Taiwan High Speed Rail Corporation

Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report

Deloitte.

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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, 2016 and 2015, 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, 2016 and 2015, 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, Rule No. 10000322083 issued by the Financial Supervisory Commission ("FSC") and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed by the 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.

Emphasis of Matter

The specific details and status of execution of the Financial Resolution Plan which is being implemented by the Corporation are provided in Note 31, c. and d.

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, 2016. 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 2016 financial statements are as follows:

The Provision for Controversial Overtime and Provision for Stabilization Reserve

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

For the discrepancies between the Corporation and Taiwan High Speed Rail Corporation Labor Union for the calculation of overtime pay related to employees working in shifts worked on national holidays and overtime hours within every two consecutive weeks, the Corporation recognized the aforementioned provision for the controversial overtime and a related expense in an amount of NT$596,542 thousand in accordance with the initial agreement in 2015. After the further searches and discussion in July 2016, the formula of the calculation was confirmed. As of December 31, 2016, the Corporation recognized a provision for the controversial overtime in an amount of NT$293,566 thousand after the deduction of incentive bonus.

The above-mentioned controversial overtime expenses were calculated by both parties after the discussion and the related provision was recognized based on the adjusted working hours individual employee’s annual salary level, and overtime expenses after recalculation of overtime hours; thus, the provision may differ from the results of the amount decided through administrative judgment or the agreements signed by the employees. Since the provision for the controversial overtime is subject to the significant judgment of the management, it is considered as one of the key audit matters.

According to the Financial Resolution Plan, 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 shall report the execution status to the Ministry of Transportation and Communications (“MOTC”), including provision, contribution, and accumulated balance of the stabilization reserve. Because the provision of the stabilization reserve is related to the profitability of the remaining of the concession period of the contract, and the amount varies depending on the expiration or termination of the contract, the management’s judgment on the recognition of the provision is material and is deemed to be a key audit matter.

Since the profitability for the remaining concession period which ends in the year 2068 or for early termination is not predictable, the amount of stabilization reserve was NT$280,289 thousand as of December 31, 2016, which was estimated based on the profitability in 2016 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 above-mentioned provisions was reasonable. Moreover, we performed the following audit procedures on a sample basis: (1) inspected contracts related to the addition to, or usage and reversal 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$39,433,807 thousand, representing 97% of total operating revenues in 2016. The calculation of railroad transportation revenue is complex and highly relies on ticketing systems; 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 above-mentioned 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 the accuracy of revenue recognition amount and the balance of unearned revenue.

Income Tax Estimate

Refer to Note 4, r. for accounting policies. For significant accounting judgments and the uncertainty of estimates and assumption regarding the income taxes, please refer to Note 5, f., and for the detail of income taxes, refer to Note 22.

The taxable income increased since the Corporation implemented the Financial Resolution Plan in 2015; thus, parts of unrecognized deductible temporary differences and unused loss carryforwards were utilized or recognized as deferred tax assets, resulting in an income tax benefit amounting to NT$2,038,795 thousand in 2015. In comparison with that of 2015, the income tax expense was NT$848,477 thousand in 2016, and the effective income tax rate of 16.98% after divided by the income before income tax of NT$4,997,575 thousand was almost equal to the statutory income tax rate of 17%. The income tax estimate pertains to the amount of differences of all assets and liabilities and their tax basis, the usage of loss carryforwards, and the planning of tax incentives, which involve the significant judgment of the management and affect the realizability of the deferred tax asset assessment; thus, the income tax estimate was considered a key audit matter.

We obtained the documents for the income tax calculation made by the management; evaluated the reasonableness of its judgment and assumption to ensure that the calculation meets the tax law requirements; recalculated the income tax related amounts for accuracy; evaluated the reasonableness of the movement of the deferred tax assets from the balance sheet date to the report date; and evaluated whether the realizability of the deferred tax assets as of the balance sheet date was appropriate.

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, Rule No. 10000322083 issued by the FSC 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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 22, 2017

<u>*Notice to Readers*</u>

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.

TAIWAN HIGH SPEED RAIL CORPORATION

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

	December 31			
	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 237,457	-	$ 2,146,396	-
Available-for-sale financial assets (Note 7)	311,693	-	602,555	-
Hedging derivative assets (Note 8)	225	-	-	-
Notes and accounts receivable	550,033	-	210,188	-
Inventories (Note 9)	2,005,154	1	2,154,760	1
Other financial assets (Notes 10 and 27)	24,714,305	5	54,473,519	11
Prepayments and other current assets (Note 13)	909,415	-	560,917	-
Total current assets	28,728,282	6	60,148,335	12
NON-CURRENT ASSETS				
Property, plant and equipment (Note 11)	65,305	-	70,928	-
Operating concession asset (Note 12)	426,020,379	92	439,626,852	87
Computer software, net (Note 12)	34,994	-	41,238	-
Deferred tax assets (Note 22)	4,285,765	1	4,641,768	1
Other financial assets (Notes 10 and 27)	2,060,388	1	2,070,863	-
Other non-current assets (Note 13)	12,259	-	4,232	-
Total non-current assets	432,479,090	94	446,455,881	88
TOTAL	$ 461,207,372	100	$ 506,604,216	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	$ 60,130	-	$ 43,460	-
Accounts payable	247,519	-	442,218	-
Operating concession liability (Note 15)	3,180,612	1	1,883,383	-
Other payables (Notes 14 and 17)	2,755,992	1	15,294,592	3
Payable for construction	889,292	-	1,466,212	-
Provisions (Notes 16 and 26)	301,701	-	2,746,756	1
Current portion of long-term debt (Note 14)	10,944,843	2	13,508,778	3
Other current liabilities (Notes 17 and 22)	1,435,405	-	768,436	-
Total current liabilities	19,815,494	4	36,153,835	7
NON-CURRENT LIABILITIES				
Long-term debt (Note 14)	316,279,751	69	345,647,453	68
Provisions (Note 16)	280,289	-	-	-
Long-term interest payable (Note 14)	9,582,166	2	8,472,455	2
Operating concession liabilities (Note 15)	53,990,329	12	55,994,730	11
Other non-current liabilities (Notes 17 and 22)	195,662	-	133,021	-
Total non-current liabilities	380,328,197	83	410,247,659	81
Total liabilities	400,143,691	87	446,401,494	88
EQUITY (Note 19)				
Capital stock - $10 par value, authorized 12,000,000 thousand shares				
Common stock - issued 5,628,293 thousand shares in 2016 and issued 5,605,293 thousand shares in 2015	56,282,930	12	56,052,930	11
Capital surplus	172,981	-	-	-
Retained earnings				
Legal reserve	451,180	-	40,285	-
Unappropriated earnings	4,155,897	1	4,108,952	1
Total retained earnings	4,607,077	1	4,149,237	1
Unrealized gain on available-for-sale financial assets	693	-	555	-
Total equity	61,063,681	13	60,202,722	12
TOTAL	$ 461,207,372	100	$ 506,604,216	100

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

(With Deloitte & Touche auditors' report dated February 22, 2017)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 20 and 26)	$ 40,610,906	100	$ 51,901,392	100
OPERATING COSTS (Notes 21 and 26)	(25,973,173)	(64)	(30,499,460)	(59)
GROSS PROFIT	14,637,733	36	21,401,932	41
OPERATING EXPENSES (Note 21)	(938,237)	(2)	(845,436)	(2)
INCOME FROM OPERATIONS	13,699,496	34	20,556,496	39
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	115,448	-	234,488	1
Interest expense (Notes 21 and 26)	(8,375,559)	(21)	(9,256,852)	(18)
Other gains and losses (Notes 21 and 26)	(441,810)	(1)	7,299,703	14
Total non-operating income and expenses	(8,701,921)	(22)	(1,722,661)	(3)
INCOME BEFORE INCOME TAX	4,997,575	12	18,833,835	36
INCOME TAX BENEFIT (EXPENSE) (Note 22)	(848,477)	(2)	2,038,795	4
NET INCOME	4,149,098	10	20,872,630	40
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(57,611)	-	(58,198)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	9,794	-	9,894	-
	(47,817)	-	(48,304)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	138	-	(1,005)	-
Other comprehensive income (loss) for the year, net of income tax	(47,679)	-	(49,309)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,101,419	10	$ 20,823,321	40

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	$ 0.74		$ 7.19	
Diluted earnings per share	$ 0.74		$ 6.31	

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

(With Deloitte & Touche auditors' report dated February 22, 2017) (Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock			Retained Earnings (Accumulated Losses)						
	Common Stock	Preferred Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings (Deficit)	Total	Unrealized Gain/Loss on Available-for-sale Financial Assets	Prepaid Preferred Stock Dividends	Other Equity	Total Equity
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
BALANCE AT JANUARY 1, 2015	$ 65,132,326	$ 40,189,917	$ -	$ 40,285	$(46,699,030)	$(46,658,745)	$ 1,560	$(10,064,499)	$ (3,609,357)	$ 44,991,202
Net income for the year ended December 31, 2015	-	-	-	-	20,872,630	20,872,630	-	-	-	20,872,630
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(48,304)	(48,304)	(1,005)	-	-	(49,309)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	20,824,326	20,824,326	(1,005)	-	-	20,823,321
Issue of ordinary shares for cash	30,000,000	-	-	-	-	-	-	-	-	30,000,000
Capital reduction to cover accumulated losses	(39,079,396)	-	-	-	39,079,396	39,079,396	-	-	-	-
Preferred stock redeemed and deficit adjustments	-	(40,189,917)	-	-	(9,095,740)	(9,095,740)	-	10,064,499	-	(39,221,158)
The adjustments of lawsuits in regard to preferred stock	-	-	-	-	-	-	-	-	3,609,357	3,609,357
BALANCE AT DECEMBER 31, 2015	$ 56,052,930	$ -	$ -	$ 40,285	$ 4,108,952	$ 4,149,237	$ 555	$ -	$ -	$ 60,202,722

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

(With Deloitte & Touche auditors' report dated February 22, 2017)

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,997,575	$ 18,833,835
Adjustments for:		
Depreciation	33,202	32,506
Amortization	15,683,785	20,590,168
Loss on inventories valuation and obsolescence	73,585	531,204
Interest expense	8,375,559	9,256,852
Interest income	(115,448)	(234,488)
Loss on foreign currency exchange, net	27,430	26,814
Stabilization reserve expenses	280,289	-
Shortfall charge revenue from statutory concession tickets	-	(12,096,971)
Gain on value of returned superficies for offset of profit sharing payable	-	(22,613,234)
Preferred stock compensation expenditure	-	15,161,065
Others	423	575,640
Changes in operating assets and liabilities		
Derivative financial assets for hedging	(225)	551
Notes and accounts receivable	(339,845)	17,045
Inventories	77,341	114,700
Prepayments and other current assets	(382,943)	21,063
Other non-current assets	(9,818)	(58,680)
Accounts payable	(193,077)	155,027
Other payable	556,079	(546,708)
Payment for provisions - controversial overtime	(221,965)	-
Payment for provisions - preferred stock compensation	(15,155,212)	-
Other current liabilities	192,246	222,261
Other non-current liabilities	4,331	-
Cash generated from operations	13,883,312	29,988,650
Interest received	125,879	248,429
Interest paid	(6,206,724)	(6,992,540)
Payment for the interest of operating concession liabilities	(1,883,383)	(265,849)
Income tax refund (paid)	11,342	(25,138)
Net cash generated from operating activities	5,930,426	22,953,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(235,000)	(852,300)
Proceeds from disposal of available-for-sale financial assets	527,426	946,049
Decrease (increase) in other financial assets	29,736,684	(3,583,003)
Acquisition of property, plant and equipment	(27,759)	(23,170)
Proceeds from disposal of property, plant and equipment	457	-

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Year Ended December 31	
	2016	**2015**
Acquisition of intangible assets	$ (2,662,900)	$ (6,787,085)
Proceeds from disposal of intangible assets	1,610	311
Net cash generated from (used in) investing activities	27,340,518	(10,299,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	16,811	(90,884)
Repayment of long-term debt	(31,946,529)	(2,565,141)
Increase in other non-current liabilities	5,323	27,027
Cash dividends	(3,643,433)	-
Issue of common shares for cash	390,801	30,000,000
Preferred stock redeemed	-	(39,221,158)
Net cash used in financing activities	(35,177,027)	(11,850,156)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(2,856)	10,047
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,908,939)	814,245
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,146,396	1,332,151
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 237,457	$ 2,146,396

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

(With Deloitte & Touche auditors' report dated February 22, 2017) (Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Taiwan High Speed Rail Corporation (the "Corporation") was incorporated in Taipei City on May 11, 1998. Under the Taiwan North-South High Speed Rail Construction and Operation Agreement ("C&O Agreement") and the Taiwan North-South High Speed Rail Station Zone Development Agreement ("SZD Agreement") entered into with the Ministry of Transportation and Communications ("MOTC") on July 23, 1998, the Corporation was granted authority to construct and operate the high speed rail ("HSR") and relevant ancillary facilities. Under the Fourth Amendment of the C&O Agreement and the Taiwan North-South High Speed Rail Station Zone Development Termination Agreement ("SZD Termination Agreement") entered into by the Corporation with the MOTC on July 27, 2015, effective on October 30, 2015, the construction and operation concession period of the HSR was extended from 35 years to 70 years until the year 2068.

On January 5, 2007, the Corporation started its commercial operations from the Banqiao Station to the Zuoying Station. On March 2, 2007, the Corporation started operating its railway service at the Taipei Station. On December 1, 2015, the Corporation started operating its railway service at the Miaoli, Changhua and Yunlin stations. On July 1, 2016, the Corporation started operating its railway service at the Nangang station.

The Corporation's stock has been traded on the Taiwan Stock Exchange since October 27, 2016.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on February 22, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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") for application starting from 2017

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2017.

Effective Date Announced by IASB	New IFRSs
January 1, 2014	Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"
January 1, 2014	Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"
January 1, 2014	IFRIC 21 "Levies"
July 1, 2014	Annual Improvements to IFRSs 2010-2012 Cycle
July 1, 2014	Annual Improvements to IFRSs 2011-2013 Cycle
July 1, 2014	Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"
January 1, 2016	Annual Improvements to IFRSs 2012-2014 Cycle
January 1, 2016	Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"
January 1, 2016	Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
January 1, 2016	IFRS 14 "Regulatory Deferral Accounts"
January 1, 2016	Amendment to IAS 1 "Disclosure Initiative"
January 1, 2016	Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"
January 1, 2016	Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"
January 1, 2016	Amendment to IAS 27 "Equity Method in Separate Financial Statements"

The Regulations Governing the Preparation of Financial Reports by Securities Issuers were amended by the FSC on December 19, 2016. The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

Except for the following, the initial application in 2017 of the above IFRSs and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, whenever applied, would not have any material impact on the Corporation's accounting policies:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets

   In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period.

2) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

   The amendments stipulate that an entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity. Except for certain limited circumstances with respect to an intangible asset, the property, plant, and equipment cannot be depreciated, and the intangible asset cannot be amortized based on revenue that is generated by an activity that includes the use of an asset. The amortization expense of the Corporation's operating concession asset calculated by units of throughput method based on ridership was based on revenue that is generated by an activity that includes the use of the asset. In order to use an amortization method which can be more systematical and reliable to reflect the expected consumable pattern of future economic benefits of the asset, the Corporation changed its amortization method from units of throughput method based on ridership to straight-line basis method to amortize its operating concession asset since October 2015, when the Fourth Amendment of C&O Agreement was effective.

b. New IFRSs in issue but not yet endorsed by the FSC

The Corporation has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

Effective Date Announced by IASB	New IFRSs
January 1, 2017	Amendment to IAS 7 “Disclosure Initiative”
January 1, 2017	Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”
January 1, 2017	Annual Improvements to IFRSs 2014-2016 Cycle：Amendment to IFRS 12 “Disclosure of Interests in Other Entities”
January 1, 2018	Annual Improvements to IFRSs 2014-2016 Cycle：Amendment to IAS 28 “Investments in Associates and Joint Ventures”
January 1, 2018	Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”
January 1, 2018	Amendments to IFRS 4“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”
January 1, 2018	IFRS 9 “Financial Instruments”
January 1, 2018	Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosure”
January 1, 2018	IFRS 15 “Revenue from Contracts with Customers”
January 1, 2018	Amendment to IFRS 15 “Clarifications to IFRS 15”
January 1, 2018	Amendments to IAS 40 “Transfers of investment property”
January 1, 2018	IFRIC 22 “Foreign Currency Transactions and Advance Consideration”
January 1, 2019	IFRS 16 “Leases”
Effective date to be determined by IASB	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The impact on the Corporation’s financial position and financial performance that would result from the initial adoption of the above standards or interpretations, whenever adopted, will be disclosed when the Corporation completes the evaluation, in addition to the following:

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations. Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statement of comprehensive income, the Corporation should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using the effective interest method. On the statement of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities. The application of IFRS 16 is not expected to have a material impact on the accounting treatment of the Corporation as a lessor.

When IFRS 16 becomes effective, the Corporation may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Rule No. 10000322083 issued by the FSC and IFRSs as endorsed by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of current and non-current assets and liabilities

Current assets include cash, cash equivalents, assets held for trading purposes and assets that are expected to be converted into cash or consumed within 12 months from the balance sheet date; assets other than current assets are non-current assets. Current liabilities include liabilities incurred for trading purposes and obligations that are expected to be settled within 12 months from the balance sheet date; liabilities other than current liabilities are non-current liabilities.

d. Foreign currencies

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from application of different exchange rates when foreign-currency assets and liabilities are converted or settled are recognized in profit or loss in the year of conversion or settlement. At year-end, balances of monetary foreign-currency assets and liabilities are restated using prevailing exchange rates and the resulting differences are recognized in profit or loss.

e. Cash equivalents

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f. Available-for-sale financial assets

Upon initial recognition, open-end money market funds are measured at fair value, with transaction costs expensed as incurred. The changes in fair value from subsequent remeasurement are reported as other comprehensive income. The corresponding accumulated gains or losses are recognized in profit or loss when the financial asset is derecognized from the balance sheet. An impairment loss is recognized when there is objective evidence that the financial asset is impaired.

The fair values of open-end money market funds are determined using net asset values at balance sheet date.

g. Impairment of accounts receivable

Receivables are mainly generated by customers purchasing tickets and merchandise through credit cards. Allowance for doubtful accounts is provided based on an evaluation of the collectibility of individual account balances. Receivables are assessed for impairment and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

h. Inventories

Inventories, consisting of consumptive and non-consumptive spare parts and supplies for internal operation and merchandise for sale, are stated at the lower of weighted-average cost or net realizable value.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: machinery and equipment - 4 to 5 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 5 years; other equipment - 3 to 35 years.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Intangible assets

1) Operating concession asset

The Corporation was granted authority to construct and operate the HSR and relevant ancillary facilities under the C&O Agreement and therefore the Corporation's operation is under the scope of IFRIC 12 "Service Concession Arrangements". According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities, thus profit sharing payments are considered as an acquisition cost of the concession. The minimum commitment to profit sharing payments was discounted and recognized as intangible assets - operating concession asset with corresponding operating concession liability.

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years until the year 2068. Shortfall charge receivable from statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession asset - period extension cost.

The cost less residual value of the operating concession asset is amortized on a straight-line basis over the estimated useful lives which range as follows: land improvements - 15 to 61.5 years; buildings - 50 to 61.5 years; machinery and equipment - 3 to 35 years; transportation equipment - 3 to 35 years; other equipment - 5 years; profit sharing payments - 61.5 years; period extension cost (shortfall charge from statutory concession tickets) - 52.75 years (the remaining concession period started from October 2015).

Operating concession asset is measured initially at cost model and then amortized during the concession period. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently. On derecognition of the operating concession asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

2) Computer software

Computer software is amortized on a straight-line basis over 5 years.

k. Operating concession liability

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities; thus, profit sharing payments are considered as an acquisition cost of the concession. The acquisition cost is recognized as operating concession asset (an intangible asset described in item j.1) above) with corresponding operating concession liability. The liability was measured at the discounted amount of the profit sharing payments at the date of HSR commercial operation. Subsequent interest is computed by using the effective interest method.

The Fourth Amendment of the C&O Agreement and the SZD Termination Agreement were effective on October 30, 2015. As the value of returned superficies is allowed to offset profit sharing payable each year, it is recognized as a deduction of the operating concession liability (value of returned superficies for offset of profit sharing payable).

l. Impairment of assets

The Corporation estimates the recoverable amount of an asset (mainly intangible assets - operating concession asset) at the balance sheet date if there was an indication that it might be impaired.

Recoverable amount is the higher of value in use and fair value less costs to sell. When the carrying amount of an asset exceeds its value in use, the Corporation further estimates its fair value less costs to sell. If the carrying amount of an asset exceeds its fair value less costs to sell, an impairment loss will be recognized as the excess of the carrying amount over the higher of value in use or fair value less costs to sell.

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years.

m. Hedging derivatives

Hedging derivatives are measured at fair value. Changes in fair value of hedging derivatives are recognized in profit or loss.

n. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

o. Revenue recognition

Passenger fares received or receivable are recognized as revenue when transport services are provided. Amounts received for passenger tickets sold but not yet used are recorded as receipts in advance.

Sales of tickets that grant award credits to customers under the Corporation's award scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the tickets sold and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the award, which is the amount the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Corporation's obligations have been fulfilled.

The Fourth Amendment of the C&O Agreement, effective on October 30, 2015, extended the concession period granted to construct and operate the HSR from 35 years to 70 years until the year 2068. Services rendered related to statutory concession tickets as of October 29, 2015 were recognized as shortfall charge revenue from statutory concession tickets. Shortfall charge from statutory concession tickets generated after October 30, 2015 shall be taken into consideration by the Corporation in evaluating and deciding rates and fare adjustment, and shall be an adjustment factor of future revenue.

According to the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement, the value of returned superficies is allowed to offset profit sharing payable each year within the concession period. After both agreements became effective on October 30, 2015, the Corporation recognized a gain on value of returned superficies for offset of profit sharing payable and uses the effective interest method to calculate interest income (a deduction of interest expense) in the remaining concession period.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than the borrowing costs described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Retirement benefit costs

Payments of contributions to a defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs under a defined benefit plan are recognized based on actuarial calculations.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Current tax payable depends on the current taxable income. Taxable income is different from the net income before tax on the statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items pursuant to related Income Tax Law. The Corporation's current tax liabilities are calculated by the legislated tax rate on the balance sheet date.

Pursuant to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders resolve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and personnel training expenditures to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

s. Preferred stock

Pursuant to Rule No. 10000322083 issued by the FSC on July 7, 2011, the preferred stock issued before January 1, 2006, regarded as equity in the legal form but as liabilities in the economic substance, may be recognized as equity under IFRSs, and separate identification of the liability and equity components of the preferred stock is not required.

After all of the preferred stock was redeemed on August 7, 2015, Rule No. 10000322083 was no longer applicable. As the proposal to settle the accumulated unpaid preferred stock dividends was resolved in the special shareholders' meeting on September 10, 2015, and the Fourth Amendment of the C&O Agreement became effective on October 30, 2015, the Corporation recognized a provision for preferred stock compensation and preferred stock compensation expenditure on October 30, 2015.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Lawsuits in regard to preferred stock

The Corporation managed its preferred stock in accordance with the Company Act, the regulations released by the FSC and the Corporation's Articles of Incorporation. However, some preferred stock shareholders of the Corporation requested the Court to intervene and require the Corporation to redeem the preferred stock and pay preferred stock dividends and related interest on delayed payments. The related requests for court action that arose from the different interpretations of the legal compliance were still in court for mediation or under review. However, the Corporation had already redeemed all of the preferred stock on August 7, 2015. According to the Financial Resolution Plan, the Corporation compensated all preferred stock shareholders and settled all related rights and obligations. As of December 31, 2016, the preferred stock compensation paid amounted to $15,155,212 thousand; the remaining provision for preferred stock compensation amounted to$5,853 thousand. Please refer to Note 16 for further information.

b. Controversial overtime

As of December 31, 2016, the Corporation recognized a provision for controversial overtime in the amount of $293,566 thousand. The estimated provision could differ from the actual amount payable which is subject to the result of the administrative judgement or the agreement to be signed with the employees. Please refer to Note 16 for further information.

c. Stabilization reserve

As of December 31, 2016, the Corporation recognized a provision for stabilization reserve in an amount of $280,289 thousand in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period which ends in the year 2068 or for early termination. Refer to Note 16 and Note 28, a., 3) for further information.

d. Amortization of intangible assets - operating concession asset

Starting from October 2015, the cost less residual value of the operating concession asset is amortized on a straight-line basis over its estimated useful lives. The useful lives are subject to the changes in the estimates of concession period, economic environment, the asset retirement plan or other factors.

Prior to October 2015, the Corporation's operating concession asset is amortized using the units of throughput method based on ridership; the amortization rate is calculated by the proportion of the higher of estimated number of passengers or actual number of passengers to the total estimated number of passengers of the remaining concession period. When there is a significant gap between the estimated number of passengers and the actual number of passengers, the amortization rate is updated based on a revised transport volume research issued by external experts and used over the remaining concession period.

There was a significant gap between estimated number of passengers and actual number of passengers starting from 2014. The Corporation engaged an external expert to do research on ridership again and the external expert issued an updated transport volume report in March 2015. The transport volume report researched and analyzed social, ecological and transportation inputs gathered which were deemed relevant, suitable and reasonable. Starting from January 1, 2015, the Corporation adjusted the amortization of operating concession asset, based on the estimated number of passengers as provided in the updated transport volume report, through the remaining concession period. The updated estimated number of passengers resulted in an increase of $2,353,445 thousand in amortization expense for the period from January 1, 2015 to September 30, 2015.

According to the transport volume report prepared by the external expert, the estimated number of passengers for 2015 was 49 million. The actual number of passengers in 2015 was 51 million.

In order to use an amortization method which may be more systematic and reliable to reflect the expected consumption pattern of the future economic benefits of its assets, and make the amortization period for its assets conform to the economic substance and expected future economic benefits, the Corporation changed the amortization method of the operating concession asset from units of throughput method based on ridership to straight-line method since October 2015, when the Fourth Amendment of the C&O Agreement became effective. Furthermore, after considering the concession period extension to 70 years, internal and external economic environment changes, the asset retirement plan and other factors, the Corporation adjusted the useful lives of part of the operating concession asset. The changes in the amortization method and the useful lives of part of the operating concession asset resulted in a decrease of $1,982,980 thousand in amortization expense for the period from October 1, 2015 to December 31, 2015.

e. Impairment evaluation of intangible assets - operating concession asset

The impairment evaluation of intangible assets - operating concession asset was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any estimate change arising from the changes in the economic situation or the Corporation's policies may affect the recoverable amount of those assets and lead to significant impairment losses.

f. Income taxes

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

As of December 31, 2016 and 2015, the carrying amounts of deferred tax assets in relation to deductible temporary differences, unused tax losses and investment tax credits were $4,285,765 thousand and $4,641,768 thousand, respectively. As of December 31, 2016 and 2015, $995 thousand and $10,110 thousand thereof, respectively, was not recognized as deferred tax assets due to future income fluctuation.

According to the Article 28 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, a private company qualified under this Statute may be exempted from the income tax for a maximum period of five years from the year in which taxable income is generated after the commencement of operation of the transportation infrastructure project concerned. In addition, within four years from the year the taxable income is generated, the private company can choose to defer its income tax exemption period, and the deferral is no longer than three years. The Corporation is qualified under the Statute, and the application of the income tax exemption is under planning. The eligibility for the income tax exemption depends on the result of the review of the authorized regulator.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 179,701	$ 64,931
Demand deposits	49,729	715,806
Time deposits	8,008	1,365,646
Checking accounts	19	13
	$ 237,457	$ 2,146,396

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31 2016	December 31 2015
Demand deposits	0.001%-0.14%	0.001%-0.13%
Time deposits	0.62%	0.45%-0.86%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2016	December 31 2015
Open-end money market funds	$ 311,693	$ 602,555

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31 2016	December 31 2015
Hedging derivative assets		
Fair value hedges - forward exchange contracts	$ 225	$ -

The Corporation entered into forward exchange contracts mainly to hedge the risk of exchange rate fluctuations of foreign-currency accounts payable and payables for construction. As of the balance sheet date, outstanding forward exchange contracts were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Buy	US$/JPY	January 2017	JPY 173,140
Buy	NT$/US$	January 2017	US$ 1,689

9. INVENTORIES

	December 31 2016	December 31 2015
Spare parts and supplies	$ 1,995,508	$ 2,147,153
Merchandise	9,646	7,607
	$ 2,005,154	$ 2,154,760

As of December 31, 2016 and 2015, allowance for loss on inventories amounted to $605,963 thousand and $532,378 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	December 31	
	2016	2015
Repurchase agreement collateralized by government bonds	$ 21,682,200	$ 45,973,200
Time deposits	2,945,641	8,244,722
Performance guarantee for the C&O Agreement	2,000,000	2,000,000
Demand deposits	130,463	316,800
Performance guarantee for customs duties and others	16,389	9,660
	$ 26,774,693	$ 56,544,382
Current	$ 24,714,305	$ 54,473,519
Non-current	2,060,388	2,070,863
	$ 26,774,693	$ 56,544,382

a. The market rate intervals of other financial assets at the end of the reporting period were as follows:

	December 31	
	2016	2015
Repurchase agreement collateralized by government bonds	0.30%-0.51%	0.29%-0.48%
Time deposits	0.15%-1.21%	0.22%-1.37%
Demand deposits	0.08%	0.001%-0.13%

b. Please refer to Note 27 for the information of other financial assets pledged as collateral.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2016	2015
Land	$ 28	$ 28
Machinery and equipment	42,691	39,743
Transportation equipment	-	-
Office equipment	6,695	5,918
Leasehold improvements	1,114	2,113
Other equipment	14,777	23,126
	$ 65,305	$ 70,928

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2016	$ 28	$ 260,124	$ 344	$ 115,931	$ 79,324	$ 214,322	$ 670,073
Additions	-	21,298	-	3,436	46	2,979	27,759
Disposals	-	(39,950)	(34)	(603)	-	(13,211)	(53,798)
Transfer	-	-	-	318	-	-	318
Balance at December 31, 2016	28	241,472	310	119,082	79,370	204,090	644,352

(Continued)

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Accumulated depreciation							
Balance at January 1, 2016	-	220,381	344	110,013	77,211	191,196	599,145
Depreciation	-	18,349	-	2,956	1,045	10,920	33,270
Disposals	-	(39,949)	(34)	(582)	-	(12,803)	(53,368)
Balance at December 31, 2016	-	198,781	310	112,387	78,256	189,313	579,047
	$ 28	$ 42,691	$ -	$ 6,695	$ 1,114	$ 14,777	$ 65,305
Cost							
Balance at January 1, 2015	$ 28	$ 260,085	$ 523	$ 115,678	$ 76,616	$ 226,341	$ 679,271
Additions	-	12,573	-	1,662	2,708	6,227	23,170
Disposals	-	(10,681)	(179)	(1,409)	-	(20,573)	(32,842)
Transfer	-	(1,853)	-	-	-	2,327	474
Balance at December 31, 2015	28	260,124	344	115,931	79,324	214,322	670,073
Accumulated depreciation							
Balance at January 1, 2015	-	217,797	523	106,967	76,482	202,190	603,959
Depreciation	-	18,629	-	4,455	729	9,277	33,090
Disposals	-	(10,681)	(179)	(1,409)	-	(20,573)	(32,842)
Transfer	-	(5,364)	-	-	-	302	(5,062)
Balance at December 31, 2015	-	220,381	344	110,013	77,211	191,196	599,145
	$ 28	$ 39,743	$ -	$ 5,918	$ 2,113	$ 23,126	$ 70,928

(Concluded)

12. INTANGIBLE ASSETS

	December 31	
	2016	2015
Operating concession asset	$ 426,020,379	$ 439,626,852
Computer software, net	34,994	41,238
	$ 426,055,373	$ 439,668,090

a. Movements of the intangible assets

	Operating Concession Asset						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction In Progress	Total	Computer Software, Net	Total
Cost							
Balance at January 1, 2016	$ 464,442,873	$ 69,972,043	$ 12,701,819	$ 5,958,958	$ 553,075,693	$ 364,623	$ 553,440,316
Additions	231,015	-	-	1,893,522	2,124,537	12,082	2,136,619
Disposals	(370,620)	-	-	-	(370,620)	-	(370,620)
Transfer	7,668,129	-	-	(7,689,260)	(21,131)	900	(20,231)
Balance at December 31, 2016	471,971,397	69,972,043	12,701,819	163,220	554,808,479	377,605	555,186,084
Accumulated amortization							
Balance at January 1, 2016	101,041,001	12,347,640	60,200	-	113,448,841	323,385	113,772,226
Amortization	14,324,422	1,097,608	240,793	-	15,662,823	19,226	15,682,049
Disposals	(307,219)	-	-	-	(307,219)	-	(307,219)
Transfer	(16,345)	-	-	-	(16,345)	-	(16,345)
Balance at December 31, 2016	115,041,859	13,445,248	300,993	-	128,788,100	342,611	129,130,711
	$ 356,929,538	$ 56,526,795	$ 12,400,826	$ 163,220	$ 426,020,379	$ 34,994	$ 426,055,373
Cost							
Balance at January 1, 2015	$ 456,302,181	$ 69,972,043	$ -	$ 7,078,716	$ 533,352,940	$ 367,434	$ 533,720,374
Additions	178,516	-	12,701,819	7,005,894	19,886,229	1,855	19,888,084
Disposals	(165,833)	-	-	-	(165,833)	(4,666)	(170,499)
Transfer	8,128,009	-	-	(8,125,652)	2,357	-	2,357
Balance at December 31, 2015	464,442,873	69,972,043	12,701,819	5,958,958	553,075,693	364,623	553,440,316

(Continued)

	Operating Concession Asset						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction In Progress	Total	Computer Software, Net	Total
Accumulated amortization							
Balance at January 1, 2015	$ 82,833,591	$ 10,188,690	$ -	$ -	$ 93,022,281	$ 308,991	$ 93,331,272
Amortization	18,351,453	2,158,950	60,200	-	20,570,603	19,060	20,589,663
Disposals	(149,104)	-	-	-	(149,104)	(4,666)	(153,770)
Transfer	5,061	-	-	-	5,061	-	5,061
Balance at December 31, 2015	101,041,001	12,347,640	60,200	-	113,448,841	323,385	113,772,226
	$ 363,401,872	$ 57,624,403	$ 12,641,619	$ 5,958,958	$ 439,626,852	$ 41,238	$ 439,668,090

(Concluded)

b. Operating assets and construction in progress are as follows:

	December 31	
	2016	2015
Operating assets, net		
Land improvements	$ 175,355,929	$ 178,813,061
Buildings	29,323,517	29,533,526
Machinery and equipment	34,120,242	36,305,938
Transportation equipment	118,113,532	118,738,459
Other equipment	16,318	10,888
	$ 356,929,538	$ 363,401,872
Construction in progress		
Construction related to core system	$ -	$ 4,321,436
Construction related to Nangang station	-	716,298
Construction related to auto-payment system	-	46,851
Other construction	-	61,588
Capitalized expenditure	-	487,205
Capitalized interest	-	210,251
Prepayments for equipment	163,220	115,329
	$ 163,220	$ 5,958,958

c. The estimated amortization expense of the operating concession asset using the straight-line method during the remaining operation concession period is summarized as follows:

Year	Amortization Expense of Operating Assets	Amortization Expense of Profit Sharing Payments	Amortization Expense of Period Extension Cost	Total
2017 (estimate)	$ 12,167,839	$ 1,097,608	$ 240,793	$ 13,506,240
2018 (estimate)	12,116,582	1,097,608	240,793	13,454,983
2019 (estimate)	10,930,063	1,097,608	240,793	12,268,464
2020 (estimate)	10,904,840	1,097,608	240,793	12,243,241
2021 (estimate)	10,843,590	1,097,608	240,793	12,181,991
2022-2068 (estimate)	299,966,624	51,038,755	11,196,861	362,202,240
	$ 356,929,538	$ 56,526,795	$ 12,400,826	$ 425,857,159

13. OTHER ASSETS

	December 31 2016	December 31 2015
Prepayments and other current assets		
Prepayments	$ 853,011	$ 421,346
Other receivable	39,180	119,142
Others	17,224	20,429
	$ 909,415	$ 560,917
Other non-current assets		
Others	$ 12,259	$ 4,232

14. BORROWINGS

a. Short-term debt

	December 31 2016	December 31 2015
JPY letters of credit	$ 53,250	$ 43,460
USD letters of credit	6,880	-
	$ 60,130	$ 43,460

The range of interest rates on short-term debt at the end of the reporting period was as follows:

	December 31 2016	December 31 2015
JPY letters of credit	0.7%-0.79%	0.86%
USD letters of credit	2.6%	-

b. Long-term debt

	December 31 2016	December 31 2015
Syndicated loan		
Tranche A1 Facility	$ 130,000,000	$ 130,000,000
Tranche A2 Facility	176,205,117	176,205,117
Tranche C Facility	21,160,563	49,259,381
Tranche D Facility	-	3,847,711
	327,365,680	359,312,209
Less: Unamortized cost of long-term debt	(141,086)	(155,978)
	327,224,594	359,156,231
Less: Current portion (including unamortized cost of long-term debt)		
Tranche C Facility	(10,946,529)	(10,946,529)
Tranche D Facility	-	(2,565,141)
Unamortized cost of long-term debt	1,686	2,892
	(10,944,843)	(13,508,778)
	$ 316,279,751	$ 345,647,453

The Corporation has entered into the Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement ("Tripartite Agreement") with the MOTC and Bank of Taiwan on January 8, 2010, and the Taiwan North-South High Speed Rail Construction and Operation Project NT$382 billion Syndicated Loan Agreement ("Syndicated Loan Agreement") with a bank syndicate consisting of eight (8) banks. The Corporation has entered into a First Amendment of Tripartite Agreement with the MOTC and Bank of Taiwan, and a Second Amendment of Syndicated Loan Agreement with a bank syndicate consisting of eight (8) banks on August 3, 2015. The syndicate of banks of the Syndicated Loan Agreement consists of Bank of Taiwan, Mega International Commercial Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, First Commercial Bank, Taiwan Business Bank, Chang Hwa Commercial Bank, and Hua Nan Commercial Bank. The significant terms are as follows:

1) The syndicated loan includes Tranches A1, A2, A3, B, C and D with different credit facilities. The main purposes of the agreement are to repay the first syndicated loan, the second syndicated loan excluding Tranche D, and the overseas convertible bonds, and to meet fund requirements of operations.

2) The Corporation provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) and a portion of the superficies as collateral for the syndicated loan (the Corporation's assets need not be registered by the bank syndicate to create a right attached to the Corporation's assets). When the value of the collateral is less than the balance of the outstanding syndicated loan, the Corporation shall negotiate with the Bank of Taiwan and the MOTC. However, if an agreement is not reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Corporation should redeem the difference immediately.

3) According to the Syndicated Loan Agreement, the Corporation opened accounts at Bank of Taiwan for deposits and financial instruments, which are designated for loan repayments, acquisitions, and replacement of assets. Please refer to Notes 10 and 27 for further information on financial instruments pledged as collateral to Bank of Taiwan. The pledged financial instruments were recognized as other financial assets.

4) The syndicated period, repayment method and interest rates of the Syndicated Loan Agreement are as follows:

    a) Term of loan and repayment method

	Term of Loan	**Number of Semi-annual Installment Repayment**	**Ratio of Repayment**
Tranche A1 Facility	May 4, 2021-November 4, 2040	Installments 01-40	1.5% per installment
	May 4, 2041-November 4, 2049	Installments 41-58	2.0% per installment
	May 4, 2050	Installment 59	4.0% per installment
Tranche A2 Facility	May 4, 2021-November 4, 2040	Installments 01-40	1.5% per installment
	May 4, 2041-November 4, 2049	Installments 41-58	2.0% per installment
	May 4, 2050	Installment 59	4.0% per installment
Tranche C Facility	May 4, 2016-May 4, 2020 (after early repayment made on July 4, 2016, the last installment repayment is on November 4, 2018)	Installments 01-09	Fixed payment per installment
Tranche D Facility	May 4, 2013-May 4, 2017 (repaid on April 13, 2016 before its maturity)	Installments 01-09	Fixed payment per installment

The Corporation made early repayment in the amount of $19 billion on April 13, 2016, including Tranche C Facility in the amount of $15,152,289 thousand and Tranche D Facility in the amount of $3,847,711 thousand. In addition, the Corporation made early repayment of the Tranche C Facility in the amount of $2 billion on July 4, 2016.

b) Starting from May 4, 2010, the first drawdown date, the interest rates (nominal interest rates) on the Tranche A1 Facility and Tranche A2 Facility are determined based on the one-year time deposit floating rate from the Chunghwa Post Co., Ltd. plus markup interest rates as shown below. The additional business tax of 5% therefrom is to be paid by the Corporation. As of December 31, 2016 and 2015, the nominal interest rates were 1.06%, and 1.2%, respectively.

Syndicated Period	Markup Interest Rates
May 4, 2010-May 3, 2012	0.10%
May 4, 2012-May 3, 2013	0.20%
May 4, 2013-May 3, 2014	0.30%
May 4, 2014-May 3, 2015	0.40%
May 4, 2015-May 3, 2016	0.50%
May 4, 2016-May 3, 2017	0.60%
May 4, 2017-May 3, 2018	0.70%
May 4, 2018-May 3, 2032	1.08%
May 4, 2032-May 4, 2050	1.08%

5) The interest of Tranche A1 and A2 Facilities was calculated based on the Syndicated Loan Agreement. The Corporation computes the interest expense based on the effective interest method. Interest payment that is due longer than one year is recognized as long-term interest payable according to the agreements. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

a) Effective interest rates

	December 31	
	2016	**2015**
Tranche A1 Facility	2.07%	2.21%
Tranche A2 Facility	2.08%	2.23%
Tranche C Facility	1.96%	2.11%
Tranche D Facility	-	2.11%

b) Accrued interest expense (included in other payables)

	December 31	
	2016	**2015**
Syndicated loan		
Tranche A1 Facility	$ 192,932	$ 203,355
Tranche A2 Facility	261,505	275,633
Tranche C Facility	35,187	90,264
Tranche D Facility	-	7,051
	$ 489,624	$ 576,303

c) Long-term interest payable

	December 31	
	2016	2015
Syndicated loan		
Tranche A1 Facility	$ 4,268,856	$ 3,807,039
Tranche A2 Facility	5,313,310	4,665,416
	$ 9,582,166	$ 8,472,455

d) Interest expense

	For the Year Ended December 31	
	2016	2015
Syndicated loan		
Interest expense	$ 7,186,595	$ 7,776,383
Capitalized interest	$ 42,272	$ 180,777

15. OPERATING CONCESSION LIABILITY

	December 31	
	2016	2015
Operating concession liabilities	$ 80,314,799	$ 80,568,170
Value of returned superficies for offset of profit sharing payable	(23,143,858)	(22,690,057)
	$ 57,170,941	$ 57,878,113
Current	$ 3,180,612	$ 1,883,383
Non-current	53,990,329	55,994,730
	$ 57,170,941	$ 57,878,113

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Please refer to Note 28, a., 2) for further information. The minimum commitment to profit sharing payments of $108 billion was discounted and recognized as operating concession asset and operating concession liability, and related amortization expense and interest expense, respectively, is recognized during the concession period. For the years ended December 31, 2016 and 2015, the profit sharing payment was $1,883,383 thousand and $265,849 thousand, respectively. As of December 31, 2016, the Corporation's accumulated profit sharing payments amounted to $4,815,866 thousand. The information about the amortization expense of operating concession asset and the interest expense of operating concession liability during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
As of December 31, 2016	$ 13,445,248	$ 15,158,623	$ 28,603,871
2017 (estimate)	1,097,608	1,662,613	2,760,221
2018 (estimate)	1,097,608	1,535,866	2,633,474
2019 (estimate)	1,097,608	1,566,583	2,664,191
2020 (estimate)	1,097,608	1,597,915	2,695,523
2021-2033 (estimate)	14,268,904	16,506,357	30,775,261
2034-2068 (estimate)	37,867,459	-	37,867,459
	$ 69,972,043	$ 38,027,957	$ 108,000,000

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement became effective on October 30, 2015, the Corporation used the appraised fair value of returned superficies of $22,613,234 thousand to proportionally offset the operating concession liability (profit sharing payable), which is payable to the MOTC at the end of every five years. The estimated deductible amount is $29,784,855 thousand. Please refer to Note 28, a., 2), Note 31, a. and d. for further details. The information of actual and estimated profit or loss recognized for the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

Year	Other Gain	Deduction of Interest Expense	Total
2015	$ 22,613,234	$ 76,823	$ 22,690,057
2016	-	453,801	453,801
	22,613,234	530,624	23,143,858
2017 (estimate)	-	462,877	462,877
2018 (estimate)	-	432,064	432,064
2019 (estimate)	-	440,706	440,706
2020 (estimate)	-	449,520	449,520
2021-2033 (estimate)	-	4,855,830	4,855,830
	$ 22,613,234	$ 7,171,621	$ 29,784,855

16. PROVISIONS

	December 31 2016	December 31 2015
Current		
Controversial overtime	$ 293,566	$ 596,542
Preferred stock compensation	5,853	2,148,652
Other provisions	2,282	1,562
	$ 301,701	$ 2,746,756
Non-current		
Stabilization reserve	$ 280,289	$ -

Movements in provisions were as follows:

	Balance at January 1, 2016	Addition	Usage	Reversal	Balance at December 31, 2016
Current					
Controversial overtime	$ 596,542	$ -	$ (226,854)	$ (76,122)	$ 293,566
Preferred stock compensation	2,148,652	-	(2,142,799)	-	5,853
Other provisions	1,562	720	-	-	2,282
	$ 2,746,756	$ 720	$ (2,369,653)	$ (76,122)	$ 301,701
Non-current					
Stabilization reserve	$ -	$ 280,289	$ -	$ -	$ 280,289

	Balance at January 1, 2015	Addition	Usage	Reversal	Balance at December 31, 2015
Current					
Controversial overtime	$ -	$ 596,542	$ -	$ -	$ 596,542
Preferred stock compensation	-	15,161,065	(13,012,413)	-	2,148,652
Preferred stock	3,609,357	4,554,865	-	(8,164,222)	-
Interest expense on delayed payments of preferred stock litigations	60,586	344,940	-	(405,526)	-
Court costs for preferred stock litigations	25,285	40,515	-	(65,800)	-
Other provisions	-	1,562	-	-	1,562
	$ 3,695,228	$ 20,699,489	$ (13,012,413)	$ (8,635,548)	$ 2,746,756

a. Preferred stock compensation

In order to implement the Financial Resolution Plan, the Corporation has redeemed all of the preferred stock on August 7, 2015. Please refer to Note 19, a. for further information. The provisions for redemption of preferred stock previously recognized were adjusted to zero. The proposal to pay the accumulated unpaid preferred stock dividends was resolved by the shareholders in the special shareholders' meeting on September 10, 2015. According to the Financial Resolution Plan, the Corporation recognized a provision for preferred stock compensation and a related expenditure each in the amount of $15,161,065 thousand on October 30, 2015 as the Fourth Amendment of C&O Agreement became effective. The provisions for interest expense on delayed payments and court costs with respect to preferred stock litigations previously recognized were adjusted to zero accordingly. Before the payment of preferred stock compensation, the preferred stock shareholders should waive the claims to the interest expense on delayed payments, court costs and other expenses arising from the litigations, and should reach agreements with the Corporation to settle all of the rights and obligations between them and the Corporation. As of December 31, 2016, the Corporation had entered into agreements with preferred stock shareholders and paid preferred stock compensation in the amount of $15,155,212 thousand. The details of remaining provision of $5,853 thousand that one of the preferred stock shareholders has not in agreement with the Corporation's proposal are as follows:

Preferred Stock Shareholder	Type of Preferred Stock	Claimed Amount	Status
Bank of Panhsin	A	To redeem preferred stock of $10,000 thousand plus interest on delayed payment	The Corporation lost in the second trial. However, the Corporation has redeemed the preferred stock according to the Financial Resolution Plan.

b. Controversial overtime

Part of the Corporation's employees are required to work in shifts due to the nature of the Corporation's business. The national holidays are adjusted to regular holidays for employees who work in shifts and the combination of adjusted national holidays and regular holidays has been excluded in the calculation of regular working hours for the entire year. However, the Taiwan High Speed Rail Corporation Labor Union (the "THSRC Labor Union") claimed that overtime should be paid if employees working in shifts worked on national holidays. In regard to the controversy over the calculation of overtime hours in every two consecutive weeks, and the improvement of policy on recess during regular days and holidays, in January 2016, the THSRC Labor Union proclaimed that employees working in shifts shall cease to work overtime on Chinese New Year Holidays. In order to uphold the rights of both the passengers and employees, the Corporation has reached an agreement regarding the aforementioned controversy with the THSRC Labor Union on January 21, 2016. The Corporation shall finish the calculation of overtime hours and overtime pay on the above-mentioned adjusted national holidays and working hours of two consecutive weeks within six months, and within a month after confirmation of the calculated amount of overtime, the Corporation shall sign agreements with employees individually, and half of the overtime pay shall be paid as an incentive bonus. The Corporation and the THSRC Labor Union agreed to settle the litigation on the Taipei City Government Labor Sanction in the Taipei High Administrative Court. In the final judgment, if the Corporation loses the lawsuit, the above-mentioned incentive bonus shall be considered as part of the overtime pay to the employees; if the Corporation wins the lawsuit, the above-mentioned incentive bonus shall remain its nature as incentive bonus and does not need to be returned to the Corporation.

In July 2016, the Corporation and the THSRC Labor Union reached the agreement regarding the above-mentioned calculation of controversial overtime related to employees working in shifts worked on national holidays and overtime hours in every two consecutive weeks. Therefore, $76,122 thousand of the original provision of $596,542 thousand was reversed. As of December 31, 2016, the employees have signed agreements and the usage of the provision included payments of the incentive bonus of $221,965 thousand and incentive bonus payable of $4,889 thousand (recorded as accrued expenses). The Corporation evaluated that it is probable that the Corporation will lose the lawsuit. As of December 31, 2016, the provision for controversial overtime in an amount of 293,566 thousand had been recognized.

c. Stabilization reserve

According to the Fourth Amendment of the C&O Agreement, the Corporation established a financial stabilization mechanism effective on 2016, under which the stabilization reserve expense is recognized or part of the accumulated stabilization reserve is reversed if the Corporation's net income meets certain criteria during the concession period. As of December 31, 2016, the Corporation recognized a provision for stabilization reserve in an amount of $280,289 thousand. Refer to Note 28, a., 3) for further information.

17. OTHER LIABILITIES

	December 31	
	2016	2015
Other payables		
Accrued expenses	$ 2,001,271	$ 1,448,584
Accrued interest expense	489,642	576,306
Business tax payable	236,871	236,547
Payable for preferred stock compensation	-	13,012,413
Others	28,208	20,742
	$ 2,755,992	$ 15,294,592
Other current liabilities		
Unearned receipts	$ 803,576	$ 585,284
Current tax liabilities	474,723	-
Deferred revenue	35,760	64,238
Receipts under custody	21,621	18,495
Others	99,725	100,419
	$ 1,435,405	$ 768,436
Other non-current liabilities		
Net defined benefit liability	$ 104,740	$ 51,969
Guaranteed deposits received	80,643	75,319
Deferred revenue	9,171	-
Deferred tax liabilities	1,108	5,733
	$ 195,662	$ 133,021

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Corporation also adopted a defined benefit plan under the Labor Standards Law (the “LSL”). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committees’ name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in a one-time appropriation that shall be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

Through the defined benefit plan under the LSL, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be lower than the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the value on the plan’s debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The amounts included in the balance sheets in respect of the Corporation’s obligations under its defined benefit plan are as follows:

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ (650,217)	$ (612,392)
Fair value of plan assets	545,477	560,423
Net defined benefit liability	$ (104,740)	$ (51,969)

Movements in net defined benefit asset (liability) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset (Liability)
Balance at January 1, 2015	$ (534,317)	$ 536,129	$ 1,812
Current service cost	(13,426)	-	(13,426)
Net interest income (expense)	(11,658)	11,920	262
Recognized in profit or loss	(25,084)	11,920	(13,164)
Remeasurement			
Return on plan assets	-	2,464	2,464
Actuarial loss - experience adjustments	(25,137)	-	(25,137)
Actuarial loss - changes in financial assumptions	(35,525)	-	(35,525)
Recognized in other comprehensive income	(60,662)	2,464	(58,198)
Contributions from the employer	-	17,581	17,581
Benefits paid	7,671	(7,671)	-
Balance at December 31, 2015	(612,392)	560,423	(51,969)
Current service cost	(13,623)	-	(13,623)
Net interest income (expense)	(10,340)	9,587	(753)
Recognized in profit or loss	(23,963)	9,587	(14,376)
Remeasurement			
Return on plan assets	-	(5,719)	(5,719)
Actuarial loss - experience adjustments	(32,274)	-	(32,274)
Actuarial loss - changes in financial assumptions	(19,618)	-	(19,618)
Recognized in other comprehensive income	(51,892)	(5,719)	(57,611)
Contributions from the employer	-	19,216	19,216
Benefits paid	38,030	(38,030)	-
Balance at December 31, 2016	$ (650,217)	$ 545,477	$ (104,740)

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date December 31	
	2016	2015
Discount rate	1.50%	1.75%
Expected salary growth rate	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as shown on the table below. The sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
Discount rate		
Increase 0.5%	$ (38,419)	$ (35,525)
Decrease 0.5%	$ 41,860	$ 38,776
Expected salary growth rate		
Increase 0.5%	$ 41,440	$ 38,485
Decrease 0.5%	$ (38,423)	$ (35,613)

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 22,160	$ 43,081
The average duration of the defined benefit obligation	12.4 years	12.2 years

c. For the years ended December 31, 2016 and 2015, the defined benefit costs of $111 thousand and $757 thousand, respectively, were capitalized as operating concession asset - construction in progress. The remaining expenses of the defined contribution plan and the defined benefit plan were recorded as pension costs in comprehensive income. Please refer to Note 21, a. for further details.

19. EQUITY

a. Capital stock

As of December 31, 2016, the Corporation's total paid-in capital amounted to $56,282,930 thousand divided into 5,628,293 thousand issued and outstanding shares. Capital increase and decrease during the years ended December 31, 2016 and 2015 are as follows:

1) Pursuant to the Corporation's Articles of Incorporation and preferred stock offering and conversion policy, on August 7, 2015, the Corporation redeemed a total of 4,018,992 thousand shares of issued preferred stock at the original issuing price of $39,221,158 thousand.

2) On October 20, 2015, the Corporation reduced common stock capital of $39,079,396 thousand to make up for accumulated losses.

3) On November 26, 2015, the Corporation conducted capital injection of 3,000,000 thousand shares of common stock through a private placement at par value of $10, or a total of $30,000,000 thousand. The rights and obligations of the privately placed common stock are subject to the restrictions prescribed under the Securities and Exchange Act. In addition, the common shares issued through a private placement cannot be traded on the Taiwan Stock Exchange until the application for listing is approved by the authority in charge. The application for listing can only be lodged three years after the delivery of the shares. Except for the above-mentioned restrictions, there are no other differences between privately placed common stock and other common stock issued.

4) To initially trade in public, the Corporation conducted capital injection of 23,000 thousand share of common stock, at par value of $10, in an amount of $230,000 thousand, and share premium in an amount of $160,801 thousand on October 25, 2016. The actual proceeds amounted to $390,801 thousand. In accordance with Article 267 of the Company Act, the Corporation reserved 3,000 thousand shares of common stock for employees to subscribe. The fair value of $12,180 thousand determined at the grant date of the employee share options was recognized as payroll expense, with a corresponding adjustment in capital surplus - employee share options. For the reserved shares the employees subscribed, related capital surplus - employee share options of $11,084 thousand was transferred to capital surplus - issuance of common shares. For the forfeited employee share options, related capital surplus - employee share options of $1,096 thousand was transferred to capital surplus - forfeited employee share options.

b. Capital surplus

	December 31	
	2016	**2015**
Issuance of common shares	$ 171,885	$ -
Forfeited employee share options	1,096	-
	$ 172,981	$ -

The capital surplus generated from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital. The capital surplus generated from forfeited employee share options may not be used for any purpose except for offsetting a deficit.

c. Legal reserve and appropriation of earnings

Under the Corporation's Articles of Incorporation as amended on March 18, 2016, if there is any profit at the end of the year, the Corporation shall distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively. However, any accumulated losses should be made up first. After the resolution of the board of directors to distribute employees' compensation and remuneration to directors, and payments for all taxes and duties, 10% of the remaining profit is set aside as legal reserve. However, when the legal reserve equals the Corporation's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to shareholders as proposed by the board of directors and ultimately resolved by the shareholders.

The Corporation's dividend policy takes into account current and future development projects, consideration of investment environment, demand for funds and situations of domestic and international competitions, and consideration of shareholders' benefits and other relevant factors to determine earnings distribution. The Corporation adopts a stable and balanced dividend policy. Distributable earnings shall be appropriated at the rate no less than 60% to shareholders as dividends; however, when accumulated unappropriated earnings are lower than 0.5% of paid-in capital, no appropriation shall be made. Dividends to be distributed shall be paid either in cash or in share, and cash dividends shall be no less than 50% of total dividends.

Please refer to Note 21, a. for the information of the accrual basis of the employees' compensation and the remuneration to directors as of December 31, 2016, and the actual distributions of the employees' compensation and the remuneration to directors for the year ended December 31, 2015.

The appropriations of earnings for 2015 were approved in the shareholders' meetings on June 24, 2016, and are as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 410,895	
Cash dividends	3,643,441	$0.65
	$ 4,054,336	

Information on the employees' compensation and remuneration to directors, and the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

d. Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 555	$ 1,560
Unrealized gain arising on revaluation of available-for-sale financial assets	1,564	1,944
Cumulative gain (loss) transferred to profit or loss on sale of available-for-sale financial assets	(1,426)	(2,949)
Balance, end of year	$ 693	$ 555

e. Preferred stock dividends

Pursuant to Article 234 of the Company Act, Rule No. 09100514570 and Rule No. 10002011720 issued by the Ministry of Economic Affairs on September 24, 2002 and March 7, 2011, respectively, the Corporation was permitted to distribute preferred stock dividends before commencement of operations and is not subject to the restrictions with respect to appropriations of earnings. Such preferred stock dividends shall be recognized as prepaid preferred stock dividends under the shareholders' equity in its balance sheet. The Corporation had redeemed all of the preferred stock on August 7, 2015, and the prepaid preferred stock dividends had been transferred to accumulated losses.

20. REVENUES

	For the Year Ended December 31	
	2016	2015
Railroad transportation revenue	$ 39,433,807	$ 38,831,049
Shortfall charge revenue from statutory concession tickets	-	12,096,971
Other operating revenue	1,177,099	973,372
	$ 40,610,906	$ 51,901,392

21. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Employee benefit expense

	For the Year Ended December 31	
	2016	2015
Post-employment benefits		
Defined contribution plan	$ 151,757	$ 123,923
Defined benefit plan	14,265	12,407
	166,022	136,330
Short-term benefits		
Payroll	3,430,984	3,327,938
Insurance	285,193	240,650
Professional service	40,265	38,616
Others	174,936	149,714
	3,931,378	3,756,918
	$ 4,097,400	$ 3,893,248
An analysis of employee benefit expense by function		
Operating costs	$ 3,491,052	$ 3,391,858
Operating expenses	606,348	501,390
	$ 4,097,400	$ 3,893,248

As of December 31, 2016 and 2015, the number of employees of the Corporation was 4,334 and 3,756, respectively; the number of professional service employees was 17 and 23, respectively.

The payroll expenses include the employees' compensation and the remuneration to directors which were both calculated at 1% of income before income tax (net of the employees' compensation and the remuneration to directors) according to the Corporation's Articles of Incorporation. For the years ended December 31, 2016 and 2015, the estimated employees' compensation in cash was $50,996 thousand and $21,124 thousand, and the estimated remuneration to directors in cash was $50,996 thousand and $21,124 thousand, respectively.

Material differences between estimated amounts and the amounts resolved by the board of directors on or before the date the annual financial statements are approved are adjusted in the year the compensation and remuneration were recognized. If there is a change in the resolved amounts after the annual financial statements were approved, the differences are recorded as a change in accounting estimate and adjusted in the following year.

For the year ended December 31, 2015, the employees' compensation and the remuneration to directors was $21,124 thousand and $21,124 thousand, respectively, and had been resolved by the board of directors on March 29, 2016 and reported in the shareholders' meeting on June 24, 2016. There was no difference between such amounts and the respective amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration to directors resolved by the board of directors and reported in the shareholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
An analysis of depreciation and amortization by asset		
Property, plant and equipment	$ 33,202	$ 32,506
Intangible assets	15,681,995	20,589,223
Other non-current assets	1,790	945
	$ 15,716,987	$ 20,622,674
An analysis of depreciation by function		
Operating costs	$ 26,978	$ 26,445
Operating expenses	6,224	6,061
	$ 33,202	$ 32,506
An analysis of amortization by function		
Operating costs	$ 15,681,460	$ 20,587,606
Operating expenses	2,325	2,562
	$ 15,683,785	$ 20,590,168

c. Interest income

	For the Year Ended December 31	
	2016	2015
Interest income on repurchase agreements collateralized by government bonds	$ 98,148	$ 204,465
Interest income on bank deposits	17,300	30,016
Other interest	-	7
	$ 115,448	$ 234,488

d. Interest expense

	For the Year Ended December 31	
	2016	2015
Interest on bank loans	$ 7,198,567	$ 7,796,209
Interest on operating concession liability	1,630,013	1,598,052
Interest on value of returned superficies for offset of profit sharing payable	(453,801)	(76,823)
Others	780	(60,586)
	$ 8,375,559	$ 9,256,852

The information of capitalized interest was as follows:

	For the Year Ended December 31	
	2016	2015
Capitalized interest	$ 44,248	$ 186,824
Capitalization rates	2.10%-2.25%	2.03%-2.30%

e. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Stabilization reserve expense	$ (280,289)	$ -
Foreign exchange gain (loss), net	(68,810)	44,839
Loss on disposal of intangible assets, net	(61,792)	(16,418)
Compensation loss	(29,052)	-
Handling charge for early repayment of long-term debt and amortization of cost of long-term debt	(13,325)	-
Arbitration and court costs	(1,116)	(191,906)
Gain on value of returned superficies for offset of profit sharing payable	-	22,613,234
Preferred stock compensation expenditure	-	(15,161,065)
Gain on disposal of available-for-sale financial assets	1,426	2,949
Others	11,148	8,070
	$ (441,810)	$ 7,299,703

22. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current tax	$ (487,305)	$ (294)
Deferred tax	(361,172)	2,039,089
Income tax benefit (expense)	$ (848,477)	$ 2,038,795

A reconciliation of income before income tax and income tax benefit (expense) was as follows:

	For the Year Ended December 31	
	2016	2015
Income tax expense calculated at the statutory rate (17%)	$ (849,588)	$ (3,201,752)
Nondeductible expenses in determining taxable income	(17,738)	(89,633)
Change in unrecognized loss carryforwards	-	4,505,568
Change in unrecognized investment tax credits	9,381	(1,643)
Change in unrecognized deductible temporary differences	(265)	838,474
Others	9,733	(12,219)
Income tax benefit (expense) recognized in profit or loss	$ (848,477)	$ 2,038,795

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Remeasurement of defined benefit plan	$ 9,794	$ 9,894

c. Deferred tax assets and liabilities

For the year ended December 31, 2016

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Profit sharing payments	$ 4,008,144	$ 137,365	$ -	$ 4,145,509
Provisions	466,219	(368,276)	-	97,943
Compensated absences	19,977	2,900	-	22,877
Deferred revenue	10,920	(4,841)	-	6,079
Defined benefit obligation	3,059	-	9,794	12,853
Others	914	(410)	-	504
	4,509,233	(233,262)	9,794	4,285,765
Loss carryforwards	130,643	(130,643)	-	-
Investment tax credits	1,892	(1,892)	-	-
	$ 4,641,768	$ (365,797)	$ 9,794	$ 4,285,765
Deferred tax liabilities				
Temporary differences				
Others	$ 5,733	$ (4,625)	$ -	$ 1,108

For the year ended December 31, 2015

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Profit sharing payments	$ 2,604,272	$ 1,403,872	$ -	$ 4,008,144
Provisions	-	466,219	-	466,219
Compensated absences	-	19,977	-	19,977
Deferred revenue	-	10,920	-	10,920
Defined benefit obligation	-	-	3,059	3,059
Others	-	914	-	914
	2,604,272	1,901,902	3,059	4,509,233
Loss carryforwards	-	130,643	-	130,643
Investment tax credits	-	1,892	-	1,892
	$ 2,604,272	$ 2,034,437	$ 3,059	$ 4,641,768

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax liabilities				
Temporary differences				
Defined benefit obligation	$ 6,835	$ -	$ (6,835)	$ -
Others	10,385	(4,652)	-	5,733
	$ 17,220	$ (4,652)	$ (6,835)	$ 5,733

(Concluded)

d. Items for which no deferred tax assets have been recognized

	December 31	
	2016	2015
Investment tax credits	$ -	$ 9,381
Deductible temporary differences	995	729
	$ 995	$ 10,110

e. Integrated income tax

	December 31	
	2016	2015
Imputation credit account	$ 13,657	$ 74,097

All of the Corporation's unappropriated earnings were generated after January 1, 1998. The actual creditable ratio for distribution of earnings for the year ended December 31, 2015 is 1.8%. The estimated creditable ratio for distribution of earnings for the year ended December 31, 2016 is 11.75%.

f. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

The net income and weighted average number of common shares outstanding that were used in the computation of earnings per share were as follows:

	Amount	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the year ended December 31, 2016			
Basic and Diluted earnings per share			
Earnings attributable to common shareholders	$ 4,149,098	5,609,566	$ 0.74

(Continued)

	Amount	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the year ended December 31, 2015			
Basic earnings per share			
Earnings attributable to common shareholders	$ 20,872,630	2,901,183	$ 7.19
Diluted earnings per share			
Effect of dilutive potential convertible preferred stock	12,583,684	2,400,384	
Earnings attributable to common shareholders plus dilutive effect of potential convertible preferred stock	$ 33,456,314	5,301,567	$ 6.31

(Concluded)

24. CAPITAL MANAGEMENT

The Corporation manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its needs, including working capital needs within 12 months, capital expenditure during the concession period, profit sharing payments, repayments of long-term and short-term debt, and other operating needs.

25. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31	
	2016	2015
Financial assets		
Available-for-sale financial assets	$ 311,693	$ 602,555
Hedging derivative assets	225	-
Loans and receivables		
Other financial assets	26,774,693	56,544,382
Others (Note 1)	802,123	2,427,255
Financial liabilities		
Financial liabilities carried at amortized cost (Note 2)	396,719,474	441,798,665

Note 1: The balances included loans and receivables measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable, and other receivables. However, tax refund receivable was not included.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term debt, accounts payable, operating concession liability, other payables, payable for construction, long-term debt (including current portion) and long-term interest payable. However, short-term employee benefits payable and business tax payable were not included.

b. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable, and are as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 inputs are unobservable inputs for the asset or liability.

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Open-end money market funds	$ 311,693	$ -	$ -	$ 311,693
Hedging derivative assets				
Forward exchange contracts	$ -	$ 225	$ -	$ 225

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Open-end money market funds	$ 602,555	$ -	$ -	$ 602,555

There were no transfers between Levels 1 and Level 2 for the years ended December 31, 2016 and 2015.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.

b) The fair values of derivative financial instruments are determined using valuation techniques because no market prices are available. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

c. Financial risk management objectives and policies

The Corporation's major financial risk management goal is to manage risks that relate to operating activities. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. In order to lower relevant financial risks, the Corporation identifies and assesses the risks and takes actions to manage uncertainty of the market.

The Corporation's important financial activities are reviewed by the board of directors in accordance with related regulations and internal controls. The Corporation also established related financial transaction procedures in accordance with the Corporation's overall financial risk management and segregation of duties.

1) Market risk

a) Foreign currency risk

The Corporation's deposits, accounts payable and payable for construction denominated in foreign currencies exposed the Corporation to foreign currency risk. To prevent the decline in value or fluctuations in future cash flows due to changes in exchange rates, the Corporation enters into forward exchange contracts to hedge foreign exchange risk. Derivative financial instruments can partially, but not entirely, reduce the impact arising from changes in foreign exchange rates.

The Corporation's foreign-currency financial assets and liabilities were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 20,947	32.279	$ 676,136
JPY	3	0.2757	1
Financial liabilities			
Monetary items			
USD	1,092	32.279	35,249
JPY	1,206,188	0.2757	332,546

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 20,737	33.066	$ 685,691
JPY	32,529	0.2746	8,932
Financial liabilities			
Monetary items			
USD	2,606	33.066	86,161
JPY	2,750,412	0.2746	755,263

The Corporation was mainly exposed to USD and JPY. The sensitivity analysis related to foreign currency exchange rate risk was mainly calculated for foreign currency monetary items at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by $6,408 thousand and $5,995 thousand, respectively, for the years ended December 31, 2016 and 2015. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by $3,325 thousand and $7,463 thousand, respectively, for the years ended December 31, 2016 and 2015.

The significant unrealized exchange gain and loss were as follows:

	December 31			
	2016		2015	
Foreign Currency	**Exchange Rate**	**Exchange Gain (Loss), Net**	**Exchange Rate**	**Exchange Gain (Loss), Net**
USD	32.279	$ (31,870)	33.066	$ 3,629
JPY	0.2757	4,386	0.2746	(29,138)

b) Interest rate risk

As of December 31, 2016 and 2015, the Corporation's syndicated loan with floating interest rates amounted to $327,365,680 thousand and $359,312,209 thousand, respectively. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Corporation would have decreased by $3,273,657 thousand and $3,593,122 thousand, respectively, for the years ended December 31, 2016 and 2015.

c) Other price risk

The investments in open-end money market funds (recorded as available-for-sale financial assets) exposed the Corporation to equity price risk. If the price of the funds decreased by 1%, other comprehensive income before income tax would have decreased by $3,117 thousand and $6,026 thousand, respectively, for the years ended December 31, 2016 and 2015.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. At the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

According to the Financial Resolution Plan, related agreements were amended by the Corporation, the MOTC and Bank of Taiwan (please refer to Note 31, d.). Please refer to Note 14, b. for the details of repayment amounts, term of loan, estimated interest rates, and other factors under the Syndicated Loan Agreement. The following table details the Corporation's remaining contractual maturity for its long-term debt, interest on long-term debt, and operating concession liability based on the undiscounted cash flows (excluding the derivative financial instruments and non-derivative financial liabilities that are to be settled within one year from the balance sheet date).

December 31, 2016

	Long-term Debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Payable for Preferred Stock Compensation	Total
Three months ended March 31, 2017	$ -	$ 1,529,000	$ -	$ -	$ 1,529,000
Nine months ended December 31, 2017	10,946,529	4,587,000	3,180,612	5,853	18,719,994
2018	10,214,034	9,986,162	56,972	-	20,257,168
2019	-	10,032,596	-	-	10,032,596
2020	-	10,006,629	147,511	-	10,154,140
2021	9,186,154	10,390,325	161,106	-	19,737,585
2022-2033	110,233,842	107,387,171	69,853,078	-	287,474,091
2034-2050	186,785,121	68,698,542	-	-	255,483,663
	$ 327,365,680	$ 222,617,425	$ 73,399,279	$ 5,853	$ 623,388,237

December 31, 2015

	Long-term Debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Payable for Preferred Stock Compensation	Total
Three months ended March 31, 2016	$ -	$ 2,072,905	$ -	$ 15,155,212	$ 17,228,117
Nine months ended December 31, 2016	13,511,670	6,218,714	1,939,460	5,853	21,675,697
2017	12,229,100	9,411,171	2,805,958	-	24,446,229
2018	10,946,529	10,481,791	8,220	-	21,436,540
2019	10,946,529	10,355,806	-	-	21,302,335
2020	5,473,265	10,087,431	115,142	-	15,675,838
2021-2033	119,419,995	117,777,496	70,413,882	-	307,611,373
2034-2050	186,785,121	68,698,542	-	-	255,483,663
	$ 359,312,209	$ 235,103,856	$ 75,282,662	$ 15,161,065	$ 684,859,792

26. TRANSACTIONS WITH RELATED PARTIES

The MOTC under the Executive Yuan owns 43% equity interest in the Corporation's outstanding common shares. Under IAS 24, the Corporation is a government-related entity which is significantly influenced by the central government. The Corporation and other government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan are related parties. However, the Corporation is not a related party with those government-related entities which are only significantly influenced but not controlled by the Executive Yuan.

The Corporation is not required to disclose transactions and outstanding balances with the government-related entities. In addition to the C&O Agreement entered into with MOTC as stated in Note 28, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:

a. Name of related party and relationship

Related Party	Relationship with the Corporation
MOTC	An investor that has significant influence over the Corporation
Bank of Taiwan	A government-related entity controlled by the central government

b. The Corporation's financial resolution plan

According to the Financial Resolution Plan, the Corporation has entered into the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement with the MOTC on July 27, 2015. On August 3, 2015, the Corporation has entered into the First Amendment of Tripartite Agreement with the MOTC and Bank of Taiwan, and the Second Amendment of the Syndicated Loan Agreement with a bank syndicate consisting of eight (8) banks which were effective on October 2015. Please refer to Note 31, d. for further details.

c. Operating revenues

The Corporation is mainly engaged in the operation of the North-South High Speed Railway. According to the fare rate standard, timing and procedures of fare adjustment as prescribed in the C&O Agreement and regulated by the MOTC, the Corporation's ticket price setting and adjustment shall be reported to the MOTC before they are announced and implemented. The transportation services and ticket prices provided to related parties were the same as those provided to passengers.

d. Operating costs

1) Profit sharing payments

According to the C&O Agreement, during the operating period, the Corporation shall make profit sharing payments at 10% of the operating profit before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. The minimum commitment to profit sharing payments of $108 billion was discounted and recognized as intangible assets - operating concession asset and operating concession liability, and related amortization expense and interest expense, respectively, is recognized during the concession period. Please refer to Note 15 and Note 28, a., 2) for further information.

2) Rental

The Corporation has entered into the C&O Agreement, the SZD Agreement and the Protocol of Taipei Main Station and Tunnel with the MOTC. The MOTC leased land, Taipei Main Station and tunnel to the Corporation for HSR use. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in future price of public-owned land and usage and other factors. The Corporation prepays the rental for the following year by the end of each year. Please refer to Note 28, b. for further details.

e. Non-operating income and expenses

1) Interest expense

Please refer to Note 15 for the interest expense recognized on the operating concession liability, and the deduction of interest expense recognized on the value of returned superficies for offset of profit sharing payable using the effective interest method due to termination of the SZD Agreement.

2) Other gain - gain on value of returned superficies for offset of profit sharing payable due to termination of SZD Agreement

According to the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement, the Corporation and MOTC engaged impartial and professional appraisal firms to appraise the fair value of the superficies returned to the MOTC in the amount of $22,613,234 thousand. Please refer to Note 15 and Note 28, a., 2) for further details.

3) Other loss - preferred stock compensation expenditure

According to the Financial Resolution Plan, the Corporation entered into preferred stock compensation agreements with preferred stock shareholders in 2015. Several preferred stock shareholders were government-owned businesses or were the companies significantly influenced by the Executive Yuan. The Corporation had limited information to determine whether the Executive Yuan had control or significant influence over such preferred stock shareholders; therefore, no related party transactions were disclosed. However, the terms of the preferred stock compensation agreements with related parties are the same as those with non-related parties (normal preferred stock shareholders). The preferred stock compensation expenditure amounted to $15,161,065 thousand in 2015. Please refer to Note 16 for further details.

f. Acquisition of assets - operating concession asset

According to the Fourth Amendment of the C&O Agreement, the concession period has been extended from 35 years to 70 years until the year 2068. Shortfall charge receivable from statutory concession tickets in the amount of $12,701,819 thousand as of October 29, 2015 was considered as cost of the extension of concession period. Please refer to Note 4, j., Note 4, o., Note 12 and Note 28, a., 1) for further details.

g. Long-term debt

The Corporation has entered into the Tripartite Agreement and the Syndicated Loan Agreement with the MOTC and Bank of Taiwan. If an early termination of the C&O Agreement occurs, the MOTC shall assume the remaining obligations under Tranche A Facility of the Syndicated Loan Agreement. Please refer to Note 14, b. for further information of the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

h. Compensation of key management personnel

Compensation of key management personnel was as follows:

	For the Year Ended December 31	
	2016	**2015**
Short-term employee benefits	$ 126,187	$ 87,689
Post-employment benefits	944	909
	$ 127,131	$ 88,598

27. RESTRICTED ASSETS

Pledged Assets	Pledged to Secure	December 31 2016	December 31 2015
Other financial assets - current:			
Repurchase agreements collateralized by government bonds	Syndicated loan	$ 21,682,200	$ 45,973,200
Time deposits	Trust deposit of unearned revenue	28,500	56,500
Time deposits	Guarantee for office lease	17,232	-
Time deposits	Syndicated loan	4,749	7,606,810
Time deposits	Guarantee for credit limit	-	516,360
Time deposits	Guarantee for station land lease	-	2,909
Time deposits	Guarantee for commodity sale	-	940
Demand deposits	Syndicated loan	82,758	299,515
Demand deposits	Trust deposit of unearned revenue	47,705	17,285
		21,863,144	54,473,519
Other financial assets - non-current:			
Time deposits	Guarantee for customs duties	42,239	42,651
Time deposits	Guarantee for oil purchase	1,320	1,320
Time deposits	Guarantee for office lease	-	17,232
		43,559	61,203
		$ 21,906,703	$ 54,534,722

According to the Syndicated Loan Agreement, the affiliated land superficies of the Corporation's five stations were mortgaged to the joint creditors of the syndicated loan. According to the Financial Resolution Plan, the Corporation has canceled the superficies mortgage and returned the superficies to the MOTC on October 20, 2015. For further information, please refer to Note 31, a., c. and d.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. C&O Agreement and SZD Agreement

According to the Corporation's Financial Resolution Plan, the Corporation has entered into the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement with the MOTC on July 27, 2015. For further information, please refer to Note 31, d. As of December 31, 2016, significant provisions of the C&O Agreement were as follows:

1) The concession period, including the construction period and operating period, for the construction and operation of HSR is 70 years from the date of agreement, and can be extended pursuant to the C&O Agreement.

2) During the operating period, the Corporation shall make profit sharing payments at 10% of the operating profit before income tax (representing the profit after deduction of all costs and expenses necessary for operations from revenues) to the MOTC each year for the development and construction of HSR infrastructure and facilities. However, if the accumulated amount of the profit sharing payments is less than the amount listed in the table below, the latter shall prevail.

As of the end of the fifth year of full operation	$ 2 billion
As of the end of the tenth year of full operation	10 billion
As of the end of the fifteenth year of full operation	25 billion
As of the end of the twentieth year of full operation	48 billion
As of the end of the twenty-fifth year of full operation	75 billion
As of July 23, 2033	108 billion

According to the SZD Termination Agreement, the Corporation and MOTC engaged impartial and professional appraisal firms to appraise the fair value of the superficies returned to the MOTC in the amount of $22,613,234 thousand. The value of the returned superficies is allowed by the MOTC to offset the profit sharing payments in the amount of $29,784,855 thousand at the end of every five years as follows:

As of the end of the tenth year of full operation	$2,003,521 thousand
As of the end of the fifteenth year of full operation	4,252,245 thousand
As of the end of the twentieth year of full operation	6,520,109 thousand
As of the end of the twenty-fifth year of full operation	7,654,041 thousand
As of July 23, 2033	9,354,939 thousand

Starting from 2013, the Corporation prepares its financial statements in accordance with IFRSs endorsed by the FSC. Please refer to Note 15 for the recognition of profit sharing payments as operating concession liability.

3) The Corporation should establish a financial stabilization mechanism starting from 2016.

a) From 2016 to the year the stabilization reserve is calculated, if the annual average of net income (loss) and the effect of retrospective adjustments resulted from the change in accounting policies exceed $3.5 billion, the stabilization reserve should be provided as described below:

i. If the Corporation's EBT in the current year is higher than A1 but less than A2, the EBT is regarded as operation incentive and no stabilization reserve should be provided (please refer to the note below for the definitions of EBT, A1, A2 and A3).

ii. If the Corporation's EBT in the current year is higher than A2 but less than A3, the stabilization reserve should be provided in the current year as follows:

$(EBT - A2) \times 50\%$

iii. If the Corporation's EBT in the current year is higher than A3, the stabilization reserve should be provided in the current year as follows:

$(A3 - A2) \times 50\% + (EBT - A3) \times 70\%$

EBT = Income (loss) before income tax, net of the stabilization reserve and the compensation and remuneration set out in Article 235-1 of the Company Act

A1 = Net income of \$3.5 billion ÷ (1 - the statutory tax rate)

A2 = Net income of \$4.0 billion ÷ (1 - the statutory tax rate)

A3 = Net income of \$4.5 billion ÷ (1 - the statutory tax rate)

b) If the Corporation's EBT in the current year is less than A1, the reversal of the accumulated stabilization reserve should be (A1 - EBT), but only to the extent the accumulated stabilization reserve equals zero.

c) The Corporation should open a "Taiwan High Speed Rail Stabilization Mechanism Account" (the "Stabilization Mechanism Account") in Bank of Taiwan.

i. If the accumulated stabilization reserve, net of the balance in the Stabilization Mechanism Account, exceeds \$10 billion at the end of any year, the Corporation shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account within one month from the date the MOTC confirms the execution report submitted by the Corporation. The stabilization reserve should also be provided in the same amount for the interest income generated from the Stabilization Mechanism Account.

ii. The MOTC may request the Corporation to use the funds of the Stabilization Mechanism Account under the following circumstances:

i) Fare discount or fare reduction;

ii) Construction of HSR infrastructure and facilities; and

iii) In compliance with the government's policies.

iii. The accumulated stabilization reserve shall be deducted by the same amount of funds used from the Stabilization Mechanism Account.

iv. Except for payment of tax levied on the Stabilization Mechanism Account, the Corporation cannot use the funds of the Stabilization Mechanism Account, unless the Corporation obtains the approval from the MOTC.

d) Treatments of the stabilization reserve and the Stabilization Mechanism Account upon expiration or early termination of the concession period

i. If the accumulated stabilization reserve exceeds the balance of the Stabilization Mechanism Account at the end of the concession period, the Corporation shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account, and the remaining balance of the Stabilization Mechanism Account (net of tax, if any) shall be transferred to a specific account designated by the MOTC.

ii. If the C&O Agreement is terminated due to mutual agreement, force majeure or excluded events, the remaining balance of the Stabilization Mechanism Account (net of tax, if any) as of the termination date shall be transferred to a specific account designated by the MOTC, and the excess of the accumulated stabilization reserve over the balance of the Stabilization Mechanism Account shall be allocated to the Corporation.

iii. According to the C&O Agreement, if the termination is due to the reasons attributable to the Corporation, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the MOTC.

iv. According to the C&O Agreement, if the termination is due to government's policies, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the Corporation.

e) Starting from 2017, the following year after the mechanism became effective, the Corporation shall submit to the MOTC an execution report audited by independent auditors, including provision, contribution, accumulated balance of the stabilization reserve, and the utilization and balance of the Stabilization Mechanism Account within one month from the date the shareholders approved the annual financial statements.

4) When the concession period expires, the assets which are purchased under the consent of the MOTC within five years the concession period expires, and are not fully depreciated and remain usable for normal operations upon the expiry of the concession period, are transferred to MOTC with consideration. The transfer price is the undepreciated value of the assets determined based on the fixed percentage of declining method over the minimum useful lives prescribed by the Executive Yuan. Except for the assets mentioned above, the ownership and rights of all other assets shall be transferred to the MOTC or the third party designated by the MOTC without consideration.

5) When the C&O Agreement is terminated before the expiration of the concession period, the value of the operating assets and construction in progress should be appraised by impartial professional appraisal organizations with their actual costs, usage, value in use, remaining concession period, and related articles of the C&O Agreements taken into consideration.

6) The Corporation provided a $5 billion performance bond as a guarantee for fulfillment of responsibilities of the HSR operations. The guarantee ends on the date six months after the expiry of concession period or early termination of the C&O Agreement. Starting from the date the Corporation commenced its commercial operations, if there is no breach of agreements, $0.5 billion of the performance bond can be returned each year. However, the total returned amount cannot exceed $3 billion.

As of December 31, 2016 and 2015, the aforementioned performance bond both amounted to $2 billion (recognized as other financial assets).

b. According to the C&O Agreement, SZD Agreement and the Protocol of Taipei Main Station and Tunnel, the MOTC leased land, Taipei Main Station and tunnel to the Corporation for HSR use. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in future price of public-owned land and usage and other factors. The Corporation prepays the rental for the following year by the end of each year. The rental expense amounted to $704,739 thousand and $432,594 thousand, respectively, for the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, prepaid rentals amounted to $788,548 thousand and $396,898 thousand, respectively, and were recognized as prepayments and other current assets. As of December 31, 2016, rentals payable amounted to $39,530 thousand and were recognized as other payables.

c. As of December 31, 2016, unused letters of credit amounted to JPY1,880,791 thousand and US$782 thousand.

d. In May 2012, the Corporation entered into a purchase agreement for type 700T rolling stock. As of December 31, 2016, the Corporation has acquired four sets of type 700T rolling stock. Furthermore, the Corporation can choose to purchase additional type 700T rolling stock up to four sets at the unit price ranging from JPY4,328,424 thousand to JPY4,500,000 thousand (net of customs duties and business tax) by March 2017.

e. The residents of Chengbei, Tongxiao Township, Miaoli claimed that the Corporation did not install a complete set of noise and vibration control. The residents stated they suffered from the noise and vibration intrusion for a long term period, and the situation brought the damage to the buildings and their health. Therefore, the residents claimed for the damage compensation. In June 2015, the Environmental Protection Administration Public Nuisance Arbitration Committee decided that the Corporation shall compensate the residents of $8,338 thousand. The Corporation disagreed the ruling and filed an appeal to Miaoli District Court. As of December 31, 2016, the lawsuit is still under the review of the court.

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. On January 24, 2017, the Corporation signed a joint underwriting agreement with an underwriting syndicate consisted of ten financial institutions, including the arranger, International Bills Finance Corporation. Within the two-year period, the Corporation could issue unsecured commercial paper with maturity period ranging from 90 days to one year. The total amount of the revolving underwriting facility is $20 billion.

b. The Corporation has entered into the Third Amendment of the Syndicated Loan Agreement with the Bank of Taiwan (the agent bank of the bank syndicate) on February 15, 2017. The amendments to the terms include modifications of designated accounts and evaluation mechanism of the guaranteed value, and loosening of restrictions on additions to other debt.

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

For the information on the Corporation’s significant financial assets and liabilities denominated in foreign currencies, please refer to Note 25, c.

31. OTHERS

a. Superficies

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Corporation acquired superficies from the MOTC on the land of transportation infrastructure, including routes, maintenance bases, and stations. As of December 31, 2016, the superficies encompasses northern area to southern area of Taiwan, from Land Lot No. 0837-0000 of Kuanghua Section, Hsinchuang District, New Taipei City located on the north to Land Lot No. 0421-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located on the south. The term of such superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

According to the SZD Agreement, the Corporation previously acquired from the MOTC the superficies on the land of ancillary business of station zones located on the designated areas of Taoyuan, Hsinchu, Taichung, Chiayi and Tainan stations. Pursuant to the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the Corporation returned the land of ancillary business while retained the superficies on the land of stations.

b. In order to protect shareholders' equity and maintain stable operations, the Corporation applied to the HSR Conciliation Committee for the coordination of the following cases: (1) the excluded event that the government had not compensated the Corporation for the shortfall charge from statutory concession tickets; (2) the force majeure and excluded event that actual ridership and revenues were lower than expected due to significant changes in domestic and overseas economy, and the performance of the C&O Agreement was significantly impacted; and (3) the nine force majeure and excluded events that the performance of the C&O Agreement was significantly impacted, including the 921 earthquake happened during the HSR construction period (hereinafter referred to as "Three Cases under Coordination").

   As the determination of whether the Three Cases under Coordination were qualified as the force majeure and excluded events was complicated, the HSR Conciliation Committee concluded that the Corporation should discuss with the MOTC to seek a remedy to improve the Corporation's financial status; furthermore, both parties should conciliate the controversies over the C&O Agreement to solve the Corporation's financial difficulties. As of February 16, 2015 to which the MOTC and the Corporation both agreed to extend the conciliation period, because the Financial Improvement Plan had not been completed, in the interest of time, the Corporation submitted the Three Cases under Coordination to arbitration on February 17, 2015 to request the MOTC to reasonably compensate for the Corporation's loss (hereinafter referred to as "Three Cases under Arbitration"), and paid for the arbitration fee.

   1) The excluded event that the government had not compensated the Corporation for the shortfall charge from statutory concession tickets

      The Corporation requested the MOTC to pay $10,990,041 thousand plus 5% of interest thereon. As of October 29, 2015, the shortfall charge from statutory concession tickets amounted to $12.7 billion.

   2) The force majeure and excluded event that actual ridership and revenues were lower than expected due to significant changes in domestic and overseas economy, and the performance of the C&O Agreement was significantly impacted

      As of December 31, 2014, the loss incurred due to the actual ridership far below the expected ridership approximated $227.1 billion. The Corporation partially requested the MOTC to pay $30,590,000 thousand plus 5% of interest thereon accumulated from February 17, 2015 to the payment date, or to extend the concession period of the C&O Agreement equivalent to the loss, or to compensate for the Corporation's loss by other means.

   3) The nine force majeure and excluded events that the performance of the C&O Agreement was significantly impacted, including the 921 earthquake happened during the HSR construction period

      The additional construction costs and operating loss amounted to $71.9 billion. The Corporation partially requested the MOTC to pay $16,041,591 thousand plus 5% of interest thereon accumulated from February 9, 2013 to the payment date.

   According to the Financial Resolution Plan, the Fourth Amendment of C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years until the year 2068. The Corporation withdrew the Three Cases under Arbitration on November 13, 2015.

c. The Corporation's financial structure was unstable as some preferred shareholders filed lawsuits to request the Corporation to redeem preferred stock and to distribute dividends. If the final judgments on the lawsuits are unfavorable to the Corporation, the bank syndicate might take preventive measures, or even deem it a substantial breach of agreement according to the Tripartite Agreement and the Syndicated Loan Agreement, and the C&O Agreement might be terminated. Furthermore, based on the conclusion made by the HSR Conciliation Committee on the Three Cases under Coordination, the board of directors approved the Financial Improvement Plan on October 23, 2014. However, on January 7, 2015, the Legislative Yuan decided not to handle the plan at that stage. On March 26, 2015, the board of directors approved the National Stock Subscription Project to be submitted to the MOTC. After the MOTC modified the investors qualified for subscription of shares in the capital injection and the planned amount to be injected, the project was renamed to "the Financial Resolution Plan of Taiwan High Speed Rail Corporation" (the "Financial Resolution Plan"). The suggested Financial Resolution Plan A and Financial Resolution Plan B were submitted simultaneously to the Legislative Yuan for review. On May 21, 2015, the Transportation Committee of the Legislative Yuan resolved to adopt Financial Resolution Plan B (including four attached resolutions). After the Financial Resolution Plan B was filed to the Legislative Yuan for reference on June 5, 2015, the MOTC requested the Corporation to agree with the Financial Resolution Plan B. The details of Financial Resolution Plan B, which was approved by the board of directors on June 25, 2015, are summarized as follows:

   1) Redemption of all issued preferred stock and reduction of capital

      The Corporation proposed to redeem all of the issued preferred stock in a total of 4,018,992 thousand shares pursuant to the Corporation's Articles of Incorporation and preferred stock offering and conversion policy. Payable for redemption of the preferred stock amounted to $39,221,157 thousand.

   2) Extension of concession period to 70 years

      In order to maintain reasonable returns and operate stably based on the reasonable useful lives over which the operating assets were amortized, the Corporation planned to enter into an amendment to the C&O Agreement with the MOTC to extend the concession period from 35 years to 70 years until the year 2068.

   3) Capital reduction plan to make up for losses

      After all of the preferred stock was redeemed, the paid-in capital only comprised common stock in the amount of $65,132,326 thousand. The Corporation proposed to use common stock to make up for the accumulated losses with a capital reduction rate of 60%, which is subject to actual conditions.

   4) Capital injection of $30 billion

      The prerequisite that the MOTC will agree to extend the concession period under the Financial Resolution Plan is for government-owned or government-related entities to increase their equity interest in the Corporation. To meet the prerequisite, the Corporation proposed to conduct capital injection of $30 billion, of which $24.2 billion was invested by a government fund (the fund for HSR construction), and $5.8 billion was invested by other government-owned and government-related entities. After completion of the capital injection, the government-owned and government-related entities own 63.9% equity interest in the Corporation.

5) Termination of SZD Agreement with the MOTC

The Corporation proposed to terminate the SZD Agreement with the MOTC. Hence, the superficies on the land of ancillary business of station zones as defined in the SZD Agreement were returned to the MOTC. The appraised fair value of the returned superficies was used to offset the profit sharing payments to the MOTC under the C&O Agreement. The superficies on the land of stations were retained, and the rights and obligations of the retained superficies are subject to the amendment to the C&O Agreement.

6) Amendment of Syndicated Loan Agreement

a) Release of restrictions on the designated accounts and the use of funds

The Corporation proposed to negotiate with the bank syndicate for them to agree to amend the Syndicated Loan Agreement, and release the restrictions on the designated accounts and the use of funds to redeem preferred stock as a first priority.

b) Release of liens on superficies

The Corporation proposed to negotiate with the bank syndicate to release the liens held by the bank syndicate on the superficies on the land of station zones, for the Corporation to return the superficies to the MOTC.

c) Extension of repayment term of Syndicated Loan Agreement

For the extension of concession period to 70 years and the implementation of the Financial Resolution Plan, the Corporation proposed to negotiate with the bank syndicate the extension of the repayment term of Syndicated Loan Agreement, together with other revolving credit facility, as the solutions to redemption of preferred stock, return on equity of the capital injection, etc. under Financial Resolution Plan.

7) Withdrawal of Three Cases under Arbitration

The Corporation planned to withdraw the ongoing Three Cases under Arbitration after the Fourth Amendment of the C&O Agreement became effective.

8) Adjustment of fare rate and fare

The Corporation planned to amend the fare rate standard, timing and procedures of fare adjustment as prescribed in the C&O Agreement with the MOTC, to use the shortfall charge from statutory concession tickets as a cross subsidy to decide the self-determined basic fare rate. The amendments also require that the factors to adjust the Corporation’s self-determined fare shall actually reflect all of the marketing and promotion discounts.

9) Establishment of a financial stabilization mechanism and a designated account

The Corporation planned to establish a financial stabilization mechanism and a designated account which will take effect starting January 1 of the next year after the Fourth Amendment of the C&O Agreement becomes effective.

a) The financial stabilization mechanism stipulates that if the Corporation's profit exceeds prescribed criteria, the Corporation shall provide a reserve and recognize an expense; if the profit is lower than the prescribed criteria, part of the reserve shall be reversed and recognized as a deduction of expense, but only to the extent the balance of reserve equals zero. When the reserve exceeds $10 billion, the Corporation shall contribute the excess amount to the Stabilization Mechanism Account. The funds of the account can be used only for specified purposes. The remaining balance of the account shall be transferred to the MOTC upon expiration of the concession period.

b) If the average annual net income of the Corporation is higher than $4 billion but less than $4.5 billion, a reserve shall be provided at 50% of the amount in excess of $4 billion. If the average annual net income exceeds $4.5 billion, an additional reserve shall be provided at 70% of the amount in excess of $4.5 billion. To simplify the calculation, the net income is converted to income before income tax using the statutory tax rate for provision of a reserve.

d. The status of execution of the Financial Resolution Plan

1) The proposals resolved in the special shareholders' meeting held on September 10, 2015 include:

a) Proposal for the extension of the concession period in order to implement the Financial Resolution Plan;

b) Proposal for compensation for accumulated unpaid preferred stock dividends;

c) Proposal for capital reduction to offset accumulated losses;

d) Proposal for issuance of common stock through a private placement;

e) Proposal for amendment to the Corporation's Articles of Incorporation;

f) Proposal for the termination of the SZD Agreement, and the value on return of the superficies on the land of ancillary business to offset the profit sharing payments;

g) Proposal for the withdrawal of Three Cases under Arbitration from the Arbitration Association.

h) Proposal for establishment of a financial stabilization mechanism; and

i) Proposal for the adjustment of fare rate and fare.

2) On July 27, 2015, the Corporation and the MOTC entered into the Fourth Amendment of the C&O Agreement which was effective on October 30, 2015. The main contents of the agreement are summarized as follows:

a) The concession period is extended from 35 years to 70 years until the year 2068;

b) The MOTC promises that when the Corporation conducts capital injection of $30 billion within six months from the effective date of the Fourth Amendment of the C&O Agreement, the fund for HSR construction will invest in $24.2 billion, and other government-owned and government-related entities will invest in the remaining $5.8 billion;

c) The Corporation shall conduct capital injection of $30 billion within six months from the effective date of the Fourth Amendment of the C&O Agreement, and reduce the ticket price, at earliest possible time, to the level prior to the increase in ticket price on October 8, 2013;

d) The MOTC and the Corporation establish the method and amounts for offset of profit sharing payments by the value of the returned superficies appraised by impartial and professional appraisal firms;

e) The Corporation establishes a financial stabilization mechanism to leverage net income of different years for the purpose to distribute stable dividends;

f) Establishment of the related factors on markup of within 20% range on the Corporation's self-determined basic fare rate, and related details; and

g) The Corporation confirms the timing on which the Corporation shall withdraw the Three Cases under Arbitration after the Fourth Amendment of the C&O Agreement becomes effective, and after the withdrawal, the Corporation shall not claim for any compensation from the MOTC.

3) On July 27, 2015, the Corporation and the MOTC entered into the SZD Termination Agreement which was effective on October 30, 2015. The main contents of the agreement comprise:

a) The Corporation shall be responsible for release of the liens on the superficies on the land of ancillary business;

b) Return of the vacated land of ancillary business to the MOTC within ten days from the release of the liens on the superficies, except for the facilities the MOTC agrees the Corporation could retain; and

c) The responsibilities of the Corporation to maintain the land for transportation facility use.

4) On August 3, 2015, the Corporation, the MOTC and Bank of Taiwan entered into the First Amendment of the Tripartite Agreement, which was effective on October 20, 2015. If the guaranteed value is insufficient, the Corporation may pledge its deposits to the Bank of Taiwan and the amount of pledged deposits shall be included in the guaranteed value. For further information, please refer to Note 14, b.

5) On August 3, 2015, the Corporation and the bank syndicate, including Bank of Taiwan, entered into the Second Amendment of Syndicated Loan Agreement, which was effective on October 30, 2015. Please refer to Note 14, b. for the details of extension of term for the Tranche A Facility, and the adjustment of repayment amounts each year.

6) On October 20, 2015, the Corporation reduced common stock capital of $39,079,396 thousand to make up for accumulated losses.

7) The Corporation withdrew the Three Cases under Arbitration on November 13, 2015.

8) On November 26, 2015, the Corporation conducted capital injection of 3,000,000 thousand shares of common stock through a private placement at par value of $10, or a total of $30,000,000 thousand.

9) According to the preferred stock compensation agreements, the Corporation paid compensation in the amount of $15,146,737 thousand and $8,475 thousand, respectively, on January 20, 2016 and February 3, 2016.

32. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 25 regarding the information of derivative financial instrument transactions and Tables 1 and 2 as attached, there were no other significant transactions, information of investees and investments in mainland China required for disclosure.

33. SEGMENT INFORMATION

The Corporation is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment.

TABLE 1

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item	December 31, 2016				Note
				Units/Face Value (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Allianz TWD Money Market Fund	-	Available-for-sale financial assets - current	5,319	$ 66,014	-	$ 66,014	
	FSITC Taiwan Money Market Fund	-	〃	6,631	100,442	-	100,442	
	Mega Diamond Money Market Fund	-	〃	2,826	35,092	-	35,092	
	Franklin Templeton Sinoam Money Market Fund	-	〃	4,899	50,133	-	50,133	
	Prudential Financial Money Market Fund	-	〃	3,832	60,012	-	60,012	
	Central Government Bonds 2016-8	-	Other financial assets - current	$ 409,500	455,000	-	455,000	
	Central Government Bonds 2016-12	-	〃	311,400	346,000	-	346,000	
	Central Government Bonds 2015-3	-	〃	37,800	42,000	-	42,000	
	Central Government Bonds 2015-6	-	〃	830,000	900,500	-	900,500	
	Central Government Bonds 2014-2	-	〃	72,900	81,000	-	81,000	
	Central Government Bonds 2014-6	-	〃	300,000	333,000	-	333,000	
	Central Government Bonds 2014-9	-	〃	353,800	393,100	-	393,100	
	Central Government Bonds 2014-15	-	〃	2,677,000	2,920,000	-	2,920,000	
	Central Government Bonds 2013-6	-	〃	300,300	333,000	-	333,000	
	Central Government Bonds 2013-10	-	〃	838,400	931,400	-	931,400	
	Central Government Bonds 2013-11	-	〃	144,000	160,000	-	160,000	
	Central Government Bonds 2012-2	-	〃	63,000	70,000	-	70,000	
	Central Government Bonds 2012-5	-	〃	129,000	140,000	-	140,000	
	Central Government Bonds 2012-6	-	〃	346,000	384,000	-	384,000	
	Central Government Bonds 2012-7	-	〃	100,000	108,000	-	108,000	
	Central Government Bonds 2012-9	-	〃	177,300	197,000	-	197,000	
	Central Government Bonds 2011-5	-	〃	416,000	460,000	-	460,000	
	Central Government Bonds 2011-7	-	〃	165,000	179,000	-	179,000	
	Central Government Bonds 2011-9	-	〃	1,270,300	1,411,400	-	1,411,400	
	Central Government Bonds 2010-4	-	〃	667,700	741,800	-	741,800	
	Central Government Bonds 2010-7	-	〃	92,000	100,000	-	100,000	
	Central Government Bonds 2008-5	-	〃	212,000	229,000	-	229,000	
	Central Government Bonds 2008-6	-	〃	757,400	840,600	-	840,600	
	Central Government Bonds 2006-7	-	〃	252,000	273,000	-	273,000	
	Central Government Bonds 2004-3	-	〃	23,400	26,000	-	26,000	
	Central Government Bonds 2003-3	-	〃	40,500	45,000	-	45,000	
	Central Government Bonds 2002-7	-	〃	894,500	993,800	-	993,800	
	Central Government Bonds 2001-2	-	〃	354,200	393,000	-	393,000	
	Central Government Bonds 2001-4	-	〃	965,100	1,071,000	-	1,071,000	
	Central Government Bonds 2001 B 1st	-	〃	1,187,200	1,314,000	-	1,314,000	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item	December 31, 2016				Note
				Units/Face Value (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Central Government Bonds 2000-13	-	Other financial assets - current	$ 3,384,800	$ 3,641,800	-	$ 3,641,800	
	Central Government Bonds 2000 B 1st	-	〃	467,700	519,000	-	519,000	
	Central Government Bonds 1999-3	-	〃	844,600	938,000	-	938,000	
	Central Government Bonds 1999 B 1st	-	〃	640,900	711,800	-	711,800	

(Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
					Face Value	Carrying Amount	Face Value	Carrying Amount	Face Value	Amount	Carrying Amount	Gain (Loss) on Disposal		Face Value	Carrying Amount
The Corporation	Central Government Bonds 2016-5	Other financial assets - current	-	-	$ -	$ -	$ 900,000	$ 1,000,000	$ 900,000	$ 1,000,696	$ 1,000,000	$ 696	$ -	$ -	$ -
	Central Government Bonds 2016-8	〃	-	-	-	-	598,500	665,000	189,000	210,118	210,000	118	-	409,500	455,000
	Central Government Bonds 2016-12	〃	-	-	-	-	311,400	346,000	-	-	-	-	-	311,400	346,000
	Central Government Bonds 2015-1	〃	-	-	190,000	200,000	271,000	300,000	461,000	500,205	500,000	205	-	-	-
	Central Government Bonds 2015-3	〃	-	-	4,202,500	4,669,444	5,803,500	6,448,244	9,968,200	11,078,037	11,075,688	2,349	-	37,800	42,000
	Central Government Bonds 2015-4	〃	-	-	-	-	792,000	880,000	792,000	880,076	880,000	76	-	-	-
	Central Government Bonds 2015-5	〃	-	-	376,000	415,000	376,000	415,000	752,000	830,138	830,000	138	-	-	-
	Central Government Bonds 2015-6	〃	-	-	78,000	85,000	2,100,000	2,277,000	1,348,000	1,462,561	1,461,500	1,061	-	830,000	900,500
	Central Government Bonds 2015-10	〃	-	-	1,883,100	2,092,111	1,641,900	1,824,111	3,525,000	3,918,621	3,916,222	2,399	-	-	-
	Central Government Bonds 2015-12	〃	-	-	1,489,500	1,655,000	1,830,800	2,034,200	3,320,300	3,691,002	3,689,200	1,802	-	-	-
	Central Government Bonds 2014-4	〃	-	-	-	-	3,038,900	3,374,184	3,038,900	3,376,137	3,374,184	1,953	-	-	-
	Central Government Bonds 2014-6	〃	-	-	-	-	1,793,800	1,991,000	1,493,800	1,658,934	1,658,000	934	-	300,000	333,000
	Central Government Bonds 2014-9	〃	-	-	956,700	1,063,000	3,463,400	3,845,458	4,066,300	4,518,011	4,515,358	2,653	-	353,800	393,100
	Central Government Bonds 2014-10	〃	-	-	5,092,700	5,547,589	6,656,400	7,257,979	11,749,100	12,815,352	12,805,568	9,784	-	-	-
	Central Government Bonds 2014-13	〃	-	-	-	-	962,500	1,069,400	962,500	1,069,998	1,069,400	598	-	-	-
	Central Government Bonds 2014-15	〃	-	-	1,141,800	1,257,500	5,388,800	5,882,000	3,853,600	4,221,550	4,219,500	2,050	-	2,677,000	2,920,000
	Central Government Bonds 2013-2	〃	-	-	141,300	157,000	9,600,500	10,427,933	9,741,800	10,592,246	10,584,933	7,313	-	-	-
	Central Government Bonds 2013-6	〃	-	-	-	-	1,815,900	2,017,000	1,515,600	1,685,347	1,684,000	1,347	-	300,300	333,000
	Central Government Bonds 2013-8	〃	-	-	242,500	269,344	545,800	606,344	788,300	876,379	875,688	691	-	-	-
	Central Government Bonds 2013-10	〃	-	-	77,000	85,000	1,156,600	1,284,400	395,200	438,237	438,000	237	-	838,400	931,400
	Central Government Bonds 2013-11	〃	-	-	900,000	1,000,000	228,600	254,000	984,600	1,094,283	1,094,000	283	-	144,000	160,000
	Central Government Bonds 2012-1	〃	-	-	-	-	1,810,000	2,000,000	1,810,000	2,000,276	2,000,000	276	-	-	-
	Central Government Bonds 2012-2	〃	-	-	-	-	887,400	986,000	824,400	916,505	916,000	505	-	63,000	70,000
	Central Government Bonds 2012-5	〃	-	-	-	-	1,485,000	1,644,000	1,356,000	1,504,820	1,504,000	820	-	129,000	140,000
	Central Government Bonds 2012-6	〃	-	-	1,341,600	1,488,778	3,303,900	3,660,722	4,299,500	4,768,286	4,765,500	2,786	-	346,000	384,000

(Continued)

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
					Face Value	Carrying Amount	Face Value	Carrying Amount	Face Value	Amount	Carrying Amount	Gain (Loss) on Disposal		Face Value	Carrying Amount
The Corporation	Central Government Bonds 2012-7	Other financial assets - current	-	-	$ -	$ -	$ 1,447,000	$ 1,598,000	$ 1,347,000	$ 1,490,813	$ 1,490,000	$ 813	$ -	$ 100,000	$ 108,000
	Central Government Bonds 2012-8	〃	-	-	85,500	95,000	292,500	325,000	378,000	420,097	420,000	97	-	-	-
	Central Government Bonds 2012-9	〃	-	-	180,000	200,000	2,479,500	2,755,000	2,482,200	2,758,873	2,758,000	873	-	177,300	197,000
	Central Government Bonds 2012 B 1st	〃	-	-	-	-	464,700	516,300	464,700	516,621	516,300	321	-	-	-
	Central Government Bonds 2012 B 2	〃	-	-	-	-	1,399,700	1,555,178	1,399,700	1,556,447	1,555,178	1,269	-	-	-
	Central Government Bonds 2011-5	〃	-	-	-	-	920,000	1,020,000	504,000	560,397	560,000	397	-	416,000	460,000
	Central Government Bonds 2011-6	〃	-	-	6,457,600	7,149,900	973,000	1,076,922	7,430,600	8,233,358	8,226,822	6,536	-	-	-
	Central Government Bonds 2011-7	〃	-	-	220,500	245,000	811,200	897,000	866,700	963,718	963,000	718	-	165,000	179,000
	Central Government Bonds 2011-9	〃	-	-	205,200	228,000	1,923,700	2,137,400	858,600	954,663	954,000	663	-	1,270,300	1,411,400
	Central Government Bonds 2010-4	〃	-	-	-	-	1,767,100	1,963,267	1,099,400	1,222,267	1,221,467	800	-	667,700	741,800
	Central Government Bonds 2010-5	〃	-	-	-	-	1,067,400	1,184,000	1,067,400	1,184,352	1,184,000	352	-	-	-
	Central Government Bonds 2010-8	〃	-	-	-	-	591,500	657,111	591,500	657,439	657,111	328	-	-	-
	Central Government Bonds 2009-2	〃	-	-	-	-	300,000	332,220	300,000	332,294	332,220	74	-	-	-
	Central Government Bonds 2009-3	〃	-	-	534,300	590,300	446,100	491,000	980,400	1,082,204	1,081,300	904	-	-	-
	Central Government Bonds 2009-5	〃	-	-	142,200	158,000	322,200	358,000	464,400	516,177	516,000	177	-	-	-
	Central Government Bonds 2008-3	〃	-	-	274,100	303,000	491,800	545,178	765,900	848,743	848,178	565	-	-	-
	Central Government Bonds 2008-5	〃	-	-	243,000	270,000	1,849,700	2,044,000	1,880,700	2,085,780	2,085,000	780	-	212,000	229,000
	Central Government Bonds 2008-6	〃	-	-	900,000	1,000,000	2,557,400	2,840,600	2,700,000	3,002,404	3,000,000	2,404	-	757,400	840,600
	Central Government Bonds 2007-3	〃	-	-	81,000	90,000	1,199,100	1,332,300	1,280,100	1,423,476	1,422,300	1,176	-	-	-
	Central Government Bonds 2006-6	〃	-	-	1,994,000	2,215,556	1,400,000	1,555,556	3,394,000	3,774,615	3,771,112	3,503	-	-	-
	Central Government Bonds 2005-3	〃	-	-	-	-	1,350,000	1,500,000	1,350,000	1,500,976	1,500,000	976	-	-	-
	Central Government Bonds 2005-8	〃	-	-	-	-	813,200	903,330	813,200	904,075	903,330	745	-	-	-
	Central Government Bonds 2004-6	〃	-	-	-	-	605,700	673,000	605,700	673,368	673,000	368	-	-	-
	Central Government Bonds 2003-3	〃	-	-	-	-	944,100	1,049,000	903,600	1,004,507	1,004,000	507	-	40,500	45,000
	Central Government Bonds 2002-3	〃	-	-	720,800	800,778	1,051,800	1,166,778	1,772,600	1,967,904	1,967,556	348	-	-	-
	Central Government Bonds 2002-7	〃	-	-	630,000	700,000	3,571,200	3,967,822	3,306,700	3,676,573	3,674,022	2,551	-	894,500	993,800
	Central Government Bonds 2001-2	〃	-	-	562,300	624,778	6,856,600	7,601,678	7,064,700	7,836,090	7,833,456	2,634	-	354,200	393,000
	Central Government Bonds 2001-3	〃	-	-	778,500	865,000	900,000	1,000,000	1,678,500	1,865,835	1,865,000	835	-	-	-
	Central Government Bonds 2001-4	〃	-	-	192,300	210,222	1,836,000	2,038,212	1,063,200	1,178,003	1,177,434	569	-	965,100	1,071,000
	Central Government Bonds 2001-6	〃	-	-	1,704,400	1,890,300	2,540,000	2,820,300	4,244,400	4,713,573	4,710,600	2,973	-	-	-

(Continued)

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
					Face Value	Carrying Amount	Face Value	Carrying Amount	Face Value	Amount	Carrying Amount	Gain (Loss) on Disposal		Face Value	Carrying Amount
The Corporation	Central Government Bonds 2001-7	Other financial assets - current	-	-	$ 1,193,800	$ 1,320,100	$ 1,521,400	$ 1,685,200	$ 2,715,200	$ 3,007,534	$ 3,005,300	$ 2,234	$ -	$ -	$ -
	Central Government Bonds 2001-8	〃	-	-	2,473,100	2,747,889	5,392,600	5,991,667	7,865,700	8,746,042	8,739,556	6,486	-	-	-
	Central Government Bonds 2001 B 1st	〃	-	-	1,030,100	1,143,000	2,709,600	3,004,000	2,552,500	2,834,742	2,833,000	1,742	-	1,187,200	1,314,000
	Central Government Bonds 2000-13	〃	-	-	610,800	678,600	7,592,600	8,083,820	4,818,600	5,122,364	5,120,620	1,744	-	3,384,800	3,641,800
	Central Government Bonds 2000 B 1st	〃	-	-	100,000	101,800	942,700	1,036,390	575,000	619,559	619,190	369	-	467,700	519,000
	Central Government Bonds 1999-2	〃	-	-	483,900	535,000	1,839,800	2,036,710	2,323,700	2,573,051	2,571,710	1,341	-	-	-
	Central Government Bonds 1999-3	〃	-	-	181,000	201,100	4,116,300	4,570,729	3,452,700	3,835,873	3,833,829	2,044	-	844,600	938,000
	Central Government Bonds 1999 B 1st	〃	-	-	1,243,300	1,381,111	2,282,400	2,533,290	2,884,800	3,204,294	3,202,601	1,693	-	640,900	711,800

(Concluded)