# Taiwan High Speed Rail Corporation

**Financial Statements for the
Three Months Ended March 31, 2017 and 2016 and
Independent Auditors' Review Report**

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## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan High Speed Rail Corporation

We have reviewed the accompanying balance sheets of Taiwan High Speed Rail Corporation as of March 31, 2017 and 2016, and the related statements of comprehensive income, changes in equity and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 9, 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 review such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' review 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' review report and financial statements shall prevail.*

## TAIWAN HIGH SPEED RAIL CORPORATION

**BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| ASSETS | March 31, 2017 (Reviewed) Amount | % | December 31, 2016 (Audited) Amount | % | March 31, 2016 (Reviewed) Amount | % |
|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 5,147,896 | 1 | $ 237,457 | - | $ 2,144,355 | - |
| Available-for-sale financial assets (Note 7) | 311,957 | - | 311,693 | - | 608,150 | - |
| Hedging derivative assets (Note 8) | - | - | 225 | - | - | - |
| Notes and accounts receivable | 241,737 | - | 550,033 | - | 229,569 | - |
| Inventories (Note 9) | 2,250,185 | - | 2,005,154 | 1 | 2,231,080 | 1 |
| Other financial assets (Notes 10 and 27) | 20,616,205 | 5 | 24,714,305 | 5 | 44,463,884 | 9 |
| Prepayments and other current assets (Note 13) | 799,459 | - | 909,415 | - | 540,572 | - |
| Total current assets | 29,367,439 | 6 | 28,728,282 | 6 | 50,217,610 | 10 |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment (Note 11) | 59,149 | - | 65,305 | - | 63,514 | - |
| Operating concession asset (Note 12) | 422,711,944 | 92 | 426,020,379 | 92 | 436,314,082 | 89 |
| Computer software, net (Note 12) | 31,273 | - | 34,994 | - | 36,724 | - |
| Deferred tax assets (Note 22) | 4,519,050 | 1 | 4,285,765 | 1 | 4,412,818 | 1 |
| Other financial assets (Notes 10 and 27) | 2,065,815 | 1 | 2,060,388 | 1 | 2,070,902 | - |
| Other non-current assets (Note 13) | 11,503 | - | 12,259 | - | 4,019 | - |
| Total non-current assets | 429,398,734 | 94 | 432,479,090 | 94 | 442,902,059 | 90 |
| TOTAL | $ 458,766,173 | 100 | $ 461,207,372 | 100 | $ 493,119,669 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Note 14) | $ 87,893 | - | $ 60,130 | - | $ 318,140 | - |
| Hedging derivative liabilities (Note 8) | - | - | - | - | 134 | - |
| Accounts payable | 432,552 | - | 247,519 | - | 482,740 | - |
| Operating concession liability (Note 15) | 3,180,612 | 1 | 3,180,612 | 1 | 1,883,383 | - |
| Other payables (Notes 14 and 17) | 2,309,648 | 1 | 2,755,992 | 1 | 2,034,385 | 1 |
| Payable for construction | 544,643 | - | 889,292 | - | 1,241,718 | - |
| Current tax liabilities (Note 22) | 1,038,453 | - | 474,723 | - | - | - |
| Provisions (Notes 16 and 26) | 299,419 | - | 301,701 | - | 604,202 | - |
| Current portion of long-term debt (Note 14) | - | - | 10,944,843 | 2 | 31,940,588 | 7 |
| Other current liabilities (Note 17) | 781,439 | - | 960,682 | - | 863,729 | - |
| Total current liabilities | 8,674,659 | 2 | 19,815,494 | 4 | 39,369,019 | 8 |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term debt (Note 14) | 306,068,996 | 67 | 316,279,751 | 69 | 327,218,698 | 66 |
| Long-term bills payable (Note 14) | 15,946,549 | 3 | - | - | - | - |
| Provisions (Note 16) | 1,078,305 | - | 280,289 | - | - | - |
| Long-term interest payable (Note 14) | 9,832,052 | 2 | 9,582,166 | 2 | 8,801,563 | 2 |
| Operating concession liability (Note 15) | 54,286,155 | 12 | 53,990,329 | 12 | 56,289,403 | 12 |
| Other non-current liabilities (Notes 17 and 22) | 194,996 | - | 195,662 | - | 124,091 | - |
| Total non-current liabilities | 387,407,053 | 84 | 380,328,197 | 83 | 392,433,755 | 80 |
| Total liabilities | 396,081,712 | 86 | 400,143,691 | 87 | 431,802,774 | 88 |
| EQUITY (Note 19) | | | | | | |
| Capital stock | | | | | | |
| Common stock | 56,282,930 | 12 | 56,282,930 | 12 | 56,052,930 | 11 |
| Capital surplus | 172,981 | - | 172,981 | - | - | - |
| Retained earnings | | | | | | |
| Legal reserve | 451,180 | - | 451,180 | - | 40,285 | - |
| Unappropriated earnings | 5,776,413 | 2 | 4,155,897 | 1 | 5,222,658 | 1 |
| Total retained earnings | 6,227,593 | 2 | 4,607,077 | 1 | 5,262,943 | 1 |
| Unrealized gain on available-for-sale financial assets | 957 | - | 693 | - | 1,022 | - |
| Total equity | 62,684,461 | 14 | 61,063,681 | 13 | 61,316,895 | 12 |
| TOTAL | $ 458,766,173 | 100 | $ 461,207,372 | 100 | $ 493,119,669 | 100 |

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

# TAIWAN HIGH SPEED RAIL CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 20 and 26) | $ 10,805,132 | 100 | $ 9,983,118 | 100 |
| OPERATING COSTS (Notes 21 and 26) | (5,867,614) | (54) | (6,185,277) | (62) |
| GROSS PROFIT | 4,937,518 | 46 | 3,797,841 | 38 |
| OPERATING EXPENSES (Note 21) | (227,171) | (2) | (224,780) | (2) |
| INCOME FROM OPERATIONS | 4,710,347 | 44 | 3,573,061 | 36 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Note 21) | 27,278 | - | 45,136 | - |
| Interest expense (Notes 14, 21 and 26) | (1,949,855) | (18) | (2,240,033) | (23) |
| Other gains and losses (Notes 21 and 26) | (835,341) | (8) | (41,241) | - |
| Total non-operating income and expenses | (2,757,918) | (26) | (2,236,138) | (23) |
| INCOME BEFORE INCOME TAX | 1,952,429 | 18 | 1,336,923 | 13 |
| INCOME TAX EXPENSE (Note 22) | (331,913) | (3) | (223,217) | (2) |
| NET INCOME | 1,620,516 | 15 | 1,113,706 | 11 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Unrealized gain on available-for-sale financial assets | 264 | - | 467 | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | $ 1,620,780 | 15 | $ 1,114,173 | 11 |
| EARNINGS PER SHARE (Note 23) | | | | |
| Basic earnings per share | $0.29 | | $0.20 | |

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

**TAIWAN HIGH SPEED RAIL CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | Capital Stock | | Retained Earnings | | | Unrealized Gain on Available-for-sale Financial Assets | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Capital Surplus | Legal Reserve | Unappropriated Earnings | Total | | Total Equity |
| BALANCE, JANUARY 1, 2017 | $ 56,282,930 | $ 172,981 | $ 451,180 | $ 4,155,897 | $ 4,607,077 | $ 693 | $ 61,063,681 |
| Net income for the three months ended March 31, 2017 | - | - | - | 1,620,516 | 1,620,516 | - | 1,620,516 |
| Other comprehensive income for the three months ended March 31, 2017 | - | - | - | - | - | 264 | 264 |
| Total comprehensive income for the three months ended March 31, 2017 | - | - | - | 1,620,516 | 1,620,516 | 264 | 1,620,780 |
| BALANCE, MARCH 31, 2017 | $ 56,282,930 | $ 172,981 | $ 451,180 | $ 5,776,413 | $ 6,227,593 | $ 957 | $ 62,684,461 |
| BALANCE, JANUARY 1, 2016 | $ 56,052,930 | $ - | $ 40,285 | $ 4,108,952 | $ 4,149,237 | $ 555 | $ 60,202,722 |
| Net income for the three months ended March 31, 2016 | - | - | - | 1,113,706 | 1,113,706 | - | 1,113,706 |
| Other comprehensive income for the three months ended March 31, 2016 | - | - | - | - | - | 467 | 467 |
| Total comprehensive income for the three months ended March 31, 2016 | - | - | - | 1,113,706 | 1,113,706 | 467 | 1,114,173 |
| BALANCE, MARCH 31, 2016 | $ 56,052,930 | $ - | $ 40,285 | $ 5,222,658 | $ 5,262,943 | $ 1,022 | $ 61,316,895 |

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

# TAIWAN HIGH SPEED RAIL CORPORATION

**STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 1,952,429 | $ 1,336,923 |
| Adjustments for: | | |
| Depreciation | 7,383 | 8,594 |
| Amortization | 3,385,524 | 3,878,435 |
| Gain on reversal of inventory write-down | (354) | (4,256) |
| Interest expense | 1,949,855 | 2,240,033 |
| Interest income | (27,278) | (45,136) |
| Loss on foreign currency exchange, net | 32,389 | 47,606 |
| Stabilization reserve expense | 798,016 | - |
| Others | 2,103 | (1,264) |
| Changes in operating assets and liabilities | | |
| Derivative financial assets for hedging | 225 | 134 |
| Notes and accounts receivable | 308,296 | (19,381) |
| Inventories | (242,067) | (72,064) |
| Prepayments and other current assets | 111,156 | 21,697 |
| Other non-current assets | - | (88) |
| Accounts payable | 186,165 | 41,632 |
| Other payable | (408,833) | (245,807) |
| Payment for provisions - controversial overtime | (4,889) | - |
| Payment for provisions - preferred stock compensation | - | (15,155,212) |
| Other current liabilities | (179,243) | 95,293 |
| Other non-current liabilities | - | (2,555) |
| Cash generated from (used in) operations | 7,870,877 | (7,875,416) |
| Interest received | 25,855 | 48,485 |
| Interest paid | (1,489,694) | (1,661,704) |
| Income tax paid | (2,576) | (4,836) |
| Net cash generated from (used in) operating activities | 6,404,462 | (9,493,471) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | - | (85,000) |
| Proceeds from disposal of available-for-sale financial assets | - | 80,000 |
| Decrease in other financial assets | 4,058,045 | 10,009,596 |
| Acquisition of property, plant and equipment | (905) | (1,255) |
| Acquisition of intangible assets | (419,246) | (752,675) |
| Net cash generated from investing activities | 3,637,894 | 9,250,666 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in short-term borrowings | 28,204 | 277,134 |
| Issuance of long-term bills payable | 16,000,000 | - |

(Continued)

# TAIWAN HIGH SPEED RAIL CORPORATION

**STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| Repayment of long-term debt | $ (21,160,563) | $ - |
| Increase (decrease) in other non-current liabilities | 442 | (642) |
| Net cash (used in) generated from financing activities | (5,131,917) | 276,492 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | - | (35,728) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 4,910,439 | (2,041) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 237,457 | 2,146,396 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 5,147,896 | $ 2,144,355 |

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

# TAIWAN HIGH SPEED RAIL CORPORATION

**NOTES TO FINANCIAL STATEMENTS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**
**(Reviewed, Not Audited)**

## 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 reported to the board of directors on May 9, 2017.

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

a. Initial application of the 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

   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.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, wherever applied, would not have any material impact on the Corporation's accounting policies.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

The Corporation has not applied the following IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect 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 and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. The financial statements do not present all the disclosures required for a complete set of annual financial statements prepared under the IFRSs.

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 and investments in bonds with resale agreements 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 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 reward credits to customers under the Corporation's reward 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 reward credits granted. The consideration allocated to the reward credits is measured by reference to the fair value of the reward, which is the amount the reward 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 reward credits are redeemed and the Corporation's obligations have been fulfilled.

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.

The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

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 approve 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.

## 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. Controversial overtime

As of March 31, 2017, 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.

b. Stabilization reserve

As of March 31, 2017, the Corporation recognized a provision for stabilization reserve in the amount of $1,078,305 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 of the Corporation during the remaining concession period which ends in the year 2068 or earlier if so terminated. Refer to Note 16 and Note 28, a., 3) for further information.

c. 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 March 31, 2017, December 31, 2016 and March 31, 2016, the carrying amounts of deferred tax assets in relation to deductible temporary differences, unused tax losses and investment tax credits were $4,519,050 thousand, $4,285,765 thousand and $4,412,818 thousand, respectively. As of March 31, 2017, December 31, 2016 and March 31, 2016, $995 thousand, $995 thousand and $729 thousand, respectively, were not recognized as deferred tax assets due to future income fluctuation.

According to 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 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 to be exempted from income tax under the Statute, and the application for the income tax exemption is in progress. The approval of the application for income tax exemption depends on the result of the review of the authorized regulator.

## 6. CASH AND CASH EQUIVALENTS

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Cash on hand | $ 70,486 | $ 179,701 | $ 65,894 |
| Checking accounts | 20 | 19 | 21 |
| Demand deposits | 130,670 | 49,729 | 715,605 |
| Time deposits | 8,020 | 8,008 | 1,362,835 |
| Repurchase agreement collateralized by government bonds | 4,938,700 | - | - |
| | $ 5,147,896 | $ 237,457 | $ 2,144,355 |

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Demand deposits | 0.001%-0.18% | 0.001%-0.14% | 0.001%-0.13% |
| Time deposits | 0.62% | 0.62% | 0.22%-1.205% |
| Repurchase agreement collateralized by government bonds | 0.38%-0.45% | - | - |

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Open-end money market funds | $ 311,957 | $ 311,693 | $ 608,150 |

## 8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Hedging derivative assets | | | |
| Fair value hedges - forward exchange contracts | $ - | $ 225 | $ - |
| Hedging derivative liabilities | | | |
| Fair value hedges - forward exchange contracts | $ - | $ - | $ 134 |

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 |
| March 31, 2016 | | | |
| Buy | US$/JPY | April 2016 | JPY 230,650 |
| Buy | NT$/US$ | April 2016 | US$ 2,202 |

## 9. INVENTORIES

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Spare parts and supplies | $ 2,238,816 | $ 1,995,508 | $ 2,224,137 |
| Merchandise | 11,369 | 9,646 | 6,943 |
| | $ 2,250,185 | $ 2,005,154 | $ 2,231,080 |

As of March 31, 2017, December 31, 2016 and March 31, 2016, allowance for loss on inventories amounted to $605,609 thousand, $605,963 thousand and $528,122 thousand, respectively.

## 10. OTHER FINANCIAL ASSETS

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Repurchase agreement collateralized by government bonds | $ 17,705,900 | $ 21,682,200 | $ 43,772,800 |
| Time deposits | 2,915,348 | 2,945,641 | 631,852 |
| Performance guarantee for the C&O Agreement | 2,000,000 | 2,000,000 | 2,000,000 |
| Demand deposits | 47,392 | 130,463 | 120,553 |
| Performance guarantee for customs duties and others | 13,380 | 16,389 | 9,581 |
| | $ 22,682,020 | $ 26,774,693 | $ 46,534,786 |
| Current | $ 20,616,205 | $ 24,714,305 | $ 44,463,884 |
| Non-current | 2,065,815 | 2,060,388 | 2,070,902 |
| | $ 22,682,020 | $ 26,774,693 | $ 46,534,786 |

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

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Repurchase agreement collateralized by government bonds | 0.38%-0.495% | 0.30%-0.51% | 0.28%-0.40% |
| Time deposits | 0.15%-1.65% | 0.15%-1.21% | 0.22%-1.365% |
| Demand deposits | 0.08% | 0.08% | 0.11% |

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

## 11. PROPERTY, PLANT AND EQUIPMENT

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Land | $ 28 | $ 28 | $ 28 |
| Machinery and equipment | 38,090 | 42,691 | 35,353 |
| Transportation equipment | - | - | - |
| Office equipment | 6,383 | 6,695 | 5,562 |
| Leasehold improvements | 847 | 1,114 | 1,855 |
| Other equipment | 13,801 | 14,777 | 20,716 |
| | $ 59,149 | $ 65,305 | $ 63,514 |

| | Land | Machinery and Equipment | Transportation Equipment | Office Equipment | Leasehold Improvements | Other Equipment | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2017 | $ 28 | $ 241,472 | $ 310 | $ 119,082 | $ 79,370 | $ 204,090 | $ 644,352 |
| Additions | - | 15 | - | 244 | - | 646 | 905 |
| Disposals | - | - | - | (254) | - | (270) | (524) |
| Transfer | - | - | - | - | - | 323 | 323 |
| Balance at March 31, 2017 | 28 | 241,487 | 310 | 119,072 | 79,370 | 204,789 | 645,056 |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2017 | - | 198,781 | 310 | 112,387 | 78,256 | 189,313 | 579,047 |
| Depreciation | - | 4,616 | - | 556 | 267 | 1,944 | 7,383 |
| Disposals | - | - | - | (254) | - | (270) | (524) |
| Transfer | - | - | - | - | - | 1 | 1 |
| Balance at March 31, 2017 | - | 203,397 | 310 | 112,689 | 78,523 | 190,988 | 585,907 |
| | $ 28 | $ 38,090 | $ - | $ 6,383 | $ 847 | $ 13,801 | $ 59,149 |
| Cost | | | | | | | |
| Balance at January 1, 2016 | $ 28 | $ 260,124 | $ 344 | $ 115,931 | $ 79,324 | $ 214,322 | $ 670,073 |
| Additions | - | 156 | - | 398 | - | 701 | 1,255 |
| Disposals | - | - | - | (92) | - | (6,676) | (6,768) |
| Balance at March 31, 2016 | 28 | 260,280 | 344 | 116,237 | 79,324 | 208,347 | 664,560 |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2016 | - | 220,381 | 344 | 110,013 | 77,211 | 191,196 | 599,145 |
| Depreciation | - | 4,546 | - | 732 | 258 | 3,111 | 8,647 |
| Disposals | - | - | - | (70) | - | (6,676) | (6,746) |
| Balance at March 31, 2016 | - | 224,927 | 344 | 110,675 | 77,469 | 187,631 | 601,046 |
| | $ 28 | $ 35,353 | $ - | $ 5,562 | $ 1,855 | $ 20,716 | $ 63,514 |

## 12. INTANGIBLE ASSETS

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Operating concession asset | $ 422,711,944 | $ 426,020,379 | $ 436,314,082 |
| Computer software, net | 31,273 | 34,994 | 36,724 |
| | $ 422,743,217 | $ 426,055,373 | $ 436,350,806 |

a. Movements of the intangible assets

| | Operating Concession Assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | Operating Assets | Profit Sharing Payments | Period Extension Cost | Construction in Progress | Total | Computer Software, Net | Total |
| Cost | | | | | | | |
| Balance at January 1, 2017 | $ 471,971,397 | $ 69,972,043 | $ 12,701,819 | $ 163,220 | $ 554,808,479 | $ 377,605 | $ 555,186,084 |
| Additions | 25,957 | - | - | 48,563 | 74,520 | 1,042 | 75,562 |
| Disposals | (45) | - | - | - | (45) | - | (45) |
| Transfer | 52,211 | - | - | (55,162) | (2,951) | - | (2,951) |
| Balance at March 31, 2017 | 472,049,520 | 69,972,043 | 12,701,819 | 156,621 | 554,880,003 | 378,647 | 555,258,650 |
| Accumulated amortization | | | | | | | |
| Balance at January 1, 2017 | 115,041,859 | 13,445,248 | 300,993 | - | 128,788,100 | 342,611 | 129,130,711 |
| Amortization | 3,045,405 | 274,402 | 60,198 | - | 3,380,005 | 4,763 | 3,384,768 |
| Disposals | (45) | - | - | - | (45) | - | (45) |
| Transfer | (1) | - | - | - | (1) | - | (1) |
| Balance at March 31, 2017 | 118,087,218 | 13,719,650 | 361,191 | - | 132,168,059 | 347,374 | 132,515,433 |
| | $ 353,962,302 | $ 56,252,393 | $ 12,340,628 | $ 156,621 | $ 422,711,944 | $ 31,273 | $ 422,743,217 |
| 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 | 14,879 | - | - | 545,971 | 560,850 | 164 | 561,014 |
| Disposals | (8,912) | - | - | - | (8,912) | - | (8,912) |
| Transfer | 62,690 | - | - | (62,690) | - | - | - |
| Balance at March 31, 2016 | 464,511,530 | 69,972,043 | 12,701,819 | 6,442,239 | 553,627,631 | 364,787 | 553,992,418 |

(Continued)

| | Operating Concession Assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | Operating Assets | Profit Sharing Payments | Period Extension Cost | Construction in Progress | Total | Computer Software, Net | Total |
| Accumulated amortization | | | | | | | |
| Balance at January 1, 2016 | $ 101,041,001 | $ 12,347,640 | $ 60,200 | $ - | $ 113,448,841 | $ 323,385 | $ 113,772,226 |
| Amortization | 3,538,899 | 274,401 | 60,198 | - | 3,873,498 | 4,678 | 3,878,176 |
| Disposals | (8,790) | - | - | - | (8,790) | - | (8,790) |
| Balance at March 31, 2016 | 104,571,110 | 12,622,041 | 120,398 | - | 117,313,549 | 328,063 | 117,641,612 |
| | $ 359,940,420 | $ 57,350,002 | $ 12,581,421 | $ 6,442,239 | $ 436,314,082 | $ 36,724 | $ 436,350,806 |

(Concluded)

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

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Operating assets, net | | | |
| Land improvements | $ 174,489,871 | $ 175,355,929 | $ 177,947,895 |
| Buildings | 29,203,864 | 29,323,517 | 29,401,184 |
| Machinery and equipment | 33,419,134 | 34,120,242 | 35,067,258 |
| Transportation equipment | 116,833,235 | 118,113,532 | 117,510,893 |
| Other equipment | 16,198 | 16,318 | 13,190 |
| | $ 353,962,302 | $ 356,929,538 | $ 359,940,420 |
| Construction in progress | | | |
| Construction related to core system | $ - | $ - | $ 4,730,262 |
| Construction related to Nangang station | - | - | 705,921 |
| Other construction | - | - | 61,588 |
| Construction related to auto-payment system | - | - | 46,851 |
| Capitalized expenditure | - | - | 534,284 |
| Capitalized interest | - | - | 242,989 |
| Prepayments for equipment | 156,621 | 163,220 | 120,344 |
| | $ 156,621 | $ 163,220 | $ 6,442,239 |

## 13. OTHER ASSETS

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Prepayments and other current assets | | | |
| Prepayments | $ 735,720 | $ 853,011 | $ 411,861 |
| Other receivable | 40,383 | 39,180 | 105,186 |
| Others | 23,356 | 17,224 | 23,525 |
| | $ 799,459 | $ 909,415 | $ 540,572 |
| Other non-current assets | | | |
| Others | $ 11,503 | $ 12,259 | $ 4,019 |

## 14. BORROWINGS AND LONG-TERM BILLS PAYABLE

a. Short-term borrowings

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| JPY letters of credit | $ 87,893 | $ 53,250 | $ 312,688 |
| USD letters of credit | - | 6,880 | 5,452 |
| | $ 87,893 | $ 60,130 | $ 318,140 |

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

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| JPY letters of credit | 0.6%-0.78% | 0.7%-0.79% | 0.63%-0.88% |
| USD letters of credit | - | 2.6% | 1.54% |

b. Long-term debt

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Syndicated loan | | | |
| Tranche A1 Facility | $ 130,000,000 | $ 130,000,000 | $ 130,000,000 |
| Tranche A2 Facility | 176,205,117 | 176,205,117 | 176,205,117 |
| Tranche C Facility | - | 21,160,563 | 49,259,381 |
| Tranche D Facility | - | - | 3,847,711 |
| | 306,205,117 | 327,365,680 | 359,312,209 |
| Less: Unamortized cost of long-term debt | (136,121) | (141,086) | (152,923) |
| | 306,068,996 | 327,224,594 | 359,159,286 |
| Less: Current portion (including unamortized cost of long-term debt) | | | |
| Tranche C Facility | - | (10,946,529) | (28,098,818) |
| Tranche D Facility | - | - | (3,847,711) |
| Unamortized cost of long-term debt | - | 1,686 | 5,941 |
| | - | (10,944,843) | (31,940,588) |
| | $ 306,068,996 | $ 316,279,751 | $ 327,218,698 |

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 Corporation has entered into a Third Amendment of Syndicated Loan Agreement with Bank of Taiwan on February 15, 2017, and a Second Amendment of Tripartite Agreement with the MOTC and Bank of Taiwan on April 7, 2017. 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. The aforementioned collateral is inspected in May and November every year. The collateral value re-assessment mechanism is inactive when Tranche C and D Facilities are fully redeemed, and Tranche B Facility is not utilized.

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 | Installments 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 | Installments 59 | 4.0% per installment |
| Tranche C Facility | May 4, 2016-May 4, 2020 (repaid on March 2, 2017 before its maturity) | 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 of the loan in the amount of $19 billion on April 13, 2016, which comprise payments for 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 repayments of Tranche C Facility in the amounts of $2 billion on July 4, 2016 and $21,160,563 thousand on March 2, 2017.

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% on the amount of loan is to be paid by the Corporation. As of March 31, 2017, December 31, 2016 and March 31, 2016, the nominal interest rates were 1.06%, 1.06% and 1.13%, 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 on Tranche A1 and A2 Facilities is calculated based on the Syndicated Loan Agreement. The Corporation computes interest expense by the effective interest method. Interest payment that is due longer than one year is recognized as long-term interest payable according to the agreement. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

a) Effective interest rates

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Tranche A1 Facility | 2.07% | 2.07% | 2.14% |
| Tranche A2 Facility | 2.08% | 2.08% | 2.15% |
| Tranche C Facility | - | 1.96% | 2.03% |
| Tranche D Facility | - | - | 2.03% |

b) Accrued interest expense (included in other payables)

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Syndicated loan | | | |
| Tranche A1 Facility | $ 192,932 | $ 192,932 | $ 197,055 |
| Tranche A2 Facility | 261,505 | 261,505 | 267,094 |
| Tranche C Facility | - | 35,187 | 87,880 |
| Tranche D Facility | - | - | 6,864 |
| | $ 454,437 | $ 489,624 | $ 558,893 |

c) Long-term interest payable

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Syndicated loan | | | |
| Tranche A1 Facility | $ 4,372,613 | $ 4,268,856 | $ 3,944,450 |
| Tranche A2 Facility | 5,459,439 | 5,313,310 | 4,857,113 |
| | $ 9,832,052 | $ 9,582,166 | $ 8,801,563 |

d) Interest expense

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Syndicated loan | | |
| Interest expense | $ 1,637,323 | $ 1,941,326 |
| Capitalized interest | $ - | $ 31,213 |

c. Long-term bills payable

| | March 31, 2017 |
|---|---|
| Long-term bills payable | $ 16,000,000 |
| Less: Unamortized discount on long-term bills payable | (22,783) |
| | 15,977,217 |
| Less: Unamortized cost of long-term bills payable | (30,668) |
| | $ 15,946,549 |

On January 24, 2017, the Corporation (as the issuer), International Bills Finance Corporation (as the lead arranger), and the other 9 financial institutions (as the underwriters) entered into a joint underwriting agreement on the $20 billion 2-year revolving underwriting facility for the issuance of unsecured commercial paper, with terms ranging from 90 days to 1 year. The facility has a validity period of 3 months from the date of agreement, and any remaining unutilized facility will become invalid. The Corporation issued unsecured commercial papers totaling $16 billion under the facility on March 1, 2017, and decided not to utilize the remaining facility as of the date the financial report is authorized for issue. The effective interest rate of the long-term bills payable was 0.93% on March 31, 2017.

## 15. OPERATING CONCESSION LIABILITY

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Operating concession liabilities | $ 80,724,759 | $ 80,314,799 | $ 80,975,673 |
| Value of returned superficies for offset of profit sharing payable | (23,257,992) | (23,143,858) | (22,802,887) |
| | $ 57,466,767 | $ 57,170,941 | $ 58,172,786 |
| Current | $ 3,180,612 | $ 3,180,612 | $ 1,883,383 |
| Non-current | 54,286,155 | 53,990,329 | 56,289,403 |
| | $ 57,466,767 | $ 57,170,941 | $ 58,172,786 |

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, are recognized during the concession period. As of March 31, 2017, 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 |
| Three months ended March 31, 2017 | 274,401 | 409,960 | 684,361 |
| | 13,719,649 | 15,568,583 | 29,288,232 |
| Nine months ending December 31, 2017 (estimate) | 823,207 | 1,252,653 | 2,075,860 |
| 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 (estimate) | 1,097,608 | 1,629,873 | 2,727,481 |
| 2022-2033 (estimate) | 13,171,296 | 14,876,484 | 28,047,780 |
| 2034-2068 (estimate) | 37,867,459 | - | 37,867,459 |
| | 56,252,394 | 22,459,374 | 78,711,768 |
| | $ 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 that 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 offset amount is $29,784,855 thousand. Please refer to Note 28, a., 2) and Note 31 for further details. The information on actual and estimated profit or loss recognized on 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 |
|---|---|---|---|
| As of December 31, 2016 | $ 22,613,234 | $ 530,624 | $ 23,143,858 |
| Three months ended March 31, 2017 | - | 114,134 | 114,134 |
| | 22,613,234 | 644,758 | 23,257,992 |
| Nine months ending December 31, 2017 (estimate) | - | 348,743 | 348,743 |
| 2018 (estimate) | - | 432,064 | 432,064 |
| 2019 (estimate) | - | 440,706 | 440,706 |
| 2020 (estimate) | - | 449,520 | 449,520 |
| 2021 (estimate) | - | 458,510 | 458,510 |
| 2022-2033 (estimate) | - | 4,397,320 | 4,397,320 |
| | - | 6,526,863 | 6,526,863 |
| | $ 22,613,234 | $ 7,171,621 | $ 29,784,855 |

## 16. PROVISIONS

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Current | | | |
| Controversial overtime | $ 293,566 | $ 293,566 | $ 596,542 |
| Preferred stock compensation | 5,853 | 5,853 | 5,853 |
| Other provisions | - | 2,282 | 1,807 |
| | $ 299,419 | $ 301,701 | $ 604,202 |
| Non-current | | | |
| Stabilization reserve | $ 1,078,305 | $ 280,289 | $ - |

Movements in provisions were as follows:

| | Balance at January 1, 2017 | Addition | Usage | Balance at March 31, 2017 |
|---|---|---|---|---|
| Current | | | | |
| Controversial overtime | $ 293,566 | $ - | $ - | $ 293,566 |
| Preferred stock compensation | 5,853 | - | - | 5,853 |
| Other provisions | 2,282 | 198 | (2,480) | - |
| | $ 301,701 | $ 198 | $ (2,480) | $ 299,419 |
| Non-current | | | | |
| Stabilization reserve | $ 280,289 | $ 798,016 | $ - | $ 1,078,305 |

| | Balance at January 1, 2016 | Addition | Usage | Balance at March 31, 2016 |
|---|---|---|---|---|
| Current | | | | |
| Controversial overtime | $ 596,542 | $ - | $ - | $ 596,542 |
| Preferred stock compensation | 2,148,652 | - | (2,142,799) | 5,853 |
| Other provisions | 1,562 | 245 | - | 1,807 |
| | $ 2,746,756 | $ 245 | $ (2,142,799) | $ 604,202 |

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. 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 March 31, 2017, the Corporation had entered into agreements with preferred stock shareholders and paid preferred stock compensation in the amount of $15,155,212 thousand. The Corporation has a remaining provision of $5,853 thousand for one preferred stock shareholder who is not in agreement with the Corporation's proposal; the information on the shareholder is 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 abovementioned 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 abovementioned incentive bonus shall be considered as part of the overtime pay to the employees; if the Corporation wins the lawsuit, the abovementioned incentive bonus shall remain in its nature as incentive bonus and does not need to be returned to the Corporation.

The Corporation evaluated that it is probable that the Corporation will lose the lawsuit. As of March 31, 2017, the provision for controversial overtime in the amount of $293,566 thousand had been recognized.

c. Stabilization reserve

Please refer to Note 28, a., 3) for recognition of provision for stabilization reserve.

## 17. OTHER LIABILITIES

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Other payables | | | |
| Accrued expenses | $ 1,677,319 | $ 2,001,271 | $ 1,318,118 |
| Accrued interest expense | 454,663 | 489,642 | 559,011 |
| Business tax payable | 156,604 | 236,871 | 141,397 |
| Others | 21,062 | 28,208 | 15,859 |
| | $ 2,309,648 | $ 2,755,992 | $ 2,034,385 |
| Other current liabilities | | | |
| Unearned receipts | $ 621,823 | $ 803,576 | $ 674,240 |
| Deferred revenue | 39,080 | 35,760 | 33,378 |
| Receipts under custody | 11,419 | 21,621 | 19,150 |
| Others | 109,117 | 99,725 | 136,961 |
| | $ 781,439 | $ 960,682 | $ 863,729 |

(Continued)

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Other non-current liabilities | | | |
| Net defined benefit liability | $ 102,689 | $ 104,740 | $ 49,414 |
| Guaranteed deposits received | 83,136 | 80,643 | 74,677 |
| Deferred revenue | 9,171 | 9,171 | - |
| Deferred tax liabilities | - | 1,108 | - |
| | $ 194,996 | $ 195,662 | $ 124,091 |

(Concluded)

## 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.

Employee benefit expenses under defined benefit plans were calculated using the actuarially determined pension cost discount rate.

c. Please refer to Note 21, a. for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income.

## 19. EQUITY

a. Capital stock

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Number of shares authorized (in thousands) | 12,000,000 | 12,000,000 | 12,000,000 |
| Shares authorized | $ 120,000,000 | $ 120,000,000 | $ 120,000,000 |
| Number of shares issued and fully paid (in thousands) | 5,628,293 | 5,628,293 | 5,605,293 |
| Shares issued | $ 56,282,930 | $ 56,282,930 | $ 56,052,930 |

A holder of issued common stock with par value of $10 is entitled to vote and to receive dividends.

On October 25, 2016, in its initial offering of shares to the public, the Corporation issued 23,000 thousand shares of common stock at a premium with total proceeds of $390,801 thousand which comprise $230,000 thousand (23,000 thousand shares at $10 par value) and $160,801 thousand premium. In accordance with Article 267 of the Company Act, the Corporation reserved 3,000 thousand shares of common stock for issue to employees who subscribe. The fair value of the employee share options at the grant date in the amount of $12,180 thousand was recognized as payroll expense, with a corresponding adjustment to capital surplus - employee share options. For the reserved shares subscribed by employees, 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.

On November 26, 2015, the Corporation conducted capital injection and issued 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 in 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 abovementioned restrictions, there are no other differences between privately placed common stock and other common stock issued.

b. Capital surplus

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Issuance of common shares | $ 171,885 | $ 171,885 | $ - |
| Forfeited employee share options | 1,096 | 1,096 | - |
| | $ 172,981 | $ 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.

For the information on the actual distributions of employees' compensation and remuneration to directors, please refer to Note 21, a.

The appropriations of earnings for 2016 proposed by the board of directors on March 31, 2017 and for 2015 approved in the shareholders' meeting on June 24, 2016 were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | For Fiscal Year 2016 | For Fiscal Year 2015 | For Fiscal Year 2016 | For Fiscal Year 2015 |
| Legal reserve | $ 414,910 | $ 410,895 | | |
| Cash dividends | 3,376,976 | 3,643,441 | $0.60 | $0.65 |
| | $ 3,791,886 | $ 4,054,336 | | |

The appropriations of earnings for 2016 are subject to the resolution in the stockholders' meeting to be held in May of 2017. Information on the employees' compensation and remuneration to directors, and the appropriations of earnings is available at 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 Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Balance, beginning of period | $ 693 | $ 555 |
| Unrealized gain arising on revaluation of available-for-sale financial assets | 264 | 595 |
| Cumulative gain (loss) transferred to profit or loss on sale of available-for-sale financial assets | - | (128) |
| Balance, end of period | $ 957 | $ 1,022 |

## 20. REVENUES

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Railroad transportation revenue | $ 10,498,372 | $ 9,686,949 |
| Other operating revenue | 306,760 | 296,169 |
| | $ 10,805,132 | $ 9,983,118 |

## 21. INCOME BEFORE INCOME TAX

a. Employee benefit expense

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Post-employment benefits | | |
| Defined contribution plan | $ 41,404 | $ 33,990 |
| Defined benefit plan | 4,021 | 3,510 |
| | 45,425 | 37,500 |
| Short-term benefits | | |
| Payroll | 968,957 | 845,216 |
| Insurance | 82,920 | 67,745 |
| Professional service | 6,153 | 7,066 |
| Others | 50,153 | 40,932 |
| | 1,108,183 | 960,959 |
| | $ 1,153,608 | $ 998,459 |
| An analysis of employee benefit expense by function | | |
| Operating costs | $ 991,773 | $ 851,141 |
| Operating expenses | 161,835 | 147,318 |
| | $ 1,153,608 | $ 998,459 |

As of March 31, 2017 and 2016, the number of employees of the Corporation was 4,326 and 3,936, respectively; the number of professional service employees was 14 and 10, 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 three months ended March 31, 2017 and 2016, the estimated employees' compensation in cash was $19,923 thousand and $13,642 thousand, and the estimated remuneration to directors in cash was $19,923 thousand and $13,642 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.

The employees' compensation of $81,593 thousand and the remuneration to directors of $50,996 thousand for the year ended December 31, 2016 have been resolved by the board of directors on March 21, 2017. The employees' compensation of $50,996 thousand and the remuneration to directors of $50,996 thousand were accrued in 2016. The differences between the approved amounts and the accrued amounts of $30,597 thousand and $0 were recognized as expense in 2017.

The employees' compensation of $21,124 thousand and the remuneration to directors of $21,124 thousand for the year ended December 31, 2015 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 Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| An analysis of depreciation and amortization by asset | | |
| Property, plant and equipment | $ 7,383 | $ 8,594 |
| Intangible assets | 3,384,768 | 3,878,134 |
| Other non-current assets | 756 | 301 |
| | $ 3,392,907 | $ 3,887,029 |
| An analysis of depreciation by function | | |
| Operating costs | $ 6,430 | $ 7,065 |
| Operating expenses | 953 | 1,529 |
| | $ 7,383 | $ 8,594 |
| An analysis of amortization by function | | |
| Operating costs | $ 3,385,028 | $ 3,877,824 |
| Operating expenses | 496 | 611 |
| | $ 3,385,524 | $ 3,878,435 |

c. Interest income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| Interest income on repurchase agreement collateralized by government bonds | $ 22,876 | $ 40,004 |
| Interest income on bank deposits | 4,402 | 5,132 |
| | $ 27,278 | $ 45,136 |

d. Interest expense

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Interest on bank loans | $ 1,639,618 | $ 1,944,653 |
| Interest on operating concession liability | 295,826 | 294,673 |
| Interest on long-term bills payable | 13,537 | - |
| Others | 874 | 707 |
| | $ 1,949,855 | $ 2,240,033 |

The information of capitalized interest was as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Capitalized interest | $ - | $ 32,738 |
| Capitalization rates | - | 2.10%-2.25% |

e. Other gains and losses

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Stabilization reserve expense | $ (798,016) | $ - |
| Foreign exchange loss, net | (34,295) | (47,183) |
| Loss on disposal of intangible assets, net | - | (122) |
| Gain on disposal of available-for-sale financial assets | - | 128 |
| Others | (3,030) | 5,936 |
| | $ (835,341) | $ (41,241) |

## 22. INCOME TAXES

a. Income tax recognized in profit or loss

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Current tax | $ (566,306) | $ - |
| Deferred tax | 234,393 | (223,217) |
| Income tax expense | $ (331,913) | $ (223,217) |

b. Deferred tax assets and liabilities

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Deferred tax assets | | | |
| Profit sharing payments | $ 4,260,808 | $ 4,145,509 | $ 4,124,819 |
| Provisions | 233,803 | 97,943 | 94,688 |
| Loss carryforwards | - | - | 150,774 |
| Others | 24,439 | 42,313 | 42,537 |
| | $ 4,519,050 | $ 4,285,765 | $ 4,412,818 |
| Deferred tax liabilities | | | |
| Others | $ - | $ 1,108 | $ - |

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

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Deductible temporary differences | $ 995 | $ 995 | $ 729 |

d. Integrated income tax

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Imputation credits account | $ 13,657 | $ 13,657 | $ 74,097 |

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

e. Income tax assessments

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

## 23. EARNINGS PER SHARE

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Basic earnings per share (NT$) | $ 0.29 | $ 0.20 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| Earnings attributable to common shareholders | $ 1,620,516 | $ 1,113,706 |
| Weighted average number of common shares in the computation of basic earnings per share (in thousands) | 5,628,293 | 5,605,293 |

## 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

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|
| Financial assets | | | |
| Available-for-sale financial assets | $ 311,957 | $ 311,693 | $ 608,150 |
| Hedging derivative assets | - | 225 | - |
| Loans and receivables | | | |
| Other financial assets | 22,682,020 | 26,774,693 | 46,534,786 |
| Others (Note 1) | 5,405,468 | 802,123 | 2,425,803 |
| Financial liabilities | | | |
| Hedging derivative liabilities | - | - | 134 |
| Financial liabilities carried at amortized cost (Note 2) | 391,705,304 | 396,719,474 | 429,505,506 |

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), long-term bills payable 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 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.

March 31, 2017

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Available-for-sale financial assets | | | | |
| Open-end money market funds | $ 311,957 | $ - | $ - | $ 311,957 |

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 |

March 31, 2016

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Available-for-sale financial assets | | | | |
| Open-end money market funds | $ 608,150 | $ - | $ - | $ 608,150 |
| Hedging derivative liabilities | | | | |
| Forward exchange contracts | $ - | $ 134 | $ - | $ 134 |

There were no transfers between Levels 1 and Level 2 for the three months ended March 31, 2017 and 2016.

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 control 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):

| | March 31, 2017 | | |
|---|---|---|---|
| | **Foreign Currencies** | **Exchange Rate** | **New Taiwan Dollars** |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 21,006 | 30.336 | $ 637,239 |
| JPY | 3 | 0.2711 | 1 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 42 | 30.336 | 1,265 |
| JPY | 1,421,672 | 0.2711 | 385,415 |

| | 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 |

| | March 31, 2016 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 20,788 | 32.282 | $ 671,065 |
| JPY | 3 | 0.2870 | 1 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 2,606 | 32.282 | 84,131 |
| JPY | 3,868,353 | 0.2870 | 1,110,217 |

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 $6,360 thousand and $5,924 thousand for the three months ended March 31, 2017 and 2016, respectively. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by $3,854 thousand and $10,440 thousand for the three months ended March 31, 2017 and 2016, respectively.

The significant unrealized exchange gain and loss were as follows:

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| Foreign Currency | Exchange Rate | Exchange Gain (Loss), Net | Exchange Rate | Exchange Loss, Net |
| USD | 30.336 | $ (34,995) | 32.282 | $ (31,533) |
| JPY | 0.2711 | 2,636 | 0.2870 | (16,883) |

b) Interest rate risk

As of March 31, 2017 and 2016, the Corporation's syndicated loan with floating interest rates amounted to $306,205,117 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 $765,513 thousand and $898,281 thousand for the three months ended March 31, 2017 and 2016, respectively.

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 $3,120 thousand and $6,082 thousand for the three months ended March 31, 2017 and 2016, respectively.

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.

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, long-term bills payable, 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).

March 31, 2017

| Repayment Period | Long-term Debt (Including Current Portion) | Interest on Long-term Bills Payable | Interest on Long-term Debt | Operating Concession Liability | Total |
|---|---|---|---|---|---|
| April 1, 2017 to June 30, 2017 | $ - | $ - | $ 1,361,135 | $ 3,180,612 | $ 4,541,747 |
| July 1, 2017 to March 31, 2018 | - | - | 5,176,177 | - | 5,176,177 |
| April 1, 2018 to March 31, 2019 | - | 16,000,000 | 9,869,867 | 56,972 | 25,926,839 |
| April 1, 2019 to March 31, 2020 | - | - | 10,026,104 | - | 10,026,104 |

(Continued)

| Repayment Period | Long-term Debt (Including Current Portion) | Interest on Long-term Bills Payable | Interest on Long-term Debt | Operating Concession Liability | Total |
|---|---|---|---|---|---|
| April 1, 2020 to March 31, 2021 | $ - | $ - | $ 10,102,553 | $ 147,511 | $ 10,250,064 |
| April 1, 2021 to March 31, 2022 | 9,186,154 | - | 10,364,889 | 161,106 | 19,712,149 |
| April 1, 2022 to March 31, 2034 | 110,233,842 | - | 106,501,007 | 69,853,078 | 286,587,927 |
| April 1, 2034 to 2050 | 186,785,121 | - | 67,012,563 | - | 253,797,684 |
| | $ 306,205,117 | $ 16,000,000 | $ 220,414,295 | $ 73,399,279 | $ 616,018,691 |

(Concluded)

December 31, 2016

| Repayment Period | Long-term Debt (Including Current Portion) | Interest on Long-term Debt | Operating Concession Liability | Total |
|---|---|---|---|---|
| January 1, 2017 to March 31, 2017 | $ - | $ 1,529,000 | $ - | $ 1,529,000 |
| April 1, 2017 to December 31, 2017 | 10,946,529 | 4,587,000 | 3,180,612 | 18,714,141 |
| 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 to 2033 | 110,233,842 | 107,387,171 | 69,853,078 | 287,474,091 |
| 2034 to 2050 | 186,785,121 | 68,698,542 | - | 255,483,663 |
| | $ 327,365,680 | $ 222,617,425 | $ 73,399,279 | $ 623,382,384 |

March 31, 2016

| Repayment Period | Long-term Debt (Including Current Portion) | Interest on Long-term Debt | Operating Concession Liability | Total |
|---|---|---|---|---|
| April 1, 2016 to June 30, 2016 | $ 26,473,264 | $ 2,014,646 | $ 1,883,383 | $ 30,371,293 |
| July 1, 2016 to March 31, 2017 | 5,473,265 | 6,260,328 | - | 11,733,593 |
| April 1, 2017 to March 31, 2018 | 10,946,529 | 9,189,648 | 2,861,994 | 22,998,171 |
| April 1, 2018 to March 31, 2019 | 10,214,034 | 9,997,771 | 56,972 | 20,268,777 |
| April 1, 2019 to March 31, 2020 | - | 10,026,104 | - | 10,026,104 |
| April 1, 2020 to March 31, 2021 | - | 10,102,553 | 147,511 | 10,250,064 |
| April 1, 2021, to March 31, 2034 | 119,419,996 | 116,865,896 | 70,332,802 | 306,618,694 |
| April 1, 2034 to 2050 | 186,785,121 | 67,012,561 | - | 253,797,682 |
| | $ 359,312,209 | $ 231,469,507 | $ 75,282,662 | $ 666,064,378 |

## 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 is a related party with the government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan. 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. 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 general public passengers.

c. 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, are 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.

d. Non-operating income and expenses - 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.

e. 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 on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

f. Compensation of key management personnel:

Compensation of key management personnel was as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| Short-term employee benefits | $ 39,147 | $ 36,416 |
| Post-employment benefits | 210 | 218 |
| | $ 39,357 | $ 36,634 |

## 27. RESTRICTED ASSETS

| **Pledged Assets** | **Pledged to Secure** | **March 31, 2017** | **December 31, 2016** | **March 31, 2016** |
|---|---|---|---|---|
| Other financial assets - current: | | | | |
| Repurchase agreement collateralized by government bonds | Syndicated loan | $ 1,524,600 | $ 21,682,200 | $ 43,772,800 |
| Time deposits | Trust deposit of unearned revenue | 28,500 | 28,500 | 61,000 |
| Time deposits | Guarantee for office lease | 17,232 | 17,232 | - |
| Time deposits | Syndicated loan | - | 4,749 | 1,810 |
| Time deposits | Guarantee for credit limit | - | - | 504,372 |
| Time deposits | Guarantee for station land lease | - | - | 2,909 |
| Time deposits | Guarantee for commodity sale | - | - | 440 |
| Demand deposits | Trust deposit of unearned revenue | 44,212 | 47,705 | 16,242 |
| Demand deposits | Syndicated loan | 3,180 | 82,758 | 104,311 |
| | | 1,617,724 | 21,863,144 | 44,463,884 |

(Continued)

| Pledged Assets | Pledged to Secure | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|---|---|---|---|
| Other financial assets - non-current: | | | | |
| Time deposits | Guarantee for customs duties | $ 42,315 | $ 42,239 | $ 42,769 |
| Time deposits | Guarantee for parking lease | 7,000 | - | - |
| Time deposits | Guarantee for oil purchase | 3,120 | 1,320 | 1,320 |
| Time deposits | Guarantee for office lease | - | - | 17,232 |
| | | 52,435 | 43,559 | 61,321 |
| | | $ 1,670,159 | $ 21,906,703 | $ 44,525,205 |

(Concluded)

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Construction and operation agreement

The significant provisions of the C&O Agreement are 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 that 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 of 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 before 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 March 31, 2017, December 31, 2016 and March 31, 2016, the amount of the aforementioned performance bond remained unchanged at $2 billion (recognized as other financial assets).

b. According to the C&O 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 $216,900 thousand and $137,653 thousand for the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017, December 31, 2016 and March 31, 2016, prepaid rentals amounted to $591,411 thousand, $788,548 thousand and $297,674 thousand, respectively, and were recognized as prepayments and other current assets. As of March 31, 2017, December 31, 2016 and March 31, 2016, rentals payable amounted to $19,763 thousand, $39,530 thousand and $37,539 thousand, respectively, and were recognized as other payables.

c. As of March 31, 2017, unused letters of credit amounted to JPY1,185,553 thousand.

d. In May 2012, the Corporation entered into a purchase agreement for type 700T rolling stock. As of March 31, 2017, the Corporation has acquired four sets of type 700T rolling stock. Furthermore, the Corporation will negotiate with the supplier for choosing additional purchases of 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) before the end of March of 2018.

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 time, 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 March 31, 2017, the lawsuit is still under the review of the court.

f. The equipment procurement case of the Operation Control Center was approved by the board of directors on March 21, 2017, and the total amount of the contract (business tax included) is JPY6,788,440 thousand.

## 29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. The Corporation has entered into a Second Amendment of Tripartite Agreement with the MOTC and Bank of Taiwan on April 7, 2017 to adjust the collateral inspection mechanism. Please refer to Note 15, b. for further information.

b. On May 9, 2017, the board of directors approved to make early repayment of syndicated loan up to $20 billion and to authorize the Chairman of the board to conduct subsequent arrangements.

## 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

**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 March 31, 2017, 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 but retained the superficies on the land of stations.

## 32. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 25 regarding the information on derivative financial instrument transactions and Tables 1 and 2 as attached, there were no other significant transactions, information on 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.

# TAIWAN HIGH SPEED RAIL CORPORATION

**MARKETABLE SECURITIES HELD**
**MARCH 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| Holding Company | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2017 | | | | 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 | $ 66,068 | - | $ 66,068 | |
| | FSITC Taiwan Money Market Fund | - | 〃 | 6,631 | 100,530 | - | 100,530 | |
| | Mega Diamond Money Market Fund | - | 〃 | 2,826 | 35,119 | - | 35,119 | |
| | Franklin Templeton Sinoam Money Market Fund | - | 〃 | 4,899 | 50,175 | - | 50,175 | |
| | Prudential Financial Money Market Fund | - | 〃 | 3,832 | 60,065 | - | 60,065 | |
| | Central Government Bonds 2016-8 | - | Cash and cash equivalents | $ 85,000 | 92,000 | - | 92,000 | |
| | Central Government Bonds 2015-13 | - | 〃 | 837,000 | 907,500 | - | 907,500 | |
| | Central Government Bonds 2014-2 | - | 〃 | 100,000 | 108,000 | - | 108,000 | |
| | Central Government Bonds 2014-9 | - | 〃 | 83,800 | 93,100 | - | 93,100 | |
| | Central Government Bonds 2014-15 | - | 〃 | 388,000 | 420,500 | - | 420,500 | |
| | Central Government Bonds 2013-11 | - | 〃 | 23,400 | 26,000 | - | 26,000 | |
| | Central Government Bonds 2012-9 | - | 〃 | 667,700 | 741,800 | - | 741,800 | |
| | Central Government Bonds 2010-5 | - | 〃 | 108,500 | 120,000 | - | 120,000 | |
| | Central Government Bonds 2009-3 | - | 〃 | 42,000 | 46,000 | - | 46,000 | |
| | Central Government Bonds 2008-6 | - | 〃 | 1,157,400 | 1,286,000 | - | 1,286,000 | |
| | Central Government Bonds 2001-2 | - | 〃 | 92,000 | 100,000 | - | 100,000 | |
| | Central Government Bonds 2001-8 | - | 〃 | 105,000 | 110,000 | - | 110,000 | |
| | Central Government Bonds 2001 B 1st | - | 〃 | 171,000 | 185,000 | - | 185,000 | |
| | Central Government Bonds 2000-7 | - | 〃 | 294,000 | 319,000 | - | 319,000 | |
| | Central Government Bonds 2000-13 | - | 〃 | 346,000 | 383,800 | - | 383,800 | |
| | Central Government Bonds 2015-1 | - | Other financial assets - current | 1,004,300 | 1,115,800 | - | 1,115,800 | |
| | Central Government Bonds 2015-13 | - | 〃 | 300,000 | 323,000 | - | 323,000 | |
| | Central Government Bonds 2014-4 | - | 〃 | 362,900 | 394,900 | - | 394,900 | |
| | Central Government Bonds 2014-9 | - | 〃 | 270,000 | 300,000 | - | 300,000 | |
| | Central Government Bonds 2014-15 | - | 〃 | 2,337,000 | 2,552,500 | - | 2,552,500 | |
| | Central Government Bonds 2013-2 | - | 〃 | 643,900 | 704,600 | - | 704,600 | |
| | Central Government Bonds 2013-6 | - | 〃 | 164,700 | 183,000 | - | 183,000 | |
| | Central Government Bonds 2013-10 | - | 〃 | 560,000 | 622,000 | - | 622,000 | |
| | Central Government Bonds 2013-11 | - | 〃 | 138,600 | 154,000 | - | 154,000 | |
| | Central Government Bonds 2012-5 | - | 〃 | 452,400 | 502,600 | - | 502,600 | |
| | Central Government Bonds 2012-6 | - | 〃 | 253,600 | 281,500 | - | 281,500 | |
| | Central Government Bonds 2012-7 | - | 〃 | 120,000 | 130,000 | - | 130,000 | |

(Continued)

| Holding Company | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2017 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Units/Face Value (In Thousands) | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Central Government Bonds 2012-9 | - | Other financial assets - current | $ 279,000 | $ 310,000 | - | $ 310,000 | |
| | Central Government Bonds 2011-7 | - | 〃 | 299,700 | 333,000 | - | 333,000 | |
| | Central Government Bonds 2011-9 | - | 〃 | 503,100 | 559,000 | - | 559,000 | |
| | Central Government Bonds 2010-4 | - | 〃 | 731,700 | 813,000 | - | 813,000 | |
| | Central Government Bonds 2010-5 | - | 〃 | 91,900 | 100,000 | - | 100,000 | |
| | Central Government Bonds 2010-7 | - | 〃 | 628,200 | 698,000 | - | 698,000 | |
| | Central Government Bonds 2010-8 | - | 〃 | 120,600 | 134,000 | - | 134,000 | |
| | Central Government Bonds 2010-6 | - | 〃 | 1,908,900 | 2,121,000 | - | 2,121,000 | |
| | Central Government Bonds 2008-3 | - | 〃 | 56,000 | 62,000 | - | 62,000 | |
| | Central Government Bonds 2008-5 | - | 〃 | 101,000 | 109,000 | - | 109,000 | |
| | Central Government Bonds 2008-6 | - | 〃 | 192,600 | 214,000 | - | 214,000 | |
| | Central Government Bonds 2007-2 | - | 〃 | 269,100 | 299,000 | - | 299,000 | |
| | Central Government Bonds 2007-7 | - | 〃 | 90,000 | 100,000 | - | 100,000 | |
| | Central Government Bonds 2006-7 | | 〃 | 141,000 | 153,000 | | 153,000 | |
| | Central Government Bonds 2005-8 | - | 〃 | 1,350,000 | 1,500,000 | - | 1,500,000 | |
| | Central Government Bonds 2003-3 | - | 〃 | 351,000 | 390,000 | | 390,000 | |
| | Central Government Bonds 2001-4 | - | 〃 | 95,500 | 105,500 | | 105,500 | |
| | Central Government Bonds 2001 B 1st | - | 〃 | 618,900 | 683,500 | | 683,500 | |
| | Central Government Bonds 2000-13 | - | 〃 | 1,453,100 | 1,591,000 | | 1,591,000 | |
| | Central Government Bonds 1999-2 | - | 〃 | 35,200 | 39,000 | | 39,000 | |
| | Central Government Bonds 1999-3 | - | 〃 | 115,200 | 128,000 | | 128,000 | |
| | | - | | | | | | |

(Concluded)

# TAIWAN HIGH SPEED RAIL CORPORATION

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**THREE MONTHS ENDED MARCH 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Type and Name of Marketable Securities | Line Item | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Face Value | Carrying Amount | Face Value | Carrying Amount | Face Value | Amount | Carrying Amount | Gain on Disposal | Face Value | Carrying Amount |
| The Corporation | Central Government Bonds 2016-8 | Note | - | - | $ 409,500 | $ 455,000 | $ 85,000 | $ 92,000 | $ 409,500 | $ 455,330 | $ 455,000 | $ 330 | $ 85,000 | $ 92,000 |
| | Central Government Bonds 2001-2 | 〃 | - | - | 354,200 | 393,000 | 92,000 | 100,000 | 354,200 | 393,285 | 393,000 | 285 | 92,000 | 100,000 |
| | Central Government Bonds 2000-7 | 〃 | - | - | - | - | 454,200 | 497,000 | 160,200 | 178,046 | 178,000 | 46 | 294,000 | 319,000 |
| | Central Government Bonds 2015-13 | 〃 | - | - | - | - | 1,137,000 | 1,230,500 | - | - | - | - | 1,137,000 | 1,230,500 |
| | Central Government Bonds 2014-9 | 〃 | - | - | 353,800 | 393,100 | 872,200 | 969,100 | 872,200 | 969,450 | 969,100 | 350 | 353,800 | 393,100 |
| | Central Government Bonds 2014-15 | 〃 | - | - | 2,677,000 | 2,920,000 | 2,725,000 | 2,973,000 | 2,677,000 | 2,922,675 | 2,920,000 | 2,675 | 2,725,000 | 2,973,000 |
| | Central Government Bonds 2012-9 | 〃 | - | - | 177,300 | 197,000 | 1,250,900 | 1,389,800 | 481,500 | 535,326 | 535,000 | 326 | 946,700 | 1,051,800 |
| | Central Government Bonds 2008-6 | 〃 | - | - | 757,400 | 840,600 | 1,350,000 | 1,500,000 | 757,400 | 841,418 | 840,600 | 818 | 1,350,000 | 1,500,000 |
| | Central Government Bonds 2001 B 1st | 〃 | - | - | 1,187,200 | 1,314,000 | 872,700 | 960,500 | 1,270,000 | 1,407,281 | 1,406,000 | 1,281 | 789,900 | 868,500 |
| | Central Government Bonds 2000-13 | 〃 | - | - | 3,384,800 | 3,641,800 | 1,781,100 | 1,974,800 | 3,384,800 | 3,645,068 | 3,641,800 | 3,268 | 1,781,100 | 1,974,800 |
| | Central Government Bonds 2016-12 | 〃 | - | - | 311,400 | 346,000 | - | - | 311,400 | 346,317 | 346,000 | 317 | - | - |
| | Central Government Bonds 2015-1 | 〃 | - | - | - | - | 1,004,300 | 1,115,800 | - | - | - | - | 1,004,300 | 1,115,800 |
| | Central Government Bonds 2015-6 | 〃 | - | - | 830,000 | 900,500 | - | - | 830,000 | 901,085 | 900,500 | 585 | - | - |
| | Central Government Bonds 2014-4 | 〃 | - | - | - | - | 362,900 | 394,900 | - | - | - | - | 362,900 | 394,900 |
| | Central Government Bonds 2014-6 | 〃 | - | - | 300,000 | 333,000 | 663,300 | 737,000 | 963,300 | 1,070,406 | 1,070,000 | 406 | - | - |
| | Central Government Bonds 2013-2 | 〃 | - | - | - | - | 903,100 | 992,600 | 259,200 | 288,045 | 288,000 | 45 | 643,900 | 704,600 |
| | Central Government Bonds 2013-6 | 〃 | - | - | 300,300 | 333,000 | 164,700 | 183,000 | 300,300 | 333,281 | 333,000 | 281 | 164,700 | 183,000 |
| | Central Government Bonds 2013-8 | 〃 | - | - | - | - | 356,400 | 396,000 | 356,400 | 396,035 | 396,000 | 35 | - | - |
| | Central Government Bonds 2013-10 | 〃 | - | - | 838,400 | 931,400 | 817,400 | 908,000 | 1,095,800 | 1,218,271 | 1,217,400 | 871 | 560,000 | 622,000 |
| | Central Government Bonds 2012-5 | 〃 | - | - | 129,000 | 140,000 | 452,400 | 502,600 | 129,000 | 140,141 | 140,000 | 141 | 452,400 | 502,600 |
| | Central Government Bonds 2012-6 | 〃 | - | - | 346,000 | 384,000 | 352,600 | 391,500 | 445,000 | 494,319 | 494,000 | 319 | 253,600 | 281,500 |
| | Central Government Bonds 2011-5 | 〃 | - | - | 416,000 | 460,000 | - | - | 416,000 | 460,358 | 460,000 | 358 | - | - |

(Continued)

| Company Name | Type and Name of Marketable Securities | Line Item | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Face Value | Carrying Amount | Face Value | Carrying Amount | Face Value | Amount | Carrying Amount | Gain on Disposal | Face Value | Carrying Amount |
| | Central Government Bonds 2011-7 | Note | - | - | $ 165,000 | $ 179,000 | $ 299,700 | $ 333,000 | $ 165,000 | $ 179,181 | $ 179,000 | $ 181 | $ 299,700 | $ 333,000 |
| | Central Government Bonds 2011-9 | 〃 | - | - | 1,270,300 | 1,411,400 | 503,100 | 559,000 | 1,270,300 | 1,412,746 | 1,411,400 | 1,346 | 503,100 | 559,000 |
| | Central Government Bonds 2010-4 | 〃 | - | - | 667,700 | 741,800 | 731,700 | 813,000 | 667,700 | 742,313 | 741,800 | 513 | 731,700 | 813,000 |
| | Central Government Bonds 2010-7 | 〃 | - | - | 92,000 | 100,000 | 714,600 | 794,000 | 178,400 | 196,106 | 196,000 | 106 | 628,200 | 698,000 |
| | Central Government Bonds 2010-8 | 〃 | - | - | - | - | 443,700 | 493,000 | 323,100 | 359,138 | 359,000 | 138 | 120,600 | 134,000 |
| | Central Government Bonds 2009-6 | 〃 | - | - | - | - | 1,908,900 | 2,121,000 | - | - | - | - | 1,908,900 | 2,121,000 |
| | Central Government Bonds 2005-8 | 〃 | - | - | - | - | 1,350,000 | 1,500,000 | - | - | - | - | 1,350,000 | 1,500,000 |
| | Central Government Bonds 2004-6 | 〃 | - | - | - | - | 423,000 | 470,000 | 423,000 | 470,097 | 470,000 | 97 | - | - |
| | Central Government Bonds 2003-3 | 〃 | - | - | 40,500 | 45,000 | 351,000 | 390,000 | 40,500 | 45,034 | 45,000 | 34 | 351,000 | 390,000 |
| | Central Government Bonds 2002-3 | 〃 | - | - | - | - | 741,600 | 824,000 | 741,600 | 824,145 | 824,000 | 145 | - | - |
| | Central Government Bonds 2002-7 | 〃 | - | - | 894,500 | 993,800 | - | - | 894,500 | 994,726 | 993,800 | 926 | - | - |
| | Central Government Bonds 2001-4 | 〃 | - | - | 965,100 | 1,071,000 | 266,500 | 295,500 | 1,136,100 | 1,261,988 | 1,261,000 | 988 | 95,500 | 105,500 |
| | Central Government Bonds 2000 B 1st | 〃 | - | - | 467,700 | 519,000 | - | - | 467,700 | 519,497 | 519,000 | 497 | - | - |
| | Central Government Bonds 1999-3 | 〃 | - | - | 844,600 | 938,000 | 115,200 | 128,000 | 844,600 | 938,645 | 938,000 | 645 | 115,200 | 128,000 |
| | Central Government Bonds 1999 B 1st | 〃 | - | - | 640,900 | 711,800 | - | - | 640,900 | 712,379 | 711,800 | 579 | - | - |

Note: The above repurchase agreements collateralized by government bonds were included in cash and cash equivalents and other financial assets - current.

(Concluded)