

**Taiwan High Speed Rail Corporation**  
Minutes for 2020 Annual Shareholders' Meeting

Date and Time: 9:00 a.m., May 21, 2020

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

Attending directors: Chairman Yao-Chung Chiang, Independent Director Kung-Wha Ding (Convener of Audit Committee), Independent Director Kenneth Huang-Chuan Chiu (Convener of Remuneration Committee), Independent Director David Da-Wei Poo, Director Min-Ching Liu, Director Mao-Hsiung Huang, Director Huang-Liang Tsai, Director Shyi-Chin Wang, and Director Shien-Quey Kao.

(A total of 9 directors attended the Annual Shareholders' Meeting, representing more than half of all 12 Corporation directors.)

Other attendees:

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

Baker McKenzie: Lindy L. Y. Chern, Joseph C. S. Fu

Ministry of Transportation and Communications and Railway Bureau guidance personnel:

Chief Secretary Kuo-Jeng Rau, Chief Yu-Chen Liu, Senior Officer Liang-Fang Teng, Director Huei-Chun Chen, Chief Wen-Mei Chen, Officer Chih Fang Chung, and Engineer Yi Ju Lee

Chairman: Yao-Chung Chiang

Recorded by: Barret Wang

Attending shareholders: Total number of outstanding Corporation shares amounted to 5,628,293,058 shares. Of these, holders of 4,870,816,466 common shares attended in person, holders of 4,329,312,170 common shares attended electronically, 0 common shares were publicly solicited proxies, and 153,249,217 common shares were non-solicited proxies. The total number of participating common shares was 5,024,065,683 shares; the attendance rate was 89.26%.

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.

Summary of Chairman's opening speech:

Good morning to all our shareholders and honored guests.

Today, our meeting is conducted in accordance with government epidemic prevention policies, and we have strengthened precautionary measures at the meeting venue to ensure the health and safety of all shareholders. We hope all of you can understand and adhere to these measures. On behalf of all Corporation directors, I would like to thank our shareholders for their concern and support, and for attending the 2020 Annual Shareholders' Meeting in person. We thank you all and welcome your guidance.

THSRC achieved record ridership and revenue numbers in 2019. However, the coronavirus disease 2019(COVID-19) severely curtailed economic developments worldwide from late January of this year, and in particular has caused unprecedented impacts on the transportation industry. Fortunately, the government's proactive advanced preventive measures have boosted Taiwan's epidemic prevention performance and have gained international acclaim. THSRC employees are fully committed to all infection prevention tasks that help to establish a safe and comfortable travel environment for our passengers.

I would like to inform our shareholders that, according to the results of the 6th Corporate Governance Evaluations recently released by the TWSE, THSRC not only ranked as a top 5% listed company for the third consecutive year, but also ranked as a top 10% "TWSE- or TPEx-listed companies in the non-finance and non-electronics industry" for the second consecutive year. Additionally, a human resource agency recently released results from a survey on employment intentions in new graduates which showed that THSRC ranked as the top company in the traditional industry group for the second consecutive year and is a "dream enterprise" for many young students. These awards all prove that THSRC is much more than an excellent enterprise with sound corporate governance.

Looking toward the future, THSRC is well-prepared to introduce various promotional products and travel packages once the pandemic has passed, and we plan to utilize effective marketing strategies to raise our ridership and operational performance.

We have three management presentations, two proposals, and three discussion items on the agenda for this Annual Shareholders' Meeting. We will also elect the 13 Corporation directors (including 4 independent directors) for the 9<sup>th</sup> Board of Directors and approve the removal of non-competition restrictions against the Corporation's 9th Board of Directors. We hope that all our shareholders can support us in these endeavors.

To save time, we will discuss each proposal in order and then commence voting for each proposal. Voting will commence after all proposals and discussion items have been discussed in order, following which we will move on to election procedures and removal of non-competition restrictions for directors.

Furthermore, in accordance with Article 246 of the Company Act, I would like to report on the reasons for and implementation status on our issuance of phase I unsecured corporate

bonds for 2019. In order to lower risks of interest rate fluctuations and raise long-term funds for debt repayment, the Board approved issuance of phase I unsecured corporate bonds for 2019 at the 30th meeting of the 8th Board held on September 18, 2019. Issuance status is as follows:

Issuing date	November 14, 2019
Amount	8 billion NTD
Maturity	30 years
Annual interest	Fixed interest rate of 1.6%
Repayment in lump sum upon maturity	Annual payments of simple interest payments starting from issuing date and repayment in lump sum upon maturity
Consignee and principal and interest payment agency	Taishin International Bank
Implementation status of capital utilization	Repayments for the first quarter of 2020 have been completed

The above is a report on the implementation status of the Corporation's subscription of corporate bonds for 2019.

Lastly, to prevent the spread of infectious diseases, we would like to ask our shareholders to speak concisely so as to facilitate meeting proceedings.

## 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 2019 Remuneration to Board of Directors and Employees. (Please refer to Appendix II).

Report No. 3: Revision of Ethical Corporate Management Best Practice Principles. (Please refer to Appendix III).

### Summary of shareholder inquiries:

※Shareholder No. 42501 noted that the coronavirus disease 2019(COVID-19) had affected the willingness of the general public to travel, and suggested that the Corporation should introduce more promotional packages to increase ridership, and also introduce more exclusive membership benefits. Additional inquiries were made regarding regulations for business class upgrades, distribution numbers for director and employee remuneration, and the Corporation's adherence to the Ethical Corporate Management Best Practice Principles. The shareholder further recommended that the Corporation should include a report on operational performance in the management presentations made to shareholders.

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

Resolution: Following the first to third 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 2019 Annual Business Report and Financial Statements of the Corporation.

Explanation: The Corporation's business report for 2019 (please refer to Appendix IV) and financial statements (please refer to Appendix V) were approved on February 19, 2020 at the 35th meeting of the 8th Board. The financial statements were audited by certified public accountants, and an audit report thereto was issued on February 19, 2020 (please refer to Appendix VI), distributed to the Audit Committee for review (please refer to Appendix VII), and is hereby submitted for adoption at shareholders' annual general meeting.

### Summary of shareholder inquiries:

※Shareholder No. 131863 inquired as to how much the Corporation's operating income had been affected by the coronavirus disease 2019(COVID-19), and also the plans for enhancing performance, plans for opening up non-reserved seating (during peak travel times), the reason that EPS for 2019 was reduced compared with the previous year, the amortization period for the Corporation's operating concession asset, and the stabilization reserve expenses listed on the Corporation's financial statements. Additional inquiries were made as to suggestions on financial matters proposed by the Corporation's independent directors in the previous annual general

meeting, the reason for the Corporation's increased liabilities, procedures for investment and acquisition of capital assets, profit growth and cutbacks, and salary reductions for managers.

※Shareholder No. 116340 inquired as to the recognition of income tax benefits, inventory items and reasons for inventory valuation losses, and the stabilization reserve expenses and liability reserves listed on the Corporation's financial statements. Additional inquiries were made as to the Corporation's strengthened structural safety measures and relevant costs against the impacts of land subsidence in Changhua and Yunlin, the Corporation's response measures relating to the impacts of the coronavirus disease 2019 (COVID-19), and government bailouts.

※Shareholder No. 42501 suggested that the Audit Committee should issue the report before submitting financial statements for shareholder recognition. Additional inquiries were made as to the reasons for Corporation's increased assets, reasons for inventory valuation losses, market interest rates for the time deposit and repurchase agreement collateralized by government bonds, operating income, operating expenses, EPS, and the stabilization reserve expenses and liability reserves listed on the Corporation's financial statements.

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

Chairman's decision: As shareholders had fully commented on this proposal, further discussion was closed.

Resolution: Voting results for this proposal was as follows:

(For proposals and discussion items, holders of 4,870,834,741 common shares attended in person, holders of 4,329,312,170 common shares attended electronically, 0 common shares were publicly solicited proxies, and 153,257,217 common shares were non-solicited proxies. The total number of participating common shares was 5,024,091,958 shares, amounting to 89.26% of all outstanding common shares.)

Total number of shareholder votes present during vote: 5,024,091,958

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,840,153,583 (Including 4,145,664,210 electronic votes)	96.33%
Disapproval votes	148,980 (Including 148,980 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	183,789,395 (Including 183,498,980 electronic votes)	3.65%
The proposal was approved as proposed.		

Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2019 Profit Distributions of the Corporation.

Explanation:

1. As of year-end 2019, our distributable earnings amounted to NT\$ 11,350,935,402.
2. In order to stabilize and balance payout policy and in consideration of long-term corporate financial planning, the Corporation proposes cash dividends of NT\$ 1.2101 per share for 2019 profit distributions, amounting to NT\$ 6,810,797,429 on a basis of 5,628,293,058 common shares outstanding.
3. The Corporation's profit distribution table was approved at the 37th meeting of the 8th Board dated April 8, 2020, sent to the Audit Committee for review (please refer to Appendix VIII), and is being submitted to the shareholders' annual general meeting for approval.

Taiwan High Speed Rail Corporation

PROFIT DISTRIBUTION TABLE

<u>Fiscal Year 2019</u>	<u>Unit: NT\$</u>
Unappropriated retained earnings at the beginning of the period	4,183,694,728
Add: Net income for 2019	8,007,032,749
<u>Less: Re-measurements of defined benefit plan</u>	<u>(39,088,800)</u>
Undistributed earnings	12,151,638,677
<u>Less: 10% legal reserve</u>	<u>(800,703,275)</u>
2019 distributable earnings	11,350,935,402
Distributable items:	
<u>Cash dividends (NT\$ 1.2101 per share)</u>	<u>(6,810,797,429)</u>
<u>Current-year undistributed earnings</u>	<u>4,540,137,973</u>

4. Following approval from the 2020 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:

- ※Shareholder No. 163628 commented that the Corporation maintain the corporate operations and employee work rights through a sound corporate governance structure despite impacts from the coronavirus disease 2019 (COVID-19). The Corporation also established many advanced preventive measures in response to the pandemic to ensure the health and safety of passengers and employees. Additionally, the shareholder hoped that the management team could formulate overall strategic plans as soon as possible in order to achieve prior performance levels and increase revenues after the pandemic. It is to be hoped that the Corporation can continue its growth, raise distribution of employee remuneration, and become a happiness enterprise praised by shareholders and employees.
- ※Shareholder No. 116340 inquired as to the utilization of undistributed earnings for the year.

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

Chairman’s decision: As shareholders had fully commented on this proposal, further discussion was closed.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,843,052,078 (Including 4,148,578,705 electronic votes)	96.39%
Disapproval votes	223,695 (Including 223,695 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	180,816,185 (Including 180,509,770 electronic votes)	3.59%
The proposal was approved as proposed.		

### III. Discussion

Discussion No. 1: Proposed by the Board

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

Explanation:

1. In order to comply with revisions made to the “Company Act” and the revised “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” released by the Taiwan Stock Exchange Corporation and Taipei Exchange, and in consideration of revisions made to the “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings” issued by the Taiwan Stock Exchange Corporation on January 2, 2020, letters of interpretation issued by the Ministry of Economic Affairs, and actual operating needs, amendments are proposed to 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 the appendix (please refer to Appendix IX)
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, 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: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,828,058,475 (Including 4,133,570,102 electronic votes)	96.09%
Disapproval votes	224,307 (Including 224,307 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	195,809,176 (Including 195,517,761 electronic votes)	3.89%
The proposal was approved as proposed.		

Discussion No. 2: Proposed by the Board

Proposal: Revision of Operational Procedures for Endorsements and Guarantees.

Explanation:

1. In order to comply with the revised “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” released by the Financial Supervisory Commission on March 7, 2019, and in consideration of the Corporation’s actual operating needs, amendments are proposed to the Corporation’s Operational Procedures for Endorsements and Guarantees.
2. A comparison of amended articles in the Operational Procedures for Endorsements and Guarantees is shown in the appendix (please refer to Appendix X)
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, 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: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,828,042,107 (Including 4,133,553,734 electronic votes)	96.09%
Disapproval votes	233,278 (Including 233,278 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	195,816,573 (Including 195,525,158 electronic votes)	3.89%



The proposal was approved as proposed.

#### Discussion No. 3: Proposed by the Board

Proposal: Revision of Operational Procedures for Loaning Funds to Others. Explanation:

1. In order to comply with the revised “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” released by the Financial Supervisory Commission on March 7, 2019, and in consideration of the Corporation’s actual operating needs, amendments are proposed to the Corporation’s Operational Procedures for Loaning Funds to Others.
2. A comparison of amended articles in the Operational Procedures for Loaning Funds to Others is shown in the appendix (please refer to Appendix XI)
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, 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: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,827,961,255 (Including 4,133,472,882 electronic votes)	96.09%
Disapproval votes	320,038 (Including 320,038 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	195,810,665 (Including 195,519,250 electronic votes)	3.89%

The proposal was approved as proposed.

#### IV. Election Matters

##### **Election of the Corporation’s 9th Board of Directors**

1. According to Article 17 and 17-1 of the Corporation’s Articles of Incorporation, the Corporation’s Board shall be composed of 9 to 17 directors, with at least 2 among them being independent directors representing no less than one fifth of the Board. The total number of directors (including independent directors) is determined by the Board. Furthermore, the candidate nomination system stipulated in Article 192-1 of the Company Act is adopted for election of directors.
2. The quota of 13 directors (including 4 independent directors) to be elected was approved at the

35th meeting of the 8th Board dated February 19, 2020. Following election, the newly appointed directors will assume office after this shareholders' general meeting, with their three-year term starting on May 21, 2020 and ending on May 20, 2023.

3. Nomination of director (and independent director) candidates was carried out from March 12 to March 25, 2020. A list of nominated directors (and independent directors) was submitted at the 36th meeting of the 8th Board on March 18, 2020, and no other director (or independent director) candidates were nominated by shareholders.
4. The candidate nomination system is adopted for election of directors (and independent directors) and the shareholders shall elect directors from among the nominees listed in the roster of director candidates. Please refer to p.95-p.103 of the Annual Meeting Handbook for education background, past work experience, and other relevant information of the candidates.
5. Please refer to p.121-p.124 of the Annual Meeting Handbook for the Corporation's Rules for the Election of Directors.

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

Voting results:

(For election items, holders of 4,870,834,741 common shares attended in person, holders of 4,329,312,170 common shares attended electronically, 0 common shares were publicly solicited proxies, and 153,257,217 common shares were non-solicited proxies. The total number of participating common shares was 5,024,091,958 shares, amounting to 89.26% of all outstanding common shares.)

Elected non-independent directors:

Shareholder Account No.	Shareholder Name	Received Votes (Including Electronic Votes)
51400	China Aviation Development Foundation Representative: Yao-Chung Chiang	7,194,202,942 (Including 6,073,800,442 electronic votes)
92268	Ministry of Transportation and Communications Representative: Kwo-Tsai Wang	6,465,141,460 (Including 5,638,103,420 electronic votes)
92268	Ministry of Transportation and Communications Representative: Min-Ching Liu	6,339,699,036 (Including 5,697,549,036 electronic votes)
51400	China Aviation Development Foundation Representative: Lee-Ching Ko	6,188,505,166 (Including 5,897,248,166 electronic votes)
43831	China Steel Corporation Representative: Chao-Tung Wong	5,967,065,801 (Including 4,215,272,772 electronic votes)
5762	Taiwan Sugar Corporation Representative: Chao-Yih Chen	5,869,968,488 (Including 3,269,931,488 electronic votes)

11	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	5,717,389,251 (Including 5,717,344,251 electronic votes)
38578	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	5,616,031,858 (Including 5,156,168,858 electronic votes)
6	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	5,509,255,598 (Including 4,564,033,798 electronic votes)

Elected independent directors:

ID Number	Name	Received Votes (Including Electronic Votes)
E1005XXXXX	Kenneth Huang-Chuan Chiu	1,408,207,209 (Including 1,408,141,209 electronic votes)
L1009XXXXX	Duei Tsai	1,334,524,343 (Including 1,334,481,343 electronic votes)
U1201XXXXX	Pai-Ta Shih	1,275,302,511 (Including 1,275,240,511 electronic votes)
M1215XXXXX	Yung-Cheng (Rex) Lai	1,237,521,762 (Including 1,237,485,762 electronic votes)

## V. Other Discussion Items

Proposal: Removal of Non-Competition Restriction Against the Corporation's 9th Board of Directors

Explanation:

1. According to Paragraph 1, Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure approval to conduct the same.
2. In view of the fact that director (including independent director) candidates nominated by the Board hold concurrent positions in enterprises whose business is partly the same or similar with the Corporation, we have prepared a list of directors to release from non-competition restrictions according to the foregoing stipulation of Article 209 of the Company Act (please refer to p.104-p.107 of the Annual Meeting Handbook), and submit this to the shareholders' general meeting for approval to release prohibition on newly elected directors and their representatives from participation in competing business on the condition that such participation will not jeopardize the interests of the Corporation.
3. This proposal requests on-the-spot approval regarding directors and scope of non-competition restrictions in accordance with the election results for directors of the 9th Board.
4. The proposal was approved at the 37th meeting of the 8th Board dated April 8, 2020 and is

hereby submitted to the shareholders' annual general meeting for approval.

Additional comments by Chairman:

In accordance with articles 178 and 180 of the Company Act, common shareholders in attendance who are directors involved in the removal of non-competition restrictions under this discussion item should not vote on their own removal of non-competition restrictions, and their voting rights shall not be counted in the number of votes of shareholders present at the meeting.

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

Resolution: Voting results for this proposal was as follows:

(For other discussion items, holders of 4,870,834,741 common shares attended in person, holders of 4,329,312,170 common shares attended electronically, 0 common shares were publicly solicited proxies, and 153,257,217 common shares were non-solicited proxies. The total number of participating common shares was 5,024,091,958 shares, amounting to 89.26% of all outstanding common shares.)

(1) Removal of non-competition restrictions for China Aviation Development Foundation and its representative Director Yao-Chung Chiang:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 4,764,051,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,452,103,165 (Including 4,017,685,792 electronic votes)	93.45%
Disapproval votes	1,509,468 (Including 1,507,468 electronic votes)	0.03%
Invalid votes	0	0.00%
Abstention votes/no votes	310,439,325 (Including 310,118,910 electronic votes)	6.51%
The motion was approved.		

(2) Removal of non-competition restrictions for Ministry of Transportation and Communications and its representative Director Kwo-Tsai Wang:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 2,604,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	2,067,310,609 (Including 1,372,953,236 electronic votes)	79.38%
Disapproval votes	225,935,979 (Including 225,833,979 electronic votes)	8.67%
Invalid votes	0	0.00%
Abstention votes/no votes	310,845,370 (Including 310,524,955 electronic votes)	11.93%
The motion was approved.		

(3) Removal of non-competition restrictions for China Aviation Development Foundation and its representative Director Lee-Ching Ko:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 4,764,051,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,227,319,159 (Including 3,792,928,786 electronic votes)	88.73%
Disapproval votes	225,881,464 (Including 225,852,464 electronic votes)	4.74%
Invalid votes	0	0.00%
Abstention votes/no votes	310,851,335 (Including 310,530,920 electronic votes)	6.52%
The motion was approved.		

(4) Removal of non-competition restrictions for China Steel Corporation and its representative Director Chao-Tung Wong:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 4,781,943,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,245,234,909 (Including 3,550,785,536 electronic votes)	88.77%

Disapproval votes	225,883,715 (Including 255,873,715 electronic votes)	4.72%
Invalid votes	0	0.00%
Abstention votes/no votes	310,825,334 (Including 310,504,919 electronic votes)	6.49%
The motion was approved.		

(5) Removal of non-competition restrictions for Taiwan Sugar Corporation and its representative Director Chao-Yih Chen:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 4,824,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,287,351,329 (Including 3,792,916,956 electronic votes)	88.87%
Disapproval votes	225,879,285 (Including 225,869,285 electronic votes)	4.68%
Invalid votes	0	0.00%
Abstention votes/no votes	310,861,344 (Including 310,525,929 electronic votes)	6.44%
The motion was approved.		

(6) Removal of non-competition restrictions for TECO Electric & Machinery Co., Ltd. and its representative Director Mao-Hsiung Huang:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 4,834,031,380

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,297,195,043 (Including 3,602,864,170 electronic votes)	88.89%
Disapproval votes	225,989,993 (Including 225,876,493 electronic votes)	4.67%
Invalid votes	0	0.00%

Abstention votes/no votes	310,846,344 (Including 310,510,929 electronic votes)	6.43%
The motion was approved.		

(7) Removal of non-competition restrictions for Taipei Fubon Commercial Bank Co., Ltd. and its representative Director Kuo-Chih Liu:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 5,003,814,358

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,467,096,322 (Including 3,792,924,549 electronic votes)	89.27%
Disapproval votes	225,898,690 (Including 225,888,690 electronic votes)	4.51%
Invalid votes	0	0.00%
Abstention votes/no votes	310,819,346 (Including 310,498,931 electronic votes)	6.21%
The motion was approved.		

(8) Removal of non-competition restrictions for Independent Director Kenneth Huang-Chuan Chiu:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,712,954,680 (Including 4,018,495,307 electronic votes)	93.80%
Disapproval votes	596,931 (Including 596,931 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	310,540,347 (Including 310,219,932 electronic votes)	6.18%
The motion was approved.		

(9) Removal of non-competition restrictions for Independent Director Pai-Ta Shih:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,712,949,285 (Including 4,018,499,912 electronic votes)	93.80%
Disapproval votes	602,339 (Including 592,339 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	310,540,334 (Including 310,219,919 electronic votes)	6.18%
The motion was approved.		

(10) Removal of non-competition restrictions for Independent Director Duei Tsai:

Total number of shareholder votes present after deducting the number of voting rights recused in accordance with articles 178 and 180 of the Company Act: 5,024,091,958

Voting results	Voting rights	Proportion of shareholder votes present during vote (%)
Approval votes	4,712,851,234 (Including 4,018,505,361 electronic votes)	93.80%
Disapproval votes	703,588 (Including 590,088 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	310,537,136 (Including 310,216,721 electronic votes)	6.18%
The motion was approved.		

VI. Extraordinary Motions:

Chairman's decision: the extraordinary motion put forward by Shareholder No. 41535 did not meet the criteria for extraordinary motions and was not related to any of the proposals put forward at the current shareholders' meeting. However, in consideration of the opportunity given to the shareholders for expressing their views, Shareholder No. 41535 was still invited to speak.



Summary of shareholder inquiries:

※ Shareholder No. 41535 suggested that the Corporation could provide free tickets to shareholders.

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

VII. Meeting closed: May 21, 2020 at 11:24 a.m.

Notes:

1. 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%.
2. Only a summary of shareholder inquiries is contained in these Minutes for the Annual Shareholders' Meeting. For details on inquiry and response content, please refer to the audio and video recordings of the meeting.

# Appendix I

## **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 Nomination 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 implementation of corporate governance for the current year was passed at the 35th meeting of the 8th Board, 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 17 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 shareholders' general meetings, 2016 extraordinary general meeting, and 2019 shareholders' general meeting, and serve as the guiding principles for our corporate governance system and implementation of governance measures.

# Appendix I

## 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, the number of directors serving on the 8th Board were reduced to 13 from the previous 15 directors serving on the 7th Board; Board members include 3 independent directors and 10 non-independent directors elected at the shareholders' general meeting held on May 24, 2017.

### 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

# Appendix I

in accordance with Article 5-1-01 of the GCG, and thereafter established other functional 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 & Nomination 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 8th Board were elected for three years of office (May 24, 2017 to May 23, 2020). The current Board oversees the Corporate Governance & Nomination 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, Remuneration Committee, and Special Committee are convened by independent directors.

#### 4. Primary tasks and execution responsibilities for Board of Directors and functional committees (from January 2019 to March 2020)

##### (1) Board of Directors

- ① Composition: 13 directors (former institutional director TSRC Corporation transferred more than half of the total number of THSRC shares held at the time of election and was discharged from office in August 2019).
- 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:

# Appendix I

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

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

② Number of meetings: 13.

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.

# Appendix I

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

## (3) Audit 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:  
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 the Corporation's General Rules of Corporate Auditing, Internal Control System, and General-Rules of Internal Control Self-Assessments.
  - 3) Review results of annual self-evaluations of internal control system and statements of internal control system at all levels of the organization.
  - 4) Review transactions involving directors' conflicts of interest, subject to recusal of exercise of voting rights, transactions with related parties, and transactions requiring prevention of conflicts of interest.
  - 5) Review appointment of Certified Public Accountants.
  - 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.

## (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: 13.
- ③ Primary Tasks:  
Formulate and regularly review the evaluation of directors and managers' performance

# Appendix I

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.

(5) Special Committee

① Composition: 7 directors, convened by an independent director elected by committee members.

② Number of meetings: 15.

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 2019, 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 "Guidelines for Corporate Governance," "Rules of Procedure for Shareholders' Meetings," "Rules of Procedure for Board of Directors Meetings," "Standardized Operating Procedure for Handling Directors' Requests," "Risk Management Regulation," "Regulation of Self-Evaluation of the Board of Directors," "Charter of the Corporate Governance & Nominating Committee," and "Regulation for Nominating and Reviewing of Director Candidates" (which has since been renamed "Regulation for Nominating of Director Candidates"),

# Appendix I

“Internal Control System,” and “General-Rules of Internal Control Self-assessments.”

The Corporation revised the “Ethical Corporate Management Best Practice Principles” and “Rules of Procedure for Shareholders’ Meetings” in accordance with business operations and amendments made to the Company Act, Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies; these revisions will be submitted to the shareholders’ meeting for presentation and discussion.

## (2) Demarcation of Authority Between Board of Directors and Management:

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.

## (3) 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 legal damage from fault or neglect related to performance of duties.

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

## (4) Formulation of Reasonable Remuneration Policies:

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



# Appendix I

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 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.

When setting remuneration for our Chairman and President, we referenced the "remuneration standards for executive officers of public institutions governed by the MOTC" and submitted these remuneration plans to the Board of Directors for approval. Additionally, in order to fully demonstrate business achievements, the performance of our Chairman and President were evaluated using annual indicators based on Corporation operations, governance, and financial outcomes. Evaluation scope included 5 financial indicators (growth of operating income, EPS, net income before tax and amounts for income smoothing, productivity per person, and credit ratings or Taiwan ratings) and 2 non-financial indicators (customer satisfaction and corporate governance evaluations).

The term "remuneration" as defined by our "Charter of the Remuneration Committee" includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other

# Appendix I

substantive incentive measures.

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 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 2019 all significantly exceeded standards. Additionally, results of performance assessments for managers in 2019 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 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.

## (5) 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. CPA assessment results for 2019 were approved by the 33th Audit Committee Meeting of the 8th Board of Directors dated February 17, 2020 and the 35th

# Appendix I

Board Meeting of the 8th Board of Directors dated February 19, 2020, confirming that the Corporation's CPA fulfilled the following 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
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

# Appendix I

No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
9	CPA is not representing the Corporation in litigation of 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
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 pressured 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

# Appendix I

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 is disclosed on the Market Observation Post System (<http://mops.twse.com.tw>). In addition, we release our corporate governance information on our corporate website (<http://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

# Appendix I

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 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. Concluding Remarks

Since going public, the Corporation has participated in the 4th and 5th TWSE Corporate Governance Evaluations (for 2017 and 2018) and was ranked among the top 5% of publicly listed companies. Additionally, we were awarded an "Excellent" certification by the Taiwan Corporate Governance Association under their CG6011 corporate governance evaluations (for 2017) on June 26, 2018. 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.

# Appendix I

Schedule

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"> <li>1). Reviewing and deliberating the adoption and amendment of an internal control system.</li> <li>2). Reviewing and deliberating significant bylaws and rules.</li> <li>3). Reviewing and deliberating the Corporation’s significant financial plans, long-term and short-term goals, business plans, and budgets and final accounts.</li> <li>4). Drawing up proposals for the distribution of profits and offsetting of losses and for increases or decreases in capital.</li> <li>5). Reviewing and deliberating the setting up, closing down, or change of branches.</li> <li>6). Reviewing and deliberating matters that may involve the personal interest of a Director.</li> <li>7). Reviewing and deliberating material asset or derivatives transactions and material loans of funds or endorsements or guarantees.</li> <li>8). Reviewing and deliberating any offering, issuance, or private placement of securities.</li> <li>9). Reviewing and deliberating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).</li> <li>10). Appointing, dismissing, and supervising senior managerial officers and the chief financial officer, chief accountant, and chief internal auditor.</li> <li>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.</li> <li>12). Supervising the Corporation’s operating results and risks, and ensuring compliance with relevant laws and regulations.</li> </ol>

# Appendix I

Item	Primary Tasks
	<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, the Guidelines for Corporate Governance, or other relevant bylaws of the Corporation.</p>
<p>Corporate Governance &amp; Nomination Committee</p>	<p>As per Article 3 of the Charter of the Corporate Governance &amp; Nomination Committee, the Corporate Governance &amp; Nomination Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2). Plan composition of the Board and its functional committees, and assess performance of the Board, committees, directors, and managerial officers.</li> <li>3). Be responsible for nominations of independent directors and non-independent directors.</li> <li>4). Identify and evaluate potential candidates for independent and non-independent directors.</li> <li>5). Review succession plans for directors and managerial officers.</li> <li>6). Plan and review implementation performance of the Board and its committees.</li> <li>7). Devise and review liability insurance plans for directors and managerial officers.</li> </ol>



# Appendix I

Item	Primary Tasks
	<ul style="list-style-type: none"> <li>8). Review status of information disclosures.</li> <li>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.</li> <li>10). Review implementation performance of the corporate governance system, including execution of corporate social responsibilities, ethical management, and stakeholder communication.</li> <li>11). Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li> </ul>
Audit Committee	<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"> <li>1). Adopt or amend the internal control systems pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>2). Evaluate the effectiveness of the Corporation's internal control system.</li> <li>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.</li> <li>4). Review matters that may involve the personal interest of directors.</li> <li>5). Review material asset and derivatives transactions.</li> <li>6). Review material monetary loans or endorsement, or provision of guarantees.</li> <li>7). Review the public offering, issuance, or private placement of equity-type securities.</li> <li>8). Evaluate the appointment, dismissal, or compensation of attesting CPAs.</li> </ul>

# Appendix I

Item	Primary Tasks
	<p>9). Evaluate the appointment and dismissal of the Corporation’s chief financial officer, chief accountant, or chief internal auditor.</p> <p>10). Review annual and semi-annual financial reports.</p> <p>11). Review financial reports for the first and third quarters.</p> <p>12). Review the Corporation’s accounting system and financial condition.</p> <p>13). Evaluate the Corporation’s risk management policies and risk measurement standards.</p> <p>14). Review the procedures for material financial and operational acts</p> <p>15). Evaluate, examine, and monitor any existing or potential risks to the Corporation.</p> <p>16). Examine the Corporation’s compliance with laws, regulations and rules.</p> <p>17). Review the Corporation’s capital, financing, and credit plans.</p> <p>18). Assess the Corporation’s tax planning and compliance with tax laws and regulations.</p> <p>19). Other major matters as required by the competent authority.</p> <p>20). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</p>
Remuneration Committee	<p>As per Article 3 of the Charter of the Remuneration Committee, the Remuneration Committee is responsible for the following tasks:</p> <p>1). Formulate and regularly review policies, systems, standards, and composition of performance evaluations and remuneration of directors and managerial officers.</p> <p>2). Regularly evaluate and formulate the remuneration of directors and managerial officers.</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>

# Appendix I

Item	Primary Tasks
	<ol style="list-style-type: none"><li data-bbox="486 432 1465 633">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.</li><li data-bbox="486 656 1465 801">2). Review proposals relating to procurement matters that should be submitted to the Board by managerial departments according to Corporation bylaws.</li><li data-bbox="486 824 1465 958">3). Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li></ol>

# Appendix I

Communication items between independent directors and internal audit managers for 2019:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2019/2/19	Audit Committee (8-21)	2018 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2019/5/7	Audit Committee (8-24)	2019 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2019/8/6	Audit Committee (8-27)	2019 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2019/10/14	Audit report (Independent report made by internal audit managers to independent directors)	Audit plans for 2020	Acknowledged by independent directors.	No objections from independent directors.
2019/10/14	Audit Committee (8-29)	Formulation of 2020 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	The independent directors asked audit managers to provide additional explanations of the reasons for changing audit plan items and risk assessment results to the Board. Audit managers provided

# Appendix I

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
				additional explanation to the Board, and the proposal was approved following full discussion by the directors in attendance.
2019/11/4	Audit Committee (8-30)	2019 Q3 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

# Appendix I

Communication items between independent directors and CPAs for 2019:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2019/2/19	Audit Committee (8-21)	<ol style="list-style-type: none"> <li>1. 2018 financial report</li> <li>2. Important communications with governance units</li> <li>3. Key audit items</li> <li>4. Impacts of new IFRS standards</li> <li>5. Explanation of principles for disclosing related parties</li> <li>6. Revisions made to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2019/5/7	Audit Committee (8-24)	<ol style="list-style-type: none"> <li>1. 2019 Q1 financial report highlights</li> <li>2. Explanation of new disclosures in 2019 Q1 financial report</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2019/8/6	Audit Committee (8-27)	<ol style="list-style-type: none"> <li>1. 2019 Q2 financial report highlights</li> <li>2. Explanation of revisions made to Statute for Industrial Innovation</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.

# Appendix I

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2019/11/4	Audit Committee (8-30)	<ol style="list-style-type: none"> <li>1. 2019 Q3 financial report</li> <li>2. Audit plans and key audit items for 2019 financial reports</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2019/11/4	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 2019 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 2019 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$ 7,974,469,197 (no accumulated losses offset). In accordance with the provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached by 34th meeting of the 8th Board dated January 15, 2020, the 35th meeting of the 8th Board dated February 19, 2020 for the distribution of 2019 director and employee compensation, with the percentage and amount to be allocated as follows:



# Appendix II

(1) For directors' compensation:

1. Percentage allocated: 0.5%.
2. Amount allocated: NT\$ 39,872,346.

(2) For employees' compensation

1. Percentage allocated: 2 %.
2. Amount allocated: NT\$ 159,489,384.

# Appendix III

## **Report No. 3: Revision of Ethical Corporate Management Best Practice Principles.**

1. In order to comply with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” provided by the Taiwan Stock Exchange Corporation and Taipei Exchange and in consideration of the Corporation’s operating needs, amendments are proposed to the Corporation’s “Ethical Corporate Management Best Practice Principles,” which will be used to establish the “Procedures for Ethical Management and Guidelines for Conduct” and “Declaration of Compliance with Ethical Management Policies.”
2. A comparison of amended articles in the “Ethical Corporate Management Best Practice Principles” is shown in Attachment I (please refer to p.59-p.68 of the Annual Meeting Handbook).
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, and is hereby presented to the shareholders’ annual general meeting.

# Appendix IV

## Business Report for 2019

### Business report and future prospects

Taiwan High Speed Rail Corporation (THSRC) has been in commercial operation since 2007. Our passenger volumes have continued to increase year over year and we set new ridership records during the Chinese New Year, Tomb Sweeping Day, and Mid-Autumn Festival consecutive holidays in 2019, as well as a new single-day ridership record of 318 thousand passengers. Over the years, we have brought significant changes to the public's transportation habits and lifestyles, and reduced the distances between urban and rural communities.

We will continue to deliver on our commitment to provide excellent service, customer satisfaction, and corporate responsibility, adhering to our mission "To be the platform for advancement and enjoyment" for every action we take.

### 1. 2019 Business report

#### (1) Operational performance

##### A. Rail Operations

In 2019, THSRC celebrated its 13th year of operations. A total of 53,727 train services were provided during the course of the year, an increase of 1,290 train services compared to 52,437 trains in 2018. Daily maximum train services reached 166 north- and south-bound trains and this number was increased to 204 train services per day during consecutive holidays to successfully fulfill passengers' needs. Our loading factor was 68.03% (up by 1.02% compared to 67.01% in 2018) and passenger volume increased to 67.41 million, up by 3.45 million (5.39%) compared to 63.96 million in the previous year. Our total passenger-kilometers were 11,994 million km, up by 3.76% compared to 2018. Average daily ridership reached 185 thousand passengers, an increase of 10 thousand passengers compared to 175 thousand passengers in 2018.

In terms of operational safety, no accidents or injuries occurred in 2019. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.88%, higher than our target of 99.50%, and our average reliability rate (excluding effects due to natural disasters) was 100%, exceeding our target of 99.60%.

# Appendix IV

## B. Marketing and Passenger services

Products, services, and activities launched in 2019:

- (a) We continued to recruit TGo members through exclusive member benefits and various activities, as well as a reward program for designated items in convenient stores, in order to increase membership numbers and contributions.
- (b) We continued to launch cumulative rewards activities for corporate members and special discount options for designated off-peak train services to increase ridership during off-peak hours.
- (c) We continued to promote a variety of travel packages, and made adjustments to our multi-ride tickets, college student discounts, and business class discounts to increase ridership and revenues.
- (d) We collaborated with famous Japanese illustrator Kanahei to launch themed trains and also released a limited and highly popular line of “Piske and Usagi” themed products.
- (e) We initiated the second stage of the “Taiwan High Speed Rail Art Program” and released a mobile app as part of our “Taiwan High Speed Rail Opening Year of Arts” event, using mobile and alternate reality technologies to create virtual scenes of Taiwanese culture and landscapes.
- (f) We streamlined the ticket purchasing process to provide enhanced convenience for elderly and disabled passengers.
- (g) We developed a new generation of automatic ticket vending machines and launched an updated version of our Customer Loyalty Program System to enhance the convenience of ticket purchasing.
- (h) We installed CCTV surveillance systems in train compartments to ensure travel safety and quality.
- (i) We installed smart bus stop signs and information boards at all HSR stations to improve passenger convenience.
- (j) Taoyuan HSR station constructed a roofed corridor and installed elevators to enhance passenger convenience.
- (k) Tainan HSR Station constructed a roofed corridor to enhance service quality at pick-up and drop-off zones.

# Appendix IV

## (2) Budget Implementation

In 2019, our estimated operating revenue was NT\$46.2 billion and actual operating revenue was NT\$47.51 billion. Our budget achievement rate was 102.8% and our actual net income after tax was NT\$8.01 billion.

## (3) Revenue, Expenditure, and Profitability Analysis

In 2019, our revenue was NT\$47.51 billion and income before tax was NT\$7.78 billion, up by 4.6% and 6.3% compared to 2018. Net income reached NT\$80.1 billion due to the recognition of income tax benefits.

These figures highlight the efficiency of our management team. The one-day living circle realized by our services has caused great positive changes in corporate business models and the lives of the general public.

## (4) Research and Development

Main research and development activities in 2019 were as follows:

### A. Facility Construction:

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

### B. Signaling and Communications:

(a) Development of new detection slides for point machines.

(b) Development of intelligent Passenger Information System (PIS).

### C. Rolling Stock:

Installation of CCTV surveillance systems in train compartments.

### D. Information Technology:

(a) Development of new-generation automatic ticket vending machines.

(b) Development of updated Customer Loyalty Program System.

(c) Development of Smart Maintenance Platform.

### E. 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 established a “Railway Industries Localization Project Team.” The following is a brief summary of our localization efforts:

#### (a) Rolling Stock

i. Train pantograph components.

# Appendix IV

- ii. Brake disc bolts and wheel tread cleaners.
- iii. Automatic train painting equipment.
- iv. Paint materials for train bodies.
- v. Gas dampers for train seats.
- vi. Table trays on train seats.
- vii. Vending machines on 700T trains.
- viii. Honeycomb floor panels on 700T trains.
- ix. Additional luggage placement areas on trains.
- x. Water taps, toilet seats, and liquid soap dispensers.
- xi. Bellows and gangways for train compartments.

## (b) Track and Power Systems

- i. Automatic vibration measurement system for rolling stock.
- ii. Domestic production of OCS maintenance vehicles.

## F. Electronic Service Center:

We established an electronic maintenance center in mid-2008 to reduce dependence on original manufacturers and to increase our self-maintenance capabilities. The number of repairs conducted on circuit boards and components from all systems has increased year over year.

## G. Industry-Academia Collaboration Projects: We continue to collaborate with major research institutions to develop the following materials and equipment:

- (a) Manufacturing of bogie running testers.
- (b) Remote surveillance system for traction power station monitoring PCs (MPCs).
- (c) Auxiliary low-speed analysis & inspection system for OCS (Overhead Catenary System).
- (d) Phase II of Traction Power Equipment Maintenance & Management System (TPMMS) plans.
- (e) ACCRP (Air-Conditioning Control Relay Panel) and OMDB (Operation Mode and Display Box) test system.

## **2. Business Plan for 2020**

### (1) Management Guidelines

# Appendix IV

We will continue to enhance the efficiency of revenue management, increase ridership during off-peak hours, improve convenience of ticket utilization and payment, expand the scope of cross-industry cooperation, and shape local tourism through rail travel. In addition, we plan to add overseas ticketing channels to increase brand awareness and integrate innovative technology and applications such as digital HSR services to enhance convenience of ticket purchasing. We also plan to promote our membership program, implement precision marketing strategies and big data analysis, and build a membership platform.

## (2) Expected Sales Volumes

Due to steady domestic economic growth, increasing convenience of digital ticket purchase services, and promotion of membership services and travel products, we estimate that the annual ridership volume for 2020 will exceed 68.37 million passengers.

## (3) Major Production and Marketing Initiatives

Major Initiatives for 2020:

- A. Facilitation of timely train service adjustments to maintain adaptability of seating supply and demand in response to growth in passenger numbers, as well as establishment of appropriate train schedules as necessary to meet market demands for transportation services.
- B. Development of diversified products, services, and discount programs based on different customer characteristics to satisfy different customer segments, enhance product attractiveness, and achieve sales potential so as to build the HSR tourism brand and ensure that we meet our revenue targets.
- C. Promotion of the “Journey with THSR, Discover Taiwan” brand through our T Holiday promotions, hotel packages, travel coupons, and event packages to integrate sales and attract more passengers.
- D. Enhancement of TGo membership system and related services through analysis of travel frequency and preferences to increase purchase frequency, customer loyalty, and ridership. Additionally, we plan to utilize our TGo membership program and affiliate programs to build a foundation for the TGo membership economy, encourage cross-industry collaborations, and increase ticket and non-ticket revenues.
- E. THSRC plans to utilize passenger flows to develop affiliated business including shops, parking lots, advertising, and so on. We will also continue to develop retail products and

# Appendix IV

expand sales channels to enrich passenger experiences and increase non-ticket revenues.

- F. 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 introduce innovative payment technologies and applications into our ticketing channels and are assessing the feasibility of mobile credit card transactions, travel cards, and cloud-based ticketing systems.

## 3. Future strategies

THSRC'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.
  - A. To implement comprehensive safety and emergency measures.
  - B. To enhance operational equipment at stations, build friendly travel environments, increase customer service equipment, and enhance service quality.
  - C. To improve operational processes and ensure maximum train capabilities.
  - D. To improve revenue management efficiency, provide a variety of products, and increase ridership during off-peak hours.
  - E. 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.
  - A. To digitalize ticketing channels.
  - B. To utilize big data in the promotion of our membership economy.
  - C. To implement information technology that strengthens operational, maintenance, and service quality to improve efficiency.
  - D. To research and enhance core system capabilities.
- (3) Taiwan: To combine unique local cultures and landscapes to create a multicultural and progressive platform.
  - A. To enhance local development capabilities and increase the percentage of local equipment



# Appendix IV

and materials.

B. To promote localization for the railway industry.

C. To develop multiple products that combine local culture and activities and enhance common prosperity.

D. To develop affiliated business and optimize quality.

E. 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.

A. To build talent development plans.

B. To enhance the management capabilities of managers.

C. To combine the Corporation's brand with arts and culture, broadening our cultural scope and depth.

D. To optimize long term financial structure.

E. To build a corporate governance culture that serves as an example to all other businesses, and carry out corporate social responsibilities.

F. 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 29, 2019 predict that Taiwan's export capabilities will rise due to advances in global trade volumes, continuing and increasing positive effects on exportation from enhanced capacity due to homecoming Taiwanese entrepreneurs, and continuing development of competitively advantageous advanced manufacturing processes for semiconductors, as well as trends of emerging applications in 5G mobile communication, high-performance computing, AI, and IoT which is expected to contribute to industrial developments. The local market is stable in terms of private consumption and public investment continues to rise. However, aging populations and low birth-rates may have some impact on trade growth momentum. Thus, expected economic growth rate for 2020 is estimated to be 2.72%. Faced with

# Appendix IV

these external economic environmental challenges, THSRC will continue to formulate suitable operational strategies to achieve our business targets.

In terms of the legal environment, 44 laws and regulations relating to our operational activities were amended this year, including several landmark actions such as the formulation of the “Act for Establishment of Railway Technology Research and Certification Center,” which established dedicated research and certification units to improve development of railway technologies, verify certification capabilities, and enhance developments in the railway industry; formulation of the “Organic Act of the Taiwan Transportation Safety Board”; major revision of the “Aviation Occurrence Investigation Act,” now renamed the “Transportation Occurrence Investigation Act,” expanding the scope of independent investigation by dedicated units to include railway, land, and waterway transport incidents for the purpose of providing recommendations and suggestions to ensure transportation safety. These legal amendments, the establishment of the “Railway Bureau, MOTC,” and the continued implementation of the 5 main schemes and 38 railway infrastructure plans under the “Forward-Looking Railway Infrastructure Project” all indicate that the government and legislative authorities are responding in a proper and timely manner to the public’s deepening reliance on rail transport, and are highly focused on the operational scale, capacity, and safety of rail transportation. Furthermore, promotion of children and youth welfare policies and amendments made to “The Protection of Children and Youth Welfare and Rights Act” and the “Public Breastfeeding Act” have also significantly improved establishment of mother-infant friendly environments in public places and protection of the rights of children and youth.

THSRC regularly identifies applicable laws, organizes law compilations, and complies with relevant regulations where necessary. We have an effective grasp on and appropriate response measures to changes in legal environments, and make timely updates to our operating procedures and station facilities. The aforementioned amendments had no significant impacts to our business operations. In future, as rail transportation networks continue to expand and become more convenient, we anticipate that legal measures will become more comprehensive and relevant laws will continue to be formulated. 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

# Appendix IV

shareholders.

Looking at overall operational conditions, THSRC is facing challenges from economic depression, decreasing birth rates, and aging populations, which is slowing our passenger growth. In addition, challenges such as abnormal climate changes and aging operation equipment are causing our maintenance costs to increase. However, 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 transportation quality and establish a foundation for long-term sustainability.

# Appendix V

## TAIWAN HIGH SPEED RAIL CORPORATION BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31			
	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 16,271,676	4	\$ 6,947,850	2
Financial assets at fair value through profit or loss	330,443	-	327,446	-
Notes and accounts receivable	333,092	-	505,565	-
Current tax assets	166,783	-	166,783	-
Inventories	2,056,045	1	2,028,925	1
Other financial assets	22,207,764	5	11,881,545	2
Other current assets	1,344,333	-	938,435	-
Total current assets	<u>42,710,136</u>	<u>10</u>	<u>22,796,549</u>	<u>5</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	125,047	-	98,085	-
Right-of-use assets	628,988	-	-	-
Operating concession asset	390,113,063	88	401,168,964	93
Computer software, net	54,413	-	54,245	-
Deferred tax assets	7,316,212	2	6,808,133	2
Other financial assets	2,102,503	-	2,083,255	-
Other non-current assets	9,240	-	47,838	-
Total non-current assets	<u>400,349,466</u>	<u>90</u>	<u>410,260,520</u>	<u>95</u>
<b>TOTAL</b>	<u>\$ 443,059,602</u>	<u>100</u>	<u>\$ 433,057,069</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 64,980	-	\$ 147,865	-
Accounts payable	256,338	-	274,404	-
Operating concession liabilities	777,511	-	731,182	-
Other payables	3,197,362	1	3,031,763	1
Payable for construction	942,141	-	535,830	-
Current tax liabilities	194,722	-	123,204	-
Provisions	6,367,937	2	283,279	-
Current portion of long-term bills payable	-	-	7,986,870	2
Other current liabilities	1,477,915	-	699,649	-
Total current liabilities	<u>13,278,906</u>	<u>3</u>	<u>13,814,046</u>	<u>3</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	7,990,329	2	-	-
Long-term debt	276,100,317	62	276,093,677	64

# Appendix V

Provisions	10,000,000	2	9,560,897	2
Lease liabilities	447,175	-	-	-
Long-term interest payable	8,450,080	2	8,921,744	2
Operating concession liabilities	55,263,201	13	54,914,835	13
Other non-current liabilities	<u>452,325</u>	<u>-</u>	<u>338,857</u>	<u>-</u>
Total non-current liabilities	<u>358,703,427</u>	<u>81</u>	<u>349,830,010</u>	<u>81</u>
Total liabilities	<u>371,982,333</u>	<u>84</u>	<u>363,644,056</u>	<u>84</u>
EQUITY				
Capital stock				
Common stock	<u>56,282,930</u>	<u>13</u>	<u>56,282,930</u>	<u>13</u>
Capital surplus	<u>172,981</u>	<u>-</u>	<u>172,981</u>	<u>-</u>
Retained earnings				
Legal reserve	2,469,719	-	1,400,081	-
Unappropriated earnings	<u>12,151,639</u>	<u>3</u>	<u>11,557,021</u>	<u>3</u>
Total retained earnings	<u>14,621,358</u>	<u>3</u>	<u>12,957,102</u>	<u>3</u>
Total equity	<u>71,077,269</u>	<u>16</u>	<u>69,413,013</u>	<u>16</u>
TOTAL	<u>\$ 443,059,602</u>	<u>100</u>	<u>\$ 433,057,069</u>	<u>100</u>

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

# Appendix V

## 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			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 47,507,390	100	\$ 45,415,007	100
OPERATING COSTS	<u>(25,762,687)</u>	<u>(54)</u>	<u>(25,081,394)</u>	<u>(55)</u>
GROSS PROFIT	21,744,703	46	20,333,613	45
OPERATING EXPENSES	<u>(1,232,750)</u>	<u>(3)</u>	<u>(1,188,649)</u>	<u>(3)</u>
INCOME FROM OPERATIONS	<u>20,511,953</u>	<u>43</u>	<u>19,144,964</u>	<u>42</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	162,700	-	106,859	-
Interest expense	(6,454,624)	(13)	(6,618,272)	(14)
Stabilization reserve expense	(6,523,761)	(14)	(5,415,046)	(12)
Other gains and losses	<u>78,840</u>	<u>-</u>	<u>93,318</u>	<u>-</u>
Total non-operating income and expenses	<u>(12,736,845)</u>	<u>(27)</u>	<u>(11,833,141)</u>	<u>(26)</u>
INCOME BEFORE INCOME TAX	7,775,108	16	7,311,823	16
INCOME TAX BENEFIT	<u>231,925</u>	<u>1</u>	<u>3,384,558</u>	<u>7</u>
NET INCOME	<u>8,007,033</u>	<u>17</u>	<u>10,696,381</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(48,861)	-	(103,820)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>9,772</u>	<u>-</u>	<u>23,323</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(39,089)</u>	<u>-</u>	<u>(80,497)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,967,944</u>	<u>17</u>	<u>\$ 10,615,884</u>	<u>23</u>

(Continued)

# Appendix V

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

---

	<b>For the Years Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
EARNINGS PER SHARE				
Basic earnings per share	\$ 1.42		\$ 1.90	

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

(Concluded)

# Appendix V

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

	<u>Capital Stock</u>		<u>Retained Earnings</u>			<u>Total Equity</u>
	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Unappropriated Earnings</u>	<u>Total</u>	
BALANCE AT JANUARY 1, 2019	\$ 56,282,930	\$ 172,981	\$ 1,400,081	\$ 11,557,021	\$ 12,957,102	\$ 69,413,013
Appropriations of 2018 earnings						
Legal reserve	-	-	1,069,638	(1,069,638)	-	-
Cash dividends to shareholders - NT\$1.12 per share	-	-	-	(6,303,688)	(6,303,688)	(6,303,688)
	-	-	1,069,638	(7,373,326)	(6,303,688)	(6,303,688)
Net income for the year ended December 31, 2019	-	-	-	8,007,033	8,007,033	8,007,033
Other comprehensive loss for the year ended December 31, 2019	-	-	-	(39,089)	(39,089)	(39,089)
Total comprehensive income for the year ended December 31, 2019	-	-	-	7,967,944	7,967,944	7,967,944
BALANCE AT DECEMBER 31, 2019	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 2,469,719</u>	<u>\$ 12,151,639</u>	<u>\$ 14,621,358</u>	<u>\$ 71,077,269</u>
BALANCE AT JANUARY 1, 2018	\$ 56,282,930	\$ 172,981	\$ 866,090	\$ 5,696,348	\$ 6,562,438	\$ 63,018,349
Appropriations of 2017 earnings						
Legal reserve	-	-	533,991	(533,991)	-	-
Cash dividends to shareholders - NT\$0.75 per share	-	-	-	(4,221,220)	(4,221,220)	(4,221,220)
	-	-	533,991	(4,755,211)	(4,221,220)	(4,221,220)
Net income for the year ended December 31, 2018	-	-	-	10,696,381	10,696,381	10,696,381
Other comprehensive loss for the year ended December 31, 2018	-	-	-	(80,497)	(80,497)	(80,497)
Total comprehensive income for the year ended December 31, 2018	-	-	-	10,615,884	10,615,884	10,615,884
BALANCE AT DECEMBER 31, 2018	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 1,400,081</u>	<u>\$ 11,557,021</u>	<u>\$ 12,957,102</u>	<u>\$ 69,413,013</u>

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



# Appendix V

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

	For the Years Ended December 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,775,108	\$ 7,311,823
Adjustments for:		
Depreciation	202,294	35,921
Amortization	13,798,850	13,740,294
Write-downs (reversal) of inventories	22,650	(87)
Interest expense	6,454,624	6,618,272
Interest income	(162,700)	(106,859)
Loss on foreign currency exchange, net	11,878	4,185
Stabilization reserve expenses	6,523,761	5,415,046
Others	(2,700)	13,765
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(2,997)	(7,461)
Hedging financial instruments	-	5
Notes and accounts receivable	172,473	(158,331)
Inventories	(49,770)	(101,115)
Other current assets	(403,292)	17,726
Other non-current assets	2,571	(6,170)
Accounts payable	(16,575)	24,424
Other payables	150,065	34,429
Other current liabilities	625,036	37,632
Other non-current liabilities	(5,618)	(7,295)
Cash generated from operations	35,095,658	32,866,204
Interest received	149,679	101,781
Interest paid	(5,772,857)	(6,061,159)
Interest paid with respect to operating concession liabilities	(731,182)	(647,850)
Income tax paid	(194,844)	(42,075)
Net cash generated from operating activities	<u>28,546,454</u>	<u>26,216,901</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in other financial assets	(10,366,158)	(2,465,579)
Acquisition of property, plant and equipment	(67,192)	(26,361)
Proceeds from disposal of property, plant and equipment	1	182
Acquisition of intangible assets	(2,328,694)	(1,864,550)
Proceeds from disposal of intangible assets	1,266	-
Net cash used in investing activities	<u>(12,760,777)</u>	<u>(4,356,308)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in short-term borrowings	(79,700)	105,249
Proceeds from issuance of bonds	8,000,000	-
Repayment of long-term debt	-	(10,000,000)

(Continued)

# Appendix V

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
Repayment of long-term bills payable	\$ (8,000,000)	\$ (8,000,000)
Repayment of the principal portion of lease liabilities	(148,863)	-
Increase in other non-current liabilities	70,231	15,468
Cash dividends	<u>(6,303,688)</u>	<u>(4,221,220)</u>
Net cash used in financing activities	<u>(6,462,020)</u>	<u>(22,100,503)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>169</u>	<u>(157)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,323,826	(240,067)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,947,850</u>	<u>7,187,917</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 16,271,676</u>	<u>\$ 6,947,850</u>

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

(Concluded)

# Appendix VI

## 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, 2019 and 2018, 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, 2019 and 2018, 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 Taiwan, 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, 2019. 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 2019 financial statements are as follows:

#### Provision for Stabilization Reserve

Refer to Note 4, n. for further information on accounting policy on provision for stabilization reserve; Note 5, b. for further information on the accounting uncertainty associated with the judgments, and estimates and assumptions about provision for stabilization reserve. Refer to Note 17 for the details of such provision.

# Appendix VI

According to the Taiwan North-South High Speed Rail Construction and Operation Agreement (the “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. 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\$16,084,658 thousand as of December 31, 2019, was provided based on the earnings achieved in 2019 and on the requirements as stipulated in the C&O Agreement.

We evaluated whether 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 to ensure the accuracy of the balance, and (3) inspected the movement of the provision from the balance sheet date to the report date to evaluate whether 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.

# Appendix VI

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 2019 financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Yen Chiang and Kwan-Chung Lai.

# Appendix VI

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 19, 2020

## 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 independent Chinese-language auditors' report and financial statements shall prevail.*

# Appendix VII

## **Audit Committee's Review Report on 2019 Financial Statements**

### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report and Financial Statements. The CPA of Deloitte & Touche, Mei-Yen Chiang and Kwan-Chung Lai, were retained to audit THSRC's Financial Statements 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: Kung-Wha Ding

February 19, 2020

# Appendix VIII

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 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: Kung-Wha Ding

April 8, 2020



# Appendix IX

## 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 2 (Attendance Sign-ins, Proxies, and Calculation of Shares Present at Shareholders' Meetings)</p> <p>The Corporation shall start to process meeting attendance sign-ins by shareholders at least 30 minutes before the start of a meeting.</p> <p>For each shareholders' meeting, a shareholder may appoint one person as proxy to attend the meeting in the place of the shareholder by issuing a proxy form printed and issued by the Corporation, stating therein the scope of authorization granted to the proxy.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for a meeting and shall serve it on the Corporation by 5 days before the meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall prevail. The same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.</p> <p>After the service of a proxy form on the Corporation, if the shareholder decides to attend the shareholders' meeting in person or to exercise voting rights by electronic means, the shareholder shall give a written notice of revocation of proxy to the</p>	<p>Article 2 (Attendance Sign-ins, Proxies, and Calculation of Shares Present at Shareholders' Meetings)</p> <p>The Corporation shall start to process meeting attendance sign-ins by shareholders at least 30 minutes before the start of a meeting.</p> <p>For each shareholders' meeting, a shareholder may appoint one person as proxy to attend the meeting in the place of the shareholder by issuing a proxy form printed and issued by the Corporation, stating therein the scope of authorization granted to the proxy.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for a meeting and shall serve it on the Corporation by 5 days before the meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall prevail. The same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.</p> <p>After the service of a proxy form on the Corporation, if the shareholder decides to attend the shareholders' meeting in person or to exercise voting rights by electronic means, the shareholder shall give a written notice of revocation of proxy to the</p>	<p>In order to effectively control the number of attendees at shareholders' meetings for organization of meeting venues and flow, protect attendance rights of all shareholders, and in consideration of the Letter of Interpretation issued by the Ministry of Economic Affairs (Letter No. 10402404570) which states, "If the company stipulates the upper limit of juristic person representative attendees in the Rules of Procedure for Shareholders' Meetings, the upper limit of representative attendees is as the number of directors is to be elected at current shareholders' meeting," we hereby stipulate a reasonable upper limit of juristic person representative attendees.</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>Corporation by 2 days before the meeting. If the revocation is made after the time limit, the voting rights exercised by the appointed proxy present at the meeting shall prevail.</p> <p>A shareholder or a proxy appointed by a shareholder (hereinafter, “shareholder”) shall attend the relevant shareholders’ meeting by presenting a meeting attendance card, an attendance sign-in card, or other attendance document. The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. The shareholder attending the meeting shall surrender the attendance sign-in card in place of signing the attendance sheet.</p> <p>A non-shareholder proxy or proxy solicitor shall also carry an identity document for verification.</p> <p>The number of shares present shall be calculated based on the attendance sign-in cards received from shareholders in combination with the number of shares whose voting rights are exercised by electronic means.</p> <p>The Corporation shall provide each shareholder attending a shareholders’ meeting with a meeting agenda handbook, an annual report (except in the case of a special shareholders’ meeting), a meeting attendance card, speaker’s slips, voting ballot, other meeting materials,</p>	<p>Corporation by 2 days before the meeting. If the revocation is made after the time limit, the voting rights exercised by the appointed proxy present at the meeting shall prevail.</p> <p>A shareholder or a proxy appointed by a shareholder (hereinafter, “shareholder”) shall attend the relevant shareholders’ meeting by presenting a meeting attendance card, an attendance sign-in card, or other attendance document. The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. The shareholder attending the meeting shall surrender the attendance sign-in card in place of signing the attendance sheet.</p> <p>A non-shareholder proxy or proxy solicitor shall also carry an identity document for verification.</p> <p>The number of shares present shall be calculated based on the attendance sign-in cards received from shareholders in combination with the number of shares whose voting rights are exercised by electronic means.</p> <p>The Corporation shall provide each shareholder attending a shareholders’ meeting with a meeting agenda handbook, an annual report (except in the case of a special shareholders’ meeting), a meeting attendance card, speaker’s slips, voting ballot, other meeting materials,</p>	

# Appendix IX

Amended Articles	Current Articles	Description
<p>and, if directors are to be elected at the meeting, the election ballot.</p> <p>When a government agency or juristic person is a shareholder, more than one person may attend a shareholders' meeting as its representative, <u>however, except with the consent of the Corporation, the upper limit of representative attendees is three persons; when there is a proposal for the election of directors at the current shareholders' meeting, the upper limit of representative attendees is as the number of directors is to be elected, if the number of proposed directors is less than three, the upper limit of representative attendees is still to be three persons.</u> When a juristic person is appointed to attend a shareholders' meeting as a proxy, it may appoint only one person to attend the meeting on its behalf.</p> <p>Shares considered to have no voting rights under Article 179 of the Company Act may not be included in calculating the total issued shares and the number of shares present.</p>	<p>and, if directors are to be elected at the meeting, the election ballot.</p> <p>When a government agency or juristic person is a shareholder, more than one person may attend a shareholders' meeting as its representative. When a juristic person is appointed to attend a shareholders' meeting as a proxy, it may appoint only one person to attend the meeting on its behalf.</p> <p>Shares considered to have no voting rights under Article 179 of the Company Act may not be included in calculating the total issued shares and the number of shares present.</p>	
<p>Article 7 (Discussion of Agenda Items)</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors; <u>relevant agenda items (including extraordinary motions and amendments to original proposals) shall be voted on an item-by-item basis, and the meeting shall proceed in the</u></p>	<p>Article 7 (Discussion of Agenda Items)</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors; the meeting shall proceed in the determined order of the agenda, which may not be changed unless by resolution of the shareholders' meeting.</p>	<p>As all TWSE Listed and TPEX Listed Companies have now adopted electronic voting, and in consideration of Paragraph 3, Article 7 of the "Corporate Governance Best Practice Principles for TWSE/ TPEX Listed</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>determined order of the agenda, which may not be changed unless by resolution of the shareholders' meeting.</p> <p>The provisions of the preceding paragraph shall apply mutatis mutandis when a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting.</p> <p>Before the conclusion of the pre-determined agenda items (including any extraordinary motion) under the preceding two paragraphs, the chair may not declare the meeting dissolved unless by resolution of the shareholders' meeting; the same, however, does not apply to such question-and-answer matters of a general nature as may be involved in an extraordinary motion. In the event that the chair dissolves the meeting in violation of the rules of meeting procedure, a new chair may be selected to continue the meeting with the approval of a majority of the voting rights of the shareholders present.</p> <p>The chair shall allow sufficient opportunity for the explanation and discussion of an agenda item or any amendment or extraordinary motion submitted by a shareholder, and when the chair deems that any such item has been discussed sufficiently to put it to a vote, the chair may declare the discussion closed and call a vote.</p>	<p>The provisions of the preceding paragraph shall apply mutatis mutandis when a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting.</p> <p>Before the conclusion of the pre-determined agenda items (including any extraordinary motion) under the preceding two paragraphs, the chair may not declare the meeting dissolved unless by resolution of the shareholders' meeting; the same, however, does not apply to such question-and-answer matters of a general nature as may be involved in an extraordinary motion. In the event that the chair dissolves the meeting in violation of the rules of meeting procedure, a new chair may be selected to continue the meeting with the approval of a majority of the voting rights of the shareholders present.</p> <p>The chair shall allow sufficient opportunity for the explanation and discussion of an agenda item or any amendment or extraordinary motion submitted by a shareholder, and when the chair thinks that any such item has been discussed sufficiently to put it to a vote, the chair may declare the discussion closed and call a vote.</p>	<p>Companies" which states that proposals for shareholders' meetings should be voted on an item-by-item basis, as well as Article 10 of the latest "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" (Hereinafter referred to as the Taiwan Stock Exchange Corporation Sample Template) released by the Taiwan Stock Exchange Corporation, the wording of this Article has been amended.</p>
<p>Article 8 (Shareholders Speaking at Meetings) To speak at a shareholders'</p>	<p>Article 8 (Shareholders Speaking at Meetings) To speak at a shareholders'</p>	<p>The wording of this Article has been amended in</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>meeting, a shareholder shall submit a speaker's slip specifying thereon the shareholder account number (or meeting attendance card number), <u>account</u> name of the shareholder, and the subject of speech. The chair shall determine the order of speaking for each such shareholder. (Remainder omitted.)</p>	<p>meeting, a shareholder shall submit a speaker's slip specifying thereon the shareholder account number (or meeting attendance card number), name of the shareholder, and the subject of speech. The chair shall determine the order of speaking for each such shareholder. (Remainder omitted.)</p>	<p>accordance with Article 8 of the Taiwan Stock Exchange Corporation Sample Template.</p>
<p>Article 9 (Shareholder Proposals) Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. In the event where the proposal contains relevant suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities, <u>the Board of Directors may decide that the proposal shall still be included on the agenda.</u> The Board of Directors may decide not to include on the agenda any proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-</p>	<p>Article 9 (Shareholder Proposals) Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. In the event where the proposal contains relevant suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities, the proposal shall still be included on the agenda. The Board of Directors may decide not to include on the agenda any proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act, and matters that</p>	<ol style="list-style-type: none"> <li>1. In order to improve corporate governance, implement shareholder activism, and in consideration of the Taiwan Stock Exchange Corporation Sample Template, restrictions on shareholder proposals for shareholders' meetings in this Article have been removed.</li> <li>2. In accordance with the Letter of Interpretation issued by the Ministry of Economic Affairs (Letter No. 10702417500, which states, " If the notice of the shareholders' meeting has stated the re-election of the directors,</li> </ol>

# Appendix IX

Amended Articles	Current Articles	Description
<p>1, paragraph 4 of the Company Act, and matters that must not be brought up as extemporary motions should be handled in accordance with the stipulations laid out in Article 172 of the Company Act.</p> <p>Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.</p> <p>A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.</p> <p>The Corporation shall, before the date of notice of a shareholders' meeting, inform each shareholder that has submitted a proposal of the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the meeting a list of proposals that satisfy the requirements of this Article. For shareholder proposals not included on the</p>	<p>must not be brought up as extemporary motions should be handled in accordance with the stipulations laid out in Article 172 of the Company Act.</p> <p>Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.</p> <p>A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.</p> <p>The Corporation shall, before the date of notice of a shareholders' meeting, inform each shareholder that has submitted a proposal of the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the meeting a list of proposals that satisfy the requirements of this Article. For shareholder proposals not included on the agenda, the Board of Directors shall explain at the meeting the</p>	<p>supervisors and the date of appointment, when the re-election of directors, supervisors in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposal.” and in consideration of Article 3 of the Taiwan Stock Exchange Corporation Sample Template, relevant regulations have been added to this Article.</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>agenda, the Board of Directors shall explain at the meeting the reasons why they are not included.</p> <p><u>If the notice of the shareholders' meeting has stated the re-election of the directors and the date of appointment, when the re-election of directors, in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposals.</u></p>	<p>reasons why they are not included.</p> <p><u>Unless otherwise provided by law or regulation, if a shareholder attending a shareholders' meeting intends to propose an extraordinary motion or to submit an amendment or alternative to a proposal not included on the agenda under the preceding paragraph, the proposal shall be submitted in writing by a shareholder with voting power who is attending the meeting, and the proposal shall be seconded by signature of another or other shareholders attending the meeting and the proposer and seconder(s) shall collectively hold shares representing at least 0.02 percent of the total voting rights of issued shares of the Corporation.</u></p>	
<p>Article 9-1 (Processing of Proposals Submitted Before Shareholders' Meetings) For shareholder proposals submitted before a regular shareholders' meeting but not included as agenda items of the meeting, the Board of Directors shall in the meeting agenda</p>	<p>Article 9-1 (Processing of Proposals Submitted Before Shareholders' Meetings) For shareholder proposals submitted before a regular shareholders' meeting but not included as agenda items of the meeting, the Board of Directors shall in the meeting agenda</p>	<p>The original quoted paragraph has been moved to Paragraph 7 of Article 11; the referenced Article and Paragraph have therefore been amended.</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>handbook state the reasons why they are not included, and these proposals shall neither be presented separately on the agenda nor be recorded in the meeting minutes. Notwithstanding the foregoing, the Board of Directors shall at the meeting explain the reasons why they are not included. Shareholder proposals that the Board of Directors <u>may</u> decide to include on the agenda shall, if belonging to the same type, be consolidated by the chair into one case and the provisions of Article <u>11</u>, Paragraph <u>7</u> shall apply mutatis mutandis thereto.</p>	<p>handbook state the reasons why they are not included, and these proposals shall neither be presented separately on the agenda nor be recorded in the meeting minutes. Notwithstanding the foregoing, the Board of Directors shall at the meeting explain the reasons why they are not included. Shareholder proposals that the Board of Directors <u>decides</u> to include on the agenda shall, if belonging to the same type, be consolidated by the chair into one case and the provisions of Article <u>9</u>, paragraph <u>2</u> shall apply mutatis mutandis thereto.</p>	
<p>Article 11 (Votes on Agenda Items) 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. 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</p>	<p>Article 11 (Votes on Agenda Items) 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. 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</p>	<p>As all TWSE Listed and TPEX Listed Companies have now adopted electronic voting, paragraphs 6 to 8 of this Article have been amended in accordance with Paragraph 3, Article 7 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", which states that voting should be conducted on each separate proposal and voting results should be disclosed. Amendments to this Article also referenced Article 13 of the Taiwan Stock</p>



# Appendix IX

Amended Articles	Current Articles	Description
<p>shareholder’s rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting.</p> <p>A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.</p> <p>A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders’ meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders’ meeting, the voting rights exercised by the proxy present at the meeting shall prevail.</p> <p>Unless otherwise provided by law or regulation, or by the</p>	<p>shareholder’s rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting.</p> <p>A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.</p> <p>A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders’ meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders’ meeting, the voting rights exercised by the proxy present at the meeting shall prevail.</p> <p>Unless otherwise provided by law or regulation, or by the Articles</p>	<p>Exchange Corporation Sample Template, which no longer makes a distinction for proposals with whether an objections is motioned by shareholdersto decide a proposals shall be deemed approved or shall be voted upon.</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>Articles of Incorporation, an agenda item put to vote shall be passed with the approval of a majority of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors elected and the numbers of votes they receive, shall be announced immediately at the voting place.</p> <p><u>The agenda items shall be voted on an item-by-item basis.</u> The chair may direct a vote to be held <u>in</u> multiple polls or a single poll on the various agenda items (including elections), with the ballots to be counted separately for each item.</p> <p>When there is any amendment or alternative to a proposal on the</p>	<p>of Incorporation, an agenda item put to vote shall be passed with the approval of a majority of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors elected and the numbers of votes they receive, shall be announced immediately at the voting place.</p> <p><u>With respect to the pre-determined items on the agenda, a shareholder present shall be deemed to approve an item if the shareholder does not object orally to that item at the meeting when it is under discussion.</u></p> <p><u>If an agenda item is neither objected to by any shareholder exercising voting rights by electronic means, nor by any shareholder present at the meeting upon being asked by the chair, it shall be deemed as passed, with the same validity as if it has been approved by a poll.</u></p> <p><u>If there is any shareholder objecting to an agenda item, it shall be put to vote by a poll.</u> The chair may direct a vote to be held <u>on an item-by-item basis, or multiple polls or a single poll to be held</u> on the various agenda items (including elections), with the ballots to be counted separately for each item.</p> <p>When there is any amendment or alternative to a proposal on the agenda, the chair shall place the</p>	

# Appendix IX

Amended Articles	Current Articles	Description
<p>agenda, the chair shall place the amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.</p> <p>The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.</p>	<p>amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.</p> <p>The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.</p>	
<p>Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution)</p> <p>For agenda items put to vote by a poll, the chair shall designate multiple ballot inspectors and ballot counters to discharge all relevant tasks, provided that only shareholders may be appointed as ballot inspectors. The vote on agenda items, and the counting of ballots in an election listed on the agenda, shall be conducted in a publicly accessible place on the site of the relevant shareholders' meeting and the voting ballots shall not be read out loud while being counted. The results of polls and the tallied numbers of votes shall be announced immediately at the voting place and shall be recorded; the ballot inspectors shall then place the voting ballots under seal, and after affixing their signatures or</p>	<p>Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution)</p> <p>For agenda items put to vote by a poll, the chair shall designate multiple ballot inspectors and ballot counters to discharge all relevant tasks, provided that only shareholders may be appointed as ballot inspectors. The vote on agenda items, and the counting of ballots in an election listed on the agenda, shall be conducted in a publicly accessible place on the site of the relevant shareholders' meeting and the voting ballots shall not be read out loud while being counted. The results of polls and the tallied numbers of votes shall be announced immediately at the voting place and shall be recorded; the ballot inspectors shall then place the voting ballots under seal, and after affixing their signatures or</p>	<p>In accordance with Article 14 of the Taiwan Stock Exchange Corporation Sample Template, regulations relating to ballot retention methods and retention period for election items have been added to this Article.</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p>personal seals thereon, hand over the same to the Corporation for preservation.</p> <p><u>The ballots for the election referred to in the preceding paragraph shall be kept for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p> <p>In the event of any dispute by a shareholder present as to the voting process, manner of ballot counting, validity or invalidity of a voting ballot, or any other relevant matters, the ballot inspectors shall put on record the shareholder account number of the disputer, the number of voting rights involved, and the cause of the dispute and, after affixing their signature or personal seal thereon, and place the record under seal.</p> <p>With respect to any dispute under the preceding paragraph, the shareholder present shall pursue the dispute through due legal process, and may not obstruct or interrupt the proceedings of the meeting on the basis of such a dispute.</p>	<p>personal seals thereon, hand over the same to the Corporation for preservation.</p> <p>In the event of any dispute by a shareholder present as to the voting process, manner of ballot counting, validity or invalidity of a voting ballot, or any other relevant matters, the ballot inspectors shall put on record the shareholder account number of the disputer, the number of voting rights involved, and the cause of the dispute and, after affixing their signature or personal seal thereon, and place the record under seal.</p> <p>With respect to any dispute under the preceding paragraph, the shareholder present shall pursue the dispute through due legal process, and may not obstruct or interrupt the proceedings of the meeting on the basis of such a dispute.</p>	
<p><u>Article 14 (Meeting Minutes of Shareholders' Meetings)</u>  <u>Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy</u></p>		<p>1. New Article.                  2. In accordance with Article 15 of the Taiwan Stock Exchange Corporation Sample Template, regulations relating to preparation,</p>

# Appendix IX

Amended Articles	Current Articles	Description
<p><u>distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</u></p> <p><u>The Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</u></p> <p><u>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the procedures by which resolutions were adopted, and a summary of the deliberations and their results (including the number of voting rights) for director elections, the number of votes for each candidate should be disclosed, and shall be retained for the duration of the existence of the Corporation.</u></p>		<p>distribution, retention method, and retention period of meeting minutes for shareholders' meetings have been added to this Article.</p>
<p>Article 15 (Break and Resumption of Meetings) (Article content omitted.)</p> <p>Article 16 (Matters Not Covered) (Article content omitted.)</p> <p>Article 17 (Supplementary Provisions) (Article content omitted.)</p>	<p>Article 14 (Break and Resumption of Meetings) (Article content omitted.)</p> <p>Article 15 (Matters Not Covered) (Article content omitted.)</p> <p>Article 16 (Supplementary Provisions) (Article content omitted.)</p>	<p>Article numbering amended.</p>

# Appendix X

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Operational Procedures for Endorsements and Guarantees

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
3.0 b)	Article 3 of the Corporation's Articles of Incorporation ( <u>THSRC-AQ1-000-001</u> ).	3.0 b)	Article 3 of the Corporation's Articles of Incorporation.	Added by-law number.
3.0 d)	The Corporation's <u>Regulation for Posting Information on Market Observation Post System</u> ( <u>THSRC-BE2-000-023</u> ).	3.0 d)	The Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System</u> ( <u>THSRC-BQ2-000-001</u> ).	Amended in accordance with changes made to by-law numbers.
4.0 a)	Means the <u>amount</u> of total assets less total liabilities.	4.0 a)	Means <u>the balance</u> of total assets less total liabilities ( <u>i.e., shareholders' equity</u> ). <u>Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" means the equity attributable to owners of the parent as stated in the balance sheet prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u>	Amended wording for this Article.
6.1 Paragraph 1 d)	(Deleted)	6.1 Paragraph 1 d)	<u>A company in which the Corporation jointly invests with another party.</u>	This subsection has been deleted and integrated with Paragraph 3 of this Article.

# Appendix X

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.1 Paragraph 3	<u>If all shareholders endorse or guarantee an invested company in accordance with shareholding ratio due to a joint investment relationship, the Corporation may endorse or guarantee said invested company, and is not subject to the regulations of the preceding two paragraphs, but the Corporation may not assume joint guarantee on behalf of other shareholders.</u>	6.1 Paragraph 3	None	In order to strengthen risk management mechanisms, this paragraph has been added to stipulate maximum limits on the amounts and liability of endorsements and guarantees for jointly invested companies.
6.2.3	For an endorsement or guarantee made due to a business transaction relationship, the endorsement or guarantee amount for that business transaction relationship <u>for each individual company</u> may not exceed 50 percent of the cumulative total transaction amount of the business transacted during the last 12 months, and may not exceed 5 percent of the paid-in capital of the guaranteed company.	6.2.3	For an endorsement or guarantee made due to a business transaction relationship, the endorsement or guarantee amount for that business transaction relationship may not exceed 50 percent of the cumulative total transaction amount of the business transacted during the last 12 months, and may not exceed 5 percent of the paid-in capital of the guaranteed company.	The regulations in this Article limit the total amount of endorsement and guarantee for “each individual company” and not for “each endorsement or guarantee.” In order to avoid confusion, the wording of this Article has been amended.
6.2.5	If the total amount of <u>external</u> endorsements and guarantees for the Corporation and its subsidiaries <u>set in accordance with Article 6.2.2</u> is 50 percent or more of the Corporation’s net worth, an explanation of	6.2.5	<u>If the total amount of</u> endorsements and guarantees that is set as the maximum for the Corporation and its subsidiaries as a whole reaches 50 percent or more of the Corporation’s net worth, an explanation	Referenced articles have been cited and Article wording has been amended.

# Appendix X

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	the necessity and reasonableness thereof shall be given at a shareholders' meeting.		of the necessity and reasonableness thereof shall be given at a shareholders' meeting.	
6.4.5	When as a result of a change in circumstances an endorsed/guaranteed entity no longer meets the requirements of these Operational Procedures or the amount of the endorsement/guarantee exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>the Audit Committee</u> , and complete the corrections according to the plan schedule.	6.4.5	When as a result of a change in circumstances an endorsed/guaranteed entity no longer meets the requirements of these Operational Procedures or the amount of the endorsement/guarantee exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>all Supervisors</u> , and complete the corrections according to the plan schedule.	The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.
6.6.2 c)	The balance of endorsements and guarantees made by the Corporation and its subsidiaries for a single business entity reaches NT\$10 million or more and also the total balance of all endorsements and guarantees for, <u>book value of equity</u> investments in, and loans of funds to, that business entity reaches 30 percent or more of the Corporation's net worth as stated in its latest financial statements.	6.6.2 c)	The balance of endorsements and guarantees made by the Corporation and its subsidiaries for a single business entity reaches NT\$10 million or more and also the total balance of all endorsements and guarantees for, <u>long-term</u> investments in, and loans of funds to, that business entity reaches 30 percent or more of the Corporation's net worth as stated in its latest financial statements.	The term "long-term investments" has been replaced with "equity investments" in accordance with relevant laws and regulations.



# Appendix X

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.6.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable competent authority requirements and the Corporation's <u>Regulation for Posting Information on Market Observation Post System (THSRC-BE2-000-023)</u> .	6.6.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable competent authority requirements and the Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001)</u> .	Amended in accordance with changes made to by-law numbers.
6.7.1	<u>Corporation subsidiaries shall establish operational procedures for making endorsements and guarantees to outside parties in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and these Operational Procedures, and comply with established procedures when handling endorsements and guarantees.</u> (Remainder omitted)	6.7.1	<u>The operational procedures of the Corporation's subsidiaries for making endorsements and guarantees for outside parties shall comply with the provisions of the Corporation.</u> (Remainder omitted)	Additional explanation has been added in accordance with relevant laws and regulations.

# Appendix X

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.7.2	<p>Internal audit</p> <p>The internal audit personnel shall at least quarterly audit the operational procedures for making endorsements and guarantees and the execution thereof, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>the Audit Committee</u>.</p>	6.7.2	<p>Internal audit</p> <p>The internal audit personnel shall at least quarterly audit the operational procedures for making endorsements and guarantees and the execution thereof, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>all Supervisors</u>.</p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.</p>
6.7.4	<p><u>These Operational Procedures shall be approved by one-half or more of all Audit Committee members, submitted to the Board for approval, and submitted to a shareholders' meeting for approval following Board approval.</u> When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to <u>the Audit Committee</u> and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.</p> <p><u>Operational procedures that were not approved by one-</u></p>	6.7.4	<p>After passage by the Board, these Operational Procedures shall be <u>sent to all Supervisors</u> and submitted to a shareholders' meeting for approval. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to <u>all Supervisors</u> and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.</p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors. The wording for this Article has therefore been amended and review processes have been integrated in accordance with revisions made to relevant laws and regulations.</p>

# Appendix X

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	<p><u>half or more of all Audit Committee members in accordance with the preceding paragraph may be implemented following approval by two-thirds or more of all Board members, and the resolutions of the Audit Committee shall be recorded in the meeting minutes for said Board meeting. The numbers of “all Audit Committee members” and “all Board members” as referenced in the preceding paragraph shall be calculated on the basis of actual members in office.</u></p>			
6.7.5	(Deleted)	6.7.5	<p><u>If the Corporation has established the position of independent Director, when these Operational Procedures are submitted to and discussed at a Board meeting pursuant to the preceding subparagraph, the opinions of each independent Director shall be given full consideration, and each independent Director’s explicit opinion of assent or dissent and reasons for dissent shall be recorded in the Board meeting minutes.</u></p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the procedures in this Article have been integrated with Article 6.7.4 in accordance with relevant laws and regulations. The original Article has therefore been deleted.</p>

# Appendix X

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.7.6	(Deleted)	6.7.6	<u>If the Corporation has set up an audit committee in accordance with the Securities and Exchange Act, all powers of Supervisors described in these Operational Procedures shall be exercised by the audit committee in accordance with law.</u>	The Corporation has established an Audit Committee to take over the duties of supervisors, and relevant amendments have been made to related articles. The original Article has therefore been deleted.

# Appendix XI

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Operational Procedures for Loaning Funds to Others

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
3.0 d)	The Corporation's <u>Regulation for Posting Information on Market Observation Post System</u> (THSRC-BE2-000-023)	3.0 d)	The Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System</u> <u>Regulation for Posting Information on Market Observation Post System</u> (THSRC-BQ2-000-001)	Added by-law number.
4.0 b)	Means the <u>amount</u> of total assets less total liabilities.	4.0 b)	Means the <u>balance</u> of total assets less total liabilities (i.e., <u>shareholders' equity</u> ). <u>Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" means the equity attributable to owners of the parent as stated in the balance sheet prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u>	Amended wording for this Article.
6.1.3	<u>Apart from short-term financing</u> , the Corporation's loaning of funds to others shall be subject to a maximum loan term of 2 years, provided that an extension may be made if an actual need arises and upon approval by resolution of the Board before the expiration of the original term.	6.1.3	The Corporation's loaning of funds to others shall be subject to a maximum loan term of 2 years, provided that an extension may be made if an actual need arises and upon approval by resolution of the Board before the expiration of the original term.	Additional wording has been added to clarify term limits on loaned funds.

# Appendix XI

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.1.6	When as a result of a change in circumstances a loan recipient no longer meets the requirements of these Operational Procedures or the loan balance exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>the Audit Committee</u> , and complete the corrections according to the plan schedule.	6.1.6	When as a result of a change in circumstances a loan recipient no longer meets the requirements of these Operational Procedures or the loan balance exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>all Supervisors</u> , and complete the corrections according to the plan schedule.	The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.
6.7.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable requirements of the competent authority and the Corporation's <u>Regulation for Posting Information on Market Observation Post System (THSRC-BE2-000-023)</u> .	6.7.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable requirements of the competent authority and the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).	Amended in accordance with changes made to by-law numbers.
6.8.2	<u>Corporation subsidiaries shall establish operational procedures for making endorsements and guarantees to outside parties in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and</u>	6.8.2	<u>The operational procedures</u> of the Corporation's subsidiaries for <u>loaning funds to others</u> shall comply with the provisions of <u>the Corporation</u> . (Remainder omitted)	Amended in accordance with relevant laws and regulations.

# Appendix XI

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	<p><u>these Operational Procedures, and comply with established procedures when handling endorsements and guarantees.</u> (Remainder omitted)</p>			
6.8.3	<p>Internal audit The internal audit personnel shall at least quarterly audit the operational procedures for loaning funds and the execution of the operations, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>the Audit Committee.</u></p>	6.8.3	<p>Internal audit The internal audit personnel shall at least quarterly audit the operational procedures for loaning funds and the execution of the operations, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>all Supervisors.</u></p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.</p>
6.8.4	<p>When an in-charge person or management member violates these Operational Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation's <u>Reward and Discipline Regulation</u> (THSRC-BA2-000-003). <u>In the event of violations of Article 6.1.1, in-charge persons of the Corporation shall bear joint and several liability with the borrower for repayment; if the Corporation suffers damage, the in-charge person also shall be liable for damages.</u></p>	6.8.4	<p>When an in-charge person or management member violates these Operational Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation's <u>Rules Governing Rewards and Disciplinary Action</u> (THSRC-BA2-000-003).</p>	<p>Added wording stipulating that joint liability for repayment and damages shall be borne by in-charge persons of the Corporation in accordance with relevant laws and regulations.</p>

# Appendix XI

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.8.6	<p>These Operational Procedures <u>shall be approved by one-half or more of all Audit Committee members, submitted to the Board for approval, and submitted to a shareholders' meeting for approval following Board approval.</u> When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to <u>the Audit Committee</u> and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.</p> <p><u>Operational procedures that were not approved by one-half or more of all Audit Committee members in accordance with the preceding paragraph may be implemented following approval by two-thirds or more of all Board members, and the resolutions of the Audit Committee shall be recorded in the meeting minutes for said Board meeting. The numbers of "all Audit Committee members" and "all Board members" as referenced in the preceding paragraph shall be calculated on the basis of actual members in office.</u></p>	6.8.6	<p>After passage by the Board, these Operational Procedures shall be <u>sent to all Supervisors and</u> submitted to a shareholders' meeting for approval. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the materials containing the Director's dissent to <u>all Supervisors and</u> submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.</p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors. The wording for this Article has therefore been amended and review processes have been integrated in accordance with revisions made to relevant laws and regulations.</p>



# Appendix XI

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.8.7	(Deleted)	6.8.7	<u>When these Operational Procedures are submitted to and discussed at a Board meeting pursuant to the preceding article, the opinions of each Director shall be given full consideration. If the Corporation has established the position of Independent Director, each Independent Director's explicit opinion of assent or dissent and reasons for objection shall be recorded in the Board meeting minutes.</u>	The Corporation has established an Audit Committee to take over the duties of supervisors, and the procedures in this Article have been integrated with Article 6.8.6 in accordance with relevant laws and regulations. The original Article has therefore been deleted.
6.8.8	(Deleted)	6.8.8	<u>If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, all powers of Supervisors described in these Operational Procedures shall be exercised by the Audit Committee in accordance with law.</u>	The Corporation has established an Audit Committee to take over the duties of supervisors, and relevant amendments have been made to articles relating to supervisor duties. The original Article has therefore been deleted.