statements.

## 5. Adoptions

### Proposal 1 Adoption of the 2016 Business Report and Financial Statements (proposed by the BOD)

#### Explanation

- (1) The 2016 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 (pp. 12-13) and Annex 3 (pp. 15-34) of the Handbook of 2017 Annual General Meeting of Shareholders.

#### Resolutions:

### Proposal 2 Adoption of the Proposal for Profit Distribution of 2016

#### Explanation

- (1) Beginning unappropriated retained earnings of 2016 was NT\$144,436,189. After setting off the retained earnings at NT\$18,175,435 adopted from the re-measurement of defined benefit plan and adjusting unappropriated retained earnings at NT\$878,207 by the equity method, unappropriated earnings after adjustment is NT\$NT\$125,382,547.
- (2) According to the Articles of Incorporation of this Company, after adding up the above adjusted unappropriated earnings at NT\$125,382,547 and the 2016 net profit at NT\$948,966,311, 10% is setting aside as the legal reserve at NT\$94,896,631. Then, the special reserve at NT\$184,703,406 (10% legal reserve has been deducted, see note) is adopted based on the effects of IFRS adjustment at NT\$205,226,007 of IPP companies. The amount of distributable profit is thus NT\$794,748,821.
- (3) Appropriate cash dividend totaling NT\$706,858,314, at NT\$1.2 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. 35) of Handbook of 2017 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. Proposals and discussions

Proposal 1 Proposal: Amendment of the Company's "Articles of Incorporation" (proposed by the BOD)

Explanation

- (1) Referring to paragraph 1, Article 14-4, Securities and Exchange Act: "A company that has issued stock in accordance with this Act shall establish either an audit committee or a supervisor..." and Order Jin-Guan-Fa-Zi No. 10200531121 of 31 December 2013, non-financial industry listed companies with a paid-in capital over NT\$2 billion but under NT\$10 billion (this Company is NT\$5.89) shall replace supervisors with an audit committee as of 1 January 2017. This Company should thus amend the Articles of Incorporation of this Company with the approval of the 2017 annual general meeting of shareholders to abolish articles relating to supervisors and replace supervisors with an audit committee. Article 39 of the same act recommends the defining of the dividend distribution rate in the distribution policy in respect of the requirements for corporate governance evaluation. This is thus necessary to amend the Articles of Incorporation of this Company to define the rate of dividend distribution.
- (2) In addition, regarding to the need to amend the Articles of Incorporation of this Company, dismiss all supervisors, and establish an audit committee in the same annual general meeting of shareholders, with reference to Letter Jin-Shang-I-Zi No. 09502320300 of 21 June 2006, a public company may amend or abolish articles relating to supervisors in the articles of incorporation in the same annual general meeting of shareholders where directors and supervisors are re-elected and an audit committee is established. Apart from omitting supervisor elections in accordance with the new articles of incorporation, a public company should specify regulations regarding an audit committee in the new articles of incorporation.
- (3) Hence, Articles 23, 24, 29, 37-40, and 43 of the Articles of Incorporation of this Company should be amended; and Articles 32 and 33 should be abolished. Please refer to Annex 5 of the Handbook of 2017 Annual General Meeting of Shareholders (pp. 36-38) for the cross-reference before and after amendments.

Resolutions



Proposal 2 Amendment to the Company's Rules for Directorial and Supervisorial Elections  
at AGM

Explanation:

This Rules and articles 1, 2, 3, and 5 relating to supervisors shall be abolished in respect of the amendment made to the Articles of Incorporation of this Company to replace supervisors with an audit committee seated by all independent directors. In addition, this Rules will be renamed the "Rules for Directorial Election at AGM". Please refer to Annex 6 of the Handbook of 2017 Annual General Meeting of Shareholders (pp. 39-40) for the cross-reference before and after amendments.

### Proposal 3 Amendment to the Company's Asset Acquisition and Disposal Operating Procedures

#### Explanation:

- (1) Articles 6, 8, 14, 17, and 21 of the Asset Acquisition and Disposal Operating Procedures shall be amended after an audit committee is established to replace the supervisors in respect of the amended Articles of Incorporation of this Company. In addition, articles 9, 11, 14, 22, and 30 shall be amended with reference to the amendments made to the Letter Jin-Guan-Fa-Zi No. 10600012965, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC), on 9 February 2017. The equivocal term "the Regulations" in Article 20 was also amended to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- (2) Please refer to Annex 7 of the Handbook of 2017 Annual General Meeting of Shareholders (pp. 41-46) for the cross-reference before and after amendments.

#### Proposal 4 Amendment to the Company's Asset Acquisition and Disposal Operating Procedures

##### Explanation:

- (1) Referring to substitution of supervisors with an audit committee after the amendment of the Articles of Incorporation of this Company, articles 8, 11, and 14-20 of the Company's Asset Acquisition and Disposal Operating Procedures shall be amended accordingly.
- (2) While the estimated amount of guarantee for re-invested enterprise RP Energy will amount NT\$2.09 billion, which is 17.84% of the Company's 2016 year-end net worth (annex in p. 252) and over the 15% limit. Article 12 of the Company's Asset Acquisition and Disposal Operating Procedures should thus be amended accordingly to raise the limit of guarantee for non-subsidiaries to 25% of the Company's net worth to the same limit as that of guarantees for subsidiaries.
- (3) Please refer to Annex 8 of the Handbook of 2017 Annual General Meeting of Shareholders (pp. 47-49) for the cross-reference before and after amendments.

## 7. Elections

Proposal: Directorial election of this Company (proposed by BOD)

Explanation

- (1) The term of the ninth Board of Directors and Board of Supervisors will end on 29 June 2017. Referring to paragraph 1, Article 14-4, Securities and Exchange Act: “A company that has issued stock in accordance with this Act shall establish either an audit committee or a supervisor...” and Order Jin-Guan-Fa-Zi No. 10200531121 of 31 December 2013, non-public companies with a paid-in capital over NT\$2 billion but under NT\$10 billion (this Company is NT\$5.89) shall replace supervisors with an audit committee as of 1 January 2017. This Company thus re-elect the members of the 10<sup>th</sup> Board of Directors at the 2017 Annual General Meeting of Shareholders.
- (2) A total of 13 directors (including three independent directors where the candidate nomination system shall apply) shall be elected in respect of Article 23 of the amended Articles of Incorporation of this Company. The term of the 10<sup>th</sup> board will be three years, commencing on 30 June 2017 and ending on 29 June 2020.
- (3) On 11 May 2017, the BOD approved the list of candidates for independent directors as follows:

No.	Name	Shares Held	Education	Experience	Current Position
1	Xiao-dong Chang	None	Master's Degree, Department of Science, National Chiao Tung University.	General Manager, Chunghwa Telecom Co. Ltd.	Consultant, Chunghwa Telecom Co. Ltd.
2	Sin-hui Yen	None	PhD, Department of Accounting, National Taiwan University	CFO, Tamkang University. Commissioner of Mediation Committee, Securities and Futures Investors Protection Center	Professor and Chairperson, Department of Accounting, Tamkang University

Election results:

## **8. Other matters**

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

Explanation

- (1) According to paragraph 1 of Article 209 of the Company Act: A director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) When a director of this Company is concurrently a director representing another company, or invests in or runs a company with the scope of business similar to that of this Company as the chairperson of that company, it is proposed that Annual General Meeting of Shareholders should relieve his/her non-compete restriction. As such situations happen to the new directors of this Company, please relieve the non-compete restriction on these directors and their representatives.
- (3) Important contents needed to relieve of the non-compete clause by the 2017 Annual General Meeting of Shareholders are as follows:

## **9. Questions and Motions**

## **10. Adjournment**

### III. Annexes

#### Annex 1

### Business Report

Thank you for the support of all shareholders over time, the assistance of all directors and supervisors, 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.

#### 2016 Business Report

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

The 2016 consolidated net profit after tax was NT\$948,966, which was NT\$112,935 less than that of 2015 at NT\$1,061,901. Profit from re-investments reduced as the electricity price reduced in accordance with the price of natural gas, accounting for the reduction of 2016 net profit. In terms of the number of shares at the end of the period at 589,049,000 shares, the equity per share (EPS) is NT\$1.61.

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

Unit: NT\$1,000		
Item	2016	2015
Operating revenue	1,178,012	1,546,915
Gross profit	334,060	316,110
Net profit before tax	990,250	1,153,885
Income tax expense	41,284	91,984
Net profit	948,966	1,061,901
EPS	1.61	1.80

##### 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 2015, income of Guantian Plant reduced as the steam and electricity prices reduced and the cancellation of the incentive electricity price for increased purchase in summer months. Compared to 2015, however, operating profit increased as the cost reduced due to the reduction of equipment depreciation expense after extending equipment useful life from 15 years to 30 years, the increase in the use of shredded scrap tires (tire-derived fuel) to replace coal, and the reduction of coal prices. As a result, profitability rose to raise net profit margin higher than that of 2015. 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		2016	2015
Financial structure analysis	Debt to total assets (%)	22	23
	Long-term capital to property & equipment (%)	3,234	3,349
Solvency	Current ratio (%)	222	164
	Quick ratio (%)	166	109

Profitability analysis	Return on assets (%)	7	7
	Return on equity (%)	8	9
	Profit margin (%)	81	68

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  
2016 Supervisor's Audit Report**

Date: 23 March 2017

The Financial Statements, Business Report, and Profit Distribution Proposal of fiscal year 2016 submitted by the Board of Directors have been audited and no error is found. This report is thus issued in accordance with Article 219 of the Company Act.

Yong-qing Chen  
Shareholder Supervisor  
Taiwan Cogeneration Corporation

Chan-juan Lin  
Shareholder Supervisor  
Taiwan Cogeneration Corporation

Hong-xiang Lin  
Shareholder Supervisor  
Taiwan Cogeneration Corporation



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

### Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cogeneration Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China.

### Basis of Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2016 consolidated financial statements are as follows:

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

Refer to Note 29.e. and f. for details of the FTC ruling, appeal by associates litigation against associates; Note 4.m. for the accounting policy on provisions; and Note 5.a. for critical accounting judgments and key sources of estimation uncertainty.

The FTC concluded that the Group's associates, Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd., had violated the Fair Trade Act by jointly refusing to lower power purchase electricity rates. The FTC levied fines against these companies and the companies filed an appeal against the fines. As of December 31, 2016, the total levied fines amounted to NT\$1,352 million.

Taiwan Power Company ("TPC") concluded it suffered losses due to such violations of the Fair Trade Act and filed administrative proceedings and a civil action against these associates. As of December 31, 2016, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT\$19,163 million and NT\$9,543 million, respectively.

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

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

#### Evaluation of Profit and Loss on Construction Contracts

Refer to Note 8 for construction contracts and Note 5.b. for critical accounting judgments and key sources of estimation uncertainty associated to evaluation of profit and loss on construction contracts.

The construction service revenue and construction service cost of the Group's construction contracts recognized for the year ended December 31, 2016 were NT\$178,737 thousand and NT\$148,919 thousand, representing 15% and 17% of the Group's consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profit from each construction contract were assessed and determined by the Group's management based on the nature of activities, expected sub-contracting charges, construction periods, progress, methods, etc., and involve critical accounting judgment made by the management; thus, evaluation of profit and loss on construction contracts is considered as one of the key audit matters.

In our audit, we visited and observed the major construction sites; we obtained the construction contracts, construction project schedules, expected total construction costs, and construction acceptance reports; we verified the construction cost, the estimated remaining cost before completion, and related supporting documents on a sampling basis to evaluate the reasonableness of the method and assumptions used by the management to calculate the percentage of completion; we recalculated the percentage of completion, construction service revenue, construction service cost, profit or loss on the construction contracts, amounts due from and due to customers for construction contracts for accuracy; and we determined that if a construction contract incurred a loss, the loss was recognized immediately.

#### **Other Matter**

We have also audited the separate financial statements of Taiwan Cogeneration Corporation as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 29, 2017

#### Notice to Readers

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

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

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

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

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

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

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

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

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

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

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

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

(Concluded)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

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

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

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



# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

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

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

(Continued)

# TAIWAN COGENERATION CORPORATION AND SUBSIDIARIES

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

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

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Taiwan Cogeneration Corporation

### Opinion

We have audited the accompanying separate financial statements of Taiwan Cogeneration Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2016 and 2015 and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis of Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2016 separate financial statements are as follows:

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

Refer to Note 24.d. and e. for detail of FTC ruling, appeal by associates and litigation against associates; Note 4.l. for the accounting policy of provisions; and Note 5.a. for critical accounting judgements and key sources of estimation uncertainty.

The FTC concluded that the Corporation's associates, Sun Ba Power Corporation, Star Energy Power Corporation, Star Buck Power Corporation, and Kuo Kuang Power Company Ltd., had violated the Fair Trade Act by jointly refusing to lower power purchase electricity rates. The FTC levied fines against these companies and the companies filed an appeal against the fines. As of December 31, 2016, the total levied fines amounted to NT\$1,352 million.

Taiwan Power Company (“TPC”) concluded it suffered losses due to such violations of the Fair Trade Act and filed administrative proceedings and a civil action against these associates. As of December 31, 2016, the claims on the administrative proceedings and civil action in progress against these associates amounted to NT\$19,163 million and NT\$9,543 million, respectively.

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

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

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

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

The construction service revenue and construction service cost of Star Energy Corporation’s construction contracts recognized for the year ended December 31, 2016 were NT\$178,737 thousand and NT\$148,919 thousand, respectively, representing 15% and 17% of the Corporation’s consolidated operating revenues and consolidated operating costs, respectively. The percentage of completion and related profits from each construction contract were assessed and determined by the management of Star Energy Corporation based on the nature of activities, expected sub-contracting charges, construction periods, progress, methods, etc., and involve critical accounting judgments made by the management, and have a further effect on the Corporation’s investments accounted for using the equity method and share of profit or loss of subsidiaries accounted for using the equity method; thus, the evaluation of profit and loss on construction contracts of the subsidiary, Star Energy Corporation is considered as one of the key audit matters.

In our audit, we visited and observed the major construction sites; we obtained the construction contracts, construction project schedules, expected total construction costs, and construction acceptance reports; we verified the construction cost, the estimated remaining cost before completion, and related supporting documents on a sampling basis to evaluate the reasonableness of the method and assumptions used by the management to calculate the percentage of completion; we recalculated the percentage of completion, construction service revenue, construction service cost, profit or loss on the construction contracts, amounts due from and due to customers for construction contracts for accuracy; and we determined that if a construction contract incurred a loss, the loss was recognized immediately.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 separate financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 29, 2017

#### Notice to Readers

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

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

# TAIWAN COGENERATION CORPORATION

## SEPARATE BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

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

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

# TAIWAN COGENERATION CORPORATION

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

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

(Continued)



# TAIWAN COGENERATION CORPORATION

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

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

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

(Concluded)

# TAIWAN COGENERATION CORPORATION

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

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

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

# TAIWAN COGENERATION CORPORATION

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

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

(Continued)

# TAIWAN COGENERATION CORPORATION

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

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

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

(Concluded)

**Annex 4**

**Taiwan Cogeneration Corporation**  
**Profit Distribution Table**  
**Accounting Year 2016**

Unit: NT\$

Item	Amount	Remarks
Beginning unappropriated retained earnings	144,436,189	Note 1
Less: Recognized retained earnings adopted from the re-measurement of defined benefit plan	(18,175,435)	
Less: Unappropriated earnings adjustment under equity method	(878,207)	
Unappropriated earnings after adjustment	125,382,547	
Add: Net profit of current period	948,966,311	
Less: Legal reserve (10%)	(94,896,631)	Note 2
Less: Self-appropriated special reserves	(184,703,406)	Note 3
Sum of distributable profit	794,748,821	
Distribution items		
Cash dividends (NT\$1.2/share)	(706,858,314)	Note 4
Year-end unappropriated retained earnings	87,890,507	
Note: 1. Implemented in accordance with Article 39 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 2016. 3. According to Article 237, a sum of NT\$184,703,406 is appropriated as the special reserve (including NT\$125,382,547 from unappropriated earnings after adjustment and NT\$59,320,859 from the net profit of the current period). 4. Cash dividends at NT\$706,858,314 are appropriated from the 2016 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

## Annex 5

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

After Amendment	Before Amendment	Description
<p>Chapter IV Directors and <u>Audit Committee</u> Article 23 This Company shall have thirteen (13) directors elected by the meeting of shareholders among competent shareholders. The total number of registered shares held by all directors shall not be lower than the ratio specified in the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”. The number of independent directors shall not be less than <u>three (3) seats</u> and one fifth of the total number of directors. The nomination policy applies to the election of independent directors. The meeting of shareholders shall elect independent directors from the list of candidates. <u>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.</u></p>	<p>Chapter IV Directors and <u>Supervisors</u> Article 23 This Company shall have thirteen (13) directors <u>and three (3) supervisors</u> elected by the meeting of shareholders among competent shareholders. The total number of registered shares held by all directors <u>and supervisors</u> shall not be lower than the ratio specified in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies. The number of independent directors shall not be less than one fifth of the total number of directors. The nomination policy applies to the election of independent directors. The meeting of shareholders shall elect independent directors from the list of candidates.</p>	Removal of supervisors: Replacing supervisors with an audit committee in accordance with Article 14-4 of the Securities and Exchange Act and adding three requirements for forming an audit committee.
<p>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.</p>	<p>Article 24 The term of each director <u>and supervisor</u> 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 <u>and supervisors</u> of this Company.</p>	Removal of supervisors
<p>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)-(21) omitted. (22) Approval of the regulations governing transactions with affiliates or their shareholders, directors, or relatives. (23) omitted.</p>	<p>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)-(21) omitted. (22) Approval of the regulations governing transactions with affiliates or their shareholders, directors, <u>supervisors</u>, or relatives. (23) omitted.</p>	Removal of supervisors
Abolished.	<p><u>Article 32</u> <u>The duty of supervisors includes:</u> <u>Review the Company’s financial position.</u> <u>Review and audit accounting books and documents.</u> <u>Other duties assigned by the law.</u></p>	Removal of the whole article.
Abolished.	<u>Article 33</u>	

	<u>Apart from carrying out the duty assigned by the law, supervisors may attend a board meeting and express their opinion, provided that they shall not vote.</u>	
<u>Article 32: Content omitted</u> <u>Article 33: Content omitted</u> <u>Article 34: Content omitted</u>	<u>Article 34: Content omitted</u> <u>Article 35: Content omitted</u> <u>Article 36: Content omitted</u>	Adjustment of article numbers.
<u>Article 35</u> 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.	<u>Article 37</u> 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. <u>After submitting them to the supervisors for review within thirty (30) days prior to the annual meeting of shareholders</u> , the board of directors shall apply for adoption of these reports to the meeting of shareholders. 1. Business report. 2. Financial statements. 3. Proposal for profit distribution or covering up deficits.	Adjustment of article number and removal of sections involving supervisors.
<u>Article 36</u> 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.	<u>Article 38</u> 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 <u>and supervisors</u> , 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.	Adjustment of article number and removal of sections involving supervisors.
<u>Article 37</u> Each accounting year after the annual closing of books, after deducting accumulative deficits from the net profit, this Company shall first appropriate 10% of the balance as the legal reserve before reverting the balance to special reserves according to the laws and regulations or the rules of competent authorities. If there is still a balance, it shall be combined with the beginning unappropriated retained earnings of the year for the BOD to draw up the proposal of profit distribution <u>at no less than 70% of distributable profit</u> and submit the proposal to the annual meeting of shareholders for resolution. Contents below are omitted	<u>Article 39</u> Each accounting year after the annual closing of books, after deducting accumulative deficits from the net profit, this Company shall first appropriate 10% of the balance as the legal reserve before reverting the balance to special reserves according to the laws and regulations or the rules of competent authorities. If there is still a balance, it shall be combined with the beginning unappropriated retained earnings of the year for the BOD to draw up the proposal of profit distribution and submit the proposal to the annual meeting of shareholders for resolution. Contents below are omitted	Adjustment of article number and drawing up a new dividend policy.
<u>Article 38</u> The board of directors is authorized to discuss and determine the remunerations for directors according to their involvement in tis Company's operations, their contributions to this Company, and the general level in the same industry. Director 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	<u>Article 40</u> The board of directors is authorized to discuss and determine the remunerations for directors <u>and supervisors</u> according to their involvement in tis Company's operations, their contributions to this Company, and the general level in the same industry. Directors <u>and supervisors</u> may claim travel allowance each month. The board of directors shall determine the amount of the travel allowance. Shareholders or directors of this	Adjustment of article number and removal of sections involving supervisors.

managerial officer or employee of this Company shall be paid according to general employees.	Company who are concurrently a managerial officer or employee of this Company shall be paid according to general employees.	
<u>Article 39: Contents omitted.</u> <u>Article 40: Contents omitted.</u>	<u>Article 41: Contents omitted.</u> <u>Article 42: Contents omitted.</u>	Adjustment of article numbers only.
<u>Article 41</u> 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.	<u>Article 43</u> 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.	Adjustment of article number and revision dates.



## Annex 6

# Taiwan Cogeneration Corporation

## Cross-reference of the “Rules for Directorial and Supervisorial Elections” before and after amendments

Passed by the Initiator Conference on 14 April 1992

1<sup>st</sup> amendment was passed by the Annual General Meeting of Shareholders on 2 September 1997

2<sup>nd</sup> amendment was passed by the Annual General Meeting of Shareholders on 27 June 2002

3<sup>rd</sup> amendment was passed by the Annual General Meeting of Shareholders on 28 June 2007

4<sup>th</sup> amendment was passed by the Annual General Meeting of Shareholders on 21 June 2017

After Amendment	Before Amendment	Description
Rules for Directorial Election	Rules for Directorial <u>and Supervisorial</u> Elections	Amendment of document title.
1. Unless the law or the Articles of Incorporations of this Company otherwise requires, this Rules shall apply to the directorial <u>election</u> of this Company.	1. Unless the law or the Articles of Incorporations of this Company otherwise requires, this Rules shall apply to the directorial <u>and supervisorial</u> elections of this Company.	Removal of “supervisorial elections”.
2. The meeting of shareholders shall elect directors of this Company from among competent shareholders. The electoral results shall be calculated based on the number of seats specified in the Articles of Incorporation. Candidates with more votes shall be directors and independent directors respectively. When elected candidates outnumbers the seats, candidates with equal votes shall be decided by drawing. The chairperson may draw the lot on and for the behalf of candidates absent from the election.	2. The meeting of shareholders shall elect directors <u>and supervisors</u> of this Company from among competent shareholders. The electoral results shall be calculated based on the number of seats specified in the Articles of Incorporation. Candidates with more votes shall be directors, independent directors, <u>and supervisors</u> respectively. When elected candidates outnumbers the seats, candidates with equal votes shall be decided by drawing. The chairperson may draw the lot on and for the behalf of candidates absent from the election.	Removal of “supervisors”.
3. This Company adopts the single-transferable-vote (STV) open ballot system. Each share is entitled the same right to vote the same number of directorial candidates. Shareholders may put all the votes on one or several candidates, provided that the number of votes shall not exceed the total number of candidates.	3. This Company adopts the single-transferable-vote (STV) open ballot system. Each share is entitled the same right to vote the same number of directorial <u>and supervisorial</u> candidates. Shareholders may put all the votes on one or several candidates, provided that the number of votes shall not exceed the total number of candidates.	Removal of “supervisorial”.
5. The Board of Directors shall print the votes and distribute them to attended shareholders in the exact number of directors to be elected. The Board of Directors shall also specify the number of votes entitled to a shareholder. The meeting pass number may substitute the name of voters. Where a candidate is a shareholder, voters shall indicate the account name and shareholder account number of the candidate in the candidate column on the vote. Where a candidate is not a shareholder, the name and identity document number of this candidate shall be specified in the candidate column on the vote. Where the government or an institutional shareholder is a candidate, the name of the government or institutional shareholder and the name of their representative shall be specified in the candidate column on the vote. When there	5. The Board of Directors shall print the votes and distribute them to attended shareholders in the exact number of directors <u>and supervisors</u> to be elected. The Board of Directors shall also specify the number of votes entitled to a shareholder. The meeting pass number may substitute the name of voters. Where a candidate is a shareholder, voters shall indicate the account name and shareholder account number of the candidate in the candidate column on the vote. Where a candidate is not a shareholder, the name and identity document number of this candidate shall be specified in the candidate column on the vote. Where the government or an institutional investor is a candidate, the name of the government or institutional investor or the name of their representative shall be specified in the candidate column on the vote. When there are several	Removal of “supervisors”.

are several representatives, the name of each representative shall be specified.	representatives, the name of each representative shall be specified.	
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## Annex 7

# Taiwan Cogeneration Corporation Cross-reference of the “Asset Acquisition and Disposal Operating Procedure” before and after amendments

Established by the General Meeting of Shareholders on 20 June 2012

1<sup>st</sup> Amendment made by the General Meeting of Shareholders on 19 June 2014

2<sup>nd</sup> Amendment made by the General Meeting of Shareholders on 21 June 2017

After Amendment	Before Amendment	Description
<p>Article 6</p> <p>This Procedure shall be approved by <u>more than half of all audit committee members</u> before submitting BOD for resolution <u>and</u> then the general meeting of shareholders for adoption, and the same shall apply to revisions thereof. <u>Where the consent of more than half of all Audit Committee members is unavailable, the Procedure may be implemented with the consent of more than two thirds of all directors irrespective to the restriction in the first paragraph. The resolution of Audit Committee members shall be specified in the minutes of the board meeting. “All audit committee members” as used in paragraph 1 and the preceding article's paragraph 6, and “all directors” as used in paragraph 2, shall mean the actual number of persons currently holding those positions.</u></p>	<p>Article 6</p> <p>This Procedure shall be approved by BOD before submitting to <u>all supervisors and the AGM for consent adoption, and the same shall apply to revisions thereof. Where a director disagrees with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor.</u></p> <p><u>When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their objections or qualified opinions shall be explicitly retained in the minutes of board meeting.</u></p>	<p>Amended in accordance with Article 14-5 of the Securities and Exchange Act: “For a company that has issued stock in accordance with this Act and established an audit committee, the provisions of Article 14-3 shall not apply to the following matters, which shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution...”</p> <p>“With the exception of subparagraph 10, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.”</p> <p>In paragraph 2, the application of Article 14-3 of the Securities and Exchange Act is eliminated after an audit committee is established in accordance with Article 14-5 of the same Act. It is thus abolished.</p>
<p>Article 8</p> <p>For acquisition or disposal of assets that <u>shall be consented by over half of all audit committee members and resolved by BOD as specified by this Procedure or other laws, paragraphs 3 and 4 of Article 6 shall apply mutatis mutandis.</u></p>	<p>Article 8</p> <p>For acquisition or disposal of assets that shall be <u>approved by BOD</u> as specified by this Procedure or other laws, <u>where a director disagrees with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor.</u></p> <p><u>When submitting a transaction of acquisition or disposal of assets to BOD for discussions according to the foregoing article, the opinion of each independent director shall be taken into full consideration, and their objections or</u></p>	<p>Substitution of “supervisors” with the audit committee.</p> <p>Important assets, transactions of derivatives, and the acquisition or disposal of other assets requiring for the consent of over half of all audit committee members and submitted to BOD for resolution as specified by the law, this regulation shall apply mutatis mutandis.</p> <p>Deletion of paragraph 2 (same reason as the description for</p>

	<u>qualified opinions shall be explicitly retained in the minutes of board meeting.</u>	paragraph 2 of Article 6).
Article 9 Except for transactions with government <u>agencies</u> , outsourcing construction projects on own property, outsourcing construction projects on leased property, or acquiring/disposing equipment for business use, when acquiring or disposing real property or equipment with a transaction amount up to 20% of the Company's paid-in capital or over NT\$300 million, this Company shall obtain a professional appraisal report on the subject matter issued by professional appraisers prior to transaction and meet the following requirements: Paragraphs 1-4: Omitted	Article 9 Except for transactions with government <u>organizations</u> , outsourcing construction projects on own property, outsourcing construction projects on leased property, or acquiring/disposing equipment for business use, when acquiring or disposing real property or equipment with a transaction amount up to 20% of the Company's paid-in capital or over NT\$300 million, this Company shall obtain a professional appraisal report on the subject matter issued by professional appraisers prior to transaction and meet the following requirements: Paragraphs 1-4: Omitted	The previous version involves transactions with government agencies. As there is little chance of price manipulation in transactions regarding asset acquisition or disposal with agencies of either the central or the local governments, the need for expert opinion will not be necessary, thus amending paragraph one.
Article 11 Except for transactions with government <u>agencies</u> , when acquiring or disposing memberships or intangible assets amounting up to 20% of the Company's paid-in capital or NT\$300 million, this Company shall consult a CPA to express opinion on the fairness of the amount prior to the date of occurrence of the event. The CPA shall, in return, proceed in accordance with SAS No. 20 published by the Accounting Research and Development Foundation in Taiwan.	Article 11 Except for transactions with government <u>organizations</u> , when acquiring or disposing memberships or intangible assets amounting up to 20% of the Company's paid-in capital or NT\$300 million, this Company shall consult a CPA to express opinion on the fairness of the amount prior to the date of occurrence of the event. The CPA shall, in return, proceed in accordance with SAS No. 20 published by the Accounting Research and Development Foundation in Taiwan.	The same reason as Article 9.
Article 14 Except for trading government bonds and repurchase (RP)/ reserve repurchase (RS) securities, subscribing or <u>buying back</u> money market funds (MMFs) <u>issued by domestic securities investment trust companies</u> , when acquiring or disposing real property with related parties, or acquiring or disposing assets other than real property with related parties at a transaction amount up to 20% of the paid-in capital or 10% of the total assets of this Company, or over NT\$300 million, the Company shall submit the following data to the <u>audit committee to obtain the consent of over half of all committee members and then to BOD for resolution</u> prior to concluding the transaction agreement and disburse the payment: Items 1-7: Omitted) The transaction amount referred to in the foregoing paragraph shall be calculated in accordance with paragraph 2, Article 30, and "within one year" referred to in this Procedure shall mean one year before the date of occurrence of the current transaction Transactions that have been <u>consented by over half of all audit committee members, resolved by BOD</u> can be exempted.	Article 14 Except for trading government bonds and repurchase (RP)/ reserve repurchase (RS) securities, subscribing or <u>redeeming</u> domestic money market funds (MMFs), when acquiring or disposing real property with related parties, or acquiring or disposing assets other than real property with related parties at a transaction amount up to 20% of the paid-in capital or 10% of the total assets of this Company, or over NT\$300 million, the Company shall submit the following data to <u>BOD for approval and to supervisors for adoption</u> prior to concluding the transaction agreement and disburse the payment: Items 1-7: Omitted) The transaction amount referred to in the foregoing paragraph shall be calculated in accordance with paragraph 2, Article 30, and "within one year" referred to in this Procedure shall mean one year before the date of occurrence of the current transaction. Transactions that have been <u>approved by BOD and adopted by supervisors</u> can be exempted. When acquiring or disposing equipment intended for business use between the Company and subsidiaries, BOD may authorize the chairperson to directly	Money market funds (MMFs) referred to in paragraph one shall mean MMFs issued by securities investment trust organizations approved by the FSC in accordance with the Securities Investment Trust and Consulting Act. This paragraph is thus amended accordingly. In addition, the process in the previous version: "submitting to BOD for approval and to supervisors for adoption" has been replaced by "submitting to the audit committee to obtain the consent of over half of all committee members and then to BOD for resolution" prior to concluding the transaction agreement and disburse the payment. Paragraph 2 is amended for the same reason. Item 4 is abolished (for the same reason of paragraph 2, Article 6).

When acquiring or disposing equipment intended for business use between the Company and subsidiaries, BOD may authorize the chairperson to directly proceed acquisition or disposal within a designated limit and apply for adoption of the transaction in the next board meeting.	proceed acquisition or disposal within a designated limit and apply for adoption of the transaction in the next board meeting. <u>When submitting a transaction to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their objections or qualified opinions shall be explicitly retained in the minutes of board meeting.</u>	
Article 17 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with articles 15 and 16 are uniformly lower than the transaction price, the following steps shall be taken: 1. Omitted. 2. The <u>Audit Committee</u> shall proceed in accordance with Article 218 of the Company Act. 3. Omitted. The rest part of this Article is omitted.	Article 17 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with articles 15 and 16 are uniformly lower than the transaction price, the following steps shall be taken: 1. Omitted. 2. <u>Supervisors</u> shall proceed in accordance with Article 218 of the Company Act. 3. Omitted. The rest part of this Article is omitted.	Substitution of “supervisors” with “the audit committee”.
Article 20 When engaging in derivatives transactions, BOD shall supervise and manage such transactions in accordance with the following principles: Contents of items 1 and 2 are omitted. Higher-level managers authorized by BOD shall manage derivatives transactions in accordance with the following principles: 1. Assess, at planned intervals, the suitability of the existing risk management measures and proceed transactions exactly in accordance with the <u>Regulations Governing the Acquisition and Disposal of Assets by Public Companies</u> and the derivatives transaction operating procedure of this Company. 2. Omitted. After authorizing relevant personnel to conduct derivatives transaction in accordance with this Procedure, the Company shall report this to the next board meeting afterwards.	Article 20 When engaging in derivatives transactions, BOD shall supervise and manage such transactions in accordance with the following principles: Contents of items 1 and 2 are omitted. Higher-level managers authorized by BOD shall manage derivatives transactions in accordance with the following principles: 1. Assess, at planned intervals, the suitability of the existing risk management measures and proceed transactions exactly in accordance with <u>this Procedure</u> and the derivatives transaction operating procedure of this Company. 2. Omitted. After authorizing relevant personnel to conduct derivatives transaction in accordance with this Procedure, the Company shall report this to the next board meeting afterwards.	Revised “this Procedure” to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.
Article 21 Paragraph 1: Omitted. Internal auditor of this Company shall periodically determine the fairness of internal controls on derivatives transactions and audit the procedural compliance of departments trading derivatives, and records shall be maintained. The auditor shall inform <u>the audit committee</u> of any material violations in writing.	Article 21 Paragraph 1: Omitted. Internal auditor of this Company shall periodically determine the fairness of internal controls on derivatives transactions and audit the procedural compliance of departments trading derivatives, and records shall be maintained. The auditor shall inform <u>all supervisors</u> of any material violations in writing.	Substitution of “all supervisors” with “the audit committee”.
Article 22 When conducting mergers, spin-offs, acquisitions, or stock transfers, prior to	Article 22 When conducting a merger, spin-off, acquisition, or stock transfer, prior to	Referring to the “Business Mergers and Acquisitions Act”, re-structuring is the

<p>convening a board meeting, this Company shall ask for the opinions regarding the share exchange ratio, acquisition price, or cash distribution for shareholders, or the fairness of real property from an accountant, legal counsel, or securities underwriter prior to submitting the proposal to BOD for discussions and approval, <u>except for mergers with subsidiaries of which this Company holds, either directly or indirectly, 100% of the totally issued shares or the total capital of such subsidiaries, or for mergers among subsidiaries of which this Company holds, either directly or indirectly, 100% of the totally issued shares or the total capital of such subsidiaries, where the said expert opinions can be omitted.</u></p>	<p>convening a board meeting, this Company shall ask for the opinions regarding the share exchange ratio, acquisition price, or cash distribution for shareholders, or the fairness of real property from an accountant, legal counsel, or securities underwriter prior to submitting the proposal to BOD for discussions and approval.</p>	<p>central spirit of mergers with a wholly-owned subsidiary or among wholly-owned subsidiaries within the same business organization, and share exchange ratio or distribution of cash or other property to shareholders will not be involved. The restrictions on such mergers are thus loosened to exempt the expert opinion on the fairness of stock exchange ratio.</p>
<p>Article 30 When acquiring or disposing assets, this Company shall publish/report relevant information by the asset type in the required format on the website designated by the Financial Supervisory Commission (FSC) within two days after occurrence under any one of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Acquiring or disposing real property with related parties, or acquiring or disposing assets other than real property with related parties at a transaction amount up to 20% of this Company's paid-in capital, or up to 10% of the total assets, or over NT\$300 million, except for trading bonds and RP/RS securities, subscribing or <u>buying back MMFs issued by domestic securities investment trust companies.</u></li> <li>2. Conducting mergers, spin-offs, acquisitions, or stock transfers.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts specified in the relevant procedures.</li> <li>4. <u>Acquiring or disposing equipment for business use with counterparties who are not a related party at an amount up to any one of the following:</u> <ol style="list-style-type: none"> <li>(1) <u>When the Company's paid-in capital is under NT10 billion and a transaction amount is over NT\$500 million.</u></li> <li>(2) <u>When the Company's paid-in capital is over NT10 billion and a transaction amount is over NT\$1 billion.</u></li> </ol> </li> <li>5. Acquiring real property through outsourcing construction projects on own real property, outsourcing</li> </ol>	<p>Article 30 When acquiring or disposing assets, this Company shall publish/report relevant information by the asset type in the required format on the website designated by the Financial Supervisory Commission (FSC) within two days after occurrence under any one of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Acquiring or disposing real property with related parties, or acquiring or disposing assets other than real property with related parties at a transaction amount up to 20% of this Company's paid-in capital, or up to 10% of the total assets, or over NT\$300 million, except for trading bonds and RP/RS securities, subscribing or <u>redeeming</u> domestic MMFs.</li> <li>2. Conducting mergers, spin-offs, acquisitions, or stock transfers.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts specified in the relevant procedures.</li> <li>4. Asset transactions, obligations disposed by financial institutions, or investments in mainland China other than that mentioned in the foregoing <u>three</u> paragraphs at an amount above 20% of the Company's paid-in capital or over NT\$300 million, except for the following circumstances: <ol style="list-style-type: none"> <li>(1) Trading government bonds.</li> <li>(2) Trading RP/RS securities, subscribing or <u>redeeming</u> domestic MMFs.</li> <li>(3) Acquiring or disposing equipment for business use with counterparties who are not a related party at an amount</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment made according to the regulation change of competent authorities.</li> <li>2. Re-adjustment of relevant paragraphs and items in the article.</li> <li>3. Referring to the change in Article 31 that the Company shall publish any change in the disclosed information within two days, this Company amended item 5 to request the re-publication of all items within two days after a mistake or an omission is detected in the previously published information.</li> </ol>

<p>construction projects on leased real property, or joint construction at a planned investment amount <u>over</u> NT\$500 million.</p> <p>6. Asset transactions, obligations disposed by financial institutions, or investments in mainland China other than that mentioned in the foregoing <u>five</u> paragraphs at an amount above 20% of the Company's paid-in capital or over NT\$300 million, except for the following circumstances:</p> <ol style="list-style-type: none"> <li>(1) Trading government bonds.</li> <li>(2) Trading RP/RS securities, subscribing or <u>buying back</u> MMFs <u>issued by</u> domestic securities investment trust companies.</li> </ol> <p>The amount of the said transactions shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of individual transactions.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.</li> <li>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within one year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</li> </ol> <p>"Within one year" referred to in this Procedure shall mean the one year prior to the date of occurrence of the current transaction. Transactions that have been published in accordance with this Procedure can be exempted.</p> <p>This Company shall publish in the format and on the information disclosure website designated by the FSC by the 10<sup>th</sup> of each month on the information regarding the status of derivatives transactions as of the end of previous month of this Company and the subsidiaries of a non-public company at home or abroad.</p> <p>Where there are mistakes or omissions of the items required for disclosure requiring corrections or supplementations found at the time of disclosure, this Company shall re-disclose all items <u>within two days after acknowledgement</u>.</p> <p>Unless other law otherwise specifies, when acquiring or disposing assets, this</p>	<p><u>under</u> NT\$500 million.</p> <p>(4) Acquiring real property through outsourcing construction projects on own real property, outsourcing construction projects on leased real property, or joint construction at a planned investment amount <u>under</u> NT\$500 million.</p> <p>The amount of the said transactions shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of individual transactions.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.</li> <li>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within one year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</li> </ol> <p>"Within one year" referred to in this Procedure shall mean the one year prior to the date of occurrence of the current transaction. Transactions that have been published in accordance with this Procedure can be exempted.</p> <p>This Company shall publish in the format and on the information disclosure website designated by the FSC by the 10<sup>th</sup> of each month on the information regarding the status of derivatives transactions as of the end of previous month of this Company and the subsidiaries of a non-public company at home or abroad.</p> <p>Where there are mistakes or omissions of the items required for disclosure requiring corrections or supplementations found at the time of disclosure, this Company shall re-disclose all items.</p> <p>Unless other law otherwise specifies, when acquiring or disposing assets, this Company shall retain for at least five years all relevant contracts; minutes of meetings; memorandum books; appraisal reports; and the opinion expressed by the CPA, legal counsel, and securities underwriter.</p>	
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Company shall retain for at least five years all relevant contracts; minutes of meetings; memorandum books; appraisal reports; and the opinion expressed by the CPA, legal counsel, and securities underwriter.		
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## Annex 8

# Taiwan Cogeneration Corporation

## Cross-reference of the “Loaning, Endorsements and Guarantees Operating Procedures” before and after amendments

Established by the General Meeting of Shareholders on 20 June 2012

1<sup>st</sup> Amendment made by the General Meeting of Shareholders on 21 June 2013

2<sup>nd</sup> Amendment made by the General Meeting of Shareholders on 21 June 2017

After Amendment	Before Amendment	Description
<p>Article 8</p> <p>This Procedure shall be <u>consented by over half of all Audit Committee members and approved by</u> BOD prior to reporting to the general meeting of shareholders for adoption. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to general meeting of shareholders for discussions. The same shall apply for any revisions thereof. <u>Where the consent of more than half of all Audit Committee members is unavailable, the Procedure may be implemented with the consent of more than two thirds of all directors irrespective to the restriction in the first paragraph, and the resolution of Audit Committee members shall be specified in the minutes of the board meeting.</u> The terms “all audit committee members” in paragraph 1 and “all directors” in the foregoing paragraph shall refer to those who are in active office.</p>	<p>Article 8</p> <p>After BOD approval, this Procedure shall be submitted to each supervisor and the general meeting of shareholders for consent. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to <u>each supervisor</u> and the general meeting of shareholders for discussions. The same shall apply for any revisions thereof. <u>When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their opinions for or against the Procedure shall be explicitly retained in the minutes of board meeting.</u></p>	<p>Substitution of “supervisors” with the “audit committee” according to the amendment of articles of incorporation. Paragraph 2 is abolished according to Article 14-5 of the Securities and Exchange Act that Article 14-3 will be inapplicable after an audit committee is established.</p>
<p>Article 11</p> <p>This Procedure shall be <u>consented by over half of all Audit Committee members and approved by</u> BOD prior to reporting to the general meeting of shareholders for adoption. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to general meeting of shareholders for discussions. The same shall apply for any revisions thereof. <u>Where the consent of more than half of all Audit Committee members is unavailable, the Procedure may be implemented with the consent of more than two thirds of all directors irrespective to the restriction in the first paragraph, and the resolution of Audit Committee members shall be specified in the minutes of the board meeting.</u> The terms “all audit committee members” in paragraph 1 and “all directors” in the foregoing paragraph shall refer to those who are in active office.</p>	<p>Article 11</p> <p>After BOD approval, this Procedure shall be submitted to each supervisor and the general meeting of shareholders for consent. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to <u>each supervisor</u> and the general meeting of shareholders for discussions. The same shall apply for any revisions thereof. <u>When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their opinions for or against the Procedure shall be explicitly retained in the minutes of board meeting.</u></p>	<p>Substitution of “supervisors” with the “audit committee” according to the amendment of articles of incorporation. Paragraph 2 is abolished (for the same reason as for paragraph 2, Article 8).</p>

<p>Articles 12</p> <p>Items relating to offering endorsements or guarantees for others are as follows: Paragraphs 1 and 2: Omitted.</p> <p>3. Total amount of endorsements and guarantees and limits for individual recipients</p> <p>(1) Total amount of endorsements and guarantees: The limit of external endorsements or guarantees provided by this Company and subsidiaries shall not exceed 40% of the Company's net worth.</p> <p>(2) Limits for individual recipients <u>The total amount of endorsements or guarantees provided by this Company and subsidiaries</u> for each enterprise shall not exceed 25% of the Company's net worth.</p> <p>Paragraphs 4-11: Omitted.</p>	<p>Articles 12</p> <p>Items relating to offering endorsements or guarantees for others are as follows: Paragraphs 1 and 2: Omitted.</p> <p>3. Total amount of endorsements and guarantees and limits for individual recipients</p> <p>(1) Total amount of endorsements and guarantees: The total amount of external endorsements or guarantees provided by this Company and subsidiaries shall not exceed 40% of the Company's net worth.</p> <p>(2) Limits for individual recipients The limit of endorsements or guarantees for each enterprise <u>for business reasons</u> shall not exceed <u>15%</u> of the Company's net worth, <u>provided that the limit of endorsements or guarantees for each subsidiary shall not exceed 25% of the Company's net worth.</u></p> <p>Paragraphs 4-11: Omitted.</p>	<p>The limit of endorsements/guarantees for non-subsidiaries is raised to no more than 25%, the same as the limit for subsidiaries, to fulfill the need for endorsements/guarantees for re-investments in RP Energy which will be above 15%.</p>
<p>Article 14</p> <p>Paragraphs 1-3: Omitted,</p>	<p>Article 14</p> <p>Paragraphs 1-3: Omitted. <u>When lending capital to others, this Company shall fully consider the opinion of each independent directors and explicitly record their opinions for and against the proposal in the minutes of board meeting.</u></p>	<p>Paragraph 4 is abolished (for the same reason as for paragraph 2, Article 8).</p>
<p>Article 15</p> <p>The Company shall prepare a memorandum book for lending activities and maintain in detail a record of the following information: borrowers, amounts, date of BOD approval, lending/borrowing date, and matters requiring careful assessment.</p> <p>The Company's internal auditors shall audit the lending operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform the <u>Audit Committee</u> in writing.</p>	<p>Article 15</p> <p>The Company shall prepare a memorandum book for lending activities and maintain in detail a record of the following information: borrowers, amounts, date of BOD approval, lending/borrowing date, and matters requiring careful assessment.</p> <p>The Company's internal auditors shall audit the lending operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform all <u>supervisors</u> in writing.</p>	<p>Substitution of "supervisors" with the "audit committee" according to the amendment of articles of incorporation.</p>
<p>Article 16</p> <p>Where a borrower is unqualified or the balance exceeds the limit under this Procedure after a change in circumstances, the Company shall draw up an improvement plan and submit it to the <u>Audit Committee</u> and shall implement corrections as scheduled in the plan.</p>	<p>Article 16</p> <p>Where a borrower is unqualified or the balance exceeds the limit under this Procedure after a change in circumstances, the Company shall draw up an improvement plan and submit it to <u>all supervisors</u> and shall implement corrections as scheduled in the plan.</p>	<p>Substitution of "supervisors" with the "audit committee" according to the amendment of articles of incorporation.</p>

<p>Article 17</p> <p>Paragraphs 1-2: Omitted.</p> <p><u>Paragraph 3: Omitted.</u></p>	<p>Article 17</p> <p>Paragraphs 1-2: Omitted.</p> <p><u>Before offering endorsements/</u> <u>guarantees for others, this Company</u> <u>shall fully consider the opinion of each</u> <u>independent directors and explicitly</u> <u>record their opinions for and against the</u> <u>proposal in the minutes of board</u> <u>meeting.</u></p> <p><u>Paragraph 4: Omitted.</u></p>	<p>Paragraph 3 is abolished (for the same reason as for paragraph 2, Article 8), and paragraph 4 is re-adjusted as paragraph 3.</p>
<p>Article 18</p> <p>The Company shall prepare a memorandum book for endorsements/ guarantees and maintain in detail a record of the following information: recipients of endorsements/guarantees, amounts, date of BOD approval, endorsement/guarantee date, and matters requiring careful assessment as specified in paragraph 1.</p> <p>The Company's internal auditors shall audit the endorsement/guarantee operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform the <u>Audit Committee</u> in writing.</p>	<p>Article 18</p> <p>The Company shall prepare a memorandum book for endorsements/ guarantees and maintain in detail a record of the following information: recipients of endorsements/guarantees, amounts, date of BOD approval, endorsement/guarantee date, and matters requiring careful assessment as specified in paragraph 1.</p> <p>The Company's internal auditors shall audit the endorsement/guarantee operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform all <u>supervisors</u> in writing.</p>	<p>Substitution of "supervisors" with the "audit committee" according to the amendment of articles of incorporation.</p>
<p>Article 19</p> <p>Paragraph 1: Omitted</p>	<p>Article 19</p> <p>Paragraph 1: Omitted</p> <p><u>Where submitting a case to BOD for</u> <u>approvals, the opinion of each</u> <u>independent directors shall be taken into</u> <u>full consideration, and their opinions for</u> <u>or against the case shall be explicitly</u> <u>retained in the minutes of board</u> <u>meeting.</u></p>	<p>Paragraph 2 is abolished (for the same reason as for paragraph 2, Article 8).</p>
<p>Article 20</p> <p>Where a recipient of endorsement/ guarantee is unqualified or the amount exceeds the limit under this Procedure after a change in circumstances, the Company shall draw up an improvement plan and submit it to the <u>Audit Committee</u> and shall implement corrections as scheduled in the plan.</p>	<p>Article 20</p> <p>Where a recipient of endorsement/ guarantee is unqualified or the amount exceeds the limit under this Procedure after a change in circumstances, the Company shall draw up an improvement plan and submit it to <u>all supervisors</u> and shall implement corrections as scheduled in the plan.</p>	<p>Substitution of "supervisors" with the "audit committee" according to the amendment of articles of incorporation.</p>

## **IV. Appendices**

### **Appendix 1**

#### **Taiwan Cogeneration Corporation**

#### **Rules of Procedure for Meetings of Shareholders**

Approved by initiators meeting on April 14, 1992

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

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

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

speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.

A shareholder present does not actually speak after submitting a speaker's slip shall be deemed to have not spoken. When the content of the speech is inconsistent with the subject specified in the speaker's slip, the spoken content shall prevail.

Except with the consent of the chairperson or the shareholder making his/her speech, a shareholder shall not disturb a speech. The chairman may stop shareholders who violate this clause.

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

## Appendix 2

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

## Chapter I General Provisions

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

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

## Chapter II Shares

- Article 7 The total authorized capital of this Company is New Taiwan Dollar Eight Billion (NT\$8 billion) divided into eight hundred million (800,000,000) shares with a par value at New Taiwan Dollar Ten (NT\$10) each. The Board of Directors is authorized to issue such shares in common stocks in a series of issuance.
- Article 8 Stocks of this Company shall be signed by or affixed with the personal seal of at least three directors and serially numbered. These stocks shall be certified by the competent authorities or a certifying institution appointed by the competent authorities prior to issuance. After recordation by the centralized securities custody enterprise/ institution, this Company may issue shares without printing a share certificate.
- Article 9 Stocks issued by this Company are registered stocks. The real name of holders shall be indicated on the stock (share certificate). Where the holder is a corporation, the real name and address of all shareholders and/or the statutory representative shall be recorded in the list of shareholders of this Company. Where there are two more holders, one of them shall be designated as the representative.
- Article 10 After a stock is lost or extinguished, the shareholder or legal holder shall report to the law enforcement agency and complete the lost stock report and submit it to this Company for examination and registration. This shareholder or legal holder shall also apply for public summons to the jurisdiction district court in accordance with the procedure for public summons in the Taiwan Code of Civil Procedure. After the ex-right judgement, this shareholder or legal holder shall apply for the re-issuance of the lost stock to this Company with the court decision.
- Article 11 When re-issuing stocks for ownership transfer or lost/extinguished stocks, this Company may charge an appropriate fee adequate for printing the stock.
- Article 12 Shareholders shall complete their real name and address, affix their personal seals to the signature specimen card, and submit the photocopy of their identity card (corporate shareholders shall submit the photocopy of the company license and business registration certificate issued by the Ministry of Economic Affairs and the photocopy of the identity card of the statutory representative and his/her signature specimen card) to this Company or the shareholder services agent for cross examination when shareholders collect their dividends or exercise their rights. The same shall apply to any change of such.
- Article 13 Shareholders shall immediately notify this Company in writing when they lost their seal of the previous Article registered at this Company. Shareholders shall also bring the original copy of any identity documents and the new seal to this Company to register their new seals. When shareholders assign an agent to register their new seals, apart from bringing the original copy of the identity documents, the new seal, and a power of attorney of the shareholder, the agent shall also bring the original copy of their own identify card and personal seal to register the new seal for the shareholder.
- Article 14 Registration for transfer of shares shall be suspended sixty (60) days prior to the date of the annual general shareholders meeting, thirty (30) days prior to the date of a provisional meeting of shareholders, or within five (5) days prior to the day

on which dividend, bonus, or any other benefit is scheduled to be paid by this Company.

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

### Chapter III Meetings of Shareholders

Article 16 Meetings of shareholders include the following two types:

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

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

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

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

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

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

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

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



## Chapter IV Directors and Supervisors

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

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

## Chapter V Managerial Officers

- Article 35 This Company shall have one general manager and several vice general managers and division heads. The chairman shall nominate the general manager, and the general manager shall nominate vice general managers and division heads. In addition to the provisions specified in Article 29, the appointment, discharge and compensations shall be subject to Article 29 of the Company Ac.
- Article 36 The general manager shall administer the business of this Company according to the chairman's order and supervise, execute, and administer the operations of this

Company. Vice general managers shall assist the general manager to carry out his/her duties.

## Chapter VI Financial Statements

- Article 37 The financial year of this Company begins on January 1 and ends on December 31 in the same year. After the end of each financial year, the Board of Directors shall produce the following reports. After submitting them to the supervisors for review within thirty (30) days prior to the annual general shareholders meeting, the board of directors shall apply for adoption of these reports on the meeting of shareholders.
1. Business report.
  2. Financial statements.
  3. Proposal for profit distribution or covering up deficits.
- Article 38 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 39 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 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 40 The board of directors is authorized to discuss and determine the remunerations for directors and supervisors according to their involvement in this Company's operations, their contributions to this Company, and the general level in the same industry. Directors and supervisors may claim travel allowance each month. The

board of directors shall determine the amount of the travel allowance.  
Shareholders or directors of this Company who are concurrently a managerial officer or employee of this Company shall be paid according to general employees.

## **Chapter VII Addenda**

Article 41 Matters not provided for herein shall be subject to the law of the Republic of China.

Article 42 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 43

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

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

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

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

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

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

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

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

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

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

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

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.

Home-Joe Lee

Chairman

Taiwan Cogeneration Corporation

## Appendix 3

### **Taiwan Cogeneration Corporation Rules for Directorial and Supervisorial Elections (before amendment)**

Passed by the Initiator Conference on 14 April 1992

1<sup>st</sup> amendment was passed by the Annual General Meeting of Shareholders on 2 September 1997

2<sup>nd</sup> amendment was passed by the Annual General Meeting of Shareholders on 27 June 2002

3<sup>rd</sup> amendment was passed by the Annual General Meeting of Shareholders on 28 June 2007

1. Unless the law or the Articles of Incorporations of this Company otherwise requires, this Rules shall apply to the directorial and supervisorial elections of this Company.
2. The annual general meeting (AGM) of shareholders shall elect directors and supervisors of this Company from among competent shareholders. The electoral results shall be calculated based on the number of seats specified in the Articles of Incorporation. Candidates with more votes shall be directors, independent directors, and supervisors respectively. When elected candidates outnumbers the seats, candidates with equal votes shall be decided by drawing. The chairperson may draw the lot on and for the behalf of candidates absent from the election.
3. This Company adopts the single-transferable-vote (STV) open ballot system. Each share is entitled the same right to vote the same number of directorial and supervisorial candidates. Shareholders may put all the votes on one or several candidates, provided that the number of votes shall not exceed the total number of candidates.
4. Where the same person is authorized by two or more shareholders who are unable to attend the AGM to vote on and for their behalf, the total number of votes represented by this person shall not exceed three percent (3%) of the totally issued shares. Votes in excess of this percentage will not be considered.
5. The Board of Directors (BOD) shall print the votes in the exact number of directors and supervisors to be elected and distribute them to attended shareholders. BOD shall also specify the number of votes entitled to a shareholder. The meeting pass number may substitute the name of voters. Where a candidate is a shareholder, voters shall indicate the name and shareholder number of the candidate in the candidate column on the vote. Where a candidate is not a shareholder, the name and identity document number of this candidate shall be specified in the candidate column on the vote. Where the government or an institutional shareholder is a candidate, the name of the government or institutional shareholder or the name of their representative shall be specified in the candidate column on the vote. When there are several representatives, the name of each representative shall be specified.
6. The AMG chairperson shall appoint two of the attended shareholders to be election inspectors prior to the election.
7. Duties of election inspectors:
  - (1) Open and examine the ballot box in front of attendees and seal it up afterwards before the election begins.
  - (2) Monitor election order.
  - (3) Monitor if there is negligence or violation in the election process.
  - (4) Unseal the ballot box and check the number of votes after the election.

- (5) Check vote validity before handing to vote counting personnel
  - (6) Monitor vote counting personnel to register the votes won by each candidate.
8. A vote shall be invalid under any one of the following circumstances:
- (1) Votes that are not printed by BOD.
  - (2) The name of candidate on a vote is illegible.
  - (3) The number of candidates written in a vote exceeds the total number of seats.
  - (4) The total number of votes won by a candidate exceeds the total number of votes in the election.
  - (5) Altered votes or votes with other text.
  - (6) Where the candidate is a shareholder, his/her name and shareholder number is inconsistent with the data in the list of shareholders. Where the candidate is not a shareholder, his/her name and identity document number are inconsistent.
  - (7) Candidate carrying the same name of other shareholders without other identification, such as shareholder number or identity document number.
9. After the election, the chairperson shall announce the results at the AGM and BOD shall record all results for the record.

## Appendix 4

# **Taiwan Cogeneration Corporation** **Asset Acquisition and Disposal Operating Procedure** **(before amendment)**

Established by the General Meeting of Shareholders on 20 June 2012  
1<sup>st</sup> Amendment made by the General Meeting of Shareholders on 19 June 2014

## **Chapter I General Provision**

- Article 1** This Procedure is established in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission (FSC).
- Article 2** Unless other law otherwise requires, this Company shall acquire or dispose assets in accordance with this Procedure.
- Article 3** The term “assets” under this Procedure includes the following:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  2. Real property (including land, houses and buildings, investment property, rights to use land) and equipment.
  3. Memberships.
  4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
  5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
  6. Derivatives.
  7. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfer of shares in accordance with law.
  8. Other major assets.
- Article 4** Terms used in this Procedure are defined as follows:
1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
  2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfers of shares by law: Assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or transfers of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under paragraph 8, Article 156, of the Company Act.
  3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or

equipment.

5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of resolutions made by boards of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China.

**Article 5** Terms used in this Procedure are defined as follows:  
Professional appraisers and their officers, certified public accounts (CPAs), legal counsels, and securities underwriters providing this Company with appraisal reports, CPA opinions, legal counsel's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

## **Chapter II Disposition Procedures**

### **Section 1 Establishment of Disposition Procedures**

**Article 6** This Procedure shall be approved by BOD before submitting to all supervisors and the AGM for consent adoption, and the same shall apply to revisions thereof. Where a director disagrees with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor. When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their objections or qualified opinions shall be explicitly retained in the minutes of board meeting.

**Article 7** In real property transactions or the transactions of other fixed assets, the organizing department shall assess the analysis results, draws up transaction terms, submits them for approval according to the approval hierarchy, and makes approval according to the Company's authorization procedure.  
In securities transactions, the organizing department shall analyze and predict the future prospects with reference to the market condition so as to draw up transaction terms and makes approval according to the Company's authorization procedure.  
This Company shall supervise subsidiaries to establish and implement their own asset acquisition and disposal procedures. A subsidiary shall provide information regarding asset acquisition and disposal for this Company at planned intervals for reference.  
Personnel violating the procedures for asset acquisition and disposal shall be punished in accordance with the regulations for rewards and punishments of this Company.

**Article 8** For acquisition or disposal of assets that shall be approved by BOD as specified by this Procedure or other laws, where a director disagrees with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor.  
When submitting a transaction of acquisition or disposal of assets to BOD for discussions according to the foregoing article, the opinion of each independent



director shall be taken into full consideration, and their objections or qualified opinions shall be explicitly retained in the minutes of board meeting.

## **Section 2 Acquisition or Disposal of Assets**

**Article 9** Except for transactions with government organizations, outsourcing construction projects on own property, outsourcing construction projects on leased property, or acquiring/disposing equipment for business use, when acquiring or disposing real property or equipment with a transaction amount up to 20% of the Company's paid-in capital or over NT\$300 million, this Company shall obtain a professional appraisal report on the subject matter issued by professional appraisers prior to transaction and meet the following requirements:

1. Where a transaction is conducted at a limited price, specific price, or special price for a special reason (special reasons), the transaction shall first be approved by BOD. The above procedure shall apply where the transaction terms change.
2. When the transaction amount is above NT\$1 billion, two or more professional appraisers shall be hired to appraise the subject matter of transaction.
3. Unless all appraisal prices of asset acquisition are otherwise higher than the transaction price or all appraisal prices of asset disposal are otherwise lower than the transaction price, the in-charge department(s) shall consult a CPA to review the cause(s) of price difference and express opinion on the fairness on the transaction price in accordance with the Statements of Auditing Standards (SAS) No. 20 published by the Accounting Research and Development Foundation in Taiwan under any one of the following circumstances:
  - (1) The difference between the appraisal price and transaction price is over 20% of the transaction price.
  - (2) The appraisal price of two or more professional appraisers is over 10% of the transaction price.
4. No more than three months shall elapse between the date of issue of the appraisal report by a professional appraiser and the contract execution date; provided, where the publicly announced current value of the same period is used and not more than six months have elapsed, the original professional appraiser may still express an opinion.

**Article 10** When acquiring or disposing securities, this Company shall obtain the latest financial statements of the issuing company certified or reviewed by a certified public accountant for the reference of appraising the transaction price prior to the date of occurrence of the event. In addition, when the transaction amount is over 20 percent of the Company's paid-in capital or NT\$300 million, the Company shall additionally consult a CPA to express opinion on the fairness of the transaction price prior to the date of occurrence of the event. Where an expert report is required as evidence, the CPA shall proceed in accordance with the SAS No. 20 published by the Accounting Research and Development Foundation in Taiwan, except for securities with publicly quoted prices in the active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

**Article 11** Except for transactions with government organizations, when acquiring or disposing memberships or intangible assets amounting up to 20% of the Company's paid-in capital or NT\$300 million, this Company shall consult a CPA

to express opinion on the fairness of the amount prior to the date of occurrence of the event. The CPA shall, in return, proceed in accordance with SAS No. 20 published by the Accounting Research and Development Foundation in Taiwan.

**Article 11-1** The transaction amount referred to in the foregoing three articles shall be calculated in accordance with paragraph 2 of Article 30, and “within one year” refers to the year before the date of occurrence of the current transaction. The section(s) with an appraisal report from a professional appraiser or the CPA opinion obtained in accordance with this Procedure shall be exempted.

**Article 12** Where the Company acquires or disposes assets through the court auction procedure, the evidentiary documentation issued by the court may substitute the appraisal report or CPA opinion.

### **Section 3 Related Party Transaction**

**Article 13** When acquiring or disposing assets with a related party, apart from ensuring that the required resolutions are adopted and the fairness of the transaction terms is appraised in accordance with the this and previous sections, the Company shall obtain an appraisal report from a professional appraiser or the CPA opinion where the transaction amount exceeds 10% of the Company’s net worth. The transaction amount referred to in the foregoing paragraph shall be calculated in accordance with Article 11-1. When judging whether or not the counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall be considered.

**Article 14** Except for trading government bonds and repurchase (RP)/reserve repurchase (RS) securities, subscribing or redeeming domestic money market funds (MMFs), when acquiring or disposing real property with related parties, or acquiring or disposing assets other than real property with related parties at a transaction amount up to 20% of the paid-in capital or 10% of the total assets of this Company, or over NT\$300 million, the Company shall submit the following data to BOD for approval and to supervisors for adoption prior to concluding the transaction agreement and disburse the payment:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason(s) for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the fairness of the preliminary transaction terms in accordance with Article 15 and Article 16.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty’s relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA’s opinion obtained in compliance with the foregoing article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The transaction amount referred to in the foregoing paragraph shall be calculated in accordance with paragraph 2, Article 30, and “within one year” referred to in

this Procedure shall mean one year before the date of occurrence of the current transaction. Transactions that have been approved by BOD and adopted by supervisors can be exempted.

When acquiring or disposing equipment intended for business use between the Company and subsidiaries, BOD may authorize the chairperson to directly proceed acquisition or disposal within a designated limit and apply for adoption of the transaction in the next board meeting.

When submitting a transaction to BOD for discussions according to paragraph 1, the opinion of each independent director shall be taken into full consideration, and their objections or qualified opinions shall be explicitly retained in the minutes of board meeting.

**Article 15** When acquiring real property from a related party, the Company shall evaluate the fairness of the transaction cost by appraising:

1. The cost including the transaction price and necessary interest on funding of the related party and the buyer's cost. "Necessary interest on funding" is calculated based on the weighted average interest rate on borrowing in the year the Company purchases the property, provided that the rate shall not exceed the maximum lending rate of non-financial industries announced by the Ministry of Finance.
2. The total value appraised by the lending financial institution where a related party has mortgaged the real property to a financial institution, provided that the actual cumulative amount lent by the financial institution shall be above 70% of the appraised total value and the period of lending shall be over one year. This shall not apply where the financial institution is a related party of one of the trading counterparties.

Where both the land and premises of the same subject matter are purchased in the same transaction, the transaction cost of the land and the premises can be appraised individually in accordance with either means in the foregoing paragraph.

When purchasing real property from a related party, after appraising the cost in accordance with paragraphs 1 and 2, the Company shall consult a CPA to review and express specific opinion on the appraisal results.

Where acquiring real property from a related party under any one of the following circumstances, the foregoing three paragraphs shall not apply, and the Company shall proceed in accordance with the Article 14:

1. The related party acquires the real property through inheritance or as a gift.
2. More than five years have elapsed between the time when the related party acquires the real property by contract and date of contract execution of the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

**Article 16** Where the results of appraisals conducted in accordance with paragraphs 1 and 2 of the foregoing article are lower than the transaction price, acquisition shall be proceeded in accordance with Article 17, except under the following circumstance otherwise and objective evidence and the opinion on the fairness of the price expressed by a professional real property appraiser and a CPA are presented.

1. When acquiring undeveloped land or leased land for development, a related party shall submit proof of compliance with any one of the following

conditions:

- (1) The sum of the value of undeveloped land appraised in accordance with the foregoing paragraph and the value of premises calculated in accordance with the construction cost plus reasonable construction profit of the related party exceeds the actual transaction price.  
“Reasonable construction profit” shall be either the average gross profit margin of the related party’s construction sector over the last three years or the latest gross profit margin for the construction industry promulgated by the Ministry of Finance (MOF), whichever is lower.
  - (2) Completed transactions by unrelated parties within the previous year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the previous year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. When acquiring real property from a related party, this Company shall provide evidence to prove that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the previous year.

Completed transactions for neighboring or closely valued parcels of land in the foregoing paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the previous year refers to the year foregoing the date of occurrence of the acquisition of the real property.

**Article 17** Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with articles 15 and 16 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Supervisors shall proceed in accordance with Article 28 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

After setting aside a special reserve under the foregoing paragraph, this Company shall not use the special reserve until it has been recognized as a loss on decline in market value of the assets it purchased at a premium, or has been disposed, or

adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that no unfairness about the transaction is found, and the FSC has given its consent.

When acquiring real property from a related party, this Company shall also comply with the foregoing two paragraphs if there is other evidence indicating that the acquisition is not an arm's length transaction.

#### **Section 4 Derivatives Transaction**

**Article 18** The principles and policy of derivatives transactions of this Company:

1. Types of transactions: Currently, derivatives transaction of this Company is limited to forward foreign exchange. Transactions of other types of derivatives shall be engaged after BOD approval.
2. Operation and hedge strategies: This Company shall engage in derivatives transactions to avoid exchange risks. Hedge shall be implemented only after assessing the consistency of supply or demand derived from the actual or predicted foreign currencies receivable (payable).
3. Responsibility and authority: The Financial Department shall conduct derivatives transactions. The head of the Financial Department shall also assign personnel to take charge of transactions, settlements, and confirmations before submitting to the responsible officers for approval.
4. Performance assessment: The performance of hedge operation shall be measured and assessed in accordance with the Company's hedge strategy.
5. Contract total amount: The limit of hedge transaction, the position of actual foreign exchange required after assessing the overall foreign currency assets and liabilities shall not exceed the required foreign exchange position of the Company.
6. Loss upper limit: The upper limit of the Company's overall or individual forward exchange agreements shall not exceed 20% of respective agreements.
7. Operating procedures
  - (1) Planning: After consolidating forex position lists in accordance with the Company's forex supply or demand, derivatives trading personnel shall draw up the hedge operating and planning strategy with reference to the assessment of forex rate trends and present the strategy to responsible officers for approval prior to implementation.
  - (2) Implementation: After negotiating the transaction price with financial institutions with regards to the approved hedge operating and planning strategy, trading personnel shall compile a written derivatives transaction report and present it to the responsible officer for approval for the reference of settlement.
8. Accounting: Gains and losses from derivatives transactions shall be calculated, drawn, and billed in accordance with the current principles of financial accounting and disclosed in the financial statements.

**Article 19** When engaging in derivatives transaction, this Company shall adopt the following risk management measures:

1. Risk management shall address credit, market price, liquidity, cash flow, operational, and legal risks.
2. Personnel engaging in derivatives transaction shall not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned from

departments different from that personnel in the foregoing item and shall report to BOD or higher-level officers with no responsibility for transaction or position decision-making.

4. Positions held for derivatives transaction shall be assessed at least once per week; however, positions for hedge transactions for business needs shall be assessed at least twice per month. Assessment reports shall be submitted to higher-level officers authorized by BOD.
5. Other important risk management measures.

**Article 20** When engaging in derivatives transactions, BOD shall supervise and manage such transactions in accordance with the following principles:

1. Designate higher-level officers to pay continuous attention to monitoring and controlling derivatives transaction risks.
2. Periodically assess if transaction performance is consistent with established business strategy and of the risk undertaken is within the Company's permitted scope of tolerance.

Higher-level officers authorized by BOD shall manage derivatives transactions in accordance with the following principles:

1. Assess, at planned intervals, the suitability of the existing risk management measures and proceed transactions exactly in accordance with this Procedure and the derivatives transaction operating procedure of this Company.
2. Monitor the status of transactions and losses, take necessary actions against anomalies, if any, and immediately report to BOD. Independent directors shall sit in a board meeting and express their opinions.

After authorizing relevant personnel to conduct derivatives transaction in accordance with this Procedure, the Company shall report this to the next board meeting afterwards.

**Article 21** When engaging in derivatives transactions, this Company shall establish a memorandum book in record in detail the types and amounts of derivatives transactions, BOD approval dates, and the matters required for careful assessment under item 4 of Article 19; item 2 of paragraph 1 and item 1 of paragraph 2 of Article 20.

Internal auditor of this Company shall periodically determine the fairness of internal controls on derivatives transactions and audit the procedural compliance of departments engaging in derivatives transactions, and records shall be maintained. Auditor shall inform all supervisors of any material violations in writing.

## **Section 5 Merger, Spin-off, Acquisition, and Transfer of Shares**

**Article 22** When conducting a merger, spin-off, acquisition, or transfer of shares, prior to convening a board meeting, the Company shall consult a CPA, legal counsel, or securities underwriter to express opinion on the fairness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the opinion to BOD for discussions and approval.

**Article 23** When conducting a merger, spin-off, acquisition, or transfer of shares project, the Company shall prepare a public report to shareholders specifying the important contractual contents and terms relevant to the merger, spin-off, or acquisition prior to a general meeting of shareholders and include the expert opinion referred to in paragraph 1 of the foregoing article when sending a notice general meeting

of shareholders to shareholders for the reference of approval of the merger, spin-off, or acquisition; except when the resolution on mergers, spin-offs, or acquisitions made by AGM is otherwise exempted by other laws.

Where the AGM of any one of the parties participating in a merger, spin-off, or acquisition fails to convene or pass a resolution due to the lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the general meeting of shareholders, the companies participating in the merger, spin-off, or acquisition shall immediately explain to the public the reason(s), the follow-up measures, and the scheduled date of the next general meeting of shareholders.

- Article 24** Unless other law otherwise specifies or for special reasons that have been reported to and approved by FSC, the company participating in a merger, spin-off, or acquisition shall convene a board meeting and a general meeting of shareholders on the same day of transaction to resolve relevant matters when conducting a merger, spin-off, or acquisition.
- Unless other law otherwise specifies or for special reasons that have been reported to and approved by FSC, the company participating in transfer of shares shall convene a general meeting of shareholders on the same day of transaction when conducting a transfer of shares.
- When conducting a merger, spin-off, acquisition, or transfer of shares, the Company shall document the following data and retain such data for five years for auditing
1. Basic data of personnel: Including the title, name, and citizen ID number (or passport number for aliens) of all persons involved in the planning or implementation of a merger, spin-off, acquisition, or transfer of shares prior to the disclosure of information.
  2. Important dates: Including the date of execution of any letters of intent or memoranda of understanding; the date of appointment of a financial advisor or legal consult; the date of contract execution; and the date of the board meeting.
  3. Important documents and minutes: Including the plan of a merger, spin-off, acquisition, or transfer of shares, any letters of intent or memoranda of understanding, important contracts, and the minutes of board meeting.
- When participating in a merger, spin-off, acquisition, or transfer of shares, the Company report the data specified in items 1 and 2 to FSC over the internet in the required format within two days after BOD approval.
- Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, this Company shall sign an agreement with them and proceed in accordance with paragraphs 3 and 4.

- Article 25** Every person participating in or acknowledging the plan of a merger, spin-off, acquisition, or transfer of shares shall sign a non-disclosure agreement and shall neither disclose the contents of the plan nor trade any stocks or other equity-based securities of any companies related to the plan of a merger, spin-off, acquisition, or transfer of shares in their own name or in the name of other persons prior to the public disclosure of information.

- Article 26** When conducting a merger, spin-off, acquisition, or transfer of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price except for the following circumstances. The company shall also specify in the

contract the circumstances for altering the terms of the merger, spin-off, acquisition, or transfer of shares.

1. Issuance of common stock for cash, convertible corporate bonds, bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as a disposal of major corporate assets, that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any one of the companies participating in a merger, spin-off, acquisition, or transfer of shares buys back treasury stock by law.
5. An increase or decrease in the number of entities or companies participating in a merger, spin-off, acquisition, or transfer of shares.
6. Other terms/conditions that can be altered as specified in the contract and that have been publicly disclosed.

**Article 27** When conducting a merger, spin-off, acquisition, or transfer of share, apart from the rights and duties of participants, the Company shall specify the following:

1. Handling of breach of contract.
2. Principles for handling equity-based securities previously issued or treasury stock previously bought back by a participant that will be extinguished after a merger or spin-off.
3. The quantity of treasury stocks that participants permitted to buy back by law after the base date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The way(s) for handling changes in the number of participating entities or companies.
5. Preliminary schedule for plan execution and the anticipated date of completion.
6. The procedures, including the scheduled date, for convening a general meeting of shareholders by law where the plan is overdue.

**Article 28** Where a participant wishes to conduct a merger, spin-off, acquisition, or transfer of shares with another company after publicly disclosing a merger, spin-off, acquisition, or transfer of shares with this Company, all participants shall run again all procedures or legal actions that have been completed for the previous merger, spin-off, acquisition, or transfer of shares; except for a reduction of the number of participants that has been resolved and authorized the board of directors to change the authority by the general meeting of shareholders that participants may be exempted from calling another general meeting of shareholders to resolve on the merger, spin-off, acquisition, or transfer of shares again.

**Article 29** Where the participant of a merger, spin-off, acquisition, or transfer is not a public company, the Company shall sign an agreement with this participant and proceed in accordance with articles 24, 25, and 28.

### **Chapter III Public Disclosure of Information**

**Article 30** When acquiring or disposing assets, this Company shall publish/report relevant information by the asset type in the required format on the website designated by FSC within two days after occurrence under any one of the following



circumstances:

1. Acquiring or disposing real property with related parties, or acquiring or disposing assets other than real property with related parties at a transaction amount up to 20% of this Company's paid-in capital, or up to 10% of the total assets, or over NT\$300 million, except for trading bonds and RP/RS securities, subscribing or redeeming domestic MMFs.
2. Conducting mergers, spin-offs, acquisitions, or stock transfers.
3. Losses from derivatives transactions reaching the limits on aggregate losses or losses on individual contracts specified in the relevant procedures.
4. Asset transactions, obligations disposed by financial institutions, or investments in mainland China other than that mentioned in the foregoing three paragraphs at an amount above 20% of the Company's paid-in capital or over NT\$300 million, except for the following circumstances:
  - (1) Trading government bonds.
  - (2) Trading RP/RS securities, subscribing or redeeming domestic MMFs.
  - (3) Acquiring or disposing equipment for business use with counterparties who are not a related party at an amount under NT\$500 million.
  - (4) Acquiring real property through outsourcing construction projects on own real property, outsourcing construction projects on leased real property, or joint construction at a planned investment amount under NT\$500 million.

The amount of the said transactions shall be calculated as follows:

1. The amount of individual transactions.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within one year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

"Within one year" referred to in this Procedure shall mean the one year prior to the date of occurrence of the current transaction. Transactions that have been published in accordance with this Procedure can be exempted.

This Company shall publish in the format and on the information disclosure website designated by the FSC by the 10<sup>th</sup> of each month on the information regarding the status of derivatives transactions in the previous month of this Company and the subsidiaries of a non-public company at home or abroad.

Where there are mistakes or omissions of the items required for disclosure requiring corrections or supplementations found at the time of disclosure, this Company shall re-disclose all items.

Unless other law otherwise specifies, when acquiring or disposing assets, this Company shall retain for at least five years all relevant contracts; minutes of meetings; memorandum books; appraisal reports; and the opinion expressed by the CPA, legal counsel, and securities underwriter.

**Article 31** After publishing/reporting a transaction as specified above, the Company shall publish/report relevant information on the website designated by FSC within two days from occurrence under any one of the following circumstances:

1. Alteration, termination, or rescission of signed contracts relating to the transaction.
2. A merger, spin-off, acquisition, or transfer of share is not completed as scheduled.

3. Change in the published information.

#### **Chapter IV Addendum**

**Article 32** This Company and subsidiaries shall not purchase real property not intended for business with a total amount exceeding 10% of that company's net worth. This Company shall not purchase securities with a total amount exceeding 200% of that Company's net worth. A subsidiary shall not purchase securities with a total amount exceeding 130% of its net worth. This Company and subsidiaries shall not invest in any single security with an amount over 130% of that company.

**Article 32-1** The transaction restriction at 10% of total assets in this Procedure shall be calculated in accordance with the amount of total capital disclosed in the latest individual financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where shares have no par value or a par value other than NT\$10, the transaction restriction at 20% of paid-in capital in this Procedure as specified in articles 9-11, 14, 30, and 33 shall be calculated at 10% of the equity attributed to owners of the parent company.

**Article 33** This Company may represent a subsidiary that is not a domestic public company in acquisition or disposal of assets that shall be disclosed in Chapter III. The paid-in capital or total assets of the Company shall be the criteria for determining if a subsidiary referred to in the foregoing paragraph is subject to paragraph, paragraph 1 of Article 30, requiring the publication and regulatory filing where the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

**Article 34** This Procedure shall take effect as of the date of AMG approval.

## **Taiwan Cogeneration Corporation**

### **Loaning, Endorsements and Guarantees Operating Procedures**

**(before amendment)**

Established by the General Meeting of Shareholders on 20 June 2012  
1<sup>st</sup> Amendment made by the General Meeting of Shareholders on 21 June 2013

#### **Chapter I    General Principles**

**Article 1**    This Procedure is established in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies” promulgated by the Financial Supervisory Commission (FSC).

**Article 2**    Unless other law otherwise requires, this Company shall offer loans, endorsements, or guarantees to others in accordance with this Procedure.

**Article 3**    Unless under otherwise the following circumstances, this Company shall not lend to shareholders or other persons:

1. Companies/firms having business with this Company.
2. Companies of which this Company holds, directly or indirectly, more than 50 percent of voting shares or companies which hold, directly and indirectly, more than 50 percent of the voting shares of this Company requiring short-term financing for business needs. The financing amount of lending shall not exceed 40% of the net worth of the borrower.

“Short-term” in the foregoing item refers to a term less than one year.  
“Financing amount” in the foregoing items refers to the cumulative balance of the short-term financing.

**Article 4**    “Endorsements and Guarantees” referred to in this Procedure shall mean:

1. Financing endorsements/guarantees, including:
  - (1) Bill discount financing.
  - (2) Endorsements or guarantees made to meet the financing needs of another company.
  - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

This Procedure shall also apply to a pledge or mortgage on the Company’s chattel or real property as security for the loans of another company.

**Article 5**    This Company may offer endorsements/guarantees for the following companies:

1. Companies having business with this Company.
2. Companies of which this Company holds, directly or indirectly, more than 50 percent of voting shares.
3. Companies which hold, directly and indirectly, more than 50 percent of the voting shares of this Company.

This Company and companies of which this Company holds, directly or

indirectly, more than 90% of voting shares may offer endorsements/guarantees to each other, and the endorsement/guarantee amount shall not exceed 10% of this Company's net worth; except for endorsements/guarantees between this Company and directly or indirectly wholly-owned companies of this Company. The foregoing two paragraphs do not apply to the mutual guarantee made under contractual obligations for the need of contract undertaking between this Company and associates or co-builders; or endorsements/guarantees made by all capital contributing shareholders for the invested company in proportion to the shares held by the Company in a joint investment project. "Capital Contribution" referred to in the foregoing paragraph shall mean capital directly contributed by this Company or through a company of which this Company holds 100% of the voting shares.

**Article 6** "Subsidiary" and "Parent Company" referred to in this Procedure shall be as determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Net Worth" referred to in this Procedure shall mean the equity attributed to owners of the parent company as stated in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article 7** "Disclosure and Report" referred to in this Procedure shall mean the process of entering data to the information reporting website designated by FSC.

"Date of Occurrence" referred to in this Procedure shall mean the date of contract execution, date of payment, date of board resolutions, or other dates valid for determining the transaction counterparty and transaction amount of a transaction, whichever is earlier.

## **Chapter II Establishment of Operating Procedures**

### **Section A Lending to Others**

**Article 8** After BOD approval, this Procedure shall be submitted to each supervisor and the general meeting of shareholders for consent. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor and the general meeting of shareholders for discussions. The same shall apply for any revisions thereof. When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their opinions for or against the Procedure shall be explicitly retained in the minutes of board meeting.

**Article 9** Matters relating to lending to others are as follows:

1. Recipients of lending: Subject to Article 3.
2. Assessment criteria, total amount, and limit on individual recipients of lending:

The total amount of lending shall be calculated in accordance with the net worth in the same period disclosed in the latest financial statements certified or reviewed by a CPA and the cumulative amount of financing.

- (1) The lending amount shall not exceed 40% of the net worth in the same period of this Company.
- (2) The lending amount for individual companies/firms having business

with this Company shall not exceed the cumulative amount of business transactions over the past 12 months. “Amount of Business Transactions” shall mean the purchasing or sales amount between both parties, whichever amount is higher.

- (3) The lending amount for companies with short-term financing needs shall not exceed 20% of the net worth of that company in the same period.
3. Lending term and interest calculations
  - (1) The lending amount shall be limited to short-term financing, with a term of each time of lending not exceeding one year.
  - (2) Interest calculations

The interest for lending shall not be lower than the highest interest rate for short-term loans raised by this Company to a financial institution. The lending interest of this Company shall be charged on a daily basis and payable on a monthly basis, except for special circumstances where adjustments shall be made based on actual situations with a BOD consent.
4. Lending procedures
  - (1) When applying for lending, borrowers shall submit the required company data and financial data to apply for a credit limit to this Company. After accepting an application, the Financial Department of this Company shall assess the applicant in terms of the purpose of borrowing, financial position, credit, and state of operation. The Financial Department shall submit a credit investigation report to the chairperson for approval before forwarding the application to BOD for resolution before lending.
  - (2) Except for wholly-owned subsidiaries, this Company shall acquire from borrowers an asset-backed commercial paper (ABCP) with the contractual repayment date as the maturity date. This Company may also request borrowers to provide an endorsement/guarantee from a guarantor approved by this Company and mortgage/pledge chattels or real property to secure the obligation of this Company.
  - (3) Regarding the obligation security in the foregoing item, where an obligor provides a guarantee offered by an individual or a company with adequate capital or credit in place of chattels or collaterals, BOD may make judgments based on the credit investigation report submitted by the Financial Department. Prior to accepting an institutional guarantee, BOD shall ensure that this has been specified in the articles of incorporation of that company.
5. Detailed review procedures shall include:
  - (1) The necessity and fairness of lending to others.
  - (2) The credit status of borrowers and risk assessment.
  - (3) Impacts on the Company’s operational risk and financial position and on shareholder equity.
  - (4) The need for collaterals and appraisal of their value.
6. Measures for the subsequent control and management of loans, and procedures for handling delinquent loans.
  - (1) After releasing a loan, the Financial Department shall pay close attention to the financial, business, and relevant credit status of borrowers and guarantors, as well as the change in the value of collaterals, if any.
  - (2) When a borrower repays a loan on or before the maturity date, the

Financial Department shall first calculate the interest payable and cancel and return the ABCP to borrowers or cancel the liens after borrowers repay the interest and principal.

- (3) Borrowers shall repay the principal plus interest by the maturity date. Where a late repayment is required, borrowers shall make an application for extension in advance. After reporting to the BOD and obtaining the BOD approval, each loan can be extended for not more than three months for one time only. Where borrowers fail to repay the loan, this Company may directly dispose the collaterals provided or request the guarantor(s) to repay the loan by the law.
7. Managers or case officers violating this operating procedure shall be punished in accordance with the Company's reward and punishment regulations.
8. Procedures for controlling and managing lending to others by subsidiaries: A subsidiary shall report in writing a lending project to the parent company before reporting to BOD for approval and shall only proceed the project with BOD resolution.

**Article 10** When subsidiaries of this Company lend to others, this Company shall request such subsidiaries to establish a lending operating procedure in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies" promulgated by FSC.

## **Section B Endorsements/Guarantees for Others**

**Article 11** After BOD approval, this Procedure shall be submitted to each supervisor and the general meeting of shareholders for consent. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor and the general meeting of shareholders for discussions. The same shall apply for any revisions thereof. When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their opinions for or against the Procedure shall be explicitly retained in the minutes of board meeting.

**Article 12** Items relating to offering endorsements or guarantees for others are as follows:

1. Recipients of endorsements/guarantees: Proceed in accordance with Article 5 based on the principle of reciprocity.
2. When offering endorsements/guarantees for business transactions, the endorsement/guarantee amount for a single recipient shall not exceed the cumulative amount of business transactions over the past 12 months. "Amount of Business Transactions" shall mean the purchasing or sales amount between both parties, whichever amount is higher.
3. Total amount of endorsements and guarantees and limits for individual recipients
  - (1) Total amount of endorsements and guarantees  
The total amount of external endorsements or guarantees provided by this Company and subsidiaries shall not exceed 40% of the Company's net worth.
  - (2) Limits for individual recipients  
The limit of endorsements or guarantees for each enterprise for business reasons shall not exceed shall not exceed 15% of the Company's net

worth, provided that the limit of endorsements or guarantees for each subsidiary shall not exceed 25% of the Company's net worth.

4. Endorsement/guarantee procedures
  - (1) When applying for endorsement/guarantee to this Company, applicants shall first submit relevant endorsement/guarantee information to their BOD for approval prior to sending the minutes of board meeting and an ABCP to this Company for processing.
  - (2) When processing endorsement/guarantee, this Company shall assess the risk of endorsement/guarantee and obtain BOD approval prior to implementation. This Company may request for collaterals where necessary and gather relevant information and the status of implementation in a report presented at the next annual general meeting (AGM) of shareholders for reference.
5. Detailed review procedures shall include:
  - (1) The necessity and fairness of endorsement/guarantee.
  - (2) The credit status of recipients and risk assessment.
  - (3) Impacts on the Company's operational risk and financial position and on shareholder equity.
  - (4) The need for collaterals and appraisal of their value.
6. Procedures for controlling and managing endorsement/guarantee by subsidiaries

A subsidiary shall report in writing an endorsement/guarantee project to the parent company before reporting to BOD for approval and shall only proceed the project with BOD resolution.
7. Procedures for using and safekeeping company seals

The Company shall use the company seal registered at the Ministry of Economic Affairs (MOEA) as the dedicated seal for endorsements/guarantees. The seal shall be kept in custody by a designated person approved by BOD and shall be used to seal or issue negotiable instruments only according to established procedures.
8. Hierarchy of decision-making and authorization

Subject to the authorization chart of this Company.
9. Subsequent measures for endorsement/guarantee
  - (1) When offering endorsement/guarantee to a company, the Financial Department shall retain a photocopy of the bills, contracts, and relevant documentation of endorsement/guarantee for reference.
  - (2) Prior to maturity, the Financial Department shall proactively notify the guaranteed company to retrieve the ABCP kept in the bank or obligation organization and cancel related endorsement/guarantee agreements.
  - (3) The Financial Department shall gather and analyze the operational data of the guaranteed company for the reference of BOD.
10. Managers or case officers violating this operating procedure shall be punished in accordance with the Company's reward and punishment regulations.
11. Measures for the subsequent control and management of endorsement/guarantee for subsidiaries with net worth lower than half of the paid-in capital

Such subsidiaries shall report their operation improvement plan and status of implementation before the 10<sup>th</sup> of each month and shall report their status of operations and risk management at each board meeting.

Where the subsidiary's shares have no par value or a par value other than NT\$10, the paid-in capital shall be calculated according item 11 of the

foregoing paragraph, and the sum of the share capital plus paid-in capital in excess of par shall be substituted.

- Article 13** When subsidiaries of this Company offer endorsement/guarantee for others, this Company shall request such subsidiaries to establish an endorsement/guarantee operating procedure in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies” promulgated by FSC.

### **Chapter III Case Evaluation**

#### **Section A Lending to Others**

- Article 14** Before lending to others, this Company shall carefully assess compliance with this Procedure and shall proceed lending after submitting the assessment results and the evaluation results specified in item 5 of Article 9 to BOD for resolution. This Company shall not authorize others to make a lending decision. Lending to subsidiaries or lending among subsidiaries shall be reported to BOD for resolution in advance in accordance with the foregoing paragraph. The chairperson of this Company may be authorized to disburse by installment a loan or revolve the credit for the same borrower in one year within the amount resolved by BOD. The authorized limit on loans for a single company extended by this Company or subsidiaries shall not exceed 10% of the net worth of the borrower as disclosed in the latest financial statements. When lending to others, this Company shall take into full consideration of the opinions of each independent director, and their decisions and reasons for or against lending shall be explicitly retained in the minutes of board meeting.

- Article 15** The Company shall prepare a memorandum book for lending activities and maintain in detail a record of the following information: borrowers, lending amounts, date of BOD approval, lending date, and matters requiring careful assessment. Internal auditors of this Company shall audit the lending operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform all supervisors in writing.

- Article 16** Where a borrower is unqualified or the balance exceeds the limit under this Procedure after a change in circumstances, this Company shall draw up an improvement plan and submit it to all supervisors, and shall implement corrections as scheduled in the plan.

#### **Section B Endorsements/Guarantees for Others**

- Article 17** Before offering endorsements/guarantees for others, this Company shall carefully assess compliance with this Procedure and shall offer endorsements/guarantees after submitting the assessment results and the evaluation results specified in item 5 of Article 12 to BOD for resolution. Or, BOD may authorize the chairperson to make decisions within a designated limit and report to the next board meeting for adoption afterwards in accordance with item 8 of Article 12.



Except for endorsements/guarantees among subsidiaries directly or indirectly wholly-owned by this Company, subsidiaries of which this Company holds, directly or indirectly, over 90% of voting shares shall report to the BOD and obtain an approval prior to offering endorsements/guarantees in accordance with paragraph 2, Article 5, of this Procedure.

Before offering endorsements/ guarantees for others, this Company shall fully consider the opinion of each independent directors and explicitly record their opinions for and against the proposal in the minutes of board meeting.

When offering endorsements/guarantees for a foreign company, the letter of guarantee shall be signed by the person authorized by BOD.

**Article 18** The Company shall prepare a memorandum book for endorsements/guarantees and maintain in detail a record of the following information: recipients of endorsements/guarantees, amount of endorsements/guarantees, date of BOD approval, endorsement/guarantee date, and matters requiring careful assessment specified in the paragraph 1 of the foregoing article.

Internal auditors of this Company shall audit the endorsement/guarantee operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform all supervisors in writing.

**Article 19** The amount of endorsement/guarantee complying with the endorsement/ guarantee operating procedure but exceeding the limit specified in the same operating procedure for business needs shall be approved by BOD along with a joint guarantee for the potential loss signed by over half of all directors. Then, the endorsement/guarantee operating procedure shall be revised and reported to the general meeting of shareholders for adoption. A plan shall be established to cancel the over-limit part of endorsements/guarantees within a specific period when the general meeting of shareholders disapproves.

Where submitting a case to BOD for approvals, the opinion of each independent directors shall be taken into full consideration, and their opinions for or against the case shall be explicitly retained in the minutes of board meeting.

**Article 20** Where a recipient of endorsements/guarantees is unqualified or the amount exceeds the limit under this Procedure after a change in circumstances, this Company shall draw up an improvement plan and submit it to all supervisors, and shall implement corrections as scheduled in the plan.

## **Chapter IV Information Disclosure**

### **Section A Lending to Others**

**Article 21** This Company shall publish and report the amount and balance of lending to others in the previous month of the Company and subsidiaries by the 10<sup>th</sup> of each month.

**Article 22** This Company shall immediately publish and report the balance of lending within two days after the date of occurrence under any one of the following circumstances:

1. The aggregate balance of lending of the Company and subsidiaries is over 20% the Company's net worth as disclosed in the latest financial statements.
2. The aggregate balance of lending for a single company of the Company and

subsidiaries is over 10% the Company's net worth as disclosed in the latest financial statements.

3. The amount of new lending of the Company and subsidiaries is over NT\$10 million and over 2% the Company's net worth as disclosed in the latest financial statements.

This Company may represent a subsidiary that is not a domestic public company to publish and report lending balance as requested in item 3 of the foregoing paragraph.

**Article 23** This Company shall assess the lending status, provide adequate allowance for bad debts, and appropriately disclose relevant information in the financial statements. This Company shall also provide relevant information for CPAs to implement necessary audit procedures.

## **Section B Endorsement/Guarantee for Others**

**Article 24** This Company shall publish and report the balance of endorsements/guarantees for others in the previous month of the Company and subsidiaries by the 10<sup>th</sup> of each month.

**Article 25** This Company shall immediately publish and report the balance of endorsements/guarantees within two days after the date of occurrence under any one of the following circumstances:

1. The aggregate balance of endorsements/guarantees of the Company and subsidiaries is over 50% the Company's net worth as disclosed in the latest financial statements.
2. The aggregate balance of endorsements/guarantees for a single company of the Company and subsidiaries is over 20% the Company's net worth as disclosed in the latest financial statements.
3. The aggregate balance of endorsements/guarantees for a single company of the Company and subsidiaries is over NT\$10 million and the total of endorsements/guarantees, long-term investments and lending balance is over 30% the Company's net worth as disclosed in the latest financial statements.
4. The amount of new endorsements/guarantees of the Company and subsidiaries is over NT\$30 million and over 5% the Company's net worth as disclosed in the latest financial statements.

This Company may represent a subsidiary that is not a domestic public company to publish and report the balance of endorsements/guarantees as requested in item 4 of the foregoing paragraph.

**Article 26** This Company shall assess or recognize the contingent loss for endorsements/guarantees and appropriately disclose information on endorsements/guarantees in the financial statements. This Company shall also provide relevant information for CPAs to implement necessary audit procedures.

## **Chapter V Addendum**

**Article 27** This Procedure shall be implemented as of the date of AGM approval.

## Appendix 6

### Taiwan Cogeneration Corporation Shareholdings of Directors and Supervisors

1. The paid-in capital of this Company is NT\$5,890,485,950 to issue a total of 589,048,595 shares.
2. According to Article 26 of the Securities and Exchange Act, all directors shall hold no less than 18,849,555 shares and all supervisors shall hold at least 1,884,955 shares.
3. The table below shows the shares held by individual and all directors and supervisors registered in the list of shareholders on the April 23, 2017, 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>	Hong-zhou Li	19 Jun 2014	3 yrs.	162,954,279 shares, representing Taiwan Power Company Ltd.	162,954,279 shares, representing Taiwan Power Company Ltd.	27.66%
<b>Director</b>	Chen-yong Wang	19 Jun 2014	3 yrs.			
<b>Director</b>	Yao-ting Wang	19 Jun 2014	3 yrs.			
<b>Director</b>	Jao-hua Hsu	19 Jun 2014	3 yrs.			
<b>Director</b>	Li-chen Chen	19 Jun 2014	3 yrs.			
<b>Director</b>	Shen-reng Xiao	19 Jun 2014	3 yrs.			
<b>Director</b>	Wei Ding	19 Jun 2014	3 yrs.	11,375,214 shares representing Jin Hong Investments.	11,375,214 shares representing Jin Hong Investments.	1.93%
<b>Director</b>	Wen-bin Li	19 Jun 2014	3 yrs.	11,001,093 shares, representing the Taya Group	11,001,093 shares, representing the Taya Group	1.87%
<b>Director</b>	Gu-chuan Qiu	19 Jun 2014	3 yrs.	9,060,384 shares, representing Formosa Heavy Industry Corp.	9,060,384 shares, representing Formosa Heavy Industry Corp.	1.54%
<b>Independent director</b>	Xiao-dong Zhang	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Independent director</b>	Shu-ren Ge	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Independent director</b>	Zhi-le Hsu	17 Jun 2015	2 yrs.	0	0	0.00%
<b>Total of all directors</b>				<b>194,390,970 shares</b>	<b>194,390,970 shares</b>	<b>33%</b>
<b>Supervisor</b>	Hong-xian Lin	19 Jun 2014	3 yrs.	11,527,432 shares, representing TECO.	11,527,432 shares, representing TECO.	1.96%
<b>Supervisor</b>	Yong-qin Chen	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Supervisor</b>	Chan-juan Lin	19 Jun 2014	3 yrs.	0	0	0.00%
<b>Total of all supervisors</b>				<b>11,527,432 shares</b>	<b>11,527,432 shares</b>	<b>1.96%</b>

## **Appendix 7**

### **Handling of Shareholder Proposals**

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

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