

Taiwan Cogeneration Corporation
2017 Annual General Shareholders Meeting
Proposal References

Meeting Time: 9:00 a.m., Wednesday, June 27, 2017

**Meeting Venue: International Convention Hall, 1F, No. 392, Ruiguang Road,
Neihu District, Taipei City, Taiwan**

Adoptions, Discussions, Elections and Other Matters

1. Adoptions

**Proposal 1: Adoption of 2016 Business Report and Financial Statements (proposed
by Board of Directors)**

Explanation

- (1) The 2016 financial statements, including the Statement of Financial Position, Statement of Operations and Comprehensive Income, Statement of Changes in Shareholder's Equity, and Statement of Cash Flows, have been audited and certified by CPA Rui-xuan He and CPA Jian-xin Xie of Deloitte Taiwan with an audit report.
- (2) Please refer to the 2017 Annual General Shareholders Meeting Proceedings Manual for the business report, financial statements, and CPA audit report.

Resolution:

Proposal 2: Adoption of Proposal for Profit Distribution of 2016 (proposed by Board of Directors)

Explanation

- (1) Unappropriated profit at the beginning of 2016 was NT\$144,436,189. After setting off the recognized retained earnings at NT\$18,175,435 adopted from the re-measurement of defined benefit plan, and adjusting unappropriated profit by NT\$878,207 based on the equity method, unappropriated profit after adjustment is NT\$125,382,547.
- (2) According to the Articles of Incorporation of the Company, after adding up the above adjusted unappropriated profit at NT\$125,382,547 and 2016 net profit at NT\$948,966,311, 10% is set 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) Appropriated cash dividend totaling NT\$706,858,314, at NT\$1.2 per share.
- (4) Upon the approval of the Shareholders Meeting, it is proposed that the Board of Directors be authorized to resolve the basic ex-dividend date and distribute dividends to shareholders registered in the list of shareholders by the basic ex-dividend date according to the shares each shareholder actually holds.
- (5) The chairperson will be authorized to adjust cash dividends less than NT\$1 (add amount) by specific personnel (Employee Welfare Committee of the Company).
- (6) The profit distribution table is shown below:
(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:

TAIWAN COGENERATION CORPORATION
PROFIT DISTRIBUTION TABLE
Year 2016

Unit: NT\$

Item	Amount	Remarks
Beginning retained earnings	144,436,189	Note 1
Less: Recognized retained earnings adopted from the re-measurement of defined benefit plan	(18,175,435)	
Less: Adjusted unappropriated profit based on equity method	(878,207)	
Unappropriated profit after adjustment	125,382,547	
Add: Current net profit	948,966,311	
Less: Legal reserve (10%)	(94,896,631)	Note 2
Self-adopted special reserve	(184,703,406)	Note 3
Total of distributable profit	794,748,821	
Distribution item:		
Cash dividend (NT\$1.2/share)	(706,858,314)	Note 4
Year-end unappropriated profit	87,890,507	

Note

1. Implemented according to Article 39 of the amended Articles of Incorporation of the Company.
2. 10% of 2016 net profit is appropriated as the legal reserved according to Article 237 of the Company Act.
3. A special reserve at NT\$184,703,406 is self-adopted by the Company according to Article 237 of the Company Act (unappropriated profit after adjustment at NT\$125,382,547 and current net profit NT\$59,320,859 are appropriated).
4. Cash dividend amounted to NT\$706,858,314 comes from 2016 profit.
5. Upon the approval of the Annual General Shareholders Meeting, it is proposed that the Board of Directors be authorized to resolve the basic ex-dividend date and distribute dividends to shareholders registered in the list of shareholders by the basic ex-dividend date according to the shares each shareholder actually holds.

Chairman: Ming-Jeh Chang Manager: Kuang-Hsun Yu

CAO: Zi-jie Hsu

2. Discussions

Proposal 1: Amendment on Articles of Incorporation, submitted for referendum (proposed by Board of Directors)

Explanation

- (1) Item 1 of the Article 14-4 of the Securities Exchange Act specifies that, "A company that has issued shares under this Act shall choose one to set up one of an audit committee and supervisor....", and the Order No. 10200531121 issued on December 31, 2013, by the Financial Supervisory Commission specifies that, "non-financial industry listed companies with a paid-up capital between NT\$2 billion and NT\$10 billion (NT\$5.89 billion for the Company) shall set up an audit committee to replace supervisors, commencing from January 1, 2017. In accordance with the above regulations, amendments are made to the Articles of Incorporation at the 2017 Shareholders Meeting, to delete regulations on the supervisor and the supervisor is to be replaced by an audit committee. According to the corporation governance requirements, regarding the Company's dividend policy, a distribution ratio needs to be clearly stated. With reference to the lowest distribution rate stated before amendment in 2013 and actual distribution rates all being above 70%, the Article 39 is to be amended to include a clear statement.
- (2) Regarding whether to amend the Articles at the Shareholders Meeting, and to set up an audit committee instead of newly electing supervisors in the same Shareholders Meeting, with reference to the regulations of the Business Letter No. 09502320300 issued on June 21, 2006, by the Department of Commerce, MOEA stating, in a same shareholders meeting of a public company, in which directors and supervisors are re-elected and an audit committee is set up, regulations on supervisors in the Articles of Incorporation can be at the same time amended or deleted, and in accordance with the new article, no supervisors need be elected and regulations on the audit committee need to be clearly stated in the article.
- (3) In conclusion, the Articles 23, 24, 29, 37~40 and 43 are to be amended; the Articles 32 and 33 are to be deleted. Please refer to the 2017 Shareholders Meeting Proceedings Manual for articles before and after the amendment.

Resolution:

Proposal 2: Amendment on Notice of Directors and Supervisors Election at Shareholders Meeting, submitted for referendum (proposed by Board of Directors)

Explanation

To adapt to the amendment on the Articles of Incorporation, supervisors are deleted and are replaced by an audit committee. The audit committee is composed of all independent directors. The Notice and Regulations on the supervisors in the Articles 1, 2, 3 are deleted, and the Notice is amended to "Notice of Directors Election at Shareholders Meeting". Please refer to the 2017 Shareholders Meeting Proceedings Manual for the list of the amended articles.

Resolution:

Proposal 3: Amendment on “Procedures for Acquisition and Disposal of Assets”, submitted for referendum (**proposed by Board of Directors**)

Explanation

- (1) An audit committee is to be set up in accordance with the amended Article of Incorporation. The duties of the original supervisors shall be replaced by the audit committee, and the Articles 6, 8, 14, 17 and 21 in the Procedures for Acquisition and Disposal of Assets are to be amended. In accordance with the Order No. 10600012965 on February 9, 2017, by the Securities and Futures Bureau, FSC, issuing newly amended partial provisions on processing “Guidelines for Acquisition or Disposal of Assets of Public Companies”, the Articles 9, 11, 14, 22 and 30 the Procedures for Acquisition and Disposal of Assets of the Company are to be amended at the same time. In the Article 20, the less clear “this guideline” is amended to “Processing Guidelines for Acquisition or Disposal of Assets of Public Companies”.
- (2) Regarding to “Processing Guidelines for Acquisition or Disposal of Assets of Public Companies” of the Company, please refer to the 2017 Shareholders Meeting Proceedings Manual.

Resolution:

Proposal 4: Amendment on “Procedures for Capital Loan, Endorsements and/or Guarantees” of Company, submitted for referendum (**proposed by Board of Directors**)

Explanation

- (1) To adapt to the amendment on the Articles of Incorporation, duties of original supervisors are replaced by the audit committee. The Articles 8, 11, 15, 16, 18 and 20 of the subject procedures are to be amended.
- (2) The re-investment RP Energy is estimated to be provided in the further with a guarantee quota that exceeds the original 15%. The Article 12 of the subject procedures is to be amended to increase the quota for non-subsidiaries to not exceeding 25% of the net worth of the Company and to be equal to the quota for subsidiaries.
- (3) Regarding to “Procedures for External Endorsements and/or Guarantees” of the Company before and after the amendment, please refer to 2017 Shareholders Meeting Proceedings Manual.

Resolution:

3. Elections

Proposal: Directors Election, submitted for election (**proposed by Board of Directors**)

Explanation

- (1) The term of the ninth directors and supervisors shall expire on June 29, 2017. In accordance with regulations of the Articles 14-4 of the Securities Exchange Act

and Order No. 10200531121 issued on December 31, 2001, non-financial industry listed companies with a paid-up capital between NT\$2 billion and NT\$10 billion (NT\$5.89 billion for the Company) shall set up an audit committee to replace supervisors, commencing from January 1, 2017, all tenth directors shall be elected at the 2017 Shareholders Meeting.

- (2) In accordance with the amended Article 23 of the Articles of Incorporation, 13 directors shall be elected (including 3 independent directors, adopting a candidate nomination system). The term of the newly elected tenth directors is from June 30, 2017 to June 29, 2020.

Electron Results:

4. Other Matters

Proposal: Relief of non-compete clause on directors of Company, submitted for referendum **(proposed by Board of Directors)**

Explanation

- (1) According to paragraph 1 of the 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 the Company is concurrently a director representing another company, or invests in or runs a company with the scope of business similar to that of the Company as the chairperson of that company, it is proposed to relieve their non-compete restriction at the Annual General Shareholders Meeting. As such situations happen to the new directors of the Company, please relieve the non-compete restriction on these directors and their representatives.
- (3) Contents of the relief of the non-compete clause on newly elected directors and their act are to be given at the Shareholders Meeting.

Resolution

5. Questions and Motions

6. Adjournment