

**Taiwan High Speed Rail Corporation**  
**Minutes for 2018 Annual Shareholders' Meeting**

DATE: May 24, 2018 at 9:00 a.m.

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

Attending directors: Director Chiang Yao-Chung, Independent Director Ding Kung-Wha (Convenor of Audit Committee), Independent Director Chiu Kenneth Huang-Chuan, Director Liu Ming-Ching, Director Huang Mao-Hsiung, Director Tsai Huang-Liang, and Director Kao Shien-Quey.

(A total of 7 directors were in attendance at the Annual Shareholders' Meeting, representing more than one-half of all 13 Company directors.)

Attendees: Deloitte & Touche: Ho Jui-Hsuan, Lai Kwan-Chung

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

Ministry of Transportation and Communications and Bureau of High Speed Rail guidance personnel:

Deputy Chief Engineer and Acting Chief Secretary Rau Kuo-Jeng, Chief Liu Zhen-xian, Executive Officer Liu Hsiu-Ching, Deputy Director Tseng Fan-Chung, Chief Chen Wen-Mei, Specialist Yang Chun-Hua

Chairman: Chiang Yao-Chung

Recorded by: Barret Wang

Attending shareholders: Total number of outstanding Company shares amounts to 5,628,293,058 shares. Of these, 3,885,428,344 common shareholders attended in person, 743,956,701 common shareholders attended electronically, 0 common shares were publicly solicited proxies, and 182,321,617 common shares were non-solicited proxies. The total number of participating common shares was 4,811,706,662 shares; the attendance rate was 85.49%.

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

Chairman's opening speech: Omitted.

## I. Management Presentations:

Report No. 1: Report on the Company execution of corporate governance. (Please refer to Appendix 1.)

Report No. 2: Report on allocation of 2017 remuneration to board of directors and compensation to employees. (Please refer to Appendix 2.)

Report No. 3: Report on changes in the estimated useful lives of certain operating concession assets. (Please refer to Appendix 3.)

## Summary of Shareholder Inquiries:

※ Shareholder No. 163628 noted that the significant growth in net profit after tax and profits for the year 2017 were the results of work put in by the Board of Directors, the management team, and all THSRC staff, and therefore proposed that compensation to employees and remuneration to board of directors should be increased.

※ Shareholder No. 116340 inquired about specific strategies to increase passenger load factor and capacity utilization, depreciation and amortization calculations for assets and equipment, strategies to enhance operational efficiency through utilization of peripheral station space, and methods for reduction of debt ratio. Shareholder also recommended increasing investment in other financial products to increase profitability.

※ Shareholder No. 73552 proposed a reduction in ticket fees to increase ridership.

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

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

## II. Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposals of the 2017 Annual Business Report and financial statements of the Company.

Explanation: The 2017 business report (please refer to Appendix 4) along with financial statements (please refer to Appendix 5) of the Company have been approved on February 13, 2018 by the 11th meeting of the 8th Board. The financial statements were audited by certified public accountants, and audit report thereto was issued on February 13, 2018 (please refer to Appendix 6), distributed to Audit Committee for review (please refer to Appendix 7), and is hereby submitted for adoption at shareholders' annual general meeting.

### Summary of Shareholder Inquiries:

- ※ Shareholder No. 163628 suggested that attention should be paid to intellectual property and patent rights during material development and localization of the railway industry. Additionally, care should be taken to avoid increase of procurement costs and supplier monopoly. Shareholder also recommended that THSRC fulfill corporate social responsibilities by enhancing internal work environments and increasing employee benefits and work safety measures, with all measures surpassing those set out by the Labor Standards Act or other relevant laws and regulations. Moreover, an appropriate compensation structure should be designed and necessary adjustments made to employee compensation in accordance with company profitability. Furthermore, THSRC should expand profit opportunities outside core businesses to increase non-business income.
- ※ Shareholder No. 131863 inquired about the benefits of the five-year tax exemption, impacts of extending rail services to Pingtung, reasons behind the allowance for inventory valuation losses, and transport plan for the Dragon Boat Festival vacation.
- ※ Shareholder No. 116340 inquired about the estimated cash flow related to the stabilization reserve, controversial overtime, preferred stock compensation, and interest fees.

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

Chairman's decision: The shareholders had ample time to voice their opinions on this matter. As objections were raised by a number of shareholders during the electronic voting process, the proposal shall be put to a vote.

Resolution: Voting results for this proposal was as follows:

(For this proposal, 3,886,303,144 common shareholders attended in person, 743,956,701 common shareholders attended electronically, 0 common shares were publicly solicited proxies, and 182,396,817 common shares were non-solicited proxies. The total number of participating common shares was 4,812,656,662 shares, amounting to 85.50% of all outstanding common shares.)

Total shareholder voting rights presented during vote: 4,812,656,662

Voting results	Proportion of shareholder voting rights presented during vote (%)
Voting rights in favor: 4,701,328,846 (Electronic voting rights included: 644,224,172)	97.69%
Voting rights not in favor: 339,118	0.00%

(Electronic voting rights included: 339,118)	
Invalid voting rights: 1,600	0.00%
Waived/non-voted voting rights: 110,987,098 (Electronic voting rights included: 99,393,411)	2.31%
Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor exceeded more than one-half of total voting rights. The proposal was approved.	

Proposal No. 2: Proposed by the Board

Proposal: Proposals of 2017 profit distribution of the Company.

Explanation:

1. As of end of 2017, the distributable earnings amounted to NTD 5,161,872,402.
2. In order to stabilize and balance payout policy and consideration for long-term corporate financial planning, the Company proposes cash dividends of NTD 0.75 per share for 2017 profit distribution, amounting to NTD 4,221,219,794 on a basis of 5,628,293,058 common shares outstanding.
3. The Company's profit distribution table has been approved at the 12th meeting of the 8th Board dated March 13, 2018, circulated to Audit Committee for review (please refer to Appendix 8), and is being submitted to shareholders' annual general meeting for adoption.

Taiwan High Speed Rail Corporation  
PROFIT DISTRIBUTION TABLE

<u>Fiscal Year 2017</u>	<u>Unit: NTD</u>
Retained earnings	364,011,196
Add: net profit after tax	5,339,904,296
Less: re-measurements of defined benefit plan	(8,052,660)
Undistributed earnings	5,695,862,832
Less: 10% legal reserve	(533,990,430)
2017 distributable earnings	5,161,872,402
Distributable items:	
Cash dividends (NTD 0.75 per share)	(4,221,219,794)
Current-year undistributed earnings	940,652,608

4. After the approval of the 2018 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Summary of Shareholder Inquiries:

- ※ Shareholder No. 163628 noted that while the distribution of cash dividends for 2017 was the highest on record, the proportion of surpluses available for distribution was still low, and therefore it is recommended that surpluses for allocation of cash dividends should be increased.
- ※ Shareholder No. 116340 suggested formulation of strategies for reducing debt ratio and increasing passenger load factor. Shareholder also suggested that employee compensation should be increased according to company profitability to enhance staff loyalty.

Chairman's decision: As objections were raised by a number of shareholders during the electronic voting process, the proposal shall be put to a vote. Additionally, following approval from all present shareholders, voting time for all subsequent proposals will be shortened from 5 to 3 minutes to conserve meeting time.

Resolution: Voting results for this proposal was as follows:

(For this proposal, 3,886,303,144 common shareholders attended in person, 743,956,701 common shareholders attended electronically, 0 common shares were publicly solicited proxies, and 182,396,817 common shares were non-solicited proxies. The total number of participating common shares was 4,812,656,662 shares, amounting to 85.50% of all outstanding common shares.)

Total shareholder voting rights presented during vote: 4,812,656,662

Voting results	Proportion of shareholder voting rights presented during vote (%)
Voting rights in favor: 4,703,209,030 (Electronic voting rights included: 646,462,356)	97.73%
Voting rights not in favor: 431,033 (Electronic voting rights included: 431,033)	0.00%
Invalid voting rights: 0	0.00%
Waived/non-voted voting rights: 109,016,599 (Electronic voting rights included: 97,063,312)	2.27%
Attending shareholders represented more than one-half of the total number of outstanding	

Company shares, and voting rights in favor exceeded more than one-half of total voting rights. The proposal was approved.

III. Discussion:

Discussion No. 1: Proposed by the Board

Proposal: Revision of Articles of Incorporation

Explanation:

1. In order to comply with current regulatory requirements and the operating needs of the Company, we have adopted the nomination system for director candidates, established an Audit Committee, and made changes to management position titles. Amendments have been made to Articles 17-1, 27-2, 33, 34, and 39 of the Articles of Incorporation.
2. A comparison of amended articles in the Articles of Incorporation is shown in Appendix 9.
3. The proposal was approved at the 12th Board meeting of the 8th Board directors dated March 13, 2018, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of Shareholder Inquiries: No shareholder inquiries.

Chairman's decision: As objections were raised by a number of shareholders during the electronic voting process, the proposal shall be put to a vote.

Resolution: Voting results for this proposal was as follows:

(For this proposal, 3,886,303,144 common shareholders attended in person, 743,956,701 common shareholders attended electronically, 0 common shares were publicly solicited proxies, and 182,396,817 common shares were non-solicited proxies. The total number of participating common shares was 4,812,656,662 shares, amounting to 85.50% of all outstanding common shares.)

Total shareholder voting rights presented during vote: 4,812,656,662

Voting results	Proportion of shareholder voting rights presented during vote (%)
Voting rights in favor: 4,703,179,394 (Electronic voting rights included: 646,734,720)	97.73%
Voting rights not in favor: 115,533	0.00%

(Electronic voting rights included: 115,533)	
Invalid voting rights: 0	0.00%
Waived/non-voted voting rights: 109,361,735 (Electronic voting rights included: 97,106,448)	2.27%
<p>Attending shareholders represented more than two-thirds of the total number of outstanding Company shares, and voting rights in favor exceeded more than one-half of total voting rights. The proposal was approved.</p>	

Discussion No. 2: Proposed by the Board

Proposal: Revision of Rules for the Election of Directors

Explanation:

1. In order to comply with the operating needs of the shareholders' meeting and the nomination system adopted for director candidates, amendments have been made to Articles 3, 5, 7, 8, and 10 of the Rules for the Election of Directors.
2. A comparison of amended articles in the Rules for the Election of Directors is shown in Appendix 10.
3. The proposal was approved at the 12th Board meeting of the 8th Board directors dated March 13, 2018, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of Shareholder Inquiries: No shareholder inquiries.

Chairman's decision: As objections were raised by a number of shareholders during the electronic voting process, the proposal shall be put to a vote.

Resolution: Voting results for this proposal was as follows:

(For this proposal, 3,886,303,144 common shareholders attended in person, 743,956,701 common shareholders attended electronically, 0 common shares were publicly solicited proxies, and 182,396,817 common shares were non-solicited proxies. The total number of participating common shares was 4,812,656,662 shares, amounting to 85.50% of all outstanding common shares.)

Total shareholder voting rights presented during vote: 4,812,656,662

Voting results	Proportion of shareholder voting rights presented during vote (%)
Voting rights in favor: 4,703,150,106 (Electronic voting rights included: 646,706,432)	97.72%
Voting rights not in favor: 147,220 (Electronic voting rights included: 147,220)	0.00%
Invalid voting rights: 0	0.00%
Waived/non-voted voting rights: 109,359,336 (Electronic voting rights included: 97,103,049)	2.28%
Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor exceeded more than one-half of total voting rights. The proposal was approved.	

#### IV. Extempore motions:

Chairman's decision: Inquiries made by the following five shareholders (Trustee Shareholder No. 90000011, Shareholder No. 108614, Trustee Shareholder No. 90000005, Trustee Shareholder No. 90000007, and Shareholder No. 109270) are all related to salary adjustments for employees on parental leave and equal treatment for employees. However, the proposal was not seconded and the voting rights held by the proposers did not reach the threshold for extraordinary motions set out by the Rules of Procedure for Shareholders' Meetings, and the topic was determined to be beyond the scope of shareholders' meetings. In consideration of the shareholders' rights to express their views, Trustee Shareholder No. 90000011 was asked to speak on behalf of the other shareholders:

#### Summary of Shareholder Inquiries:

※ Trustee Shareholder No. 90000011 recommended that salary adjustments for employees should be equal for employees on parental leave.

The Chairman provided full explanation and response to the above inquiries and instructed managerial departments to provide timely follow-up to these shareholders. This decision was acknowledged by the shareholders.

Note: According to Article 9 of the Rules of Procedure for Shareholders' Meetings, if a shareholder attending a shareholders' meeting intends to propose an extraordinary motion, 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.

V. Meeting Closed: May 24, 2018 at 11:00 a.m.

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

# Appendix 1

## **Report No. 1: Report on the 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 15 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 Corporate Governance Standards (hereinafter "CGSs"). 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.

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## 1. Establishment of Independent Directorship

In light of the observable effectiveness of our corporate governance system, the ability of independent directorship to progressively bring the functions set out in CGSs 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 included 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 CGSs, 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 CGSs, wherein the Audit Committee was established to replace supervisors and the Corporate Governance Committee was renamed the Corporate Governance & Nomination Committee; the former quasi Audit Committee ceased to exist upon the amendment of the above by-law and

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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 held on May 24, 2017. 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 2017 to March 2018)

##### (1) Board of Directors

① Composition: 13 directors.

② Number of meetings: 18.

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 to 7 directors, convened by the Chairman who is elected by all committee members.

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- ② Number of meetings: 17.
- 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) Discussed the number of directors (including independent directors) serving on the 8th Board
  - 2) Nominated and reviewed independent and non-independent director candidates for the 8th Board of Directors.
  - 3) Discuss functional committee composition proposal.
  - 4) Discuss proposals for execution evaluation of Board of Directors and functional committee and annual work plan.
  - 5) Discuss executive report on corporate governance.
  - 6) Discuss renewal of Director and Key Officer Liability Insurance.
  - 7) Discuss corporate organizational structure adjustment procedural amendment.
  - 8) Discuss amendments or amendment proposals to Company CGSs.

## (3) Audit Committee

- ① Composition: composed of all independent directors, with 3 being the minimum number of directors on the committee. Convened by an independent director.
- ② Number of meetings: 12.
- 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

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internal control system at all levels of the organization.

- 4) Review transactions involving directors' conflicts of interest, subject to recusal of exercise of voting rights, transactions with related parties, and transactions requiring prevention of conflict of interest.
- 5) Review appointment of Certified Public Accountant.
- 6) Review annual audit plans and executive reports thereof.

## (4) Remuneration Committee

- ① Composition: 3 to 5 directors and external experts, convened by an independent director.
- ② Number of meetings: 13
- 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: 5 to 7 directors, convened by an independent director elected by committee members.
- ② Number of meetings: 11.
- 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.

## 4. Measures Specific to Corporate Governance

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

To ensure systemic corporate governance initiatives are solidly implemented, functional committees preview and formulate or revise rules and regulations and administrative codes for approval by the Board of Directors. Such systemic initiatives include the Procedures for Information Disclosure, Internal Audit Standards, Internal Control System, and Regulations Governing Internal Control System Self-Examination.

Additionally, in accordance with Company operations, revisions were made to the Articles of Incorporation and Rules for the Election of Directors. In accordance with updates made to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, we revised our Rules of Procedure for Board of Directors Meetings to include “effectiveness review of internal control systems” as a proposed discussion topic for Board meetings. To clarify the responsibilities of independent directors, Board meetings must be attended by a minimum of one independent director; when voting on matters where Board approval is required by law, all independent directors should be present at the Board meeting. In the event that an independent director is unable to attend the meeting, another independent director should be appointed as proxy.

Furthermore, the Company’s Code of Ethical Conduct has replaced supervisors and the quasi Audit Committee with an Audit Committee, and listed all relevant responsibilities; hence, there is no longer need to retain any texts referring to supervisors or the quasi Audit Committee, and we therefore plan to remove Article 26-2, “Revisions made to supervisor and quasi Audit Committee responsibilities will take effect once the Company establishes an Audit Committee in accordance with the Securities and Exchange Act.”

## (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, its development, and major financial and business conduct; other affairs are delegated to the Management and the Board of Directors takes responsibility for supervision thereof. The

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table governing the foregoing principle of delegation of authorization and duties of the Company's business is revised accordingly.

## (3) Purchase of Director and Key Officer 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, hence contributing to corporate governance. As for directors and key officers, D&O can help them 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 key officers.
- ② The insured D&O amount is NTD 900,000,000.

## IV. Effectiveness of Corporate Governance System

### 1. Preliminary Review by Functional Committees

In accordance with the CGSs, 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 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,



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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 and following assessments of corporate governance conducted in 2017 after one year of public listing, we will focus on the ongoing influence of functional committees and independent directors going forward. Additionally, we will uphold the principle of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, and embrace corporate governance evaluation in order to build a sound corporate governance system, turning Taiwan High Speed Rail into a benchmark for corporate governance.

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Schedule

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

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Item	Primary Tasks
Corporate Governance & Nomination Committee	<p>As per Article 3 of the Corporate Governance &amp; Nomination Committee Organizational Procedures, the Corporate Governance &amp; Nomination Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2) Plan composition of the Board and functional committees, and assess performance of the Board and functional committees.</li> <li>3) Nominate independent directors and non-independent directors.</li> <li>4) Identify and evaluate independent directors and potential independent director candidates.</li> <li>5) Devise and review overall execution of directorship and functional committees</li> <li>6) Devise and review liability insurance for directors and managers</li> <li>7) Review status of information disclosure.</li> <li>8) Review the devising, suggestion and implementation effectiveness of corporate governance system and review relevant by-laws.</li> <li>9) Review the effectiveness of corporate governance implementation</li> <li>10) Other duties as required by articles of incorporation, CGSs, or resolutions of Board of Directors.</li> </ol>
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"> <li>1) Formulate or revise internal control system as required by Article 14-1 of the Securities and Exchange Act.</li> <li>2) Evaluate the effectiveness of the Company's internal control system.</li> <li>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 transactions, lending of capital, endorsement, or provision of guarantee</li> </ol>

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Item	Primary Tasks
	<p>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>
Remuneration Committee	<p>As per Article 3 of the Remuneration Committee Organizational Procedures, the Remuneration Committee is responsible for the following tasks:</p> <p>1) Formulate and regularly review policies, systems, standards, and composition of performance evaluation and compensation of directors</p>

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Item	Primary Tasks
	<p>and officer.</p> <p>2) Regularly evaluate and formulate directors' and officers' compensation.</p>
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"> <li>1) Provide counsel and suggestions on major legal or contractual disputes and important institutional changes approved by the Board of Directors</li> <li>2) Supervise procurement proposals made to the Board of Directors by functional managers.</li> <li>3) Other duties as required by articles of incorporation or resolutions of Board of Directors.</li> </ol>

# Appendix 2

## **Report No. 2: Report on allocation of 2017 remuneration to board of directors and compensation to employees.**

1. According to Article 235-1 of the Company Act and the 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 definitely specified in the Articles of Incorporation. However, the Company's accumulated losses shall have been covered. Distribution of directors and employees' 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, "where the Company has profit upon final report, not less than 1% of such profit shall be allocated for the purpose of employees' compensation and no more than 1% of such shall be allocated for the purpose of directors' compensation; however, when the Company sustains accumulated losses, a reserve shall be set aside first to cover such losses".
3. The Company's profit for 2017 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NTD 6,617,466,373 (no accumulated losses offset). In accordance with the 11th meeting of the 8th Board dated February 13, 2018, and provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution is adopted on distribution of directors and employees' compensation and the percentage and amount to be allocated are as follows:
  - (1) For directors' compensation:
    1. Percentage allocated: 0.5%.
    2. Amount allocated: NTD 33,087,332.
  - (2) For employees' compensation

# Appendix 2

1. Percentage allocated: 1.6%.
2. Amount allocated: NTD 105,879,462.

# Appendix 3

## **Report No. 3: Report on changes in the estimated amortization of certain operating assets under concession**

1. IAS 16 stipulates that corporations must review amortization methods, residual values, and useful lives of assets at the end of each financial year. In order to respond to changes in expected use and external economic environments, if the useful life of an asset differs from previous estimates, amortization periods for operating assets should be adjusted accordingly.
2. In consideration of the fact the Company has accumulated upwards of 10 years' experience sufficient for development of in-house maintenance capabilities, the Company utilized relevant experience and capabilities to assess internal and external technological environment changes and expected useful lives of assets. Individual departments within the Company conducted reviews of useful lives of managed assets and found that expected useful lives for some assets differed from previous estimates. 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
<b>Machinery equipment</b>		
Auxiliary equipment of buildings	10 to 16 years	15 to 35 years
Maintenance equipment and tools	5 to 25 years	10 to 35 years
Power system	35 years	10 to 20 years
Information technology equipment	5 to 15 years	5 to 35 years
<b>Transport equipment</b>		
High-speed rail system	15 to 35 years	15 to 35 years
Signaling system	5 to 35 years	5 to 35 years
Communication system	5 to 35 years	5 to 25 years



# Appendix 3

4. The Company convened the Assets Appraisal and Review Committee on September 15, 2017 and made adjustments to the useful lives of certain operating assets under concession according to review results. These adjustments were approved at the 7th meeting of the 8th Board held on October 19, 2017, and amortization changes for intangible assets and operating assets under concession were made effective on October 1, 2017.
5. These changes are estimated to increase amortization fees for 2017 by 0.308 billion NTD.

# Appendix 4

## **The 2017 Business Report**

### **Business report and future prospects**

Dear Fellow Shareholders,

THSRC celebrated 10 years of rail operations on January 5, 2017, and we are making strides to our second decade of operations. Our passenger volume surpassed 0.4 billion passengers in December 2016, and we broke daily passenger volume records during the Double-Ten Day vacation in 2017 and the New Year vacation in 2018. THSRC has now become an essential transportation tool, shortening the distance between north and south, realizing the concept of a “one-day living circle”, and thoroughly changing the lifestyles of all.

During this process, we have continually upheld the principle of “Go Extra Mile”, working to bring quality service to our customers, generate customer satisfaction, and fulfill our social responsibilities.

### **1. 2017 Business report**

#### (1) Operational performance

##### A. Rail operations

2017 marked our 11th year of rail operations. Our passenger volume showed steady growth, and we ran a total of 51,751 trains, up by 645 trains compared to a total of 51,106 trains in 2016. Daily northbound and southbound trains have reached a maximum of 160 trains (198 trains during holiday season), amply fulfilling passenger needs. Our loading factor was 65.16%, up by 1.64% compared to 63.52% in 2016. Total passengers carried reached 60.57 million in 2017, up by 3.98 million (7.03%) compared to 56.59 million passengers in 2016. Total passenger-kilometers reached 11,103 million in 2017, up by 5.86% compared to 2016. The average number of daily passengers for 2017 was 166 thousand, up by 11 thousand compared to 155 thousand in 2016.

In terms of operational safety, no accidents or injuries were caused in 2017. Average

# Appendix 4

punctuality rate (number of trains arriving within 5 minutes of schedule/all trains) for 2017 was 99.72%, surpassing our target rate of 99.10%. Average reliability rate for 2017 (excluding delays due to force majeure) was 100%, surpassing our target rate of 99.60%.

## B. Marketing and customer service

In 2017, we continued to offer off-peak promotion packages, expand collaborations with other industries, and provide a good variety of travel and hotel coupons. We also integrated new mobile payment functions and the THSRC TGo affiliate program to provide passengers with better and more varied services as detailed below:

- (a) Launched “HSR 10th anniversary commemorative ticket set”.
- (b) Established a “multi-card electronic ticket integration platform”; passengers are now able to travel on non-reserved HSR seats using automatic-deposit co-branded iPass credit cards.
- (c) Collaborated with the Taiwan Rail Company to offer a new railway package, “Double rail Jiji travel”.
- (d) Added USB charging ports to Cars 4 and 12 of all trains.
- (e) During the summer vacation, we offered two-day travel packages on our Magic Theater Parent-Child Train.
- (f) iTaiwan free WiFi was made available along the HSR line starting in August.
- (g) Our online store TShop launched collaboration with PChome24h Shopping. Customers can now buy commemorative HSR products by scanning QR codes with their phones or mobile devices.
- (h) Launched TGo affiliate program. Affiliate members accumulate points that can be exchanged for tickets or discounts when purchasing HSR tickets, and also enjoy birthday privileges and discounts on specified trains.
- (i) Launched THSRC App. Passengers can check train schedules, discounts, and transfer information at any time. The app also comes with travel information and planning tools so that travelers can customize their own travel.
- (j) Participated in the Taipei International Travel Fair.

# Appendix 4

(k) In line with mobile payment trends, we integrated Apple Pay and Android Pay to make ticket purchases more convenient.

## (2) Budget implementation performance

In 2017, our expected revenues were 41.9 billion NTD and actual revenues were 43.44 billion NTD, resulting in an achievement rate of 103.7%. Our after-tax profit for 2017 was 5.34 billion NTD.

## (3) Financial revenue and profitability analysis

In 2017, we reaped the benefits of our employee efforts and marketing campaigns. Our annual revenues reached 43.44 billion NTD. Profit before and after tax was 6.48 billion NTD and 5.34 billion NTD respectively.

Compared with 2016, revenues and after-tax profits increased by 2.83 billion NTD and 1.19 billion NTD respectively. Our operations continued to be profitable, achieving growth rates of 7% and 29%.

All operational finances continue to show good operating performance on the part of the operating team.

## (4) Research and development

Research and development items in 2017 were as follows:

A. Assessment of construction impacts: The Company continues to conduct research on “Impact assessments of Type I active faults on HSR structural safety” and “Impact assessments of seismic displacement on HSR operations in the Kaohsiung Yanchao region”.

B. Research on signaling systems: To improve and enhance signaling systems, the Company implemented the following items:

(a) Established TMS system.

(b) Established MES bypass device.

(c) Conducted research to improve reliability of TMS devices.

(d) Localized development of switch self-repair and switch parts.

(e) Completed development of Microswitch Electronic Cleaning Device.

(f) Localized system maintenance of TCS, CN and UC systems.

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C. Research on communication systems: To improve and enhance communication systems, the Company implemented the following items:

- (a) Self-testing and switching of BDA/RIU/MSIU device.
- (b) Conducted research of alternative power equipment for CCTV systems in electrical rooms along HSR line.
- (c) Development of alternative solutions for DLT PC Service Modules.

D. Localization of maintenance items and equipment:

To enhance localized development and the domestic rail industry, the Company established the Rail Industry Localization Task Force and hosted the Taiwan Rail Industry Localization Business Opportunities seminar on August 24, 2017 to invite business collaborations.

The Company is committed to promotion of localized maintenance materials and equipment, and localized items are as follows:

- (a) 700T train air-conditioning diffusers.
- (b) Train air-conditioning filters.
- (c) Repair parts for train seats.
- (d) Printed circuit boards.
- (e) Signaling/communication system UPS Batteries.
- (f) Rail base plates.
- (g) Communication UPS capacitors and fans.
- (h) Business class cabin carpets.
- (i) 700T sockets for disabled-access seats.
- (j) 700T vehicle maintenance equipment computers.

E. Electronics factory: We established an electronics repair center/circuit board maintenance unit in mid-2008 and have since conducted circuit board and component repair for various systems to reduce dependence on original equipment and increase self-maintenance capabilities. The number of repairs have continued to increase year over year, and accumulated number of repairs have exceeded 12,000 as of 2017.

F. Industry-academia collaboration: We continue to collaborate with major academic

# Appendix 4

institutes to develop materials and equipment, including:

- (a) Automatic train motion measurement system.
- (b) TPLC memory cards and B&C lightning-surge protection boards.
- (c) Research on train electromagnetic interference.
- (d) Wheel validation press computer system.
- (e) Train gearbox temperature monitoring system.
- (f) Train vibration testing equipment validation system.
- (g) Electrical control system for underground press equipment.
- (h) New relay testers.
- (i) Notch switch automatic monitoring system.

## **2. Summary of 2018 operation plan**

### (1) Operation guidelines

We will not only continue to promote off-peak discounts, increase convenience of electronic ticket and payment methods, expand collaborations with other industries, shape rail experiences, and lead domestic travel trends, but will also enhance the convenience of HSR digital services and ticket purchases, as well as promote our affiliate program to establish a foundation for precise marketing, big data analysis, and bonus point usage.

### (2) Expected sales

In consideration of stable domestic economic growth, enhanced digital services and convenience of ticket purchasing, and promotion of affiliate services and travel packages, we estimated that our passenger volume will reach 62.27 million in 2018.

### (3) Major sales policies

In accordance with recent technological development trends, we continue to integrate innovative services, gradually establishing HSR as a smart rail transportation provider. We also utilize IoT and big data to understand customer and operational needs to maintain our competitiveness and increase revenues. Major sales policies in 2018 include:

- A. Plan appropriate train schedules and train runs to fulfill market transport needs according to passenger volume growth, peak times, and needs of vacations and special occasions.

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- B. Launch multiple products and promotions in accordance with passenger needs to strengthen passenger loyalty and attract new customers, ensuring achievement of revenue targets.
- C. Continue to strengthen our brand image of “Take HSR, Visit Taiwan” and fulfill market needs through the promotion of travel packages, hotel coupons, travel coupons, and activity packages, thus integrating sales and expanding our customer base.
- D. Enhance services for our TGo affiliate program, using data analytics to understand customer behavior and increase purchase frequency and loyalty, expanding our member base and maintaining our customer relations.
- E. Utilize the advantages of HSR’s passenger flow to develop businesses such as marketplaces, parking, advertising, and so on, thus expanding market segments and enhancing product originality. We will also continue to develop products and sales channels to enrich our passenger experience and increase our non-ticketing sales.

### **3. Future development strategies**

Under our vision of “Leading progress and establishing a wonderful lifestyle platform”, THSRC is gradually implementing our four pillars of Transportation, Technology, Taiwan, and Touch in line with the following:

- (1) Transportation: establish a professional transport system to provide quality and convenient services and products.
  - A. Promote comprehensive safety and emergency response procedures.
  - B. Strengthen station operations and establish a disabled-access environment. Place customer service equipment on trains to enhance service quality for passengers.
  - C. Advance operating processes to ensure maximization of transportation capabilities.
  - D. Advance revenue management effectiveness. Provide multiple products and enhance off-peak values.
  - E. Enhance equipment maintenance (including self-repair capabilities) to ensure a stable, safe, and reliable system.
- (2) Technology: promote smart transportation and enhance the efficiency and quality of

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operations, services, safety, and response procedures.

- A. Digitalize ticketing channels.
- B. Utilize big data to expand member base.
- C. Utilize information technology to strengthen efficiency of operations, maintenance, and services.
- D. Research, develop, and enhance core technological capabilities.

(3) Taiwan: Integrate local cultures and sights to establish a varied and enhanced activity platform.

- A. Enhance localized development capabilities and proportion of localized equipment and materials.
- B. Promote localization of rail industry.
- C. Integrate localized cultures and activities for multi-faceted development and collaboration.
- D. Invigorate subsidiary businesses and enhance service quality.
- E. Integrate rail technology resources for reinvestment or technology exports.

(4) Touch: establish brand culture, enhance talent capabilities and corporate efficiency, and be active in social participation and environmental protection.

- A. Establish a talent nurturing program.
- B. Effectively enhance management capabilities of managers.
- C. Integrate art and culture to enhance corporate brand image and expand scope and depth of art appreciation.
- D. Optimize long-term finances.
- E. Shape a culture of corporate governance to set an example and show commitment to social participation.
- F. Promote environmental protection and carbon-reduction goals.

## **4. Impacts of external environments, legal environments, and macroeconomic operational environments**

According to information released by the DGBAS on November 24, 2017, Taiwan has



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benefitted from stable global economic growth and increased international raw material prices, such that our trade figures are expected to hold steady for 2018, although US monetary policy and tax reform impacts on global financial markets, China economic reform and BRI impacts on Taiwan, and Korean Peninsula and Middle Eastern political impacts on global economy should be noted. Additionally, domestic economic growth is stabilized as the government continues to optimize domestic investment environments and implement industry innovation and prospective infrastructure initiatives; however, slowed growth leads us to estimate that economic growth for 2018 will be 2.29%, slightly lower than 2.58% in 2017. The Company will continue to develop appropriate products and quality services to achieve passenger volume and revenue growth targets.

In terms of regulatory environments, the MOTC has actively revised railway laws and regulations in recent years, amending the “Railway Construction Maintenance Standards”, the “Railway Transport Standards”, the “Implementation Procedures for Supervision of Local Privately Owned and Special Railways”, the “Management Procedures for Train Operator Certifications for Public and Privately Owned Railways”, the “Regulations on Construction Constraints Alongside Railways”, and the “Regulations for Delegation of Train Operator Certifications for Privately Owned Railways” according to the Railway Act. These amendments have had positive effects on ensuring operational safety and passenger interests. The company is optimistic about the success of these laws and complies with all relevant laws and regulations. In 2017, the MOTC also revised the “Act for the Development of Tourism”, the “Procedures for Establishment of Disabled Access on Public Transportation”, and “Implementation Procedures for Preferential Treatment for Disabled People on Domestic Public Transportation”. These amendments did not affect Company operations. Additionally, in terms of labor laws, the Legislative Yuan drafted amendments to the Labor Standards Act on January 10, 2018. The Company will continue to follow and assess these amendments and their impact upon Company operations.

In terms of macroeconomic environments, the Company was not only impacted by slowed growth of passenger volumes owing to overall economic climates, declining birthrates, and aging populations, but as also affected by increased operational costs owing to climate change

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and heightened needs for operating equipment. The Company will continue to promote smart transportation, enhance safety and efficiency of response procedures, develop self-maintenance capabilities and localized materials, and enhance our competencies through industrial cooperation. In terms of lifestyle services, we will also integrate local culture and provide quality transportation services to our passengers, strengthening the foundation for long-term business development.

# Appendix 5

## TAIWAN HIGH SPEED RAIL CORPORATION

### BALANCE SHEETS

(In Thousands of New Taiwan Dollars, Except Par Value)

	December 31			
	2017		2016	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 7,187,917	2	\$ 237,457	-
Available-for-sale financial assets (Note 7)	319,985	-	311,693	-
Hedging derivative assets (Note 8)	5	-	225	-
Notes and accounts receivable	347,275	-	550,033	-
Inventories (Note 9)	1,927,723	1	2,005,154	1
Other financial assets (Notes 10 and 27)	9,365,363	2	24,714,305	5
Prepayments and other current assets (Note 13)	942,548	-	909,415	-
Total current assets	<u>20,090,816</u>	<u>5</u>	<u>28,728,282</u>	<u>6</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Note 11)	107,354	-	65,305	-
Operating concession asset (Note 12)	413,166,373	94	426,020,379	92
Computer software, net (Note 12)	54,167	-	34,994	-
Deferred tax assets (Note 22)	4,504,698	1	4,285,765	1
Other financial assets (Notes 10 and 27)	2,122,265	-	2,060,388	1
Other non-current assets (Note 13)	14,784	-	12,259	-
Total non-current assets	<u>419,969,641</u>	<u>95</u>	<u>432,479,090</u>	<u>94</u>
<b>TOTAL</b>	<u>\$ 440,060,457</u>	<u>100</u>	<u>\$ 461,207,372</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14)	\$ 39,888	-	\$ 60,130	-
Accounts payable	248,017	-	247,519	-
Operating concession liability (Note 15)	647,850	-	3,180,612	1
Other payables (Notes 14 and 17)	2,950,253	1	2,755,992	1
Payable for construction	605,926	-	889,292	-
Current tax liabilities	1,102,942	1	474,723	-
Provisions (Note 16)	292,515	-	301,701	-
Current portion of long-term debt (Note 14)	-	-	10,944,843	2
Other current liabilities (Note 17)	662,017	-	960,682	-
Total current liabilities	<u>6,549,408</u>	<u>2</u>	<u>19,815,494</u>	<u>4</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term debt (Note 14)	286,082,766	65	316,279,751	69
Long-term bills payable (Note 14)	15,963,546	4	-	-
Provisions (Note 16)	4,145,851	1	280,289	-
Long-term interest payable (Note 14)	9,531,465	2	9,582,166	2
Operating concession liabilities (Note 15)	54,542,215	12	53,990,329	12
Other non-current liabilities (Notes 17, 18 and 22)	226,857	-	195,662	-
Total non-current liabilities	<u>370,492,700</u>	<u>84</u>	<u>380,328,197</u>	<u>83</u>
Total liabilities	<u>377,042,108</u>	<u>86</u>	<u>400,143,691</u>	<u>87</u>
<b>EQUITY (Note 19)</b>				
Capital stock				
Common stock	56,282,930	13	56,282,930	12
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	866,090	-	451,180	-
Unappropriated earnings	5,695,863	1	4,155,897	1
Total retained earnings	6,561,953	1	4,607,077	1
Unrealized gain on available-for-sale financial assets	485	-	693	-
Total equity	<u>63,018,349</u>	<u>14</u>	<u>61,063,681</u>	<u>13</u>
<b>TOTAL</b>	<u>\$ 440,060,457</u>	<u>100</u>	<u>\$ 461,207,372</u>	<u>100</u>

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

# Appendix 5

## 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			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 20 and 26)	\$ 43,435,042	100	\$ 40,610,906	100
OPERATING COSTS (Notes 21 and 26)	<u>(24,613,645)</u>	<u>(57)</u>	<u>(25,973,173)</u>	<u>(64)</u>
GROSS PROFIT	18,821,397	43	14,637,733	36
OPERATING EXPENSES (Note 21)	<u>(1,066,413)</u>	<u>(2)</u>	<u>(938,237)</u>	<u>(2)</u>
INCOME FROM OPERATIONS	<u>17,754,984</u>	<u>41</u>	<u>13,699,496</u>	<u>34</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	96,076	-	115,448	-
Interest expense (Notes 14, 21 and 26)	(7,463,329)	(17)	(8,375,559)	(21)
Stabilization reserve expense (Note 16)	(3,865,562)	(9)	(280,289)	(1)
Other gains and losses (Note 21)	<u>(43,669)</u>	<u>-</u>	<u>(161,521)</u>	<u>-</u>
Total non-operating income and expenses	<u>(11,276,484)</u>	<u>(26)</u>	<u>(8,701,921)</u>	<u>(22)</u>
INCOME BEFORE INCOME TAX	6,478,500	15	4,997,575	12
INCOME TAX EXPENSE (Note 22)	<u>(1,138,595)</u>	<u>(3)</u>	<u>(848,477)</u>	<u>(2)</u>
NET INCOME	<u>5,339,905</u>	<u>12</u>	<u>4,149,098</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(9,702)	-	(57,611)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	<u>1,649</u>	<u>-</u>	<u>9,794</u>	<u>-</u>
	<u>(8,053)</u>	<u>-</u>	<u>(47,817)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	<u>(208)</u>	<u>-</u>	<u>138</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(8,261)</u>	<u>-</u>	<u>(47,679)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,331,644</u>	<u>12</u>	<u>\$ 4,101,419</u>	<u>10</u>

(Continued)

# Appendix 5

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME

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

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	For the Years Ended December 31			
	2017		2016	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 0.95</u>		<u>\$ 0.74</u>	

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

(Concluded)

# Appendix 5

## 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, 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 income (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
BALANCE AT JANUARY 1, 2016	\$ 56,052,930	\$ -	\$ 40,285	\$ 4,108,952	\$ 4,149,237	\$ 555	\$ 60,202,722
Appropriation of prior year's earnings							
Legal reserve	-	-	410,895	(410,895)	-	-	-
Cash dividends to shareholders - NT\$0.65 per share	-	-	-	(3,643,441)	(3,643,441)	-	(3,643,441)
	-	-	410,895	(4,054,336)	(3,643,441)	-	(3,643,441)
Net income for the year ended December 31, 2016	-	-	-	4,149,098	4,149,098	-	4,149,098
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	(47,817)	(47,817)	138	(47,679)
Total comprehensive income for the year ended December 31, 2016	-	-	-	4,101,281	4,101,281	138	4,101,419
Issue of common shares for cash (including employee share options)	230,000	172,981	-	-	-	-	402,981
BALANCE AT DECEMBER 31, 2016	\$ 56,282,930	\$ 172,981	\$ 451,180	\$ 4,155,897	\$ 4,607,077	\$ 693	\$ 61,063,681

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

# Appendix 5

## TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Years Ended December 31	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,478,500	\$ 4,997,575
Adjustments for:		
Depreciation	37,137	33,202
Amortization	13,865,570	15,683,785
Loss on inventories valuation and obsolescence	14,322	73,585
Interest expense	7,463,329	8,375,559
Interest income	(96,076)	(115,448)
Loss on foreign currency exchange, net	8,096	27,430
Stabilization reserve expenses	3,865,562	280,289
Others	9,405	423
Changes in operating assets and liabilities		
Derivative financial assets for hedging	220	(225)
Notes and accounts receivable	202,758	(339,845)
Inventories	65,719	77,341
Prepayments and other current assets	(29,152)	(382,943)
Other non-current assets	(6,455)	(9,818)
Accounts payable	1,677	(193,077)
Other payable	234,236	556,079
Payment for provisions - controversial overtime	(9,971)	(221,965)
Payment for provisions - preferred stock compensation	-	(15,155,212)
Other current liabilities	(298,665)	192,246
Other non-current liabilities	(924)	4,331
Cash generated from operations	31,805,288	13,883,312
Interest received	92,008	125,879
Interest paid	(6,381,962)	(6,206,724)
Interest paid with respect to operating concession liabilities	(3,180,612)	(1,883,383)
Income tax refund (paid)	(728,768)	11,342
Net cash generated from operating activities	<u>21,605,954</u>	<u>5,930,426</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(372,500)	(235,000)
Proceeds from disposal of available-for-sale financial assets	365,430	527,426
Decrease in other financial assets	15,274,999	29,736,684
Acquisition of property, plant and equipment	(36,279)	(27,759)
Proceeds from disposal of property, plant and equipment	-	457
Acquisition of intangible assets	(1,354,079)	(2,662,900)
Proceeds from disposal of intangible assets	530	1,610
Net cash generated from investing activities	<u>13,878,101</u>	<u>27,340,518</u>

(Continued)

# Appendix 5

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended	
	December 31	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	\$ (19,580)	\$ 16,811
Issuance of long-term bills payable	16,000,000	-
Repayment of long-term debt	(41,160,564)	(31,946,529)
Increase in other non-current liabilities	23,525	5,323
Cash dividends	(3,376,976)	(3,643,433)
Issue of common shares for cash	-	390,801
Net cash used in financing activities	<u>(28,533,595)</u>	<u>(35,177,027)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>-</u>	<u>(2,856)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,950,460	(1,908,939)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>237,457</u>	<u>2,146,396</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,187,917</u>	<u>\$ 237,457</u>

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

(Concluded)



# Appendix 6

## **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, which comprise the balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.

### **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 Republic of China. 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 Republic of China, 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, 2017. 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 2017 financial statements are as follows:

#### The Provision for Stabilization Reserve

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

# Appendix 6

The financial stabilization mechanism was established by the Corporation in 2016 in order to serve the purpose to return main benefit of excess earnings to the country. Starting from 2017, the Corporation reports the execution status to the Ministry of Transportation and Communications (“MOTC”), including provision, contribution, and accumulated balance of the stabilization reserve in accordance with Taiwan North-South High Speed Rail Construction and Operation Agreement. Because the provision of the stabilization reserve is related to the profitability of the remaining concession period of the contract, and the amount is material and can vary depending on the expiration or termination of the contract, and involves critical accounting judgments and estimates, the recognition of provision for stabilization reserve is deemed a key audit matter.

Since the remaining concession period is expected to end in the year 2068 or still many years in the future and an early termination is not anticipated, the profitability is not reliably predictable; nevertheless, the stabilization reserve amounted to NT\$4,145,851 thousand as of December 31, 2017 based on the estimated profitability in 2017 in accordance with Taiwan North-South High Speed Rail Construction and Operation Agreement.

We evaluated whether the method of measurement used by the management to make the accounting estimate related to the abovementioned provisions was reasonable. Moreover, on a sample basis, we: (1) inspected contracts related to the movement of provisions, (2) recalculated the amount of provisions to ensure the accuracy of the balance, and (3) inspected the movement of provisions subsequent to the balance sheet date to the report date to evaluate whether the balance of provisions at the balance sheet date was appropriate.

## Railroad Transportation Revenue

Refer to Note 4, o. for revenue recognition policies and Note 20 for detail of revenues.

The railroad transportation revenue is the main sources of revenue for the Corporation, and related revenue amounted to NT\$42,221,888 thousand, representing 97% of total operating revenues in 2017. The calculation of railroad transportation revenue is complex; thus, railroad transportation revenue recognition 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 related internal control system. Moreover, we investigated information transfer process among abovementioned systems to ensure that the operating revenue and the cash flow were processed normally, obtained the understanding of how the reports of ticketing related systems were generated, and recalculated amounts to check the accuracy of recognized revenue 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 Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# Appendix 6

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 Republic of China 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 in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# Appendix 6

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 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 Jui-Hsuan Ho and Kwan-Chung Lai.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 13, 2018

## 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.*

# Appendix 7

## **Audit Committee's Review Report on 2017 Financial Statements**

### **Audit Committee's Audit Report**

The Board of the Company has prepared and submitted the proposal of 2017 business report and financial statements. The financial statements have been audited by CPAs Ruske Ho and Casey K.C. Lai of Deloitte Taiwan. The Audit Committee reviewed the abovementioned business report and financial statements and has found no non-compliance hence present its audit report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2018 shareholders' Annual General Meeting

Taiwan High Speed Rail Corporation

Ding Kung-Wha, Convenor of Audit Committee

February 13, 2018

# Appendix 8

## Audit Committee's Audit Report

The Audit Committee has reviewed the 2017 profit distribution prepared and submitted by the Board and has found no non-compliance and, with unanimous consent, present the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2018 Shareholders' Annual General Meeting

Taiwan High Speed Rail Corporation

Ding Kung-Wha, Convenor of Audit Committee

March 13, 2018

# Appendix 9

## Taiwan High Speed Rail Corporation

### Comparative Table for the current and amended Articles of Incorporation

After The Revision	Before The Revision	Description
<p>Article 17-1</p> <p>Given the requirement of Article 183 of the Securities and Exchange Act, starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.</p> <p>Independent Directors and non-independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group.</p>	<p>Article 17-1</p> <p>Given the requirement of Article 183 of the Securities and Exchange Act, starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.</p> <p><u>A candidate nomination system shall be adopted for the election of independent Directors; shareholders shall elect the independent Directors from the roster of nominated candidates.</u></p> <p>Independent Directors and non-independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group.</p>	<ol style="list-style-type: none"> <li>1. Delete the second paragraph of Article 17-1 due to repetition, as second paragraph of Article 17 has already specified the director candidate nomination system adopted pursuant to Article 192-1 of the Company Act.</li> <li>2. Paragraphs 3 and 4 of this article have therefore changed to paragraphs 2 and 3.</li> </ol>

# Appendix 9

After The Revision	Before The Revision	Description
<p>The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.</p>	<p>The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.</p>	
<p>Article 27-2</p> <p>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.</p>	<p>Article 27-2</p> <p>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.</p> <p><u>Pursuant to Articles 14-4 and 181-2 of the Securities and Exchange Act, upon establishment of the audit committee the position of the Supervisors of the Corporation shall cease to exist, and all powers of Supervisors set forth</u></p>	<p>Delete the second paragraph of Article 27-2, due to that the Corporation has already established the Audit Committee in pursuant to Article 14-4 of the Securities and Exchange Act, and that the term “Supervisor” has been deleted in all the internal bylaws and rules since the role of Supervisors has being replaced</p>



# Appendix 9

After The Revision	Before The Revision	Description
	<p><u>in the internal bylaws and rules of the Corporation shall be taken over by the audit committee.</u></p>	<p>by the Audit Committee.</p>
<p>Article 33</p> <p>The Corporation shall have one <u>General Manager</u> and several other Managerial Officers. The <u>General Manager</u> 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 <u>General Manager</u>, but may not sign on behalf of the Corporation unless with the written authorization of the Corporation.</p>	<p>Article 33</p> <p>The Corporation shall have one <u>Chief Executive Officer</u> and several other Managerial Officers. The <u>Chief Executive Officer</u> 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 <u>Chief Executive officer</u>, but may not sign on behalf of the Corporation unless with the written authorization of the Corporation.</p>	<p>Considering the needs of actual operation of the Corporation, the title of the manager of the Corporation has been revised from "Chief Executive Officer" to "General Manager".</p>
<p>Article 34</p> <p>The appointment and removal of the <u>General Manager</u> and significant Managerial Officers shall be determined by resolution of the Board of Directors.</p>	<p>Article 34</p> <p>The appointment and removal of the <u>Chief Executive Officer</u> and significant Managerial Officers shall be determined by resolution of the Board of Directors.</p>	<p>In line with Article 33, "Chief Executive Officer" is amended to "General Manager".</p>

# Appendix 9

After The Revision	Before The Revision	Description
<p>Article 39</p> <p>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 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; <u>the twentieth on 24 May</u>; and took effect after approval at a <u>regular</u> shareholders' meeting.</p>	<p>Article 39</p> <p>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 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; and took effect after approval at a <u>special</u> shareholders' meeting.</p>	<p>Update the list of amendment dates.</p>

# Appendix 10

## Taiwan High Speed Rail Corporation Comparative Table for the current and amended Rules for the Election of Directors

After The Revision	Before The Revision	Description
<p>Article 3</p> <p><u>The number of Directors for the election is determined by the Board of Director in accordance with the rule of Corporation's Articles of Incorporation</u>, the candidates who receive ballots representing a prevailing number of votes shall be elected. If two or more candidates receive ballots representing an equal number of votes and the election of all of them would exceed the fixed number of Directors, the candidates to be elected shall be determined by drawing of lots, and the lots of the candidates who are not present at the draw shall be drawn by the chair on their behalf.</p> <p>To cast votes to elect Directors of the Corporation, a shareholder may opt to vote either by electronic means or on site.</p> <p>A shareholder opting to cast votes by electronic means under the preceding paragraph shall vote on an electronic voting platform designated by the</p>	<p>Article 3</p> <p><u>Based on the number of Directors fixed pursuant to the Corporation's Articles of Incorporation</u>, the candidates who receive ballots representing a prevailing number of votes shall be elected. If two or more candidates receive ballots representing an equal number of votes and the election of all of them would exceed the fixed number of Directors, the candidates to be elected shall be determined by drawing of lots, and the lots of the candidates who are not present at the draw shall be drawn by the chair on their behalf.</p> <p>To cast votes to elect Directors of the Corporation, a shareholder may opt to vote either by electronic means or on site.</p> <p>A shareholder opting to cast votes by electronic means under the preceding paragraph shall vote on an electronic voting platform designated by the</p>	<p>Revise the wording in accordance with the Article 17 of Corporation's Articles of Incorporation.</p>

# Appendix 10

After The Revision	Before The Revision	Description
<p>Corporation.</p> <p>The qualifications of the Directors elected under paragraph 1 shall meet the requirements prescribed by the competent authority.</p>	<p>Corporation.</p> <p>The qualifications of the Directors elected under paragraph 1 shall meet the requirements prescribed by the competent authority.</p>	
<p>Article 5</p> <p>At the start of an election, the chair shall announce the voting time and appoint <u>multiple ballot inspectors and ballot counters</u> to discharge all relevant duties, <u>and only shareholders may be appointed as ballot inspectors.</u></p>	<p>Article 5</p> <p>At the start of an election, the chair shall announce the voting time and appoint <u>two ballot inspectors and multiple ballot counters</u> to discharge all relevant duties.</p>	<p>Considering the needs of actual operation of Shareholders' Meeting, revise the number of ballot inspectors and ballot counters, and identify that only shareholders may be appointed as ballot inspector.</p>
<p>Article 7</p> <p>Only one candidate's name may be filled in on each ballot. To vote for a candidate who is a shareholder, a voter shall clearly fill in the candidate's account name and shareholder account number in the "Candidate" space on the ballot; for a candidate who is not a shareholder, the voter shall clearly fill in the candidate's name and <u>national ID number</u> or passport number.</p>	<p>Article 7</p> <p>Only one candidate's name may be filled in on each ballot. To vote for a candidate who is a shareholder, a voter shall clearly fill in the candidate's account name and shareholder account number in the "Candidate" space on the ballot; for a candidate who is not a shareholder, the voter shall clearly fill in the candidate's name and <u>ID number</u> or passport number. However, if</p>	<p>Revise the article 7 and 8 as the Article 17 of Corporation's Articles of Incorporation has already specified the director candidate nomination system adopted pursuant to Article 192-1 of the Company Act.</p>

# Appendix 10

After The Revision	Before The Revision	Description
<p>However, if a candidate is a government agency or juristic person shareholder, the name of the government agency or juristic person shareholder, or the name of the government agency or juristic person shareholder together with the name of its representative, shall be clearly filled in in the "Candidate" space on the ballot.</p> <p><u>When there are multiple representatives, the names of each respective representative shall be filled.</u></p>	<p>a candidate is a government agency or juristic person shareholder, the name of the government agency or juristic person shareholder, or the name of the government agency or juristic person shareholder together with the name of its representative, shall be clearly filled in in the "Candidate" space on the ballot.</p>	
<p>Article 8</p> <p>An on-site ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:</p> <ol style="list-style-type: none"> <li>(1) The ballot cast is not a ballot as prescribed in these Rules.</li> <li>(2) The ballot inserted into the ballot box is a blank ballot.</li> <li>(3) The handwriting on the ballot is unclear, indecipherable, or has been altered.</li> <li>(4) Any text or mark is written on the ballot other than the candidate's account name</li> </ol>	<p>Article 8</p> <p>An on-site ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:</p> <ol style="list-style-type: none"> <li>(1) The ballot cast is not a ballot as prescribed in these Rules.</li> <li>(2) The ballot inserted into the ballot box is a blank ballot.</li> <li>(3) The handwriting on the ballot is unclear, indecipherable, or has been altered.</li> <li>(4) Any text or mark is written on the ballot other than the candidate's account name</li> </ol>	<p>Same as above.</p>

# Appendix 10

After The Revision	Before The Revision	Description
<p>(or personal name), or shareholder account number, <u>national ID number, passport number</u> and the allocated number of votes.</p> <p>(5) The ballot is not filled in in accordance with Article 6 or 7.</p> <p>(6) If the selected candidate is a shareholder, the candidate's account name or shareholder account number filled in on the ballot does not conform to the corresponding entry of the register of shareholders.</p> <p>(7) If the selected candidate is not a shareholder, <u>the candidate's name and national ID number or passport number filled in on the ballot</u> is verified as incorrect.</p> <p>(8) The names of two or more candidates are filled in on the same ballot.</p> <p>(9) The number of selected candidates exceeds the</p>	<p>(or personal name) or shareholder account number <u>(or identity document number)</u> and the allocated number of votes.</p> <p>(5) The ballot is not filled in in accordance with Article 6 or 7.</p> <p>(6) If the selected candidate is a shareholder, the candidate's account name or shareholder account number filled in on the ballot does not conform to the corresponding entry of the register of shareholders.</p> <p>(7) If the selected candidate is not a shareholder, <u>the candidate's name or ID number (or passport number) is not filled in on the ballot, or the candidate's name or ID number (or passport number) filled in on the ballot cannot be verified or is verified as incorrect.</u></p> <p>(8) The names of two or more candidates are filled in on the same ballot.</p> <p>(9) The number of selected candidates exceeds the</p>	

# Appendix 10

After The Revision	Before The Revision	Description
<p>allowed number.</p> <p><u>(10)The name of the selected candidate filled in on the ballot does not conform to the roster of nominated candidate.</u></p> <p><u>(11)There are over two candidates’ name are same, neither shareholder account number, national ID number, passport number or other identity document is filled in on the ballot.</u></p> <p><u>(12)The ballot is not inserted into the ballot box designated by the chair.</u></p> <p>When in doubt a ballot counter shall first request a ballot inspector to verify whether an on-site 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.</p>	<p>allowed number.</p> <p><u>(10)The name of the selected candidate is the same as that of another shareholder, and neither shareholder account number nor identity document number is provided to distinguish between them.</u></p> <p><u>(11)The ballot is not inserted into the ballot box designated by the chair.</u></p> <p>When in doubt a ballot counter shall first request a ballot inspector to verify whether an on-site 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.</p>	

# Appendix 10

After The Revision	Before The Revision	Description
<p>Article 10</p> <p>The result of the voting shall be announced by the chair on site by indicating the <u>list of candidates elected as Directors and the numbers of votes with which they were elected.</u></p>	<p>Article 10</p> <p>The result of the voting shall be announced by the chair on site by indicating the <u>names of the candidates elected and their shareholder account numbers or, if not shareholders, their ID numbers (or passport numbers).</u></p>	<p>Considering the needs of actual operation of Shareholders' Meeting, revise the wording for announcing of result of the voting</p>