

Dear Shareholders,

In the coming General Shareholder Meeting scheduled on June 13<sup>th</sup>, TTC is to seek your approval on two critical proposals which are “To amend the Article of Incorporation to add one new business initiative in business scope” and “To conduct capital injection through issuing common stock at market price via private placement”. We would like to provide some more background of these two proposals.

Proposal 1: “To amend Article of Incorporation to add Solar Energy related business in company’s business scope”.

TTC owns 3,800 ha (9,400 ac) land, some of which are not suitable for farming, nor for development purpose. For example, those land adjacent to high voltage electricity towers, flood detention pools and roof space of factories. To activate the usage of land resources and to tap into green energy business, company intends to utilize these idle lands for solar energy related business. Initially, our plan is to team up with solar energy equipment suppliers in order to minimize the capital investment. This proposed new business will neither jeopardize our existing farming business nor influence our development projects as this new business will only take up those unproductive lands. To comply with corporate governance and regulations, we first need your consent to amend Article of Incorporation to include solar energy related business in company’s business scope before being able to commence this new business initiative.

Proposal 2: “To conduct capital injection through issuing common stock at market price via private placement”

The proceeds of the proposed capital injection will mainly be used to support working capital needs and to pay down the bank borrowings which estimated total of NT\$1.57 billion. The remaining proceeds will be used to develop Lao-Bei Tea Farm and to expedite various projects in the pipe line which requires total of NT\$1.53 billion. The combined funding requirement for the next 12 months is more than NT\$3.1 billion which far exceeds our existing bank capacity.

1. Developing Lao-Bei Mechanized Tea Farm requires NT\$ 650 million funding in the next 12 months.

To enhance our core business, we have been actively rehabilitating existing tea farms in parallel with building a new mechanized tea production base in Lao-Bei agricultural farm. As of March 2017, we have completed first phase of tea plantation of

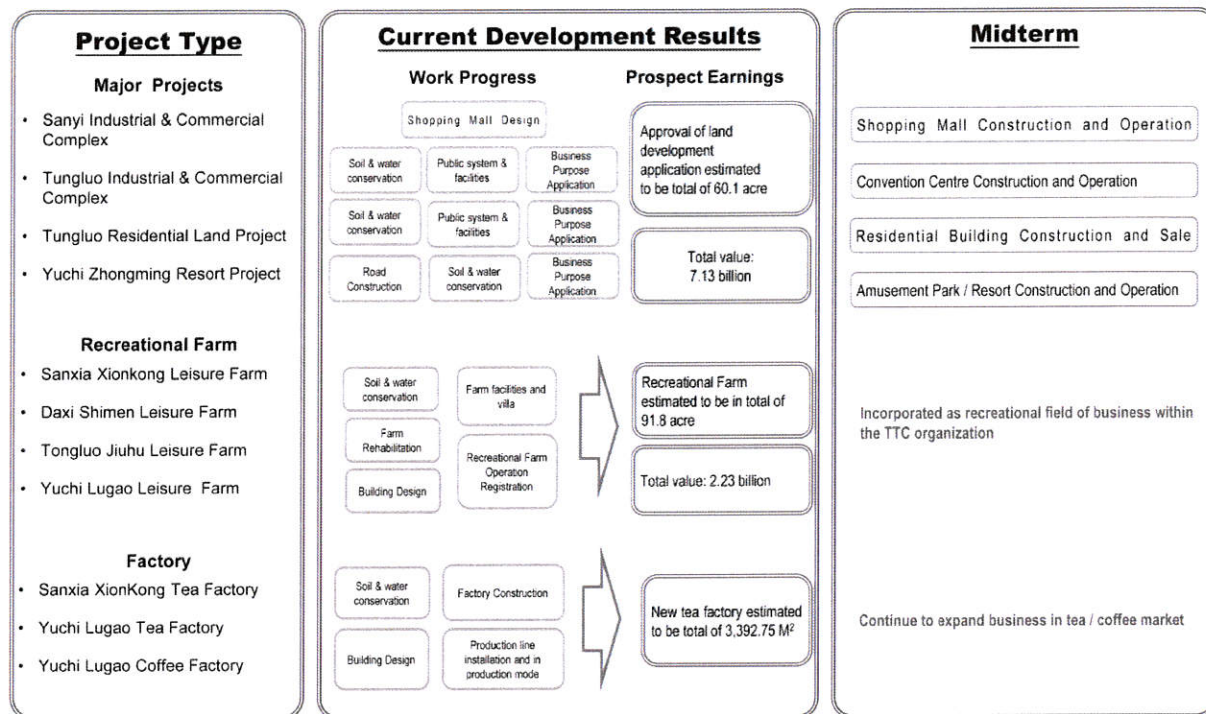


total around 110 ha (270 ac) in Lao-Bei. As we adopted a new tea planting method and benefit from the favorable weather condition, tea planted has grown a lot faster than we expected. Initially, we plan to achieve full scale production in 6 years and base on the latest projection, we will be able to shorten this timing to 3 years. As a result, we will need to expedite the construction of tea factories and other facilities such as warehouses and employee dormitory to cope with the pull ahead of tea production. To support all these constructions, NT\$ 650 million will be required in the next 12 months. Lao-Bei tea farm is expected to pilot run in 2018 with full operation starting in 2019. We are confident that Lao-Bei project will significantly enhance our core business and solidify our leadership position in Taiwan tea industry. Longer term, our plan includes further developing Lao-Bei to a recreational farm by leveraging our know-how in other successful run company owned recreational farms.

2. As government has tightened the land development related regulations, we must accelerate our development path of various projects which will require NT\$871 million funding in the next 12 months.

To activate the use of company owned land, we have been pursuing many development projects for years. Currently, there are 11 projects being developed simultaneously. Under the new regulation published late last year, the required timing to complete a non-urban land development project was shortened to 10 years, and to 4 years for the recreational agriculture farm project. Therefore, we will need to speed up the development path in order to complete the projects within the new time limit.

The table below highlights our major development projects, recreational farm projects, tea factory projects, and coffee factory project. To expedite these projects will require NT\$871 million funding in the next 12 months. It is critical for us to complete these projects within the time limit otherwise the efforts we have made in the past years will be in vain. With the completion of these major projects, we will be able to reclassify the land for business usage. This not only will increase revenue through better utilization of the land resources, but also could triple the value of land associated with these projects. In addition, the value of company owned lands adjacent to these projects will also appreciate. It is apparent that expediting above mentioned projects will generate multiple benefits to the company.



Compared with public offering, private placement is more flexible and generally will have lower underwriting cost and less dependent on market movement. In addition, private placement allows us to bring in strategic partner. While the private placement might dilute the earning per share in the short term, we expect the business growth in the future will more than sufficient to offset this dilution. Moreover, the pricing of new share issuance is set to be no lower than reference pricing (close to prevailing market price). Therefore, the impact to the existing shareholders will be kept to the minimal. This capital injection will also enhance company's financial structure, lower the debt level and maintain the flexibility of our funding strategy. It also could provide a long term and stable funding source to support company's growth initiatives. Your consent to the proposed capital injection through private placement will supply necessary funding for the company to realize aforementioned business opportunities.

We hereby would like to seek your consent and approval on these two critical proposals in the coming shareholder meeting. With your support, the management team will continue focusing on delivering the best value to our shareholders and to all other key stakeholders as well.

Best Regards,

*Linchin Yen*  
Chairperson  
Taiwan Tea Corporation  
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