

Stock Code: 2633

Handbook for the 2019 Annual Shareholders' Meeting

DATE: May 30, 2019 at 9:00 a.m.

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

Procedure for Annual Shareholders' Meeting

Taiwan High Speed Rail Corporation

Procedure for the 2019 Annual Shareholders' Meeting

I . Call the Meeting to Order	
II . Chairperson Takes Chair	
III . Chairperson Remarks	
IV . Management Presentation (Company Reports)	3
1. Report on Company execution of corporate governance.	3
2. Report on allocation of 2018 remuneration to board of directors and employees.	18
3. Report on changes in the estimated useful lives of certain operating concession asset.	20
V . Proposals	22
1. Proposal of 2018 Annual Business Report and financial statements of the Company.	22
2. Proposal of 2018 profit distributions of the Company.	43
VI . Discussion	46
1. Revision of Guidelines for Corporate Governance.	46
2. Revision of Rules of Procedure for Shareholders' Meetings.	47
3. Revision of Procedures for the Acquisition or Disposal of Assets.	48
4. Revision of Procedures for the Handling of Derivative Transactions.	49
VII . Questions and Motions.	50
VIII . Adjournment	50
Attachment I Comparative Table for the current and amended Guidelines for Corporate Governance.	51
Attachment II Comparative Table for the current and amended Rules of Procedure for Shareholders' Meetings.	65
Attachment III Comparative Table for the current and amended Procedures for the Acquisition or Disposal of Assets.	79
Attachment IV Comparative Table for the current and amended Procedures for the Handling of Derivative Transactions.	95

Procedure for Annual Shareholders' Meeting

Appendices101

Appendix I Rules of Procedure for Shareholders' Meetings.....101

Appendix II Articles of Incorporation.....114

Appendix III Guidelines for Corporate Governance.....127

Appendix IV Procedures for the Acquisition or Disposal of Assets.....157

Appendix V Procedures for the Handling of Derivative Transactions.....177

Appendix VI Current Shareholding of Directors.....188

Management Presentation

Report No. 1: Report on Company execution of corporate governance.

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 social responsibility, our Corporate Governance Standards 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 16 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 law 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 and at the 2016 extraordinary general meeting, and serve as the guiding principles for corporate governance system and implementation of governance measures.

III. Execution of Corporate Governance System

In addition to the stipulation of independent directorship in the articles of incorporation, 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

Management Presentation

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 law 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 Committee of Board of Directors

To implement efficient decision-making and robust supervision, the 4th Board of Directors established the Corporate Governance Committee and quasi Audit Committee 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

Management Presentation

ceased to exist upon the amendment of the above by-law and standard.

Furthermore, the 13 directors (including 3 independent directors) comprising the 8th Board were elected for three years of office (May 24, 2017 to May 23, 2020) at the shareholders' general meeting. The current Board oversees the Corporate Governance & Nomination Committee, Audit Committee, Remuneration Committee, and Special 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 2018 to March 2019)

(1) Board of Directors

① Composition: 13 directors.

② Number of meetings: 15.

③ Primary tasks:

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

④ Execution:

The Board of Directors applies applicable laws and regulations, resolutions of shareholders' meetings, and the Company 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 (<http://mops.twse.com.tw>) 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

Management Presentation

who is elected by all committee members.

- ② Number of meetings: 11.
- ③ Primary tasks: Responsible for the formation and planning of the Board of Directors and functional committees and nomination of independent directors and non-independent directors, research on corporate governance system, and review of effectiveness of corporate governance system and information disclosure implementation. (see Schedule for details).
- ④ Execution:
 - 1) Discuss proposals for execution evaluation of Board of Directors and functional committee and annual work plan.
 - 2) Discuss executive report on corporate governance.
 - 3) Discuss renewal of Directors and Officers Liability Insurance.
 - 4) Discuss corporate organizational structure adjustment procedural amendment.
 - 5) Discuss amendments or amendment proposals to Company GCG.

(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 Company's Internal Audit Standards, Internal Control System, and Regulations Governing Internal Control System Self-Examination.
 - 3) Review results of annual self-examination 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

Management Presentation

requiring prevention of conflict of interest.

5) Review appointment of Certified Public Accountant.

6) Review annual audit plans and executive reports thereof.

(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: 14.

③ Primary Tasks: to formulate and regularly review the evaluation of directors and managers' performance and salary and compensation (see Schedule for details).

④ Execution:

The Remuneration Committee applies the foregoing primary tasks when considering the Company'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 Company's major legal or contractual disputes and important system reforms, assist the Board of Directors in supervising managers' execution of decisions, and review the Company'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 2018, to ensure solid implementation of systemic corporate governance initiatives,

Management Presentation

our functional committees previewed, formulated, and revised rules and regulations and administrative codes for approval by the Board of Directors; such systemic initiatives included our Articles of Incorporation, Rules for the Election of Directors, Code of Ethical Conduct, Rules of Procedure for Board of Directors Meetings, Procedures for Nomination and Review of Director Candidates, Regulation of Related Party Transactions, Regulations of Responsibility & Authority, Internal Control System, and General-Rules of Internal Control Self- Assessments.

Additionally, in accordance with revisions made to Articles 203, 203-1, and 206 of the Company Act, the Company proposed addition of the following stipulations and syntax changes to the Rules of Procedure for Board of Directors Meetings: “The majority or more of the directors may, by filing a written proposal setting forth therein the subjects for discussions and the reasons, request the chairman of the board of directors to convene a meeting of the board of directors. If the chairman of the board of directors fails to convene a meeting of board of directors within 15 days after the filing of the request under the preceding paragraph, the proposing directors may convene a meeting of board of directors on their own” and “Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.”. Furthermore, in accordance with revisions made to the Company Act and actual Company operating procedures, revisions were proposed for our GCG and Rules of Procedure for Shareholders Meetings and submitted to the Shareholders Meeting for 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 Company’s major operations and development, as well as matters relating to major financial and

Management Presentation

business conduct; other affairs are delegated to the 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 Company'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 company's perspective, D&O not only facilitates the acquisition of talent, but also encourages their 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, especially from the legal risks attributable to fault or neglect of other directors or officers.
- ② The current insured D&O amount is NT\$ 900,000,000.

(4). Formulation of reasonable remuneration policies:

In accordance with our "Charter of Remuneration Committee", the Company regularly reviews the performance of directors and managers, policies, systems, standards, and compensation structure, and also regularly reviews general compensation levels of the industry. To ensure competitiveness and motivation, employee compensation is determined by the Company's financial status, business performance, and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to Article 35 of our "Articles of Incorporation", if the Company is profitable in the present year, more than one percent of Company profits should be distributed to employees. Furthermore, to effectively promote individual performance goals and implement overall policies and operational strategies of the Company, our "Reward and Discipline Regulation" and "Performance Appraisal Regulation" establishes fair, objective, clear, and effective rewards and punishment standards to assess employee behavior and performance for effective promotion of employee potential and implementation of Company policies and operational strategies. Our "Salary Management Regulation" serves as a basis for determining employee salary levels,

Management Presentation

and we regularly review pay levels and remuneration policies, setting out salary allowances and bonuses according to our “Salary Payment Procedure” to provide allowances and reward employees for their hard work. Bonus levels are based on the company's financial status, operating conditions, and individual work performance.

When setting remuneration for our Chairman and Chief Executive Officer, 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 Chief Executive Officer were evaluated using annual indicators based on Company 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). THSRC 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:

According to Article 5-3-06 of the Company 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 2018 were approved by the the 21th Audit Committee Meeting of 8th Board of Directors dated February 19, 2019 and the 23th Board Meeting of the 8th Board of Directors dated February 20, 2019, confirming that the Company CPA fulfilled the following assessment standards for independence and competency:

No.	Evaluation Item	Evaluation results	Passed independence assessment
-----	-----------------	--------------------	--------------------------------

Management Presentation

1	As of the most recent auditing and attestation, there have been no instances where CPA remained unchanged for 7 years, or where CPA was reassigned to the Company within 2 years.	Y	Y
2	CPA has no direct or indirect major financial stake in the Company.	Y	Y
3	CPA is not involved in any financing or financial guarantee agreements involving the Company or company directors.	Y	Y
4	CPA does not have any potential employment relationship with the Company.	Y	Y
5	Accounting firm of CPA is not overly reliant on funds from any single client, including the Company.	Y	Y
6	CPA and members of the audit team are not currently serving as Company directors, managers, or in positions that have major impact on Company audits, and have not done so over the past 2 years.	Y	Y
7	Non-audit services provided by CPA to the Company have no direct impact on the major items of audit services provided.	Y	Y
8	CPA does not promote or sell shares or other securities issued by the Company.	Y	Y
9	CPA is not representing the Company in litigation of a third party or other disputes.	Y	Y
10	CPA and members of the audit team have no familial relationships with	Y	Y

Management Presentation

	directors, managers, or people in positions that have major impact on Company audits at the Company.		
11	CPA has not served as company director, manager, or in positions that have major impact on Company audits within 1 year of termination.	Y	Y
12	The Company has not requested that members of the audit team accept improper accounting practices or improper disclosures on financial statements made by the Company.	Y	Y
13	The Company has not pressured accountants and facilitated improper reduction of audit duties in order to reduce audit fees.	Y	Y
14	CPA is not involved in decision-making managerial duties at the Company.	Y	Y

IV. Effectiveness of Corporate Governance System

1. Preliminary Review by Functional Committees

In accordance with the GCG, functional committees discuss their 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 in the Board of Directors and functional committees, independent directors frequently express their opinions, exert their independence and professionalism, and contribute to discussion efficiency and quality of decision making.

3. Management Implementation

The Management fully understands the framework and spirit of corporate governance, and complies with applicable by-laws and regulations and resolutions of shareholders' meeting

Management Presentation

or Board of Directors 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>) to further enhance transparency.

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.

V. Concluding Remarks

In view of the effectiveness of the implementation of our corporate governance system, we participated in the 4th TWSE Corporate Governance Evaluation (for 2017) after one year of public listing 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. In future, we will focus on the ongoing influence of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, and embrace corporate governance evaluations in order to build a sound corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

Management Presentation

Schedule

Item	Primary Tasks
Board of Directors	<p>As per Article 3-02 of the GCG of the Company, the Board of Directors has the following primary tasks:</p> <ol style="list-style-type: none"> 1) Discuss internal control system. 2) Discuss important Articles and by-laws. 3) Discuss the Company’s major financial plan, long-/short-term goals, business plan, budget and final report. 4) Draft loss make-up and capital increase/decrease proposal. 5) Discuss establishment, withdrawal, or change of branch companies. 6) Discuss matters involving directors’ own interests. 7) Discuss major asset or derivatives transactions, as well as major lending of capital, endorsement or provision of guarantee. 8) Discuss offering, issuance or private placement of marketable securities. 9) Discuss appointment, discharge, and compensation of Certified Public Accountant. 10) Elect, discharge and supervise important officers and financial, accounting, and internal audit directors. 11) Discuss items proposed by Chair of the Board and/or noticed by functional committees, and/or items submitted by the Management for Chair of the Board’s perusal. 12)Oversee company operational results and risks, and ensure compliance with applicable laws and regulations. 13)Devise future development direction. 14)Promote corporate image and fulfillment of social responsibility. 15)Discuss other major items subject to resolutions of Board of Directors, as required by law and regulations, articles of incorporation, resolutions of shareholders’ meeting, GCG or other applicable by-laws.

Management Presentation

Item	Primary Tasks
Corporate Governance & Nomination Committee	<p>As per Article 3 of the Corporate Governance & Nomination Committee Organizational Procedures, the Corporate Governance & Nomination Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> 1) Confirm qualifications of independent and non-independent directors considering varied measures such as professional and technical knowledge, experience, and gender as well as impartiality. 2) Plan composition of the Board and functional committees, and assess performance of the Board and functional committees. 3) Nominate independent directors and non-independent directors. 4) Identify and evaluate independent directors and potential independent director candidates. 5) Devise and review overall execution of directorship and functional committees 6) Devise and review liability insurance for directors and managers 7) Review status of information disclosure. 8) Review the devising, suggestion and implementation effectiveness of corporate governance system and review relevant by-laws. 9) Review the effectiveness of corporate governance implementation 10) Other duties as required by articles of incorporation, GCG, or resolutions of Board of Directors.
Audit Committee	<p>As per Article 3 of the Audit Committee Organizational Procedures, the Audit Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> 1) Formulate or revise internal control system as required by Article 14-1 of the Securities and Exchange Act. 2) Evaluate the effectiveness of the Company's internal control system. 3) Formulate or revise, as required by Article 36-1 of the Securities and Exchange Act, the procedures for major financial business conduct regarding acquisition or disposal of assets, undertaking of derivatives

Management Presentation

Item	Primary Tasks
	<p>transactions, lending of capital, endorsement, or provision of guarantee for others.</p> <p>4) Approve items involving directors' own interest.</p> <p>5) Approve major asset and derivatives transactions.</p> <p>6) Approve major lending of capital, endorsement, or provision of guarantee.</p> <p>7) Review marketable securities offering/issuance, or the private placement of securities of equity characteristics</p> <p>8) Assess appointment, discharge, or compensation of the Certified Public Accountant.</p> <p>9) Evaluate the Company's financial, accounting, or internal audit director's appointment, dismissal and performance.</p> <p>10) Review annual and semi-annual financial statements.</p> <p>11) Review Q1 and Q3 financial statements.</p> <p>12) Review the Company's accounting system/financial condition.</p> <p>13) Evaluate the Company's risk management policies and risk measurement standards.</p> <p>14) Approve procedures for major financial/business conduct.</p> <p>15) Assess, examine, and oversee existing or potential risks in the Company.</p> <p>16) Examine the company's compliance to law and regulations.</p> <p>17) Review Company capital, financing, and credit plans</p> <p>18) Assess Company tax planning and compliance with tax regulations</p> <p>19) Other major matters as required by competent authorities.</p> <p>20) Other duties as required by articles of incorporation or resolutions of Board of Directors.</p>

Management Presentation

Item	Primary Tasks
Remuneration Committee	<p>As per Article 3 of the Remuneration Committee Organizational Procedures, the Remuneration Committee is responsible for the following tasks:</p> <ol style="list-style-type: none">1) Formulate and regularly review policies, systems, standards, and composition of performance evaluation and compensation of directors and officer.2) Regularly evaluate and formulate directors' and officers' compensation.
Special Committee	<p>As per Article 3 of the Special Committee Organizational Procedures, the Special Committee is responsible for the following tasks:</p> <ol style="list-style-type: none">1) Provide counsel and suggestions on major legal or contractual disputes and important institutional changes approved by the Board of Directors2) Supervise procurement proposals made to the Board of Directors by functional managers.3) Other duties as required by articles of incorporation or resolutions of Board of Directors.

Management Presentation

Report No. 2: Report on allocation of 2018 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 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 Company'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 meeting of board of directors 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 Company's profit for 2018 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$ 7,499,305,303 (no accumulated losses offset). In accordance with the 23th meeting of the 8th Board dated February 20, 2019, and provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached for the distribution of 2018 director and employee compensation, with the percentage and amount to be allocated as follows:
 - (1) For directors' compensation:
 1. Percentage allocated: 0.5%.
 2. Amount allocated: NT\$ 37,496,527.

Management Presentation

- (2) For employees' compensation
 - 1. Percentage allocated: 2 %.
 - 2. Amount allocated: NTD 149,986,106.

Management Presentation

Report No. 3: Report on changes in the estimated useful lives of certain operating concession asset.

1. IAS 16 stipulates that corporations must review amortization methods, residual values, and useful lives of assets at least once at the end of each financial year.
2. In consideration of the fact the Company has accumulated ample experience sufficient for development of in-house maintenance capabilities, relevant Company experience and capabilities were used to assess the expected useful lives of assets, changes in external economic environments, and other factors. Assessments conducted using Employer's Functional and Technical Requirements and the rolling stock mid-life refurbishment and general inspection program found that expected useful lives of assets differed from previous estimates, and amortization periods were adjusted accordingly.
3. Changes in amortization periods are shown below:

Changes in useful life of certain operating assets under concession	Pre-change Amortization period	Post-change Amortization period
Buildings		
Wayside signaling rooms and buildings	50 years	10 to 50 years
Machinery equipment		
Maintenance equipment and tools	5 to 35 years	5 to 35 years
Information technology equipment	2.5 to 35 years	2.5 to 35 years
Transport equipment		
Signaling system	5 to 35 years	5 to 35 years
Rolling stock system	7 to 35 years	7 to 35 years

4. The Company convened the Assets Appraisal and Review Committee on September 6 and

Management Presentation

December 4 of 2018, and adjusted useful lives of certain operating assets under concession according to review results. These adjustments were approved at the 22th meeting of the 8th Board held on January 23, 2019, and amortization changes for intangible assets and operating assets under concession were made effective on January 1, 2019.

5. These changes are estimated to increase amortization fees for 2019 by 0.716 billion NT\$, mainly due to shutdown of equipment parts production from original manufacturer and internal maintenance schedule of “transportation equipment”, which will increase amortization fees for 2019 by 0.647 billion NT\$.

Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposal of 2018 Annual Business Report and financial statements of the Company.

Explanation: The 2018 business report (please refer to p.24-p.31 of the Annual Meeting Handbook) along with financial statements (please refer to p.31-p.37 of the Annual Meeting Handbook) of the Company have been approved on February 20, 2019 by the 23th meeting of the 8th Board. The financial statements were audited by certified public accountants, and audit report thereto was issued on February 20, 2019 (please refer to p.38-p.41 of the Annual Meeting Handbook), distributed to Audit Committee for review (please refer to p.42 of the Annual Meeting Handbook), and is hereby submitted for adoption at shareholders' annual general meeting.

Resolution:

Proposals

The 2018 Business Report

Business report and future prospects

The Taiwan High Speed Rail Corporation (THSRC) celebrated its 20th anniversary in 2018. Since its establishment, HSR has become the transportation backbone of Taiwan's western corridor . We welcomed our 500 millionth passenger in 2018 and new records for daily ridership were set over the Mid-Autumn Festival consecutive holiday. Over the years, we have brought significant changes to people's life and drawn urban and rural communities closer together.

As a high-speed rail operator, we will continue to deliver on our commitment to excellence in service, customer satisfaction, and corporate responsibility, adhering to the principle of "To be the platform for advancement and enjoyment " for every action we take.

1. 2018 Business report

(1) Operational performance

A. Rail Operations

In 2018, THSRC celebrated its 12th year of operations. A total of 52,437 train services were provided during the course of the year 2018, an increase of 686 train services compared to 51,751 trains in 2017. Daily maximum train services reached to 162 north- and south-bound trains and this number was increased to 202 train services per day during consecutive holidays. Our loading factor was 67.01% (up by 1.85% compared to 65.16% in 2017) and passenger volume increased to 63.96 million, up by 3.39 million compared to 60.57 million in 2017. Our total passenger-kilometers were 11,559 million km, up by 4.11% compared to 11,103 million km in 2017. Average daily ridership reached 175,000 passengers, an increase of 9,000 passengers compared to 166,000 passengers in 2017.

In terms of operational safety, we are proud of our zero-accident record, no accidents or injuries to passengers or general public were caused by train service operations in 2018. Our average punctuality rate (arrival within 5 minutes of scheduled time) was 99.43%, slightly lower than our target of 99.50%, and our average reliability rate (excluding

Proposals

delays due to force majeure) was 100%, exceeding our target of 99.60%.

B. Marketing and Passenger service

Services and activities launched in 2018:

- (a) To increase membership and collection of passenger information, we continued to recruit TGo members through exclusive member benefits, cross-industry promotions, and ticket discounts.
- (b) We launched business member promotion packages during off-peak hours to fill available seats.
- (c) In response to advances in mobile payment, we added a “Samsung Pay” option to our station ticketing counters and ticket vending machines, and a “Taiwan Pay” option to our online booking system in 2018.
- (d) Free wireless internet access was made available in all HSR public service areas via the iTaiwan Wi-Fi network.
- (e) We cooperated with “Hami Book City” to provide “Fixed-Point Reading” services at all HSR stations and on all trains beginning on July 1, 2018, so that passengers can enjoy the fun of reading while taking HSR.
- (f) We launched the Taiwan High Speed Rail ARt program, allowing passengers to experience art during their HSR ride.

(2) Budget Implementation

In 2018, our estimated operating revenue was NT\$44.5 billion and actual operating revenue was NT\$45.42 billion. Budget achievement rate was 102.1% and our actual net income was NT\$10.7 billion.

(3) Revenue, Expenditure, and Profitability Analysis

In 2018, our revenue was NT\$45.42 billion, income before tax was NT\$7.31 billion, up by 4.6% and 12.8% compared to 2017. Net income reached NT\$10.7 billion due to the recognition of income tax benefit.

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

Proposals

and the lives of the general public.

(4) Research and Development

Research and Development in 2018:

A. Facility Engineering:

- (a) Assessment of possible impacts of Type 1 active faults and seismic design enhancements of HSR structures.
- (b) Use of artificial intelligence drones for inspection of HSR viaducts.
- (c) Relevant research on seismic displacement after damper was placed on viaducts in the Kaohsiung section.
- (d) Research on seismic response on viaducts, especially amplification responses at different parts of the structure in the Chiayi section.

B. Signaling and Communications:

- (a) Establishment of Turnout Monitoring System on refuge sidings.
- (b) Research on improvements of turnout controller reliability.
- (c) Research on self-developed Passenger Information System.

C. Rolling Stock:

- (a) Self-design, testing, and installation of 110V/AC power sockets on wheelchair access seating areas on trains.
- (b) Addition of CCTV surveillance system in train compartments.

D. Information Technology:

- (a) Optimization of external ticketing system during peak hours.
- (b) Development of new ticket vending machines.
- (c) Establishment of network architecture distribution and performance improvement.
- (d) Establishment of ticketing mechanism for contactless smart cards.

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,” and the following is a brief summary of items successfully localized:

Proposals

(a) Rolling Stock

- i. Brake disc bolts and wheel tread cleaners
- ii. Evaporators and compressors of train air conditioning systems
- iii. Train pantograph components
- iv. Oil coolers for main transformers and cooling tanks for traction converters
- v. Air conditioner diffusers for 700T trains
- vi. Paint materials for train bodies

(b) Track and Power

- i. Base plates for track lateral adjustment.
- ii. Domestic production of OCS maintenance vehicles.
- iii. Intelligent rail scooters.

(c) Signaling and Communication

- i. Uninterruptible Power Supply System (UPS) batteries for signaling and communication
- ii. Battery Backup System for trackside TETRA bi-directional amplifiers.
- iii. TEL IP SERVER for Direct line telephones

F. Electronic Service Center: We established an electronic maintenance center, mid-2008, to reduce dependence on manufacturers and to increase our maintenance capabilities. The number of repairs for circuit boards and components from all systems has increased year over year.

G. Industry-Academia Collaboration Project: We collaborated with major research institutions to develop the following materials and equipment:

- (a) Analysis on electromagnetic interference from trains.
- (b) Inspection equipment to test abnormal train vibrations and noise.
- (c) Temperature monitoring system on train axle boxes.
- (d) Electrical control system for underfloor lathe equipment.
- (e) Rolling stock automatic vibration measurement system.
- (f) Multi-functional remote microphone for public address system.

Proposals

2.Business Plan for 2019

(1) Management Guidelines

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 and implement precision marketing strategies, big data analyses, and form a platform for more membership.

(2) Expected Sales Volumes

Due to the 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 2019 will surpass 64.85 million passengers.

(3) Major Production and Marketing Initiatives

Major Initiatives for 2019:

- A. Facilitation of timely train service adjustments and maintaining 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 based on different customer characteristics to increase revenue opportunities and customer loyalty, and to achieve revenue target growth.
- C. Promotion of the “Journey with THSR, Discover Taiwan” through a variety of integrated THSR holiday packages, and hotel and travel coupons that can help to attract more passengers.
- D. Enhancement of TGo membership system and related services through data analysis and provision of customer-based recommendations to increase purchase frequency, customer loyalty, ridership, and quality of customer relationships.

Proposals

- E. THSRC plans to utilize the passenger flows to develop affiliated business such as shops, parking lots, advertising, and so on. We will also continue to develop retail products and expand sales channels to enrich passenger experiences and increase non-ticket revenues.
- F. Integration of innovative technologies and applications in response to demand for timely and mobile ticket purchasing and make ticketing services available to all.

3. Future strategies

As THSRC seeks to be a “To be the platform for advancement and enjoyment,” a vision we will 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 process and to ensure maximum train capability.
 - D. To improve revenue management efficiency and provide a variety of products and increase the 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 the membership economy.
 - C. To implement information technology that strengthens operational, maintenance, and service quality and improves efficiency.
 - D. To research and enhance core system capabilities.
- (3) Taiwan: To combine unique local cultures and landscapes to create a multicultural

Proposals

platform.

- A. To enhance local development capabilities and increase the percentage of local equipment 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 Company'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

According to domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 30, 2018, Taiwan's export capabilities are on the rise due to advances in semiconductors, high performance computing, smart technology, IoT, automobile electronics, and 5G mobile communications. However, the trade disputes between the U.S. and China may have an impact on some export growth momentum and on private consumption. Rising uncertainty in global economic and financial markets put the expected economic growth rate of 2019 at 2.41%, somewhat lower than the growth rate for

Proposals

2018 (2.66%). Despite these challenges, we will continue to launch new products and provide high-quality services to achieve ridership and revenue growth targets.

In terms of the legal environment, the Ministry of Transportation and Communications recently amended the Railway Act and a number of sub laws, including Railway Repair, Construction, and Maintenance Rules; Railway Transport Rules; Supervision of Local Railway, Private Railway, and Special Railway Regulations; Railway Train-Control Rules; Regulations of Affiliated Businesses of Local Railway, Private Railway, and Special Railway Institutions; Railway Driver Licenses Regulations for National Railway and Private Railway Drivers; Regulations of Construction Restrictions along Railways; Regulations for Discretionary Management of Train Driver Rating of Private Railways; and Measures of Damages and Subsidies for Accidents by Railway Operators. Additionally, changes made to the Mandatory and Prohibitory Provisions of Standard Form Contract for Railway Passenger Transportation in 2018 also had a positive effect on railway operational safety and passenger rights.

In addition, the government amended the “Protection of Children and Youths Welfare and Rights Act” on November 21, 2018 to add Article 33-3: “Passenger trains should retain a certain number of priority seats for families accompanying pregnant women and children.” We plan to adjust our operational processes in order to comply with relevant regulations.

Looking at overall operational conditions, THSRC is facing challenges from economic depression, decreasing birth rates, and aging populations. In addition, abnormal climate change and aging operation equipment will cause maintenance costs to increase. However, we will continue to focus on developing smart transportation, increasing safety and efficiencies of emergency responses, establishment of local maintenance capabilities, development of localization materials, and strategic planning. 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.

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

ASSETS	December 31			
	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 6,947,850	2	\$ 7,187,917	2
Financial assets at fair value through profit or loss (Note 7)	327,446	-	-	-
Available-for-sale financial assets (Note 7)	-	-	319,985	-
Hedging derivative financial assets (Note 8)	-	-	5	-
Notes and accounts receivable (Note 20)	505,565	-	347,275	-
Current tax assets	166,783	-	24,547	-
Inventories (Note 9)	2,028,925	1	1,927,723	1
Other financial assets (Notes 10 and 27)	11,881,545	2	9,365,363	2
Other current assets (Notes 13 and 26)	938,435	-	918,001	-
Total current assets	<u>22,796,549</u>	<u>5</u>	<u>20,090,816</u>	<u>5</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Note 11)	98,085	-	107,354	-
Operating concession asset (Note 12)	401,168,964	93	413,166,373	94
Computer software, net (Note 12)	54,245	-	54,167	-
Deferred tax assets (Note 22)	6,808,133	2	4,504,698	1
Other financial assets (Notes 10 and 27)	2,083,255	-	2,122,265	-
Other non-current assets (Note 13)	47,838	-	14,784	-
Total non-current assets	<u>410,260,520</u>	<u>95</u>	<u>419,969,641</u>	<u>95</u>
TOTAL	<u>\$ 433,057,069</u>	<u>100</u>	<u>\$ 440,060,457</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 147,865	-	\$ 39,888	-
Accounts payable	274,404	-	248,017	-
Operating concession liabilities (Note 15)	731,182	-	647,850	-
Other payables (Notes 14 and 17)	3,031,763	1	2,950,253	1
Payable for construction	535,830	-	605,926	-
Current tax liabilities	123,204	-	1,102,942	1
Provisions (Note 16)	283,279	-	292,515	-
Current portion of long-term bills payable (Note 14)	7,986,870	2	-	-
Other current liabilities (Notes 17 and 20)	699,649	-	662,017	-
Total current liabilities	<u>13,814,046</u>	<u>3</u>	<u>6,549,408</u>	<u>2</u>
NON-CURRENT LIABILITIES				
Long-term debt (Notes 14 and 26)	276,093,677	64	286,082,766	65
Long-term bills payable (Note 14)	-	-	15,963,546	4
Provisions (Note 16)	9,560,897	2	4,145,851	1
Long-term interest payable (Note 14)	8,921,744	2	9,531,465	2
Operating concession liabilities (Note 15)	54,914,835	13	54,542,215	12
Other non-current liabilities (Notes 17, 18 and 22)	338,857	-	226,857	-
Total non-current liabilities	<u>349,830,010</u>	<u>81</u>	<u>370,492,700</u>	<u>84</u>
Total liabilities	<u>363,644,056</u>	<u>84</u>	<u>377,042,108</u>	<u>86</u>
EQUITY (Note 19)				
Capital stock				
Common stock	56,282,930	13	56,282,930	13
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	1,400,081	-	866,090	-
Unappropriated earnings	11,557,021	3	5,695,863	1
Total retained earnings	12,957,102	3	6,561,953	1
Unrealized gain on available-for-sale financial assets	-	-	485	-
Total equity	<u>69,413,013</u>	<u>16</u>	<u>63,018,349</u>	<u>14</u>
TOTAL	<u>\$ 433,057,069</u>	<u>100</u>	<u>\$ 440,060,457</u>	<u>100</u>

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

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			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 26)	\$ 45,415,007	100	\$ 43,435,042	100
OPERATING COSTS (Notes 21 and 26)	<u>(25,081,394)</u>	<u>(55)</u>	<u>(24,613,645)</u>	<u>(57)</u>
GROSS PROFIT	20,333,613	45	18,821,397	43
OPERATING EXPENSES (Note 21)	<u>(1,188,649)</u>	<u>(3)</u>	<u>(1,066,413)</u>	<u>(2)</u>
INCOME FROM OPERATIONS	<u>19,144,964</u>	<u>42</u>	<u>17,754,984</u>	<u>41</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	106,859	-	96,076	-
Interest expense (Notes 14, 21 and 26)	(6,618,272)	(14)	(7,463,329)	(17)
Stabilization reserve expense (Note 16)	(5,415,046)	(12)	(3,865,562)	(9)
Other gains and losses (Note 21)	<u>93,318</u>	<u>-</u>	<u>(43,669)</u>	<u>-</u>
Total non-operating income and expenses	<u>(11,833,141)</u>	<u>(26)</u>	<u>(11,276,484)</u>	<u>(26)</u>
INCOME BEFORE INCOME TAX	7,311,823	16	6,478,500	15
INCOME TAX BENEFIT (EXPENSE) (Note 22)	<u>3,384,558</u>	<u>7</u>	<u>(1,138,595)</u>	<u>(3)</u>
NET INCOME	<u>10,696,381</u>	<u>23</u>	<u>5,339,905</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(103,820)	-	(9,702)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	23,323	-	1,649	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>(208)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(80,497)</u>	<u>-</u>	<u>(8,261)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 10,615,884</u>	<u>23</u>	<u>\$ 5,331,644</u>	<u>12</u>

(Continued)

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			
	2018		2017	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 1.90</u>		<u>\$ 0.95</u>	

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

(Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock Common Stock	Capital Surplus	Retained Earnings			Unrealized Gain/Loss on Available-for-sale Financial Assets	Total Equity
			Legal Reserve	Unappropriated Earnings	Total		
BALANCE AT JANUARY 1, 2018	\$ 56,282,930	\$ 172,981	\$ 866,090	\$ 5,695,863	\$ 6,561,953	\$ 485	\$ 63,018,349
Effect of retrospective application	-	-	-	485	485	(485)	-
BALANCE AT JANUARY 1, 2018 AFTER RETROSPECTIVE ADJUSTMENT	56,282,930	172,981	866,090	5,696,348	6,562,438	-	63,018,349
Appropriation of prior year's 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	\$ 56,282,930	\$ 172,981	\$ 1,400,081	\$ 11,557,021	\$ 12,957,102	\$ -	\$ 69,413,013
BALANCE AT JANUARY 1, 2017	\$ 56,282,930	\$ 172,981	\$ 451,180	\$ 4,155,897	\$ 4,607,077	\$ 693	\$ 61,063,681
Appropriation of prior year's earnings							
Legal reserve	-	-	414,910	(414,910)	-	-	-
Cash dividends to shareholders - NT\$0.6 per share	-	-	-	(3,376,976)	(3,376,976)	-	(3,376,976)
	-	-	414,910	(3,791,886)	(3,376,976)	-	(3,376,976)
Net income for the year ended December 31, 2017	-	-	-	5,339,905	5,339,905	-	5,339,905
Other comprehensive loss for the year ended December 31, 2017	-	-	-	(8,053)	(8,053)	(208)	(8,261)
Total comprehensive income for the year ended December 31, 2017	-	-	-	5,331,852	5,331,852	(208)	5,331,644
BALANCE AT DECEMBER 31, 2017	\$ 56,282,930	\$ 172,981	\$ 866,090	\$ 5,695,863	\$ 6,561,953	\$ 485	\$ 63,018,349

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

Proposals

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,311,823	\$ 6,478,500
Adjustments for:		
Depreciation	35,921	37,137
Amortization	13,740,294	13,865,570
Write-downs (reversal) of inventories	(87)	14,322
Interest expense	6,618,272	7,463,329
Interest income	(106,859)	(96,076)
Loss on foreign currency exchange, net	4,185	8,096
Stabilization reserve expenses	5,415,046	3,865,562
Others	13,765	9,405
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(7,461)	-
Financial instruments for hedging	5	220
Notes and accounts receivable	(158,331)	202,758
Inventories	(101,115)	65,719
Other current assets	17,726	(29,152)
Other non-current assets	(6,170)	(6,455)
Accounts payable	24,424	1,677
Other payables	40,909	234,236
Payment for provisions	(6,480)	(9,971)
Other current liabilities	37,632	(298,665)
Other non-current liabilities	(7,295)	(924)
Cash generated from operations	32,866,204	31,805,288
Interest received	101,781	92,008
Interest paid	(6,061,159)	(6,381,962)
Interest paid with respect to operating concession liabilities	(647,850)	(3,180,612)
Income tax paid	(42,075)	(728,768)
Net cash generated from operating activities	<u>26,216,901</u>	<u>21,605,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(372,500)
Proceeds from disposal of available-for-sale financial assets	-	365,430
Decrease (increase) in other financial assets	(2,465,579)	15,274,999
Acquisition of property, plant and equipment	(26,361)	(36,279)
Proceeds from disposal of property, plant and equipment	182	-
Acquisition of intangible assets	(1,864,550)	(1,354,079)
Proceeds from disposal of intangible assets	-	530
Net cash (used in) generated from investing activities	<u>(4,356,308)</u>	<u>13,878,101</u>

(Continued)

Proposals

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Years Ended December 31	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	\$ 105,249	\$ (19,580)
Issuance of long-term bills payable	-	16,000,000
Repayment of long-term debt	(10,000,000)	(41,160,564)
Repayment of long-term bills payable	(8,000,000)	-
Increase in other non-current liabilities	15,468	23,525
Cash dividends	<u>(4,221,220)</u>	<u>(3,376,976)</u>
Net cash used in financing activities	<u>(22,100,503)</u>	<u>(28,533,595)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(157)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(240,067)	6,950,460
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,187,917</u>	<u>237,457</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,947,850</u>	<u>\$ 7,187,917</u>

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

(Concluded)

Proposals

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 matters of the 2018 financial statements are as follows:

Provision for Stabilization Reserve

Refer to Note 4, n. for further information on accounting policy on provisions; Note 5, b. for further information on the accounting uncertainty associated with the judgments, and estimates and assumptions about provision for stabilization reserve. Please refer to Note 16 for the details of such provision.

Proposals

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\$9,560,897 thousand as of December 31, 2018, was provided based on the earnings achieved in 2018 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.

Railroad Transportation Revenue

Refer to Note 4, o. for revenue recognition policies and Note 20 for the details of revenue.

The railroad transportation revenue is the main source of revenue of the Corporation, and the related revenue amounted to NT\$44,098,796 thousand, representing 97% of total operating revenues for 2018. Among the regular ticket sales system, the Corporation also offers four types of pre-sales plans which all highly rely on the operation of the related ticketing systems. Therefore, the timing of revenue recognition has significant impact on the Corporation’s financial performance. Thus, recognition of railroad transportation revenue is considered as one of the key audit matters.

We tested the information environment relevant to the Automatic Fare Collection System, Operating Revenue Management System and the other related internal control systems. Additionally, we investigated information transfer process among the aforementioned systems to ensure that the operating revenue and the cash flows were processed properly. We obtained an understanding of how the reports of ticketing related systems were generated, and performed recalculations to check the accuracy of the revenue recognized and the balance of unearned revenue.

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.

Proposals

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.

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

Proposals

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 2018 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.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2019

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 auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Proposals

Audit Committee's Review Report on 2018 Financial Statements

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 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 20, 2019

Proposals

Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2018 profit distributions of the Company.

Explanation:

1. As of end of 2018, the distributable earnings amounted to NTD 10,487,382,953.
2. In order to stabilize and balance payout policy and consideration for long-term corporate financial planning, the Company proposes cash dividends of NTD 1.12 per share for 2018 profit distribution, amounting to NTD 6,303,688,225 on a basis of 5,628,293,058 common shares outstanding.
3. The Company's profit distribution table has been approved at the 24th meeting of the 8th Board dated March 20, 2019, circulated to Audit Committee for review (please refer to p.45 of the Annual Meeting Handbook), and is being submitted to shareholders' annual general meeting for adoption.

Taiwan High Speed Rail Corporation PROFIT DISTRIBUTION TABLE

Fiscal Year 2018	Unit: NTD
Unappropriated retained earnings at the beginning of the period	940,652,608
Add: Effect of retrospective application	484,132
Adjusted unappropriated retained earnings at the beginning of the period	941,136,740
Add: Net income for 2018	10,696,381,001
Less: Re-measurements of defined benefit plan	(80,496,688)
Undistributed earnings	11,557,021,053
Less: 10% legal reserve	(1,069,638,100)
2018 distributable earnings	10,487,382,953
Distributable items:	
Cash dividends (NTD 1.12 per share)	(6,303,688,225)
Current-year undistributed earnings	4,183,694,728

Proposals

4. Following approval from the 2019 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Resolution:

Proposals

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 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

March 20, 2019

Discussion

Discussion No. 1: Proposed by the Board

Proposal: Revision of Guidelines for Corporate Governance.

Explanation:

1. In accordance with revisions made to the “Company Act”, “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, and the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” established by the Taiwan Stock Exchange Corporation and the Taipei Exchange, and in consideration of the operating needs of the Company, amendments are being proposed to the Company’s Guidelines for Corporate Governance.
2. A comparison of amended articles in the Guidelines for Corporate Governance is shown in Attachment I (please refer to p.51-p.64 of the Annual Meeting Handbook)
3. The proposal was approved at the 23th Board meeting of the 8th Board directors dated February 20, 2019, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

Discussion

Discussion No. 2: 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", following reference to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" provided by the Taiwan Stock Exchange Corporation, and in consideration of the operating needs of the shareholders' meeting, amendments are being proposed to the Company's Rules of Procedure for Shareholders' Meetings.
2. A comparison of amended articles in the Rules of Procedure for Shareholders' Meetings is shown in Attachment II (please refer to p.65-p.78 of the Annual Meeting Handbook)
3. The proposal was approved at the 23th Board meeting of the 8th Board directors dated February 20, 2019, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

Discussion

Discussion No. 3: Proposed by the Board

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

Explanation:

1. In order to comply with revisions made to articles in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission, and in consideration of actual operating needs and replacement of supervisory duties by the establishment of the Audit Committee, amendments are being proposed to the Company’s Procedures for the Acquisition or Disposal of Assets.
2. A comparison of amended articles in the Procedures for the Acquisition or Disposal of Assets is shown in Attachment III (please refer to p.79-p.94 of the Annual Meeting Handbook)
3. The proposal was approved at the 23th Board meeting of the 8th Board directors dated February 20, 2019, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

Discussion

Discussion No. 4: Proposed by the Board

Proposal: Revision of Procedures for the Handling of Derivative Transactions.

Explanation:

1. In order to comply with revisions made to articles in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission, and in consideration of actual operating needs, amendments are being proposed to the Company’s Procedures for the Handling of Derivative Transactions.
2. A comparison of amended articles in the Procedures for the Handling of Derivative Transactions is shown in Attachment IV (please refer to p.95-p.100 of the Annual Meeting Handbook)
3. The proposal was approved at the 23th Board meeting of the 8th Board directors dated February 20, 2019, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

Questions and Motions

Adjournment

Attachment I

Taiwan High Speed Rail Corporation Comparative Table for the current and amended Guidelines for Corporate Governance

Amended Articles	Current Articles	Description
<p>1-08 (Liability insurance) The Corporation may <u>take out</u> liability insurance for Directors and managerial officers during their term of office, with respect to their liability under the law for their actions in the exercise of their duties. The content of liability insurance contracts under the preceding paragraph shall be resolved by the Board.</p>	<p>1-08 (Liability insurance) The Corporation may <u>purchase</u> liability insurance for Directors and managerial officers during their term of office, with respect to their liability under the law for their actions in the exercise of their duties. The content of liability insurance contracts under the preceding paragraph shall be resolved by the Board.</p>	<p>In order to comply with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (amended December 12, 2018), the (Chinese) wording for the first paragraph of this article has been amended.</p>
<p>2-03 (Shareholders' right to place proposals on the agenda) When the Board calls the annual general shareholders' meeting, it shall give public notice announcing <u>acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days</u>, as provided for by the Company Act and related laws and regulations. <u>Proposals</u> submitted by shareholders under the preceding paragraph <u>shall be specified as motions for board meetings and</u> be specified in the meeting notice as subjects to be discussed at the general shareholders' meeting, unless there is a basis in law or regulation for not placing the proposal on the agenda. <u>With regard to the proposals submitted by shareholders but not included</u></p>	<p>2-03 (Shareholders' right to place proposals on the agenda) When the Board calls the annual general shareholders' meeting, it shall give public notice of the <u>place and time period for shareholders to submit proposals</u> for placement on the meeting agenda, as provided for by the Company Act and related laws and regulations. <u>Proposals</u> submitted by shareholders under the preceding paragraph <u>shall</u> be specified in the meeting notice as subjects to be discussed at the general shareholders' meeting, unless there is a basis in law or regulation for not placing the proposal on the agenda.</p>	<p>In order to comply with Article 172-1 of the Company Act, the first and second paragraph of this article have been amended.</p>

Attachment I

Amended Articles	Current Articles	Description
<p><u>in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.</u></p> <p>Proposals raised by shareholders at a shareholders' meeting (including motions for amendment to a proposal or alternative proposals) shall meet the following requirements:</p> <ol style="list-style-type: none"> 1. Comply with the procedures and requirements set out in laws and regulations, the Articles of Incorporation, and the Corporation's shareholders' meeting rules of procedure. 2. Address a specific issue and propose a concrete matter for resolution. 	<p>Proposals raised by shareholders at a shareholders' meeting (including motions for amendment to a proposal or alternative proposals) shall meet the following requirements:</p> <ol style="list-style-type: none"> 1. Comply with the procedures and requirements set out in laws and regulations, the Articles of Incorporation, and the Corporation's shareholders' meeting rules of procedure. 2. Address a specific issue and propose a concrete matter for resolution. 	
<p>2-06 (Nomination and election of Directors)</p> <p>The candidate nomination system shall be adopted for the election of the Corporation's independent Directors and non-independent Directors. Shareholders shall elect the Directors from the slate of nominated candidates of which the Board gives public notice.</p> <p>The nomination of the roster of candidates under the preceding paragraph shall be done in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines.</p> <p>Elections of independent Directors and non-independent Directors shall be held together, with the numbers of Directors to</p>	<p>2-06 (Nomination and election of Directors)</p> <p>The candidate nomination system shall be adopted for the election of the Corporation's independent Directors and non-independent Directors. Shareholders shall elect the Directors from the slate of nominated candidates of which the Board gives public notice.</p> <p>The nomination <u>and review</u> of the roster of candidates under the preceding paragraph shall be done in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines.</p> <p>Elections of independent Directors and non-independent Directors shall be held together, with the numbers of Directors to</p>	<p>Paragraph 5 of Article 192-1 of the Company Act has removed the requirement for the board and other conveners to review candidates; the second paragraph of this article has been amended accordingly.</p>

Attachment I

Amended Articles	Current Articles	Description
be elected calculated separately for each group.	be elected calculated separately for each group.	
<p>3-02 (Duties and primary missions of the Board)</p> <p>The Board is charged with making significant financial, business, and operational decisions of the Corporation and overseeing the performance of functions by management, and has the following primary missions:</p> <p>1. Reviewing and deliberating the <u>adoption and amendment of an internal control system, and evaluation of effectiveness of an internal control system.</u></p> <p>(Remainder omitted)</p>	<p>3-02 (Duties and primary missions of the Board)</p> <p>The Board is charged with making significant financial, business, and operational decisions of the Corporation and overseeing the performance of functions by management, and has the following primary missions:</p> <p>1. Reviewing and deliberating the internal control system.</p> <p>(Remainder omitted)</p>	<p>In order to comply with Article 35 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (amended December 12, 2018), the wording for the first subparagraph of the first paragraph of this article has been amended.</p>
<p>3-04 (Frequency of Board meetings)</p> <p>Board meetings shall be held at least once every 2 months, and shall be called and chaired by the Chairman. However, the first meeting of each newly elected Board shall be <u>convened</u> and chaired by the director that received votes representing the largest portion of voting rights. <u>In case the director elect receiving the ballot representing the largest number of votes fails to convene the meeting within the legal time limit, then the majority or more of the directors elect may convene the meeting on their own.</u></p>	<p>3-04 (Frequency of Board meetings)</p> <p>Board meetings shall be held at least once every 2 months, and shall be called and chaired by the Chairman. However, the first meeting of each newly elected Board shall be <u>called</u> and chaired by the director that received votes representing the largest portion of voting rights.</p>	<p>Paragraph 5 of Article 203 of the Company Act has removed the requirement stating that if the director elect receiving the ballot representing the largest number of votes fails to convene the meeting within a certain time limit, more than one-fifth of the directors elect should notify the governing authorities; instead, the majority or more of the directors elect may convene the meeting on their own. This article has been amended accordingly.</p>
3-08 (Secretariat Division under the Board)	3-08 (Secretariat Division under the Board)	In order to comply with Article 3-1 of the

Attachment I

Amended Articles	Current Articles	Description
<p>A Secretariat Division is installed under the Board <u>to be in charge of corporate governance affairs</u>, and provides the Board and the functional committees with the necessary resources or assistance to execute their duties, to facilitate the smooth operation of the Corporation's corporate governance system. <u>Said Secretariat shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs.</u></p> <p>The Secretariat Division has the following primary missions:</p> <ol style="list-style-type: none"> 1. Administrative tasks <ol style="list-style-type: none"> (1) General administrative affairs relating to the calling of, notices for, holding of, and record-keeping for shareholders' meetings, Board meetings, and committee meetings. (2) Production and preservation of meeting documents, records, and other materials. (3) Liaison with management. (4) <u>Assisting in onboarding and continuous development of directors and supervisors.</u> <p>(Remainder omitted)</p>	<p>A Secretariat Division is installed under the Board, and provides the Board and the functional committees with the necessary resources or assistance to execute their duties, to facilitate the smooth operation of the Corporation's corporate governance system.</p> <p>The Secretariat Division has the following primary missions:</p> <ol style="list-style-type: none"> 1. Administrative tasks <ol style="list-style-type: none"> (1) General administrative affairs relating to the calling of, notices for, holding of, and record-keeping for shareholders' meetings, Board meetings, and committee meetings. (2) Production and preservation of meeting documents, records, and other materials. (3) Liaison with management. <p>(Remainder omitted)</p>	<p>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (amended December 12, 2018) regarding corporate governance officer and corporate governance affairs, the wording for the first subparagraph (4) of the first paragraph of this article has been amended.</p>
<p>3-17 (Board meetings without the presence of managerial officers) At least once every year, the Board <u>should</u> hold a meeting from which any managerial</p>	<p>3-17 (Board meetings without the presence of managerial officers) At least once every year, the Board <u>shall</u> hold a meeting from which any managerial officers</p>	<p>In order to comply with actual operations of the Corporation's board meetings, the wording of the first</p>

Attachment I

Amended Articles	Current Articles	Description
<p>officers and Directors who concurrently serve as managerial officers shall physically absent themselves or take leave, at which to discuss the Corporation's finances, business, and other operational condition.</p>	<p>and Directors who concurrently serve as managerial officers shall physically absent themselves or take leave, at which to discuss the Corporation's finances, business, and other operational condition.</p>	<p>paragraph of this article has been amended.</p>
<p>4-02 (Independent Director qualifications) Independent Directors of the Corporation shall meet statutory qualifications, and additionally, the candidates nominated by the Board shall possess a macro and international perspective and outstanding operational or management expertise, to meet the requirements of the Corporation's operations and development and to raise the Corporation's image and standing. <u>Independent directors of the Corporation may not concurrently serve as independent director for more than three other public companies, and may not hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies.</u> (Remainder omitted)</p>	<p>4-02 (Independent Director qualifications) Independent Directors of the Corporation shall meet statutory qualifications, and additionally, the candidates nominated by the Board shall possess a macro and international perspective and outstanding operational or management expertise, to meet the requirements of the Corporation's operations and development and to raise the Corporation's image and standing. (Remainder omitted)</p>	<p>In accordance with Article 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, which states that independent directors of public companies may not concurrently serve as independent director for more than three other public companies; and in accordance with Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (amended December 12, 2018), which stipulates that it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed</p>

Attachment I

Amended Articles	Current Articles	Description
		companies, additional wording has been placed at the end of the first paragraph of this article.
<p>4-04 (<u>Assessment</u> of Independent Director Qualifications)</p> <p>(Remainder omitted)</p>	<p>4-04 (<u>Review</u> of Independent Director Qualifications)</p> <p>(Remainder omitted)</p>	<p>Paragraph 5 of Article 192-1 of the Company Act has removed the requirement for the board and other conveners to review candidates; the title of this article has been amended accordingly.</p>
<p>4-05 (Term of Independent Directors)</p> <p>Independent Directors shall serve the same term as the Directors, and may be re-elected to consecutive terms. However, in the case of an Independent Director who has served <u>three</u> or more consecutive terms the Corporate Governance & Nominating Committee shall report to the Board, and state whether it considered any alternative candidates when it prepared the slate of recommended candidates and its reasons for continuing to recommend the candidate's re-election.</p>	<p>4-05 (Term of Independent Directors)</p> <p>Independent Directors shall serve the same term as the Directors, and may be re-elected to consecutive terms. However, in the case of an Independent Director who has served <u>two</u> or more consecutive terms the Corporate Governance & Nominating Committee shall report to the Board, and state whether it considered any alternative candidates when it prepared the slate of recommended candidates and its reasons for continuing to recommend the candidate's re-election.</p>	<p>In accordance with Article 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, which states that "If an independent director candidate included by a public company under the provisions of the preceding paragraph has already served as an independent director of the public company for three consecutive terms or more, the company shall publicly disclose, together with the review results under the preceding paragraph, the reasons why the candidate is</p>

Attachment I

Amended Articles	Current Articles	Description
		nominated again for the independent directorship, and present the reasons to the shareholders at the time of the election at the shareholders meeting”, the wording for the first paragraph of this article has been amended.
<p>5-2-04 (Organizational charter) For the execution of its duties in accordance with these Guidelines, the Corporate Governance & Nominating Committee may adopt an organizational charter, and implement it after submitting it the Board for passage by a resolution. The content of the organizational charter shall include at least the Corporate Governance & Nominating Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.</p>	<p>5-2-04 (Organizational charter) For the execution of its duties in accordance with these Guidelines, the Corporate Governance & Nominating Committee may adopt an organizational charter, and implement it after submitting it the Board for passage by a resolution. The content of the organizational charter shall include at least the Corporate Governance & Nominating Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers. <u>After the close of each fiscal year, the Corporate Governance & Nominating Committee shall review the organizational charter of the preceding paragraph.</u></p>	<p>In accordance with the actual operations of the Corporation's board meetings, organizational charters of all functional committees within the Corporation (including the Corporate Governance & Nominating Committee) are reviewed and amended at appropriate times to comply with the latest changes in regulations; these reviews are not limited to the close of each fiscal year, and therefore the second paragraph of this article has been removed.</p>
<p>5-2-05 (Submitting a recommended slate of Director candidates) The Corporate Governance and Nominating Committee shall follow the provisions of Articles</p>	<p>5-2-05 (Submitting a recommended slate of Director candidates) The Corporate Governance and Nominating Committee shall follow the provisions of Articles</p>	<p>Paragraph 5 of Article 192-1 of the Company Act has removed the requirement for the board and other conveners to review</p>

Attachment I

Amended Articles	Current Articles	Description
<p>2-06, 4-03, and 4-04 of these Guidelines to carry out the <u>nomination and recommendation</u> of Independent Director candidates.</p> <p>The provisions of the preceding paragraph shall apply mutatis mutandis to the <u>nomination and recommendation</u> of candidates for non-Independent Directors of the Corporation.</p>	<p>2-06, 4-03, and 4-04 of these Guidelines to carry out the <u>recommendation and review</u> of Independent Director candidates.</p> <p>The provisions of the preceding paragraph shall apply mutatis mutandis to the <u>recommendation and review</u> of candidates for non-Independent Directors of the Corporation.</p>	<p>candidates; the wording of the first and second paragraph of this article have been amended accordingly.</p>
<p>5-3-02 (<u>Removed</u>)</p>	<p>5-3-02 (<u>Restrictions on Audit Committee members</u>)</p> <p><u>An Audit Committee member concurrently serving in a position comparable to audit committee member at any other public company, in principle may not do so at more than two such companies.</u></p> <p><u>An Audit Committee convener concurrently serving in a position comparable to audit committee convener at any other public company, in principle may not do so at more than one such company.</u></p>	<p>In accordance with the actual operations of the Corporation's board meetings, and in accordance with stipulations laid out in the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and assessment indicators for corporate governance, which do not list restrictions or requirements for audit committee members (conveners) concurrently serving as audit committee members (conveners) at other companies, this article has been removed.</p>

Attachment I

Amended Articles	Current Articles	Description
<p>5-3-03 (Primary missions of the Audit Committee) The Audit Committee has the following primary missions:</p> <ol style="list-style-type: none"> 1. Adopting or amending the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 2. Evaluating the effectiveness of the Corporation's internal control system. 3. Adopting or amending the procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act. 4. Reviewing matters that may involve the personal interest of a Director. 5. Reviewing material asset and derivatives transactions. 6. Reviewing material loans of funds or endorsements or guarantees. 7. Reviewing the public offering and issuance of securities or private placement of equity securities. 8. Evaluating the appointment, dismissal, and compensation of the attesting CPAs (external auditor). 9. Evaluating the appointment and dismissal the Corporation's chief financial officer, chief accountant, or chief internal auditor. <p>(Remainder omitted)</p>	<p>5-3-03 (Primary missions of the Audit Committee) The Audit Committee has the following primary missions:</p> <ol style="list-style-type: none"> 1. Adopting or amending the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 2. Evaluating the effectiveness of the Corporation's internal control system. 3. Adopting or amending the procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act. 4. Reviewing matters that may involve the personal interest of a Director. 5. Reviewing material asset and derivatives transactions. 6. Reviewing material loans of funds or endorsements or guarantees. 7. Reviewing the public offering and issuance of securities or private placement of equity securities. 8. Evaluating the appointment, dismissal, and compensation of the attesting CPAs (external auditor). 9. Evaluating the appointment and dismissal the Corporation's chief financial officer, chief accountant, or chief internal auditor <u>and of their performance of their work.</u> 	<p>In accordance with actual operations of the Corporation's Audit Committee meetings, and to comply with the "Sample Template for XXX Co., Ltd. Audit Committee Charter" provided by the Taiwan Stock Exchange Corporation and the Corporation's Audit Committee Charter, the wording for Subparagraph 9 of the first paragraph of this article has been amended.</p>

Attachment I

Amended Articles	Current Articles	Description
<p>5-3-04 (Organizational charter) For the execution of its duties in accordance with these Guidelines, the Audit Committee may adopt an organizational charter, and implement it after submitting the charter, and likewise any amendments thereto, to the Board for passage by a resolution. The content of the organizational charter shall include at least the Audit Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers. Powers conferred by the Securities and Exchange Act, the Company Act, or any other law, that are to be exercised by supervisors, except those powers set out in Article 14-4, paragraph 4, of the Securities and Exchange Act, shall be exercised by the Audit Committee. The provisions of Article 14-4, paragraph 4, of the Securities and Exchange Act regarding provisions of the Company Act involving acts done by supervisors or the role of supervisors as representatives of the Corporation, shall apply mutatis mutandis to the Independent Director members of the audit committee.</p>	<p>(Remainder omitted)</p> <p>5-3-04 (Organizational charter) For the execution of its duties in accordance with these Guidelines, the Audit Committee may adopt an organizational charter, and implement it after submitting the charter, and likewise any amendments thereto, to the Board for passage by a resolution. The content of the organizational charter shall include at least the Audit Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers. <u>After the close of each fiscal year, the Audit Committee shall review the organizational charter of the preceding paragraph.</u> Powers conferred by the Securities and Exchange Act, the Company Act, or any other law, that are to be exercised by supervisors, except those powers set out in Article 14-4, paragraph 4, of the Securities and Exchange Act, shall be exercised by the Audit Committee. The provisions of Article 14-4, paragraph 4, of the Securities and Exchange Act regarding provisions of the Company Act involving acts done by supervisors or the role of supervisors as representatives of the Corporation, shall apply mutatis mutandis to the Independent Director members of the audit committee.</p>	<p>In accordance with the actual operations of the Corporation's board meetings, organizational charters of all functional committees within the Corporation (including the Audit Committee) are reviewed and amended at appropriate times to comply with the latest changes in regulations; these reviews are not limited to the close of each fiscal year, and therefore the second paragraph of this article has been removed. The original third paragraph has now become the second paragraph, and all subsequent paragraphs follow on sequentially.</p>
<p>5-4-01 (Remuneration)</p>	<p>5-4-01 (Remuneration)</p>	<p>In order to comply</p>

Attachment I

Amended Articles	Current Articles	Description
<p>Committee members) The Remuneration Committee is composed of 3 to 5 members. Its members shall be free of any circumstance set out in Article 4-02, paragraph 2, subparagraph 1 of these Guidelines, and <u>more than half</u> of the members shall be an Independent Director.</p>	<p>Committee members) The Remuneration Committee is composed of 3 to 5 members. Its members shall be free of any circumstance set out in Article 4-02, paragraph 2, subparagraph 1 of these Guidelines, and <u>at least one of the members</u> shall be an Independent Director.</p>	<p>with Article 28-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (amended December 12, 2018) and stipulations in the “Directions for establishment and duties of board of directors publicly listed companies” provided by the Taiwan Stock Exchange Corporation regarding requirements specifying that more than half of audit committee members must be independent directors, the wording for the first paragraph of this article has been amended.</p>
<p>5-4-04 (Organizational charter) For the execution of its duties in accordance with these Guidelines, the Remuneration Committee may adopt rules for the exercise of its powers or an organizational charter, and implement them after submitting them, and likewise any amendments thereto, to the Board for passage by a resolution. The content of the rules for the exercise of powers or organizational charter under the preceding paragraph shall include at least the Remuneration</p>	<p>5-4-04 (Organizational charter) For the execution of its duties in accordance with these Guidelines, the Remuneration Committee may adopt rules for the exercise of its powers or an organizational charter, and implement them after submitting them, and likewise any amendments thereto, to the Board for passage by a resolution. The content of the rules for the exercise of powers or organizational charter under the preceding paragraph shall include at least the Remuneration</p>	<p>In accordance with the actual operations of the Corporation’s board meetings, organizational charters of all functional committees within the Corporation (including the Remuneration Committee) are reviewed and amended at appropriate times to comply with the latest changes in</p>

Attachment I

Amended Articles	Current Articles	Description
<p>Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.</p>	<p>Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers. <u>After the close of each fiscal year, the Remuneration Committee shall review the rules for the exercise of powers or organizational charter of paragraph 1.</u></p>	<p>regulations; these reviews are not limited to the close of each fiscal year, and therefore the second paragraph of this article has been removed.</p>
<p>8-09 (Director obligations and recusal) Where a government or juristic person shareholder or its representative is elected as a Director, the government or juristic person shareholder shall ensure that its appointed representative shall fulfill its duty of loyalty, duty of due diligence and care, and duty of confidentiality, to the Corporation. <u>A director who has a personal interest in the matter under discussion at a board meeting shall explain to the board meeting the essential contents of such personal interest. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director, or the governments or juristic persons represented by the director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p>	<p>8-09 (Director obligations and recusal) Where a government or juristic person shareholder or its representative is elected as a Director, the government or juristic person shareholder shall ensure that its appointed representative shall fulfill its duty of loyalty, duty of due diligence and care, and duty of confidentiality, to the Corporation.</p>	<p>In order to comply with revisions made to Article 206 of the Company Act where directors are deemed to have a personal interest in board meeting matters if they are related to director spouses and blood relatives within the second degree of kinship, or any company which has a controlling or subordinate relation with a director, and requirement to explain said personal interest to the board, a second paragraph has been added to this article and the wording of this article has been amended. The numbering of the Paragraph 2-4 in the original article have been amended accordingly.</p>

Attachment I

Amended Articles	Current Articles	Description
<p>When an item on the agenda of a Board meeting concerns <u>the personal interest of a Director</u>, if there is any likelihood of prejudice to the interest of the Corporation, the Director shall physically absent and recuse himself or herself, and may not participate in the discussion and the voting, and also may not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director.</p> <p>Under any of the following circumstances with respect to any meeting agenda item, a Director should refrain from being present for discussion and voting on the item by the Board or the relevant committee, and also should not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director:</p> <ol style="list-style-type: none"> 1. There is a substantive interest relationship with an affiliated enterprise or related party of the Director or the Director's representative, such that there is a likelihood of prejudicing the interest of the Corporation. 2. The circumstance of the preceding subparagraph exists with respect to an affiliated enterprise or related party of the government or juristic person 	<p>When an item on the agenda of a Board meeting concerns <u>a personal interest of a Director, or an interest of a Government or juristic person represented by the Director</u>, if there is any likelihood of prejudice to the interest of the Corporation, the Director shall physically absent and recuse himself or herself, and may not participate in the discussion and the voting, and also may not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director.</p> <p>Under any of the following circumstances with respect to any meeting agenda item, a Director should refrain from being present for discussion and voting on the item by the Board or the relevant committee, and also should not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director:</p> <ol style="list-style-type: none"> 1. There is a substantive interest relationship with an affiliated enterprise or related party of the Director or the Director's representative, such that there is a likelihood of prejudicing the interest of the Corporation. 2. The circumstance of the preceding subparagraph exists with respect to an affiliated enterprise or related party of the government or juristic person 	

Attachment I

Amended Articles	Current Articles	Description
<p>shareholder represented by the Director.</p> <p>3. Any other circumstance in which the Board deems recusal necessary based on considerations of avoidance of conflicts of interest</p> <p>If a Director does not recuse himself or herself under the preceding two paragraphs, the non-recusal shall be specified in the Board minutes, and may be disclosed on the Corporation's website or other appropriate place.</p>	<p>shareholder represented by the Director.</p> <p>3. Any other circumstance in which the Board deems recusal necessary based on considerations of avoidance of conflicts of interest</p> <p>If a Director does not recuse himself or herself under the preceding two paragraphs, the non-recusal shall be specified in the Board minutes, and may be disclosed on the Corporation's website or other appropriate place.</p>	

Attachment II

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, <u>Proxies</u>, 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 Corporation by 2 days before the</p>	<p>Article 2 (Attendance Sign-ins 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 Corporation by 2 days before the</p>	<ol style="list-style-type: none"> 1. The title of this article has been amended in accordance with article content. 2. Amendments made to Article 6 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" provided by the Taiwan Stock Exchange Corporation states that corporations may not arbitrarily add requirements for other eligibility shareholder documents in order to protect shareholder rights. 3. Paragraph 2 of Article 179 in the Company Act regarding no voting power has already been included in Article 11 of these Rules of procedures, and therefore relevant content has been removed and additional explanation regarding

Attachment II

Amended Articles	Current Articles	Description
<p>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. <u>The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders.</u></p> <p>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, and, if directors are to be elected</p>	<p>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 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, and, if directors are to be elected</p>	<p>calculation of voting rights is included according to Paragraph 1 of Article 180 of the Company Act.</p>

Attachment II

Amended Articles	Current Articles	Description
<p>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><u>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.</u></p>	<p>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><u>No voting rights may be exercised with respect to shares falling in any of the following circumstances, and such shares may not be included in calculating the total issued shares and the number of shares present:</u></p> <ol style="list-style-type: none"> <u>1. Shares of the Corporation held by itself in accordance with law.</u> <u>2. Shares of the Corporation held by a subordinate company in which the Corporation holds more than half of the total issued voting shares or total capital.</u> <u>3. Shares of the Corporation held by a company in which the Corporation and any subordinate company of the Corporation directly or indirectly hold a combined total of more than half of the total issued voting shares or total capital stock.</u> 	
<p>Article 3 (Time and Place of Shareholders' Meetings)</p> <p>Shareholders' meetings shall be held at the location of the Corporation or otherwise at a place convenient for the shareholders to attend and suitable for the holding of shareholders' meetings, and shall start at a time not earlier than 9</p>	<p>Article 3 (Time and Place of Shareholders' Meetings)</p> <p>Shareholders' meetings shall be held at the location of the Corporation or otherwise at a place convenient for the shareholders to attend and suitable for the holding of shareholders' meetings, and shall start at a time not earlier than 9</p>	<p>In consideration of the fact that the venue and time of the Corporation's shareholder meetings have already been discussed in board meetings, and with full consideration of all director</p>

Attachment II

Amended Articles	Current Articles	Description
a.m. and not later than 3 p.m.	a.m. and not later than 3 p.m. <u>When determining the place and time of a shareholders' meeting, the Corporation shall take into full account the opinions of its independent Directors, if any.</u>	suggestions, article content relating to this issue has been removed.
<p>Article 3-1 (Recording of Shareholders' Meeting Proceedings by Audio or Video) For each shareholders' meeting, the Corporation shall, beginning from the time it starts to process shareholder attendance sign-ins, make an uninterrupted audio or video recording of the shareholder attendance sign-in process, the proceedings of the meeting, and the voting and ballot counting process.</p> <p>The recorded materials under the preceding paragraph shall be preserved for <u>at least</u> one year. Provided, however, that if any shareholder initiates litigation pursuant to Article 189 of the Company Act, they shall be preserved until the conclusion of the lawsuit.</p>	<p>Article 3-1 (Recording of Shareholders' Meeting Proceedings by Audio or Video) For each shareholders' meeting, the Corporation shall, beginning from the time it starts to process shareholder attendance sign-ins, make an uninterrupted audio or video recording of the shareholder attendance sign-in process, the proceedings of the meeting, and the voting and ballot counting process.</p> <p>The recorded materials under the preceding paragraph shall be preserved for one year. Provided, however, that if any shareholder initiates litigation pursuant to Article 189 of the Company Act, they shall be preserved until the conclusion of the lawsuit.</p>	<p>In accordance with Article 8 of the “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings” provided by the Taiwan Stock Exchange Corporation regarding documentation storage, the time limit for preservation of video recordings have been amended to “at least” one year.</p>
<p>Article 4 (Chair and Non-Voting Participants of Shareholders' Meetings) <u>If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board of Directors.</u> When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as chair of the meeting, failing which the Directors shall</p>	<p>Article 4 (Chair and Non-Voting Participants of Shareholders' Meetings) <u>Unless otherwise provided by law, the Chairperson of the Board of Directors shall chair every shareholders' meeting.</u> When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as chair of the meeting, failing which the Directors shall select one of their number to</p>	<p>In accordance with Article 7 of the “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings” provided by the Taiwan Stock Exchange Corporation, the wording of the first paragraph of this article has been amended.</p>

Attachment II

Amended Articles	Current Articles	Description
<p>select one of their number to chair the meeting.</p> <p>To chair a shareholders' meeting in the place of the Chairperson under the preceding paragraph, a Director shall have been in office for at least 6 months and shall be conversant with the financial and operational conditions of the Corporation. The same shall also apply if the person to chair the meeting is a representative of a juristic person Director.</p> <p>If a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting, the meeting shall be chaired by that person. If the meeting is convened by two or more such persons, they shall select one of their number to chair the meeting.</p> <p>The Corporation may appoint its attorneys at law or certified public accountants or other relevant persons to attend a shareholders' meeting as non-voting participants.</p>	<p>chair the meeting.</p> <p>To chair a shareholders' meeting in the place of the Chairperson under the preceding paragraph, a Director shall have been in office for at least 6 months and shall be conversant with the financial and operational conditions of the Corporation. The same shall also apply if the person to chair the meeting is a representative of a juristic person Director.</p> <p>If a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting, the meeting shall be chaired by that person. If the meeting is convened by two or more such persons, they shall select one of their number to chair the meeting.</p> <p>The Corporation may appoint its attorneys at law or certified public accountants or other relevant persons to attend a shareholders' meeting as non-voting participants.</p>	
<p>Article 5 (Maintenance of Order at Meetings)</p> <p>All staff members working at shareholders' meetings shall wear identification cards or arm badges.</p> <p>The chair may direct proctors or security guards to assist in maintaining order at the meeting. When discharging such duty, a proctor or security guard shall wear an arm band or identification card bearing the</p>	<p>Article 5 (Maintenance of Order at Meetings)</p> <p>All staff members working at shareholders' meetings shall wear identification cards or arm badges.</p> <p>The chair may direct proctors (or security guards) to assist in maintaining order at the meeting. When discharging such duty, a proctor or security guard shall wear an arm band or identification card bearing the</p>	<p>Amendments made to punctuation of article content.</p>

Attachment II

Amended Articles	Current Articles	Description
<p>words "Proctor." When the venue of the meeting is installed with sound amplification equipment, if a shareholder attempts to speak by any means other than through a device provided by the Corporation for that use, the chair may stop the shareholder from speaking. When during a meeting a shareholder violates any rule of meeting procedure and continues to do so despite the chair's direction to the contrary, or otherwise obstructs the proceeding of the meeting and continues to do so despite being requested to stop, the chair may direct a proctor or security guard to request the shareholder to leave the venue.</p>	<p>words "Proctor." When the venue of the meeting is installed with sound amplification equipment, if a shareholder attempts to speak by any means other than through a device provided by the Corporation for that use, the chair may stop the shareholder from speaking. When during a meeting a shareholder violates any rule of meeting procedure and continues to do so despite the chair's direction to the contrary, or otherwise obstructs the proceeding of the meeting and continues to do so despite being requested to stop, the chair may direct a proctor (or security guard) to request the shareholder to leave the venue.</p>	
<p>Article 6 (Opening of Shareholders' Meetings) The chair <u>should announce</u> the opening of a shareholders' meeting at the specified meeting time if the <u>attending shareholders represent more than one-half of the total number of voting shares</u>. The chair may declare the meeting postponed <u>only in the event where attending shareholders represent less than one-half of the total number of voting shares</u>, provided that no more than two postponements may be made and not for a combined total of more than one hour; if the meeting has been postponed twice and the shareholders present still do not</p>	<p>Article 6 (Opening of Shareholders' Meetings) The chair may declare the opening of a shareholders' meeting at the specified meeting time <u>if the shareholders present reach a legal quorum of shares</u>. <u>If there is not a legal quorum of shares present after the specified time of meeting</u>, the chair may declare the meeting postponed, provided that no more than two postponements may be made and not for a combined total of more than one hour; if the meeting has been postponed twice and the shareholders present still do not represent at least one-third of the total issued shares, the chair shall declare the meeting aborted. If</p>	<p>1. The first and third paragraphs of this article have been amended in accordance with Article 174 and 175 of the Company Act with regard to explanation on legal quorum of shares. Some content from the second paragraph has been moved to the first paragraph. 2. Amendments have been made to the second paragraph and reference to the</p>

Attachment II

Amended Articles	Current Articles	Description
<p>represent at least one-third of the total issued shares, the chair shall declare the meeting aborted.</p> <p>If the meeting has been postponed twice <u>as stated in the preceding paragraph</u> and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.</p> <p>If the number of shares represented by the shareholders present <u>reaches more than one-half of the total number of voting shares before the close of the meeting, the chair may re-submit</u> the tentative resolution being adopted to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.</p>	<p>the meeting has been postponed twice and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.</p> <p>If <u>during the process of adopting a tentative resolution under the preceding paragraph</u> the number of shares represented by the shareholders present reaches the <u>legal quorum</u>, the chair may <u>at any time declare the formal opening of the meeting</u>, in which case the tentative resolution <u>adopted</u> or being adopted shall be re-submitted to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.</p>	<p>“preceding paragraph” has been added in accordance with these amendments.</p>
<p>Article 8 (Shareholders Speaking at Meetings)</p> <p>To speak at a shareholders' 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</p>	<p>Article 8 (Shareholders Speaking at Meetings)</p> <p>To speak at a shareholders' 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</p>	<p>1. In accordance with Article 11 of the “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings” provided by the Taiwan Stock</p>

Attachment II

Amended Articles	Current Articles	Description
<p>speech. The chair shall determine the order of speaking for each such shareholder.</p> <p>A shareholder who has not spoken at a meeting despite the submission of a speaker's slip shall be deemed to not have spoken. If the content of a shareholder's speech does not correspond to that specified on the speaker's slip, the spoken content shall prevail.</p> <p>A shareholder present who has any question about a report item (non-voting item) listed on the agenda may speak only after all report items have been read out or reported by the chair or a person designated by the chair. A shareholder may not speak more than twice, and each time not more than five minutes, on the same agenda item except with the consent of the chair.</p> <p>The latter part of the preceding paragraph shall apply mutatis mutandis to the frequency and time limit that a shareholder present is allowed to speak on any agenda item involving a matter for recognition or discussion at the meeting and on any item proposed during the extraordinary motion procedure.</p> <p>The latter part of paragraph 3 shall apply mutatis mutandis to the frequency and time limit that a shareholder present is allowed to speak on any matter arising during the extraordinary motion procedure other than in the nature of an agenda item.</p>	<p>speech. The chair shall determine the order of speaking for each such shareholder.</p> <p>A shareholder who has not spoken at a meeting despite the submission of a speaker's slip shall be deemed to not have spoken. If the content of a shareholder's speech does not correspond to that specified on the speaker's slip, the spoken content shall prevail.</p> <p>A shareholder present who has any question about a report item (non-voting item) listed on the agenda may speak only after all report items have been read out or reported by the chair or a person designated by the chair. A shareholder may not speak more than twice, and each time not more than five minutes, on the same agenda item except with the consent of the chair.</p> <p>The latter part of the preceding paragraph shall apply mutatis mutandis to the frequency and time limit that a shareholder present is allowed to speak on any agenda item involving a matter for recognition or discussion at the meeting and on any item proposed during the extraordinary motion procedure.</p> <p>The latter part of paragraph 3 shall apply mutatis mutandis to the frequency and time limit that a shareholder present is allowed to speak on any matter arising during the extraordinary motion procedure other than in the nature of an agenda item.</p>	<p>Exchange Corporation, which has been amended to state that when a government or juristic person shareholder appoints two or more representatives to attend a shareholders meeting or hold the proxies of other shareholders, only one of the representatives so appointed may speak on the same proposal.</p> <p>2. Amendments made to punctuation of article content.</p>

Attachment II

Amended Articles	Current Articles	Description
<p>If a shareholder appoints a non-shareholder juristic person as proxy to attend a shareholders' meeting in the place of the shareholder, the juristic person may appoint only one person as representative to attend and speak at the meeting <u>on the same proposal</u>. If a shareholder that is a government agency or juristic person appoints two or more representatives to attend a shareholders' meeting, either on its behalf or in the place of another shareholder appointing it as proxy to attend the meeting, only one person selected by and from the representatives present may speak at the meeting.</p> <p>If a shareholder speaking at a shareholders' meeting goes beyond the allocated time or beyond the relevant issue, the chair may stop the shareholder from speaking. If the shareholder continues to speak or otherwise obstructs the proceeding of the meeting, the chair may direct a proctor or security guard to take necessary action to maintain order at the meeting or otherwise to ensure the smooth running of the meeting.</p> <p>During a shareholders' meeting, no shareholder may interrupt another shareholder by speaking at the same time unless with the consent of the chair and the speaker; the chair shall stop any such interrupter and take necessary action under the preceding paragraph as applied</p>	<p>If a shareholder appoints a non-shareholder juristic person as proxy to attend a shareholders' meeting in the place of the shareholder, the juristic person may appoint only one person as representative to attend and speak at the meeting. If a shareholder that is a government agency or juristic person appoints two or more representatives to attend a shareholders' meeting, either on its behalf or in the place of another shareholder appointing it as proxy to attend the meeting, only one person selected by and from the representatives present may speak at the meeting.</p> <p>If a shareholder speaking at a shareholders' meeting goes beyond the allocated time or beyond the relevant issue, the chair may stop the shareholder from speaking. If the shareholder continues to speak or otherwise obstructs the proceeding of the meeting, the chair may direct a proctor or (security guard) to take necessary action to maintain order at the meeting or otherwise to ensure the smooth running of the meeting.</p> <p>During a shareholders' meeting, no shareholder may interrupt another shareholder by speaking at the same time unless with the consent of the chair and the speaker; the chair shall stop any such interrupter and take necessary action under the preceding paragraph as applied mutatis mutandis.</p>	

Attachment II

Amended Articles	Current Articles	Description
<p>mutatis mutandis. When a shareholder finishes speaking, the chair may respond to, or designate a relevant person to respond to, any issue raised by the shareholder.</p>	<p>When a shareholder finishes speaking, the chair may respond to, or designate a relevant person to respond to, any issue raised by the shareholder.</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. <u>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.</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 172-1, paragraph 4 of the Company Act, <u>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.</u></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 <u>in writing</u> 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. 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.</p>	<p>In accordance with Article 172 and 172-1 of the Company Act, the following amendments have been made to this article: (1) In accordance with Article 1 of the Company Act which states that every company should fulfill its social responsibilities, shareholder suggestions that promote public interests of companies or aid in the fulfillment of social responsibilities should be included in board meeting discussions, and relevant wording in the sixth paragraph of this article has been removed. (2) According to Article 172 of the Company Act, "matters pertaining to election or discharge of directors and supervisors, alteration of the Articles of Incorporation,</p>

Attachment II

Amended Articles	Current Articles	Description
<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, <u>acceptance of proposal in writing or by way of electronic transmission</u>, 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 reasons why they are not included.</p> <p>Unless otherwise provided by law or regulation, if a shareholder attending a</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 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 reasons why they are not included.</p> <p>Unless otherwise provided by law or regulation, if a shareholder attending a shareholders' meeting intends to propose an extraordinary motion or to submit</p>	<p>reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions”.</p> <p>(3)The requirement for shareholders to provide written proposals has been moved to the second paragraph and shareholders are now allowed to submit electronic proposals.</p> <p>(4)The stipulation in Paragraph 3 stating that “proposals exceeding 300 words shall not be included</p>

Attachment II

Amended Articles	Current Articles	Description
<p>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.</p>	<p>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>For the purpose of paragraph 2 above, a shareholder attending a meeting may only submit one proposal; if more than one proposal is submitted, none of them shall be included on the agenda.</u></p>	<p>as agenda items” is listed as one of the proposal types not to be included in agenda items under Article 172-1 Paragraph 4 of the Company Act, and therefore relevant wording in this article has been removed.</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 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.</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 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.</p>	<p>In order to comply with Article 172-1 of the Company Act, wording relating to board review of shareholder proposals have been amended.</p>

Attachment II

Amended Articles	Current Articles	Description
<p>Shareholder proposals that the Board of Directors decides 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 9, paragraph 2 shall apply mutatis mutandis thereto.</p>	<p>Shareholder proposals that the Board of Directors <u>reviews</u> and decides 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 9, paragraph 2 shall apply mutatis mutandis thereto.</p>	
<p>Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution) For agenda items put to vote by a poll, the chair shall designate <u>multiple</u> ballot inspectors and ballot counters to discharge all relevant <u>tasks</u>, 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 personal seals thereon, hand over the same to the Corporation for preservation. 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</p>	<p>Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution) For agenda items put to vote by a poll, the chair shall designate <u>two ballot inspectors and multiple</u> ballot counters to discharge all relevant <u>duties</u>, 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 personal seals thereon, hand over the same to the Corporation for preservation. 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</p>	<p>In accordance with actual operations of the Corporation's shareholders' meeting, the number of ballot inspectors have been amended.</p>

Attachment II

Amended Articles	Current Articles	Description
<p>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>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>	

Attachment III

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

Amended article number	Amended article	Article number prior to amendment	Current article	Description
2.0	b) Real property (including land, buildings, and structures <u>and</u> investment real property) and equipment.	2.0	b) Real property (including land, buildings, and structures, investment real property, <u>and land use rights</u>) and equipment.	Amended under the application of IAS 16; a new item e) has been included, as well as wording regarding right to use.
2.0	e) <u>Right-to-use asset.</u> f) Derivatives. g) Other material assets.	2.0	e) Derivatives. f) Other material assets.	As stated above, subsequent items have been moved backwards in order to accommodate the addition of item e).
3.0 g)	The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BE2-000-023) °	3.0 g)	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 category revisions made to regulations.
3.0 h)	The Corporation's Regulation of Related Party Transaction(THSRC-AQ2-000-012)	3.0 h)	The Corporation's Operational Procedures for Transactions with Group Enterprises, Specified Companies, and Related Parties (THSRC-BQ2-000-004).	Amended in accordance with category revisions made to regulations.
4.0 a)	Derivatives <u>Defined in accordance with 4.1 of the Corporation's Procedures for the Handling of Derivative Transactions (THSRC-BE2-000-006).</u>	4.0 a)	Derivatives <u>Means forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from products based on assets, interest rates, foreign exchange rates, indices, or other interests, and compound contracts combining any of the aforesaid products. The term</u>	Linked to the definitions laid out in specific regulations to avoid inconsistencies in the future definitions.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
			<u>"forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase or sales agreements.</u>	
5.0	a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Procedures. b) These Procedures, and any amendments <u>and elimination</u> hereto, shall be implemented after adoption at a shareholders' meeting.	5.0	a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Procedures. b) These Procedures, and any amendments hereto, shall be implemented after adoption at a shareholders' meeting.	Text amended for conformity to standard format of regulations.
6.0	Descriptions	6.0	<u>Operational procedures and descriptions</u>	Text amended for conformity to standard format of regulations.
6.1.7	<u>Right-to-use asset. If real estate, equipment or intangible assets leased in accordance with relevant regulations and contracts of the Corporation are determined to be right-to-use assets, the relevant procedures shall be handled in accordance with this processing procedure.</u>		None	New provisions added to match adjustments made to scope of assets.
6.1.8	Other material assets	6.1.7	Other material assets	Article numbering has been changed in to accommodate new clauses added.
6.2	Decision procedures for transaction terms For acquisition or disposal of assets, the Corporation shall, according to asset type and in accordance with the following	6.2	Decision procedures for transaction terms For acquisition or disposal of assets, the Corporation shall, according to asset type and in accordance with the	Amended in accordance with the amendments of Article 5 of the "Regulations Governing the

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	<p>requirements, respectively engage an objective, impartial, detached, and independent expert to issue a report, wherein the engaged professional appraiser and its appraiser's officers, certified public accountant (CPA), lawyer, or securities underwriter <u>whose qualification requirements and issuance of valuation reports or opinions shall be handled in accordance with the relevant provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission.</u></p>		<p>following requirements, respectively engage an objective, impartial, detached, and independent expert to issue a report, wherein the engaged professional appraiser and its appraiser's officers, certified public accountant (CPA), lawyer, or securities underwriter <u>may not be a related party of any party to the transaction, and the professional appraiser and appraiser's officers must never have been sentenced for a crime by a final and conclusive court judgment or received a criminal sentence. If the Corporation is required by these Procedures to obtain appraisal reports from two or more professional appraisers, no related party relationship may exist between the respective professional appraisers and/or appraiser's officers.</u></p>	<p>Acquisition and Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission.</p>
6.2.1	<p>When the Corporation acquires or disposes of real property or equipment, <u>and right-to-use asset</u>, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, then unless the transaction is made in accordance with the Construction and Operation Agreement, or unless the transaction is made with a government agency or involves commissioned construction on self-owned land,</p>	6.2.1	<p>When the Corporation acquires or disposes of real property or equipment, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, then unless the transaction is made in accordance with the Construction and Operation Agreement, or unless the transaction is made with a government agency or involves commissioned construction on self-owned land, commissioned</p>	<p>Amended in accordance with application of IAS 16 and wording changes made by government entities.</p>

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	commissioned construction on rented land, or acquisition or disposal of equipment <u>and right-to-use asset</u> for business use, the Corporation shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the following requirements.		construction on rented land, or acquisition or disposal of equipment for business use, the Corporation shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the following requirements.	
6.2.1 a)	Where due to special circumstances it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall first be submitted for approval by resolution of the Board. the same procedure shall also be followed <u>whenever there is any subsequent change to the terms and conditions of the transaction.</u>	6.2.1 a)	Where due to special circumstances it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall first be submitted for approval by resolution of the Board. The same procedure shall also be followed <u>for any future changes to the transaction terms.</u>	Amended in accordance with amendments made to Article 9 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” issued by the Financial Supervisory Commission.
6.2.3	When the Corporation acquires or disposes of intangible assets <u>and, its right-to-use asset or membership certificates,</u> if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.	6.2.3	When the Corporation acquires or disposes of <u>membership certificates or</u> intangible assets, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.	Amended in accordance with application of IAS 16 and wording changes made by government entities.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
6.3.2	<p>In any acquisition or disposal of assets that requires the approval of the Board pursuant to these Procedures or other provisions of law, during discussions at a Board meeting, the opinions of each Director shall be given full consideration. 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>Audit Committee</u>.</p> <p>When an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes. Any material asset or derivative transaction shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the Board. (Remainder omitted.)</p>	6.3.2	<p>In any acquisition or disposal of assets that requires the approval of the Board pursuant to these Procedures or other provisions of law, during discussions at a Board meeting, the opinions of each Director shall be given full consideration. 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</u>.</p> <p><u>If the Corporation has established the position of Independent Director in accordance with the Securities and Exchange Act,</u> when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.</p> <p><u>If the Corporation has set up an audit committee in accordance with the Securities and Exchange Act,</u> any material asset or derivative transaction shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the Board. (Remainder</p>	Amended in accordance with the Corporation's establishment of Independent Directors, and replacement of Supervisors with an Audit Committee.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
			omitted.)	
6.4.1 a)	Any acquisition or disposal of real property <u>or its right-to-use asset</u> from or to a related party, or any acquisition or disposal of assets other than real property <u>or its right-to-use asset</u> from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, provided that this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds <u>issued by domestic securities investment trust enterprises</u> . (Remainder omitted.)	6.4.1 a)	Any acquisition or disposal of real property from or to a related party, or any acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, provided that this shall not apply to trading of government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds. (Remainder omitted.)	Amended in accordance with application of IAS 16, wording changes made to transaction terms, and description added of issuers in money market funds.
6.4.1 d)	<ul style="list-style-type: none"> i) Trading of <u>domestic</u> government bonds. ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds <u>issued by domestic securities investment trust enterprises</u>. iii) The acquired or disposed assets are equipment <u>or its right-to-use asset</u> for business use where the transaction counterparty is not a related party, nor does the transaction amount 	6.4.1 d)	<ul style="list-style-type: none"> i) Trading of government bonds. ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds. iii) The acquired or disposed assets are equipment for business use where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$<u>500 million</u> or more. 	Amended in accordance with application of IAS 16 and relaxation of restrictions regarding announcement of non-related business equipment transactions in companies with a paid-in capital of more than NT\$10 billion.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	reach NT\$1 billion or more. iv) Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).</u>		iv) Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction amount <u>does not</u> reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).	
6.4.2 c)	As the cumulative transaction amount of real property <u>or its right-to-use asset</u> acquisitions or disposals (the cumulative amounts to be calculated separately for acquisitions and disposals) in the same development project within 1 year.	6.4.2 c)	As the cumulative transaction amount of real property acquisitions or disposals (the cumulative amounts to be calculated separately for acquisitions and disposals) in the same development project within 1 year.	Amended in accordance with application of IAS 16.
6.4.4	When an item that the Corporation is required to publicly announce and has publicly announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their entirety <u>within 2 days from the date of notification.</u>	6.4.4	When an item that the Corporation is required to publicly announce and has publicly announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their entirety.	Amended in accordance with amendments made to relevant laws regarding time limit for announcement of information.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
6.4.7	Public announcement and reporting procedure Any public announcement or reporting that the Corporation is required to make with respect to its acquisition or disposal of assets shall be made pursuant to the public announcement format requirements and appraisal report content requirements prescribed by the competent authority and in accordance with the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BE2-000-023).	6.4.7	Public announcement and reporting procedure Any public announcement or reporting that the Corporation is required to make with respect to its acquisition or disposal of assets shall be made pursuant to the public announcement format requirements and appraisal report content requirements prescribed by the competent authority and in accordance with 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 category revisions made to regulations.
6.6.2	(item 1) When the Corporation acquires or disposes of real property <u>or its right-to-use asset</u> from or to a related party, or when it acquires or disposes of <u>other material assets</u> other than real property <u>or its right-to-use asset</u> from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of <u>domestic</u> government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds <u>issued by domestic securities investment trust enterprises</u> , the Corporation may not sign a	6.6.2	(item 1) When the Corporation acquires or disposes of real property from or to a related party, or when it acquires or disposes of <u>equipment</u> other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a	Amended in accordance with application of IAS 16, wording changes made to transaction terms, and description added of issuers in money market funds. The Corporation has established Independent Directors and replaced Supervisors with an Audit Committee.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	<p>transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by <u>the Audit Committee and the Board</u>.</p> <p>(item 2) For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by <u>the Audit Committee and the Board</u> in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>(item 3) For acquisition or disposal of equipment <u>or its right-to-use asset and real property or its right-to-use asset</u> for business use between the Corporation and any of its subsidiaries <u>or between the subsidiaries that are directly or indirectly holding a certain percentage of the issued shares or total capital</u>, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.</p> <p>(item 4) <u>In</u> accordance with the Securities and Exchange Act, when an acquisition or disposal</p>		<p>proposal containing or accompanied by the following information has been passed by the Board <u>and recognized by the Supervisors</u>.</p> <p>(item 2) For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by the Board <u>and recognized by the Supervisors</u> in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>(item 3) For acquisition or disposal of equipment for business use between the Corporation and any of its subsidiaries, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.</p> <p>(item 4) <u>If the Corporation has established the position of Independent Director</u> in accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of</p>	

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes. (item 5) <u>In</u> accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.		each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes. (item 5) <u>If the Corporation has set up an Audit Committee</u> in accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.	
6.6.3	When acquiring real property <u>or its right-to-use asset</u> from a related party, the Corporation shall assess the reasonableness of the transaction costs by the following methods.etc	6.6.3	When acquiring real property from a related party, the Corporation shall assess the reasonableness of the transaction costs by the following methods.etc	Amended in accordance with application of IAS 16.
6.6.4	When land and buildings thereon are combined as a single property purchase <u>or lease</u> , separate assessments of the transaction costs for the land and the buildings may be carried out in accordance with either of the methods listed in 6.6.3.	6.6.4	When land and buildings thereon are combined as a single property purchase, separate assessments of the transaction costs for the land and the buildings may be carried out in accordance with either of the methods listed in <u>the preceding subparagraph</u> .	Amended in accordance with application of IAS 16.
6.6.5	When the Corporation acquires real property <u>or its right-to-use asset</u> from a related party and assesses the cost of the real property in accordance with 6.6.3~6.6.4, it shall also engage a CPA to conduct a secondary review and provide a specific opinion.	6.6.5	When the Corporation acquires real property from a related party and assesses the cost of the real property in accordance with the preceding 2 subparagraphs, it shall also engage a CPA to conduct a secondary review and provide a specific	Amended in accordance with application of IAS 16.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
			opinion.	
6.6.6	<p>When the Corporation acquires real property <u>or its right-to-use asset</u> from a related party, if one of the following circumstances exists, the acquisition shall be carried out in accordance with 6.6.2 and the provisions of <u>6.6.3~6.6.5</u> shall not apply:</p> <p>a) The related party acquired the real property <u>or its right-to-use asset</u> through inheritance or as a gift.</p> <p>b) More than 5 years will have elapsed from the time the related party signed the contract to acquire the real property <u>or its right-to-use asset</u> to the signing date for the current transaction.</p> <p>c) The real property is acquired as a result of or in connection with signing a joint construction contract with the related party or commissioning the related party to construct real property on the Corporation's own land or rented land.</p> <p>d) <u>For acquisition or disposal of real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding 100% of issued shares or total capital.</u></p>	6.6.6	<p>When the Corporation acquires real property from a related party, if one of the following circumstances exists, the acquisition shall be carried out in accordance with 6.6.2 and the provisions of the preceding 3 subparagraphs shall not apply:</p> <p>a) The related party acquired the real property through inheritance or as a gift.</p> <p>b) More than 5 years will have elapsed from the time the related party signed the contract to acquire the real property to the signing date for the current transaction.</p> <p>c) The real property is acquired as a result of or in connection with signing a joint construction contract with the related party or commissioning the related party to construct real property on the Corporation's own land or rented land.</p>	Amended in accordance with application of IAS 16.
6.6.7 a) ii)	There are cases of purchase or <u>leasing</u> transactions completed by unrelated parties within the	6.6.7 a) ii)	There are cases of purchase transactions completed by unrelated parties within the	Amended in accordance with application of IAS

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	preceding year for other floors of the same property or property in an adjacent location, in which the properties are similar in area and the transaction terms in the current and in the cited cases are found to be similar after an assessment taking account of reasonable discrepancies in the prices of the different floors or locations in accordance with customary real property market practices._		preceding year for other floors of the same property or property in an adjacent location, in which the properties are similar in area and the transaction terms in the current and in the cited cases are found to be similar after an assessment taking account of reasonable discrepancies in the prices of the different floors or locations in accordance with customary real property market practices.	16.
6.6.7 a) iii)	Removed.	6.6.7 a) iii)	<u>There are cases of leasing transactions completed by unrelated parties within the preceding year for other floors of the same property in which the transaction terms in the current and in the cited cases are estimated to be similar based on reasonable discrepancies in the prices of different floors in accordance with customary real property leasing market practices.</u>	Consolidated to 6.6.7 a) ii) in accordance with amendments made to relevant laws.
6.6.7 b)	The Corporation provides evidence that, for the real property it purchases <u>or the right-to-use asset it leases</u> from the related party, the transaction terms are similar to those of cases of purchase transactions completed by unrelated parties within the preceding year in an adjacent location and the properties are also similar in area.	6.6.7 b)	The Corporation provides evidence that, for the real property it purchases from the related party, the transaction terms are similar to those of cases of purchase transactions completed by unrelated parties within the preceding year in an adjacent location and the properties are also similar in area.	Amended in accordance with application of IAS 16.
6.6.8	For the purposes of <u>6.6.7</u> , "cases of purchase transactions completed in an adjacent location" in principle refers to	6.6.8	For the purposes of the preceding subparagraph, "cases of purchase transactions completed in an	Amended in accordance with application of IAS 16.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	<p>property on the same or an adjacent block and furthermore within a circumference of no more than 500 meters from the property in the current transaction or of a similar publicly announced current value; "similar in area" in principle refers to cases of purchase transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the current transaction; "within the preceding year" refers to a preceding period of 1 year calculated from the date of occurrence of the current real property <u>or its right-to-use asset</u> acquisition.</p>		<p>adjacent location" in principle refers to property on the same or an adjacent block and furthermore within a circumference of no more than 500 meters from the property in the current transaction or of a similar publicly announced current value; "similar in area" in principle refers to cases of purchase transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the current transaction; "within the preceding year" refers to a preceding period of 1 year calculated from the date of occurrence of the current real property acquisition.</p>	
6.6.9	<p>When the Corporation acquires real property <u>or its right-to-use asset</u> from a related party, if the assessment results under <u>6.6.3~6.6.8</u> are all lower than the transaction price, the following actions shall be taken:</p> <p>a) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or its right-to-use asset</u> transaction price and assessed cost, and the reserve may not be distributed or used for a capitalization issue.</p> <p>b) The <u>Audit Committee</u> shall proceed in accordance with</p>	6.6.9	<p>When the Corporation acquires real property from a related party, if the assessment results under the <u>preceding 6 subparagraphs</u> are all lower than the transaction price, the following actions shall be taken:</p> <p>a) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and assessed cost, and the reserve may not be distributed or used for a capitalization issue.</p> <p>b) The <u>Supervisors</u> shall proceed in accordance with</p>	Amended in accordance with application of IAS 16 and the Corporation's establishment of an Audit Committee to replace Supervisors.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
	Article 218 of the Company Act. c) Actions taken pursuant to the items <u>a) & b)</u> shall be reported at a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.		Article 218 of the Company Act. c) Actions taken pursuant to the <u>preceding 2</u> items shall be reported at a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.	
6.6.10	When the Corporation sets aside a special reserve under <u>6.6.9 a)</u> , it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or has disposed of, <u>or terminated lease for</u> , or made adequate compensation for, or restored the <i>status quo ante</i> of such assets, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the competent authority has given its approval.	6.6.10	When the Corporation sets aside a special reserve under the preceding subparagraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or has disposed of, or made adequate compensation for, or restored the <i>status quo ante</i> of such assets, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the competent authority has given its approval.	Amended in accordance with application of IAS 16.
6.6.11	When the Corporation acquires real property <u>or its right-to-use asset</u> from a related party, if other evidence indicates that the acquisition was a non-arms length transaction, the Corporation shall also proceed in accordance with <u>6.6.9~6.6.10</u> .	6.6.11	When the Corporation acquires real property from a related party, if other evidence indicates that the acquisition was a non-arms length transaction, the Corporation shall also proceed in accordance with the <u>preceding 2 subparagraphs</u> .	Amended in accordance with application of IAS 16.
6.6.12	When acquiring real property <u>or its right-to-use asset</u> from related parties, the Corporation shall comply with the provisions of these <u>Regulations of Related Party Transactions (THSRC-AQ2-000-012)</u> .	6.6.12	When acquiring real property from related parties, the Corporation shall comply with the provisions of these <u>Procedures as well as the provisions of the Corporation's Operational</u>	Amended in accordance with application of IAS 16 and changes to regulation names and codes.

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
			<u>Procedures for Transactions with Group Enterprises, Specified Companies, and Related Parties (THSRC-BQ2-000-004).</u>	
6.8.4	<p><u>These Procedures shall be approved by one-half or more of the total number of Audit Committee members and passed by the Board, and submitted to a shareholders' meeting for approval. When these Procedures are submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes. The same procedures shall also apply to any amendments to these Procedures.</u></p> <p><u>(Remainder omitted.)</u></p>	6.8.4	<p>After passage by the Board, <u>these Procedures shall be sent to all Supervisors and submitted to a shareholders' meeting for approval. During discussions at a Board meeting, the opinions of each Director shall be given full consideration. 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 all Supervisors. The same procedures shall also apply to any amendments to these Procedures.</u></p> <p><u>If the Corporation has established the position of Independent Director in accordance with the Securities and Exchange Act,</u> when these Procedures are submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.</p> <p><u>If the Corporation has set up an Audit Committee in accordance with the</u></p>	<p>In accordance with the Corporation's establishment of an Audit Committee to replace Supervisors, the regulations of these Procedures have been amended and verification procedures have been corrected.</p>

Attachment III

Amended article number	Amended article	Article number prior to amendment	Current article	Description
			<u>Securities and Exchange Act, any amendment to these Procedures shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board. (Remainder Omitted.)</u>	
6.8.5	Removed.	6.8.5	<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 Procedures shall be exercised by the Audit Committee in accordance with law.</u>	This paragraph has been removed in accordance with the Corporation's establishment of an Audit Committee to replace Supervisors.

Attachment IV

Comparative Table for the current and amended Procedures for the Handling of Derivative Transactions

Amended article number	Amended article	Article number prior to amendment	Current article	Description
3.3	The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BE2-000-023).	3.3	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 category revisions made to regulations.
4.1	Derivatives Means forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from <u>specific interest rates, price of financial tools, commodity prices, foreign exchange rates, price or pricing indices, credit ratings or credit indices, or other variables; a combination of the aforementioned contracts, or contracts including combinations of derivative goods or structured notes</u> and so on. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase or sales <u>contracts</u> .	4.1	Derivatives Means forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from products based on <u>assets, interest rates, foreign exchange rates, indices, or other interests, and compound contracts combining any of the aforesaid products</u> . The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase or sales <u>agreements</u> .	Amended in accordance to amendments made to definitions in the Corporation's Procedures for the Acquisition or Disposal of Assets.

Attachment IV

<p>6.3.4</p>	<p><u>Funds Management Section Personnel and Accounting Department personnel</u> shall have the following authorities and responsibilities:</p> <p>a) Funds Management Section Personnel <u>Includes transaction confirmation and settlement personnel for derivative transactions.</u> Responsible for settlement operations related to derivative transactions, including confirming transactions and verifying the content of confirmation documents, producing transaction contracts and affixing seals thereto, preparing relevant documents, and planning cash flows according to the utilization of relevant funds to ensure timely settlement of transaction contracts.</p> <p>i) <u>Transaction confirmation</u> (1) Sign contracts with transaction counterparties and carry out account-opening and review operations.</p> <p>ii) <u>Transaction settlement personnel</u> (1) Carry out <u>settlement and clearing</u> operations</p>	<p>4.5</p> <p>4.6</p> <p>6.3.4</p>	<p>Funds Management Section personnel Responsible for settlement operations related to derivative transactions, including confirming transactions and verifying the content of confirmation documents, producing transaction contracts and affixing seals thereto, preparing relevant documents, and planning cash flows according to the utilization of relevant funds to ensure timely settlement of transaction contracts.</p> <p>Accounting Department personnel Responsible for account processing and other relevant operations and timely reporting of hedging transactions and profits/losses in itemized statement form.</p> <p>The transaction confirmation and settlement personnel shall have the following authorities and responsibilities:</p> <p>(1) Sign contracts with transaction counterparties and carry out account-opening and review operations.</p> <p>(2) Carry out confirmation, settlement, and clearing operations relevant to transactions.</p>	<p>Articles 4.5 and 4.6 have been removed and the content of these articles have been consolidated to Article 6.3.4.</p>
--------------	--	------------------------------------	---	--

Attachment IV

	<p>relevant to transactions.</p> <p>b) Accounting Department personnel Responsible for account processing and other relevant operations and timely reporting of hedging transactions and profits/losses in itemized statement form.</p>			
6.6.3	<p>Any public announcement or reporting as required above or otherwise by applicable provisions shall be handled in a timely manner by the transaction personnel in accordance with the format and time-limit requirements prescribed by the relevant competent authority and in the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BE2-000-023).</p>	6.6.3	<p>Any public announcement or reporting as required above or otherwise by applicable provisions shall be handled in a timely manner by the transaction personnel in accordance with the format and time-limit requirements prescribed by the relevant competent authority and in the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).</p>	<p>Amended in accordance with category revisions made to regulations.</p>
6.6.4	<p>When an item that the Corporation is required to publicly announce and has publicly announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their entirety <u>within 2 days</u>.</p>	6.6.4	<p>When an item that the Corporation is required to publicly announce and has publicly announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their</p>	<p>Amended in accordance with amendments made to relevant laws regarding time limit for announcement of information.</p>

Attachment IV

	<u>from the date of notification.</u>		entirety.	
6.10.2	The internal audit personnel shall periodically check the adequacy of internal controls over derivative transactions. They shall also perform monthly audits on the transaction department's compliance with these Procedures and prepare written audit reports accordingly. If any material non-compliance is found, it shall immediately be reported in writing to <u>the Audit Committee and independent directors.</u>	6.10.2	The internal audit personnel shall periodically check the adequacy of internal controls over derivative transactions. They shall also perform monthly audits on the transaction department's compliance with these Procedures and prepare written audit reports accordingly. If any material non-compliance is found, it shall immediately be reported in writing to <u>all Supervisors.</u>	<ol style="list-style-type: none"> 1. In accordance with revisions made to the Corporation's Procedures for the Acquisition or Disposal of Assets, article has been revised to include written notification to independent directors. 2. The Corporation has established an Audit Committee to replace Supervisors.
6.11	<p>Descriptions of operational processes</p> <p>o) Periodical review: <u>In accordance with the requirements of 6.9.3,</u> profits/losses on outstanding transactions shall be assessed and reviewed periodically, twice every month.</p> <p>p) Assessment report: <u>In accordance with the requirements of 6.9.3,</u> twice every month, derivative transaction assessment reports shall be submitted to the senior management personnel</p>	6.11	<p>Descriptions of operational processes</p> <p>o) Periodical review: Profits/losses on outstanding transactions shall be assessed and reviewed periodically, <u>twice every month.</u></p> <p>p) Assessment report: <u>Twice every month,</u> derivative transaction assessment reports shall be submitted to the senior management personnel authorized by the Board for comments or instructions...</p>	Wording revisions.

Attachment IV

	authorized by the Board for comments or instructions...			
6.13.1	After adoption through passage by the Board, these Procedures, and any amendments hereto, shall be sent to <u>the Audit Committee</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 materials containing the Director's dissent to <u>the Audit Committee</u> . (Remainder omitted.)	6.13.1	After adoption through passage by the Board, these Procedures, and any amendments hereto, shall be sent to <u>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 materials containing the Director's dissent to <u>all Supervisors</u> . (Remainder omitted.)	The Corporation has established an Audit Committee to replace Supervisors.
6.13.2	Removed.	6.13.2	<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 Procedures shall be exercised by the Audit Committee in accordance with law.</u>	This article has been removed as Corporation has established an Audit Committee to replace Supervisors.
7.0	Records (abovementioned omitted) d) <u>Contracts and meeting records relating to transactions of derivative goods (retention period: 5 years).</u> e) <u>Documents relating to evaluations on hedging</u>	7.0	Records	Amended to include items d), e), f) and retention periods.

Attachment IV

	<u>effectiveness (retention period: 5 years).</u> <u>f) Letters of notification sent to financial institutions regarding appointment and removal of transaction personnel (retention period: 5 years).</u>			
--	---	--	--	--

Appendix I

Taiwan High Speed Rail Corporation

Rules of Procedure for Shareholders' Meetings

Article 1 (Legal Basis)

Unless otherwise provided by applicable laws, regulations, bylaws, or rules, the proceedings of the shareholders' meetings of the Corporation shall be conducted in accordance with these Rules.

Article 2 (Attendance Sign-ins and Calculation of Shares Present at Shareholders' Meetings)

The Corporation shall start to process meeting attendance sign-ins by shareholders at least 30 minutes before the start of a meeting.

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.

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.

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 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.

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

Appendix I

other attendance document. The shareholder attending the meeting shall surrender the attendance sign-in card in place of signing the attendance sheet.

A non-shareholder proxy or proxy solicitor shall also carry an identity document for verification.

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.

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, and, if directors are to be elected at the meeting, the election ballot.

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.

No voting rights may be exercised with respect to shares falling in any of the following circumstances, and such shares may not be included in calculating the total issued shares and the number of shares present:

1. Shares of the Corporation held by itself in accordance with law.
2. Shares of the Corporation held by a subordinate company in which the Corporation holds more than half of the total issued voting shares or total capital.
3. Shares of the Corporation held by a company in which the Corporation and any subordinate company of the Corporation directly or indirectly hold a combined total of more than half of the total issued voting shares or total capital stock.

Appendix I

Article 3 (Time and Place of Shareholders' Meetings)

Shareholders' meetings shall be held at the location of the Corporation or otherwise at a place convenient for the shareholders to attend and suitable for the holding of shareholders' meetings, and shall start at a time not earlier than 9 a.m. and not later than 3 p.m.

When determining the place and time of a shareholders' meeting, the Corporation shall take into full account the opinions of its independent Directors, if any.

Article 3-1 (Recording of Shareholders' Meeting Proceedings by Audio or Video)

For each shareholders' meeting, the Corporation shall, beginning from the time it starts to process shareholder attendance sign-ins, make an uninterrupted audio or video recording of the shareholder attendance sign-in process, the proceedings of the meeting, and the voting and ballot counting process.

The recorded materials under the preceding paragraph shall be preserved for one year. Provided, however, that if any shareholder initiates litigation pursuant to Article 189 of the Company Act, they shall be preserved until the conclusion of the lawsuit.

Article 4 (Chair and Non-Voting Participants of Shareholders' Meetings)

Unless otherwise provided by law, the Chairperson of the Board of Directors shall chair every shareholders' meeting. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as chair of the meeting, failing which the Directors shall select one of their number to chair the meeting.

To chair a shareholders' meeting in the place of the Chairperson under the preceding paragraph, a Director shall have been in office for at least 6 months and shall be conversant with the financial and operational conditions of the Corporation. The same shall also apply if the person to chair the meeting is a representative of a juristic person Director.

Appendix I

If a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting, the meeting shall be chaired by that person. If the meeting is convened by two or more such persons, they shall select one of their number to chair the meeting.

The Corporation may appoint its attorneys at law or certified public accountants or other relevant persons to attend a shareholders' meeting as non-voting participants.

Article 5 (Maintenance of Order at Meetings)

All staff members working at shareholders' meetings shall wear identification cards or arm badges.

The chair may direct proctors (or security guards) to assist in maintaining order at the meeting. When discharging such duty, a proctor or security guard shall wear an arm band or identification card bearing the words "Proctor."

When the venue of the meeting is installed with sound amplification equipment, if a shareholder attempts to speak by any means other than through a device provided by the Corporation for that use, the chair may stop the shareholder from speaking.

When during a meeting a shareholder violates any rule of meeting procedure and continues to do so despite the chair's direction to the contrary, or otherwise obstructs the proceeding of the meeting and continues to do so despite being requested to stop, the chair may direct a proctor (or security guard) to request the shareholder to leave the venue.

Article 6 (Opening of Shareholders' Meetings)

The chair may declare the opening of a shareholders' meeting at the specified meeting time if the shareholders present reach a legal quorum of shares.

Appendix I

If there is not a legal quorum of shares present after the specified time of meeting, the chair may declare the meeting postponed, provided that no more than two postponements may be made and not for a combined total of more than one hour; if the meeting has been postponed twice and the shareholders present still do not represent at least one-third of the total issued shares, the chair shall declare the meeting aborted. If the meeting has been postponed twice and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.

If during the process of adopting a tentative resolution under the preceding paragraph the number of shares represented by the shareholders present reaches the legal quorum, the chair may at any time declare the formal opening of the meeting, in which case the tentative resolution adopted or being adopted shall be re-submitted to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.

Article 7 (Discussion of Agenda Items)

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.

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.

Before the conclusion of the pre-determined agenda items (including any extraordinary motion) under the preceding two paragraphs, the

Appendix I

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.

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.

Article 8 (Shareholders Speaking at Meetings)

To speak at a shareholders' 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.

A shareholder who has not spoken at a meeting despite the submission of a speaker's slip shall be deemed to not have spoken. If the content of a shareholder's speech does not correspond to that specified on the speaker's slip, the spoken content shall prevail.

A shareholder present who has any question about a report item (non-voting item) listed on the agenda may speak only after all report items have been read out or reported by the chair or a person designated by the chair. A shareholder may not speak more than twice, and each time not more than five minutes, on the same agenda item except with the consent of the chair.

The latter part of the preceding paragraph shall apply *mutatis mutandis* to the frequency and time limit that a shareholder present is allowed to

Appendix I

speak on any agenda item involving a matter for recognition or discussion at the meeting and on any item proposed during the extraordinary motion procedure.

The latter part of paragraph 3 shall apply *mutatis mutandis* to the frequency and time limit that a shareholder present is allowed to speak on any matter arising during the extraordinary motion procedure other than in the nature of an agenda item.

If a shareholder appoints a non-shareholder juristic person as proxy to attend a shareholders' meeting in the place of the shareholder, the juristic person may appoint only one person as representative to attend and speak at the meeting. If a shareholder that is a government agency or juristic person appoints two or more representatives to attend a shareholders' meeting, either on its behalf or in the place of another shareholder appointing it as proxy to attend the meeting, only one person selected by and from the representatives present may speak at the meeting.

If a shareholder speaking at a shareholders' meeting goes beyond the allocated time or beyond the relevant issue, the chair may stop the shareholder from speaking. If the shareholder continues to speak or otherwise obstructs the proceeding of the meeting, the chair may direct a proctor or (security guard) to take necessary action to maintain order at the meeting or otherwise to ensure the smooth running of the meeting.

During a shareholders' meeting, no shareholder may interrupt another shareholder by speaking at the same time unless with the consent of the chair and the speaker; the chair shall stop any such interrupter and take necessary action under the preceding paragraph as applied *mutatis mutandis*.

When a shareholder finishes speaking, the chair may respond to, or designate a relevant person to respond to, any issue raised by the shareholder.

Appendix I

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 in writing 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. 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.

Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.

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.

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 reasons why they are not included.

Unless otherwise provided by law or regulation, if a shareholder attending a shareholders' meeting intends to propose an extraordinary

Appendix I

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.

For the purpose of paragraph 2 above, a shareholder attending a meeting may only submit one proposal; if more than one proposal is submitted, none of them shall be included on the agenda.

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 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 reviews and decides 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 9, paragraph 2 shall apply mutatis mutandis thereto.

Article 10 (Putting to Vote)

When an agenda item is under discussion, the chair may at an appropriate time declare the discussion closed, or suspended if necessary, and put the matter to vote.

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

Appendix I

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 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.

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.

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.

Unless otherwise provided by law or regulation, or by the 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

Appendix I

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.

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.

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.

If there is any shareholder objecting to an agenda item, it shall be put to vote by a poll. The chair may direct a vote to be held on an item-by-item basis, or multiple polls or a single poll to be held on the various agenda items (including elections), with the ballots to be counted separately for each item.

When there is any amendment or alternative to a proposal on the 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.

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.

Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution)

For agenda items put to vote by a poll, the chair shall designate two ballot inspectors and multiple ballot counters to discharge all relevant duties, provided that only shareholders may be appointed as ballot inspectors. The vote on agenda items, and the counting of ballots in an

Appendix I

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 personal seals thereon, hand over the same to the Corporation for preservation.

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.

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.

Article 13 (Cause and Determination of Invalidity of Voting Ballots)

A voting ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:

1. The ballot cast is not a ballot prepared and issued by the Board of Directors.
2. The ballot is not a ballot designated by the chair.
3. The ballot inserted into the ballot box is a blank ballot.
4. The handwriting on the ballot is unclear or indecipherable.
5. The ballot is altered or any text or mark other than allowed is placed on it.
6. Both "FOR" and "AGAINST" are marked on the ballot.

Appendix I

7. The ballot is torn such that it is incomplete.

When in doubt a ballot counter shall first request a ballot inspector to verify whether a ballot is invalid. Ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters, and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.

Article 14 (Break and Resumption of Meetings)

During a shareholders' meeting the chair may announce a break at such time as the chair thinks fit. If a force majeure event occurs, the chair may decide to suspend the meeting and, having regard to the circumstances, announce the time for the resumption of the meeting.

If the venue of a shareholder's meeting becomes unavailable for use before the conclusion of all agenda items (including extraordinary motions), the shareholders at the meeting may resolve to continue the meeting at another venue.

A shareholders' meeting may, by a resolution made under Article 182 of the Company Act, be adjourned to or resumed on a date within the next five days.

Article 15 (Matters Not Covered)

All matters not covered by these Rules shall be subject to the direction of the chair, unless otherwise expressly provided by the Company Act, the Securities and Exchange Act, other applicable laws or regulations, or the Corporation's Articles of Incorporation, Rules of Procedure for Shareholders' Meetings, or Principles of Corporate Governance.

Article 16 (Supplementary Provisions)

These Rules, and any amendment hereto, shall take force after approval at a shareholders' meeting.

Appendix II

Taiwan High Speed Rail Corporation

Articles of Incorporation

Chapter 1 General Provisions

Article 1 The Corporation is organized in accordance with the Company Act and its name is Taiwan High Speed Rail Corporation.

Article 2 The Corporation shall be established in Taipei City and may set up branches domestically or overseas when necessary and by resolution of the Board of Directors.

Article 3 The Corporation may, based on its business needs, provide guarantees for outside parties.

The Corporation may, based on its business needs, be a limited liability shareholder of other companies, without being subject to the restriction imposed by the Company Act that the total amount of its investments in such companies may not exceed 40 percent of the paid-in capital of the Corporation.

Article 4 Public announcements by the Corporation shall be made by a method in accordance with the Company Act and other applicable laws and regulations.

Chapter 2 Scope of Business

Article 5 The scope of business of the Corporation shall be as follows:

1. G104011 High Speed Railroad Business.
2. H701050 Public Works Investment and Construction.
3. CD01020 Tramway Cars Manufacturing.
4. CB01990 Other Machinery Manufacturing Not Elsewhere Classified.
5. E604010 Machinery Installation Construction.
6. I401010 General Advertising Services.
7. JE01010 Rental and Leasing Business.

Appendix II

8. H701010 Residence and Buildings Construction and Development, Lease, and Sale.
9. H701020 Industrial Factory Buildings Construction and Development, Lease, and Sale.
10. H701040 Specialized Field Construction and Development.
11. J303010 Magazine and Periodical Publication.
12. F601010 Intellectual Property Rights.
13. F204110 Retail Sale of Cloths, Clothes, Shoes, Hats, Umbrellas, Apparel, Clothing Accessories, and Other Textile Products.
14. F215010 Retail Sale of Jewelry and Precious Metals.
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Chapter 3 Shares

Article 6 The total capital of the Corporation shall be NT\$120,000,000,000, divided into 12,000,000,000 shares with a par value of NT\$10 each, and the Board of Directors is empowered to issue them in installments, and as common shares or preferred shares.

Article 7 The share certificates of the Corporation shall all be registered share certificates, affixed with the signature or seal of at least three Directors and assigned with serial numbers, and may be issued only after having been duly certified or authenticated by the competent authority or by a registrar authorized by the competent authority.

Any transfer, inheritance, gift or donation, creation or release of pledge, registration or deregistration of loss, or damage, destruction, or loss of possession of or on share certificates shall be handled in accordance with the Company Act and other applicable laws and regulations.

The Corporation may issue shares without physical printed certificates, or may in a new issue prepare a printed consolidated certificate representing

Appendix II

the total number of shares of that issue, provided that it shall arrange for book-entry registration or custody with a central securities depository.

The preceding three paragraphs shall apply mutatis mutandis to the preparing and issuing of corporate bonds.

Article 7-1 (deleted)

Article 7-2 (deleted)

Article 8 Each shareholder of the Corporation shall complete and submit a specimen seal card to be kept on file with the shareholder services agent of the Corporation, and only that seal on file may be used to receive dividends or bonuses or otherwise to exercise shareholder rights in writing.

Transfer of shares shall be suspended during the 60 days before the date of a regular shareholders' meeting, during the 30 days before the date of a special shareholders' meeting, or during the 5 days before the record date decided by the Corporation for distribution of dividends, bonuses, or other interests.

Chapter 4 Shareholders' Meetings

Article 9 Shareholders' meetings of the Corporation are classified into two kinds: regular meetings and special meetings. Regular meetings shall be convened annually by the Board of Directors within 6 months after the close of each fiscal year, and special meetings, unless otherwise provided by the Company Act, shall be called by the Board of Directors when necessary and in accordance with law.

Article 10 Matters to be resolved at a shareholders' meeting shall be as follows:

1. Adoption of and amendment to these Articles of Incorporation.
2. Election of Directors.
3. Audit and recognition of financial statements and documents prepared by the Board of Directors under Article 228 of the Company Act.

Appendix II

4. Resolution on the distribution of profits or offsetting of losses.
5. Adoption of or amendment to the Corporation's Principles of Corporate Governance, Rules of Procedure for Shareholders' Meetings, and Rules for the Election of Directors.
6. Resolution on any other matter required by law or regulation.

Article 11 To convene a shareholders' meeting, a notice of the meeting shall be given to each shareholder by 30 days before a regular meeting, or by 15 days before a special meeting, stating the date and place of and the proposals to be considered at the meeting. Notwithstanding the foregoing, a public notice may be made in lieu of separate notice in the case of shareholders with less than 1,000 registered shares.

Article 12 A shareholder appointing a person as proxy to attend a shareholders' meeting in the place of the shareholder shall issue a proxy form printed and issued by the Corporation and serve it on the Corporation by 5 days before the meeting. A shareholder may issue only one proxy form and appoint only one proxy for a meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall be valid; the same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.

Except in the case of a trust enterprise or of a shareholder services agent authorized by the competent authority in charge of the securities industry, if a person is appointed by two or more shareholders to attend a shareholders' meeting as proxy, the voting rights represented by the proxy may not exceed 3 percent of the number of voting rights of the total issued shares, and any portion exceeding such limit may not be included in the counting of voting rights.

Article 13 Unless otherwise provided by laws, regulations, bylaws, or rules, each shareholder of the Corporation is entitled to one vote for each share held.

Article 14 Unless otherwise provided by law, the Chairperson of the Board of Directors ("Chairperson") shall chair every shareholders' meeting. When

Appendix II

the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as deputy to chair the meeting, failing which the Directors shall select one from among themselves to chair the meeting.

Article 15 Unless otherwise provided by the Company Act or other applicable laws or regulations, a resolution of a shareholders' meeting shall be made with the approval of a majority of the voting rights of the shareholders present at a meeting at which shareholders representing a majority of the total issued shares are present.

A shareholder of the Corporation may exercise voting rights by electronic means and, if so voting, shall be deemed to be present at the meeting in person; the method of such voting shall in all respects be subject to the provisions of applicable laws and regulations.

If the shareholders present at a meeting do not reach the quorum under paragraph 1 but still represent at least one-third of the total issued shares, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.

A tentative resolution under the preceding paragraph shall be deemed a resolution adopted under paragraph 1 if it is approved by a majority of the voting rights of the shareholders present at the shareholders' meeting subsequently convened in accordance with the preceding paragraph and at which shareholders representing at least one-third of the total issued shares are present.

Article 16 All resolutions adopted at a shareholders' meeting shall be recorded in the meeting minutes, and signed or sealed by the chair of the meeting and distributed to each shareholder within 20 days after the meeting. The meeting minutes shall state the year, month, day, place, name of the chair, method of resolution, number of shares represented by the shareholders present, a digest of the proceedings and discussions, and the results of the

Appendix II

meeting.

The meeting minutes under the preceding paragraph may be made and distributed by electronic means.

The distribution of the meeting minutes under paragraph 1 may be made by means of public notice.

Chapter 5 Board of Directors

Article 17 The Board of Directors of the Corporation shall consist of not less than 9 and not more than 17 Directors, and the Board of Directors is empowered to determine the number of Directors. The Directors shall serve a term of office of 3 years and are eligible for re-election and re-appointment, and shall be elected at a shareholders' meeting from candidates with disposing capacity. The total percentage of shares held by the Directors shall be subject to the requirements of the competent authority in charge of the securities industry.

In an election of Directors at a shareholders' meeting, the number of votes exercisable in each share is equal to the number of Directors to be elected, with the total number of votes exercisable equally spread over the number of ballots equal to the number of Directors to be elected. A voter may cast all the voter's ballots for a single candidate or split them among multiple candidates. The candidate nomination system under Article 192-1 of the Company Act shall be adopted for the election of the Directors. The procedure, public notice, and other matters relating to the nomination of Director candidates shall be subject to the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. The candidates who receive ballots representing the highest numbers of votes shall be elected separately as independent Directors or non-independent Directors, as the case may be, according to the respective numbers of independent Directors and non-independent Directors to be elected.

Article 17-1 Given the requirement of Article 183 of the Securities and Exchange Act, starting from the fourth term of office of Directors, the Corporation shall

Appendix II

have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.

Independent Directors and non-independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group.

The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.

Article 18 When vacancies on the Board of Directors reach one-third of the total number of Directors or when all independent Directors are removed from office, the Board of Directors shall within 60 days conduct a shareholders' meeting to elect new Directors to serve the remainder of the unexpired term.

Article 19 The Directors shall elect one of their number as the Chairperson with the approval of a majority of the Directors present at a meeting of the Board of Directors at which at least two-thirds of the Directors are present.

Article 20 The Board of Directors is vested with the power to make significant financial, business, and operational decisions of the Corporation and to oversee the performance of functions by Managerial Officers, and is charged with the following duties:

1. Deliberation of all significant bylaws and rules.
2. Deliberation of business plans.
3. Deliberation of budgets and final accounts.

Appendix II

4. Drawing up proposals for the distribution of profits and offsetting of losses.
5. Drawing up proposals for increases or decreases in capital.
6. Deliberation of the setting up, closing down, or change of branches.
7. Deliberation of significant property transactions and investments.
8. Deliberation of significant business operations.
9. Deliberation of the appointment and removal of significant Managerial Officers.
10. Deliberation of all significant contracts.
11. Deliberation of any matter presented by the Chairperson, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairperson.
12. Discharge of the powers and tasks of the Board of Directors specified in the Corporation's Principles of Corporate Governance.
13. Discharge of any other powers conferred on it by law or regulation or at a shareholders' meeting.

Article 21 Except for the first meeting of each term of office of the Board of Directors, which shall be convened by the Director receiving ballots representing the highest numbers of votes, or except as otherwise provided by the Company Act, meetings of the Board of Directors shall be convened and chaired by the Chairperson. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as deputy to chair the meeting, failing which the Directors shall select one of their number to convene and chair the meeting in the place of the Chairperson.

Article 22 Directors shall be present in person at the meetings of the Board of Directors. If a meeting is conducted by means of video conference, Directors participating in the meeting by such means shall be deemed to be present in person at the meeting. Unless otherwise provided by law or

Appendix II

regulation, a Director unable to be present at a meeting may appoint another Director to act at the meeting on behalf of such absent Director, but shall in each instance issue a proxy form specifying the scope of authorization with respect to the reasons of the meeting.

For the purpose of the preceding paragraph, a Director may accept only one appointment per meeting.

Article 23 Unless otherwise provided by law or regulation, a resolution of the Board of Directors shall be made with the approval of a majority of the Directors present at a meeting at which a majority of the Directors is present.

Article 24 (deleted)

Article 25 The proceedings of a meeting of the Board of Directors shall be recorded in the meeting minutes, to be signed or sealed by the chair of the meeting and distributed to each Director within 20 days after the meeting. The meeting minutes shall state the year, month, day, place, name of the chair, method of resolution, a digest of proceedings and discussions, and the results of the meeting.

The meeting minutes under the preceding paragraph may be made and distributed by electronic means.

Article 26 To convene a meeting of the Board of Directors, a notice of the meeting shall state the reasons of the meeting and shall be given to each Director by 7 days before the meeting, provided that a meeting may be convened at any time in case of emergency.

The notice of a meeting under the preceding paragraph may be made by means of e-mail or facsimile in lieu of notice in hardcopy form.

Article 27 The Board of Directors may, based upon the operational status of the Corporation's corporate governance system, gradually establish various functional committees to strengthen the active involvement of the Directors and to enhance the effectiveness and quality of the oversight and decision-making functions of the Board of Directors.

Appendix II

The organization, functions, and operations of the functional committees under the preceding paragraph shall be subject to the Corporation's Principles of Corporate Governance and associated rules.

Article 27-1 All relevant laws, articles, bylaws, and rules, shareholders' meeting resolutions, Board of Directors resolutions, and the Corporation's Principles of Corporate Governance and associated provisions shall constitute the rights and obligations arising from the mandate relationship between the Directors and the Corporation, and the Directors shall have the obligation to fully comply and exercise fiduciary duty in the execution thereof.

The pay to the Directors for their services as Directors, apart from for the profit-sharing compensation to Directors paid out of annual profits in accordance with Article 35-1 below, shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry.

Article 27-2 The Corporation shall set up an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, and all provisions of the Company Act, the Securities and Exchange Act, and any other law in relation to Supervisors shall apply mutatis mutandis to the audit committee.

Chapter 6 (deleted)

Article 28 (deleted)

Article 29 (deleted)

Article 30 (deleted)

Article 31 (deleted)

Article 32 (deleted)

Chapter 7 Managerial Officers

Article 33 The Corporation shall have one President and several other Managerial

Appendix II

Officers. The President shall follow the resolutions of the Board of Directors, preside over the affairs of the Corporation pursuant to law, and is empowered to manage affairs and sign on behalf of the Corporation. Other Managerial Officers shall provide assistance to the President, but may not sign on behalf of the Corporation unless with the written authorization of the Corporation.

Article 34 The appointment and removal of the President and significant Managerial Officers shall be determined by resolution of the Board of Directors.

Chapter 8 Accounting

Article 35 The fiscal year of the Corporation shall begin on January 1 of each year and end on December 31 of the same year. After the end of each fiscal year, the Board of Directors shall prepare the following documents, have them audited and certified by a certified public accountant, and submit them to a regular shareholders' meeting for recognition:

1. A business report.
2. Financial statements.
3. A proposal for the distribution of profits or offsetting of losses.

Article 35-1 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.

Article 36 If the final annual accounts of the Corporation show a net profit for a given year, the profit-sharing compensation to employees and Directors shall first be allocated from the net profit pursuant to Article 35-1 above. If the Board of Directors then resolves to make distributions, it shall prepare an earnings distribution proposal, including therein the amount of any accumulated undistributed earnings and the amount equaling to the remainder of the net profit for the given year after further deduction for

Appendix II

the payment of all taxes required by law, the allocation of the 10 percent legal reserve (no such allocation is necessary if the legal reserve is maintained at the level of the paid-in capital of the Corporation), and the provision or reversal for the special reserve pursuant to law or regulation, and submit the proposal to a shareholders' meeting for resolution on the distribution of dividends to shareholders.

When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 60 percent of the earnings available for distribution. Such distribution, however, is not obligatory if the earnings cumulatively available for distribution is less than 0.5 percent of its paid-in capital. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50 percent of the total dividends.

Chapter 9 Supplementary Provisions

Article 37 The organizational rules of the Corporation shall be adopted separately by the Board of Directors.

Article 38 All matters not covered by these Articles of Incorporation shall be governed by the Company Act, the Securities and Exchange Act, and other applicable laws and regulations.

Article 39 These Articles of Incorporation were adopted on 13 April 1998. The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the twelfth on 25 June 2005; the thirteenth on 9 June 2006; the fourteenth on 16 August 2007; the

Appendix II

fifteenth on 3 June 2009; the sixteenth on 23 June 2010; the seventeenth on 22 June 2012; the eighteenth on 10 September 2015; the nineteenth on 18 March 2016; the twentieth on 24 May 2018; and took effect after approval at a regular shareholders' meeting.

Appendix III

Taiwan High Speed Rail Corporation Guidelines for Corporate Governance

1. General Principles

1-01 (Purpose)

These Guidelines are adopted to establish an optimal corporate governance system that protects shareholder rights and interests, strengthens the operations of the Board of Directors ("Board"), and fulfills social responsibilities of the Corporation.

1-02 (Legal bases)

The Corporation shall implement its corporate governance system in accordance with these Guidelines, except as otherwise provided by law or regulation or the Articles of Incorporation or otherwise resolved by a shareholders' meeting.

1-03 (Independent Directors)

The Corporation, as provided by the Articles of Incorporation, shall install Independent Directors to enhance the professionalism and objectivity of Board resolutions.

1-04 (Functional committees)

The Corporation shall establish under the Board a Corporate Governance & Nominating Committee, an Audit Committee, and a Remuneration Committee, to strengthen active participation by the Directors and to increase the effectiveness and quality of oversight and decision-making by the Board.

The Board may in due course establish other functional committees as appropriate to the ongoing operations of the corporate governance system.

1-05 (Shareholder disputes)

The Corporation shall appoint personnel exclusively dedicated to handling shareholder proposals or disputes.

1-06 (Provision of resources)

The Corporation shall provide the Board and the functional committees with the resources necessary to execute their duties, including the planning and allocation of budget, funding, human resources, and physical resources, and the hiring of outside experts.

Appendix III

1-07 (Fiduciary duty)

The Directors shall act in good faith, with loyalty, due diligence, and care, in accordance with laws and regulations, the Articles of Incorporation, these Guidelines, shareholders' meeting resolutions, and other relevant bylaws of the Corporation. If a Director breaches such duty, causing damages to the Corporation or infringing the rights or interests of any third party, the Director shall be held liable under the law.

1-08 (Liability insurance)

The Corporation may take out liability insurance for Directors and managerial officers during their term of office, with respect to their liability under the law for their actions in the exercise of their duties.

The content of liability insurance contracts under the preceding paragraph shall be resolved by the Board.

1-09 (Deleted)

2. Protecting the Rights and Interests of Shareholders

2-01 (Protecting Shareholders' Rights and Interests)

The Corporation's implementation of the corporate governance system shall protect the rights and interests of shareholders, treat all shareholders equitably, and seek to maximize the rights and interests of shareholders.

Shareholders, in accordance with the class of shares they hold, enjoy rights and bear obligations as set out in laws and regulations and the Articles of Incorporation. Shareholders holding the same class of shares shall enjoy equal rights and bear equal obligations.

2-02 (Shareholders' rights to be informed, participate, and vote)

The Board shall fully utilize all means and methods, including but not limited to contemporary information technology and equipment, to ensure that shareholders are able to fully enjoy their shareholder rights, such as the rights to be informed, participate, and vote.

2-03 (Shareholders' right to place proposals on the agenda)

When the Board calls the annual general shareholders' meeting, it shall give public notice of the place and time period for shareholders to submit proposals for

Appendix III

placement on the meeting agenda, as provided for by the Company Act and related laws and regulations.

Proposals submitted by shareholders under the preceding paragraph shall be specified in the meeting notice as subjects to be discussed at the general shareholders' meeting, unless there is a basis in law or regulation for not placing the proposal on the agenda.

Proposals raised by shareholders at a shareholders' meeting (including motions for amendment to a proposal or alternative proposals) shall meet the following requirements:

1. Comply with the procedures and requirements set out in laws and regulations, the Articles of Incorporation, and the Corporation's shareholders' meeting rules of procedure.
2. Address a specific issue and propose a concrete matter for resolution.

2-04 (Material financial and business transactions)

In entering into material financial and business transactions such as acquisition or disposal of assets, engaging in derivatives transactions, lending funds to others, and making endorsements or providing guarantees for others, the Corporation shall faithfully comply with applicable laws and regulations, shareholders' meeting resolutions, and relevant bylaws and rules of the Corporation, to protect the rights and interests of shareholders.

2-05 (Cumulative voting)

In the election of Directors at a shareholders' meeting, the number of votes exercisable in each share is equal to the number of Directors to be elected, with the total number of votes exercisable equally spread over the number of ballots equal to the number of Directors to be elected. A voter may cast all the voter's ballots for a single candidate or split them among multiple candidates. The numbers of non-independent Directors and independent Directors to be elected shall be calculated separately, and the candidates receiving a prevailing number of ballots in each group shall be elected, in accordance with the provisions of the Securities and Exchange Act and related laws and regulations and the Articles of Incorporation.

2-06 (Nomination and election of Directors)

The candidate nomination system shall be adopted for the election of the

Appendix III

Corporation's independent Directors and non-independent Directors. Shareholders shall elect the Directors from the slate of nominated candidates of which the Board gives public notice.

The nomination and review of the roster of candidates under the preceding paragraph shall be done in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines.

Elections of independent Directors and non-independent Directors shall be held together, with the numbers of Directors to be elected calculated separately for each group.

2-07 (Remuneration of Directors)

The remuneration paid to Directors for their services as Directors, including Board meeting attendance fees, salary and pay, and profit-sharing compensation paid to Directors as set out in the Articles of Incorporation, shall be discussed and determined by the Board separately for each Director, in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines, with consideration to the level of involvement and value of the contribution of each Director, and taking into reference the usual pay level in the industry domestically and abroad. Expenses incurred by Directors in the faithful execution of their duties, as well as injury suffered or debt incurred therefrom, shall be borne by the Corporation.

2-08 (Information Disclosure)

To encourage shareholders to actively participate in corporate governance, and ensure that they are able to be informed about the Corporation's finances, business, and other operational developments, the Corporation shall make timely, true, and complete disclosures of information in accordance with laws and regulations and these Guidelines, to strengthen information transparency.

3. The Board of Directors

3-01 (Size and composition of the Board)

As provided by the Articles of Incorporation, the Corporation's Board shall have not less than 9 and not more than 17 Directors, with the number to be determined by the Board of Directors.

Appendix III

When the Corporation is to hold elections, the Corporate Governance & Nominating Committee shall review the size of the Board under the preceding paragraph and its composition, with consideration to the Corporation's stage of development, the representativeness of shareholding ratios, the Board's current composition, and the social and economic environments domestically and abroad. If it deems any adjustment or amendment necessary, it shall make a timely recommendation to the Board.

3-02 (Duties and primary missions of the Board)

The Board is charged with making significant financial, business, and operational decisions of the Corporation and overseeing the performance of functions by management, and has the following primary missions:

1. Reviewing and deliberating the internal control system.
2. Reviewing and deliberating significant bylaws and rules.
3. Reviewing and deliberating the Corporation's significant financial plans, long-term and short-term goals, business plans, and budgets and final accounts.
4. Drawing up proposals for the distribution of profits and offsetting of losses and for increases or decreases in capital.
5. Reviewing and deliberating the setting up, closing down, or change of branches.
6. Reviewing and deliberating matters that may involve the personal interest of a Director.
7. Reviewing and deliberating material asset or derivatives transactions and material loans of funds or endorsements or guarantees.
8. Reviewing and deliberating any offering, issuance, or private placement of securities.
9. Reviewing and deliberating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).
10. Appointing, dismissing, and supervising senior managerial officers and the chief financial officer, chief accountant, and chief internal auditor.
11. Reviewing and deliberating any matter presented by the Chairman, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairman.
12. Supervising the Corporation's operating results and risks, and ensuring

Appendix III

compliance with relevant laws and regulations.

13. Planning directions for future development.

14. Enhancing the Corporation's image and fulfilling social responsibility.

15. Reviewing and deliberating other significant matters requiring resolution by the Board as provided by laws and regulations, the Articles of Incorporation, shareholders' meeting resolutions, these Guidelines, or other relevant bylaws of the Corporation.

3-03 (Rules of procedure for Board meetings)

The Corporation shall formulate rules of procedure for Board meetings, to govern key agenda content, procedures, matters to be recorded in the meeting minutes, public notices, and other matters for compliance.

The rules of procedure for Board meetings under the preceding paragraph, and any amendments to those rules, shall be drafted by the Corporate Governance & Nominating Committee and submitted for a resolution by the Board.

3-04 (Frequency of Board meetings)

Board meetings shall be held at least once every 2 months, and shall be called and chaired by the Chairman. However, the first meeting of each newly elected Board shall be called and chaired by the director that received votes representing the largest portion of voting rights.

3-05 (Audio recording of the entire proceedings)

When the Board or a committee meets, the entire proceedings shall be recorded and preserved by means of audio recording or another electronic medium.

3-06 (Meeting minutes)

When the Board or a committee meets, detailed and accurate minutes of the meeting shall be taken.

The minutes of a meeting of the Board or a committee must be signed or sealed by the meeting chair and the minutes taker.

The minutes of a Board or committee meeting are important documents of the Corporation, and shall be kept safe permanently during the life of the Corporation.

3-07 (Deleted)

Appendix III

3-08 (Secretariat Division under the Board)

A Secretariat Division is installed under the Board, and provides the Board and the functional committees with the necessary resources or assistance to execute their duties, to facilitate the smooth operation of the Corporation's corporate governance system.

The Secretariat Division has the following primary missions:

1. Administrative tasks

- (1) General administrative affairs relating to the calling of, notices for, holding of, and record-keeping for shareholders' meetings, Board meetings, and committee meetings.
- (2) Production and preservation of meeting documents, records, and other materials.
- (3) Liaison with management.

2. Information disclosure tasks

- (1) Assistance with deliberation, supervision, or processing relating to the planning and review of systems for liaison and interaction between the Corporation and shareholders, employees, consumers, stakeholders, and the general public.
- (2) Assistance with deliberation and supervision relating to the Corporation's information disclosure system.

3. Professional tasks

Allocating appropriate professional personnel to carry out the following matters:

- (1) Assisting the Board or committees with drawing up annual work plans and meeting agendas, and collecting, researching, analyzing, or providing related materials.
- (2) Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or committees, for reference by the Board or committees during deliberations.
- (3) Ensuring that the operations of the Corporation's shareholders' meeting, Board, and committees do not violate laws or regulations, the Articles of Incorporation, shareholders' meeting resolutions, and these Guidelines.
- (4) Assisting with the drafting of bylaws required for the corporate governance system.

3-09 (Proposal procedure (1))

Appendix III

Proposals that are required to be deliberated by the Board or a committee under these Guidelines shall be compiled and submitted by the Secretariat Division. The Secretariat Division shall assist the Board chair or the committee convener, after soliciting the opinions of the individual Directors or committee members, to determine the time and agenda for the meeting, and handle meeting notice matters.

3-10 (Proposal procedure (2))

For any proposal that should undergo preliminary deliberation by a committee, the Secretariat Division shall first submit the proposal to the committee for preliminary deliberation, and only after such preliminary deliberation may it submit the proposal to the Board.

To ensure that deliberation procedures proceed smoothly and efficiently, the Secretariat Division, for any proposal that should undergo preliminary deliberations by a committee, shall submit the proposal to the committee convener and ask the convener to convene the committee and deliberate the proposal at an appropriate time before the convening of the Board meeting.

If the committee convener fails to convene the committee to deliberate a proposal in accordance with these Guidelines, the Secretariat Division shall immediately inquire into the circumstances and reasons for the failure, and shall submit a report to the Board containing the management's proposal together with a statement of the reasons why the committee failed to convene and conduct preliminary deliberations in accordance with these Guidelines, and request the Board's further instructions.

3-11 (Research and Analysis by the Secretariat Division)

For proposals to be deliberated by the Board or a committee, the Secretariat Division may, at the request of the Board or the committee, submit research and analysis or solicit opinions from outside experts.

3-12 (Deliberation procedure)

After a committee has conducted preliminary deliberation of a proposal, the Secretariat Division shall submit the conclusions of the discussion together with the original proposal content to the Board for its deliberation. The committee convener or the convener's deputy shall report their deliberative opinion to the Board, so that the board can deliberate the proposal objectively and efficiently.

Appendix III

If any committee member in attendance holds a dissenting opinion, the committee convener may consider the reasons for the dissent and the impact on the Corporation, and decide at his or her discretion whether to additionally conduct preliminary deliberation of the dissenting opinion or submit it directly for a resolution by the Board.

If a proposal undergoing preliminary deliberation by a committee does not obtain assent of the majority of members in attendance, unless the Chairman instructs that the proposal shall directly be put to the Board for deliberation, the proposal may be returned to management for fresh study and discussion.

3-13 (Good faith reliance by the Board)

When the Board, in accordance with these Guidelines, deliberates proposals submitted by the committees and management, it shall rely in good faith on the truthfulness and completeness of the deliberations of the committee, the proposal by management, and the materials submitted by the committee and by management. Unless the Board knows or negligently fails to know other facts, the Board may confine its deliberations to the content and scope of the deliberative opinion of the committee, the proposal by management, and the materials submitted by them.

3-14 (Handling of Director dissent)

When the Board deliberates on the proposals listed below, if any Director expresses dissent, and the dissent is on record or stated in a written statement, the Corporation shall send the materials related to the Director's dissent to each Independent Director:

1. A proposal for adoption or amendment of the Corporation's Procedures for the Acquisition or Disposal of Assets, Operational Procedures for Endorsements and Guarantees, or Operational Procedures for Loaning Funds to Others.
2. A proposal for acquisition or disposal of assets that is required to be submitted for deliberation by the Board pursuant to the Corporation's Procedures for the Acquisition or Disposal of Assets or pursuant to law.
3. A proposal for adoption or amendment of the Corporation's internal control system or internal audit guidelines.
4. Any other proposal for which Director dissent materials are required to be sent to the Independent Directors pursuant to law or regulation or the Corporation's

Appendix III

bylaws.

3-15 (Director resignation)

If a Director resigns during the Director's term of office, the Director shall do so by written notice to the Board. The Corporate Governance & Nominating Committee shall immediately ascertain the circumstances and reasons for the Director's resignation, and assess its impact on the Corporation's overall operations, and report the same to the Board.

When a Director's engagement with the Corporation is terminated because of resignation, discharge, expiration of term, or any other reason, the Director shall continue to bear the duty of confidentiality with respect to all trade secrets of the Corporation known to the Director, after the termination of the engagement and until such time as the trade secret becomes public information.

3-16 (Deleted)

3-17 (Board meetings without the presence of managerial officers)

At least once every year, the Board shall hold a meeting from which any managerial officers and Directors who concurrently serve as managerial officers shall physically absent themselves or take leave, at which to discuss the Corporation's finances, business, and other operational condition.

3-18 (Division of duties)

Clear distinctions shall be drawn between the powers and duties of the Board and the management and between the powers and duties of the Chairman and the President.

The Corporate Governance & Nominating Committee shall produce, and submit to the Board, analysis and recommendations for the separation of powers and duties between the Board and the management and between the Chairman and the President referred to in the preceding paragraph.

3-19 (External auditor)

The Corporation's Board shall engage professional, responsible, and independent attesting CPAs as the external auditor, which shall perform regular reviews of the Corporation's financial reports.

3-20 (Legal counsel)

Appendix III

The Corporation shall engage a professional and competent lawyer as legal counsel, to provide adequate legal consultation services to the Board, the functional committees, and the management, and to assist them to develop and update their knowledge of laws and regulations and related developments in practice, to ensure that corporate governance matters proceed smoothly in accordance with the relevant legal framework and statutorily prescribed procedures.

When Directors or the management, in the course of performing their duties, become involved in litigation, or in a dispute with shareholders, the Corporation may retain legal counsel to provide assistance as necessary with respect to operations and management and to risk control.

3-21 (Briefings)

After the Directors take office, the Corporation shall arrange briefings to introduce matters related to the Corporation's finances, business, relevant laws, personnel, and other aspects of its operations and management.

4. Independent Directors

4-01 (Number)

The Corporation shall have independent Directors, whose number the Board of Directors is empowered to deliberate and determine, but in any event shall neither be less than two nor less than one-fifth of the number of Director seats.

4-02 (Independent Director qualifications)

Independent Directors of the Corporation shall meet statutory qualifications, and additionally, the candidates nominated by the Board shall possess a macro and international perspective and outstanding operational or management expertise, to meet the requirements of the Corporation's operations and development and to raise the Corporation's image and standing.

In addition to ensuring that candidates nominated for Independent Director meet the requirements of the preceding paragraph and the qualifications submitted by the Corporate Governance & Nominating Committee under Article 5-2-02 of these Guidelines and passed by a Board resolution, the Board when nominating candidates for Independent Director additionally shall thoroughly and carefully assess a candidate's suitability to serve as an Independent Director with consideration to the

Appendix III

following matters:

1. Whether there is any interest relationship, in terms of identity, property, finances, profession, occupation, or other economic stake, between the candidate or any related party thereof and the Corporation or any Director, managerial officer, employee, or other related party of the Corporation, that could affect the candidate's independence.
2. Based on consideration of the candidate's subjective willingness and on objective factors such as his or her identity, occupation, or concurrent occupations, whether the candidate would be able to fully participate on the Board and functional committees and focus on and devote his or her efforts to executing the duties of an Independent Director.

4-03 (Nomination of Independent Directors)

Independent Director candidates shall be nominated by shareholders and the Board in accordance with Article 2-06 of these Guidelines.

For nominations by the Board as referred to in the preceding paragraph, the Corporate Governance & Nominating Committee shall draft a recommended slate of candidates and submit it to the Board for deliberation. However, if the Corporate Governance & Nominating Committee is for some reason unable to assemble, or fails to submit a recommended slate of candidates within an adequate time before the Board deliberations, the Board may proceed directly to resolve to nominate candidates.

With respect to matters in connection with the recommending of Independent Director candidate nominees, the Corporate Governance & Nominating Committee, may, based on the current composition and structure of the Board, and making accommodations for the Corporation's subsequent development needs, adopt rules for the recommendation of Independent Director nominees, and submit them to the Board for deliberation.

If a Director is nominated or recommended as a candidate, the Director shall recuse himself or herself from drafting and deliberation of the slate of candidates, and may not participate in the deliberation and voting, neither in his or her own capacity, nor acting on behalf of another person.

Appendix III

4-04 (Review of Independent Director Qualifications)

When the Corporate Governance & Nominating Committee recommends Independent Directors, it shall first obtain the consent of each nominee, and then state its opinion on whether each nominee meets the qualifications and conditions set out in Article 4-02 of these Guidelines, and attach thereto each nominee's educational background, work experience, current occupation and any concurrent occupations, and submit the opinion and related documents to the Board for deliberation.

When a shareholder nominates an Independent Director, the shareholder shall duly submit the relevant documents in accordance with law. The Corporate Governance & Nominating Committee shall deliberate them and state its opinion on whether the nominee meets the statutory qualifications and conditions for an Independent Director, and submit the opinion and related documentation to the Board for deliberation.

Independent Director candidates that are recommended or nominated under the preceding two paragraphs and that pass deliberation by the Board shall be included in the slate of Independent Director candidates, which shall duly be publicly announced and submitted to the shareholders' meeting for election.

The Board may not refuse Independent Director nominations by shareholders, unless a nominee fails to meet statutory qualifications or conditions or there is some other statutory grounds for refusal.

4-05 (Term of Independent Directors)

Independent Directors shall serve the same term as the Directors, and may be re-elected to consecutive terms. However, in the case of an Independent Director who has served two or more consecutive terms the Corporate Governance & Nominating Committee shall report to the Board, and state whether it considered any alternative candidates when it prepared the slate of recommended candidates and its reasons for continuing to recommend the candidate's re-election.

4-06 (By-Elections to Fill Independent Director Vacancies)

When there is any vacancy in an Independent Director seat, such that the number of Independent Directors falls below the number originally elected, a by-election shall

Appendix III

be held at the next shareholders' meeting to fill the vacancy. In the event that the independent directors have all been dismissed, the Corporation shall convene a shareholders' meeting to hold a by-election to fill the vacancies within 60 days from the date on which the situation arose.

4-07 (Independent Director Participation in Deliberations)

When the Board or functional committees meet for deliberations, they shall give full consideration to the opinions of each Independent Director. If an Independent Director has expressed dissent or reservations, the Independent Director's specific opinion shall be recorded in the minutes of the Board or functional committee meeting.

For a proposal on which an Independent Director has expressed dissent, if the proposal is passed by the Board or the functional committee, the reasons for its passage shall be specified in the minutes of the Board or functional committee meeting.

5. Functional Committees

Section 1 General Provisions

5-1-01 (Establishment of committees)

The Corporation shall establish under the Board a Corporate Governance & Nominating Committee, Audit Committee, and Remuneration Committee, and may in due course establish other functional committees.

5-1-02 (Positioning of committees)

The functional committees are organs charged with conducting preliminary deliberations on matters before the matters are put to the Board.

The functional committees shall be accountable to the Board, and proposals deliberated by the committees shall be put to the Board for resolution, unless otherwise provided by these Guidelines or the related bylaws of the Corporation.

The functional committees are subordinate to the Board. Unless otherwise provided by these Guidelines, the committees may not externally issue any document or make any other expression of intent in their own names nor may they represent the Corporation or the Board to do so.

Appendix III

5-1-03 (Selection of committee members)

The Corporate Governance & Nominating Committee, after inquiring into the willingness of prospective committee members and considering the professional background of each prospective member, shall submit to the board proposals and recommendations for the members of each functional committee.

The selection of a member of any functional committee shall require the assent of a majority of the Directors present at a meeting attended by two-thirds or more of the Board.

Unless otherwise provided by law or regulation, the members of the functional committees shall be selected by the Board from among the Directors.

5-1-04 (Committee conveners)

Each functional committee shall have one convener, who shall be selected by and from among the members of the committee, and who shall handle the overall administration of meeting matters. However, for the Audit Committee and the Remuneration Committee, an Independent Director shall serve as convener.

5-1-05 (Rules of procedure)

The Corporation's rules of procedure for Board meetings shall apply mutatis mutandis to the convening, attendance, resolutions, minutes, and other matters of committee meetings.

5-1-06 (Committee duties)

Except as otherwise provided by law or regulation, the Articles of Incorporation, these Guidelines, or other basic bylaws of the Corporation, the procedures, content, and scope of the duties to be exercised by each functional committee shall be submitted by the Corporate Governance & Nominating Committee to the Board for adoption by resolution of the Board.

5-1-07 (Good faith reliance by the functional committees)

When a committee, in accordance with these Guidelines, deliberates proposals submitted by management, it shall rely in good faith on the professional opinions of management and the truthfulness and completeness of the assessments, judgments, and materials submitted by management. Unless the committee knows or negligently

Appendix III

fails to know of other facts, the scope of the committee's duty of review shall be confined to the content of the proposals and recommendations of management and the materials provided by management for review.

Section 2 Corporate Governance & Nominating Committee

5-2-01 (Corporate Governance & Nominating Committee members)

The Corporate Governance & Nominating Committee is composed of 5 to 7 members, at least 1 of whom shall be an Independent Director.

5-2-02 (Primary missions of the Corporate Governance & Nominating Committee)

The Corporate Governance & Nominating Committee has the following primary missions:

1. Formulating the qualifications for Independent Directors and the composition of the Board and the committees.
2. Nominating Independent Directors and non-Independent Directors.
3. Formulating and assessing slates of potential candidates for Independent Director and non-Independent Director seats.
4. Formulating and reviewing the execution of duties by all of the Directors.
5. Reviewing the status of information disclosures.
6. Drafting, amendment, and review of these Guidelines and important corporate governance bylaws and rules.
7. Planning and recommendations for the corporate governance system, and review of the effectiveness of its implementation.
8. Other duties as set out in the Articles of Incorporation, these Guidelines, or Board resolutions.

After the close of each fiscal year, the Corporate Governance & Nominating Committee shall report to the Board on its execution of duties.

Before the annual general meeting of shareholders each year, the Corporate Governance & Nominating Committee shall issue a report on the implementation of corporate governance by the Corporation, and the report, after review by the Board, shall be included in the Shareholders' Meeting Agenda Handbook.

5-2-03 (Functional subcommittees of the Corporate Governance & Nominating Committee)

For the execution of its duties in accordance with these Guidelines, the Corporate

Appendix III

Governance & Nominating Committee may establish subcommittees for purposes of handling corresponding duties and functions.

5-2-04 (Organizational charter)

For the execution of its duties in accordance with these Guidelines, the Corporate Governance & Nominating Committee may adopt an organizational charter, and implement it after submitting it the Board for passage by a resolution. The content of the organizational charter shall include at least the Corporate Governance & Nominating Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.

After the close of each fiscal year, the Corporate Governance & Nominating Committee shall review the organizational charter of the preceding paragraph.

5-2-05 (Submitting a recommended slate of Director candidates)

The Corporate Governance and Nominating Committee shall follow the provisions of Articles 2-06, 4-03, and 4-04 of these Guidelines to carry out the recommendation and review of Independent Director candidates.

The provisions of the preceding paragraph shall apply mutatis mutandis to the recommendation and review of candidates for non-Independent Directors of the Corporation.

5-2-06 (Performance evaluation)

After the close of each fiscal year, the Corporate Governance & Nominating Committee shall submit an evaluation and recommendations with respect to the execution of duties by all of the Board and the functional committees, and submit it to the Board for review.

5-2-07 (Deleted)

5-2-08 (Reporting on any changes in the identity of the Independent Directors)

If there is any change in an Independent Director's occupation, identity/status, or shareholding, or something else occurs that could cause the person to no longer meet the qualifications and conditions for Independent Director as set out in these Guidelines, that Independent Director shall immediately report to the Corporate Governance & Nominating Committee.

Appendix III

Section 3 Audit Committee

5-3-01 (Audit Committee members)

The Audit Committee shall be composed of all the Independent Directors. It may not be fewer than three persons, one of whom shall be convener. Its members shall be free of any circumstance set out in Article 4-02, paragraph 2, subparagraph 1 of these Guidelines.

5-3-02 (Restrictions on Audit Committee members)

An Audit Committee member concurrently serving in a position comparable to audit committee member at any other public company, in principle may not do so at more than two such companies.

An Audit Committee convener concurrently serving in a position comparable to audit committee convener at any other public company, in principle may not do so at more than one such company.

5-3-03 (Primary missions of the Audit Committee)

The Audit Committee has the following primary missions:

1. Adopting or amending the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Evaluating the effectiveness of the Corporation's internal control system.
3. Adopting or amending the procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.
4. Reviewing matters that may involve the personal interest of a Director.
5. Reviewing material asset and derivatives transactions.
6. Reviewing material loans of funds or endorsements or guarantees.
7. Reviewing the public offering and issuance of securities or private placement of equity securities.
8. Evaluating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).
9. Evaluating the appointment and dismissal the Corporation's chief financial officer, chief accountant, or chief internal auditor and of their performance of their work.

Appendix III

10. Reviewing the Annual and semi-annual financial reports.
11. Reviewing the Q1 and Q3 quarterly financial reports.
12. Reviewing the Corporation's accounting system and financial condition.
13. Evaluation of the Corporation's risk management policies and risk measurement standards.
14. Reviewing the procedures for material financial and operational acts.
15. Evaluating, examining, and monitoring existing or potential risks to the Corporation of any kind.
16. Examining the Corporation's compliance with laws, regulations, and rules.
17. Other material matters as provided by the competent authority.
18. Other duties pursuant to the Articles of Incorporation or Board resolutions.

After the close of each fiscal year, the Audit Committee shall report to the Board on its execution of duties.

With respect to proposals relating to matters listed in the subparagraphs of paragraph 1, the Board shall give full consideration to the opinions of the Audit Committee. If the Audit Committee has expressed dissent or reservations about a proposal, and the proposal is nevertheless passed by the Board, the reasons for its passage shall be specified in the Board meeting minutes.

5-3-04 (Organizational charter)

For the execution of its duties in accordance with these Guidelines, the Audit Committee may adopt an organizational charter, and implement it after submitting the charter, and likewise any amendments thereto, to the Board for passage by a resolution.

The content of the organizational charter shall include at least the Audit Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.

After the close of each fiscal year, the Audit Committee shall review the organizational charter of the preceding paragraph.

Powers conferred by the Securities and Exchange Act, the Company Act, or any other law, that are to be exercised by supervisors, except those powers set out in Article 14-4, paragraph 4, of the Securities and Exchange Act, shall be exercised by the

Appendix III

Audit Committee.

The provisions of Article 14-4, paragraph 4, of the Securities and Exchange Act regarding provisions of the Company Act involving acts done by supervisors or the role of supervisors as representatives of the Corporation, shall apply mutatis mutandis to the Independent Director members of the audit committee.

5-3-05 (Internal audit report)

The Corporation's internal auditors shall be detached, independent, objective, and impartial, in faithfully executing their audit duties, and shall, after having presented the audit and follow-up reports to their departmental superiors for approval, deliver them to the Audit Committee.

If an internal auditor discovers any material violation or any likelihood of material damage to the Corporation, the auditor shall immediately prepare and present a report to their departmental superiors for approval, and then notify the Audit Committee.

5-3-06 (Evaluation of the attesting CPAs (external auditor))

After the close of each fiscal year, the Audit Committee shall evaluate the professionalism and independence of the external auditor, and the reasonableness of the remuneration paid for its engagement, and report to the Board.

If the Corporation engages the same external auditor for numerous years without replacement, or if the external auditor is subject to disciplinary action or another circumstance prejudicial to its independence, the Audit Committee shall consider the necessity of replacing the external auditor, and submit its conclusion to the board of directors.

To avoid prejudicing the objectiveness and independence of the external auditor, if the external auditor is to be engaged to perform to engage any type of service other than auditing and attestation of the financial reports, including without limitation any tax-related services, on-site audits related to investment or mergers/acquisitions, or other customized services or consulting services, unless otherwise resolved by the Board, the proposed engagement for any such non-audit services shall be submitted for approval by the Audit Committee in advance.

5-3-07 (Meetings)

Appendix III

The Audit Committee shall convene at least once quarterly, and may call a meeting at its discretion whenever necessary.

5-3-08 (Meetings with management, internal auditors, and the external auditor)

The Audit Committee shall regularly meet with management, the internal auditors, and the attesting CPAs (external auditor), to review the Corporation's annual audit plan, examine the Corporation's financial reports, and gain an understanding of the financial condition of the Corporation.

5-3-09 (Establishing channels and procedures for making and handling of complaints)

The Audit Committee shall task management with establishing complaint mechanisms and handling procedures for complaints related to the accounting and internal control systems, financial auditing and corporate auditing, and compliance with laws and regulations, which shall include channels for receiving and processing complaints and measures for the confidentiality and protection of persons making complaints.

Section 4 Remuneration Committee

5-4-01 (Remuneration Committee members)

The Remuneration Committee is composed of 3 to 5 members. Its members shall be free of any circumstance set out in Article 4-02, paragraph 2, subparagraph 1 of these Guidelines, and at least one of the members shall be an Independent Director.

5-4-02 (Primary missions of the Remuneration Committee)

The Remuneration Committee has the following primary missions:

1. Prescribe and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors and managerial officers.

After the close of each fiscal year, the Remuneration Committee shall report to the Board on its execution of duties.

If the Board's resolution on any proposal listed in the subparagraphs of paragraph 1 surpasses the recommendations of the Remuneration Committee, the Board shall specify the differences and the reasons in the Board meeting minutes.

5-4-03 (Principles for the exercise of powers of the Remuneration Committee)

Appendix III

When the Remuneration Committee performs its official powers, it shall follow the principles listed below:

1. It shall ensure that the performance evaluation and remuneration of Directors and managerial officers are geared toward productivity and incentivization and take into reference the typical pay levels adopted by peer companies, and give consideration to the reasonableness of the correlation with individual performance, the Corporation's business performance, and future risk exposure.
2. It may not give an incentive for the Directors or managerial officers to engage in remuneration-pursuing activity exceeding the risks that the Corporation can tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the Corporation's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

5-4-04 (Organizational charter)

For the execution of its duties in accordance with these Guidelines, the Remuneration Committee may adopt rules for the exercise of its powers or an organizational charter, and implement them after submitting them, and likewise any amendments thereto, to the Board for passage by a resolution.

The content of the rules for the exercise of powers or organizational charter under the preceding paragraph shall include at least the Remuneration Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.

After the close of each fiscal year, the Remuneration Committee shall review the rules for the exercise of powers or organizational charter of paragraph 1.

5-4-05 (Meetings)

The Remuneration Committee shall meet at least twice each year.

6. (Deleted)

6-01 (Deleted)

6-02 (Deleted)

6-03 (Deleted)

Appendix III

6-04 (Deleted)

6-05 (Deleted)

6-06 (Deleted)

6-07 (Deleted)

6-08 (Deleted)

6-09 (Deleted)

6-10 (Deleted)

6-11 (Deleted)

6-12 (Deleted)

6-13 (Deleted)

6-14 (Deleted)

6-15 (Deleted)

7. Management

7-01 (Deleted)

7-02 (Reports by the President)

The President shall, in accordance with laws and regulations, the Articles of Incorporation, shareholders' meeting resolutions, or Board resolutions, report to the Board on the Corporation's finances, business, and operations, and report to the Board on future operational and development plans.

7-03 (Reports by managerial officers)

Except as otherwise provided by these Guidelines or otherwise resolved by the Board, the President and the managerial officers of relevant divisions shall attend Board meetings as non-voting participants to report to the Board or to respond to inquiries on the Corporation's finances, business, and operations, to assist the Directors to ascertain the current status of the Corporation and make appropriate resolutions.

The provisions of the preceding paragraph shall apply mutatis mutandis when a committee notifies management to attend committee meetings as non-voting participants.

Appendix III

7-04 (Preparation of materials and obligation of disclosure)

Except for matters involving secrets of the Corporation, for which the management may be exempted from the requirement to prepare and issue materials in hard copy, when the Board or the committees meet, management shall prepare materials relating to the proposals to be discussed at the meeting and make them available, before or at the time of the meeting, for reading by the Corporation, the Board, or the committee, or a request may be made for management to appear and present, or make available, necessary explanations at the meeting.

7-05 (Queries or explanations and reports)

In the exercise of their powers, Directors may, after the Chairman or the committee convener has notified the Secretariat Division, make requests to refer to and read relevant materials at any time, and may request management to give explanations or reports.

7-06 (Management's duty of care)

When management prepares any proposal that is to be deliberated by the Board or committees pursuant to these Guidelines, it shall, based on objective and professional due diligence and care and subjective good faith conviction, and after thorough and prudent evaluation, submit concrete and specific recommendations, and specify the method and basis of the evaluation, the reasons for the recommendations, and other matters meriting attention. If the content of a proposal involves any economic interest connected with a major shareholder, Director, member of management, or departmental employee, or a family member of any of the above, or any other stakeholder, the specifics thereof shall be stated along with the proposal.

"Objective and professional due diligence and care" in the preceding paragraph includes without limitation exerting the utmost professional ability to prudently evaluate and confirm that the content of the proposal and recommendations are legal, appropriate, necessary, feasible, and consistent with the rights and interests of the Corporation and the shareholders. If there is any involvement of any economic interest connected with any stakeholder under the preceding paragraph, management shall furthermore evaluate and confirm that there is no conflict of interest with, or other circumstance prejudicial to, the rights and interests of the Corporation and

Appendix III

shareholders.

"Subjective good faith conviction" in paragraph 1 means the conviction, based solely on concern for the rights and interests of the Corporation and the shareholders, that the content of the proposal and recommendations are consistent with the duty of due diligence and care under the preceding paragraph, and the willingness to take responsibility for the content of the proposal and the results of its execution, and not to look to the deliberations and resolutions by the Board or committee as a release from responsibility. This shall not apply, however, where the Board or committee's deliberation or resolution differs from the content proposed or recommended by management and management does not express support and affirmation on the spot.

8 Prevention of Conflict of Interest

8-01 (Definition of related parties)

The Corporation shall adopt rules for handling related party transactions.

The definitions of related parties and transactions referred to in the preceding paragraph shall be as set out in the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and shall be expressly set out in the rules under the preceding paragraph.

When judging whether a counterparty to a transaction is a related party, consideration shall be given to the actual substance as well as the legal form of the relationship.

8-02 (Clear identification of relationships between related parties)

The Corporation shall clearly identify the division of authority and responsibility between it and its related parties with respect to management of personnel, assets, and financial matters.

The Corporation shall establish sound systems for the management of finances, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, conduct an overall risk assessment of major banks, customers, and suppliers dealt with, and establish appropriate control mechanisms and firewalls to reduce risk.

8-03 (Managerial officers may not concurrently serve at related parties)

Unless otherwise provided by law or regulation, a managerial officer of the

Appendix III

Corporation may not concurrently serve as a managerial officer of a related party.

8-04 (Non-competition by Directors)

A director who intends to engage in any conduct, for himself/herself/itself or on behalf of another person, that is within the scope of the Corporation's operations shall explain the major content of the conduct to the shareholders' meeting and obtain its permission.

8-05 (Deliberation of related party transactions)

Transactions between the Corporation and related parties shall be deliberated by the Audit Committee under the rules adopted pursuant to Article 8-01, paragraph 1 of these Guidelines.

8-06 (Related party transactions shall comply with relevant laws and regulations and official interpretations)

The Corporation's transactions with related parties shall comply with relevant laws and regulations including the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, Regulations Governing Establishment of Internal Control Systems by Public Companies, and with interpretations issued by the competent authorities, the Articles of Incorporation, and these Guidelines.

8-07 (Principles for related party transactions)

The Corporation's transactions with related parties shall be based on the principles of fairness and reasonableness, so as to prevent non arm's-length transactions and tunneling of interests.

8-08 (Obligations of a government or juristic person shareholder with controlling power and management's reporting obligations)

A government or juristic person shareholder having controlling power over the Corporation, and any representative it appoints to serve as a Director, may not directly or indirectly do any of the following:

1. Cause the Corporation to conduct any operations that are not at arm's length or otherwise involve illegal interests.
2. Improperly intervene in the Corporation's decision-making or obstruct operational

Appendix III

activities.

3. Restrict or impede the Corporation's production management through unfair competitive practices such as monopolizing procurement or closing off sales channels.

If the management learns of a circumstance under any of the subparagraphs of the preceding paragraph, it shall promptly report to the Board or the Audit Committee, and the Board or Audit Committee shall take appropriate measures.

8-09 (Director obligations and recusal)

Where a government or juristic person shareholder or its representative is elected as a Director, the government or juristic person shareholder shall ensure that its appointed representative shall fulfill its duty of loyalty, duty of due diligence and care, and duty of confidentiality, to the Corporation.

When an item on the agenda of a Board meeting concerns a personal interest of a Director, or an interest of a Government or juristic person represented by the Director, if there is any likelihood of prejudice to the interest of the Corporation, the Director shall physically absent and recuse himself or herself, and may not participate in the discussion and the voting, and also may not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director.

Under any of the following circumstances with respect to any meeting agenda item, a Director should refrain from being present for discussion and voting on the item by the Board or the relevant committee, and also should not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director:

1. There is a substantive interest relationship with an affiliated enterprise or related party of the Director or the Director's representative, such that there is a likelihood of prejudicing the interest of the Corporation.
2. The circumstance of the preceding subparagraph exists with respect to an affiliated enterprise or related party of the government or juristic person shareholder represented by the Director.
3. Any other circumstance in which the Board deems recusal necessary based on

Appendix III

considerations of avoidance of conflicts of interest

If a Director does not recuse himself or herself under the preceding two paragraphs, the non-recusal shall be specified in the Board minutes, and may be disclosed on the Corporation's website or other appropriate place.

8-10 (Major shareholders with controlling power)

The Corporation shall keep an accurate list of major shareholders, and ascertain their ultimate controllers, for reference in identifying interested parties.

"Major shareholder" in the preceding paragraph means a shareholder who owns 5 percent or more of the equity shares or whose equity shareholding ratio is among the top 10 shareholders.

8-11 (Mutatis mutandis application where necessary to prevent conflicts of interest)

With respect to transactions between the Corporation and non-related parties, where necessary to prevent a conflict of interest, the provisions of this Chapter shall apply mutatis mutandis.

9. Respecting the Rights and Interests of Stakeholders

9-01 (Protecting stakeholders' rights and interests)

The Corporation shall maintain open channels of communication with government agencies, banks and other creditors, employees, suppliers, contractors, community, or other stakeholders of the Corporation, and respect and safeguard their legal rights and interests. When a stakeholder's legal rights or interests are harmed, the Corporation shall handle the matter in a proper manner and in good faith.

9-02 (Providing information)

The Corporation shall provide sufficient, true, and complete information to banks and other creditors to facilitate their evaluation of the operational and financial condition of the Corporation.

9-03 (Employee relations)

The Corporation shall strive to provide a safe and healthy work environment, establish good channels of communication with employees, and encourage employees to communicate directly with the management and Directors, so as to adequately reflect employees' opinions about the management and financial condition

Appendix III

of the Corporation, or about matters that bear on the rights and interests of employees.

9-04 (Social responsibility)

The Corporation shall devote attention to public policy, economic development, consumer rights and interests, community concerns, environmental protection and sanitation, public safety, and other public interest issues, to raise the Corporation's image, and to faithfully fulfill its social responsibilities.

9-05 (Code of conduct)

The Corporation shall adopt a Code of Ethical Conduct, to guide all of its employees in complying with laws and regulations, upholding the rights and interests of the Corporation and its shareholders, and faithfully fulfilling social responsibilities.

The Corporation's management shall supervise and ensure that employees comply with the Code of Conduct under the preceding paragraph.

The Corporation shall see to it that its contractors, firms it does business with, counterparties to trades, or stakeholders, know and jointly put into practice the Code of Ethical Conduct under paragraph 1.

If any personnel of the Corporation discover any violation or substantial likelihood of violation of the Code of Ethical Conduct, the personnel shall file a complaint by the complaint mechanism set out in Article 5-3-09 of these Guidelines.

10. Enhancing Information Disclosure

10-01 (Purpose and principles for information disclosures)

The Corporation shall carry out information disclosures in accordance with relevant laws and regulations and these Guidelines, adhering to the principles of timely, accurate, and complete public disclosure, so that all shareholders and stakeholders are kept timely and fully informed of relevant information of the Corporation and can easily obtain such information, in order to put corporate governance into practice and protect the rights and interests of investors.

10-02 (Adoption of information disclosure rules)

The Corporation shall adopt information disclosure rules, specifying the information to be disclosed, the timing, methods, and procedures for disclosure, the responsible

Appendix III

units, the spokesperson system, and the methods and policies for holding investor conferences and press conferences.

10-03 (Deleted)

10-04 (Deleted)

10-05 (Deleted)

10-06 (Deleted)

10-07 (Deleted)

11. Supplementary Provisions

11-01 (Interpretation)

The interpretation and practical implementation of these Guidelines shall seek the substantial spirit of corporate governance rather than paying excessive attention to literal wording. If any question arises, the Corporate Governance & Nominating Committee shall present it to the Board for deliberation and settlement.

11-02 (Adoption, amendment, repeal)

These Guidelines, and any amendments hereto, shall take force after they have been submitted to the Board by the Corporate Governance & Nominating Committee, passed by the Board, and submitted to and approved by a shareholders' meeting.

Appendix IV

Taiwan High Speed Rail Corporation

Procedures for the Acquisition or Disposal of Assets

1.0 Purpose

These Procedures are adopted to protect investment through acquisition or disposal of assets at fair prices, to effect public disclosure of information, to define asset acquisition and disposal procedures, and to avoid asset waste and malpractices.

2.0 Scope

The term "assets" in these Procedures shall apply to the following:

- a) Investments such as stocks, government bonds, corporate bonds, financial bonds, securities representing funds, depositary receipts, call (or put) warrants, beneficial interest securities, and asset-backed securities.
- b) Real property (including land, buildings, and structures, investment real property, and land use rights) and equipment.
- c) Membership certificates.
- d) Intangible assets such as patents, copyrights, trademark rights, and concession rights.
- e) Derivatives.
- f) Other material assets.

3.0 Applicable documentation

- a) Article 36-1 of the Securities and Exchange Act.
- b) Article 41 of the Securities and Exchange Act.
- c) Article 218 of the Company Act.
- d) The Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Financial Supervisory Commission.
- e) The Corporation's Operational Directions for Short-term Investments (THSRC-BE3-000-001).
- f) The Corporation's Procedures for the Handling of Derivative Transactions (THSRC-BE2-000-006).
- g) The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).

Appendix IV

- h) The Corporation's Operational Procedures for Transactions with Group Enterprises, Specified Companies, and Related Parties (THSRC-BQ2-000-004).
- i) Article 42 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects.
- j) Article 22 of the Enforcement Rules of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects.
- k) The Taiwan North-South High Speed Rail Construction and Operation Agreement signed between the Corporation and the Ministry of Transportation and Communications (MOTC) (the "Construction and Operation Agreement").
- l) The Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).
- m) The Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Authority.

4.0 Definitions

a) Derivatives

Means forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from products based on assets, interest rates, foreign exchange rates, indices, or other interests, and compound contracts combining any of the aforesaid products. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase or sales agreements.

b) Related party

Shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

c) Subsidiary

Shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

d) Professional appraiser

Means a certified real property appraiser or other person duly authorized by law to engage in the value appraisal of real property and equipment.

e) Date of occurrence

With respect to a transaction, means the earliest of the date of signing of transaction

Appendix IV

contract, date of payment, date of order execution, date of transfer, date of Board of Directors ("Board") resolution, or other date from which the transaction counterparty and transaction amount can be determined, or, if the transaction is an investment requiring the approval of the competent authority, the earliest of the aforesaid dates or the date of receiving approval from the competent authority.

f) Total assets

The total assets stated in the latest parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

5.0 Authorities and responsibilities

- a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Procedures.
- b) These Procedures, and any amendments hereto, shall be implemented after adoption at a shareholders' meeting.
- c) All units and personnel involved in the execution of operations related to acquisition or disposal of assets shall comply with the provisions of these Procedures.

6.0 Operational procedures and descriptions

6.1 Assessment of transaction terms and execution operations

6.1.1 Long-term investments

- a) The investment department shall, on a case-by-case basis, measure the operational risks of or associated with the investee entity based on the financial structure, asset and liability status, operational ability, internal and external environment, profitability, investment recovery period, and other relevant matters, and submit an investment proposal containing a feasibility assessment and specifying a proposed investment amount to and obtain approval from an officer having the corporate decision-making authority over the investment disbursement. It shall then submit the proposal to the Board for approval and then to the MOTC and proceed accordingly after approval.
- b) For a case involving a long-term investment not accounted for using the cost method, in addition to the assessment indicated above, the investment department

Appendix IV

shall also submit a return-on-investment analysis or financial forecasts for the recovery period to serve as a basis for measuring the impact of the investment on the Corporation's future development.

- c) Create and maintain a Schedule of Investments specifying relevant information such as the acquisition date, face value, acquisition cost, and payment date(s).
- d) Periodically track whether the returns on investment reach the assessment standards and conduct feasibility analysis on continuous holding or disposal of equity.

6.1.2 Short-term investments

- a) The main purpose of short-term investment is to generate profits from short-term extra funds. Therefore, investment securities must be both marketable and readily available for sale. Emphasis shall be put first on liquidity and then on profitability. Short-term investments have 2 features:
 - i) There is an open market on which the investments can be readily sold and liquidated, without having to pay substantial sale expenses or incur losses arising from the need to cut price to make a sale.
 - ii) The purpose of the investment is not to control the investee company or establish a business relationship with the investee company.
- b) The investment department shall collect and summarize information regarding the economic conditions of the market, capital, and market forecasts, propose an assessment report based on such information, and then submit the proposal to the accountable officer having the corporate decision-making authority over the investment to make a decision.
- c) Additionally, relevant investment risk assessments shall be made in accordance with the Corporation's Operational Directions for Short-term Investments (THSRC-BE3-000-001).
- d) Investment assessment principles:
 - i) For investment in a company listed on a stock exchange or listed on an over-the-counter market, assess financial structure, profitability, and future development potential.
 - ii) For investment in corporate bonds, convertible bonds, or likewise, assess the matters indicated above, with a particular emphasis on repayment ability, and only consider secured bonds.

Appendix IV

- iii) For investment in funds or likewise, assess operational performance and investment safety.
- iv) For investment in government bonds, bills, or likewise, assess market capital conditions to determine the investment period.
- e) Provide a monthly balance and profit and loss statement of short-term investments for reference by decision makers.
- f) Short-term investments may be disposed of only after the investment department has made an assessment and submitted a completed application form or special internal approval request form, together with a performance assessment report stating the reason for disposal, method of disposal, and other relevant information, to and obtained approval from the accountable officer having the corporate decision-making authority over the subject matter.

6.1.3 Real property

When assessing a real property investment, the investment department shall conduct a market survey, profit analysis, investment recovery period analysis, and other relevant analyses. It shall then submit the results to the officer having the corporate decision-making authority over the investment for approval, and then to the Board for approval.

6.1.4 Equipment

- a) A department requesting to make a purchase for equipment it needs must accurately fill out a purchase request form, obtain approval from the accountable officer having the corporate decision-making authority over the subject matter, and then submit the purchase request to the procurement department.
- b) The procurement department shall carry out the price enquiry, comparison, and negotiation procedures in accordance with applicable requirements.
- c) The purchased equipment shall be inspected and accepted jointly with the purchase requesting department and then handed over to the purchase requesting unit.
- d) After inspection and acceptance, the purchase requesting department shall fill out a disbursement voucher and a new asset entry list, and submit them, together with supporting source documents, to the accountable officer for approval and then to the accounting department for posting of entries.

Appendix IV

6.1.5 Membership certificates or intangible assets

Assessment of transaction terms and execution operations for acquisition or disposal of membership certificates or intangible assets shall be carried out in accordance with applicable government laws and regulations and relevant signed contracts.

6.1.6 Derivatives

Assessment of transaction terms and execution operations for acquisition or disposal of derivatives shall be carried out in accordance with the Corporation's Procedures for the Handling of Derivative Transactions (THSRC-BE2-000-006).

6.1.7 Other material assets

Assessment of transaction terms and executive operations for acquisition or disposal of material assets other than those indicated above shall be carried out in accordance with the Corporation's relevant operational rules and applicable government laws and regulations according to the type of the material assets.

6.2 Decision procedures for transaction terms

For acquisition or disposal of assets, the Corporation shall, according to asset type and in accordance with the following requirements, respectively engage an objective, impartial, detached, and independent expert to issue a report, wherein the engaged professional appraiser and its appraiser's officers, certified public accountant (CPA), lawyer, or securities underwriter may not be a related party of any party to the transaction, and the professional appraiser and appraiser's officers must never have been sentenced for a crime by a final and conclusive court judgment or received a criminal sentence.

If the Corporation is required by these Procedures to obtain appraisal reports from two or more professional appraisers, no related party relationship may exist between the respective professional appraisers and/or appraiser's officers.

6.2.1 Real property or other fixed assets

When the Corporation acquires or disposes of real property or equipment, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, then unless the transaction is made in accordance with the Construction and Operation Agreement, or unless the transaction is made with a government agency or involves commissioned construction on self-owned land,

Appendix IV

commissioned construction on rented land, or acquisition or disposal of equipment for business use, the Corporation shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the following requirements:

- a) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall first be submitted for approval by resolution of the Board. The same procedure shall also be followed for any future changes to the transaction terms.
- b) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.
- c) Where any of the following circumstances exists with respect to the results of a professional appraisal, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to proceed in accordance with Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (ARDF) and issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - i) The discrepancy between an appraisal result and the transaction amount reaches 20 percent or more of the transaction amount.
 - ii) The discrepancy between the results of 2 or more professional appraisals reaches 10 percent or more of the transaction amount.
- d) The interval between the date of a professional appraisal report and the date of the transaction contract may not exceed 3 months. However, if the announced current value for the same period is used and the interval does not exceed 6 months, an opinion from the original professional appraiser may be used.

6.2.2 Securities

When acquiring or disposing of equity securities, the Corporation shall, prior to the date of occurrence of the event, obtain the latest financial statements of the issuing company attested or reviewed by a CPA, for reference in assessing the transaction price. If the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the securities are publicly quoted in

Appendix IV

an active market or unless otherwise prescribed by the competent authority, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert, the CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.

6.2.3 Membership certificates or intangible assets

When the Corporation acquires or disposes of membership certificates or intangible assets, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. The CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.

6.2.4 When the Corporation acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

6.3 Decision-making authority

6.3.1 For acquisition or disposal of assets, the hierarchy of decision-making authority and the discretionary amount within the authority shall be determined in accordance with the Corporation's relevant operational rules.

6.3.2 In any acquisition or disposal of assets that requires the approval of the Board pursuant to these Procedures or other provisions of law, during discussions at a Board meeting, the opinions of each Director shall be given full consideration. 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 all Supervisors.

If the Corporation has established the position of Independent Director in accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any

Appendix IV

independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.

If the Corporation has set up an audit committee in accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the Board.

If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.

The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.

6.4 Public announcement and reporting operations

6.4.1 Public announcement and reporting standards

When the Corporation acquires or disposes of assets, if any of the following circumstances exists, it shall publicly announce and report relevant information, according to the type of acquisition or disposal, on the competent authority's designated website in the appropriate format prescribed by regulations within 2 days from the date of occurrence of the event:

- a) Any acquisition or disposal of real property from or to a related party, or any acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, provided that this shall not apply to trading of government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds.
- b) Any change, termination, or rescission of a contract signed in connection with an originally announced and reported transaction.
- c) Any change to any originally announced and reported information.

Appendix IV

d) Any asset transaction or disposal of claims or receivables other than those indicated in a) to c) above where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, provided that this shall not apply to the following transactions:

i) Trading of government bonds.

ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds.

iii) The acquired or disposed assets are equipment for business use where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more.

iv) Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction amount does not reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).

6.4.2 The "transaction amount" shall be calculated as follows:

a) As the amount of any individual transaction.

b) As the cumulative transaction amount of acquisitions or disposals of the same type of assets with the same transaction counterparty within 1 year.

c) As the cumulative transaction amount of real property acquisitions or disposals (the cumulative amounts to be calculated separately for acquisitions and disposals) in the same development project within 1 year.

d) As the cumulative transaction amount of acquisitions or disposals (the cumulative amount to be calculated separately for acquisitions and disposals) of the same securities within 1 year.

6.4.3 The expression "within 1 year" referred to in the preceding subparagraph means a preceding period of 1 year calculated from the date of occurrence of the current transaction. Items already duly publicly announced in accordance with these Procedures need not be counted toward the transaction amount.

6.4.4 When an item that the Corporation is required to publicly announce and has publicly

Appendix IV

announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their entirety.

6.4.5 Retention period for public announcement and reporting materials

The Corporation shall keep at its headquarters all contracts, meeting minutes, the log book, appraisal reports, and opinions from CPAs, lawyers, or securities underwriters relevant to its acquisition or disposal of assets, to be retained for at least 5 years unless otherwise provided by law.

6.4.6 Public announcement and reporting of subsidiaries

a) The Corporation shall publicly announce and report on behalf of any of its subsidiaries that is not a domestic public company, any acquisition or disposal of assets by the subsidiary that reaches any public announcement and reporting standard set out in these Procedures.

b) The public announcement and reporting standard applicable to a subsidiary with respect to reaching "20 percent or more of the Corporation's paid-in capital" or "10 percent or more of the Corporation's total assets" shall be based on the paid-in capital or total assets of the Corporation itself.

6.4.7 Public announcement and reporting procedure

Any public announcement or reporting that the Corporation is required to make with respect to its acquisition or disposal of assets shall be made pursuant to the public announcement format requirements and appraisal report content requirements prescribed by the competent authority and in accordance with the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).

6.5 Limits on asset acquisitions

6.5.1 The total amount of real property acquired by the Corporation for non-business use may not exceed one-fourth of the Corporation's equity.

6.5.2 The amount of an individual security acquired by the Corporation may not exceed one-fourth of the Corporation's equity, and the total amount of securities acquired may

Appendix IV

not exceed the Corporation's equity.

6.6 Related party transactions

6.6.1 When the Corporation acquires or disposes of assets from or to a related party, it shall carry out the relevant decision/resolution procedures, assessment of the reasonableness of the transaction terms, and other relevant matters in accordance with 6.2 and 6.6. In judging whether a transaction counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form. If the transaction amount reaches 10 percent or more of the Corporation's total assets, the Corporation shall also obtain an appraisal report(s) from a professional appraiser(s) or a CPA's opinion in accordance with 6.2.1 to 6.2.3.

For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2 and 6.4.3, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction. Items for which an appraisal report(s) from a professional appraiser(s) or a CPA's opinion has been obtained in accordance with these Procedures need not be counted toward the transaction amount.

6.6.2 When the Corporation acquires or disposes of real property from or to a related party, or when it acquires or disposes of equipment other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by the Board and recognized by the Supervisors:

- a) The purpose, necessity, and anticipated returns of the acquisition or disposal of assets.
- b) The reason for choosing the related party as the transaction counterparty.

Appendix IV

- c) In the case of acquiring real property from a related party, information regarding assessment of the reasonableness of the proposed transaction terms in accordance with 6.6.3, 6.6.4, and 6.6.7.
- d) The date and price at which the related party originally acquired the asset, the original transaction counterparty, that transaction counterparty's relationship to the Corporation and the related party, and other relevant matters.
- e) Monthly forecast report of cash receipts and expenditures for the year commencing from the anticipated month of signing the contract and an assessment of the necessity of the transaction and the reasonableness of funds utilization.
- f) An appraisal report(s) from a professional appraiser(s) or a CPA's opinion obtained in accordance with 6.6.1.
- g) Any restrictive conditions or other material covenants with respect to the current transaction.

For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by the Board and recognized by the Supervisors in accordance with these Procedures need not be counted toward the transaction amount.

For acquisition or disposal of equipment for business use between the Corporation and any of its subsidiaries, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.

If the Corporation has established the position of Independent Director in accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.

If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by

Appendix IV

one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.

If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.

The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.

- 6.6.3 When acquiring real property from a related party, the Corporation shall assess the reasonableness of the transaction costs by the following methods:
- a) Based on the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed weighted average interest rate on the Corporation's borrowing of funds in the year the Corporation purchases the property. That interest rate, however, may not be higher than the maximum interest rate on borrowing of funds from non-financial enterprises announced by the Ministry of Finance (MOF).
 - b) Where the related party has previously created a mortgage on the property as security for a loan from a financial institution, based on the appraised loan value of the property from the financial institution, provided that the financial institution's actual cumulative loan value against the property shall have reached 70 percent or more of the appraised loan value of the property and the loan period shall have been 1 year or more. This shall not apply, however, if the financial institution and one of the transaction counterparties are related parties.
- 6.6.4 When land and buildings thereon are combined as a single property purchase, separate assessments of the transaction costs for the land and the buildings may be carried out in accordance with either of the methods listed in the preceding subparagraph.
- 6.6.5 When the Corporation acquires real property from a related party and assesses the cost of the real property in accordance with the preceding 2 subparagraphs, it shall also engage a CPA to conduct a secondary review and provide a specific opinion.

Appendix IV

6.6.6 When the Corporation acquires real property from a related party, if one of the following circumstances exists, the acquisition shall be carried out in accordance with 6.6.2 and the provisions of the preceding 3 subparagraphs shall not apply:

- a) The related party acquired the real property through inheritance or as a gift.
- b) More than 5 years will have elapsed from the time the related party signed the contract to acquire the real property to the signing date for the current transaction.
- c) The real property is acquired as a result of or in connection with signing a joint construction contract with the related party or commissioning the related party to construct real property on the Corporation's own land or rented land.

6.6.7 When the assessment results under 6.6.3 and 6.6.4 are all lower than the transaction price, the matter shall be handled in accordance with 6.6.9 to 6.6.10. This does not apply, however, if the following circumstances exist and the Corporation puts forward objective evidence and obtains specific opinions on reasonableness from a professional real property appraiser and a CPA:

- a) Where the related party has acquired undeveloped land or rented land for further development or construction, the Corporation may provide evidence that the transaction complies with one of the following conditions:
 - i) The undeveloped land has been assessed in accordance with the means provided in 6.6.3 to 6.6.6, while the buildings have been assessed based on the related party's construction costs plus a reasonable construction profit margin, and the total assessed value of the land and buildings exceeds the actual transaction price. "Reasonable construction profit margin" shall be the lower of the average gross operating profit margin of the related party's construction division over the most recent 3 fiscal years or the gross profit margin for the construction industry for the most recent period as announced by the MOF.
 - ii) There are cases of purchase transactions completed by unrelated parties within the preceding year for other floors of the same property or property in an adjacent location, in which the properties are similar in area and the transaction terms in the current and in the cited cases are found to be similar after an assessment taking account of reasonable discrepancies in the prices of the different floors or locations in accordance with customary real property market practices.

Appendix IV

- iii) There are cases of leasing transactions completed by unrelated parties within the preceding year for other floors of the same property in which the transaction terms in the current and in the cited cases are estimated to be similar based on reasonable discrepancies in the prices of different floors in accordance with customary real property leasing market practices.
 - b) The Corporation provides evidence that, for the real property it purchases from the related party, the transaction terms are similar to those of cases of purchase transactions completed by unrelated parties within the preceding year in an adjacent location and the properties are also similar in area.
- 6.6.8 For the purposes of the preceding subparagraph, "cases of purchase transactions completed in an adjacent location" in principle refers to property on the same or an adjacent block and furthermore within a circumference of no more than 500 meters from the property in the current transaction or of a similar publicly announced current value; "similar in area" in principle refers to cases of purchase transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the current transaction; "within the preceding year" refers to a preceding period of 1 year calculated from the date of occurrence of the current real property acquisition.
- 6.6.9 When the Corporation acquires real property from a related party, if the assessment results under the preceding 6 subparagraphs are all lower than the transaction price, the following actions shall be taken:
- a) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and assessed cost, and the reserve may not be distributed or used for a capitalization issue.
 - b) The Supervisors shall proceed in accordance with Article 218 of the Company Act.
 - c) Actions taken pursuant to the preceding 2 items shall be reported at a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.
- 6.6.10 When the Corporation sets aside a special reserve under the preceding subparagraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or has disposed of, or made adequate

Appendix IV

compensation for, or restored the status quo ante of such assets, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the competent authority has given its approval.

6.6.11 When the Corporation acquires real property from a related party, if other evidence indicates that the acquisition was a non-arms length transaction, the Corporation shall also proceed in accordance with the preceding 2 subparagraphs.

6.6.12 When acquiring real property from related parties, the Corporation shall comply with the provisions of these Procedures as well as the provisions of the Corporation's Operational Procedures for Transactions with Group Enterprises, Specified Companies, and Related Parties (THSRC-BQ2-000-004).

6.7 Other legal, regulatory, or contractual provisions

The Corporation's transfer or disposal of assets shall be conducted in accordance with Article 42 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects, Article 22 of the Enforcement Rules of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects, and relevant provisions of the Construction and Operation Agreement.

6.7.1 Transfer of assets at or before expiration of the concession period

Any transfer of the Corporation's assets at or before expiration of the concession period shall be made in accordance with relevant provisions of Chapters 10 and 11 of the Construction and Operation Agreement with respect to the subject matter of transfer, transfer procedures, transfer terms and evaluation, and rights and obligations at and after transfer.

6.7.2 Disposal of assets

Any disposal of the Corporation's assets shall be made in accordance with Article 42 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects and Article 22 of the Enforcement Rules of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects. The Corporation may on its own initiative dispose of any asset or equipment acquired in its operations of affiliated businesses that do not need to be transferred to the MOTC.

Appendix IV

- 6.7.3 The terms "assets," "transfer," and "disposal" as used in the Construction and Operation Agreement shall have the following meanings:
- a) "Assets" means any and all existing "operating assets" acquired by the Corporation for purposes related to the construction and operation of the high speed rail, and other assets necessary for maintaining the operation of the high speed rail, during the concession period in accordance with the Construction and Operation Agreement. Excluded are lands acquired by the Corporation for its own purposes.
 - b) "Operating assets" includes all buildings and structures, transportation facilities, and their ancillary facilities on lands along the high speed rail route, on maintenance bases, and on station lands.
 - c) "Transfer" means the transfer made between the Corporation and the MOTC at expiration of the concession period in accordance with Article 45 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects.
 - d) "Disposal" includes assignment, leasing out, and encumbrance.
- 6.8 Supplementary provisions
- 6.8.1 The operational procedures of the Corporation's subsidiaries for the acquisition or disposal of assets shall comply with the provisions of the Corporation.
- 6.8.2 When an in-charge person or management member violates these Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).
- 6.8.3 The Corporation shall acquire or dispose of assets in accordance with these Procedures, provided that where a law, regulation, or contract provides otherwise, the provisions of such law, regulation, or contract shall prevail.
- 6.8.4 After passage by the Board, these Procedures shall be sent to all Supervisors and submitted to a shareholders' meeting for approval. During discussions at a Board meeting, the opinions of each Director shall be given full consideration. 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 all Supervisors. The same procedures shall also apply to any amendments to these Procedures.

Appendix IV

If the Corporation has established the position of Independent Director in accordance with the Securities and Exchange Act, when these Procedures are submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.

If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, any amendment to these Procedures shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.

If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the amendment may still be adopted with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.

The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.

6.8.5 If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, all powers of Supervisors described in these Procedures shall be exercised by the Audit Committee in accordance with law.

7.0 Records

- a) Shareholders' meeting minutes (retention period: permanently)
- b) Board meeting minutes (retention period: permanently)
- c) Relevant contracts (retention period: permanently)
- d) Log book (retention period: permanently)
- e) Internal request and approval documents (retention period: permanently)
- f) Assessment reports (retention period: permanently)
- g) Seal request forms (retention period: as provided in the the Rules Governing Official Documents and Files)
- h) Appraisal reports (retention period: permanently)

Appendix IV

- i) Opinions from CPAs, lawyers, or securities underwriters (retention period: permanently)
- j) Reporting lists of public announcements and reporting over the Market Observation Post System (retention period: 5 years)

8.0 Attachments

None

Appendix V

Taiwan High Speed Rail Corporation

Procedures for the Handling of Derivative Transactions

1.0 Purpose

These Procedures are adopted to strengthen management and risk control in derivative transactions.

2.0 Scope

2.1 The Corporation shall conduct derivative transaction operations in accordance with these Procedures.

3.0 Applicable documentation

3.1 The Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Financial Supervisory Commission.

3.2 The Corporation's Procedures for the Acquisition or Disposal of Assets (THSRC-BE2-000-004).

3.3 The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).

3.4 The Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).

3.5 The Corporation's Operational Rules for Confirmation and Settlement of Derivative Transactions (THSRC-BE3-000-002).

3.6 The Corporation's "Internal Control System - Attachment VII, Investment Cycle" (THSRC-AM1-000-001).

3.7 The Corporation's "Chart of Functional Authorities and Responsibilities - Finance Division."

4.0 Definitions

4.1 Derivatives

Means forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from products based on assets, interest rates, foreign exchange rates, indices, or other interests, and compound contracts combining any of the aforesaid products. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing

Appendix V

contracts, or long-term purchase or sales agreements.

4.2 Date of occurrence

With respect to a transaction, means the earliest of the date of signing of a transaction contract, date of payment, date of order execution, date of transfer, date of Board of Directors ("Board") resolution, or other date from which the transaction counterparty and transaction amount can be determined, or, if the transaction is an investment requiring the approval of the competent authority, the earliest of the aforesaid dates or the date of receiving approval from the competent authority.

4.3 Positions

Means the total amount of outstanding derivative contracts.

4.4 Transaction personnel

Means derivative transaction operators, who are responsible for collecting information regarding derivatives and applicable laws and regulations, as well as formulating, recommending, and executing hedging strategies. The transaction personnel are appointed by the head of the Finance Department. Before the effective date of their appointment or removal, the fact shall be notified to all financial institutions with which the Corporation conducts transactions, so as to safeguard the rights and interests of the Corporation.

4.5 Funds Management Section personnel

Responsible for settlement operations related to derivative transactions, including confirming transactions and verifying the content of confirmation documents, producing transaction contracts and affixing seals thereto, preparing relevant documents, and planning cash flows according to the utilization of relevant funds to ensure timely settlement of transaction contracts.

4.6 Accounting Department personnel

Responsible for account processing and other relevant operations and timely reporting of hedging transactions and profits/losses in itemized statement form.

5.0 Authorities and responsibilities

a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Procedures.

Appendix V

- b) These Procedures, and any amendment or repeal hereof, shall be implemented after adoption at a shareholders' meeting.
- c) All units and personnel involved in the execution of operations related to derivative transactions shall comply with the provisions of these Procedures.

6.0 Descriptions

6.1 Transaction principles and policy

6.1.1 Operational and hedging strategy

When the Corporation engages in derivative transactions and selects derivative products, it shall do so based on the principle of risk avoidance.

6.1.2 Scope of risk management

- (1)Credit risk management. A transaction counterparty shall be a creditworthy financial institution with which the Corporation transacts business.
- (2)Market price risk management. Keep watch on the potential influence of market price movement on the profit/loss of position holdings.
- (3)Liquidity risk management. Exercise liquidity risk management over transaction positions. In principle, select financial products with higher liquidity.
- (4)Cash flow risk management. Keep watch on cash flows to ensure sufficient funds for settlement.
- (5)Operational risk management. Follow the established operational processes to avoid operational risks.
- (6)Legal risk management. A contract (e.g., an ISDA Master Agreement, a master agreement for financial transactions, or a transaction agreement) shall be signed with the transaction counterparty, and before signing opinions from the legal division shall be sought to avoid legal risks.

6.2 Products and maximum amount limits

The eligibility of individual products and authorization limits on transactions of those products shall take effect after approval by the Chairman of the Board, and shall be submitted to the Board for review and recordation. In addition, to enable transaction counterparties to cooperate with the Corporation in its monitoring and management activities, a list of authorized transaction personnel shall be notified to the transaction counterparties.

Appendix V

6.3 Division of authorities and responsibilities

6.3.1 With respect to the conduct of derivative financial product transactions, the Board shall have the following authorities and responsibilities:

(1) Grant approval and authorization for general transactions and product types, or decide on individual derivative transactions beyond the original scope of approval and authorization.

(2) Decide a maximum contract amount and a maximum loss amount for individual transactions and for all transactions.

(3) Grant discretionary authority to the Chairman to take adjustment or control actions when necessary and subsequently submit the matter to the Board for retroactive recognition.

6.3.2 The head of the Finance Department shall have the following authorities:

(1) Formulate and adopt risk assessment and performance assessment measures.

(2) Submit a list of transaction personnel to the Board.

(3) Grant approval for a list of transaction counterparties and a maximum transaction amount for each counterparty.

6.3.3 The transaction personnel shall have the following authorities and responsibilities:

(1) Conduct transactions within the scope of authorization.

(2) Timely provide transaction vouchers.

6.3.4 The transaction confirmation and settlement personnel shall have the following authorities and responsibilities:

(1) Sign contracts with transaction counterparties and carry out account-opening and review operations.

(2) Carry out confirmation, settlement, and clearing operations relevant to transactions.

6.3.5 The authorized transaction amount and level of authority for eligible transactions and product types as approved by the Board shall be determined in accordance with the Corporation's "Chart of Functional Authorities and Responsibilities - Finance Division."

6.4 Approval and executive

6.4.1 When making a transaction within the authorized amount, the transaction personnel

Appendix V

shall immediately fill out a transaction voucher and submit it to their immediate superior management personnel for signed approval.

- 6.4.2 Before making a transaction beyond the authorized amount, the transaction personnel shall first obtain prior written approval from the authorized management personnel. After completing the transaction, the transaction personnel shall, as soon as practicable, fill out a transaction voucher and submit it to the authorized management personnel for signed approval.
- 6.4.3 The transaction personnel shall deliver the transaction voucher to the transaction confirmation personnel on the transaction date.
- 6.4.4 The types of products allowable for the Corporation's conduct of derivative transactions are those set out in 4.1. Those products are divided into hedging transactions and non-hedging transactions. For hedging transactions, hedge effectiveness assessment documents shall be prepared periodically.
- 6.4.5 The total amount of derivative transaction contracts engaged in by the Corporation may not exceed the total amount of foreign exchange required for the purposes of high speed rail procurements, construction subcontracting agreements, and other relevant expenses. For hedging transactions, the derivative contract amount is not subject to a maximum loss percentage limit if it is maintained at a level below the cost amount of the construction subcontracting agreements. For non-hedging transactions, the maximum loss for all contracts may not exceed 10 percent of the total amount of non-hedging contracts and the maximum loss for individual contracts may not exceed 20 percent of the amount of the individual non-hedging contract.
- 6.5 Performance assessment
 - 6.5.1 The Corporation shall periodically assess the value of and risks associated with the positions it holds and submit the assessment results to the senior management personnel authorized by the Board for recordation.
 - 6.5.2 The assessment of positions shall use the market price on the assessment date as the basis of valuation.
- 6.6 Public announcement and reporting

Appendix V

- 6.6.1 If either of the following circumstances exists with respect to its conduct of derivative transactions, the Corporation shall publicly announce and report the event within 2 days from the date of occurrence:
- (1) Any transaction loss that reaches the maximum loss amount for all or individual contracts set out in these Procedures.
 - (2) Any change, termination, or rescission of a contract signed in connection with an originally announced and reported transaction.
- 6.6.2 The Corporation shall publicly announce and report the monthly status of its derivative transactions, current as of the end of the previous month, by the 10th day of each month.
- 6.6.3 Any public announcement or reporting as required above or otherwise by applicable provisions shall be handled in a timely manner by the transaction personnel in accordance with the format and time-limit requirements prescribed by the relevant competent authority and in the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).
- 6.6.4 When an item that the Corporation is required to publicly announce and has publicly announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their entirety.
- 6.7 Accounting treatment
- 6.7.1 Accounting treatment
- The Corporation shall present fairly the transaction process and economic results in conformity with generally accepted accounting principles and applicable laws and regulations, using complete accounting vouchers and records as the basis of reporting, and according to the natures and methods of treatment of the different transactions.
- 6.7.2 Journal entries
- Journal entries shall be processed in conformity with the Statements of Financial Accounting Standards (SFASs) and other applicable requirements.
- 6.7.3 Financial disclosure

Appendix V

Relevant information shall be disclosed in financial statements in conformity with SFASs.

6.8 Monitoring and control

6.8.1 The Board shall duly perform its oversight and management functions in accordance with the following principles:

(1) Authorize senior management personnel to monitor and control derivative transaction risks on an ongoing basis.

(2) Periodically assess whether derivative financial product transaction performance accords with established operational strategies and whether risks assumed are within a tolerable range set by the Corporation.

6.8.2 The senior management personnel authorized by the Board shall manage derivative transactions in accordance with the following principles:

(1) Periodically assess whether the risk management measures currently in use are appropriate and are duly implemented in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies as well as these Procedures.

(2) Monitor the transaction and profit/loss statuses. When discovering any irregularity, take necessary measures, report to the Chairman immediately, and submit the matter to the next Board meeting. If the position of Independent Director has been established, the Independent Director(s) shall be present and express an opinion at the Board meeting.

6.8.3 Any grant of derivative transaction authorization to relevant personnel in accordance with these Procedures shall be subsequently reported at the next Board meeting.

6.9 Risk management

6.9.1 The transaction, confirmation, and settlement operations shall be handled by different personnel, who may not concurrently serve in more than one of those positions.

6.9.2 Risk measurement, monitoring, and control personnel shall be members of a different department from the personnel described in the preceding subparagraph, and shall report to the Board or senior management personnel authorized by the Board.

6.9.3 Positions held in derivative transactions shall be assessed at least once a week.

Appendix V

However, positions in hedging transactions held to meet business needs shall be assessed at least twice a month. The assessment reports shall be submitted to the senior management personnel authorized by the Board.

6.9.4 Handling of irregularities. Any transaction irregularity shall be immediately reported to the chief financial officer or his or her deputy.

6.10 Internal audit

6.10.1 The internal audit personnel shall periodically plan audit activities taking account of associated risk factors such as the materiality and complexity of derivatives.

6.10.2 The internal audit personnel shall periodically check the adequacy of internal controls over derivative transactions. They shall also perform monthly audits on the transaction department's compliance with these Procedures and prepare written audit reports accordingly. If any material non-compliance is found, it shall immediately be reported in writing to all Supervisors.

6.11 Descriptions of operational processes

(1) Inform transaction counterparty of transaction rules

Before conducting derivative transactions, the Corporation shall first provide a list of authorized transaction personnel to the corresponding financial institutions with which the Corporation will transact business hereunder.

(2) Carry out transaction with transaction counterparty

The Corporation's transaction personnel shall carry out transactions with transaction counterparties within their authorized amount and in accordance with transaction rules.

(3) When exceeding authorized amount

When a transaction amount exceeds the authorized amount of the transaction personnel, the transaction may be executed only after approval by a management personnel who has an authorization limit sufficient for the execution of the transaction.

(4) Approval

The management personnel at various levels shall provide approvals for transactions in ascending order within their authorization limits.

(5) Completion of transaction

Appendix V

Once a transaction is completed, the transaction personnel shall: (1) fill out a transaction voucher; (2) notify the Funds Management Section personnel to confirm the transaction; (3) notify the Funds Management Section personnel to produce a transaction contract; and (4) prepare transaction vouchers and documents.

(6)Confirmation of transaction

After receiving the transaction notice from the transaction personnel, the Funds Management Section personnel shall immediately confirm the transaction.

(7)Transaction contract

After receiving the transaction notice from the transaction personnel, the Funds Management Section personnel shall immediately carry out subsequent operations such as preparing a transaction contract and a transaction confirmation slip or statement and affixing seals thereto.

(8)Approval of transaction slip and transaction contract

The transaction slip shall be submitted to the authorized management personnel for signed approval in ascending order of their authority. After being affixed with seals, the transaction contract shall be delivered back to the Funds Management Section personnel for returning to the transaction counterparty.

(9)Confirmation of transaction statement

The Funds Management Section personnel shall track the progress of the transaction statement and, after receiving the transaction statement and verifying the amount, affix seals thereto and conduct other relevant operations.

(10)Returning transaction contract after affixing seals

After affixing seals to the transaction contract, the Funds Management Section personnel shall promptly return it and other relevant documents to the transaction counterparty.

(11)Keeping on file

After completion of the transaction, the transaction personnel shall keep the transaction voucher and other relevant documents on file for future reference.

(12)Mailing back to transaction counterparty

Appendix V

After completion of the transaction, the Funds Management Section personnel shall mail the transaction statement affixed with seals back to the transaction counterparty.

(13) Account processing

The Accounting Department personnel shall conduct relevant account processing operations.

(14) Settlement upon expiration

Upon expiration of the transaction, the Funds Management Section personnel shall duly perform the settlement procedures. They shall also periodically monitor the cash flow status to ensure timely settlement of transaction contracts.

(15) Periodical review

Profits/losses on outstanding transactions shall be assessed and reviewed periodically, twice every month.

(16) Assessment report

Twice every month, derivative transaction assessment reports shall be submitted to the senior management personnel authorized by the Board for comments or instructions. In principle, mid-month reports shall be submitted no later than the 30th day of the current month, and month-end reports no later than the 15th day of the next month.

6.12 Notes for attention

6.12.1 The Corporation shall establish a log book for its derivative transaction activities and shall record the itemized details of each derivative transaction, including the type, amount, date of passage by the Board, and the results of the prudent assessments that are required under 6.4.4, 6.8.1(2), 6.8.2(1), and 6.9.3, in the log book for future reference.

6.12.2 The Corporation shall keep at its headquarters all contracts and meeting minutes and the log book relevant to its conduct of derivative transactions, to be retained for at least 5 years unless otherwise provided by law.

6.12.3 When an in-charge person or management personnel violates these Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation's Rules Governing Rewards and Disciplinary Action

Appendix V

(THSRC-BA2-000-003).

6.13 Supplementary provisions

6.13.1 After adoption through passage by the Board, these Procedures, and any amendments hereto, shall be sent to all Supervisors 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 materials containing the Director's dissent to all Supervisors. If the Corporation has established the position of Independent Director, when these Procedures are submitted to and discussed at the Board meeting pursuant to the preceding provisions, the opinions of each Independent Director shall be given full consideration, and each independent Director's opinion of assent or dissent and the reasons therefor shall be recorded in the meeting minutes.

6.13.2 If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, all powers of Supervisors described in these Procedures shall be exercised by the Audit Committee in accordance with law.

7.0 Records

a) Log book for derivative transactions (retention period: 5 years)

b) Audit reports on derivative transactions (retention period: 5 years)

c) Account processing records shall be retained in accordance with the Accounting System (THSRC-AD1-000-001).

8.0 Attachments

None

Appendix VI

Taiwan High Speed Rail Corporation Shareholding of All Directors		
All directors	Minimum required shareholding (number of common shares)	Shareholding as of April 1, 2019 (number of common shares)
Director	120,000,000	3,478,527,178
Title	Name	Shareholding as of April 1, 2019 (number of common shares)
Director	China Aviation Development Foundation Representative: Chiang Yao-Chung	260,040,000
	China Aviation Development Foundation Representative: Tsai Huang-Liang	
Director	Ministry of Transportation and Communications, R.O.C. Representative: Liu Ming-Ching	2,420,000,000
	TECO Electric & Machinery Co., Ltd. Representative: Huang Mao-Hsiung	
Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Liu Kuo-Chih	20,277,600
	China Steel Corporation Representative: Wang Shyi-Chin	
Director	TSRC Corporation Representative: Chiang Chin-Shan	10,001,000
	Taiwan Sugar Corporation Representative: Kwan Tao-I	
Director	Management Committee of National Development Fund, Executive Yuan Representative: Kao Shien-Quey	120,000,000
	Evergreen Steel Corporation Representative: Ko Lee-Ching	
Independent Director	Ding Kung-Wha	—
Independent Director	Chiu Kenneth Huang-Chuan	—
Independent Director	Poo David Da-Wei	—
Shares held by all directors		3,478,527,178