

Taiwan High Speed Rail Corporation
Minutes for 2022 Annual Shareholders' Meeting

Date and Time: 9:00 a.m., May 26, 2022

Venue: Cathay Financial Conference Hall (1F., No. 9, Songren Rd., Xinyi Dist., Taipei City)

Attending directors: Chairman Yao-Chung Chiang, Independent Director Duei Tsai (Convener of Audit Committee), Independent Director Kenneth Huang-Chuan Chiu (Convener of Remuneration Committee), Independent Director Yung-Cheng (Rex) Lai, Independent Director Pai-Ta Shih, Director Chao-Yih Chen, Director Shien-Quey Kao, Director Mao-Hsiung Huang (Convener of Special Committee) (remote attendance), and Director Lee-Ching Ko (remote attendance).

(A total of 9 directors attended the Annual Shareholders' Meeting, representing more than half of all 13 Corporation directors.)

Other attendees:

Deloitte & Touche: Mei-Yen Chiang, Kwan-Chung Lai

Baker McKenzie: Besson Lu

Railway Bureau, Ministry of Transportation and Communications guidance personnel: Chief Secretary Kang Lee, Chief Wen-Mei Chen, Officer I-Wen Weng.

Chairman: Yao-Chung Chiang

Recorded by: Barret Wang

Attending shareholders: Total number of outstanding Corporation shares amounted to 5,628,293,058 shares, with 0 shares holding no voting rights. Of these, holders of 4,677,977,682 common shares attended in person, holders of 4,195,258,834 common shares attended electronically, 0 common shares were publicly solicited proxies, and 46,156,857 common shares were non-solicited proxies. The total number of participating common shares was 4,724,134,539 shares; the attendance rate was 83.93%.

Meeting commencement: The Chairman announced the commencement of the meeting as shares represented by attending shareholders had reached the number legally required for shareholders' meetings.

Chairman's opening speech:

Good morning to all our shareholders and honored guests.

I would like to welcome you all to the THSRC 2022 Annual Shareholders' Meeting.

On behalf of all Corporation directors, I would firstly like to offer sincere thanks to all of you for your long-term support, attention, and guidance. In response to recent epidemic prevention requirements and to ensure the health and safety of our attendees, we have adopted a number of strengthened epidemic prevention measures at our venue in accordance with government

regulations. Thank you all for your cooperation and understanding.

I would now like to report on our performance for the past year. In 2021, THSRC operated a total of 46,792 train runs. Our loading factor was 49.88% and we carried a total of 43.46 million passengers—a decrease of 13.78 million (24.07%) over the previous year (57.24 million)—and an average of 119,000 daily passengers. This decrease in passenger volume was mainly due to changes in pandemic conditions, especially in mid-May of last year when the Level 3 alert was imposed until the end of July when the pandemic eased. Therefore, our passenger volumes and revenues did not meet expectations, and many planned promotions to boost our performance and growth were not implemented.

Nevertheless, we all worked to increase revenues and cut costs in response to these changes. We immediately initiated a short-term plan to reduce train services during the Level 3 alert while maintaining operational safety and passenger services. We also made subsequent adjustments based on changes in passenger volumes to gradually restore operational capacity. All departments reviewed implementations, timelines, and scales of various tasks to lower costs. Data from our managerial department indicates that we saved over NT\$ 2 billion in 2021. The pandemic has led us to understand that increasing revenues and reducing costs is an integral part of our DNA at THSRC, and we will continue our efforts to enhance various practices of increasing income and reducing costs, as the Corporation's solid foundation for pursuing stable operations and sustainable development while facing changes!

Additionally, the railway industry is capital intensive, and our construction costs have raised our financial leverage ratios to relatively high levels. In consideration of potential interest rate risks arising from our large amounts of debt, we have deployed a series of measures to optimize our financial structure since our IPO. These measures are integrated with our reputation for operational safety and service excellence, and we utilized various financial instruments in the monetary and capital markets to raise capital that can be used in tandem with the surplus funds accumulated from past years with record-high revenues and passenger volumes. We continue to make early repayments on our syndicated loan, and have paid off NT\$ 130.7 billion since 2016. This effectively reduced interest expenditures, lowered financial risks, and raised profitability, and is one of our key strategies for enhancing operational performance. Most countries are now adopting quantitative tightening policies, and geopolitical factors have triggered fluctuations in global and domestic macroeconomic markets. Our past efforts lowered potential financial risks from our large amounts of debt, and the media now refer to us as “the publicly owned private enterprise with the strongest repayment capabilities,” reaffirming our cost cutting achievements and giving us confidence to meet the challenges of the post-pandemic era!

I would also like to share with you the good news that our goal to double procurement of localized maintenance materials over five years, a goal set in 2017 when we hosted the “Business Opportunity Seminar for Taiwan Rail Industry Localization,” has been achieved ahead of schedule! Our local procurement ratio reached 35.1% at the end of March, and we estimate that it will reach 36.2% by the end of this year, which will vastly exceed our original target ratio of 30% by more than 20%! We find this achievement even more valuable as it was accomplished in the midst of the pandemic. The 128 domestic manufacturers who collaborated with us to develop 1,231 HSR maintenance materials and equipment not only alleviated current supply chain shortage issues, but also drove development of local industries and played a key role in strengthening the capabilities of rail technology companies in Taiwan.

Last week, we jointly announced the completion of the “Bogie Running Tester Equipment (BRT)” with the Industrial Technology Research Institute. Patent applications are underway for the BRT, which has an overall localization ratio of 99.6% and has obtained EU Product Safety CE Certification. This equipment can be widely used in bogie maintenance and safety testing of various domestic and foreign rail vehicles. THSRC’s localized development of BRT has driven localized manufacturing, making Taiwan one of the few countries in the world (the fourth country after Japan, Germany, and China) to own BRT manufacturing capabilities. This achievement confirms our excellent technological capabilities and provides us with a chance to enter international markets, making this the first exportable locally developed product!

Looking to the future, we have already made many necessary preparations to meet the unlimited opportunities in the post-pandemic era. We recently completed our next five-year medium and long-term strategic plan for 2023–2027 with support from our Board of Directors. Starting from next year, THSRC will build on the outstanding foundation laid by our first five-year plan for 2018–2022 and strive to implement ESG and strengthen corporate governance to provide safe, excellent, and innovative passenger services, leading Taiwan to a better future as we fulfill our corporate social responsibilities and work towards our corporate vision of becoming a platform for advancement and enjoyment. We hope that our shareholders and all of you can continue to support and encourage us in this endeavor. Thank you.

There are five management presentations, two proposals, and four discussions on the agenda for today’s shareholders’ meeting. Please refer to the meeting handbook for more information. We hope that all of you can provide your support for this meeting.

Additionally, I would like to report to all shareholders that we posted public notice for shareholder proposals relating to this meeting in accordance with Article 172-1 of the Company Act, and that no shareholders submitted proposals during the notice period.

According to FSC regulations, companies which have adopted electronic voting procedures at shareholder meetings are required to vote on motions for which shareholders with electronic voting rights have expressed objections or abstentions. To save time, we will vote on each respective motion after discussions for all proposal and discussion motions have concluded.

Furthermore, in consideration of epidemic conditions, we ask that our shareholders be as concise as possible when speaking. The “Guidelines for Epidemic Prevention Responses when Convening Shareholders Meetings” stipulate that the same shareholder should not speak more than twice on the same motion, nor more than three minutes at one time. We ask our shareholders to adhere to these stipulations so that our shareholders’ meeting can proceed smoothly.

I. Management Presentations

Report No. 1: Report on Corporation Execution of Corporate Governance (Please refer to Appendix I).

Report No. 2: Report on Allocation of 2021 Remuneration to Board of Directors and Employees (Please refer to Appendix II).

Report No. 3: Report on Director Remuneration for 2021 (Please refer to Appendix III).

Report No. 4: Revision of Corporate Social Responsibility Best Practice Principles (Please refer to Appendix IV).

Report No. 5: Report on Domestic Unsecured Corporate Bond Offering for 2021 (Please refer to Appendix V).

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Following the first to fifth management presentations, the Chairman received no objections from all shareholders present, and the reports were acknowledged by the shareholders.

II. Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposal of 2021 Annual Business Report and Financial Statements of the Corporation.

Explanation: The Corporation’s 2021 Business Report (please refer to Appendix VI) and Financial Statements (please refer to Appendix VII) were approved on February 23, 2022 at the 23th meeting of the 9th Board. The financial statements were audited by certified public accountants, and an audit report thereto was issued on February 23, 2022 (please refer to Appendix VIII), distributed to the Audit Committee for review (please refer to Appendix IX), and is hereby submitted for adoption at shareholders’ annual general meeting.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

(For proposals and discussion items, holders of 4,677,977,682 common shares attended in person, holders of 4,195,258,834 common shares attended electronically, 0 common shares were publicly solicited proxies, and 46,156,857 common shares were non-solicited proxies. The total number of participating common shares was 4,724,134,539 shares, amounting to 83.93% of all outstanding common shares.)

Total number of shareholder votes present during vote: 4,724,134,539

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,588,901,359 (Including 4,060,174,546 electronic votes)	97.13%
Disapproval votes	517,880 (Including 517,880 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	134,715,300 (Including 134,566,408 electronic votes)	2.85%
The motion was approved as proposed.		

Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2021 Profit Distributions of the Corporation.

Explanation:

1. As of year-end 2021, our distributable earnings amounted to NT\$ 7,109,516,322.
2. In order to stabilize and balance payout policies and in consideration of long-term corporate financial planning, the Corporation proposes cash dividends of NT\$ 0.7580 per share for 2021 profit distribution, amounting to NT\$ 4,266,246,138 on a basis of 5,628,293,058 common shares outstanding.
3. The Corporation's profit distribution table for 2021 was approved at the 24th meeting of the 9th Board on March 16, 2022, circulated to the Audit Committee for review (please refer to Appendix X), and is hereby submitted to the shareholders' annual general meeting for approval.

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PROFIT DISTRIBUTION TABLE

Fiscal Year 2021	Unit: NT\$
Unappropriated retained earnings at the beginning of the period	3,868,596,221
Add: Net income for 2021	3,610,921,535
<u>Less: Re-measurements of defined benefit plan</u>	<u>(9,899,200)</u>
Undistributed earnings	7,469,618,556
<u>Less: 10% legal reserve</u>	<u>(360,102,234)</u>
2021 distributable earnings	7,109,516,322
Distributable items:	
<u>Cash dividends (NT\$ 0.7580 per share)</u>	<u>(4,266,246,138)</u>
<u>Current-year undistributed earnings</u>	<u>2,843,270,184</u>

4. Following approval from the 2022 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,724,134,539

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,589,078,798 (Including 4,060,351,985 electronic votes)	97.14%
Disapproval votes	719,081 (Including 719,081 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	134,336,660 (Including 134,187,768 electronic votes)	2.84%
The motion was approved as proposed.		

III. Discussions

Discussion No. 1: Proposed by the Board

Proposal: Revision of Articles of Incorporation.

Explanation:

1. To improve flexibility in convening shareholders' meetings, the Corporation proposes to amend Article 9 of the Articles of Incorporation in accordance with Article 172-2 of the Company Act to state that shareholders' meetings can be held by means of video conference or other methods promulgated by the central competent authority.
2. In consideration of amendments made to Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies by the Taiwan Stock Exchange Corporation on December 8, 2021, and the trends and timelines indicated in the Corporate Governance 3.0 – Sustainable Development Roadmap issued by the Financial Supervisory Commission, which states that TWSE/TPEX listed companies with a paid-in capital of NT\$ 10 billion or more will be required to have independent directors making up no less than one-third of the directors, the Corporation proposes to amend Article 17-1 of the Articles of Incorporation to state that there shall be no less than three independent directors making up no less than one-third of the directors starting from the 10th Board.
3. A comparison of amended articles in the Articles of Incorporation is shown in Appendix XI.
4. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,724,134,539

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,533,516,397 (Including 4,004,789,584 electronic votes)	95.96%
Disapproval votes	25,793,653 (Including 25,793,653 electronic votes)	0.54%
Invalid votes	0	0.00%

Abstention votes/no votes	164,824,489 (Including 164,675,597 electronic votes)	3.48%
The motion was approved as proposed.		

Discussion No. 2: Proposed by the Board

Proposal: Revision of Rules of Procedure for Shareholders' Meetings.

Explanation:

1. In accordance with the Company Act and official document issued by the Ministry of Economic Affairs which state that, "Shareholders who have exercised their voting power by way of electronic transmission may still attend shareholders' meetings and exercise their voting power on extraordinary motions," the Corporation proposes to amend relevant articles of the Corporation's Rules of Procedure for Shareholders' Meetings.
2. A comparison of amended articles in the Rules of Procedure for Shareholders' Meetings is shown in Appendix XII.
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,724,134,539

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,533,531,814 (Including 4,004,805,001 electronic votes)	95.96%
Disapproval votes	25,789,696 (Including 25,789,696 electronic votes)	0.54%
Invalid votes	0	0.00%
Abstention votes/no votes	164,813,029 (Including 164,664,137 electronic votes)	3.48%

The motion was approved as proposed.

Discussion No. 3: Proposed by the Board

Proposal: Revision of Guidelines for Corporate Governance.

Explanation:

1. In accordance with amendments made to Article 17-1 of the Corporation's Articles of Incorporation, the Corporation proposes to amend stipulations relating to independent director numbers in the Guidelines for Corporate Governance.
2. A comparison of amended articles in the Guidelines for Corporate Governance is shown in Appendix XIII.
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,724,134,539

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,559,812,031 (Including 4,031,085,218 electronic votes)	96.52%
Disapproval votes	673,778 (Including 673,778 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	163,648,730 (Including 163,499,838 electronic votes)	3.46%

The motion was approved as proposed.

Discussion No. 4: Proposed by the Board

Proposal: Revision of Procedures for the Acquisition or Disposal of Assets.

Explanation:

1. In accordance with amendments made to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies by the Financial Supervisory Commission on January 28, 2022, and in consideration of the Corporation's actual operations, the Corporation proposes to amend relevant articles in the Procedures for the Acquisition or Disposal of Assets.
2. A comparison of amended articles in the Procedures for the Acquisition or Disposal of Assets is shown in Appendix XIV.
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,724,134,539

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,559,702,907 (Including 4,030,976,094 electronic votes)	96.51%
Disapproval votes	731,332 (Including 731,332 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	163,700,300 (Including 163,551,408 electronic votes)	3.46%
The motion was approved as proposed.		

IV. Extraordinary Motions: None.

Chairman's decision: Shareholder No. 298105 did not wish to speak in person, but asked the Chairman to speak on their behalf.

Summary of Shareholder Inquiries:

※ Shareholder No. 298105 inquired about the Corporation's stance on the government's plans to extend the HSR to Pingtung and Yilan; the impacts of such extensions on operations and service

quality; whether plans for procurement of trains had been implemented; and the impacts of such extensions on revenues and responses in the event of losses.

The Chairman provided full explanation and response to the above inquiries, and these were acknowledged by the shareholders.

Chairman's decision: Shareholder No. 87437 had already left the meeting, but asked the Chairman to speak on their behalf.

Summary of Shareholder Inquiries:

※ Shareholder No. 87437 suggested the Corporation could enhance service quality and be more attentive of employee benefits.

The Chairman provided full explanation and response to the above inquiries, and these were acknowledged by the shareholders.

VII. Meeting closed: May 26, 2022 at 9:52 a.m.

Notes:

The proportion of shareholder votes present during vote for approval votes, disapproval votes, abstention votes, invalid votes, and no votes were automatically calculated and were rounded unconditionally to the second decimal place; this difference in decimal points may cause the total proportion to be unequal to 100.00%.

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Report No. 1: Report on Corporation Execution of Corporate Governance

According to Paragraph 3, Article 5-2-02 of the Corporation's "Guidelines for Corporate Governance," the Corporate Governance and Nominating Committee should prepare a report on the Corporation's implementation of corporate governance prior to each shareholders' annual general meeting. Following review by the Board, said report shall be included in the Annual Meeting Handbook. The Corporation's report on corporation execution of corporate governance for the current year was approved at the 23th meeting of the 9th Board on February 23, 2022, and is hereby presented to the shareholders' general meeting.

I. Background

For the purpose of sound corporate governance, as well as assurance of shareholders' equity, consolidation of the Board of Directors' function, promotion of information transparency, and fulfillment of corporate social responsibility, our Guidelines for Corporate Governance were formally passed with a resolution at the May 28, 2003 shareholders' general meeting. Additionally, independent directorship was introduced so as to establish an infrastructure for corporate governance. Accordingly, relevant corporate governance systems and measures have been initiated and executed in the last 19 years with considerable effectiveness.

II. Corporate Governance Guidance

On the principle of enterprise autonomy, we comprehensively refer to important corporate governance principles both at home and abroad, as well as corporate governance experience of leading enterprises. Furthermore, we complied with domestic applicable laws and regulations when formulating our Guidelines for Corporate Governance (hereinafter "GCG"). These standards were established and amended at 2003, 2004, 2006, 2007, 2012, 2013, 2019 and 2021 shareholders' general meetings, as well as the 2016 extraordinary general meeting, and serve as the guiding principles for our corporate governance system and implementation of governance measures.

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III. Execution of Corporate Governance System

In addition to the stipulation of independent directorship in the Articles of Incorporation, we have also established relevant functional committees in a sequential manner, depending on our actual business and stage-task requirements. Currently, our Board of Directors established Corporate Governance & Nomination, Audit, Remuneration, and Special Committees for functional purposes. The Board formulated applicable by-laws and adopted specific corporate governance measures to establish a robust corporate governance system.

1. Establishment of Independent Directorship

In light of the observable effectiveness of our corporate governance system, the ability of independent directorship to progressively bring the functions set out in GCG into play, and for the purpose of alignment with legalization of independent directorship, we acted in concert with the amendment to the Securities and Exchange Act by adding provisions in the Articles of Incorporation for establishing independent directorship at the 2006 shareholders' general meeting. Accordingly, following election of the 4th directors and supervisors at the 2007 shareholders' general meeting, two or more independent directors have been elected each year according to laws and regulations and the Articles of Incorporation.

2. Restructuring of Board of Directors According to Shareholder Structure

In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT, and corporate development, as well as shareholder structure and discussion efficiency, there are 13 number of directors serving on the 9th Board, including 4 independent directors and 9 non-independent directors elected at the shareholders' general meeting held on May 21, 2020.

3. Institution of Functional Committees of Board of Directors for Business and Legal Compliance Needs

To implement efficient decision-making and robust supervision, since the 4th Board of Directors, we established the Corporate Governance Committee and quasi Audit Committee in accordance with Article 5-1-01 of the GCG, and thereafter established other functional

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committees such as the Procurement Committee, Finance Committee, Remuneration Committee, and Special Committee in line with business and regulatory demands. These committees preview relevant affairs and proposals prior to discussion at Board meetings. Additionally, in compliance with public listing regulations, the shareholders' extraordinary general meeting held on March 18, 2016 discussed and approved revisions to our Articles of Incorporation and GCG, wherein the Audit Committee was established to replace supervisors and the Corporate Governance Committee was renamed the Corporate Governance & Nominating Committee; the former quasi Audit Committee ceased to exist upon the amendment of the above by-law and guidelines.

Furthermore, the 13 directors comprising the 9th Board were elected for three years of office (May 21, 2020 to May 20, 2023). The current Board oversees the Corporate Governance & Nominating Committee, Audit Committee (encompassing the duties of the Finance Committee), Remuneration Committee, and Special Committee (encompassing the duties of the Procurement Committee); of these, the Audit Committee and Remuneration Committee are convened by independent directors, and the members of each functional committee should include at least two independent directors.

4. Primary tasks and execution responsibilities for Board of Directors and functional committees (from January 2021 to March 2022)

(1) Board of Directors

① Composition: 13 directors.

② Number of meetings: 15.

③ Primary tasks:

The Board of Directors are responsible for major Corporation finance, business, and operation decisions, and oversee the duties performed by the Management (see Schedule for details).

④ Execution:

The Board of Directors applies applicable laws and regulations, resolutions of shareholders' meetings, and the Corporation by-laws to faithfully perform the foregoing

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primary tasks. Board duties are diverse and therefore not enumerated here. In the event of major resolutions, the Board of Directors consistently announces and discloses these on the Market Observation Post System as required. Functional committees bring their respective preview function into play, and independent directors also exert their independence and professionalism, enhancing Board discussions and promoting professionalism.

(2) Corporate Governance & Nominating Committee

① Composition: 5 directors (including the Chairman), convened by the Chairman who is elected by all committee members.

② Number of meetings: 14.

③ Primary tasks:

Review diverse background including professional knowhow, technical knowledge, expertise, and gender and independent standards of independent directors, non-independent directors, and managers; plan composition of the Board and functional committees; review succession plans for directors and managers; conduct performance evaluations of the Board, committees, directors, and managers; nominate independent directors and non-independent directors; research and analyze corporate governance systems; and review effectiveness of corporate governance systems and implementation of information disclosures (see Schedule for details).

④ Execution:

1) Discuss proposals for evaluation of implementation of Board of Directors and functional committees and annual work plans.

2) Discuss executive report on corporate governance.

3) Discuss renewal of Directors and Officers Liability Insurance.

4) Discuss corporate organizational structure adjustments and procedural amendments.

5) Discuss amendments or amendment proposals to internal rules and regulations relating to corporate governance.

6) Discuss director and manager succession plans.

7) Discuss Corporation corporate governance implementation performance, execution of corporate social responsibilities and ethical management, and implementation of

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information disclosures.

(3) Audit Committee

① Composition: Composed of all 4 independent directors, with the committee being convened by 1 of the independent directors.

② Number of meetings: 15.

③ Primary tasks:

Review and oversee corporate financial statements and risk control/management affairs (see Schedule for details).

④ Execution:

1) Review annual budget, budget implementation report and financial statements.

2) Discuss amendments to or formulation of regulations relating to Audit Committee duties, including the “Charter of the Audit Committee,” “Regulation for Accounting Treatments,” “Assets for Operation and Equipment Management Regulation,” “Internal Control System,” “Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior,” “Operational Procedures for Endorsements and Guarantees,” and “Operational Procedures for Loaning Funds to Others.”

3) Review results of annual self-evaluations of internal control system and statements of internal control system at all levels of the organization. The “Internal Control System Self-Assessment Results Final Report” for 2021 and results of all self-assessments implemented by each unit were completed through cyclical procedures. The “Internal Control System Self-Assessment Results for 2021” were submitted to the 9th Board at the 21th Audit Committee Meeting held on February 21, 2022, and were approved by the 9th Board at the 23th Board Meeting on February 23, 2022, confirming that the Corporation’s internal control systems for 2021 includes understanding of operational performance, efficiency, and goal attainment rates; reliability, timeliness, transparency, and legal compliance of reporting measures; and efficient implementation to ensure that relevant goals are met.

4) Review transactions involving directors’ conflicts of interest subject to recusal of exercise of voting rights, transactions with related parties, and transactions requiring

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prevention of conflicts of interest.

- 5) Review assessments of Certified Public Accountants. Please refer to Sub-Item (6) Periodic Independence Assessments of Public Accountant (CPA) under Item 5 Measures Specific to Corporate Governance in Management Presentations for primary assessment results.
- 6) Review annual audit plans and executive reports thereof.
- 7) Periodically communicate with internal audit managers and accountants. Main communication items are as shown in the Schedule.
- 8) Assess the Corporation's risk management policies and risk evaluation criteria, and monitor existing and potential risks to the Corporation. The Audit Committee and the Board periodically review the Corporation's risk management implementations. The "2021 annual progress report of risk management implementations" was submitted to the 16th Audit Committee meeting of the 9th Board on September 13, 2021 and the 18th meeting of the 9th Board on September 15, 2021 to confirm that all units responsible for risk management have adopted appropriate response measures, and have made appropriate records of risk management procedures and implementation results.

(4) Remuneration Committee

① Composition: Composed of all 3 independent directors, with the committee being convened by 1 of the independent directors.

② Number of meetings: 15.

③ Primary Tasks:

Formulate and regularly review the evaluation of directors and managers' performance and salary and compensation (see Schedule for details).

④ Execution:

The Remuneration Committee applies the foregoing primary tasks when considering the Corporation's proposals for performance management and compensation. For more information regarding director and manager remuneration policies, and connection between and reasonableness of remuneration and performance assessment results, please refer to Sub-Item (5) Formulation of Reasonable Remuneration Policies and Evaluation

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of Connection Between Reasonableness of Remuneration and Performance Assessment Results under Item 5 Measures Specific to Corporate Governance in Management Presentations.

(5) Special Committee

① Composition: 6 directors, convened by one director elected by committee members.

② Number of meetings: 13.

③ Primary Tasks:

Provide advice on the Corporation's major legal or contractual disputes and important system reforms, assist the Board of Directors in supervising managers' execution of decisions, and review the Corporation's procurement-related proposals to be submitted to the Board of Directors as required by the by-laws (see Schedule for details).

④ Execution:

The Special Committee applies the foregoing primary tasks when considering major legal or contractual disputes and procurement-related proposals.

5. Measures Specific to Corporate Governance

(1) Formulation and Revision of Relevant Corporate Governance Rules:

In 2021, in order to strengthen our corporate governance system, the functional committees of the Corporation pre-assessed proposals to establish or revise basic and management bylaws relating to corporate governance, and submitted these to the Board for approval; the corporate bylaws concerned included the "Corporate Social Responsibility Best Practice Principles," "Guidelines for Corporate Governance," "Rules of Procedure for Shareholders Meetings," "Rules for the Election of Directors," "Regulations of Disclosure Information," "THSRC Organizational Regulation," "THSRC Organizational Chart," "Regulations for Management of the Prevention of Insider Trading," "Internal Control System," "Regulations Governing Self-Evaluations of Internal Control System," and "Regulations Governing Board Performance Evaluations."

Additionally, the Corporation plans to revise its "Corporate Social Responsibility Best Practice Principles" and "Rules of Procedure for Shareholders' Meetings" in accordance

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with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, amendments made to the Regulations Governing the Administration of Shareholder Services of Public Companies, and the Corporation's business operations. These revisions will be submitted to the shareholders' meeting for presentation and discussion in accordance with relevant regulations.

(2) Establishment of succession plan for Board members:

Unless otherwise stipulated by law or the Corporation's Articles of Incorporation, selection and appointment of Directors are based on regulations regarding Board diversity, succession plans, and overall Board capabilities in the Corporation's "Charter of the Corporate Governance & Nominating Committee," and also reference evaluations of Board performance. Director candidates are adjusted in accordance with these principles.

Director candidates are nominated for election by the Board or shareholders who hold more than 1% of shares; the professional backgrounds and skills of potential candidates are carefully considered prior to nomination. At re-elections, major shareholders recommend candidates based on relevant qualification criteria for Board reference and discussion, and candidates are then nominated in accordance with the Corporation's diversity policies and succession plans.

Before recommending Chairman candidates for selection and appointment, major shareholders reference selection, management, and assessment guidelines set out by the Corporation to conduct comprehensive evaluation, review, and confirmation of candidate qualifications and experience, as well as the responsibilities required for corporate operations, adhering to the highest principle of appointing appropriate talent to appropriate positions when recommending successors for Chairman. The President is also appointed in accordance with the aforementioned principles. Additionally, the Corporation arranges for senior managers to sit in on Board meetings so they can familiarize themselves with Board operations, and also helps senior managers expand their participation and work rotation experience in different operational units.

(3) Demarcation of Authority Between Board of Directors and Management:

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By reference to the spirit of the corporate governance initiatives, the demarcation of authority for business decision-making is as follows: in principle, the Board of Directors is responsible for making decisions pertaining to the Corporation's major operations and development, as well as matters relating to major financial and business conduct; other affairs are delegated to the Chairman and Management, and the Board of Directors takes responsibility for supervision thereof. The table governing the foregoing principle of Delegation of Responsibility and Authority of the Corporation's business was revised accordingly.

(4) Purchase of Directors and Officers Liability Insurance (D&O):

① Purchase of D&O is a part of implementation of corporate governance initiatives. From the Corporation's perspective, D&O not only facilitates the acquisition of talent, but also encourages dauntless service, thus contributing to corporate governance. For directors and officers, D&O can help to avoid damages due to legal liability from fault or neglect related to performance of duties.

② The current insured D&O amount is NT\$ 900 million.

(5) Formulation of Reasonable Remuneration Policies and Evaluation of Connection Between Reasonableness of Remuneration and Performance Assessment Results:

Article 27-1 of the Corporation's "Articles of Incorporation" stipulates that the pay to the Directors for their services as Directors shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry. Additionally, if the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not more than 1 percent as profit-sharing compensation to Directors according to Article 35-1 of the Corporation's "Articles of Incorporation." Independent directors receive a fixed sum of monthly compensation as determined by the Board of Directors, and are not entitled to profit-sharing compensation when the Corporation is profitable.

Employee compensation is determined by individual work experience, work position and

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work duties, work abilities and work performance, and the Corporation's financial status and business operations, and has a positive correlation with the Corporation's business performance. In addition, according to Article 35-1 of our "Articles of Incorporation," if the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees. Compensation standards for Corporation managers shall consider individual performance, contribution to overall operations, and stipulations of relevant Corporation by-laws, and are determined by the Board of Directors with reference to market standards for such compensation.

The remuneration of the Corporation's Chairman and President is determined in reference to the "Reference Table of Remuneration Standards for Heads of Public Institutes under the Ministry of Transportation and Communications" and is submitted to the Board for approval. In order to fully reflect achievement of operational performance indicators, performance assessments criteria for the Chairman are based on annual Corporation performance relating to operations, governance, and finances, and include four assessment items: net income before tax, credit ratings or Taiwan ratings, customer satisfaction, and corporate governance evaluations. Performance assessment items for the President include: management of operational safety, supervision of financial plan execution, revenue management, promotion of autonomous maintenance capabilities, strengthening of internal controls, and implementation and management of quality assurance.

Performance evaluations of Corporation directors and managers reference our "Regulation of Self-Evaluation of the Board of Directors" and our "Performance Appraisal Regulation" (applicable to managers and employees). Reasonable compensation is provided to directors and managers, and takes into account the Corporation's overall business performance, future industrial risks, and development trends, as well as individual performance achievement rates and level of contribution to the Corporation. Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors; our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current

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corporate governance trends so as to balance sustainable operations and risk management.

Results of performance self-assessments for the Corporation’s Board of Directors, Board members, and functional committees in 2021 all significantly exceeded standards. Additionally, results of performance assessments for managers in 2021 showed that all managers either met or exceeded set targets. Compensation for the Corporation’s Chairman, Board directors, President, and managers fully consider the professional capabilities of these individuals and Corporation operations and finances, and are linked to individual performance management and evaluation results.

The Corporation distributes year-end bonuses and performance bonuses according to business performance and has set salary adjustment policies to enhance compensation and welfare for all employees.

(6) Periodic Independence Assessments of Certified Public Accountant (CPA):

According to Article 5-3-06 of the Corporation’s GCG, the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and these assessments shall be submitted to the Board of Directors. The Corporation’s CPA assessment results for 2021 were approved by the 9th Board at the 21th Audit Committee Meeting held on February 21, 2022 and the 9th Board at the 23th Board Meeting on February 23, 2022, confirming that the accountants fulfilled assessment standards for independence and competency:

No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
1	As of the most recent audit, there have been no instances where CPA remained unchanged for 7 years, or where CPA was reassigned to the Corporation within 2 years.	Yes	Yes
2	CPA has no direct or indirect major financial stake in the Corporation.	Yes	Yes

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No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
3	CPA is not involved in any financing or financial guarantee agreements involving the Corporation or Corporation directors.	Yes	Yes
4	CPA does not have any potential employment relationship with the Corporation.	Yes	Yes
5	Accounting firm of CPA is not overly reliant on funds from the Corporation as a single client .	Yes	Yes
6	CPA and members of the audit team are not currently serving as Corporation directors, managers, or in positions that have major impact on Corporation audits, and have not done so over the past 2 years.	Yes	Yes
7	Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.	Yes	Yes
8	CPA does not promote or sell shares or other securities issued by the Corporation.	Yes	Yes
9	CPA is not representing the Corporation in litigation with a third party or other disputes.	Yes	Yes
10	CPA and members of the audit team have no familial relationships with directors, managers, or people in positions that have major impact on Corporation audits at the Corporation.	Yes	Yes
11	CPA has not served as company director, manager, or in positions that have major impact on Corporation audits within 1 year of termination.	Yes	Yes

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No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
12	The Corporation has not requested that members of the audit team accept improper accounting practices or improper disclosures on financial statements made by the Corporation.	Yes	Yes
13	The Corporation has not exerted pressure on accountants and facilitated improper reduction of audit duties in order to reduce audit fees.	Yes	Yes
14	CPA is not involved in decision-making managerial duties at the Corporation.	Yes	Yes

IV. Effectiveness of Corporate Governance System

1. Preliminary Review by Functional Committees

In accordance with the GCG, functional committees deliberate the respective proposals submitted by the Management, perform relevant duties, and actively fulfill their preview role for the Board of Directors.

2. Independence and Professionalism of Independent Directors

When discussing official business with the Board of Directors and functional committees, independent directors promptly express their opinions, exert their independence and professionalism, and contribute to discussion efficiency and quality of decision making.

3. Management Implementation

The Management fully understands the framework and spirit of corporate governance, and complies with applicable by-laws and regulations and resolutions of shareholder and Board meetings when performing their duties and fulfilling their duty of care.

4. Strengthen Information Disclosure

For the convenience of shareholders and stakeholders, our corporate governance information

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is disclosed on the Market Observation Post System (<https://mops.twse.com.tw>). In addition, we release our corporate governance information on our corporate website (<https://www.thsrc.com.tw>) in both Chinese and English to further enhance transparency. Material information is disclosed on the Market Observation Post System in both Chinese and English so that domestic and overseas investors can receive timely updates on the latest Corporation information. Furthermore, we not only communicate all issues of concern to our stakeholders through multiple channels, but also established a stakeholder section and stakeholder contacts on our corporate website. Appropriate communication allows us to understand the reasonable expectations and needs of our stakeholders and respond accordingly to major issues of concern.

5. Corporate Social Responsibility and Social Contribution

The Corporation has viewed realization of corporate social responsibilities as the foundation of our core services since our establishment. We continuously committed to social care, environmental protection and corporate governance, and consider corporate social responsibility as one of our core values, to promote balance and sustainable development on economic, social and ecological in order to achieve the goal of sustainable management.

The Corporation follows the spirit of the international human rights conventions, and the characteristics of rail transportation industry. In 2018, we formulated our “Human Rights Policy” which adheres to labor laws and other relevant regulations, and supports and complies with the principles and essence of international human rights conventions such as the United Nation’s Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work. We also ensure that our human resource policies do not discriminate based on gender, race, social status, age, marital status, religion, or political affiliation. We have formulated clear regulations in accordance with the demands of human rights policies, and we identify important human rights issues to serve as a reference for promoting risk-mitigating measures. Furthermore, the Corporation’s Supplier Management Policy shows that apart from quality, cost, delivery date, and services, the

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Corporation also considers issues relating to reasonable profits, social responsibility, worker safety, human rights, and environmental protection when making management decisions and implementing procurement procedures.

V. Future Plans for Corporate Governance

In 2017, we drafted a sustainability strategy blueprint using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. In order to pursue greater excellence in sustainable implementations, we reviewed our Corporate Governance 3.0 Strategic Development Blueprint in 2020 and aligned this with corresponding UN SDGs to strengthen and implement corporate governance and sustainable operations. In future, we will continue to reference international trends and local demands, using our 4Ts to formulate our short-, mid-, and long-term goals and action plans while incorporating ESG (Environment, Social, Governance) concepts into our operational plans and actively implementing sustainable actions in our business operations. We use various assessment mechanisms to periodically track the development and performance of various issues, and to promote and implement our sustainable concepts as we gradually solidify our determination and commitment to sustainable operations to realize our corporate vision “To be the platform for advancement and enjoyment.”

VI. Concluding Remarks

Since going public, the Corporation has participated in the TWSE Corporate Governance Evaluations for four consecutive years (from 2017 to 2020) and was ranked among the top 5% of publicly listed companies. In future, we will focus on the continuous functioning of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, in order to improve the corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

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Supporting table

Main duties of the Board of Directors and functional committees:

Item	Primary Tasks
Board of Directors	<p>As per Article 3-02 of the Guidelines for Corporate Governance of the Corporation, the Board of Directors has the following primary tasks:</p> <ol style="list-style-type: none"> 1). Reviewing and deliberating the adoption and amendment of an internal control system, and evaluation of effectiveness of an internal control system. 2). Reviewing and deliberating significant bylaws and rules. 3). Reviewing and deliberating the Corporation’s significant financial plans, long-term and short-term goals, business plans, and budgets and final accounts. 4). Drawing up proposals for the distribution of profits and offsetting of losses and for increases or decreases in capital. 5). Reviewing and deliberating the setting up, closing down, or change of branches. 6). Reviewing and deliberating matters that may involve the personal interest of a Director. 7). Reviewing and deliberating material asset or derivatives transactions and material loans of funds or endorsements or guarantees. 8). Reviewing and deliberating any offering, issuance, or private placement of securities. 9). Reviewing and deliberating the appointment, dismissal, and compensation of the attesting CPAs (external auditor). 10). Appointing, dismissing, and supervising senior managerial officers and the chief financial officer, chief accountant, and chief internal auditor. 11). Reviewing and deliberating any matter presented by the Chairman, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairman.

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Item	Primary Tasks
	<p>12). Supervising the Corporation’s operating results and risks, and ensuring compliance with relevant laws and regulations.</p> <p>13). Planning directions for future development.</p> <p>14). Enhancing the Corporation’s image and fulfilling social responsibility.</p> <p>15). Reviewing and deliberating other significant matters requiring resolution by the Board as provided by laws and regulations, the Articles of Incorporation, shareholders’ meeting resolutions, these Guidelines, or other relevant bylaws of the Corporation.</p>
<p>Corporate Governance & Nominating Committee</p>	<p>As per Article 3 of the Charter of the Corporate Governance & Nominating Committee, the Corporate Governance & Nominating Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> 1). Review the diversified backgrounds of independent directors, non-independent directors, and managerial officers in terms of professional and technical knowledge, past experiences, and gender as well as standards of impartiality, and use these criteria to seek out, assess, and nominate candidates to serve as directors, independent directors, and managerial officers. 2). Plan composition of the Board and its functional committees and evaluate performance of the Board, committees, all directors, and managerial officers, and the independence of the independent directors. 3). Be responsible for nominations of independent directors and non-independent directors. 4). Identify and evaluate potential candidates for independent and non-independent directors. 5). Review the basis programs for director continuing education and succession plans of directors and managerial officers (succession planning).

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Item	Primary Tasks
	<ul style="list-style-type: none"> 6). Plan and review implementation performance of the Board and its committees. 7). Devise and review liability insurance plans for directors and managerial officers. 8). Review status of information disclosures. 9). Analyze, implement, and provide recommendations relating to the Corporation’s corporate governance system, and review the Corporation’s Guidelines for Corporate Governance and relevant bylaws. 10). Review implementation performance of the corporate governance system, including execution of corporate social responsibilities, ethical management, and stakeholder communication. 11). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.
<p>Audit Committee</p>	<p>As per Article 3 of the Charter of the Audit Committee, the Audit Committee is responsible for the following tasks:</p> <ul style="list-style-type: none"> 1). Adopt or amend the internal control systems pursuant to Article 14-1 of the Securities and Exchange Act. 2). Evaluate the effectiveness of the Corporation’s internal control system. 3). Adopt or amend the procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, monetary loans to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act. 4). Review matters that may involve the personal interest of directors. 5). Review material asset and derivatives transactions. 6). Review material monetary loans or endorsement, or provision of guarantees.

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Item	Primary Tasks
	<ol style="list-style-type: none"> 7). Review the public offering, issuance, or private placement of equity-type securities. 8). Evaluate the appointment, dismissal, or compensation of attesting CPAs. 9). Evaluate the appointment and dismissal of the Corporation’s chief financial officer, chief accountant, or chief internal auditor. 10). Review annual and quarterly financial reports, which are signed or sealed by the Corporation Chairperson, managerial officer, and certified public accountant. 11). Review the Corporation’s accounting system and financial condition. 12). Evaluate the Corporation’s risk management policies and risk measurement standards. 13). Review the procedures for material financial and operational acts 14). Evaluate, examine, and monitor any existing or potential risks to the Corporation. 15). Examine the Corporation’s compliance with laws, regulations and rules. 16). Review the Corporation’s capital, financing, and credit plans. 17). Assess the Corporation’s tax planning and compliance with tax laws and regulations. 18). Other major matters as required by the Corporation or the competent authority. 19). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.
Remuneration Committee	<p>As per Article 3 of the Charter of the Remuneration Committee, the Remuneration Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> 1). Formulate and regularly review the performance assessment criteria,

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Item	Primary Tasks
	<p>performance goals, and the policies, systems, standards, and structure for the compensation of directors and managerial officers of the Corporation.</p> <p>2). Regularly assess the degree to which performance goals for directors and managerial officers of the Corporation have been achieved, set the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment criteria.</p>
Special Committee	<p>As per Article 3 of the Charter of the Special Committee, the Special Committee is responsible for the following tasks:</p> <p>1). Provide counsel and suggestions in accordance with Board resolutions on major legal or contractual disputes and important institutional changes of the Corporation, and assist the Board in supervising the implementation of said resolutions by managerial departments.</p> <p>2). Review proposals relating to procurement matters that should be submitted to the Board by managerial departments according to Corporation bylaws.</p> <p>3). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</p>

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Communication items between independent directors and chief internal auditor for 2021:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2021/2/23	Audit Committee Meeting (9-9)	2020 Q4 audit office project implementation report	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/5/4	Audit Committee Meeting (9-12)	2021 Q1 audit office project implementation report	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/8/3	Audit Committee Meeting (9-15)	2021 Q2 audit office project implementation report	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/10/12	Audit report (Independent report made by internal audit managers to independent directors)	Audit plans for 2022	Acknowledged by independent directors.	No objections from independent directors.
2021/10/12	Audit Committee Meeting (9-17)	Formulation of 2022 audit report for auditing office	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/11/2	Audit Committee Meeting (9-18)	2021 Q3 audit office project implementation report	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

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Communication items between independent directors and CPAs for 2021:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
110/2/23	Audit Committee Meeting (9-9)	<ol style="list-style-type: none"> 1. 2020 financial report and conclusions of CPA audit report 2. Statement of Independence 3. Key audit items 4. New disclosures in 2020 financial report 	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/5/4	Audit Committee Meeting (9-12)	<ol style="list-style-type: none"> 1. 2021 Q1 financial report and conclusions of CPA audit report 2. Statement of Independence 	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/8/3	Audit Committee Meeting (9-15)	<ol style="list-style-type: none"> 1. 2021 Q2 financial report and conclusions of CPA audit report 2. Statement of Independence 	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/11/2	Audit Committee Meeting (9-18)	<ol style="list-style-type: none"> 1. 2021 Q3 financial report and conclusions of CPA audit report 2. Statement of Independence 3. New disclosures in 2021 Q3 financial report 4. Audit plans and key audit items for 2021 financial reports 	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/11/2	CPA audit report (Independent report made by CPAs to independent directors)	Report of audits on financial statements and audit plans	Acknowledged by independent directors.	No objections from independent directors.

Appendix II

Report No. 2: Report on Allocation of 2021 Remuneration to Board of Directors and Employees.

1. According to Article 235-1 of the Company Act and Letter No. 10402413890 dated June 11, 2015 issued by the Ministry of Economic Affairs, a fixed amount or ratio of profit of the current year distributable as employees' compensation as well as remuneration to directors and supervisors shall be stipulated in the Articles of Incorporation. However, the Corporation's accumulated losses should be offset prior to distribution. Distribution of director and employee compensation shall be undertaken by a resolution adopted by a majority vote at a Board meeting attended by at least two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.
2. Furthermore, according to Article 35-1 of the Articles of Incorporation, "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation."
3. The Corporation's profit for 2021 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$4,375,000,000 (no accumulated losses offset). In accordance with the provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached by 22th meeting of the 9th Board dated January 19, 2022 and the 23th meeting of the 9th Board dated February 23, 2022 for the distribution of 2021 director and employee compensation, with the percentage and amount to be allocated as follows:

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- (1) For directors' compensation:
 1. Percentage allocated: 0.5%.
 2. Amount allocated: NT\$ 21,875,000.
- (2) For employees' compensation
 1. Percentage allocated: 2 %.
 2. Amount allocated: NT\$ 87,500,000.

Appendix III

Report No. 3: Report on Director Remuneration for 2021.

1. According to Article 10-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, TWSE/TPEX listed companies shall report on director remuneration at shareholders' general meetings, including remuneration policies and the relationship between individual remuneration, remuneration amounts, and performance evaluation results.
2. The Corporation's director remuneration distribution policies adhere to Article 27-1 of the Articles of Incorporation, which stipulates that the pay to the Directors for their services as Directors shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry. Additionally, according to Article 35-1 of the Articles of Incorporation, if the Corporation is profitable in a given year, it should allocate not more than 1 percent as profit-sharing compensation to Directors. Independent Directors receive a fixed amount of remuneration every month as determined by the Board of Directors, and do not receive profit-sharing compensation.
3. Details of the Corporation's director remuneration and remuneration amounts for 2021 are shown in the following table.

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Remuneration to directors and independent directors (names and method of payment disclosed)

Unit: NT\$ thousands (as of 2021/12/31)

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company				
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)										
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements					
																Cash	Stock	Cash	Stock							
China Aviation Development Foundation		0	0	0	0	4,861	4,861	0	0	4,861	4,861	0.13	0.13	0	0	0	0	0	0	0	0	4,861	4,861	0.13	0.13	None
Chairman Representative: Yao-Chung Chiang		6,849	6,849	0	0	0	0	458	458	7,307	7,307	0.20	0.20	0	0	0	0	0	0	0	0	7,307	7,307	0.20	0.20	None
Director Representative: Lee-Ching Ko		0	0	0	0	0	0	80	80	80	80	0.00	0.00	0	0	0	0	0	0	0	0	80	80	0.00	0.00	None
Ministry of Transportation and Communications, R.O.C.		0	0	0	0	4,861	4,861	68	68	4,929	4,929	0.14	0.14	0	0	0	0	0	0	0	0	4,929	4,929	0.14	0.14	None
Director Representative: Wen-Jong Chi		0	0	0	0	0	0	64	64	64	64	0.00	0.00	0	0	0	0	0	0	0	0	64	64	0.00	0.00	None
Director Representative: Chin-Hong Pan		0	0	0	0	0	0	41	41	41	41	0.00	0.00	0	0	0	0	0	0	0	0	41	41	0.00	0.00	None
Director Former Representative: Kwo-Tsai Wang		0	0	0	0	0	0	24	24	24	24	0.00	0.00	0	0	0	0	0	0	0	0	24	24	0.00	0.00	None
Director Former Representative: Yueh-Hsiang Chen		0	0	0	0	0	0	59	59	59	59	0.00	0.00	0	0	0	0	0	0	0	0	59	59	0.00	0.00	None
China Steel Corporation		0	0	0	0	2,431	2,431	80	80	2,511	2,511	0.07	0.07	0	0	0	0	0	0	0	0	2,511	2,511	0.07	0.07	None

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Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company		
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)								
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements					
															Cash	Stock	Cash	Stock						
Director Representative: Chao-Tung Wong		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Taiwan Sugar Corporation		0	0	0	0	2,431	2,431	136	136	2,567	2,567	0	0	0	0	0	0	0	0	2,567	2,567	0.07	0.07	None
Director Representative: Chao-Yyih Chen		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
TECO Electric & Machinery Co., Ltd.		0	0	0	0	2,431	2,431	0	0	2,431	2,431	0	0	0	0	0	0	0	0	2,431	2,431	0.07	0.07	None
Director Representative: Mao-Hsiung, Huang		0	0	0	0	0	0	168	168	168	168	0	0	0	0	0	0	0	0	168	168	0.00	0.00	None
Management Committee of National Development Fund, Executive Yuan		0	0	0	0	2,431	2,431	53	53	2,484	2,484	0	0	0	0	0	0	0	0	2,484	2,484	0.07	0.07	None
Director Representative: Shien-Quey Kao		0	0	0	0	0	0	99	99	99	99	0	0	0	0	0	0	0	0	99	99	0.00	0.00	None
Taipei Fubon Commercial Bank Co., Ltd.		0	0	0	0	2,431	2,431	0	0	2,431	2,431	0	0	0	0	0	0	0	0	2,431	2,431	0.07	0.07	None
Director Representative: Kuo-Chih Liu		0	0	0	0	0	0	176	176	176	176	0	0	0	0	0	0	0	0	176	176	0.00	0.00	None
Independent Director Kenneth Huang-Chuan Chiu		720	720	0	0	0	0	376	376	1,096	1,096	0	0	0	0	0	0	0	0	1,096	1,096	0.03	0.03	None
Independent Director Duei Tsai		288	288	0	0	0	0	368	368	656	656	0	0	0	0	0	0	0	0	656	656	0.02	0.02	None
Independent Director Pai-Ta Shih		720	720	0	0	0	0	376	376	1,096	1,096	0	0	0	0	0	0	0	0	1,096	1,096	0.03	0.03	None

Appendix III

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements			
Independent Director Yung-Cheng (Rex) Lai		720	720	0	0	0	0	360	360	1,080.03	1,080.03	0	0	0	0	0	0	0	0	1,080.03	1,080.03	None

1. Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and borne duties, risks, time invested, and other factors:
According to Article 2-07 of the Corporation's "Guidelines for Corporate Governance," the remuneration paid to Directors for their services as Directors, including Board meeting attendance fees, salary and pay, and profit-sharing compensation paid to Directors as set out in the Articles of Incorporation, shall be discussed and determined by the Board separately for each Director, in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines, with consideration to the level of involvement and value of the contribution of each Director, and taking into reference the usual pay level in the industry domestically and abroad. Remuneration for independent directors is determined according to the reasonable compensation is provided in consideration of the Corporation's overall business performance, future industrial risks, and development trends and in reference to the Corporation's "Regulation of Self-Evaluation of the Board of Directors." Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors; our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management. The Corporation's independent directors are not entitled to profit shares.

2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants and others) other than disclosed in the table above: None.

Note 1: Includes expenses for company cars, but not driver remuneration.
Note 2: The remuneration disclosed in this table uses a different concept to that of the Income Tax Act, and therefore the purpose of this table is merely to disclose the information. This information should not be used for tax purposes.
Note 3: The Corporation has no subsidiaries and therefore does not disclose any consolidated financial reports.

Appendix IV

Report No. 4: Revision of Corporate Social Responsibility Best Practice Principles.

1. In order to comply with revisions made to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” on December 7, 2021 by the Taiwan Stock Exchange Corporation, and in consideration of the Corporation’s operating needs, amendments are proposed to the Corporation’s “Sustainable Development Best Practice Principles.”
2. A comparison of amended articles in the “Sustainable Development Best Practice Principles” (please refer to p.63-p.67 of the Annual Meeting Handbook).
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby presented to the shareholders’ annual general meeting.

Appendix IV

Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Sustainable Development Best Practice Principles

Amended Title	Current Title	Description
<u>Sustainable Development Best Practice Principles</u>	<u>Corporate Social Responsibility Best Practice Principles</u>	Title and article content amended in accordance with revisions made to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” issued by the Taiwan Stock Exchange Corporation (TWSE) on December 7, 2021.

Amended Articles	Current Articles	Description
<p>Article 1 The Taiwan High Speed Rail Corporation (hereinafter referred to as "the Corporation"), based on the principle of corporate sustainability, holds <u>sustainable development</u> as one of the major core value. To fulfill corporate social responsibility, and to promote economic, social, environmental, and ecological balance and sustainable development, and achieve sustainable operations, the Corporation adopts these Principles for compliance, taking into reference to the <u>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</u> and relevant laws and regulations.</p>	<p>Article 1 The Taiwan High Speed Rail Corporation (hereinafter referred to as "the Corporation"), based on the principle of corporate sustainability, holds <u>corporate social responsibility</u> as one of the major core value. To fulfill corporate social responsibility, and to promote economic, social, environmental, and ecological balance and sustainable development, and achieve sustainable operations, the Corporation adopts these Principles for compliance, taking into reference to the <u>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</u> and relevant laws and regulations.</p>	In accordance with title change, the wordings of the article were therewith revised.

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Amended Articles	Current Articles	Description
<p>Article 3 In fulfilling <u>sustainable development</u> initiatives, the Corporation shall, in its corporate operational strategies and management objectives, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.</p> <p>The Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.</p>	<p>Article 3 In fulfilling <u>corporate social responsibility</u> initiatives, the Corporation shall, in its corporate operational strategies and management objectives, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.</p> <p>The Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.</p>	<p>In accordance with title change, the wording of the article was therewith revised.</p>
<p>Article 4 To implement <u>sustainable development</u>, the Corporation shall abide by the following principles:</p> <ol style="list-style-type: none"> 1. Implement corporate governance. 2. Foster a sustainable environment. 3. Maintain public interest of society. 4. Disclosure of <u>sustainable development</u> information. 	<p>Article 4 To implement <u>corporate social responsibility</u>, the Corporation shall abide by the following principles:</p> <ol style="list-style-type: none"> 1. Implement corporate governance. 2. Foster a sustainable environment. 3. Maintain public interest of society. 4. Disclosure of <u>corporate social responsibility</u> information. 	<p>In accordance with title change, the wordings of the article were therewith revised.</p>
<p>Article 5 The Corporation shall consider the <u>sustainable development subjects and trends</u> domestically and abroad and its core business operations, as well as the overall operational activity effects on</p>	<p>Article 5 The Corporation shall consider the <u>corporate social responsibility development trends</u> domestically and abroad and its core business operations, as well as the overall operational activity effects on</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

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Amended Articles	Current Articles	Description
<p>stakeholders, and adopt <u>sustainable development</u> policies, systems or guiding management principles, and concrete proposals for promoting <u>sustainable development</u> programs.</p>	<p>stakeholders, and adopt <u>corporate social responsibility</u> policies, systems or guiding management principles, and concrete proposals for promoting <u>corporate social responsibility</u> programs.</p>	
<p>Article 8 The Corporation may, on a regular basis, hold education and training courses on the implementation of <u>sustainable development</u>.</p>	<p>Article 8 The Corporation may, on a regular basis, hold education and training courses on the implementation of <u>corporate social responsibility</u>.</p>	<p>In accordance with title change, the wording of the article was therewith revised.</p>
<p>Article 9 For sound management of <u>sustainable development</u>, the Corporation may establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing <u>sustainable development</u> policies and concrete promotional plans, and reporting on the same to the Board on a regular basis. The Corporation may adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders. The employee performance evaluation system may comply with <u>sustainable development</u> policies, and a clear and effective incentive and discipline system shall be established.</p>	<p>Article 9 For sound management of <u>corporate social responsibility</u>, the Corporation may establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing <u>corporate social responsibility</u> policies and concrete promotional plans, and reporting on the same to the Board on a regular basis. The Corporation may adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders. The employee performance evaluation system may comply with <u>corporate social responsibility</u> policies, and a clear and effective incentive and discipline system shall be established.</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>
<p>Article 10 The Corporation, based on respect for the rights and interests of stakeholders, shall establish a designated section on</p>	<p>Article 10 The Corporation, based on respect for the rights and interests of stakeholders, shall establish a designated section on corporate</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

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Amended Articles	Current Articles	Description
<p>corporate website for stakeholders. It shall use appropriate means of communication to gain an understanding of the reasonable expectations and demands of stakeholders, and adequately respond to important <u>sustainable development</u> issues that they may be concerned about.</p>	<p>website for stakeholders. It shall use appropriate means of communication to gain an understanding of the reasonable expectations and demands of stakeholders, and adequately respond to important <u>corporate social responsibility</u> issues that they may be concerned about.</p>	
<p>Chapter 5 Enhancing Disclosure of <u>Sustainable Development</u> Information</p>	<p>Chapter 5 Enhancing Disclosure of <u>Corporate Social Responsibility</u> Information</p>	<p>In accordance with title change, the wording of the chapter was therewith revised.</p>
<p>Article 28 The Corporation shall disclose information in accordance with relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/<u>TPEX</u> listed Companies, and shall fully disclose relevant and reliable <u>sustainable development</u> information, to improve information transparency.</p>	<p>Article 28 The Corporation shall disclose information in accordance with relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/<u>GTSM</u> listed Companies, and shall fully disclose relevant and reliable <u>corporate social responsibility</u> information, to improve information transparency.</p>	<p>In accordance with title change, the wording of the article was therewith revised.</p>
<p>Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce <u>sustainable development</u> reports, to disclose the status of its implementation of <u>sustainable development</u>. It also may obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include: 1. Policy, system, or relevant management guidelines and</p>	<p>Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce <u>corporate social responsibility</u> reports, to disclose the status of its implementation of <u>corporate social responsibility</u>. It also may obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include: 1. Policy, system, or relevant management guidelines and concrete promotion plans for</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

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Amended Articles	Current Articles	Description
<p>concrete promotion plans for implementing <u>sustainable development</u>.</p> <p>2. Major stakeholders and related concerns.</p> <p>3. Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.</p> <p>4. Future directions for improvement and goals.</p>	<p>implementing <u>corporate social responsibility</u>.</p> <p>2. Major stakeholders and related concerns.</p> <p>3. Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.</p> <p>4. Future directions for improvement and goals.</p>	
<p>Article 30</p> <p>The Corporation shall continually monitor the development of relevant domestic and foreign <u>sustainable development</u> standards and changes in the business environment, as a basis for examining and improving its established <u>sustainable development</u> system, to obtain better results from its implementation of <u>sustainable development</u>.</p>	<p>Article 30</p> <p>The Corporation shall continually monitor the development of relevant domestic and foreign <u>corporate social responsibility</u> standards and changes in the business environment, as a basis for examining and improving its established <u>corporate social responsibility</u> system, to obtain better results from its implementation of <u>corporate social responsibility</u>.</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

Appendix V

Report No. 5: Report on Domestic Unsecured Corporate Bond Offering for 2021.

1. The Corporation's domestic unsecured corporate bond offering for 2021 was approved by the 13th meeting of the 9th Board on April 14, 2021. The Corporation may issue unsecured corporate bonds up to NT\$ 10 billion for capital expenditure, equipment replacement, debt repayment, or replenishment of working capital.
2. The Corporation completed issuance of the first unsecured corporate bonds offering for 2021 on July 1, 2021, and completed issuance of the second unsecured corporate bonds offering for 2021 on August 30, 2021.
3. The reasons for and implementation of the Corporation's first unsecured corporate bond offering for 2021 are presented below in accordance with Article 246 of the Company Act:

Issuance	1st Unsecured Corporate Bonds Issued in 2021
Denomination	Tranche A: NT\$ 4 billion Tranche B: NT\$ 4 billion
Issuance Period	Tranche A: 3 years Tranche B: 4 years
Coupon Rate	Tranche A: 0.32% Tranche B: 0.35%
Principal Repayment and Interest Distribution	Repayment: Bullet Interest: Simple interest payable annually
Registered Approval Number	Official Document No. 11000061761 approved and made effective by the Taipei Exchange on June 22, 2021
Reason for Issuance	Replenish working capital for future operational needs
Issuance Date	Completed issuance on July 1, 2021

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Issuance	2nd Unsecured Corporate Bonds Issued in 2021
Denomination	NT\$ 1 billion
Issuance Period	3 years
Coupon Rate	0.30%
Principal Repayment and Interest Distribution	Repayment: Bullet Interest: Simple interest payable annually
Registered Approval Number	Official Document No. 11000093921 approved and made effective by the Taipei Exchange on August 19, 2021
Reason for Issuance	Expenditures for green investment plan and social benefit investment plan
Issuance Date	Completed issuance on August 30, 2021

Appendix VI

Business Report for 2021

Business report and future prospects

Due to the outbreak of COVID-19 in early 2020, passenger volumes declined in both 2020 and 2021. However, as one of the main means of transportation in Taiwan's western corridor, the Corporation has continuously implemented various preventive measures to ensure the safety and well-being of our customers and employees during this difficult time.

Looking ahead to the future, we hope the global pandemic will come to an end soon and normalcy will resume. We will continue to deliver on our commitment to provide excellent service, comfortable travel, and customer satisfaction, adhering to the principle of "To be the platform for advancement and enjoyment" for every action we take.

1. 2021 Business report

(1) Operational performance

1) Rail Operations

Due to the impacts of the COVID-19 pandemic in 2021, ridership declined sharply after the nationwide level 3 epidemic alert was announced in mid-May. In response to the impacts of the epidemic, a short-term plan to reduce train services was imposed. With the epidemic slowing and ridership gradually recovering, train services were restored to pre-pandemic levels during the first half of November. A total of 46,792 train services were provided during the course of the year, a decrease of 6,284 train services compared to 53,076 trains in 2020. Our loading factor was 49.88% (down by 7.06% compared to 56.94% in 2020) and passenger volume decreased to 43.46 million, down by 13.78 million compared to 57.24 million in 2020. Our total passenger-kilometers were 7,569 million km, down by 23.64% compared to 9,912 million km in 2020. Average daily ridership was 119 thousand passengers, a decrease of 37 thousand passengers compared to 156 thousand passengers in 2020.

In terms of operational safety, no accidents or injuries occurred in 2021. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.00%, slightly lower

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than 2020 (99.71%), and our average reliability rate (excluding delays due to force majeure) was 100%.

2) Marketing and Passenger services

Products, services, and activities launched in 2021:

A. The Corporation has implemented the following preventive measures in response to the COVID-19 pandemic:

- (a) Required passengers to wear masks and measure body temperatures at HSR stations.
- (b) Enhanced cleaning and disinfection measures on trains and at HSR stations.
- (c) Implemented “Social Distancing Seating” measures for ticket bookings and seat allocations.
- (d) Adjusted train schedules in response to the pandemic and required seat reservations for all holiday train runs to reduce risk of infection.
- (e) Adjusted regulations regarding eating and drinking on trains according to epidemic conditions and required passengers to wear face masks at all times, except when eating or drinking in train compartments.
- (f) Implemented governmental “SMS contact tracing system” since May 19. QR codes are available at HSR station ticket counters, vending machines, service counters, and entrance gates for passengers to scan before entering and leaving stations.
- (g) The majority of Corporation front-line staff have received two doses of vaccination to ensure a reliable and safe service for passengers.

B. In response to the government’s anti-epidemic campaigns, the Corporation launched a series of promotions based on different customer characteristics to satisfy different customer segments, e.g. buy one get one 50% discount on T Holiday packages, T Holiday self-guided luxury tour packages, T Holiday upgraded road trip packages, 40% discount on travel packages, full gift with minimum purchase for 5,000 Quintuple Stimulus Vouchers, two for 45% discount packages, and discounts for students to encourage travel, increase ridership, and achieve revenue targets.

C. We continued to recruit TGo members through exclusive member benefits and various

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activities. We launched the “TGo 365” platform for members to redeem TGo points for rewards and a reward program for designated items in convenience stores in order to increase TGo member numbers and contributions.

- D. We continued to launch cumulative reward activities for corporate members and special discounts for designated off-peak train services to increase ridership.
- E. In addition to the regular promotions such as Early Bird Discounts, College Student Discounts, Credit Card Discounts, and Periodic/Multi-Ride Tickets, a series of programs were launched to increase ridership and revenues in response to the government-issued 5000 Quintuple Stimulus Voucher released on October 8.

(2) Budget Implementation

In 2021, our estimated operating revenue was NT\$46.78 billion, but due to the continuous impacts of the COVID-19 pandemic, actual operating revenue was NT\$30.23 billion. Our budget achievement rate was 64.6% and our actual net income was NT\$3.61 billion.

(3) Revenue, Expenditure, and Profitability Analysis

In 2021, our revenue was NT\$30.23 billion and income before tax was NT\$4.27 billion, down by 22.8% and 21.3% compared to 2020 due to the continuous impacts of the COVID-19 pandemic. Net income before tax was NT\$ 6.45 billion including stabilization fund inflows.

Due to severe impacts from the COVID-19 pandemic in 2021, ridership declined sharply after the nationwide level 3 epidemic alert was announced in mid-May. With the epidemic slowing and ridership gradually recovering, train services were restored to pre-pandemic levels during the first half of November and normalcy was resumed. In addition to maintaining punctuality and service quality, the Corporation continues to provide passengers with heartwarming and safe travel experiences while working to minimizing pandemic impacts on operations.

(4) Research and Development

Main research and development activities in 2021 were as follows:

1) Civil Facilities:

- A. Establishment of artificial intelligence drone service platform for HSR viaduct inspections.

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B. THSR Seismic Analysis for Bridges with Dampers and Data Analysis Research for Preventive Measures with Monitoring System in Tainan Section.

C. Rectification of differential vertical settlements between adjacent piers using pot bearings.

2) Signaling and Communications:

A. Development of Intelligent Passenger Information System (PIS).

B. Development of Railway Turnout Monitoring System (TMS).

3) Rolling Stock: Addition of CCTV surveillance system and luggage placement area in train compartments.

4) Information Technology:

A. Phase 1 of Advanced Open Reservation System (AORS).

B. Work Train Diagram System (WTDS).

C. Electronic Commerce Transaction Controller (ETRAC).

D. Continuous Integration Continuous Delivery (CICD).

5) Localization of Maintenance Materials and Equipment:

In order to expand localization of materials and equipment and to enhance development of the local railway industry, we have established a “Railway Industries Localization Project Team,” and the following is a brief summary of our localization efforts:

A. Signaling and Communication

(a) Maintenance parts for End Position Detectors.

(b) Localized alternative materials for Point Machine Detectors.

(c) UPS equipment for Signaling and Communications Huts (SCHs).

B. Rolling Stock

(a) Train air conditioning system compressors.

(b) Vending machines on trains.

(c) Lavatory water heater system.

(d) Internal/external Passenger Information Display.

(e) Business class carriage seatback tables and seat covers.

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C. Track and Power Systems

- (a) OCS maintenance vehicles.
 - (b) Automatic vibration measurement system for rolling stock.
 - (c) Substation B&C long life battery.
 - (d) 8R-N base plate & supplementary parts (include SMC-N insulated baseplate pad).
- 6) Electronic Service Center: We established an electronic maintenance center in mid-2008 to reduce dependence on original manufacturers and to increase our maintenance capabilities. The number of repairs for circuit boards and components from all systems has increased year over year.
- 7) Industry-Academia Collaboration Projects: We continue to collaborate with major research institutions to develop the following materials and equipment:
- A. Intelligent rail scooter (phase 2).
 - B. Development of rail lubricator instrument.
 - C. Analysis of aging OCS composite insulator and polluted mainline area.
 - D. Development of Wayside RTU System.
 - E. Train SACU air conditioner control unit test equipment.
 - F. Train PSSC control unit function test equipment.
 - G. Train auxiliary power supply unit function test equipment.
 - H. Train eddy current brake control test equipment.
 - I. Point machine maintenance management system.
 - J. Case study on track bolt signaling improvements.

2. Business Plan for 2022

(1) Management Guidelines

With 2022 filled with uncertainties due to the ongoing COVID-19 pandemic, we plan to increase train services during off-peak hours, improve convenience of ticketing services, strengthen digital customer services, and collaborate with transportation partners and other industries to supply travel packages for enhanced revenue management. In addition, we also plan to integrate innovative technology and applications that increase operational and

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management efficiency to ensure our service quality.

We will continue to offer a series of promotions in accordance with policies set in 2021 and in response to border controls. We plan to enhance digital HSR services and convenience of ticket purchasing as well as promote our membership program to ensure our operational performance.

(2) Expected Sales Volumes

Due to steady domestic economic growth after the pandemic, increasing convenience of digital ticket purchase services, and promotion of membership services and travel products, we estimate that the annual ridership volume for 2022 will exceed 66.07 million passengers.

(3) Major Production and Marketing Initiatives

Major Initiatives for 2022:

- 1) In response to the ongoing COVID-19 pandemic, the Corporation has implemented preventive measures to ensure passenger safety.
- 2) Facilitation of timely train service adjustments and adaptability of seating supply and demand, as well as improvement of revenue management efficiency to increase the output value of seats and fulfillment of revenue targets.
- 3) Development of diversified products based on diverse needs to satisfy different customer segments and promotions based on epidemic conditions to achieve sales potential, build the HSR tourism brand, and ensure fulfillment of revenue targets.
- 4) Promotion of the "Journey with THSR, Discover Taiwan" brand through T Holidays and combo tickets for hotels, transportation, and events that increase sales and attract passengers.
- 5) Continued promotion of the TGo membership program to build TGo membership economy, encourage cross-industry cooperation, and increase ticket and non-ticket revenues.
- 6) We continue to enhance our ticketing services through our online-offline integration strategy, and work with different industries to increase ticket utilization and enhance ticketing convenience. Additionally, we continue to discuss convenient mechanisms for and feasibility of mobile payments, travel cards, and cloud-based ticketing systems. For elderly and disabled passengers, we plan to provide a digital interactive ticketing system

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which uses Natural Language Processing (NLP) to increase convenience of ticketing services.

3. Future strategies

The Corporation's vision is "To be the platform for advancement and enjoyment," and we continue to implement the strategies of our 4T program: Transportation, Technology, Taiwan, and Touch:

(1) Transportation: To build professional transportation systems that provide high quality services and products.

- 1) To implement comprehensive safety and emergency measures.
- 2) To enhance operational equipment at stations, build friendly travel environments, increase customer service equipment, and enhance service quality.
- 3) To improve operational processes and ensure maximum train capabilities.
- 4) To improve revenue management efficiency, provide a variety of products, and increase ridership during off-peak hours.
- 5) To strengthen maintenance equipment (and self-maintenance capabilities), so as to ensure system stability and accountability.

(2) Technology: To implement intelligent transportation that improves operational efficiency and quality, and enhances service, safety, and emergency responses.

- 1) To digitalize ticketing channels.
- 2) To utilize big data in the promotion of our membership economy.
- 3) To implement information technology that strengthens operational, maintenance, and service quality to improve efficiency.
- 4) To research and enhance core system capabilities.

(3) Taiwan: To combine unique local cultures and landscapes to create a multicultural and progressive platform.

- 1) To enhance local development capabilities and increase the percentage of local equipment and materials.
- 2) To promote localization for the railway industry.
- 3) To develop multiple products that combine local culture and activities and enhance

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common prosperity.

- 4) To develop affiliated businesses and optimize quality.
 - 5) To integrate technical railway resources and evaluate possibilities for re-investment or technical exportation.
- (4) Touch: To establish brand culture, enhance talent skills and corporate efficiency, and participate in social caring and environmental protection.
- 1) To build talent development plans.
 - 2) To enhance management capabilities of managers.
 - 3) To combine the Corporation's brand with arts and culture, broadening our cultural scope and depth.
 - 4) To optimize long term financial structure.
 - 5) To build a corporate governance culture that serves as an example to all other businesses, and carry out corporate social responsibilities.
 - 6) To promote environmental protection, energy efficiency, and carbon reduction goals.

4. Impacts of External Environment, Legal Environment, and Overall Business Environment

Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 26, 2021 indicate that gradual vaccine popularization is bringing the COVID-19 pandemic under control. Countries are relaxing epidemic prevention measures and promoting infrastructure construction, which benefits global economic recovery. Domestic economic activities are returning to normal; demand is strong for emerging applications such as 5G mobile communication, automotive electronics, high performance computing, and IoT; domestic and returning Taiwanese semiconductor companies are expanding production capacity; exports of competitively advantageous technological products are growing; and demand for traditional goods are also rising continually in line with global economic recovery. The government is implementing a series of timely stimulus measures and pandemic-suppressed consumer demand is gradually being released. As the global economy is projected to recover in 2022, manufacturers are expected to expand, leading to labor demands and salary increases. However, the cost of goods is expected to increase due to rising costs of international oil and raw material prices, as well as strains placed on global supply chains. The annual growth rate of the

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consumer price index (CPI) in Taiwan for 2022 is estimated to be 1.61%, with an annual GDP growth rate of 4.15%. Despite these changes in our external economic environment, we will continue to formulate suitable operational strategies to achieve our business targets.

In terms of the legal environment, the Ministry of Transportation and Communications recently amended the “Railway Act” and a number of sub laws, which had a positive effect on railway operational safety and passenger rights. The Corporation is optimistic about the outcomes of this change and abides by relevant regulations.

The Corporation regularly identifies applicable laws and complies with relevant regulations where necessary. We have an effective grasp on and appropriate response measures to changes in legal environments. Throughout 2021, the aforementioned amendments had no significant impacts to our business operations. In future, as rail transportation networks continue to expand, we anticipate that legal measures will become more comprehensive. We will continue to stay abreast of legislative updates, refine our operations, strengthen our corporate governance, integrate legal compliance into our corporate culture, and adhere to the highest safety standards so as to provide high-quality passenger services as we strive for long-term sustainability and generate value for our shareholders.

Looking at overall operational conditions, the Corporation faces ongoing challenges from the COVID-19 pandemic, which greatly affected the tourism and transportation industries. In addition, decreasing birth rates and aging populations are slowing our passenger growth, and challenges such as extreme climate and aging operation equipment are causing maintenance costs to increase. However, we will collaborate closely and efficiently with the tourism and transportation industries to achieve mutual benefits and to offer a series of flexible products for passengers to meet the safety requirements of the pandemic.

We will continue to focus on developing smart transportation, increasing safety and efficiencies of emergency responses, establishing local maintenance capabilities, developing localization materials, and formulating other strategic plans. Additionally, we will continue to enhance our strengths through industry cooperation and integrate local cultures to provide our passengers with better and safety transportation quality and establish a foundation for long-term sustainability. With 4T-Transportation, Technology, Taiwan, and Touch as our core strategy, we not only promise to provide a safe, comfortable, and convenient journey, but also strive to realize our vision “To be the platform for advancement and enjoyment.”

Appendix VII

TAIWAN HIGH SPEED RAIL CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	December 31			
	2021		2020	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 21,619,496	5	\$ 651,769	-
Financial assets at fair value through profit or loss (Note 7)	-	-	15,218,000	4
Notes and accounts receivable (Note 22)	665,957	-	218,092	-
Current tax assets (Note 4)	9,646	-	-	-
Inventories (Note 9)	2,345,998	1	2,068,950	1
Other financial assets (Notes 10 and 29)	24,126,307	6	19,086,463	4
Other current assets (Notes 14 and 28)	1,206,592	-	1,377,833	-
Total current assets	49,973,996	12	38,621,107	9
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 28)	109,162	-	109,729	-
Right-of-use assets (Notes 12 and 28)	574,841	-	712,169	-
Operating concession assets (Notes 13 and 28)	367,972,348	86	378,291,412	88
Computer software, net (Note 13)	113,113	-	83,252	-
Deferred tax assets (Notes 4 and 24)	6,997,477	2	7,673,251	2
Other financial assets (Notes 10 and 29)	2,163,774	-	2,070,857	1
Other non-current assets (Note 14)	2,330	-	5,193	-
Total non-current assets	377,933,045	88	388,945,863	91
TOTAL	\$ 427,907,041	100	\$ 427,566,970	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 16,142	-	\$ 57,091	-
Short-term bills payable (Notes 15 and 28)	14,982,445	4	-	-
Financial liabilities for hedging (Note 8)	512	-	-	-
Accounts payable	533,336	-	274,778	-
Operating concession liabilities (Notes 17 and 28)	8,049,281	2	541,931	-
Other payables (Notes 15 and 19)	3,033,767	1	3,262,861	1
Payable for construction (Note 28)	952,575	-	823,666	-
Current tax liabilities (Note 4)	10,813	-	104,256	-
Provisions (Notes 18 and 28)	1,169,273	-	1,169,238	1
Other current liabilities (Notes 12, 19, 22 and 28)	1,277,565	-	833,400	-
Total current liabilities	30,025,709	7	7,067,221	2
NON-CURRENT LIABILITIES				
Bonds payable (Note 16)	27,469,258	6	18,478,720	4
Long-term debt (Notes 15 and 28)	242,614,407	57	257,607,483	60
Provisions (Notes 18 and 28)	3,548,102	1	10,000,000	3
Lease liabilities (Notes 12 and 28)	395,011	-	522,976	-
Long-term interest payable (Note 15)	6,494,430	2	7,383,683	2
Operating concession liabilities (Notes 17 and 28)	48,991,747	11	55,869,665	13
Other non-current liabilities (Notes 19, 20 and 24)	590,406	-	550,566	-
Total non-current liabilities	330,103,361	77	350,413,093	82
Total liabilities	360,129,070	84	357,480,314	84
EQUITY (Note 21)				
Capital stock				
Common stock	56,282,930	13	56,282,930	13
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	3,852,440	1	3,270,422	1
Unappropriated earnings	7,469,620	2	10,360,323	2
Total retained earnings	11,322,060	3	13,630,745	3
Total equity	67,777,971	16	70,086,656	16
TOTAL	\$ 427,907,041	100	\$ 427,566,970	100

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

Appendix VII

TAIWAN HIGH SPEED RAIL CORPORATION STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 28)	\$ 30,227,887	100	\$ 39,137,205	100
OPERATING COSTS (Notes 23 and 28)	<u>(25,702,330)</u>	<u>(85)</u>	<u>(26,095,054)</u>	<u>(67)</u>
GROSS PROFIT	4,525,557	15	13,042,151	33
OPERATING EXPENSES (Notes 23 and 28)	<u>(1,207,675)</u>	<u>(4)</u>	<u>(1,235,466)</u>	<u>(3)</u>
INCOME FROM OPERATIONS	<u>3,317,882</u>	<u>11</u>	<u>11,806,685</u>	<u>30</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	95,430	-	134,848	-
Interest expense (Notes 15, 23 and 28)	(5,757,241)	(19)	(5,919,211)	(15)
Stabilization reserve reverse (expense) (Note 18)	6,451,898	21	(885,959)	(2)
Other gains and losses (Notes 23 and 28)	<u>157,656</u>	<u>1</u>	<u>282,948</u>	<u>1</u>
Total non-operating income and expenses	<u>947,743</u>	<u>3</u>	<u>(6,387,374)</u>	<u>(16)</u>
INCOME BEFORE INCOME TAX	4,265,625	14	5,419,311	14
INCOME TAX (EXPENSE) BENEFIT (Note 24)	<u>(654,703)</u>	<u>(2)</u>	<u>423,726</u>	<u>1</u>
NET INCOME	<u>3,610,922</u>	<u>12</u>	<u>5,843,037</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(12,374)	-	(28,566)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>2,475</u>	<u>-</u>	<u>5,713</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(9,899)</u>	<u>-</u>	<u>(22,853)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,601,023</u>	<u>12</u>	<u>\$ 5,820,184</u>	<u>15</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 0.64</u>		<u>\$ 1.04</u>	

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

Appendix VII

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus	Retained Earnings		Total Equity	
	Common Stock			Legal Reserve	Unappropriated Earnings		Total
BALANCE AT JANUARY 1, 2021	\$ 56,282,930		\$ 172,981	\$ 3,270,422	\$ 10,360,323	\$ 13,630,745	\$ 70,086,656
Appropriations of 2020 earnings							
Legal reserve	-	-	-	582,018	(582,018)	-	-
Cash dividends to stockholders - NT\$1.05 per share	-	-	-	-	(5,909,708)	(5,909,708)	(5,909,708)
	-	-	-	582,018	(6,491,726)	(5,909,708)	(5,909,708)
Net income for the year ended December 31, 2021	-	-	-	-	3,610,922	3,610,922	3,610,922
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	(9,899)	(9,899)	(9,899)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	3,601,023	3,601,023	3,601,023
BALANCE AT DECEMBER 31, 2021	<u>\$ 56,282,930</u>		<u>\$ 172,981</u>	<u>\$ 3,852,440</u>	<u>\$ 7,469,620</u>	<u>\$ 11,322,060</u>	<u>\$ 67,777,971</u>
BALANCE AT JANUARY 1, 2020	\$ 56,282,930		\$ 172,981	\$ 2,469,719	\$ 12,151,639	\$ 14,621,358	\$ 71,077,269
Appropriations of 2019 earnings							
Legal reserve	-	-	-	800,703	(800,703)	-	-
Cash dividends to stockholders - NT\$1.2101 per share	-	-	-	-	(6,810,797)	(6,810,797)	(6,810,797)
	-	-	-	800,703	(7,611,500)	(6,810,797)	(6,810,797)
Net income for the year ended December 31, 2020	-	-	-	-	5,843,037	5,843,037	5,843,037
Other comprehensive loss for the year ended December 31, 2020	-	-	-	-	(22,853)	(22,853)	(22,853)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,820,184	5,820,184	5,820,184
BALANCE AT DECEMBER 31, 2020	<u>\$ 56,282,930</u>		<u>\$ 172,981</u>	<u>\$ 3,270,422</u>	<u>\$ 10,360,323</u>	<u>\$ 13,630,745</u>	<u>\$ 70,086,656</u>

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

Appendix VII

TAIWAN HIGH SPEED RAIL CORPORATION STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,265,625	\$ 5,419,311
Adjustments for:		
Depreciation	218,862	212,319
Amortization	14,039,807	13,963,256
Reversal of write-downs of inventories	(15,361)	(23,026)
Interest expense	5,757,241	5,919,211
Interest income	(95,430)	(134,848)
(Gain) loss on foreign currency exchange, net	(24,078)	509
Stabilization reserve (reverse) expenses	(6,451,898)	885,959
Others	55,060	14,704
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	15,218,000	(14,887,557)
Financial liabilities for hedging	512	-
Notes and accounts receivable	(447,865)	115,000
Inventories	(269,780)	10,121
Other current assets	170,619	(58,816)
Other non-current assets	(700)	(376)
Accounts payable	263,622	17,728
Other payables	(220,239)	86,930
Provisions	-	(6,084,658)
Other current liabilities	445,583	(658,161)
Other non-current liabilities	(5,747)	2,074
Cash generated from operations	32,903,833	4,799,680
Interest received	96,073	160,259
Interest paid	(5,503,516)	(5,862,879)
Interest paid with respect to operating concession liabilities	(541,931)	(777,511)
Income tax (paid) refunded	(78,402)	148,717
Net cash generated from (used in) operating activities	<u>26,876,057</u>	<u>(1,531,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in other financial assets	(5,125,115)	3,155,976
Acquisition of property, plant and equipment	(36,199)	(30,066)
Acquisition of intangible assets	(3,664,773)	(2,312,760)
Proceeds from disposal of intangible assets	207	8,165
Net cash (used in) generated from investing activities	<u>(8,825,880)</u>	<u>821,315</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term borrowings	(40,470)	(9,122)
Proceeds from short-term bills payable	15,000,000	-
Proceeds from issuance of bonds	9,000,000	10,500,000

(Continued)

Appendix VII

TAIWAN HIGH SPEED RAIL CORPORATION **STATEMENTS OF CASH FLOWS** **(In Thousands of New Taiwan Dollars)**

	For the Years Ended	
	December 31	
	2021	2020
Repayment of long-term debt	\$ (15,000,000)	\$ (18,500,000)
Repayment of the principal portion of lease liabilities	(164,415)	(157,180)
Increase in other non-current liabilities	32,220	67,624
Cash dividends	<u>(5,909,708)</u>	<u>(6,810,797)</u>
Net cash generated from (used in) financing activities	<u>2,917,627</u>	<u>(14,909,475)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(77)</u>	<u>(13)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,967,727	(15,619,907)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>651,769</u>	<u>16,271,676</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 21,619,496</u>	<u>\$ 651,769</u>

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

(Concluded)

Appendix VIII

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan High Speed Rail Corporation

Opinion

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, 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 by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

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 ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 ROC, 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the 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 matter of the 2021 financial statements are as follows:

Provision for Stabilization Reserve

Refer to Note 4.o. of the financial statements for further information on accounting policy on provision for stabilization reserve; Note 5.b. of the financial statements for further information on the accounting uncertainty associated with the judgments, and estimates and assumptions about provision for stabilization reserve. Refer to Note 18 of the financial statements for the details of such provision.

According to the Taiwan North-South High Speed Rail Construction and Operation Agreement ("C&O Agreement"), which was amended on July 27, 2015, the Corporation established the financial stabilization mechanism ("FSM") in 2016 in order to serve the purpose of returning the major portion of the excess earnings, which is defined under the C&O Agreement, to the ROC government. Started in 2017, the Corporation reports the status of the implementation of the aforementioned FSM to the Ministry of Transportation and Communications ("MOTC"), including the provision, contribution, and accumulated balance of the stabilization reserve in accordance with the C&O Agreement.

Appendix VIII

Because 1) the provision for the stabilization reserve is related to the profitability of the remaining concession period under the C&O Agreement, 2) the reserve amount is material and can vary significantly, depending on the expiration or termination of the C&O Agreement, and 3) the implementation of the FSM involves critical accounting judgments and estimates, the recognition of provision for stabilization reserve is deemed a key audit matter.

Since earnings to be made in the remaining concession period, which will end in the year 2068 or any year where the C&O Agreement might be early terminated, cannot be reliably estimated, the stabilization reserve, totaling NT\$4,434,096 thousand as of December 31, 2021, was provided based on the earnings achieved in 2021 and on the requirements as stipulated in the C&O Agreement.

We evaluated that the measurement method used by the management for making the accounting estimates related to the abovementioned provision was reasonable. In addition, on a sampling basis, we: (1) reviewed the C&O Agreement related to the movement of the provision, (2) recalculated the amount of the provision and confirmed the accuracy of the balance, and (3) inspected the movement of the provision from the balance sheet date to the report date and verified that the balance of the provision at the balance sheet date was appropriately accrued.

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

Management is responsible for the preparation and fair presentation of the 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 of the ROC, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ROC 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the 2021 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.

Appendix VIII

The engagement partners on the audit resulting in this independent auditors' report are Mei-Yen Chiang and Kuo-tyan Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2022

Notice to Readers

The accompanying financial statements are intended only to present the 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 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 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 financial statements shall prevail.

Appendix IX

Audit Committee's Review Report on 2021 Financial Statements

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2021 Business Report and Financial Statements. The CPA of Deloitte & Touche, Mei-Yen Chiang and Kuo-Tyan Hong, were retained to audit the Financial Statements of Taiwan High Speed Rail Corporation and have issued an audit report relating to the Financial Statements. The Business Report and Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai

February 23, 2022

Appendix X

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2021 proposal for allocation of profits, and the proposal has been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai

March.16.2022

Appendix XI

Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Articles of Incorporation

Amended Articles	Current Articles	Description
<p>Article 9 Shareholders' meetings of the Corporation are classified into two kinds: regular meetings and special meetings. Regular meetings shall be convened annually by the Board of Directors within 6 months after the close of each fiscal year, and special meetings, unless otherwise provided by the Company Act, shall be called by the Board of Directors when necessary and in accordance with law.</p> <p><u>The shareholders' meeting of the preceding paragraph can be held by means of visual communication network or other methods promulgated by the central competent authority.</u></p>	<p>Article 9 Shareholders' meetings of the Corporation are classified into two kinds: regular meetings and special meetings. Regular meetings shall be convened annually by the Board of Directors within 6 months after the close of each fiscal year, and special meetings, unless otherwise provided by the Company Act, shall be called by the Board of Directors when necessary and in accordance with law.</p>	<p>To improve flexibility in convening shareholders' meetings and in accordance with Article 172-2 of the Company Act, the Corporation's Articles of Incorporation clearly stipulate that shareholders' meetings can be held by means of visual communication network or other methods promulgated by the central competent authority.</p>
<p>Article 17-1 Starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors; <u>starting from the tenth term, the number of independent Directors shall be no less than three, making up no less than one-third of the Directors.</u></p> <p>Independent Directors and non-</p>	<p>Article 17-1 <u>Given the requirement of Article 183 of the Securities and Exchange Act,</u> starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.</p> <p>Independent Directors and non-</p>	<p>1. The notation "Given the requirement of Article 183 of the Securities and Exchange Act," refers to amendments made to Article 14-2 of the Securities and Exchange Act relating to establishment of independent directors on January 11, 2006, which were made effective on January 1, 2007. As Article 183 of the Securities and Exchange Act lists past</p>

Appendix XI

Amended Articles	Current Articles	Description
<p>independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group. The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.</p>	<p>independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group. The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.</p>	<p>amendments made to said Act, it is recommended that this notation be removed.</p> <p>2. It should be noted that in accordance with Article 27-2 of the Corporation's Articles of Incorporation, an audit committee has been established according to Article 14-4 of the Securities and Exchange Act.</p> <p>3. Paragraph 2 of Article 14-4 of the Securities and Exchange Act states that "The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number." In consideration of Board term duration, amendments have been made to stipulate that the number of independent directors shall be no less than three starting from the tenth term.</p> <p>4. In consideration of amendments made to Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed</p>

Appendix XI

Amended Articles	Current Articles	Description
		<p>Companies, which states that "...independent directors at TWSE/TPEX Listed Companies shall make up no less than one-third of directors..." and the trends and timelines indicated in the Corporate Governance 3.0 - Sustainable Development Roadmap issued by the Financial Supervisory Commission, which states that TWSE/TPEX listed companies with a paid-in capital of NT\$10 billion or more will be required to have independent directors making up no less than one-third of the directors starting from 2024. In consideration of Board term duration, amendments have been made to stipulate that the proportion of independent directors to directors shall be increased to one-third from the original one-fifth starting from the tenth term.</p>
<p>Article 39 These Articles of Incorporation were adopted on 13 April 1998.</p>	<p>Article 39 These Articles of Incorporation were adopted on 13 April 1998.</p>	<p>Added date of current amendments to the Articles of</p>

Appendix XI

Amended Articles	Current Articles	Description
<p>The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the twelfth on 25 June 2005; the thirteenth on 9 June 2006; the fourteenth on 16 August 2007; the fifteenth on 3 June 2009; the sixteenth on 23 June 2010; the seventeenth on 22 June 2012; the eighteenth on 10 September 2015; the nineteenth on 18 March 2016; the twentieth on 24 May 2018; <u>the twenty-first on 26 May 2022</u>; and took effect after approval at a regular shareholders' meeting.</p>	<p>The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the thirteenth on 9 June 2006; the fourteenth on 16 August 2007; the fifteenth on 3 June 2009; the sixteenth on 23 June 2010; the seventeenth on 22 June 2012; the eighteenth on 10 September 2015; the nineteenth on 18 March 2016; the twentieth on 24 May 2018; and took effect after approval at a regular shareholders' meeting.</p>	<p>Incorporation.</p>

Appendix XII

Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Rules of Procedure for Shareholders' Meetings

Amended Articles	Current Articles	Description
<p>Article 11 (Votes on Agenda Items)</p> <p>The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. <u>Said shareholders may still attend said meeting and raise extraordinary motions in accordance with Paragraph 5 of Article 172-5 of the Company Act, and may exercise their voting rights on extraordinary motions raised at the meeting,</u> but shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any amendment or alternative to an original proposal at the meeting.</p> <p>(Remainder omitted.)</p>	<p>Article 11 (Votes on Agenda Items)</p> <p>The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any <u>extraordinary motion</u> or any amendment or alternative to an original proposal at the meeting.</p> <p>(Remainder omitted.)</p>	<p>1. Handled in accordance with Official Document No. 10102404740 issued by the Ministry of Economic Affairs on February 24, 2012 (Resolution on shareholders exercising voting rights by electronic means attending shareholders' meetings).</p> <p>2. If a shareholder has exercised their voting rights by electronic means and has not filed a rescission notice 2 days before a shareholders' meeting, said shareholder may still attend said meeting and raise extraordinary motions in accordance with Paragraph 5 of Article 172-5 of the Company Act, and may exercise their voting rights on extraordinary motions raised at the meeting.</p> <p>3. This article has been amended to comply with the stipulations of the official document.</p>

Appendix XIII

Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Guidelines for Corporate Governance

Amended Articles	Current Articles	Description
4-01 (Number) The Corporation shall have independent Directors <u>as stipulated in Article 17-1 of the Corporation's Articles of Incorporation.</u>	4-01 (Number) The Corporation shall have independent Directors, <u>whose number the Board of Directors is empowered to deliberate and determine, but in any event shall neither be less than two nor less than one-fifth of the number of Director seats.</u>	Amended in accordance with Article 17-1 of the Corporation's Articles of Incorporation.

Appendix XIV

Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Procedures for the Acquisition or Disposal of Assets

Amended Articles	Current Articles	Description
<p>6.2.1</p> <p>c) Where any of the following circumstances exists with respect to the results of a professional appraisal, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	<p>6.2.1</p> <p>c) Where any of the following circumstances exists with respect to the results of a professional appraisal, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to <u>proceed in accordance with Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (ARDF) and</u> issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	<p>Revised in accordance with amendments made to Article 9 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
<p>6.2.2</p> <p>When acquiring or disposing of equity securities, the Corporation shall, prior to the date of occurrence of the event, obtain the latest financial statements of the issuing company attested or</p>	<p>6.2.2</p> <p>When acquiring or disposing of equity securities, the Corporation shall, prior to the date of occurrence of the event, obtain the latest financial statements of the issuing company attested or</p>	<p>Revised in accordance with amendments made to Article 10 of the Financial Supervisory Commission Regulations</p>

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Amended Articles	Current Articles	Description
<p>reviewed by a CPA, for reference in assessing the transaction price. If the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the securities are publicly quoted in an active market or unless otherwise prescribed by the competent authority, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p>	<p>reviewed by a CPA, for reference in assessing the transaction price. If the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the securities are publicly quoted in an active market or unless otherwise prescribed by the competent authority, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert, the CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.</u></p>	<p>Governing the Acquisition and Disposal of Assets by Public Companies.</p>
<p>6.2.3 When the Corporation acquires or disposes of intangible assets and, its right-to-use asset or membership certificates, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA</p>	<p>6.2.3 When the Corporation acquires or disposes of intangible assets and, its right-to-use asset or membership certificates, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA</p>	<p>Revised in accordance with amendments made to Article 11 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

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Amended Articles	Current Articles	Description
<p>prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p>	<p>prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>The CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.</u></p>	
<p>6.4.1 d) Any asset transaction or disposal of claims or receivables other than those indicated in a) to c) above where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, provided that this shall not apply to the following transactions: i) <u>Trading of domestic government bonds or foreign bonds with credit ratings no lower than domestic sovereign ratings.</u> ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises. iii) The acquired or disposed assets are equipment or its</p>	<p>6.4.1 d) Any asset transaction or disposal of claims or receivables other than those indicated in a) to c) above where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, provided that this shall not apply to the following transactions: i) <u>Trading of domestic government bonds.</u> ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises. iii) The acquired or disposed assets are equipment or its right-to-use asset for business use where the transaction</p>	<p>Revised in accordance with amendments made to Article 31 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

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Amended Articles	Current Articles	Description
<p>right-to-use asset for business use where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$1 billion or more.</p> <p>iv)Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).</p>	<p>counterparty is not a related party, nor does the transaction amount reach NT\$1 billion or more.</p> <p>iv)Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).</p>	
<p>6.6.2 When the Corporation acquires or disposes of real property or its right-to-use asset from or to a related party, or when it acquires or disposes of other material assets other than real property or</p>	<p>6.6.2 When the Corporation acquires or disposes of real property or its right-to-use asset from or to a related party, or when it acquires or disposes of other material assets other than real property or</p>	<p>The following revisions were made in accordance with amendments made to Article 15 of the Financial Supervisory Commission</p>

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Amended Articles	Current Articles	Description
<p>its right-to-use asset from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by the Audit Committee and the Board (Remainder omitted.)</p> <p><u>If the Corporation or its non-domestic public subsidiaries engage in the transactions of the preceding paragraph with transaction amounts exceeding 10% of total Corporation assets, the Corporation may not sign a transaction contract or make a</u></p>	<p>its right-to-use asset from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by the Audit Committee and the Board (Remainder omitted.)</p> <p>For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current</p>	<p>Regulations Governing the Acquisition and Disposal of Assets by Public Companies:</p> <ol style="list-style-type: none"> 1. Paragraphs 2 to 7 of the current article were moved to paragraphs 3 to 8. 2. Paragraph 2 was added. 3. Revised wording of Paragraph 3 to accommodate the addition of Paragraph 2.

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Amended Articles	Current Articles	Description
<p><u>payment in connection therewith until a proposal containing the information of the preceding paragraph has been passed by the shareholders' meeting, except in the cases of transactions with subsidiaries or between subsidiaries.</u></p> <p>For the purposes of the preceding paragraphs, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by the <u>Audit Committee, the Board, and the shareholders' meeting</u> in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>For acquisition or disposal of equipment or its right-to-use asset and real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding a certain percentage of the issued shares or</p>	<p>transaction; items that have been approved by the <u>Audit Committee and the Board</u> in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>For acquisition or disposal of equipment or its right-to-use asset and real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding a certain percentage of the issued shares or total capital, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.</p> <p>In accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion</p>	

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Amended Articles	Current Articles	Description
<p>total capital, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.</p> <p>In accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.</p> <p>In accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.</p> <p>If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding</p>	<p>expressing dissent or reservations shall be recorded in the Board meeting minutes.</p> <p>In accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.</p> <p>If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.</p> <p>The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.</p>	

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Amended Articles	Current Articles	Description
<p>paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.</p> <p>The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.</p>		