Taiwan High Speed Rail Corporation

Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan High Speed Rail Corporation

Opinion

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation, which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.

Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2017 financial statements are as follows:

The Provision for Stabilization Reserve

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

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

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

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

Railroad Transportation Revenue

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

The railroad transportation revenue is the main sources of revenue for the Corporation, and related revenue amounted to NT$42,221,888 thousand, representing 97% of total operating revenues in 2017. The calculation of railroad transportation revenue is complex; thus, railroad transportation revenue recognition is considered as one of the key audit matters.

We tested the information environment relevant to the Automatic Fare Collection System, Operating Revenue Management System and related internal control system. Moreover, we investigated information transfer process among abovementioned systems to ensure that the operating revenue and the cash flow were processed normally, obtained the understanding of how the reports of ticketing related systems were generated, and recalculated amounts to check the accuracy of recognized revenue and the balance of unearned revenue.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Hsuan Ho and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 13, 2018

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

TAIWAN HIGH SPEED RAIL CORPORATION

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

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

	For the Years Ended December 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 20 and 26)	$ 43,435,042	100	$ 40,610,906	100
OPERATING COSTS (Notes 21 and 26)	(24,613,645)	(57)	(25,973,173)	(64)
GROSS PROFIT	18,821,397	43	14,637,733	36
OPERATING EXPENSES (Note 21)	(1,066,413)	(2)	(938,237)	(2)
INCOME FROM OPERATIONS	17,754,984	41	13,699,496	34
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	96,076	-	115,448	-
Interest expense (Notes 14, 21 and 26)	(7,463,329)	(17)	(8,375,559)	(21)
Stabilization reserve expense (Note 16)	(3,865,562)	(9)	(280,289)	(1)
Other gains and losses (Note 21)	(43,669)	-	(161,521)	-
Total non-operating income and expenses	(11,276,484)	(26)	(8,701,921)	(22)
INCOME BEFORE INCOME TAX	6,478,500	15	4,997,575	12
INCOME TAX EXPENSE (Note 22)	(1,138,595)	(3)	(848,477)	(2)
NET INCOME	5,339,905	12	4,149,098	10
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(9,702)	-	(57,611)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	1,649	-	9,794	-
	(8,053)	-	(47,817)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	(208)	-	138	-
Other comprehensive income (loss) for the year, net of income tax	(8,261)	-	(47,679)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,331,644	12	$ 4,101,419	10

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION

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

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

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

TAIWAN HIGH SPEED RAIL CORPORATION

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

	Capital Stock		Retained Earnings			Unrealized Gain/Loss on Available-for-sale Financial Assets	
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total		Total Equity
BALANCE AT JANUARY 1, 2017	$ 56,282,930	$ 172,981	$ 451,180	$ 4,155,897	$ 4,607,077	$ 693	$ 61,063,681
Appropriation of prior year's earnings							
Legal reserve	-	-	414,910	(414,910)	-	-	-
Cash dividends to shareholders - NT$0.6 per share	-	-	-	(3,376,976)	(3,376,976)	-	(3,376,976)
	-	-	414,910	(3,791,886)	(3,376,976)	-	(3,376,976)
Net income for the year ended December 31, 2017	-	-	-	5,339,905	5,339,905	-	5,339,905
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	(8,053)	(8,053)	(208)	(8,261)
Total comprehensive income for the year ended December 31, 2017	-	-	-	5,331,852	5,331,852	(208)	5,331,644
BALANCE AT DECEMBER 31, 2017	$ 56,282,930	$ 172,981	$ 866,090	$ 5,695,863	$ 6,561,953	$ 485	$ 63,018,349
BALANCE AT JANUARY 1, 2016	$ 56,052,930	$ -	$ 40,285	$ 4,108,952	$ 4,149,237	$ 555	$ 60,202,722
Appropriation of prior year's earnings							
Legal reserve	-	-	410,895	(410,895)	-	-	-
Cash dividends to shareholders - NT$0.65 per share	-	-	-	(3,643,441)	(3,643,441)	-	(3,643,441)
	-	-	410,895	(4,054,336)	(3,643,441)	-	(3,643,441)
Net income for the year ended December 31, 2016	-	-	-	4,149,098	4,149,098	-	4,149,098
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	(47,817)	(47,817)	138	(47,679)
Total comprehensive income for the year ended December 31, 2016	-	-	-	4,101,281	4,101,281	138	4,101,419
Issue of common shares for cash (including employee share options)	230,000	172,981	-	-	-	-	402,981
BALANCE AT DECEMBER 31, 2016	$ 56,282,930	$ 172,981	$ 451,180	$ 4,155,897	$ 4,607,077	$ 693	$ 61,063,681

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

TAIWAN HIGH SPEED RAIL CORPORATION

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

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

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION

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

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

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

1. GENERAL

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on February 13, 2018.

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) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

   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 and issued into effect by the FSC. 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 did not have any material impact on the Corporation's accounting policies.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application effective from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

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	Amendment 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 Revenue from Contracts with Customers"
January 1, 2018	Amendment to IAS 40 "Transfers of Investment Property"
January 1, 2018	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
January 1, 2019	Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above classification and measurement, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Corporation elects to early adopt the amendments to IFRS 9 "Prepayment Features with Negative Compensation" when it first applies IFRS 9. The amendments stipulated that for the purpose of assessing whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the prepayment amount of a contractual term may include reasonable compensation that shall be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

The Corporation analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the mutual funds classified as available-for-sale and concluded that such mutual funds should be classified as at fair value through profit or loss under IFRS 9 because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The Corporation elects not to restate prior reporting periods when applying IFRS 9 but with the cumulative effect of the initial application recognized at the date of initial application.

The anticipated impact of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Items	**Carrying Amount as of December 31, 2017**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Financial assets at fair value through profit or loss - current	$ -	$ 319,985	$ 319,985
Available-for-sale financial assets - current	319,985	(319,985)	-
Financial assets for hedging - current	-	5	5
Hedging derivative assets - current	5	(5)	-
Total effect on assets		$ -	

(Continued)

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Retained earnings	$ -	$ 485	$ 485
Unrealized gain on available-for-sale financial assets	485	(485)	-
Total effect on equity		$ -	

(Concluded)

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

Effective Date Announced by IASB	New IFRSs
January 1, 2019	Annual Improvements to IFRSs 2015-2017 Cycle
January 1, 2019	IFRS 16 “Leases”
January 1, 2019	Amendment to IAS 28 “Long-term Interests in Associates and Joint Ventures”
January 1, 2019	IFRIC 23 “Uncertainty over Income Tax Treatments”
January 1, 2019	Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”
January 1, 2021	IFRS 17“Insurance Contracts”
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:

On December 19, 2017, the FSC announced that IFRS 16 “Leases” will take effect starting from January 1, 2019.

1) IFRS 16 “Leases”

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.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

The Corporation may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 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 IFRSs as endorsed by the FSC.

b. Basis of preparation

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

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

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

d. Foreign currencies

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

e. Cash equivalents

Cash equivalents include time deposits and repurchase agreement collateralized by government bonds 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 - 3 to 5 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 5 years; other equipment - 3 to 35 years.

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

j. Intangible assets

1) Operating concession asset

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

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

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

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

2) Computer software

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

k. Operating concession liability

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

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

l. Impairment of assets

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

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

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

m. Hedging derivatives

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

n. Provisions

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

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

o. Revenue recognition

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

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

p. Borrowing costs

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

q. Retirement benefit costs

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

r. Taxation

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

1) Current tax

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

Pursuant to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders 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 December 31, 2017, the Corporation recognized a provision for controversial overtime in the amount of $286,662 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 December 31, 2017, the Corporation recognized a provision for stabilization reserve in an amount of $4,145,851 thousand in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period which ends in the year 2068 or for early termination. Refer to Note 16 and Note 28, a., 3) for further information.

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 December 31, 2017 and 2016, the carrying amounts of deferred tax assets in relation to deductible temporary differences were $4,504,698 thousand and $4,285,765 thousand, respectively. As of December 31, 2017 and 2016, deductible temporary differences remained unchanged at $995 thousand, and were not recognized as deferred tax assets according to the assessment of the realizability of deferred tax assets.

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.

d. Amortization of intangible assets - operating concession asset

In the commercial operation of the transportation system, the Corporation has accumulated extensive experience, including the skills of self-maintenance. From this extensive experience, the Corporation is able to assess the anticipated beneficial usage, as well as external economic changes and other factors. The Corporation has assessed that the useful lives of certain operating concession assets as previously estimated need revision. In order to reasonably reflect future economic benefits and appropriately amortize the cost of the assets, the Corporation held a meeting of the Asset Review Committee on September 15, 2017. The Committee thereby decided to modify the estimated amortization lives of certain operation concession assets. The revised estimated amortization lives became effective on October 1, 2017. The amortization expense for the three months from October 1, 2017 to December 31, 2017 will increase by $308,183 thousand due to the revision of the amortization lives of certain operating concession assets.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 187,023	$ 179,701
Checking accounts	19	19
Demand deposits	89,817	49,729
Time deposits	8,058	8,008
Repurchase agreement collateralized by government bonds	6,903,000	-
	$ 7,187,917	$ 237,457

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

	December 31	
	2017	2016
Demand deposits	0.001%-0.30%	0.001%-0.14%
Time deposits	0.62%	0.62%
Repurchase agreement collateralized by government bonds	0.40%-0.44%	-

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Open-end money market funds	$ 319,985	$ 311,693

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
Hedging derivative assets		
Fair value hedges - forward exchange contracts	$ 5	$ 225

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Buy	US$/JPY	January 2018	JPY 83,929
Buy	NT$/US$	January 2018	US$ 742
December 31, 2016			
Buy	US$/JPY	January 2017	JPY 173,140
Buy	NT$/US$	January 2017	US$ 1,689

9. INVENTORIES

	December 31	
	2017	2016
Spare parts and supplies	$ 1,919,058	$ 1,995,508
Merchandise	8,665	9,646
	$ 1,927,723	$ 2,005,154

As of December 31, 2017 and 2016, allowance for loss on inventories amounted to $620,285 thousand and $605,963 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Repurchase agreement collateralized by government bonds	$ 7,655,000	$ 21,682,200
Time deposits	3,789,902	2,945,641
Demand deposits	37,776	130,463
Performance guarantee for customs duties and others	4,950	16,389
Performance guarantee for the C&O Agreement	-	2,000,000
	$ 11,487,628	$ 26,774,693
Current	$ 9,365,363	$ 24,714,305
Non-current	2,122,265	2,060,388
	$ 11,487,628	$ 26,774,693

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

	December 31	
	2017	2016
Repurchase agreement collateralized by government bonds	0.42%-0.44%	0.30%-0.51%
Time deposits	0.15%-1.95%	0.15%-1.21%
Demand deposits	0.05%-0.08%	0.08%

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

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2017	2016
Land	$ 28	$ 28
Machinery and equipment	46,069	42,691
Transportation equipment	-	-
Office equipment	11,035	6,695
Leasehold improvements	44	1,114
Other equipment	50,178	14,777
	$ 107,354	$ 65,305

	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	-	23,881	-	7,056	-	5,342	36,279
Disposals	-	(2,305)	(68)	(3,369)	-	(1,063)	(6,805)
Transfer	-	-	-	36	-	42,872	42,908
Balance at December 31, 2017	28	263,048	242	122,805	79,370	251,241	716,734

(Continued)

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 198,781	$ 310	$ 112,387	$ 78,256	$ 189,313	$ 579,047
Depreciation	-	20,503	-	2,752	1,070	12,812	37,137
Disposals	-	(2,305)	(68)	(3,369)	-	(1,063)	(6,805)
Transfer	-	-	-	-	-	1	1
Balance at December 31, 2017	-	216,979	242	111,770	79,326	201,063	609,380
	$ 28	$ 46,069	$ -	$ 11,035	$ 44	$ 50,178	$ 107,354
Cost							
Balance at January 1, 2016	$ 28	$ 260,124	$ 344	$ 115,931	$ 79,324	$ 214,322	$ 670,073
Additions	-	21,298	-	3,436	46	2,979	27,759
Disposals	-	(39,950)	(34)	(603)	-	(13,211)	(53,798)
Transfer	-	-	-	318	-	-	318
Balance at December 31, 2016	28	241,472	310	119,082	79,370	204,090	644,352
Accumulated depreciation							
Balance at January 1, 2016	-	220,381	344	110,013	77,211	191,196	599,145
Depreciation	-	18,349	-	2,956	1,045	10,920	33,270
Disposals	-	(39,949)	(34)	(582)	-	(12,803)	(53,368)
Balance at December 31, 2016	-	198,781	310	112,387	78,256	189,313	579,047
	$ 28	$ 42,691	$ -	$ 6,695	$ 1,114	$ 14,777	$ 65,305

(Concluded)

12. INTANGIBLE ASSETS

	December 31	
	2017	2016
Operating concession asset	$ 413,166,373	$ 426,020,379
Computer software, net	54,167	34,994
	$ 413,220,540	$ 426,055,373

a. Movements of the intangible assets

	Operating Concession Asset						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software, Net	Total
Cost							
Balance at January 1, 2017	$ 471,971,397	$ 69,972,043	$ 12,701,819	$ 163,220	$ 554,808,479	$ 377,605	$ 555,186,084
Additions	345,887	-	-	701,599	1,047,486	25,548	1,073,034
Disposals	(174,809)	-	-	-	(174,809)	(1,915)	(176,724)
Transfer	261,722	-	-	(313,735)	(52,013)	11,630	(40,383)
Balance at December 31, 2017	472,404,197	69,972,043	12,701,819	551,084	555,629,143	412,868	556,042,011
Accumulated amortization							
Balance at January 1, 2017	115,041,859	13,445,248	300,993	-	128,788,100	342,611	129,130,711
Amortization	12,505,163	1,097,607	240,793	-	13,843,563	18,077	13,861,640
Disposals	(168,964)	-	-	-	(168,964)	(1,915)	(170,879)
Transfer	71	-	-	-	71	(72)	(1)
Balance at December 31, 2017	127,378,129	14,542,855	541,786	-	142,462,770	358,701	142,821,471
	$ 345,026,068	$ 55,429,188	$ 12,160,033	$ 551,084	$ 413,166,373	$ 54,167	$ 413,220,540
Cost							
Balance at January 1, 2016	$ 464,442,873	$ 69,972,043	$ 12,701,819	$ 5,958,958	$ 553,075,693	$ 364,623	$ 553,440,316
Additions	231,015	-	-	1,893,522	2,124,537	12,082	2,136,619
Disposals	(370,620)	-	-	-	(370,620)	-	(370,620)
Transfer	7,668,129	-	-	(7,689,260)	(21,131)	900	(20,231)
Balance at December 31, 2016	471,971,397	69,972,043	12,701,819	163,220	554,808,479	377,605	555,186,084
Accumulated amortization							
Balance at January 1, 2016	101,041,001	12,347,640	60,200	-	113,448,841	323,385	113,772,226
Amortization	14,324,422	1,097,608	240,793	-	15,662,823	19,226	15,682,049
Disposals	(307,219)	-	-	-	(307,219)	-	(307,219)
Transfer	(16,345)	-	-	-	(16,345)	-	(16,345)
Balance at December 31, 2016	115,041,859	13,445,248	300,993	-	128,788,100	342,611	129,130,711
	$ 356,929,538	$ 56,526,795	$ 12,400,826	$ 163,220	$ 426,020,379	$ 34,994	$ 426,055,373

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

	December 31	
	2017	2016
Operating assets, net		
Land improvements	$ 171,900,000	$ 175,355,929
Buildings	28,781,767	29,323,517
Machinery and equipment	31,343,947	34,120,242
Transportation equipment	112,983,614	118,113,532
Other equipment	16,740	16,318
	$ 345,026,068	$ 356,929,538
Construction in progress		
Prepayments for equipment	$ 551,084	$ 163,220

13. OTHER ASSETS

	December 31	
	2017	2016
Prepayments and other current assets		
Prepayments	$ 888,350	$ 853,011
Other receivable	41,791	39,180
Others	12,407	17,224
	$ 942,548	$ 909,415
Other non-current assets		
Others	$ 14,784	$ 12,259

14. BORROWINGS

a. Short-term debt

	December 31	
	2017	2016
JPY letters of credit	$ 39,888	$ 53,250
USD letters of credit	-	6,880
	$ 39,888	$ 60,130

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

	December 31	
	2017	2016
JPY letters of credit	0.58%-0.83%	0.7%-0.79%
USD letters of credit	-	2.6%

b. Long-term debt

	December 31	
	2017	2016
Syndicated loan		
Tranche A1 Facility	$ 130,000,000	$ 130,000,000
Tranche A2 Facility	156,205,117	176,205,117
Tranche C Facility	-	21,160,563
	286,205,117	327,365,680
Less: Unamortized cost of long-term debt	(122,351)	(141,086)
	286,082,766	327,224,594
Less: Current portion (including unamortized cost of long-term debt)		
Tranche C Facility	-	(10,946,529)
Unamortized cost of long-term debt	-	1,686
	-	(10,944,843)
	$ 286,082,766	$ 316,279,751

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 the First Amendment of Tripartite Agreement, and the Second Amendment of Syndicated Loan Agreement on August 3, 2015. The Corporation has entered into the Third Amendment of Syndicated Loan Agreement on February 15, 2017, and the Second Amendment of Tripartite Agreement on April 7, 2017. The Corporation has entered into the Fourth Amendment of Syndicated Loan Agreement on October 13, 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 (after early repayment of Installments 56-59 made on July 4, 2017, the last installment repayment date is May 4, 2048)	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

b) Interest rates

The interest rates (including 5% VAT) of the Tranche A1 Facility and Tranche A2 Facility are determined as the reference rate (1-year time deposit floating rate of Chunghwa Post Co., Ltd.) plus spread as listed on the table below, effective May 4, 2010 (the first drawdown date). Due to the step-up spread mechanism, the Corporation shall make up for the deficit of the interests below the agreed interest rate to the bank syndicate if early redemption occurs. As of December 31, 2017 and 2016, the reference rate remained unchanged at 1.06%.

	Markup Interest Rates	
	Fourth Amendment of Syndicated Loan	
Syndicated Period	After Effectiveness (Effective on October 13, 2017)	Before Effectiveness
May 4, 2010-May 3, 2012	0.10%	0.10%
May 4, 2012-May 3, 2013	0.20%	0.20%
May 4, 2013-May 3, 2014	0.30%	0.30%
May 4, 2014-May 3, 2015	0.40%	0.40%
May 4, 2015-May 3, 2016	0.50%	0.50%
May 4, 2016-May 3, 2017	0.60%	0.60%
May 4, 2017-May 3, 2018	0.70%	0.70%
May 4, 2018-May 3, 2040	0.92%	1.08%
May 4, 2040-May 4, 2050	1.08%	1.08%

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

The Corporation made early repayments of the Tranche C Facility in the amounts of $2 billion on July 4, 2016 and $21,160,563 thousand on March 2, 2017.

The Corporation made early repayment of the Tranche A2 Facility in the amount of $20 billion on July 4, 2017, and repaid interest differences in the amount of $719,842 thousand due to the early repayment of the loan.

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

	December 31	
	2017	2016
Tranche A1 Facility	1.93%	2.07%
Tranche A2 Facility	1.92%	2.08%
Tranche C Facility	-	1.96%

b) Accrued interest expense (included in other payables)

	December 31	
	2017	2016
Syndicated loan		
Tranche A1 Facility	$ 204,547	$ 192,932
Tranche A2 Facility	245,780	261,505
Tranche C Facility	-	35,187
	$ 450,327	$ 489,624

c) Long-term interest payable

	December 31	
	2017	2016
Syndicated loan		
Tranche A1 Facility	$ 4,555,466	$ 4,268,856
Tranche A2 Facility	4,975,999	5,313,310
	$ 9,531,465	$ 9,582,166

d) Interest expense

	For the Year Ended December 31	
	2017	2016
Syndicated loan		
Interest expense	$ 6,117,711	$ 7,186,595
Capitalized interest	$ -	$ 42,272

c. Long-term bills payable

	December 31, 2017
Long-term bills payable	$ 16,000,000
Less: Unamortized discount on long-term bills payable	(17,780)
Less: Unamortized cost of long-term bills payable	(18,674)
	$ 15,963,546

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 utilization of 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. The effective interest rate of the long-term bills payable was 0.92% on December 31, 2017.

15. OPERATING CONCESSION LIABILITY

	December 31	
	2017	2016
Operating concession liabilities	$ 76,793,279	$ 80,314,799
Value of returned superficies for offset of profit sharing payable	(21,603,214)	(23,143,858)
	$ 55,190,065	$ 57,170,941
Current	$ 647,850	$ 3,180,612
Non-current	54,542,215	53,990,329
	$ 55,190,065	$ 57,170,941

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. 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, 2017	$ 14,542,856	$ 16,821,236	$ 31,364,092
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
	$ 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) 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, 2017	$ 22,613,234	$ 993,501	$ 23,606,735
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
	$ 22,613,234	$ 7,171,621	$ 29,784,855

As of December 31, 2017, the Corporation's accumulated profit sharing payments paid to the MOTC amounted to $7,996,479 thousand (or accumulated profit sharing payments in the amount of $10,000,000 thousand less the deductible amount of returned superficies in the amount of $2,003,521 thousand).

16. PROVISIONS

a. Provisions

	December 31	
	2017	2016
Current		
Controversial overtime	$ 286,662	$ 293,566
Preferred stock compensation	5,853	5,853
Other provisions	-	2,282
	$ 292,515	$ 301,701
Non-current		
Stabilization reserve	$ 4,145,851	$ 280,289

b. Movements in provisions were as follows:

	Balance at January 1, 2017	Addition	Usage	Balance at December 31, 2017
Current				
Controversial overtime	$ 293,566	$ -	$ (6,904)	$ 286,662
Preferred stock compensation	5,853	-	-	5,853
Other provisions	2,282	198	(2,480)	-
	$ 301,701	$ 198	$ (9,384)	$ 292,515
Non-current				
Stabilization reserve	$ 280,289	$ 3,865,562	$ -	$ 4,145,851

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

1) 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, and 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 December 31, 2017, the provision for controversial overtime in the amount of $286,662 thousand had been recognized.

2) 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 December 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 trial of second instance and appealed the case to a third instance. Upon adjudication by the civil division of the Supreme Court, the case was remanded to the Taiwan High Court. However, the Corporation has redeemed the preferred stock according to the Financial Resolution Plan.

3) Stabilization reserve

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

17. OTHER LIABILITIES

	December 31	
	2017	2016
Other payables		
Accrued expenses	$ 2,208,749	$ 2,001,271
Accrued interest expense	450,348	489,642
Business tax payable	258,125	236,871
Others	33,031	28,208
	$ 2,950,253	$ 2,755,992

(Continued)

	December 31	
	2017	2016
Other current liabilities		
Unearned receipts	$ 472,176	$ 803,576
Deferred revenue	49,762	35,760
Receipts under custody	24,369	21,621
Others	115,710	99,725
	$ 662,017	$ 960,682
Other non-current liabilities		
Net defined benefit liability	$ 111,553	$ 104,740
Guaranteed deposits received	104,167	80,643
Deferred revenue	11,136	9,171
Deferred tax liabilities	1	1,108
	$ 226,857	$ 195,662

(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. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ (662,674)	$ (650,217)
Fair value of plan assets	551,121	545,477
Net defined benefit liability	$ (111,553)	$ (104,740)

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Asset (Liability)**
Balance at January 1, 2016	$ (612,392)	$ 560,423	$ (51,969)
Current service cost	(13,623)	-	(13,623)
Net interest income (expense)	(10,340)	9,587	(753)
Recognized in profit or loss	(23,963)	9,587	(14,376)
Remeasurement			
Return on plan assets	-	(5,719)	(5,719)
Actuarial loss - experience adjustments	(32,274)	-	(32,274)
Actuarial loss - changes in financial assumptions	(19,618)	-	(19,618)
Recognized in other comprehensive income	(51,892)	(5,719)	(57,611)
Contributions from the employer	-	19,216	19,216
Benefits paid	38,030	(38,030)	-
Balance at December 31, 2016	(650,217)	545,477	(104,740)
Current service cost	(14,659)	-	(14,659)
Net interest income (expense)	(9,587)	8,163	(1,424)
Recognized in profit or loss	(24,246)	8,163	(16,083)
Remeasurement			
Return on plan assets	-	(2,816)	(2,816)
Actuarial loss - experience adjustments	12,225	-	12,225
Actuarial loss - changes in financial assumptions	(19,111)	-	(19,111)
Recognized in other comprehensive income	(6,886)	(2,816)	(9,702)
Contributions from the employer	-	18,972	18,972
Benefits paid	18,675	(18,675)	-
Balance at December 31, 2017	$ (662,674)	$ 551,121	$ (111,553)

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

	Measurement Date December 31	
	2017	2016
Discount rate	1.50%	1.50%
Expected salary growth rate	2.25%	2.00%

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

	December 31	
	2017	2016
Discount rate		
Increase 0.5%	$ (37,628)	$ (38,419)
Decrease 0.5%	$ 40,873	$ 41,860
Expected salary growth rate		
Increase 0.5%	$ 40,362	$ 41,440
Decrease 0.5%	$ (37,544)	$ (38,423)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 27,510	$ 22,160
The average duration of the defined benefit obligation	11.9 years	12.4 years

c. Please refer to Note 21, a. for the expenses of the defined contribution plan and defined benefit plan recognized as employee benefits expenses in comprehensive income for the years ended December 31, 2017 and 2016. For the years ended December 31, 2016, the defined benefit costs of $111 thousand was capitalized as operating concession asset - construction in progress.

19. EQUITY

a. Capital stock

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

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

	December 31	
	2017	**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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees.

Under the dividend policy set forth in the Articles amended on March 18, 2016, 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 appropriation policy, actual distributions of employees' compensation and remuneration to directors, please refer to Note 21, a.

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on May 24, 2017 and June 24, 2016, respectively, 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		

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

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

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 693	$ 555
Unrealized gain arising on revaluation of available-for-sale financial assets	1,222	1,564
Cumulative gain (loss) transferred to profit or loss on sale of available-for-sale financial assets	(1,430)	(1,426)
Balance, end of year	$ 485	$ 693

20. REVENUES

	For the Year Ended December 31	
	2017	**2016**
Railroad transportation revenue	$ 42,221,888	$ 39,433,807
Other operating revenue	1,213,154	1,177,099
	$ 43,435,042	$ 40,610,906

21. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Employee benefit expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plan	$ 167,919	$ 151,757
Defined benefit plan	16,083	14,265
	184,002	166,022
Short-term benefits		
Payroll	3,719,412	3,430,984
Insurance	320,873	285,193
Professional service	24,622	40,265
Others	186,568	174,936
	4,251,475	3,931,378
	$ 4,435,477	$ 4,097,400
An analysis of employee benefit expense by function		
Operating costs	$ 3,702,723	$ 3,491,052
Operating expenses	732,754	606,348
	$ 4,435,477	$ 4,097,400

As of December 31, 2017 and 2016, the number of employees of the Corporation was 4,412 and 4,334, respectively; the number of professional service employees was 11 and 17, respectively.

Under the Corporation's Articles of Incorporation amended on March 18, 2016, if there is any profit at the end of the year, the Corporation shall first make up for accumulated losses and then distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees' compensation and remuneration to directors of the Corporation were calculated by income before income tax (net of the employees' compensation and remuneration to directors) according to the aforementioned policy. For the years ended December 31, 2017 and 2016, the estimated employees' compensation in cash was $105,879 thousand and $50,996 thousand, and the estimated remuneration to directors in cash was $33,087 thousand and $50,996 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 $105,879 thousand and the remuneration to directors of $33,087 thousand for the year ended December 31, 2017 payable in cash had been resolved by the board of directors on February 13, 2018. There was no difference between such amounts and the respective amounts recognized in the financial statements for the year ended December 31, 2017.

The employees' compensation of $81,593 thousand and the remuneration to directors of $50,996 thousand for the year ended December 31, 2016 payable in cash have been resolved by the board of directors on March 21, 2017, and reported in the shareholders' meeting on May 24, 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, respectively, were recognized as expense in 2017.

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

b. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
An analysis of depreciation and amortization by asset		
Property, plant and equipment	$ 37,137	$ 33,202
Intangible assets	13,861,640	15,681,995
Other non-current assets	3,930	1,790
	$ 13,902,707	$ 15,716,987
An analysis of depreciation by function		
Operating costs	$ 27,232	$ 26,978
Operating expenses	9,905	6,224
	$ 37,137	$ 33,202
An analysis of amortization by function		
Operating costs	$ 13,862,560	$ 15,681,460
Operating expenses	3,010	2,325
	$ 13,865,570	$ 15,683,785

c. Interest income

	For the Year Ended December 31	
	2017	**2016**
Interest income on repurchase agreements collateralized by government bonds	$ 69,111	$ 98,148
Interest income on bank deposits	26,965	17,300
	$ 96,076	$ 115,448

d. Interest expense

	For the Year Ended December 31	
	2017	**2016**
Interest on bank loans	$ 6,125,535	$ 7,198,567
Interest on operating concession liabilities	1,199,736	1,176,212
Interest on long-term bills payable	137,044	-
Others	1,014	780
	$ 7,463,329	$ 8,375,559

The information of capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ -	$ 44,248
Capitalization rates	-	2.10%-2.25%

e. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Foreign exchange loss, net	$ (38,719)	$ (68,810)
Handling charge for early repayment of long-term debt and amortization of cost of long-term debt	(11,433)	(13,325)
Loss on disposal of intangible assets, net	(5,315)	(61,792)
Compensation loss	(880)	(29,052)
Gain on disposal of available-for-sale financial assets	1,430	1,426
Others	11,248	10,032
	$ (43,669)	$ (161,521)

22. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax	$ (1,356,986)	$ (487,305)
Deferred tax	218,391	(361,172)
Income tax expense	$ (1,138,595)	$ (848,477)

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

	For the Year Ended December 31	
	2017	2016
Income tax expense calculated at the statutory rate (17%)	$ (1,101,345)	$ (849,588)
Nondeductible expenses in determining taxable income	(8,041)	(17,738)
Change in unrecognized investment tax credits	-	9,381
Change in unrecognized deductible temporary differences	-	(265)
Income tax on unappropriated earnings	(30,939)	(5,462)
Others	1,730	15,195
Income tax expense recognized in profit or loss	$ (1,138,595)	$ (848,477)

The applicable corporate income tax rate used by the Corporation for the years ended December 31, 2017 and 2016 was 17%. According to the Income Tax Act amended in January 2018, the corporate income tax rate has been adjusted from 17% to 20% starting from 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and would increase by $794,947 thousand in 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
Remeasurement of defined benefit plan	$ 1,649	$ 9,794

c. Deferred tax assets and liabilities

For the year ended December 31, 2017

	Beginning Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Ending Balance**
Deferred tax assets				
Temporary differences				
Profit sharing payments	$ 4,145,509	$ (418,220)	$ -	$ 3,727,289
Provisions	97,943	655,585	-	753,528
Compensated absences	22,877	(22,877)	-	-
Deferred revenue	6,079	2,380	-	8,459
Defined benefit obligation	12,853	-	1,649	14,502
Others	504	416	-	920
	$ 4,285,765	$ 217,284	$ 1,649	$ 4,504,698
Deferred tax liabilities				
Temporary differences				
Others	$ 1,108	$ (1,107)	$ -	$ 1

For the year ended December 31, 2016

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

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Loss carryforwards	$ 130,643	$ (130,643)	$ -	$ -
Investment tax credits	1,892	(1,892)	-	-
	$ 4,641,768	$ (365,797)	$ 9,794	$ 4,285,765
Deferred tax liabilities				
Temporary differences				
Others	$ 5,733	$ (4,625)	$ -	$ 1,108

(Concluded)

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

	December 31	
	2017	2016
Deductible temporary differences	$ 995	$ 995

e. Integrated income tax

	December 31	
	2017	2016
Imputation credit account	$ 298,394	$ 13,657

All of the Corporation's unappropriated earnings were generated after January 1, 1998. The actual creditable ratio for distribution of earnings for the year ended December 31, 2016 was 11.71%. According to the Income Tax Act amended in January 2018, the imputation system of certain integrated income tax and items referred to the imputation credit account established by profit-seeking enterprise were abolished starting from January 1, 2018.

f. Income tax assessments

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

23. EARNINGS PER SHARE

	For the Year Ended December 31	
	2017	2016
Basic earnings per share (NT$)	$ 0.95	$ 0.74

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 Year Ended December 31	
	2017	2016
Earnings attributable to common shareholders	$ 5,339,905	$ 4,149,098
Weighted average number of common shares in the computation of basic earnings per share (in thousands)	5,628,293	5,609,566

24. CAPITAL MANAGEMENT

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

25. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31	
	2017	2016
Financial assets		
Available-for-sale financial assets	$ 319,985	$ 311,693
Hedging derivative assets	5	225
Loans and receivables		
Other financial assets	11,487,628	26,774,693
Others (Note 1)	7,552,436	802,123
Financial liabilities		
Financial liabilities carried at amortized cost (Note 2)	369,294,384	396,719,474

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, and are as follows:

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

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

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

December 31, 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Open-end money market funds	$ 319,985	$ -	$ -	$ 319,985
Hedging derivative assets				
Forward exchange contracts	$ -	$ 5	$ -	$ 5

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

There were no transfers between Levels 1 and Level 2 for the years ended December 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 prevent the decline in value or fluctuations in future cash flows due to changes in exchange rates, the Corporation enters into forward exchange contracts to hedge foreign exchange risk. Derivative financial instruments can partially, but not entirely, reduce the impact arising from changes in foreign exchange rates.

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

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 21,249	29.848	$ 634,227
JPY	3	0.2650	1
<u>Financial liabilities</u>			
Monetary items			
USD	20	29.848	610
JPY	847,777	0.2650	224,661

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

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 $6,336 thousand and $6,408 thousand, respectively, for the years ended December 31, 2017 and 2016. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by $2,024 thousand and $3,325 thousand, respectively, for the years ended December 31, 2017 and 2016.

The significant unrealized exchange gain and loss were as follows:

	December 31			
	2017		2016	
Foreign Currency	**Exchange Rate**	**Exchange Gain (Loss), Net**	**Exchange Rate**	**Exchange Gain (Loss), Net**
USD	29.848	$ (12,436)	32.279	$ (31,870)
JPY	0.2650	4,211	0.2757	4,386

b) Interest rate risk

As of December 31, 2017 and 2016, the Corporation's syndicated loan with floating interest rates amounted to $286,205,117 thousand and $327,365,680 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 $2,862,051 thousand and $3,273,657 thousand, respectively, for the years ended December 31, 2017 and 2016.

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 $3,200 thousand and $3,117 thousand, respectively, for the years ended December 31, 2017 and 2016.

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.

The following table details the Corporation's remaining contractual maturity for its long-term debt and interest on long-term debt (please refer to Note 14, b.), long-term bills payable, and operating concession liability based on the undiscounted cash flows (excluding the derivative financial instruments and non-derivative financial liabilities that are to be settled within one year from the balance sheet date).

December 31, 2017

Repayment Period	Long-term Debt (Including Current Portion)	Interest on Long-term Bills Payable	Interest on Long-term Debt	Operating Concession Liability	Total
2018.1.1-2018.3.31	$ -	$ -	$ 1,553,750	$ -	$ 1,553,750
2018.4.1-2018.12.31	-	-	4,661,250	647,850	5,309,100
2019	-	16,000,000	9,009,809	-	25,009,809
2020	-	-	8,983,815	147,511	9,131,326
2021	9,186,153	-	9,347,843	161,106	18,695,102
2022	9,186,153	-	9,260,614	9,817,138	28,263,905
2023-2033	101,047,688	-	86,161,354	59,445,061	246,654,103
2034-2050	166,785,123	-	54,305,674	-	221,090,797
	$ 286,205,117	$ 16,000,000	$ 183,284,109	$ 70,218,666	$ 555,707,892

December 31, 2016

Repayment Period	Long-term Debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Total
2017.1.1-2017.3.31	$ -	$ 1,529,000	$ -	$ 1,529,000
2017.4.1-2017.12.31	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
2022-2033	110,233,842	107,387,171	69,853,078	287,474,091
2034-2050	186,785,121	68,698,542	-	255,483,663
	$ 327,365,680	$ 222,617,425	$ 73,399,279	$ 623,382,384

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 Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 94,365	$ 126,187
Post-employment benefits	843	944
	$ 95,208	$ 127,131

27. RESTRICTED ASSETS

Pledged Assets	Pledged to Secure	December 31 2017	December 31 2016
Other financial assets - current:			
Repurchase agreements collateralized by government bonds	Syndicated loan	$ 1,450,000	$ 21,682,200
Time deposits	Guarantee	27,000	-
Time deposits	Guarantee for office lease	17,232	17,232
Time deposits	Guarantee for oil purchase	3,120	-
Time deposits	Trust deposit of unearned revenue	-	28,500
Time deposits	Syndicated loan	-	4,749
Demand deposits	Project subsidy	27,000	-
Demand deposits	Trust deposit of unearned revenue	9,375	47,705
Demand deposits	Syndicated loan	1,401	82,758
		1,535,128	21,863,144
Other financial assets - non-current:			
Time deposits	Performance guarantee for the C&O Agreement	2,000,000	-
Time deposits	Trust deposit of unearned revenue	68,000	-
Time deposits	Guarantee for customs duties	42,315	42,239
Time deposits	Guarantee for parking lease	7,000	-
Time deposits	Guarantee for oil purchase	-	1,320
		2,117,315	43,559
		$ 3,652,443	$ 21,906,703

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Construction and operation agreement

The significant provisions of the C&O Agreement were as follows:

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

2) During the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax 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) × 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) × 50% + (EBT - A3) × 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 December 31, 2017 and 2016, the amount of the aforementioned performance bond remained unchanged at $2 billion. In June 2017, the Corporation provided certificate of time deposit in place of cash guarantee, and recognized it 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 transactions between the Corporation and the counterparties were as follows:

1) Rental expense

	For the Year Ended December 31	
	2017	**2016**
Bureau of High Speed Rail, MOTC	$ 756,175	$ 704,739
Taiwan Railways Administration, MOTC	75,547	-
	$ 831,722	$ 704,739

2) Prepaid rentals

	December 31	
	2017	2016
Bureau of High Speed Rail, MOTC	$ 791,379	$ 788,578
Taiwan Railways Administration, MOTC	50,365	-
	$ 841,744	$ 788,578

3) Rentals payable (included in other payables)

	December 31	
	2017	2016
Bureau of High Speed Rail, MOTC	$ -	$ 39,530

c. As of December 31, 2017, unused letters of credit amounted to JPY1,822,095 thousand.

d. In May 2012, the Corporation entered into a purchase agreement for type 700T rolling stock. As of December 31, 2017, the Corporation has acquired four sets of type 700T rolling stock. Furthermore, the Corporation will negotiate with the supplier for 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 with the ruling and filed an appeal to Miaoli District Court in July 2015. As of December 31, 2017, the lawsuit is still under the review of the court.

f. In May 2017, the Corporation entered into an equipment procurement contract, and the total amounts of the contract (business tax included) were JPY5,123,358 thousand and NT$495,547 thousand. As of December 31, 2017, payments for the contract amounted to JPY497,849 thousand and NT$81,871 thousand and were recognized as construction in progress of the operating concession asset under intangible assets.

29. 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.

30. 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 December 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.

31. 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.

32. 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
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item	December 31, 2017				Note
				Units/Face Value (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	FSITC Taiwan Money Market Fund	-	Available-for-sale financial assets - current	6,774	$ 103,020	-	$ 103,020	
	Jih Sun Money Market Fund	-	〃	7,104	104,622	-	104,622	
	Franklin Templeton Sinoam Money Market Fund	-	〃	4,899	50,331	-	50,331	
	Eastspring Investments Well Pool Money Market Fund	-	〃	4,585	62,012	-	62,012	
	Central Government Bonds 2016-11	-	Cash and cash equivalents	$ 1,761,000	1,906,000	-	1,906,000	
	Central Government Bonds 2015-13	-	〃	724,000	783,000	-	783,000	
	Central Government Bonds 2014-6	-	〃	674,100	749,000	-	749,000	
	Central Government Bonds 2014-9	-	〃	154,800	172,000	-	172,000	
	Central Government Bonds 2014-10	-	〃	830,000	900,000	-	900,000	
	Central Government Bonds 2013-10	-	〃	52,200	58,000	-	58,000	
	Central Government Bonds 2013-11	-	〃	70,200	78,000	-	78,000	
	Central Government Bonds 2013 B 1st	-	〃	86,400	96,000	-	96,000	
	Central Government Bonds 2012-5	-	〃	499,500	555,000	-	555,000	
	Central Government Bonds 2010-4	-	〃	451,800	502,000	-	502,000	
	Central Government Bonds 2010-7	-	〃	90,000	100,000	-	100,000	
	Central Government Bonds 2007-2	-	〃	97,200	108,000	-	108,000	
	Central Government Bonds 2007-7	-	〃	169,200	188,000	-	188,000	
	Central Government Bonds 2004-6	-	〃	160,200	178,000	-	178,000	
	Central Government Bonds 2004-9	-	〃	90,000	100,000	-	100,000	
	Central Government Bonds 2003-3	-	〃	88,200	98,000	-	98,000	
	Central Government Bonds 2001-8	-	〃	90,000	100,000	-	100,000	
	Central Government Bonds 2001 B 1st	-	〃	91,800	102,000	-	102,000	
	Central Government Bonds 2000-13	-	〃	117,000	130,000	-	130,000	
	Central Government Bonds 2016-4	-	Other financial assets - current	50,400	56,000	-	56,000	
	Central Government Bonds 2016-11	-	〃	1,658,000	1,830,000	-	1,830,000	
	Central Government Bonds 2015-13	-	〃	923,000	1,000,000	-	1,000,000	
	Central Government Bonds 2014-9	-	〃	411,300	457,000	-	457,000	
	Central Government Bonds 2013-6	-	〃	210,600	234,000	-	234,000	
	Central Government Bonds 2013-8	-	〃	283,500	315,000	-	315,000	
	Central Government Bonds 2013-10	-	〃	369,000	410,000	-	410,000	
	Central Government Bonds 2012-8	-	〃	99,000	110,000	-	110,000	
	Central Government Bonds 2012 B 2nd	-	〃	680,400	756,000	-	756,000	
	Central Government Bonds 2011-5	-	〃	504,000	560,000	-	560,000	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item	December 31, 2017				Note
				Units/Face Value (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
	Central Government Bonds 2011-7	-	Other financial assets - current	$ 342,900	$ 381,000	-	$ 381,000	
	Central Government Bonds 2011-9	-	〃	131,400	146,000	-	146,000	
	Central Government Bonds 2008-5	-	〃	53,100	59,000	-	59,000	
	Central Government Bonds 2007-2	-	〃	99,000	110,000	-	110,000	
	Central Government Bonds 2004-6	-	〃	202,500	225,000	-	225,000	
	Central Government Bonds 2001-8	-	〃	287,100	319,000	-	319,000	
	Central Government Bonds 2000 B 1st	-	〃	510,300	567,000	-	567,000	
	Central Government Bonds 1999 B 1st	-	〃	108,000	120,000	-	120,000	

(Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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 (Loss) on Disposal	Face Value	Carrying Amount
The Corporation	Central Government Bonds 2016-1	Note	-	-	$ -	$ -	$ 613,800	$ 682,000	$ 613,800	$ 682,548	$ 682,000	$ 548	$ -	$ -
	Central Government Bonds 2016-4	〃	-	-	-	-	310,500	345,000	260,100	289,202	289,000	202	50,400	56,000
	Central Government Bonds 2016-8	〃	-	-	409,500	455,000	842,000	933,000	1,251,500	1,388,962	1,388,000	962	-	-
	Central Government Bonds 2016-11	〃	-	-	-	-	3,831,000	4,183,556	412,000	447,922	447,556	366	3,419,000	3,736,000
	Central Government Bonds 2016-12	〃	-	-	311,400	346,000	-	-	311,400	346,317	346,000	317	-	-
	Central Government Bonds 2015-1	〃	-	-	-	-	2,178,700	2,420,600	2,178,700	2,421,967	2,420,600	1,367	-	-
	Central Government Bonds 2015-6	〃	-	-	830,000	900,500	2,423,200	2,639,000	3,253,200	3,542,422	3,539,500	2,922	-	-
	Central Government Bonds 2015-12	〃	-	-	-	-	2,147,300	2,385,300	2,147,300	2,385,801	2,385,300	501	-	-
	Central Government Bonds 2015-13	〃	-	-	-	-	3,707,000	4,013,500	2,060,000	2,232,520	2,230,500	2,020	1,647,000	1,783,000
	Central Government Bonds 2014-2	〃	-	-	72,900	81,000	285,000	308,000	357,900	389,171	389,000	171	-	-
	Central Government Bonds 2014-4	〃	-	-	-	-	944,900	1,028,300	944,900	1,028,783	1,028,300	483	-	-
	Central Government Bonds 2014-6	〃	-	-	300,000	333,000	1,337,400	1,486,000	963,300	1,070,406	1,070,000	406	674,100	749,000
	Central Government Bonds 2014-9	〃	-	-	353,800	393,100	1,835,800	2,035,211	1,623,500	1,800,230	1,799,311	919	566,100	629,000
	Central Government Bonds 2014-10	〃	-	-	-	-	3,128,000	3,381,000	2,298,000	2,482,910	2,481,000	1,910	830,000	900,000
	Central Government Bonds 2014-15	〃	-	-	2,677,000	2,920,000	3,145,600	3,434,333	5,822,600	6,360,208	6,354,333	5,875	-	-
	Central Government Bonds 2013-2	〃	-	-	-	-	1,433,200	1,581,600	1,433,200	1,582,653	1,581,600	1,053	-	-
	Central Government Bonds 2013-6	〃	-	-	300,300	333,000	624,600	694,000	714,300	793,688	793,000	688	210,600	234,000
	Central Government Bonds 2013-8	〃	-	-	-	-	1,357,900	1,508,778	1,074,400	1,194,230	1,193,778	452	283,500	315,000
	Central Government Bonds 2013-10	〃	-	-	838,400	931,400	1,799,600	1,998,344	2,216,800	2,463,369	2,461,744	1,625	421,200	468,000
	Central Government Bonds 2013-11	〃	-	-	144,000	160,000	331,200	368,000	405,000	450,363	450,000	363	70,200	78,000
	Central Government Bonds 2012-2	〃	-	-	63,000	70,000	709,200	788,000	772,200	858,705	858,000	705	-	-
	Central Government Bonds 2012-5	〃	-	-	129,000	140,000	1,447,400	1,608,156	1,076,900	1,193,836	1,193,156	680	499,500	555,000
	Central Government Bonds 2012-6	〃	-	-	346,000	384,000	666,800	739,500	1,012,800	1,124,186	1,123,500	686	-	-
	Central Government Bonds 2012-7	〃	-	-	100,000	108,000	620,000	684,300	720,000	792,602	792,300	302	-	-
	Central Government Bonds 2012-8	〃	-	-	-	-	334,800	372,000	235,800	262,260	262,000	260	99,000	110,000
	Central Government Bonds 2012-9	〃	-	-	177,300	197,000	1,535,400	1,705,900	1,712,700	1,904,202	1,902,900	1,302	-	-
	Central Government Bonds 2012 B 1st	〃	-	-	-	-	1,001,700	1,113,000	1,001,700	1,113,819	1,113,000	819	-	-
	Central Government Bonds 2012 B 2nd	〃	-	-	-	-	1,521,900	1,691,000	841,500	935,301	935,000	301	680,400	756,000
	Central Government Bonds 2011-5	〃	-	-	416,000	460,000	504,000	560,000	416,000	460,358	460,000	358	504,000	560,000
	Central Government Bonds 2011-7	〃	-	-	165,000	179,000	730,800	812,000	552,900	610,627	610,000	627	342,900	381,000
	Central Government Bonds 2011-9	〃	-	-	1,270,300	1,411,400	737,100	819,000	1,876,000	2,086,360	2,084,400	1,960	131,400	146,000
	Central Government Bonds 2010-4	〃	-	-	667,700	741,800	2,239,700	2,487,200	2,455,600	2,728,526	2,727,000	1,526	451,800	502,000
	Central Government Bonds 2010-5	〃	-	-	-	-	2,045,300	2,266,000	2,045,300	2,266,820	2,266,000	820	-	-
	Central Government Bonds 2010-7	〃	-	-	92,000	100,000	1,233,000	1,370,000	1,235,000	1,371,006	1,370,000	1,006	90,000	100,000
	Central Government Bonds 2010-8	〃	-	-	-	-	825,300	917,000	825,300	917,498	917,000	498	-	-
	Central Government Bonds 2009-6	〃	-	-	-	-	1,908,900	2,121,000	1,908,900	2,123,801	2,121,000	2,801	-	-
	Central Government Bonds 2008-3	〃	-	-	-	-	303,700	336,667	303,700	336,842	336,667	175	-	-
	Central Government Bonds 2008-5	〃	-	-	212,000	229,000	838,100	928,000	997,000	1,098,851	1,098,000	851	53,100	59,000

(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 (Loss) on Disposal	Face Value	Carrying Amount
	Central Government Bonds 2008-6	〃	-	-	$ 757,400	$ 840,600	$ 1,350,000	$ 1,500,000	$ 2,107,400	$ 2,342,774	$ 2,340,600	$ 2,174	$ -	$ -
	Central Government Bonds 2007-2	〃	-	-	-	-	990,900	1,101,000	794,700	883,620	883,000	620	196,200	218,000
	Central Government Bonds 2007-7	〃	-	-	-	-	345,600	384,000	176,400	196,144	196,000	144	169,200	188,000
	Central Government Bonds 2006-7	〃	-	-	252,000	273,000	141,000	153,000	393,000	426,438	426,000	438	-	-
	Central Government Bonds 2005-8	〃	-	-	-	-	2,610,000	2,900,000	2,610,000	2,901,793	2,900,000	1,793	-	-
	Central Government Bonds 2004-6	〃	-	-	-	-	1,065,600	1,184,000	702,900	781,397	781,000	397	362,700	403,000
	Central Government Bonds 2003-3	〃	-	-	40,500	45,000	2,278,800	2,488,000	2,231,100	2,437,072	2,435,000	2,072	88,200	98,000
	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	1,013,100	1,125,667	1,907,600	2,120,596	2,119,467	1,129	-	-
	Central Government Bonds 2001-2	〃	-	-	354,200	393,000	2,148,700	2,383,000	2,502,900	2,777,427	2,776,000	1,427	-	-
	Central Government Bonds 2001-4	〃	-	-	965,100	1,071,000	552,700	613,500	1,517,800	1,685,831	1,684,500	1,331	-	-
	Central Government Bonds 2001-8	〃	-	-	-	-	1,046,100	1,139,000	669,000	720,563	720,000	563	377,100	419,000
	Central Government Bonds 2001 B 1st	〃	-	-	1,187,200	1,314,000	1,403,300	1,545,500	2,498,700	2,759,756	2,757,500	2,256	91,800	102,000
	Central Government Bonds 2000-7	〃	-	-	-	-	1,155,500	1,267,500	1,155,500	1,268,134	1,267,500	634	-	-
	Central Government Bonds 2000-13	〃	-	-	3,384,800	3,641,800	1,998,100	2,213,900	5,265,900	5,730,864	5,725,700	5,164	117,000	130,000
	Central Government Bonds 2000 B 1st	〃	-	-	467,700	519,000	600,300	667,000	557,700	619,598	619,000	598	510,300	567,000
	Central Government Bonds 1999-3	〃	-	-	844,600	938,000	1,112,400	1,236,000	1,957,000	2,175,518	2,174,000	1,518	-	-
	Central Government Bonds 1999 B 1st	〃	-	-	640,900	711,800	3,048,000	3,350,200	3,580,900	3,942,972	3,942,000	972	108,000	120,000

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

(Concluded)