



**Taiwan Cement Corporation**  
(ISIN: TW0001101004)

**2016**  
**Annual General Meeting**

Meeting Date: June 22, 2016

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# I. Letter to Shareholders

Dear Shareholders,

As the shareholder of Taiwan Cement Corporation, you are cordially invited to attend the Annual General Meeting (AGM) which will be held on June 22, 2016. The ROC Company Act requires at least 50% quorum to hold the AGM. Hence, your attendance or proxy submission is vital to the AGM. We appreciate your attendance and also take this as your recognition for us to continue to optimize shareholders' value.



## 2015 Business Review

The market continued to experience high volatility in 2015. Depreciation in emerging market currencies as well as weakness in commodity demand outlook both were risks to global economy recovery. While the United States was one of the few growth drivers in 2015, the concerns on domestic inflation target and employment situation together with external risk factors made an aggressive rate hike cycle unlikely. Meanwhile, as China moved its growth target toward a “new normal”, we expect further policies on both monetary and fiscal sides to be introduced going through this transition period. Yet we do not expect another round of significant depreciation in RMB as China needs to maintain currency stability after the inclusion of IMF reserve currency basket.

Despite the market volatility, the management team continued its efforts to focus on cost efficiency, more environmental friendly production process, and better control in sales and production via mobile apps development. Our total consolidated sales revenue declined by 20.8% year over year from NTD118.3 billion in 2014 to NTD93.7 billion in 2015. Profit attributable to stockholders' controlling interest was NTD5,776 million in 2015, a 47% decline from NTD10,829 million in 2014. Our financial structure remains solid (Net Debt/ Equity at 33% in 2015) even with declining earnings growth in 2015. The BOD has thus proposed a cash dividend distribution of NTD1.33 per share (with cash payout ratio at 85%) for AGM approval.

Major operation results in the year of 2015 are summarized as below:

### A. Cement Sales Volume:

Shipment volume in Taiwan and China were 5.9 mn and 48.8 million tons, respectively. These represent 7% year over year decline in Taiwan and 6.4% year over year increase in China. Sales volume growth in China was mainly due to M&A.

## B. Cement ASP:

Taiwan and China cement ASP registered 0.1% yoy and 25% yoy decline, respectively, year over year, due to falling coal price and softer demand.

## C. Profit Contribution:

Our China cement operation turned from a profit contribution of NTD4,807 million in 2014 to a loss of NTD207 million in 2015, on the back of softer demand, increasing pricing pressure, as well as FX impact. However, if we exclude the non-recurring FX impact, the loss contribution would be turned to a profit of NTD 679 million.

As for Power business, our competitive coal procurement helped ease the pricing pressure from power tariff cuts. Thus the profit contribution from power operation remained stable at NTD3.7 billion.

## Key catalysts in 2016

Even with all the challenges ahead, we see potential catalysts as following:

### A. China Market

- Increasing infrastructure spending. We have witnessed increasing government tenders in public infrastructure starting from end of 2015. Our China operation sales volume increase of 18% year over year in 1Q2016 was partly contributed by better infrastructure demand.
- Higher clinker utilization rate with an estimated 10+% rise due to stricter restrictions in lower grade cement product use.
- Different tiers of electricity tariff policy to enhance tier one producers' leading position against second/third tier cement producers.

### B. M&A synergy

- We now have a full integration of all three of our M&As conducted in end of 2014. We expect to see synergy from sales, production, procurement and financial fronts.

### C. MSW co-processing

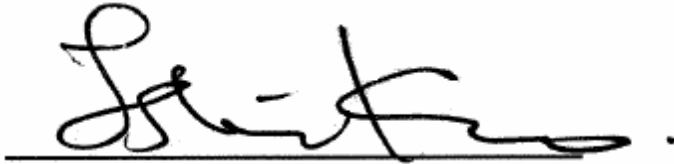
- We further leverage our experience in Taiwan's Suao plant, generating 10% of its net income from handling industrial wastes, to China's Anshun plant. We see this Multiple Solid Waste (MSW) co-processing not only a value-added service, but also a future trend.

We are confident at maintaining our cost advantage and will continue to look for further M&A opportunities in 2016. We expect to see year over year earnings improvement in 2016, especially in the second half of 2016.

Your supports in the resolution of the agenda are highly appreciated. The proposed resolutions are translated into English and attached here.

We sincerely invite you to attend the AGM in person. But if you cannot participate in person given the time or geographic constraints, please grant the proxy to your custodian bank or to us directly in order for us to present at the meeting and to execute your rights. Thanks again for all your supports.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Leslie Koo', is written over a horizontal line. The signature is stylized with a large initial 'L' and a long, sweeping underline.

Leslie, Koo

Chairman of the Board

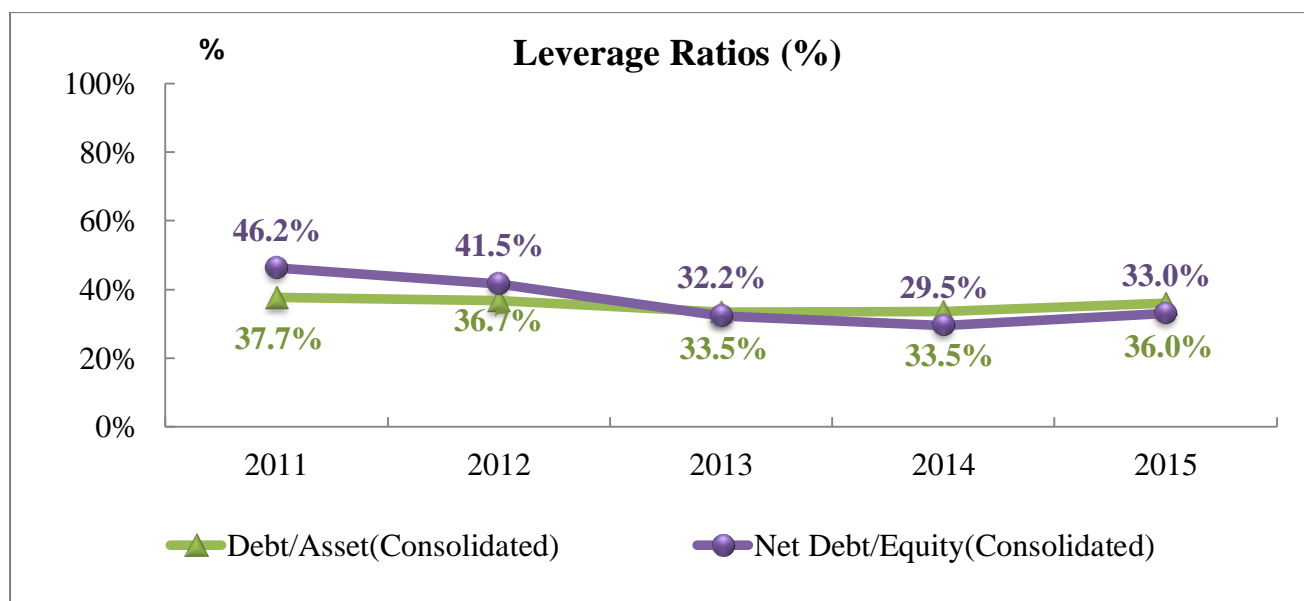
Taiwan Cement Corporation

## II. Major Financial Highlights for the Year 2015

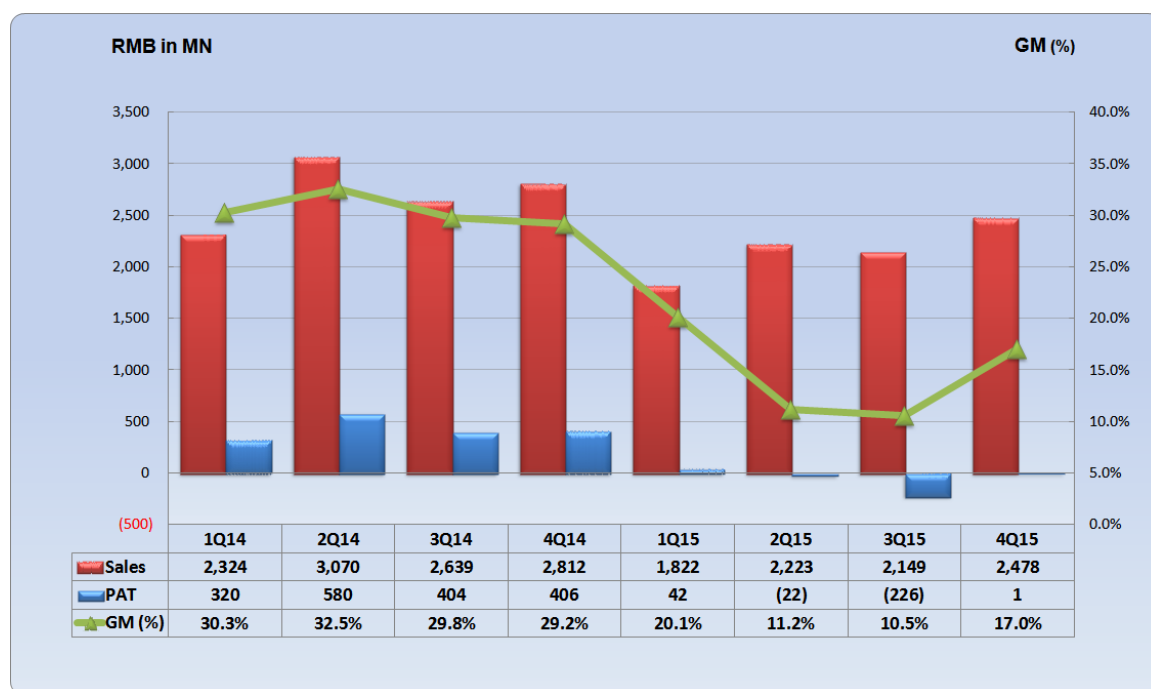
### A. FY 2015 Financial Highlights

NT \$M	2015	2014
Sales	93,679	118,326
COGS	79,151	93,453
Gross Profit	14,528	24,873
Operating Expense	4,854	5,015
Operating Income	9,674	19,858
Non-operating Income/(Expense)	(1,008)	1,341
Profit before Tax	8,666	21,199
Income Tax Expense	1,740	4,615
Profit	6,926	16,584
Attribute to		
Equity shareholder of the company	5,776	10,829
Minority Interest	1,150	5,755
EPS(NTD/share)	1.56	2.93
Comprehensive Income	(591)	19,810
Attribute to		
Equity shareholder of the company	(806)	13,341
Minority Interest	215	6,469

### B. Solid Financial Structure

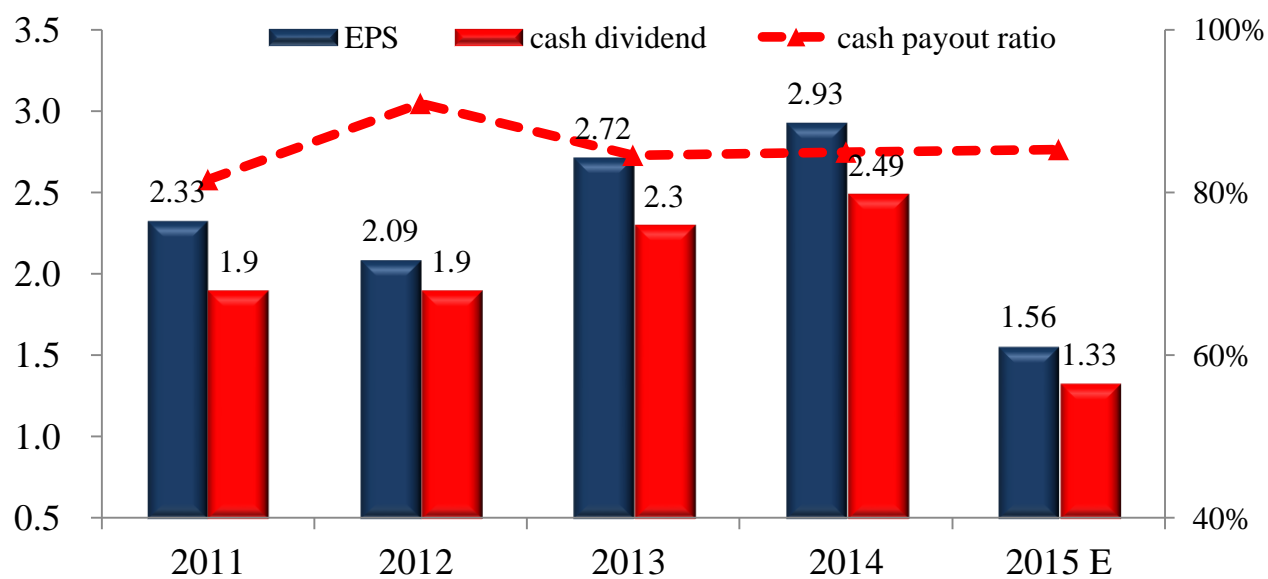


### C. Sales and GM in China in 2015



### D. Consistent cash payout

(NTD/share)



### III. Meeting Agenda

Date: June 22, 2016

Time : 9:00 a.m.

Place : Cement Hall at Taiwan Cement Building 3F(No.113 Chung-Shan North Road Sec.2, Taipei)

#### 1.Chairman Opening Remark

#### 2. Proposed Resolutions for Discussion

(A) To amend clauses of" Company Corporate Charter (Articles of Incorporation)

#### 3. Report Items

(A) To report employees & board directors' remuneration distribution for the year 2015

(B) To report business and financial reports for the year 2015

(C) Audit Committee's review report

(D) To report the modification on the part of "Operation with Integrity & Good Faith Guidelines" and "Ethical Behavior Guidelines"

#### 4. Proposals for Acceptance and Approval

(A) To accept 2015 business report and financial statements

(B) To approve the proposal for distribution of 2015 profits

#### 5. Proposed Resolution for Election

(A) The 22nd Election for additional Four Seats of Directors

#### 6.Proposed Resolution for Discussion

(A) Proposal of Release the Prohibition on Directors from Participation in Competitive Business

#### 7. Special Motion

#### 8. Meeting Adjourned



## IV. Proposed Resolution for Discussion I

A. To amend clauses of Company Corporate Charter (Articles of Incorporation).

### Explanatory Notes:

Following ROC Company Act, further clarify that earnings distribution is shareholders' right, and dividends payout as well as bonus distribution only limits to the existing shareholders. The maximum payout percentage to Directors and Employees are all remain unchanged.

Resolution:

## V. Report Items

- (A) To report employees & board directors' remuneration distribution for the year 2015
- (B) To report business and financial reports for the year 2015
- (C) Audit Committee's review report
- (D) To report the modification on the part of "Operation with Integrity & Good Faith Guidelines" and "Ethical Behavior Guidelines"

## VI. Proposals for Acceptance and Approval

A. To accept 2015 business report and financial statements

Explanatory Notes:

1. Taiwan Cement Corporation's 2015 Financial Statements, including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, and Cash Flow Statement, were audited by independent auditors, Deloitte & Touche.
2. Please accept the above-mentioned Business Report and Financial Statements.

B. To approve the proposal for distribution of 2015 profits

Explanatory Notes:

1. The proposed profit distribution was adopted at the meeting of Board of Directors on March 30, 2016.
2. Cash dividends to common shareholders amounts to NT\$4,910,593,906 (NT\$1.33 per share).
3. Employee profit sharing amounts to NT\$28,833,975 in cash.
4. Board of Directors profit sharing amounts to NT\$50,517,093 in cash.

## VII. Proposed Resolution for Election

A. The 22nd Election of Additional Four Seats of Directors (includes one seat of Independent Director).

### Explanatory Notes:

1. TCC currently has 15 Board members (includes 3 independent Directors), and would like to nominate additional four seats of Directors (include one independent Directors) in 22nd Election of Directors. Given their various professionals, we believe we could leverage their expertise to our future business growth.
2. The additional Four Seats of Directors' term is approximately two-year, starts from June/22/2016 and concludes at June/17/2018.
3. Personal information of the 4 nominees.  
(please see Appendix)

### **Resolution:**

## VIII. Proposed Resolution for Discussion II

A. Proposal of Discharge of the Prohibition on Directors from Participation in Competitive Business.

### Explanatory Notes:

1. According to Company Act, Directors should state to annual general meeting regarding similar and competitive business with the company and approved by AGM.
2. Propose to discharge the Prohibition on Directors from Participation in Competitive Business for the issues mentioned.

Resolution:

**Appendix:**

Personal information of the nominees of additional Four Seats of Directors.

Item	Title	Shareholder No.	Candidate Name	Education	Present Position
1	Director	20420701	Fu Pin Investment Co., Ltd. Representative : Hsieh Chi-Chia	Ph.D, E.E., from University of Santa Clara, California	Chairman, Microelectronics Technology Inc. Chairman, KOPIN Taiwan Corp. Director, China Synthetic Rubber Corporation Director, Bright Led Electronics Corp. Independent Director, AcBel Polytech Inc. Independent Director, Innolux Corporation etc.
2	Director	20420700	Heng Qiang Investment Co., Ltd. Representative : Chen Chi-Te	Master's Degree in Business Administration from the Santa Clara University of California, U.S.A.	Chairman of Chien Kuo Construction Co., Ltd. Chairman of Chien Hwei Investment Co., Ltd. Director of Chia Hsin Cement Corp. etc.
3	Director	20178935	C.F. Koo Foundation Representative : David Carr Michael	MBA, Stanford University Graduate School of Business BA in Economics Magna Cum Laude, Harvard University	Senior Advisor, The Boston Consulting Group Professor of Practice, School of Global Policy and Strategy, UCSD etc.
4	Independent Director	—	Cheng-Ming Yeh	Bachelor of Commerce Major in Accounting National Cheng-Kung University Certificate of Certified Public Accountant Taiwan, ROC Certificate of Certified Public Accountant Colorado, USA	Cheng-Ming Yeh, CPA