台灣高鐵
TAIWAN HIGH SPEED RAIL

2013 ANNUAL REPORT

Fact Sheet
THSRC Milestones

Commencement Date: May 1998
Construction Stage: March 2000–December 2006
Operation Stage: Started in January 2007
Capitalization: NT$105.3 billion

Key Operating Statistics for 2013:

Train Services: 48,859 train services
Punctuality(defined as departure within 5 minutes of scheduled time): 99.38%
Annual Ridership: 47.49 million passengers
Annual Revenues: NT$36.10 billion
Loading Factor: 57.50%
Passenger Kilometers: 9,118 million km
Total Route Length: 345 km
Number of Cities/Counties Passed Through: 11 cities/counties
Maximum Operating Speed: 300 km/hr
Number of Seats Per Train: 989 seats (923 seats in standard and 66 in business class carriages)
Stations in Service: 8 (Taipei, Banqiao, Taoyuan, Hsinchu, Taichung, Chiayi, Tainan and Zuoying)
Maintenance Depots in Service: 5 (Liujia/Hsinchu, Wuri/Taichung, Taibao/Chiayi, Zuoying/Kaohsiung and Yanchao Main Workshop/Kaohsiung)

Note:
Loading Factor = Passenger-kilometers/seat-kilometers x100%
Passenger-Kilometers = Sum of the mileage traveled by each passenger
Seat-Kilometers = ∑ (Number of seats per trrainset x sum of the mileage of trains operated in revenue service)

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Chairman's Letter to Shareholders

Tony Fan

Chich-Chiang Fan
Chairman

Dear Fellow Shareholders,
2013 marked the seventh year since THSRC opened its high-speed rail line. Over the years, we have allowed significant changes to people's lifestyles and brought urban and rural communities closer together. As a high-speed rail operator, we continue to deliver on our commitment to excellence in service, customer satisfaction and corporate responsibility, with the principle of "Go Extra Mile" guiding every action we take.

2013 Results

Since THSRC started rail service in January 2007, more than 250 million passengers have travelled on THSRC's high-speed trains. Last year marked our seventh operational anniversary, and we continued to drive ridership growth despite a challenging economic environment.

During 2013, we carried 47.49 million passengers, we provided a total of 48,859 train services, and our loading factor was 57.50%, an increase of 2.91 percentage points over 54.59% in 2012. Even with this increase in passenger volume, we achieved a remarkable punctuality of 99.38% and a service reliability of 99.90%, excluding situations that are beyond our control.

We are proud of our zero accident record over the past year – no accidents or injuries to passengers.

In 2013, we also made strong headway on marketing and sales with the maintenance and enhancement of a number of promotional programs, such as early bird ticketing, discounts for college students, upgraded service to business class, and vacation packages and deals under our T Holiday program. Moreover, we provided multiple channels for ticket purchase, including at convenience stores, via a mobile phone, and using contactless EasyCard. We maximized accessibility to our HSR stations by providing free shuttle bus rides to and from downtown areas.

Compared with the prior year, our financial performance improved significantly, with revenues up 6.24% year-over-year to NT$36.10 billion. Gross profit, operating profit and EBITDA was NT$12.34 billion, NT$11.39 billion, and NT$26.49 billion, separately. Profit before tax came in at NT$2.71 billion. Our improved financial results reflected higher passenger volume and revenues, stricter cost control and enhanced efficiency.

Research & Development

During 2013, we further enhanced our maintenance capability and strived to reduce the cost and risk of loss resulting from the delayed or failed delivery of spare parts. To meet these objectives, we continued to seek out local suppliers for spare parts and improved our maintenance facilities, in particular for

James Jeng

Kung-Yeun Jeng
CEO

the repair of electronic equipment. We also conducted extensive research aimed at maintaining and improving track and signaling assets, as well as developing a geographic information system for disaster prevention.

Looking Ahead

(1)Management objective

The high-speed rail has become the most important means of travel along Taiwan's western corridor, serving as a catalyst for growth in the regional economies and enhancing the lives of those we serve. In 2014, we will bring more innovative services to customers, in addition to our long-standing commitment to safety, reliability and ease of travel. We plan to increase revenues and profit by expanding the development of station areas and affiliated businesses. Concurrently, we will continue giving back to the communities in which we live, work and serve.

(2)Growth target

The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan in February forecast Taiwan's GDP growth in 2014 at 2.82%. We expect to seize the opportunities the growth trend presents, to introduce new passenger services and to increase ridership to 50 million passengers in 2014.

(3)Marketing initiatives

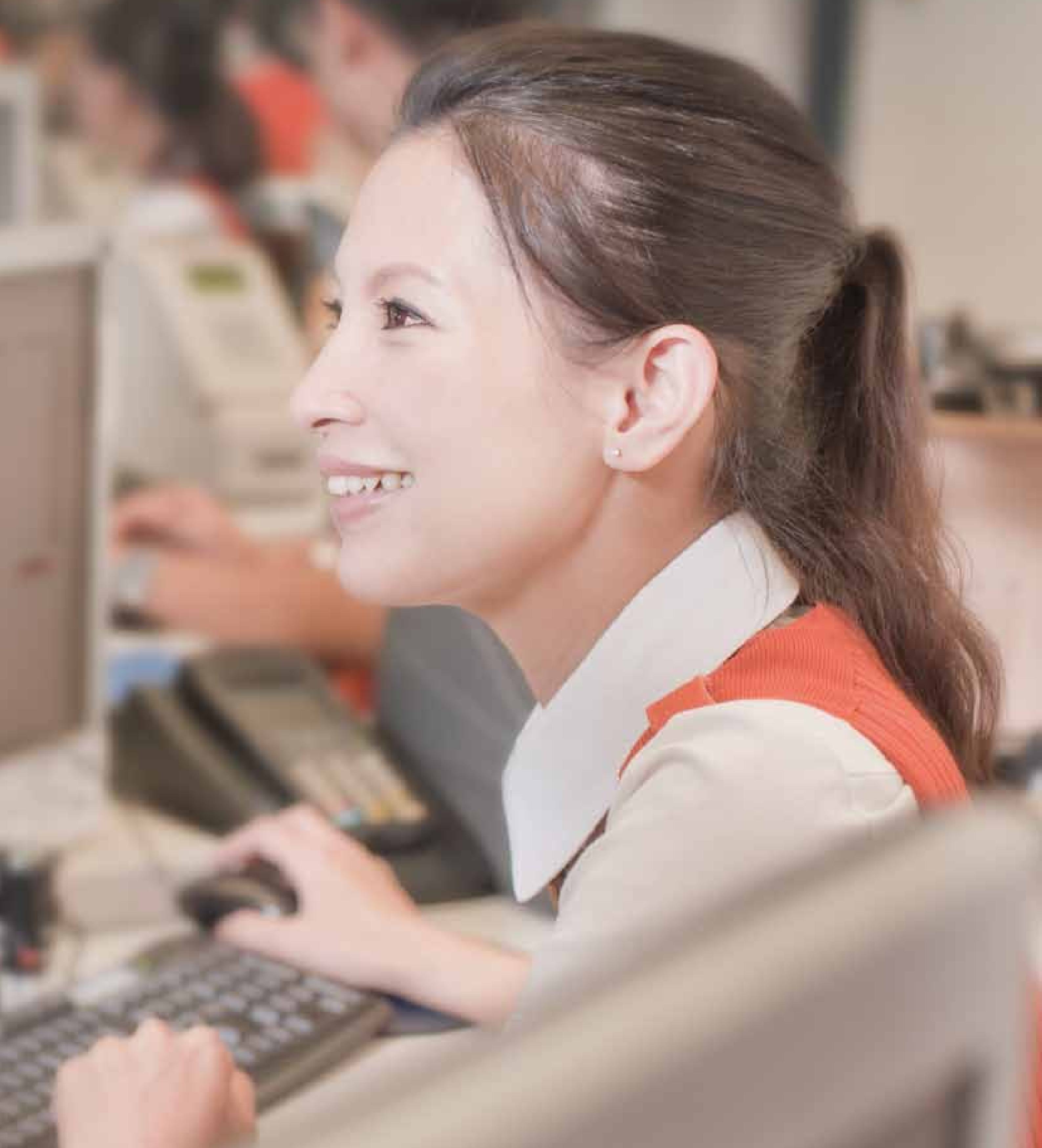
Since the commencement of our operation, we have investigated all aspects of passenger behaviors and researched their needs and satisfaction levels. We have also tailored our services to anticipate and meet passenger expectations in an aim to remain competitive against other transport modes, to gain market share and to increase revenues. In 2014, we will focus on six marketing initiatives, including:

- Ensuring safe and stable transport
- Planning new products and services
- Broadening the breadth and depth of our services so as to increase passenger revenue
- Expanding cooperation with partners beyond the transportation industry
- Improving the quality of service and enabling the exchange of information through one common platform within the company
- Accelerating the development of affiliated businesses
- Continuing the construction of three new stations and generating new customers and revenue opportunities

The high-speed rail is a driving force of Taiwan's economy.

OVERVIEW

Ensuring passenger safety through effective management and discipline



Company Profile

Business segments

THSRC's business scope covers the operation of the high-speed rail and affiliated businesses, as well as station area development.

A. High-speed rail service

THSRC provides high-speed rail services to each of the major cities along Taiwan's western corridor via eight stations: Taipei, Banqiao, Taoyuan, Hsinchu, Taichung, Chiayi, Tainan and Zuoying. A total of 48,859 train services were delivered in 2013 with maximum traffic volume amounting to as many as 176 services on one of the consecutive holidays. Offering speed, convenience and dependability, THSRC has become the transport of choice for residents and travelers alike.

B. Affiliated businesses

To serve the needs of the traveling public, at high-speed rail stations, we have provided various commercial outlets that supply goods and services, including food, beverages, newspapers and other reading materials, souvenirs, car rental and travel agency services, and car parking facilities.

Advertising, both in stations and on board trains, makes a significant contribution to THSRC revenues, offering passengers within the rail system a unique brand of distinctive artwork and information.

All these commercial outlets and facilities are designed to add value to passengers' high-speed rail experience and demonstrate THSRC's commitment to providing high-quality services in its stations, which play an important role in the communities served by the high-speed railway.

C. Station area developments

THSRC has five station area developments located in Taoyuan, Hsinchu, Taichung, Chiayi, and Tainan. The total area of all station area developments is 30.14 hectares, with a floor area of 1,200,380 m^2, which can be used for an array of commercial purposes, including hotels and restaurants, convention and exhibition space, recreation and amusement venues, office space, retail facilities, and space for financial, general, telecommunication, transportation, and tourism-related services.

THSRC continues to enhance its station area developments in support of the government's policy of economic development, and to align its efforts with the needs of local communities and market conditions in order to maximize profit.

The main objectives of station area development are:

- Execute and coordinate the Station Area Development Agreement
- Initiate the development planning process and implementing strategies for station area development
- Evaluate different business models for station area development, such as investing and building for operation by the developer, joint ventures with developers, and land rental
- Attract investments for short-term and/or temporary usage of station area property to utilize the land and create alternative sources of revenue

Business strategy and vision

THSRC not only identifies itself as a major participant in Taiwan's transport industry, but also acts as a positive agent for change in the development of Taiwan's commercial and manufacturing industries in areas served by high-speed rail.

THSRC also strives to play a significant role in improving the quality of life of the entire population of Taiwan, and works to identify and meet the needs of those traveling along Taiwan's western corridor. The Company continually works to improve the quality and standard of its services by ensuring that its stations are well connected and accessible via the high-speed rail network and through connections with other transport modes.

Five core values – Discipline, Integrity, Efficiency, Innovation and Sensibility – form the basis of THSRC's objective of establishing and developing long-term partnerships with those electing to travel by high-speed rail. In addition to these five core values, four attributes characterize THSRC's rail service: Real, Progressive, Passionate and Premium. THSRC's corporate culture, founded on these core values and attributes, can best be exemplified by the guiding principle of "Go Extra Mile," which aptly describes the company's dedication to meeting passengers' needs and its strategic objective of continuous improvement across all facets of its operations.

Looking ahead, THSRC will continue to adhere to its core values and attributes to develop and improve its high-speed rail service to respond to the demands and needs of the industries, businesses, and residents in the towns and cities it serves. In addition, THSRC will continue to play a key role in Taiwan's transport network, and will also work to seamlessly integrate its stations with the surrounding neighborhoods. THSRC remains committed to pursuing these strategic initiatives in order to deliver value to its passengers, employees and shareholders.

Our Core Values

Integrity
Carrying out our duties in accordance with all relevant Codes and Standards, we are dedicated, in hearts and minds, to meeting the highest standards of probity, in order to deserve the trust of shareholders and customers.

Efficiency
We seek to carry out each task efficiently, through regular review and assessment of the most effective approach to our daily activities.

Sensibility
We strive to understand our customers' needs, through research and systematic assessments, developing standards and facilities accordingly, in our quest for service excellence.

Innovation
Constantly exploring innovative methods and ways to improve our services, we aim to achieve continuous improvement in all areas of our business.

Discipline
Discipline defines our ways of carrying out tasks. We demand the highest standards of ourselves. This is the foundation of safety, punctuality and service reliability.

Our Attributes

Passionate
To all endeavours we bring a passionate desire to be successful in making each passenger experience – memorable and encouraging commitment to regular use of high speed rail.

Progressive
By following a measured and progressive advance to achieving improvement in all our activities we aim to meet customers' needs and provide a railway of world class standards.

Premium
In pursuing the highest standards of quality in all our activities and provision of rail services we are determined to demonstrate true "Value for Money" for each journey by high-speed rail.

Real
We encourage all employees to be realistic in their approach to life, identifying that which is substantive when addressing the facts in each encounter with problems or adverse circumstances.

Company History

Development Stage

- **November 1996** — The Taiwan High Speed Rail Consortium is established.
- **September 1997** — The Ministry of Transportation and Communications (the MOTC) awards the Taiwan High Speed Rail Consortium with the concession to build and operate the Taiwan High Speed Rail.
- **May 1998** — Taiwan High Speed Rail Corporation (THSRC) is established.
- **July 1998** — THSRC and MOTC sign the "Taiwan North-South High Speed Rail Construction and Operation Agreement" (the "C&OA"), "Taiwan North-South High Speed Rail Station Zone Development Agreement" (the "SZDA"), "Memorandum of Government Commitment Matters" and "Memorandum of Contract Execution".
- **February 2000** — THSRC enters into a syndicated loan agreement with 25 banks, under which THSRC obtains credit facilities totaling NT$323.3 billion. In addition, THSRC, the syndicated banks and the MOTC simultaneously sign the Tripartite Agreement.

Construction Stage

- **March 2000** — THSRC begins the construction of the high speed rail project.
- **December 2000** — THSRC enters into the "Core System Supply Contract" and "Core System Integration and Installation Contract" with Taiwan Shinkansen Corporation and Taiwan Shinkansen International Engineering Corporation.
- **April 2001** — The Securities and Futures Bureau authorizes THSRC as a public company.
- **September 2003** — THSRC applies to the GreTai Securities Market for permission to list on the Emerging Stock Market.
- **January 2004** — The ceremony for the unveiling of train model THSR 700T is held in the Kawasaki Plant in Kobe, Japan.
- **October 2005** — THSRC test run train reaches a speed of 315 km/hr.
- **July 2006** — THSRC enters into a second syndicated loan agreement with 7 domestic banks, under which THSRC obtains credit facilities totaling NT$40.7 billion.
- **October 2006** — THSRC announces a new corporate identity system.

Operation Stage

- **January 2007** — THSRC starts commercial operation from Banqiao Station to Zuoying Station with 38 train services daily.
- **May 2007** — THSRC enters into a second revised syndicated loan agreement with Lehman Brothers Asia Limited and syndicate banks, under which THSRC obtains credit facilities totaling NT$65.5 billion.
- **September 2007** — THSRC increases its operation to 91 train services daily.
  - THSRC launches a 24-hour online reservation system.
  - The cumulative ridership reaches over 10 million passengers.
- **November 2007** — THSRC increases its operation to 113 train services daily.
  - THSRC launches the non-reserved class.
- **November 2008** — THSRC introduces HSR Dual-Color Fares, under which the standard reserved seat "Orange Fare" is 35% off the regular ticket price, and the "Blue Fare" is 15% off.
- **December 2008** — THSRC increases its operation to between 130 and 142 services daily (based on peak or off-peak days to allow a flexible timetable).


Taipei Station


Taoyuan Station


Hsinchu Station

January 2010	THSRC enters into a syndicated loan agreement with 8 banks, under which THSRC obtains credit facilities totaling NT$382 billion for refinancing its first and second syndicated loans, excluding Tranche D. In addition, THSRC, the syndicated banks and the MOTC simultaneously renew the Tripartite Agreement.
February 2010	THSRC and FamilyMart launch the first railway tickets sold by a convenience store in Taiwan, enabling passengers to book, pay for and collect their tickets at the same time. This new system allows passengers to pass through the HSR ticket barrier directly using the QR code printed on each ticket.
April 2010	7-Eleven stores begin selling HSR tickets, and the convenience store-based ticketing channel expands to more than 7,000 outlets.
May 2010	THSRC used the proceeds of tranches A, B & C of the "Taiwan North-South High Speed Rail Construction and Operation Project NT$382 Billion Syndicated Loan Agreement" to repay the outstanding balance of the "Taiwan North-South High Speed Rail Construction and Operation Project NT$323.3 Billion Syndicated Loan Agreement" and tranches A, B & C of "The Second Syndicated Loan Agreement" on May 4, 2010.
August 2010	The "Taiwan North-South High Speed Rail Project" is awarded the "Outstanding Civil Engineering Project Award" by the Asian Civil Engineering Coordination Council (ACECC).
October 2010	THSRC increases its operation to 915 train services weekly, the Interactive Voice Response service is extended to 24 hours, and a new reservation notification system by SMS is rolled out.
January 2011	THSRC redeems and cancels first overseas unsecured convertible bonds issued back in 2007 worth US$26,318,000. Following the cancellation, the outstanding principal balance is US$0.
February 2011	THSRC tops the list of Taiwan's 100 Best Infrastructure Projects, commissioned by the Public Construction Commission of the Executive Yuan.
August 2011	THSRC attends the 12th Golden Road Award for the first time and wins 6 awards, including outstanding performance for equipment maintenance of vehicle, signal communications, road, station electrical and mechanical maintenance, depot electrical and mechanical maintenance, and the second prize for the station environment maintenance.
October 2011	THSRC is awarded the "20th R.O.C Enterprise Environmental Protection Award", which is organized by the Environmental Protection Administration.
	THSRC launches "THSR T Express", a new ticketing system that enables customers to book and purchase tickets using their smartphones. Tickets are displayed as QR codes on smartphone screens, allowing passengers to pass through ticket barriers.
November 2011	Following FamilyMart, 7-Eleven, and Hi-Life convenience stores, OK convenience stores begin selling HSR tickets, expanding the convenience store-based ticketing channel to more than 9,700 outlets.
	THSRC receives from the GreTai Securities Market the 1st Golden Laurel Award in recognition of the company's contribution to entrepreneurship.
April 2012	THSRC and the International Union of Railways (UIC) hold the 2nd UIC World High Speed Interaction Workshop specializing in the maintenance of High Speed Rail Systems, inviting global railway industry experts to share experiences and discuss technical information.
June 2012	Passengers can apply for ticket refunds at any branch of the same convenience store chain up to 30 minutes before departure.
July 2012	THSRC is selected as the all-category winner of the 2012 Golden Service Award organized by CommonWealth Magazine.
	THSRC launches "Fun Reading for Family." Passengers can borrow and return children's books at different HSR stations.

November 2012
THSRC takes part in the 14th Asia Regional Assembly (ARA) and the 11th Asia Management Committee (AMC) of the International Union of Railways (UIC) in Moscow, and is recognized as a member of the AMC effective from 2013.

THSRC wins the 21st "Annual Enterprise Environmental Protection Award" and is arranged to meet the Taiwan Vice President Wu Den-yih.

THSRC's core business of high speed rail operation, maintenance and passenger service is certified by Lloyd's Register Quality Assurance (LRQA) and is granted an ISO 9001 compliance certificate. All audited items conform to the standards of ISO Quality Management System.

One of THSRC's T Holiday packages is selected as "Best Winter Trip 2013" by National Geographic Magazine. Taking the high speed train through Taiwan's western corridor allows travelers to quickly traverse across the western cities and counties, while providing a gateway to other attractions and scenic spots.

December 2012
THSRC carries its 200 millionth passenger.

January 2013
THSRC holds groundbreaking ceremonies for new stations planned in Yunlin, Miaoli and Changhua.

February 2013
For the first time, unreserved cars are collocated in operation during the Chinese New Year holidays in order to carry the huge volume of passengers.

July 2013
To celebrate the arrival of its 31st trainset, THSRC gives the train an amusing, energetic look by painting it in cartoon characters. On this new train's first day of service, children sponsored by Good Shepherd Social Welfare Services and Children Are Us Foundation are invited to take a ride.

August 2013
THSRC wins 6 awards at the 14th Golden Road Award, including Awards for Outstanding Achievement in equipment maintenance of vehicle, signal communications, road, station electrical and mechanical maintenance, depot electrical and mechanical maintenance, and the top prize for station environment maintenance.

September 2013
In support of the Ministry of Culture's reading initiative, a new e-book service is launched, allowing passengers to download electronic books for free via a mobile phone in Wi-Fi-enabled areas within HSR stations.

October 2013
THSRC adjusts the rail fare using a formula approved by the Ministry of Transportation.

November 2013
THSRC is honored with the 22nd R.O.C Enterprise Environmental Protection Award.

December 2013
THSRC holds beam-raising ceremonies for new stations planned in Yunlin, Miaoli and Changhua.

THSRC and JR Kyushu Railway Company exchange work practices of train attendants so as to expand understanding of the different operating practices and cultures within Taiwanese and Japanese high-speed rail operators.

January 2014
The third of four new 700T trainsets purchased from Japan arrives in Kaohsiung for remodeling, testing and acceptance work.

April 2014
THSRC receives the Golden Service Award from CommonWealth Magazine in the ground transportation category.

Tainan Station

Zuoying Station

OUR BUSINESS

Putting customers at the heart of what we do


6A 6C
7A 7C
商業周刊

Five Years in Review

Below are the highlights of operational activities THSRC delivered over the past five years:

- Provided a total of 238,340 train services and achieved an average reliability rate of 99.92%. (The reliability rate is derived by dividing the total number of operating trains by the total number of scheduled trains over a period of one year.)
- Achieved 40.3 billion passenger-kilometers and a loading factor of 51.89%.
- Achieved 77.6 billion seat-kilometers and an average punctuality of 99.44%. (The punctuality is derived by dividing the total number of trains departing within 5 minutes of scheduled time by the total number of operating trains.)

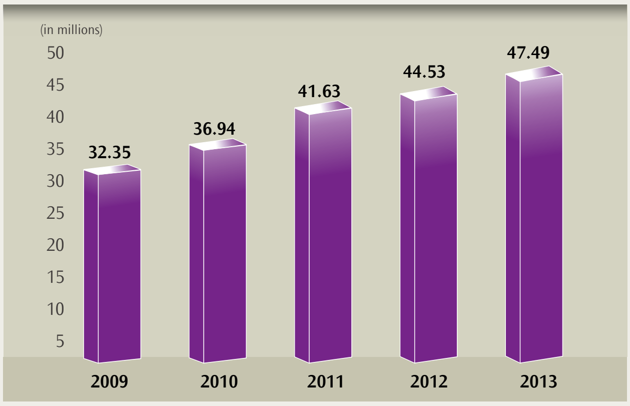
Average Reliability Rate, 2009 – 2013

99.92%

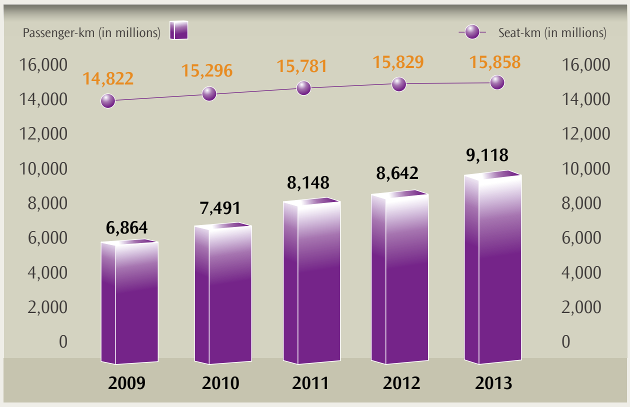
Average Punctuality, 2009 – 2013

99.44%

Total Ridership, 2009 – 2013

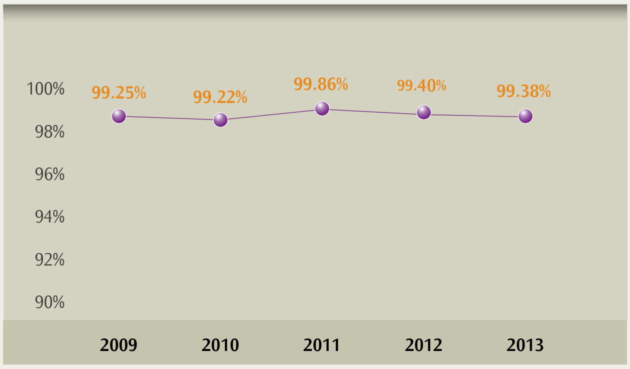


Passenger-kilometers and Seat-kilometers, 2009 – 2013



Punctuality, 2009 – 2013

(as % of trains departing within 5 minutes of scheduled time)



Measures of Transport Performance, 2012 – 2013

	2012	2013	Change
1. Number of services	48,682	48,859	0.36% ↑
2. Number of passengers (in millions)	44.53	47.49	6.65% ↑
3. Seat-kilometers (in millions)	15,829	15,858	0.18% ↑
4. Passenger-kilometers (in millions)	8,642	9,118	5.51% ↑
5. Punctuality (as % of trains departing within 5 minutes of scheduled time)	99.40%	99.38%	-0.02% ↓
6. Loading factor (passenger-km/seat-km)	54.59%	57.50%	2.91% ↑

Key Operating Statistics, 2009 – 2013

Key Performance Indicator	Total ridership (in millions)	Train services per year	Loading factor (passenger-km/ seat-km)	Punctuality (as % of trains departing within 5 minutes of scheduled time)	Passenger-kilometers (in millions)	Seat-kilometers (in millions)
2009	32.35	45,286	46.31%	99.25%	6,864	14,822
2010	36.94	46,960	48.97%	99.22%	7,491	15,296
2011	41.63	48,553	51.63%	99.86%	8,148	15,781
2012	44.53	48,682	54.59%	99.40%	8,642	15,829
2013	47.49	48,859	57.50%	99.38%	9,118	15,858

Results of Operations

2013 highlights

In 2013, THSRC carried 47.49 million passengers, a 6.65% increase compared to the prior year.

- The number of train services was 48,859.
- The total passenger-kilometers and seat-kilometers were 9,118 million and 15,858 million, respectively.
- The average reliability and punctuality of train service was 99.90% and 99.38%, respectively, excluding services delayed or cancelled due to circumstances beyond THSRC's control.

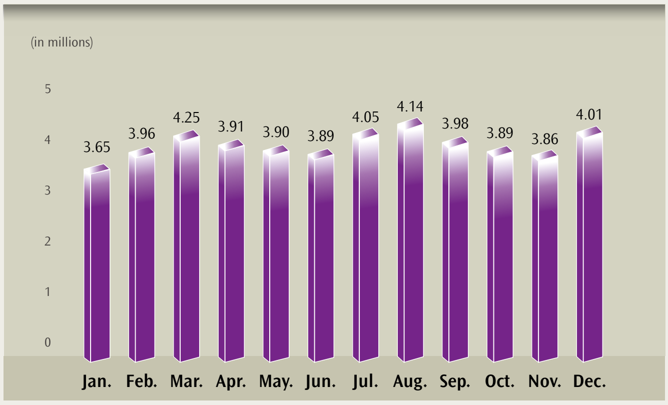
Reliability Rate in 2013

99.90%

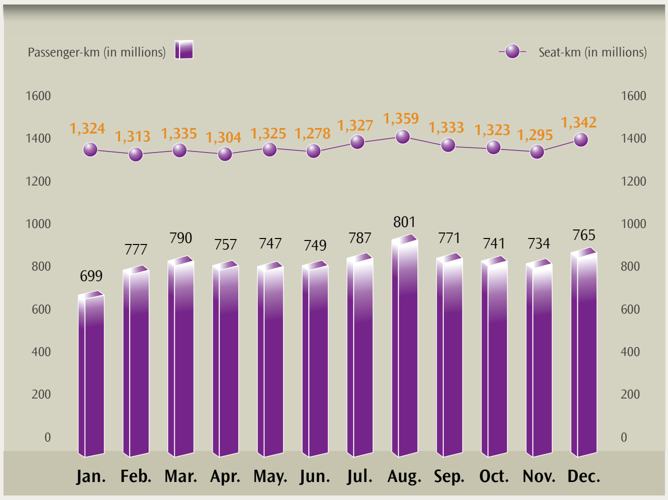
Punctuality in 2013

99.38%

Ridership in 2013



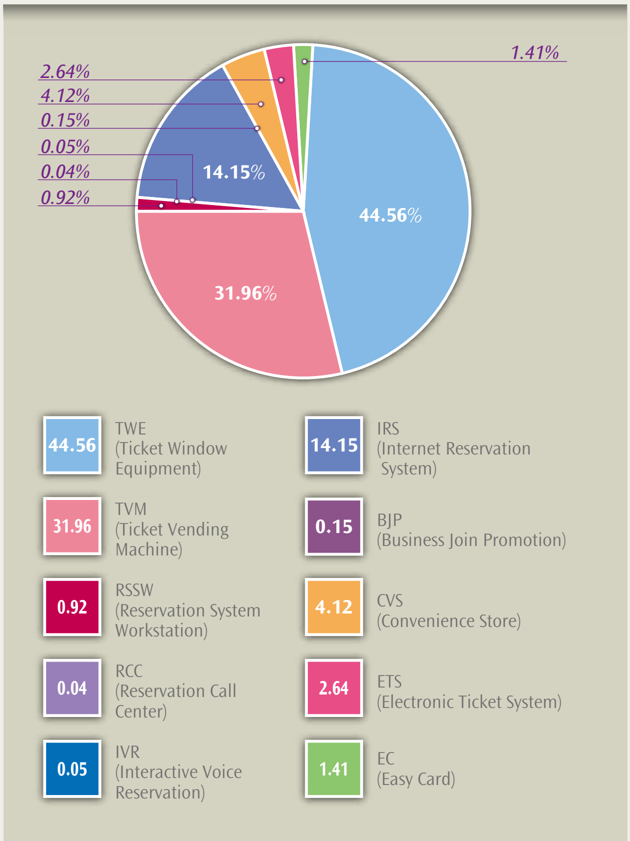
Passenger-kilometers and Seat-kilometers in 2013



Multiple booking and ticketing options

We offer a number of ways to make booking and paying for tickets easy and convenient. Passengers can choose to purchase tickets at ticket counters, vending machines and convenience stores or via an internet reservation system, an interactive voice reservation system, a reservation call center, a group reservation system and a joint ticketing program with airlines. Effective December 2011, passengers can proceed through ticket barriers using their Easy Card, a contactless smartcard.

Booking and Ticket Purchase by Channel in 2013



Station services and facilities

At each of our eight modern, beautifully designed stations, we provide a wide range of services and amenities to ensure ease of travel. These include ticket counters and automated ticket vending machines, passenger information systems, customer service desks, disabled facilities, nursery rooms, drinking fountains, convenience stores, bookstores, restaurants and Wi-Fi access in waiting areas.

To provide quick and easy access to and from our eight stations, each station is equipped with parking lots, car rental services, park-and-ride drop-off sites, taxi stations and interchanges with metro, bus and traditional railway services. In addition, we collaborate with express bus companies to run free shuttle bus services. In 2013, we offered 354,337 free shuttle bus rides to 4,715,793 passengers. Below is a summary of bus routes operated in 2013:

Free Shuttle Bus Routes

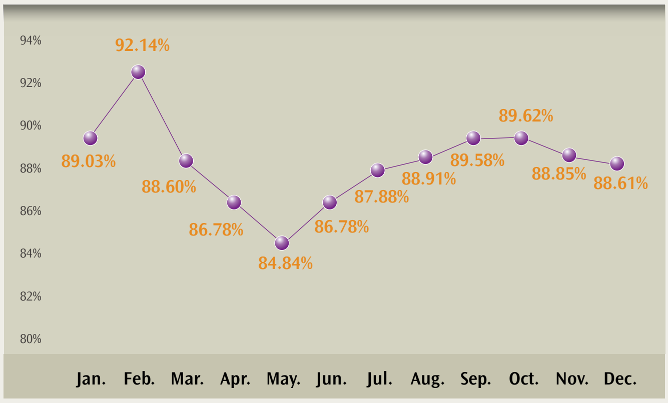
HSR station	Number of bus routes
Taoyuan	2
Hsinchu	1
Taichung	3
Chiayi	1
Tainan	2

Maintenance

In order to provide passengers a safe and comfortable high-speed rail experience, we ensure all maintenance work carried out is in compliance with the Rolling Stock Maintenance Plan. In 2013, we completed the fifth bogie inspection (BI-5) for eight trainsets (a total of 192 bogies) at a running distance of three million kilometers.

The sixth bogie inspection (BI-6), to be performed at a running distance of 3.6 million kilometers, commenced in 2013 and had been carried out for six trainsets (a total of 144 bogies). The third general inspection (GI-3) started in September 2012, and by December 2013, the inspection had been carried out for 20 trainsets. The well-executed maintenance schedule indicated that our maintenance personnel successfully delivered on assignments in the past year.

Trainset Availability in 2013



The maintenance intervals for rolling stock are as follows:

- Daily inspection (level 1 inspection): every two days
- Monthly inspection (level 2 inspection): every 30 days or 30,000 km
- Bogie inspection (level 3 inspection): every 18 months or 600,000 km
- General inspection (level 4 inspection): every 36 months or 1,200,000 km

Note: The interval is determined by which condition occurs first.

The preventive maintenance works performed in 2013 are as follows:

Preventive Maintenance Works in 2013

System	Preventive maintenance (arranged by the order of the work when performed)		
	Planned	Actual	Percent completed
Building Service	27,886	27,886	100%
Rolling Stock	8,127	8,127	100%
Signaling System	8,980	8,980	100%
Communication System	5,343	5,343	100%
Operation Control Center	6,255	6,255	100%
Power Supply System	2,352	2,352	100%
OCS System	1,606	1,606	100%
Track System	1,311	1,311	100%
Total	61,860	61,860	100%

In 2013, we completed a surveillance audit with LRQA from November 4 to November 8, and were granted renewal of ISO 9001 certification for another three years.

Training

In 2013, we continued to hold safety training classes and required operations and maintenance staff to undertake skill training. The attendance of first-time or recurrent training courses during the year was: 6,386 attendances for employees and partners who received general training on High Speed Rail Operations Regulations (HSROR); 17,344 attendances for control, train and station staff; and 4,360 attendances for staff responsible for the maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS) and tracks. In addition, 577 trainmasters in active service passed a recurrent skills test required at least once every three years.

Operational safety

To ensure that our train operations staff comply with relevant health and safety laws and policies, unannounced health examinations are held periodically to identify potential substance abuse. Prior to their duties, train staff must have their blood pressure taken and pass a breathalyzer test.

Our commitments

THSRC is committed to providing passengers with best-in-class experience with high-speed rail and exemplary customer service. We focus on:

(1)Putting customers first

To fully meet customers' demands and expectations, we review their comments and modify our service policies appropriately.

(2)Creating and maintaining a service-oriented culture

We motivate our employees to develop and sustain a passion for service. We make continual progress on quality and efficiency through providing opportunities for employees to expand their knowledge and skills, and engaging them in positive service-oriented behaviors.

Capability and skill development

We have made it a top priority to deliver safe performance by strengthening our in-house maintenance capability, acquiring new maintenance technologies and reducing maintenance costs. The objectives we set for the maintenance of rolling stock, signaling and communication systems and turnout systems are:

(1)enhancement of inspection and repair capabilities for failed integrated circuit (IC) boards and components in our electronics workshop.

(2)cooperation with Taiwan's Industrial Technology Research Institute (ITRI) and corporations to perform technical studies to find better maintenance solutions for rolling stock in various areas, including reliability improvements for the frequently failed parts used in air conditioning and toilet compartments; the development of highly-efficient air conditioning filters; and local procurement of parts and components, including saloon seat cushions and a developed repair kit for toilet disk valves.

(3)maintenance capability and skill enhancement for the PWD (Permanent Way Department) to perform PM (preventive maintenance) and CM (corrective maintenance) works for the tracks, the OCS (overhead catenary system), the power system and wayside equipment, and to improve ride comfort by shimming rails.

(4)implementation of company policies that localize the procurement of components and parts to reduce material costs, improve inventory management, increase cost effectiveness and secure parts supply in emergency situations.

Looking Ahead

Since our inception, we have operated under the guidance of our five core values: Discipline, Integrity, Efficiency, Innovation and Sensibility. Going forward, three strategic objectives will continue to define our future and ensure our success, and we aim to:

Accelerate and sustain growth

Despite challenges posed by the global financial crisis in the years following THSRC's launch of high-speed rail service, we have still managed to grow ridership from a daily average of 43,000 passengers in 2007 to over 130,000 passengers in 2013. The pursuit of growth, however, has never compromised our commitment to quality service and safety. Through meticulous planning, we strive to offer a comfortable, reliable travel experience by high-speed rail by providing easy access to railway stations, on-board service, ticket purchase and customer support. We also uphold the highest standard of safety to ensure the well-being of our passengers and staffs.

Strengthen financial position

We must continue to negotiate with the Government over financing arrangements to allow us to improve THSRC's capital and liquidity position. With the support from the Government, we are confident that our efforts to restore financial stability and investor confidence will come to fruition eventually.

Expand network coverage

Developing new points of access is another key priority we aim to execute. We are currently building three new stations, which will extend high-speed rail service to underserved regions along the western corridor of Taiwan. Additionally, we are procuring new trainsets to meet increased passenger traffic demand and to enhance the frequency of our train services.

As we plan on leveraging passenger traffic and railway assets to develop affiliated businesses, we must be prudent yet proactive in our approach. We will work to transform railway station areas into regional hubs of economic activity, therefore creating fresh revenue streams. Additionally, we will continue to build long-term relationships with our global industry peers, whose strength in railway operations, maintenance and ticketing management will inspire and catalyze our own continued development.

One of our missions is to support Taiwan's economic progress. The high-speed railway has closed distances between cities, bringing comfort and speed to tens of millions of travelers a year while making possible new markets and extending trade. The spirit of "Go Extra Mile" will guide us as we make progress on all of our highest priorities, including enhancing operational efficiency, updating technology and infrastructure, improving financial soundness and exploring development opportunities in railway assets.

Corporate Governance

Managing with transparency, accountability and integrity

Corporate Governance Overview

1.Board and its committees

Board

The Board has the overall responsibility for THSRC's performance and its main duties include regularly reviewing the Company's strategy, planning capital expenditure, internal restructuring and human resources policy. It also appoints, dismisses and supervises the Company's senior management team, chief auditor and chief accountant. The current Board consists of a Chairman, eleven Directors and three Independent Directors. The current Board was elected on June 22, 2012 for a term of three years. The Board held 12 meetings during 2013. To carry out its duties, the board has delegated authority to several committees. The Board currently has five committees.

Corporate Governance Committee

The Corporate Governance Committee has primary responsibility for recommending candidates to be nominated for election as independent directors at the shareholders' meeting, consistent with criteria approved by the Board; and developing and regularly reviewing corporate governance principles and related policies for approval by the Board. The Committee consists of five members and the meeting shall be convened by the independent director.

Quasi Audit Committee

The Quasi Audit Committee assists the Board in fulfilling its responsibilities for overseeing the Company's financial reporting processes, the audit of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's Chief Auditor, the performance of THSRC's internal control function, any conflicts of interest from affiliated parties, and risk assessment and risk management. The Committee consists of four members and the meeting shall be convened by the independent director.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities for setting the compensation policies, systems, standards; and evaluating the performance and the compensation of THSRC's directors and supervisors of the Board and executives. The Committee consists of four members and the meeting shall be convened by the independent director.

Finance Committee

The Finance Committee assists the Board in fulfilling its responsibilities for planning and reviewing the Company's capital and debt structure, financial and investment policies and financial risk management. The Committee consists of nine members and the independent director is responsible for convening committee meetings.

Procurement Committee

The Procurement Committee assists the Board in fulfilling its responsibilities for overseeing the procurement processes and practices for major projects and construction awards. The Committee consists of five members.

2.Corporate governance guidelines

THSRC's "Guidelines for Corporate Governance", which was approved by the shareholders' meeting, is based upon OECD Principles of Corporate Governance, S&P Corporate Governance Score-Criteria, Methodology and Definitions, NYSE Listed Company Manual Sec303A, Infosys Corporate Governance Report, the international and/or domestic companies' guidance governing corporate governance, related regulations in Taiwan, and rules issued by Taiwan Stock Exchange. The main purposes are to establish the best corporate governance system, to protect shareholders' rights and interests, to strengthen the structure of the board of directors, to build up the supervisors' function, and to fulfill social obligations.

In addition to "Guidelines for Corporate Governance," THSRC has drawn up corporate documents, for example, "Rules for Proceedings of Board Meetings," "Charter of Corporate Governance Committee," "Charter of Quasi-Audit Committee," "Enforcement Rules of the Quasi-Audit Committee Charter," "Charter of Compensation Committee," "Charter of Procurement Committee," "Information Disclosure Rules," "Code of Conduct & Ethics," etc. These documents provide the basis for decision-making and guide THSRC's corporate governance actions.

All related regulations and rules governing corporate governance (Chinese version only) are disclosed in the "About Us" section of THSRC's website, and the address is http://www.thsrc.com.tw.

3.Disclosures of other important information

According to THSRC's "Guidelines for Corporate Governance", which was approved by the shareholders' meeting on November 1, 2004, THSRC has taken liability insurance to indemnify its directors, supervisors and executive managers against liability while acting for THSRC, and the coverage was US$ 10 million each year. Since November 1, 2010, the renewal of the coverage of the liability insurance was adjusted to US$ 20 million each year.

4.Board of Directors and Supervisors

Chich-Chiang Fan

Chairman of the Board (Representative, China Aviation Development Foundation)

Other position held:

- Director, Chunghwa Telecom Co., Ltd.

Previous positions:

- Chairman, Taiwan Futures Exchange
- Chairman, Taiwan Depository & Clearing Corporation
- Chairman, TransAsia Airways Corporation

Ph.D. in Information Management and Artificial Intelligence, University of Cambridge

Arthur Chiang

Director (Representative, TSRC Corporation)

Other positions held:

- Chairman, Metropolis Industry Co., Ltd.
- Director, Metropolis Property Management Corporation

Previous positions:

- Executive Vice President, China Development Financial Holding Corporation
- Executive Vice President, China Development Industrial Bank Co., Ltd.
- Vice President, Taiwan High Speed Rail Corporation

Master of Public Administration, National Chengchi University

Theodore M. H. Huang

Director (Representative, Teco Electric & Machinery Co., Ltd.)

Other positions held:

- Chairman, Century Development Corporation
- Managing Director, Teco Electric & Machinery Co., Ltd.
- Honorary Chairman, Chinese National Association of Industry & Commerce, Taiwan (CNAIC)

MBA, The Wharton School, University of Pennsylvania

George Liu

Director (Representative, Taipei Fubon Commercial Bank Co. Ltd.)

Other positions held:

- Chairman, Fubon Land Development Co., Ltd.
- Chairman, Taipei New Horizon Co., Ltd.
- Chairman, Fubon Real Estate Management Co., Ltd.

Ph.D. in Physics, Massachusetts Institute of Technology

Lee-Ching Ko

Director (Representative, Evergreen International Corporation)

Other positions held:

- The Second Vice Group Chairman, Evergreen Group
- Director, EVA Airways Corporation
- Supervisor, Evergreen Marine Corp. (Taiwan) Ltd.
- Supervisor, UNI Airways Corporation
- Supervisor, Evergreen International Corporation

Sharon Fong

Director (Representative, Tai Ho Investment Co., Ltd.)

Other position held:

- Special Assistant to Chairman, Pacific Electric Wire & Cable Co., Ltd.

Bachelor's degree in International Finance, Kent State University

Chung-Yi Lin

Director (Representative, China Steel Corporation)

Other positions held:

- Vice President, Corporate Planning Division, China Steel Corporation
- Supervisor, Aerospace Industrial Development Corporation

B.A. in Economics, Soochow University

Chao-Yih Chen

Director (Representative, Taiwan Sugar Corporation)

Other position held:

- Chairman, Taiwan Sugar Corporation

Previous positions:

- Vice President, State-Owned Enterprise Commission, Ministry of Economic Affairs, R.O.C.
- Director General, Industrial Development Bureau, Ministry of Economic Affairs, R.O.C.

Ph. D. in Agricultural Chemistry, National Taiwan University

I-Hsi Ho

Director (Representative, Development Fund, Executive Yuan)

Other position held:

- Deputy Comptroller, Department of Accounting, Ministry of Transportation and Communications, R.O.C.

Previous position:

- Specialized member of the Ministry of Transportation and Communications, R.O.C.

M.S. in Civil Engineering, Virginia Polytechnic Institute and State University

Yu-Hern Chang

Director (Representative, Development Fund, Executive Yuan)

Other positions held:

- Dean, College of Management, National Cheng Kung University
- Chairman, Aviation Safety Council

Previous positions:

- Dean, College of Management, National Cheng Kung University
- Director General, Civil Aeronautics Administration, Ministry of Transportation and Communications, R.O.C.
- Director General, Institute of Transportation, Ministry of Transportation and Communications, R.O.C.

Ph.D. in Transportation Management, Civil Engineering, University of Pennsylvania

M.S. from the Institute of Traffic and Transportation, National Chiao Tung University

Henry Ho

Director (Representative, Tung Ho Steel Enterprise Corporation)

Other position held:

- Chairman, Tung Ho Steel Enterprise Corporation

B.A. in Economics, Harvard University

Wenent P. Pan

Director (Representative, CTCI Foundation)

Other positions held:

- Chairman, CTCI Foundation
- Chairman, Gintech Energy Corporation

Previous position:

- Chairman, Chinese Petroleum Corporation, Taiwan

Ph. D. in Chemical Engineering, University of Wyoming

Chen-Kuo Lin

Independent Director

Other position held:

- Independent Director, High Tech Computer Corporation

Previous positions:

- Chairman, Tunghai University
- Chairman, Taiwan Asset Management Corporation
- Chairman, Taiwan External Trade Development Council
- Minister without Portfolio, Executive Yuan
- Minister, Ministry of Finance, R.O.C

Research and study in Economics, Oklahoma State University

Research and study in Economics, Harvard University

B.A. in Economics, National Taiwan University

George S. Y. Chen

Independent Director

Other positions held:

- Division Convener, Sustainable Development Division, National Policy Foundation
- Independent Director, TransAsia Airways Corporation
- Director, The China Road Federation

Previous position:

- Acting Minister and Executive Vice-Minister, Ministry of Transportation and Communications, R.O.C

Research, Study and co-authorship of a book with Professor Krowne at the Graduate School of System Management, University of Southern California

M.S. in Transportation Engineering, Asian Institute of Technology

Victor W. Liu

Independent Director

Other positions held:

- President, Chung Hua University
- Chairman, Taiwan Assessment and Evaluation Association

Previous positions:

- Chairman, International Bills Finance Co., Ltd.
- Chairman, Waterland Financial Holdings Co., Ltd.
- Chairman, Aviation Safety Council, Executive Yuan
- President, National Sun Yat-sen University

Ph. D. and M.S. in Business Administration, The Kellogg Graduate School of Management, Northwestern University

Jiming Lu Tang

Supervisor (Representative, Walsin Lihwa Corporation)

Other position held:

- Special Assistant to Chairman of Walsin Lihwa Corporation

MBA, Indiana University

C.T. Wang

Supervisor

Other position held:

- Independent Director, Mirle Automation Corporation

M.S. in Accountancy, College of Business, University of Illinois at Urbana-Champaign

5.Senior management team

Kung-Yeun Jeng

Chief Executive Officer

Previous positions:

- Chairman, UNI Airways Corporation
- Chairman, EVA Airways Corporation
- Vice Chairman, Italia Marittima S.p.A, a wholly-owned subsidiary of Evergreen Group
- Executive Vice President, Evergreen Marine Corporation

Ph.D. in Transportation Management, National Chiao Tung University

M.S. in Ocean Systems Management, Massachusetts Institute of Technology

M.S. in Transportation Engineering, National Chiao Tung University

B.S. in Naval Architecture and Marine Engineering, National Cheng Kung University

John Chen

Chief Operation Officer, Railway Operation Division

Previous position:

- Director, Muzha Division, Taipei Rapid Transit Corporation

M.S. in Computer Science, Alabama Agricultural and Mechanical University

B.S. in Civil Engineering, National Central University

Bryan Chou

Deputy Chief Operation Officer, Railway Operation Division

Previous position:

- Assistant Director, EVA Airways Corporation

Diploma in Marine Engineering, China College of Marine Technology and Commerce

Daniel Chu

Vice President, Construction Management & Procurement Division

Previous positions:

- President, BES Building & Construction Material Co., Ltd.
- Chief Assistant to Chairman, BES Engineering Corporation
- General Manager, Gen-Gu consultants, Ltd. ,Taiwan

M.S. in Civil Engineering, Chung Hua University

William Hsu

Secretariat-General, Secretariat Division of Board of Directors

Previous positions:

- Vice President, TransAsia Airways Corporation
- Assistant Vice President of Planning, Far Eastern Air Transport Corporation

B.S. in Aerospace Engineering, Tamkang University

Ming-Fang Liang

Executive Assistant, Chairman's Office

Previous positions:

- Vice President, Administration & Finance; Chief Auditor, TransAsia Airways Corporation
- Vice President, Administration & Finance, Askey Computer Corporation

Master of Finance, National Taiwan University

Eleanore New

Vice President, Finance Division

Previous positions:

- Vice President, Taishin International Bank Co., Ltd.
- Vice President, UBS AG, Taipei Branch
- Assistant Vice President, Bank of America N.T. & S.A., Taipei Branch

MBA, New York Institute of Technology

CF Chen

Vice President, Human Resource Division

Previous positions:

- Vice President, Human Resource & Administration, Lite-On (Taiwan)
- Assistant Vice President, Employment & Remuneration Department, Human Resource Division, Taiwan High Speed Rail Corporation

M.A. in Journalism, National Chengchi University

Rae-Fang Chung

Vice President, Business Division

Previous position:

- Marketing Manager, Taiwan Branch of Fonterra Brands (New Young) Pte Ltd.

B.A. in Economics, Tamkang University

Min Chen

Vice President, Information Technology Division

Previous position:

- IT Director, Chinatrust Commercial Bank Co., Ltd.

M.S. in Computer Science, Ohio University

Barret Wang

Assistant Vice President, Legal Office

Previous position:

- Attorney-at-Law, Chun He Law Firm

Bachelor of Law, National Taiwan University

Ting-Tzong Su

Assistant Vice President, Corporate Planning Office

Previous position:

- Assistant Vice President, BES Engineering Corporation

B.S. in Civil Engineering, National Chung Hsing University

Yan-Ping Tien

Assistant Vice President, Public Affairs Office

Previous position:

- Director of South District, National Security Bureau, R.O.C.

B.A. in Political Science, Fu Hsing Kang College

Tim Fu

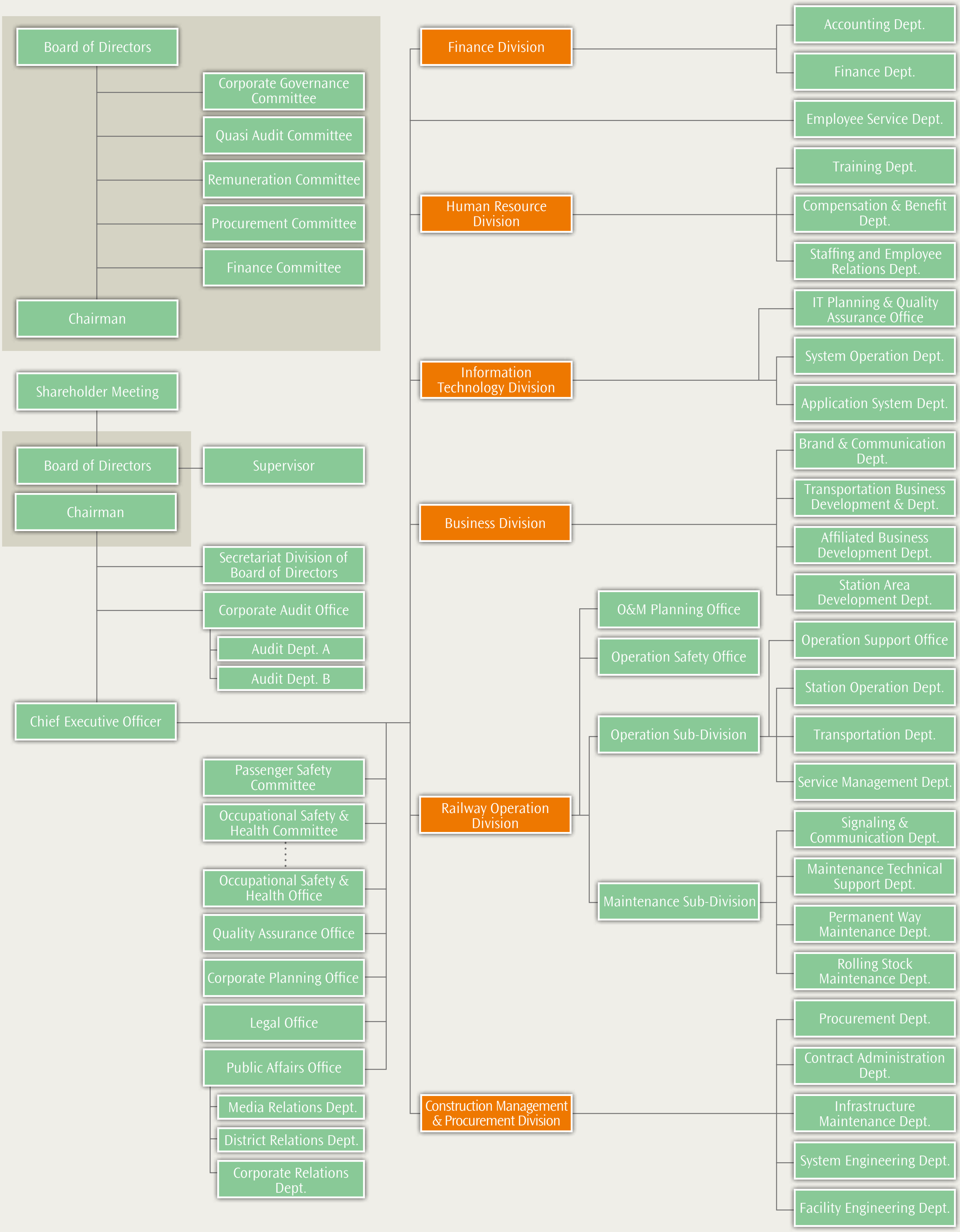
Assistant Vice President, Corporate Audit Office

Previous positions:

- Training Specialist, Training Center, Bureau of Employment and Vocational Training, Council of Labor Affairs, Executive Yuan
- Instructor, Vocational Training Center, Department of Labor, Taipei City Government
- Manager, Pfizer Inc.

B.S. in Computer Science, Tamkang University

6.Organizational structure



Internal Control

1. Statement of Internal Control System

Taiwan High Speed Rail Corporation

Statement of Internal Control System

Date: March 14 2014

Based on the findings of a self-assessment, Taiwan High Speed Rail Corporation (THSRC) states the following with regard to its internal control system during the period from January 1 to December 31, 2013:

1. THSRC is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. THSRC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless the internal control system of THSRC contains self-monitoring mechanisms, and THSRC takes corrective actions whenever a deficiency is identified.
3. THSRC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. THSRC has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the finding of the evaluation mentioned in the preceding paragraph, THSRC believes that during the year 2013, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of THSRC’s Annual Report for year 2013 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors meeting held on March13, 2014, with 14 of the attending directors all affirming the content of this Statement.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors: Tony Fan   CEO: James Jeng

2.The Disclosure of the external auditors' opinion on THSRC's internal control: none

The Disclosure of Relationship among the Top 10 Stockholders who are Related Parties, or a Relative up to the Second Degree of Kinship or a Spouse to One Another

(thousands of shares; %)

Name (Note 1)	Shareholding		Spouse & minor children		Shareholding by nominee arrangement		The relationship between any of the Company's top ten shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
China Steel Corporation	605,370	5.75	-	-	-	-	-	-	THSRC Director
Chung-Yi Lin	-	-	-	-	-	-	-	-	Representative of China Steel Corporation
Taiwan Sugar Corporation	500,000	4.75	-	-	-	-	-	-	THSRC Director
Chao-Yih Chen	-	-	-	-	-	-	-	-	Representative of Taiwan Sugar Corporation
China Aviation Development Foundation	483,920	4.59	-	-	-	-	-	-	THSRC Director
Chich-Chiang Fan	-	-	-	-	-	-	-	-	Representative, China Aviation Development Foundation
Teco Electric & Machinery Co., Ltd.	475,151	4.51	-	-	-	-	-	-	THSRC Director
Theodore M. H. Huang	-	-	-	-	-	-	-	-	Representative of Teco Electric & Machinery Co., Ltd.
Continental Engineering Corporation	402,585	3.82	-	-	-	-	Continental Development Corporation	Continental Engineering Corporation and Continental Development Corporation are the subsidiaries of Continental Holdings Corporation	-
Nita Ing	-	-	-	-	-	-	-	-	Chairman of Continental Engineering Corporation
Mega International Commercial Bank	400,000	3.80	-	-	-	-	-	-	-

(thousands of shares; %)

Name (Note 1)	Shareholding		Spouse & minor children		Shareholding by nominee arrangement		The relationship between any of the Company's top ten shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
McKinney Tsai	-	-	-	-	-	-	-	-	Chairman of Mega International Commercial Bank.
Continental Development Corporation	349,785	3.32	-	-	-	-	Continental Engineering Corporation	Continental Development Corporation and Continental Engineering Corporation are the subsidiaries of Continental Holdings Corporation	-
Christopher Chang	-	-	-	-	-	-	-	-	Chairman of Continental Development Corporation
Pacific Electric Wire & Cable Co., Ltd.	343,364	3.26	-	-	-	-	-	-	-
Jun-Tang Fan	-	-	-	-	-	-	-	-	Chairman of Pacific Electric Wire & Cable Co., Ltd.
CTCI Foundation	322,580	3.06	-	-	-	-	-	-	THSRC Director
Wenent P. Pan	200	0.00	-	-	-	-	-	-	Representative of CTCI Foundation
Development Fund of Executive Yuan	300,000	2.85	-	-	-	-	-	-	THSRC Director
I-Hsi Ho , Yu-Hern Chang	-	-	-	-	-	-	-	-	Representatives of Development Fund of Executive Yuan

Note 1: Shareholders' names should be separate. (If shares were held by other corporations, the names of corporations and their representatives should be disclosed separately.)

Note 2: The percentage of stockholdings should be calculated based on the total shares held by oneself, spouse, minors and nominee arrangements.

Corporate Activities

One team, with one goal of serving local communities

Exchange and Events

Groundbreaking and beam-raising ceremonies

Groundbreaking and beam-raising ceremonies for three new HSR stations in Miaoli, Changhua and Yunlin were held from the end of 2012 through the beginning of 2014, where government officials, local dignitaries and community leaders were invited to celebrate this important milestone for THSRC.

THSR Camp

Since THSRC started railway service, a series of THSR camps have been planned together with the Railway Cultural Society of Taiwan, the National Chiao Tung University Railway Research Society and the China Youth Corps. Between 2008 and 2013, 66 THSR camps were organized and divided into a wide range of levels, including college/university, senior high school/vocational high school, junior high school, and elementary school levels. We also tailor courses and lectures for students that are similar in age and knowledge. We will continue holding THSR camps to impart knowledge of high-speed rail systems and THSRC, and we are confident that the participating students will one day act as ambassadors of THSRC.

Enchanting melody and abundant journey – international a cappella performance at THSR

Since 2010, we have cooperated with the New Choral Foundation to organize the Taiwan International A Cappella Festival and the Spring Concert, which feature live performances by award-winning international a cappella groups at HSR stations. These a cappella ensembles bring the joy of live choral singing to the hustle and bustle of train stations, and they never fail to raise a smile from the passers-by.

In 2013, we invited an a cappella group from Denmark to perform live at HSR stations, bringing to passengers an unforgettable experience and a delightful way to enjoy their high-speed rail rides.

Visits and tours

In an effort to allow the public to gain a deeper understanding about THSR, we provide station tour guides who educate visitors about THSR's operations and services. In addition, professional organizations are also permitted to visit the depots and Operational Management Center to gain hands-on knowledge about THSR. In 2013, we received 38 groups with a total of 1,049 people.

We also continue to actively conduct experience sharing with our fellow railway transportation operators to enhance the quality of public transportation and create better planning, design and services. By engaging with industry peers, we can identify opportunities for improvement, thereby enhancing public understanding and perception of THSR.

Corporate Social Responsibility (CSR)

Since the inception of THSRC, we have committed ourselves to promoting charitable giving, advocating environmental protection and supporting disadvantaged groups. All our CSR work builds on our knowledge and assets and adds to contributing to the good of society.

Social Philanthropy

Deliver Love With HSR to Children

Since 2010, we have offered a tuition assistance program to underprivileged children. We invited passengers to support our philanthropic effort, and together we raised over NT$70 million over the past five years, which was used to help more than 16,000 underprivileged students pay their tuition fees. We greatly appreciate the continued support from passengers who have participated in this program, and we will expand assistance to more underprivileged students to advance their prospects for a better future.

THSRC Smile Program

In cooperation with local government and various nonprofit organizations, since 2008 we have organized the THSRC Smile Program, which offers children and their families from minority and disadvantaged communities the chance to experience the comfort and convenience of high-speed rail rides. As of the end of 2013, 19,056 people in total, comprising 336 underprivileged groups and families, have participated in the THSRC Smile Program.

Blood donation campaign

Since 2012, we have organized blood donation campaigns in conjunction with our anniversary celebrations every year to raise awareness on the life-saving importance of donating blood. During these campaigns, held across our Taipei headquarters and HSR stations in Taichung and Zuoying, our employees and passengers donate blood to contribute to filling the needs of blood banks and emergency situations.

Mother's Day celebration

In celebration of Mother's Day, in 2013 we organized an event named "Click 'Like' for Mom" in cooperation with the Eden Social Welfare Foundation, which provides training for its blind beneficiaries in professional massage. We asked passengers to bring their mothers out and enjoy a relaxing day at HSR stations featuring complimentary hand massage, blood pressure checks, light refreshments, chocolate give-away and much more.

Environmental protection

"Roots and Shoots" program

Since 2001, we have sponsored Roots & Shoots, a program of the Jane Goodall Institute Taiwan. Support is given to Roots & Shoots teams to promote their studies of the ecology of Taiwan and of environmental conservation, with additional efforts targeting the areas the THSR passes through. There are presently 768 teams active in Taiwan.

Cherished treasures of Taiwan

In order to raise ecological awareness among the public, an event named "Cherished Treasures of Taiwan" was held in the months of October and November 2013, where Roots and Shoots teams gave away 6,000 pieces of hand-drawn animal postcards to passengers at HSR stations. An addition of 20,000 postcards was placed within the stations for passengers to collect. Meanwhile, an online campaign invited people to draw their favorite wild animals of Taiwan to call attention to the importance of wildlife conservation.

Pheasant-Tailed Jacana Preservation

For more than 10 years, we have been devoted to the preservation of the pheasant-tailed jacana, a type of bird that is considered endangered in Taiwan. With over NT$50 million invested, the first artificial habitat recovery project was completed in collaboration with the government, developers and corporations. The pheasant-tailed jacana population in Taiwan, which at one point numbered less than 50, has increased to more than 400 now. In 2007, we officially renamed the recovered habitat Jacana Park and opened the park to the public, with more than 120,000 visitors recorded to date. We have also helped to create tour devices, galleries and interactive displays to present the results of our native species restoration efforts.

To educate students in matters concerning environmental protection, we have arranged for visits to Jacana Park by elementary and junior high school students, where they are able to learn about the beauty of Taiwan's natural habitats, as well as THSRC's conservation efforts.

Hsinchu Old Tree and Earth Deity

During the construction period, an old camphor tree in the city of Hsinchu and the Land God Temple both faced removal, as they were unfortunately located on the main route of the THSR right-of-way. Under a joint effort involving our management team and local celebrities, our construction team managed to preserve the old camphor tree in its original place through an adjustment in the construction design. Afterwards, together with the government, the Environment and Resources Protection Committee, and cultural and historical authorities, we drafted the Hsinchu Old Camphor Tree Medical Plan, which called for the repair of decayed branches as well as measures designed to maintain the long-term growth and health of the tree.

Environmental Labor Day

Beginning in July 2009, THSRC has designated the 22nd day of each month as "Environmental Protection Day." On this day, we promote energy saving programs and other environmental protection practices in all our activities. Lights are switched off during lunch breaks in the headquarters offices, maintenance works, HSR stations and the Operational Management Center, while exterior, decorative and partial indoor lighting inside station premises are turned off without compromising the quality and safety of service. Other activities include setting air conditioner temperatures at reasonably comfortable and energy-efficient levels, paying special attention to reducing, recycling and reusing, and implementing other environmentally sound measures across all our facilities. Since 2012, we have transitioned to electronic documents throughout THSRC to minimize the use of paper.

Hsinchu Old Camphor Tree Preservation Project

Phase	Time	Work Description
Preservation and incubation	1996~1999	Transplantation was the original concept of the government. Driven by our emphasis on protecting cultural relics, we ultimately decided to preserve the tree.
Design alteration	1999~2000	Engineering design was changed to accommodate the Land God Temple and the old tree, increasing engineering costs and subsequent maintenance expenses.
Emergency rescue	2001~2002	The old tree suffered from severe infestation and parts of its trunk were decayed. The service of Mr. Yang Gan-lin, a tree surgeon qualified in Japan, was engaged to restore life to the old tree.
Relocation and changing orientation	2003~2004	After the completion of THSR, the followers recommended changing the orientation of the Land God Temple to face the south for a broader field of vision. After several negotiations, the orientation of the Land God Temple was successfully changed and the expenses were covered by THSRC and our contractor.
Management and maintenance	2006~present	The branches of the old tree gradually grew closer to the THSR track. In order to maintain the tree's appearance and consider the healing of its wounds, the old camphor tree is regularly trimmed and the surrounding trees are also sprayed with pesticides for protection.

Financial Report

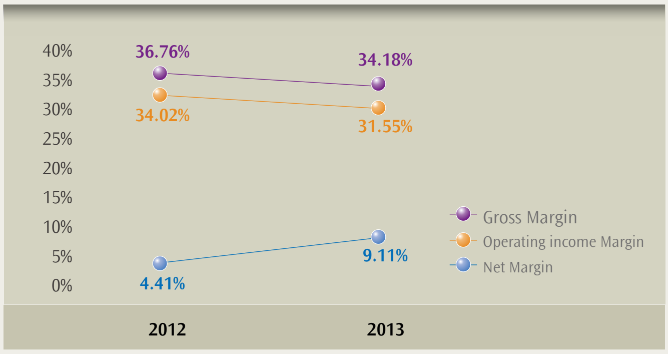
Meeting challenges, building on opportunities and reaching new heights

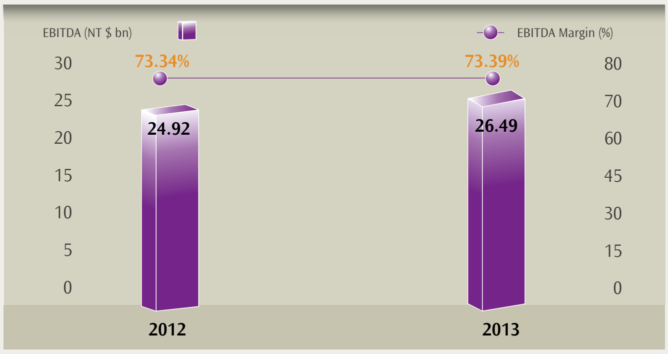
Financial Highlights

THSRC has won wide recognition at home and abroad for the quality, time performance and reliability of its rail service. In support of the government's transportation policy, we continue to expand our rail system, reach new markets and drive growth in passenger revenues, all with the goal of contributing to Taiwan's economic development. In 2013, THSRC delivered robust financial results, and revenues increased 6.24% from the prior year to NT$36.1 billion, a record high.

The financial results of THSRC are prepared in accordance with International Financial Reporting Standards. For 2013, THSRC reported gross profit, income from operations and EBITDA of NT$12.34 billion, NT$11.39 billion and NT$26.49 billion, respectively. The highlights of THSRC's 2013 financial results are shown as below:

In billions of NT dollars	2012	2013
Operating revenues	33.98	36.10
Gross profit	12.49	12.34
Income from operation	11.56	11.39
Income before tax	1.87	2.71
Net income	1.50	3.29





Looking ahead, we will continue to align our strategies and actions with changes in the broader economic environment to ensure that the company achieves efficient and successful operations. While we pursue traffic volume growth, we never compromise our high standards of safety and compliance, and we remain committed to providing safe, reliable and convenient passenger rail service throughout Taiwan.

Financial Status

Amounts in thousands of NTD

Item \ Year	2013	2012	Difference	%
Current Assets	42,867,830	37,553,120	5,314,710	14.15
Property, Plant and Equipment	91,482	87,722	3,760	4.29
Service Concession Assets	452,863,612	462,647,019	(9,783,407)	(2.11)
Other Assets	4,777,128	4,304,379	472,749	10.98
Total Assets	500,600,052	504,592,240	(3,992,188)	(0.79)
Current Liabilities	8,072,730	7,561,917	510,813	6.76
Non-current Liabilities	449,398,592	457,233,087	(7,834,495)	(1.71)
Total Liabilities	457,471,322	464,795,004	(7,323,682)	(1.58)
Capital Stock	105,322,243	105,322,243	-	-
Retained Earnings	(52,115,648)	(55,462,301)	3,346,653	6.03
Other Equity	(10,077,865)	(10,062,706)	(15,159)	(0.15)
Total Equity	43,128,730	39,797,236	3,331,494	8.37

Note: Starting in 2013, the Company had adopted IFRSs approved by Financial Supervisory Commission. The comparative financial information for 2012 has been restated and presented in IFRSs.

Operating Results

Amounts in thousands of NTD

Item \ Year	2013	2012	Difference	%
Operating Revenues	36,101,166	33,984,870	2,116,296	6.22
Operating Costs	(23,763,735)	(21,499,197)	2,264,538	10.53
Gross Profit	12,337,431	12,485,673	(148,242)	(1.19)
Operation Expenses	(942,967)	(927,039)	15,928	1.71
Income from operations	11,394,464	11,558,634	(164,170)	(1.42)
Non-operating Income and Expenses	(8,684,952)	(9,686,975)	(1,002,023)	(10.34)
Income before income tax	2,709,512	1,871,659	837,853	44.77
Income Tax Benefit (Expense)	579,439	(367,416)	946,855	257.71
Net Income	3,288,951	1,504,243	1,784,708	118.64
Other Comprehensive Income	57,434	(13,813)	71,247	515.80
Total Comprehensive Income	3,346,385	1,490,430	1,855,955	124.52

Note: Starting in 2013, the Company had adopted IFRSs approved by Financial Supervisory Commission. The comparative financial information for 2012 has been restated and presented in IFRSs.

Analysis of significant changes (over 20%) compared with the previous year:

1.The increase in income before income tax was mainly due to the gain from the early repayment of long-term debt and the decrease in interest expenses in 2013.

2.The increase in income tax benefit was mainly due to the increase in deferred income tax assets in 2013.

3.The increase in other comprehensive income was due to the actuarial gain arising from a defined benefit pension plan in 2013.

4.The increases in net income and total comprehensive income were due to the increases in income before income tax and income tax benefit in 2013.

Capital

In thousands of shares (as of April 29, 2014)

Type of stock	Authorized share capital			Remarks
	Issued shares	Unissued shares	Total	
Common stock	6,513,232	1,467,776	12,000,000	Public Offering
Convertible preferred stock	4,018,992			Public Offering

1.Listing on the GreTai Securities Market on September 5, 2003

2.Unissued Shares can be issued as both common and preferred shares.

Composition of Shareholders

Common Stock

In thousands of shares (as of April 29, 2014)

Type of shareholders	Government agencies	Government-owned institutions	Financial institutions	Other corporate investors	Individuals	Foreign institutions and individuals	Total
Number of Shareholders	2	1	13	120	59,869	22	60,027
Shareholding	300,100	500,000	488,904	3,027,762	1,942,144	254,322	6,513,232
Percentage (%)	4.61%	7.68%	7.50%	46.49%	29.82%	3.90%	100.00%

Preferred Stock

Type of shareholders	Government agencies	Financial institutions		Other corporate investors	Individuals	Foreign institutions and individuals	Total
		Government-owned institutions	Private institutions				
Number of Shareholders	0	2	28	20	17	27	94
Shareholding	0	450,000	2,047,426	1,393,502	35,600	92,464	4,018,992
Percentage (%)	0.00%	11.20%	50.95%	34.67%	0.88%	2.30%	100.00%

Note: According to Article 47 of the Audit Act, the following public enterprises and institutions should be audited by an auditing agency:

1.Sole government ownership;

2.Joint government and private ownership with the government holding over 50 percent of the stock;

3.Reinvestment by the enterprises described in 1 and 2, which accounts for over 50 percent of the total capital of the reinvested enterprise.

Taiwan High Speed Rail Corporation

Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan High Speed Rail Corporation

We have audited the accompanying balance sheets of Taiwan High Speed Rail Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and their cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Rule No. 10000322083 issued by the Financial Supervisory Commission (FSC) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC of the Republic of China.

As stated in Note 29 b. to the financial statements, the Corporation has adopted a strategy to improve its financial condition and decrease deficit.

Deloitte & Touche

March 14, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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)

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,617,949	-	$ 1,442,109	-	$ 1,555,812	-
Available-for-sale financial assets(Note 7)	665,025	-	647,142	-	628,094	-
Hedging derivative assets (Note 8)	-	-	-	-	1,081	-
Notes and accounts receivable	358,804	-	361,070	-	249,717	-
Inventories (Note 9)	2,885,714	1	3,006,533	1	3,124,582	1
Other financial assets (Notes 10 and 25)	36,773,048	8	31,631,729	6	29,555,061	6
Prepayments and other current assets (Note 13)	567,290	-	464,537	-	473,652	-
Total current assets	42,867,830	9	37,553,120	7	35,587,999	7
NON-CURRENT ASSETS						
Property, plant and equipment (Note 11)	91,482	-	87,722	-	92,106	-
Operating concession asset (Note 12)	452,863,612	90	462,647,019	92	473,401,054	92
Computer software, net (Note 12)	60,361	-	52,649	-	27,537	-
Deferred tax assets	3,403,659	1	2,978,281	1	3,456,171	1
Refundable deposits	7,908	-	14,153	-	14,223	-
Other financial assets (Notes 10 and 25)	1,227,860	-	1,241,657	-	1,228,141	-
Other non-current assets (Note 13)	77,340	-	17,639	-	47,427	-
Total non-current assets	457,732,222	91	467,039,120	93	478,266,659	93
TOTAL	$ 500,600,052	100	$ 504,592,240	100	$ 513,854,658	100

LIABILITIES AND EQUITY	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT LIABILITIES						
Short-term borrowings (Note 14)	$ 575,084	-	$ 136,641	-	$ 1,033,752	-
Hedging derivative liabilities (Note 8)	706	-	-	-	-	-
Accounts payable	334,230	-	402,195	-	551,182	-
Operating concession liability (Notes 12 and 26)	271,143	-	395,642	-	2,000,000	-
Other payables (Notes 14 and 16)	2,323,393	-	2,532,184	-	2,418,157	1
Payable for construction	1,422,212	-	1,132,694	-	3,930,824	1
Provisions (Note 18)	17,178	-	-	-	-	-
Current portion of long-term debt (Note 14)	2,563,982	1	2,563,682	1	7,896,774	2
Other current liabilities (Note 16)	564,802	-	398,879	-	673,396	-
Total current liabilities	8,072,730	1	7,561,917	1	18,504,085	4
NON-CURRENT LIABILITIES						
Bonds payable (Note 15)	2,759,855	1	9,259,239	2	13,256,031	2
Long-term debt (Note 14)	358,924,650	72	362,863,384	72	361,402,389	70
Deferred tax liabilities	3,680,621	1	3,823,377	1	3,937,154	1
Long-term interest payable (Note 14)	6,295,832	1	4,830,158	1	3,150,613	1
Operating concession liabilities (Notes 12 and 26)	77,669,057	15	76,404,244	15	75,254,790	15
Other non-current liabilities (Note 16)	68,577	-	52,685	-	42,790	-
Total non-current liabilities	449,398,592	90	457,233,087	91	457,043,767	89
Total liabilities	457,471,322	91	464,795,004	92	475,547,852	93
EQUITY (Note 18)						
Capital stock - $10 par value, authorized 12,000,000 thousand shares						
Common stock - issued 6,513,233 thousand shares	65,132,326	13	65,132,326	13	65,132,326	12
Preferred stock - issued 4,018,992 thousand shares	40,189,917	8	40,189,917	8	40,189,917	8
Total capital stock	105,322,243	21	105,322,243	21	105,322,243	20
Retained earnings (accumulated losses)						
Legal reserve	40,285	-	40,285	-	40,285	-
Deficit	(52,155,933)	(10)	(55,502,586)	(11)	(56,992,215)	(11)
Total retained earnings (accumulated losses)	(52,115,648)	(10)	(55,462,301)	(11)	(56,951,930)	(11)
Unrealized gain on financial instruments	1,525	-	1,793	-	992	-
Prepaid preferred stock dividends	(10,064,499)	(2)	(10,064,499)	(2)	(10,064,499)	(2)
Other equity	(14,891)	-	-	-	-	-
Total equity	43,128,730	9	39,797,236	8	38,306,806	7
TOTAL	$ 500,600,052	100	$ 504,592,240	100	$ 513,854,658	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 14, 2014)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE	$ 36,101,166	100	$ 33,984,870	100
OPERATING COSTS (Note 19)	(23,763,735)	(66)	(21,499,197)	(63)
GROSS PROFIT	12,337,431	34	12,485,673	37
OPERATING EXPENSES (Note 19)	(942,967)	(3)	(927,039)	(3)
INCOME FROM OPERATIONS	11,394,464	31	11,558,634	34
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 19)	223,553	1	244,726	-
Interest expense (Notes 14 and 19)	(9,709,866)	(27)	(10,282,252)	(30)
Other gains (loss) (Notes 14 and 19)	801,361	2	350,551	1
Total non-operating income and expenses	(8,684,952)	(24)	(9,686,975)	(29)
INCOME BEFORE INCOME TAX	2,709,512	7	1,871,659	5
INCOME TAX BENEFIT (EXPENSE) (Note 20)	579,439	2	(367,416)	(1)
NET INCOME	3,288,951	9	1,504,243	4

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on available-for-sale financial assets	(268)	-	801	-
Actuarial gain (loss) arising from defined benefit plans	69,521	-	(17,607)	-
Income tax benefit (expense) relating to components of other comprehensive income	(11,819)	-	2,993	-
Other comprehensive income (loss) for the year, net of income tax	57,434	-	(13,813)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,346,385	9	$ 1,490,430	4
EARNINGS (LOSS) PER SHARE (Note 21) Basic earnings (loss) per share	$ 0.21		$ (0.06)	

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 14, 2014)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings (Accumulated Losses)		
	Common Stock	Preferred Stock	Legal Reserve	Deficit	Total
BALANCE AT JANUARY 1, 2013	$ 65,132,326	$ 40,189,917	$ 40,285	$ (55,502,586)	$ (55,462,301)
Net income for the year ended December 31, 2013	-	-	-	3,288,951	3,288,951
Other comprehensive income for the year ended December 31, 2013	-	-	-	57,702	57,702
Total comprehensive income for the year ended December 31, 2013	-	-	-	3,346,653	3,346,653
The adjustments of lawsuits in regard to preferred stock	-	-	-	-	-
BALANCE AT DECEMBER 31, 2013	$ 65,132,326	$ 40,189,917	$ 40,285	$ (52,155,933)	$ (52,115,648)
BALANCE AT JANUARY 1, 2012	$ 65,132,326	$ 40,189,917	$ 40,285	$ (56,992,215)	$ (56,951,930)
Net income for the year ended December 31, 2012	-	-	-	1,504,243	1,504,243
Other comprehensive income for the year ended December 31, 2012	-	-	-	(14,614)	(14,614)
Total comprehensive income for the year ended December 31, 2012	-	-	-	1,489,629	1,489,629
BALANCE AT DECEMBER 31, 2012	$ 65,132,326	$ 40,189,917	$ 40,285	$ (55,502,586)	$ (55,462,301)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 14, 2014)

Unrealized Gain on Available-for-sale Financial Assets	Prepaid Preferred Stock Dividends	Other Equity	Total Equity
$ 1,793	$ (10,064,499)	$ -	$ 39,797,236
-	-	-	3,288,951
(268)	-	-	57,434
(268)	-	-	3,346,385
-	-	(14,891)	(14,891)
$ 1,525	$ (10,064,499)	$ (14,891)	$ 43,128,730
$ 992	$ (10,064,499)	$ -	$ 38,306,806
-	-	-	1,504,243
801	-	-	(13,813)
801	-	-	1,490,430
$ 1,793	$ (10,064,499)	$ -	$ 39,797,236

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,709,512	$ 1,871,659
Adjustments for:		
Depreciation	34,182	44,856
Amortization	15,063,615	13,318,174
Interest expense	9,709,866	10,282,252
Interest income	(223,553)	(244,726)
Gain on repayment of long-term debt before its original maturity	(475,650)	-
Gain on foreign currency exchange, net	(113,603)	(622,179)
Others	(9,730)	(45)
Changes in operating assets and liabilities		
Derivative financial assets for hedging	706	1,081
Notes and accounts receivable	2,266	(111,353)
Inventories	94,321	104,952
Prepayments and other current assets	(84,853)	32,483
Other non-current assets	9,194	10,745
Accounts payable	(79,980)	(124,129)
Other payable	89,129	857,707
Other current liabilities	165,923	(274,517)
Cash generated from operations	26,891,345	25,146,960
Interest received	228,293	245,401
Interest paid	(6,866,308)	(7,238,799)
Operating concession liabilities' interest paid	(395,683)	(2,000,000)
Income tax paid	(23,135)	(24,355)
Net cash generated from operating activities	19,834,512	16,129,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(713,500)	(645,000)
Proceeds from disposal of available-for-sale financial assets	699,796	630,525
Increase in other financial assets	(5,127,434)	(2,090,184)
Acquisition of property, plant and equipment	(38,300)	(39,224)
Increase in intangible assets	(4,895,719)	(5,356,720)
Proceeds from disposal of intangible assets	-	917
Decrease in refundable deposits	6,245	70
Net cash used in investing activities	(10,068,912)	(7,499,616)

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term debt	$ 449,667	$ (857,135)
Redemption of bonds	(6,500,000)	(4,000,000)
Proceeds from long-term debt	6,500,000	4,000,000
Repayment of long-term debt	(10,070,141)	(7,900,000)
Increase in other non-current liabilities	15,892	9,895
Net cash used in financing activities	(9,604,582)	(8,747,240)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	14,822	3,946
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	175,840	(113,703)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,442,109	1,555,812
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,617,949	$ 1,442,109

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 14, 2014)

(Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

01. GENERAL

Taiwan High Speed Rail Corporation (the "Corporation") commenced the preparation for its incorporation on May 3, 1997, and 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 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. On January 5, 2007, the Corporation started its commercial operations from the Banqiao Station to the Zuoying Station. When the railway service at the Taipei Station began on March 2, 2007, the Corporation started its service for the entire line.

The Corporation's stock has been registered as an emerging market stock in the GreTai Securities Market since September 5, 2003.

02. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the Board of Directors on March 13, 2014.

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

The Corporation has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the financial statements were authorized, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version. The impact on the Corporation's financial position and financial performance as a result of the initial adoption of the above standards or interpretations will be disclosed when the Corporation completes the evaluation.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013

(Concluded)

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Effective date not determined
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Effective date not determined
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

04. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the "IFRSs") endorsed by the FSC.

The Corporation's financial statements for the year ended December 31, 2013 are its first IFRS financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 32 for the impact of IFRS conversion on the Corporation's financial statements.

a. Statement of compliance

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

b. Basis of preparation

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

The opening balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Corporation except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Corporation elected, refer to Note 32.

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, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which 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 subsequent accumulated depreciation. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: machinery and equipment - 4 to 8 years; transportation equipment - 4 years; office equipment - 5 to 11 years; leasehold improvements - 2 to 5 years; other equipment - 4 to 22 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 pay profit sharing return to the MOTC for the development and construction of HSR infrastructure and facilities, thus profit sharing return is considered as an acquisition cost of the concession. The Corporation should discount the minimum commitment to profit sharing return and recognize the amount as intangible assets - operating concession asset with corresponding operating concession liability. Operating concession asset is measured initially at cost model and then amortized using the units of throughput method based on ridership during the concession period.

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 pay profit sharing return to the MOTC for the development and construction of HSR infrastructure and facilities, thus profit sharing return is 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 should be discounted using the effective interest method at the date of HSR commercial operation.

l.Impairment of assets

When the carrying amount of an asset (primarily operating concession asset) exceeds its recoverable amount, the excess is recognized as an impairment loss.

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 goods 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 goods supplied 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 defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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 according to related Income Tax Law. The Corporation's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

According 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 profit. 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 profits 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 profits 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 profit will allow the deferred tax asset to be recovered.

s.Preferred stock

The preferred stock issued before January 1, 2006, regarded as equity in the legal form but as liabilities in the economic substance, according to Rule No. 10000322083 issued by the FSC on July 7, 2011, the Corporation may be exempt from reclassifying the aforementioned preferred stock into financial liability.

05. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, 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.

a. Amortization of intangible assets - operating concession asset

Under the units of throughput method based on ridership, the amortization rate is calculated by the proportion of the higher of estimated number of passengers or actual number of passengers to the total estimated number of passengers of the remaining concession period. When there is a significant gap between estimated number of passengers and actual number of passengers, the amortization rate is updated based on a revised transport volume study and used over the remaining concession period. According to the transport volume report prepared by an external expert in July 2009, the estimated number of passengers from the beginning of operation of HSR to the expiration of the concession period (26.5 years) was 2,074 million. The estimated number of passengers in 2013 and 2012 was 50 million and 45 million, respectively. The actual number of passengers in 2013 and 2012 was 47 million and 45 million, respectively.

b. Impairment of intangible assets - operating concession asset

The impairment of intangible assets - operating concession asset was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

c. Income taxes

Deferred tax assets are recognized to the extent that it is probable that future taxable profits 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, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of deferred tax assets in relation to deductible temporary differences, unused tax losses and investment credits were $3,403,659 thousand, $2,978,281 thousand and $3,456,171 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, no deferred tax asset has been recognized on tax losses of $8,671,280 thousand, $9,716,565 thousand and $9,673,740 thousand, respectively, due to the unpredictability of future profit streams.

d. Lawsuits in regard to preferred stock

The Corporation processed its preferred stock based on the Corporation Act, the regulations released by the FSC and the Corporation's Articles of Incorporation. However, some preferred stockholders of the Corporation requested the court to intervene and require the Corporation to pay interest on delayed payment of preferred stock and preferred stock dividends. The related requests for court action that arose from the different interpretations of the legal compliance were still in court for mediation or under trial. Please refer to Note 18 e. for further details.

Provisions for litigation which were very likely to generate payment obligations were $17,178 thousand as of December 31, 2013. Due to the appeals from either the stockholders or the Corporation, the estimation of provisions may change with the development of the litigation.

06. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 55,196	$ 206,727	$ 140,250
Checking accounts and demand deposits	428,378	138,117	114,031
Time deposits	1,134,375	1,097,265	1,301,531
	$ 1,617,949	$ 1,442,109	$ 1,555,812

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

	December 31, 2013	December 31, 2012	January 1, 2012
Bank balance	0.01%-1.37%	0.01%-1.37%	0.01%-1.75%

07. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Open-end money market funds	$ 665,025	$ 647,142	$ 628,094

08. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Hedging derivative assets			
Fair value hedges-forward exchange contracts	$ -	$ -	$ 1,081
Hedging derivative liabilities			
Fair value hedges-forward exchange contracts	$ 706	$ -	$ -

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 December 31, 2013 and January 1, 2012 outstanding forward exchange contracts were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2013			
Buy	NT$/JPY	January 2014	JPY 31,574
	US$/JPY	January 2014	JPY 300,000
	NT$/US$	January 2014	US$ 2,876
January 1, 2012			
Buy	US$/JPY	January 2012	JPY 625,342
	NT$/US$	January 2012	US$ 8,016

(Concluded)

09. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Spare parts and supplies	$ 2,883,444	$ 3,002,905	$ 3,120,995
Merchandise	2,270	3,628	3,587
	$ 2,885,714	$ 3,006,533	$ 3,124,582

As of December 31, 2013, December 31, 2012 and January 1, 2012, allowance for loss on inventories amounted to $74 thousand, $7 thousand and $476 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Repurchase agreement collateralized by government bonds	$ 36,523,000	$ 31,415,500	$ 29,441,000
Demand deposits	85,428	55,160	93,222
Time deposits	1,392,480	1,402,726	1,248,980
	$ 38,000,908	$ 32,873,386	$ 30,783,202
Current	$ 36,773,048	$ 31,631,729	$ 29,555,061
Non-current	1,227,860	1,241,657	1,228,141
	$ 38,000,908	$ 32,873,386	$ 30,783,202

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

	December 31, 2013	December 31, 2012	January 1, 2012
Repurchase agreement collateralized by government bonds	0.50%-0.65%	0.53%-0.74%	0.66%-0.73%
Bank balance	0.17%-2.80%	0.17%-1.40%	0.17%-1.40%

b.Please refer to Note 25 for the information of other financial assets pledged as collateral.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$ 28	$ -	$ -
Machinery and equipment	46,768	35,337	29,959
Transportation equipment	-	-	-
Office equipment	11,428	13,669	18,709
Leasehold improvements	393	349	272
Other equipment	32,865	38,367	43,166
	$ 91,482	$ 87,722	$ 92,106

	Land	Machinery and Equipment	Transportation Equipmen	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2013	$ -	$ 274,971	$ 591	$ 115,502	$ 76,003	$ 272,627	$ 739,694
Additions	28	26,442	-	2,203	462	9,193	38,328
Disposals	-	(43,806)	(68)	(1,816)	-	(350)	(46,040)
Transfer	-	-	-	-	-	(9)	(9)
Balance at December 31, 2013	28	257,607	523	115,889	76,465	281,461	731,973
Accumulated depreciation							
Balance at January 1, 2013	-	239,634	591	101,833	75,654	234,260	651,972
Depreciation	-	15,011	-	4,444	418	14,680	34,553
Disposals	-	(43,806)	(68)	(1,816)	-	(335)	(46,025)
Transfer	-	-	-	-	-	(9)	(9)
Balance at December 31, 2013	-	210,839	523	104,461	76,072	248,596	640,491
	$ 28	$ 46,768	$ -	$ 11,428	$ 393	$ 32,865	$ 91,482

	Land	Machinery and Equipment	Transportation Equipmen	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2012	$ -	$ 266,023	$ 891	$ 119,356	$ 78,777	$ 253,796	$ 718,843
Additions	-	18,064	-	2,217	229	18,888	39,398
Disposals	-	(10,343)	(300)	(6,071)	(3,003)	(76)	(19,793)
Transfer	-	1,227	-	-	-	19	1,246
Balance at December 31, 2012	-	274,971	591	115,502	76,003	272,627	739,694
Accumulated depreciation							
Balance at January 1, 2012	-	236,064	891	100,647	78,505	210,630	626,737
Depreciation	-	13,913	-	7,234	152	23,705	45,004
Disposals	-	(10,343)	(300)	(6,048)	(3,003)	(76)	(19,770)
Transfer	-	-	-	-	-	1	1
Balance at December 31, 2012	-	239,634	591	101,833	75,654	234,260	651,972
	$ -	$ 35,337	$ -	$ 13,669	$ 349	$ 38,367	$ 87,722

12. INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Operating concession asset	$ 452,863,612	$ 462,647,019	$ 473,401,054
Computer software, net	60,361	52,649	27,537
	$ 452,923,973	$ 462,699,668	$ 473,428,591

	Operating Concession Asset					
	Operating Assets	Profit Sharing Return	Construction In Process	Total	Computer Software, Net	Total
Cost						
Balance at January 1, 2013	$450,666,094	$ 69,972,043	$ 3,061,019	$523,699,156	$ 335,904	$524,035,060
Additions	197,307	-	5,045,323	5,242,630	19,303	5,261,933
Disposals	(11,107)	-	-	(11,107)	-	(11,107)
Transfer	3,638,758	-	(3,617,385)	21,373	4,502	25,875
Balance at December 31, 2013	454,491,052	69,972,043	4,488,957	528,952,052	359,709	529,311,761
Accumulated amortization						
Balance at January 1, 2013	54,393,731	6,658,406	-	61,052,137	283,255	61,335,392
Amortization	13,384,449	1,662,728	-	15,047,177	16,093	15,063,270
Disposals	(10,439)	-	-	(10,439)	-	(10,439)
Transfer	(435)	-	-	(435)	-	(435)
Balance at December 31, 2013	67,767,306	8,321,134	-	76,088,440	299,348	76,387,788
	$386,723,746	$ 61,650,909	$ 4,488,957	$452,863,612	$ 60,361	$452,923,973
Cost						
Balance at January 1, 2012	$450,097,571	$ 69,972,043	$ 1,106,910	$521,176,524	$ 295,729	$521,472,253
Additions	136,372	-	2,448,675	2,585,047	29,727	2,614,774
Disposals	(59,966)	-	-	(59,966)	-	(59,966)
Transfer	492,117	-	(494,566)	(2,449)	10,448	7,999
Balance at December 31, 2012	450,666,094	69,972,043	3,061,019	523,699,156	335,904	524,035,060
Accumulated amortization						
Balance at January 1, 2012	42,591,039	5,184,431	-	47,775,470	268,192	48,043,662
Amortization	11,827,150	1,473,975	-	13,301,125	15,707	13,316,832
Disposals	(24,817)	-	-	(24,817)	-	(24,817)
Transfer	359	-	-	359	(644)	(285)
Balance at December 31, 2012	54,393,731	6,658,406	-	61,052,137	283,255	61,335,392
	$ 396,272,363	$ 63,313,637	$ 3,061,019	$462,647,019	$ 52,649	$462,699,668

Operating assets and construction in process are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Operating assets			
Land improvements	$ 191,335,879	$ 196,476,008	$ 200,959,758
Buildings	27,042,588	27,751,553	28,393,166
Machinery and equipment	41,581,999	43,882,984	46,020,081
Transportation equipment	126,759,287	128,157,924	132,123,897
Other equipment	3,993	3,894	9,630
	$ 386,723,746	$ 396,272,363	$ 407,506,532
Construction in process			
700T rolling stock	$ 994,437	$ 1,562,497	$ -
Construction related to Nangang station	1,574,112	657,328	549,948
Construction related to Yunlin station	475,842	64,336	37,353
Construction related to Miaoli station	400,551	72,939	59,057
Construction related to Changhua station	324,232	56,491	36,397
Construction related to Xizhi station	48,240	48,240	48,240
Capitalized cost	377,888	172,948	107,353
Capitalized interest	82,116	48,419	19,430
Prepayments for equipment	211,539	377,821	249,132
	$ 4,488,957	$ 3,061,019	$ 1,106,910

The major service lives and amortization methods of intangible assets are summarized as follows:

	Major Service Lives	Major Amortization Methods	Estimated Number of Passengers (Note 2) (In Millions)
Operating concession asset			
Land improvements	26.5 years(Note 1)	The units of throughput method based on ridership	2,120
Buildings	26.5 years(Note 1)	The units of throughput method based on ridership	2,120
Machinery and equipment	10-26.5 years(Note 1)	The units of throughput method based on ridership	437-2,120
Transportation equipment	26.5 years(Note 1)	The units of throughput method based on ridership	2,120
Other equipment	5 years(Note 1)	The units of throughput method based on ridership	269
Profit sharing return assets	26.5 years(Note 1)	The units of throughput method based on ridership	2,120
Computer software	5 years	Straight-line method	-

Note 1: The service lives were subject to the remaining concession period (26.5 years) of the C&O Agreement on January 5, 2007.

Note 2: The estimated number of passengers each year is based on the actual number of passengers in 2007 and 2008, and the transport volume report prepared by an external expert in July 2009 covering the years in the major service lives of the assets.

As of December 31, 2013, information about the amortization expense of operating concession asset calculated by units of throughput method based on ridership, and interest expense of operating concession liability calculated by effective interest method is summarized as follows:

Year	Amortization Expense of Operating Assets (Note)	Amortization Expense of Profit Sharing Return	Interest Expense of Profit Sharing Return	Total
2014	$ 15,057,355	$ 1,867,556	$ 1,566,717	$ 18,491,628
2015	16,645,667	2,084,434	1,598,052	20,328,153
2016	18,119,582	2,307,616	1,630,013	22,057,211
2017	16,179,323	2,530,238	1,662,613	20,372,174
2018-2033	320,721,819	52,861,065	21,206,722	394,789,606
	$ 386,723,746	$ 61,650,909	$ 27,664,117	$ 476,038,772

Note: The amortization expense of operating assets did not include the effects of construction in progress.

13. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayments and other current assets			
Prepayments	$ 462,315	$ 386,954	$ 379,511
Other receivable	87,782	68,970	48,422
Others	17,193	8,613	45,719
	$ 567,290	$ 464,537	$ 473,652
Other non-current assets			
Prepaid pension	$ 75,883	$ 16,255	$ 44,608
Others	1,457	1,384	2,819
	$ 77,340	$ 17,639	$ 47,427

(Concluded)

14. BORROWINGS

a.Short-term debt

	December 31, 2013	December 31, 2012	January 1, 2012
JPY letters of credit	$ 575,084	$ 136,641	$ 1,033,752

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

	December 31, 2013	December 31, 2012	January 1, 2012
JPY letters of credit	0.79%-1.40%	1.02%-1.09%	0.94%-1.42%

b.Long-term debt

	December 31, 2013	December 31, 2012	January 1, 2012
Syndicated loan			
Tranche A1 Facility, which was initially utilized on May 4, 2010, repayable in twenty-one semi-annual installments from May 4, 2022.	$ 130,000,000	$ 130,000,000	$ 130,000,000
Tranche A2 Facility, which was initially utilized on May 4, 2010, repayable in thirty-one semi-annual installments from May 4, 2017.	173,445,117	166,945,117	162,945,117
Tranche C Facility, which was initially utilized on May 4, 2010, repayable in nine semi-annual installments from May 4, 2016.	49,259,381	49,259,381	49,259,381
Tranche D Facility, which was initially utilized on May 13, 2010, repayable in nine semi-annual installments from May 4, 2013.	8,977,993	11,543,134	11,543,134
The second syndicated loan			
Tranche D (seven years) Facility, which was initially utilized on August 15, 2007, repayable on August 15, 2014.	-	7,900,000	7,900,000
Tranche D (five years) Facility, which was initially utilized on August 15, 2007, repayable on August 15, 2012.	$ -	$ -	$ 7,900,000
	361,682,491	365,647,632	369,547,632
Less: Unamortized cost of long-term debt	(193,859)	(220,566)	(248,469)
	361,488,632	365,427,066	369,299,163
Less: Current portion (including unamortized cost of long-term debt)	(2,563,982)	(2,563,682)	(7,896,774)
	$ 358,924,650	$ 362,863,384	$ 361,402,389

(Concluded)

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

	December 31, 2013	December 31, 2012	January 1, 2012
Syndicated loan			
Tranche A1 Facility	2.20%	2.19%	2.19%
Tranche A2 Facility	2.18%	2.17%	2.16%
Tranche C Facility	2.25%	2.25%	2.25%
Tranche D Facility	2.25%	2.25%	2.25%
The second syndicated loan			
Tranche D (seven years) Facility	-	4.32%-4.89%	4.32%-4.89%
Tranche D (five years) Facility	-	-	4.02%-4.57%

In order to improve financial condition, 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 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. On May 4, 2010, the Corporation utilized the Tranche A1 Facility amounting to $130,000,000 thousand, Tranche A2 Facility amounting to $150,245,117 thousand, Tranche A3 Facility amounting to $26,566,942 thousand, Tranche B Facility amounting to $4,000,000 thousand, and Tranche C Facility amounting to $49,259,381 thousand under the Syndicated Loan Agreement to repay all of the first syndicated loan, as well as the Tranche A, B and C Facilities of the second syndicated loan agreement. On May 13, 2010 and January 25, 2011, the Corporation redeemed the unsecured overseas convertible bond (including interest premium) of US$367,589 thousand with the Tranche D Facility amounting to $10,514,333 thousand and $1,028,801 thousand, respectively. On October 7, 2011, December 19, 2011, May 7, 2012, January 14, 2013, and April 25, 2013, the Corporation utilized the Tranche A2 Facility to repay the $6,700,000 thousand, the $6,000,000 thousand, the $4,000,000 thousand, the $3,500,000 thousand, and the $3,000,000 thousand secured domestic corporate bonds payable issued in January 2010, October 2008, December 2008, April 2007 and May 2007, respectively, and extinguished the Tranche A3 Facility's $23,747,050 thousand guarantees given for repayment of the aforementioned domestic bonds (including interest premium).
2) The Corporation provided assets (refer to assets 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 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. According to the Tripartite Agreement, MOTC will be responsible for paying off the remaining debt of Tranche A facility of the Syndicated Loan Agreement for early termination of the C&O Agreement.

   Note: 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 responsible bank for the Tranche D facility of the second syndicated loan was Lehman Brothers Commercial Corporation Asia Limited (Lehman Brothers). The High Court of Hong Kong according to the Law of Hong Kong appointed a liquidator to be responsible for the liquidation procedure of Lehman Brothers. The liquidator of Lehman Brothers appointed and authorized Chien Yeh Law Offices to be fully in charge of Lehman Brothers' performance of loan contracts and debt collection in Taiwan.

Pursuant to the Syndicated Loan Agreement, the Corporation opened accounts at Bank of Taiwan for deposits and financial instruments, which are designated for loan repayment and for acquisition and replacement of assets; please refer to Notes 10 and 25 for financial instruments pledged as collateral to Bank of Taiwan; the pledged financial instruments are recognized as other financial assets.

On May 8, 2013, the Corporation repaid the Tranche D (including unamortized cost of long-term debt $4,853 thousand) $7,900,000 thousand and interest payable $85,503 thousand with $7,505,000 thousand before its maturity. The related gain on repayment in the amount of $475,650 thousand was accounted for as other income.

The interests of Tranche A1 and A2 of the Syndicated Loan Agreement and Tranche D of the Second Syndicated Loan Agreement were calculated based on the contracts. The Corporation computes the interest expense based on effective interest method. The interest payment that is due longer than one year is recognized as long-term interest payable according to the contracts. The interest expense and accrued interest expense were summarized as follows:

1) Accrued interest expense (included in other payables)

	December 31, 2013	December 31, 2012	January 1, 2012
Syndicated loan			
Tranche A1 Facility	$ 190,602	$ 178,987	$ 167,360
Tranche A2 Facility	254,300	229,854	205,289
Tranche C Facility	94,241	94,242	94,242
Tranche D Facility	17,176	22,084	22,084
	556,319	525,167	488,975
The second syndicated loan			
Tranche D Facility	-	130,224	204,867
	$ 556,319	$ 655,391	$ 693,842

2) Long-term interest payable

	December 31, 2013	December 31, 2012	January 1, 2012
Syndicated loan			
Tranche A1 Facility	$ 2,866,795	$ 2,215,966	$ 1,433,266
Tranche A2 Facility	3,429,037	2,579,695	1,613,495
	6,295,832	4,795,661	3,046,761
The second syndicated loan			
Tranche D Facility	-	34,497	103,852
	$ 6,295,832	$ 4,830,158	$ 3,150,613

3) Interest expense

	For the Year Ended December 31	
	2013	2012
Syndicated loan		
Interest expense	$ 7,963,048	$ 7,912,335
Capitalized interest	$ 46,486	$ 21,594
The second syndicated loan		
Interest expense	$ 122,805	$ 572,931

15. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Secured domestic corporate bonds			
Issued in January 2010, repayable in January 2013, and interest payable annually at 1.65%	$ -	$ 3,500,000	$ 3,500,000
Issued in May 2007, repayable in May 2012, and interest payable annually at 2.07%	-	-	4,000,000
Issued in April 2007, repayable in April 2013, and interest payable annually at 2.12%	-	3,000,000	3,000,000
Issued in April 2007, repayable in April 2014, and interest payable annually at 2.17%	2,760,000	2,760,000	2,760,000
	2,760,000	9,260,000	13,260,000
Less: Unamortized bonds issuance cost	(145)	(761)	(3,969)
	$ 2,759,855	$ 9,259,239	$ 13,256,031

The Corporation utilized the Tranche A3 Facility and had completed the refinancing arrangement in 2010, and utilized Tranche A2 to pay off secured domestic corporate bonds. Therefore, the secured domestic corporate bonds payable issued in April and May 2007, and January 2010 were classified as long-term liabilities. After completion of the refinancing arrangement which is in accordance with the Syndicated Loan Agreement, the annual interest rate and interest payment date are the same as the long-term debt under Tranche A2 Facility, which is repayable in thirty-one semi-annual installments commencing from May 2017.

16. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Other payables			
Accrued expenses	$ 1,506,719	$ 1,572,478	$ 1,304,956
Accrued interest expense	597,906	796,362	891,402
Sales tax payable	202,297	135,395	202,080
Others	16,471	27,949	19,719
	$ 2,323,393	$ 2,532,184	$ 2,418,157
Other current liabilities			
Unearned receipts	$ 505,301	$ 334,073	$ 614,656
Deferred revenue	26,059	36,417	37,150
Receipts under custody	17,952	16,305	15,694
Others	15,490	12,084	5,896
	$ 564,802	$ 398,879	$ 673,396
Other non-current liabilities			
Guarantee deposits received	$ 49,491	$ 33,599	$ 23,704
Unearned receipts	19,086	19,086	19,086
	$ 68,577	$ 52,685	$ 42,790

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Accordingly, the Corporation recognized employee benefit expenses of $112,091 thousand and $112,874 thousand in the statement of comprehensive income for the years ended December 31, 2013 and 2012, respectively.

b. Defined benefit plans

The Corporation also adopted the defined benefit plan under the Labor Standards Law (the "LPA"). Under the LPA, 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 committee's name.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries.

The principal assumptions of the actuarial valuation were as follows:

	Measurement Date		
	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	2.25%	1.75%	1.75%
Expected return rate of plan assets	2.00%	2.00%	2.00%
Expected salary growth rate	1.50%	1.50%	1.50%

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 18,875	$ 20,723
Interest cost	9,657	8,984
Expected return on plan assets	(10,033)	(9,608)
Past service cost	9,064	9,064
	$ 27,563	$ 29,163
An analysis by function		
Operating cost	$ 18,961	$ 21,636
Operating expenses	6,539	6,767
Operating concession asset - construction in progress	2,063	760
	$ 27,563	$ 29,163

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $57,703 thousand and $14,614 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $43,089 thousand and $(14,614) thousand, respectively.

The amount included in the balance sheet arising from the Corporation's obligation in respect of its defined benefit plans was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ (514,746)	$ (561,642)	$ (523,385)
Fair value of plan assets	522,846	501,050	482,082
Surplus (deficit)	8,100	(60,592)	(41,303)
Past service cost not yet recognized	67,783	76,847	85,911
Prepaid pension (included in other current assets)	$ 75,883	$ 16,255	$ 44,608

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 561,642	$ 523,385
Current service cost	18,875	20,723
Interest cost	9,657	8,984
Actuarial losses (gains)	(73,077)	12,747
Benefits paid from plan assets	(2,351)	(4,197)
Balance, end of year	$ 514,746	$ 561,642

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 501,050	$ 482,082
Expected return on plan assets	10,033	9,608
Actuarial losses	(3,556)	(4,860)
Contributions from employer	17,670	18,417
Benefits paid from plan assets	(2,351)	(4,197)
Balance, end of year	$ 522,846	$ 501,050

The major categories of plan assets at the end of the reporting period were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments	45%	37%	41%
Cash	23%	25%	24%
Debt instruments	9%	10%	11%
Fixed income investment	18%	16%	16%
Others	5%	12%	8%
	100%	100%	100%

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by Labor Pension Fund Supervision Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

The Corporation chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ (514,746)	$ (561,642)	$ (523,385)
Fair value of plan assets	522,846	501,050	482,082
Surplus (deficit)	$ 8,100	$ (60,592)	$ (41,303)
Experience adjustments on plan liabilities	$ 8,895	$ (18,288)	$ -
Experience adjustments on plan assets	$ (3,556)	$ (4,860)	$ -

The Corporation expects to make a contribution of $22,547 thousand and $20,883 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

18. EQUITY

a. Preferred stock comprised:

Item	Issue Date	Issued Shares (In Thousands)	Issue Period	Par Value December 31, 2013	Par Value December 31, 2012	Par Value January 1, 2012	Issuance Amount
Class A Convertible Preferred Stock	January 27, 2003	2,690,000	January 27, 2003 to February 26, 2010	$ 26,900,000	$ 26,900,000	$ 26,900,000	$ 26,900,000
Less: Converted into common stock				(890,000)	(890,000)	(890,000)	
				26,010,000	26,010,000	26,010,000	
Class B Convertible Preferred Stock	September 9, 2003	134,250	September 9, 2003 to October 8, 2010	1,342,495	1,342,495	1,342,495	1,342,495
Less: Converted into common stock				(1,002,000)	(1,002,000)	(1,002,000)	
				340,495	340,495	340,495	
Class C Convertible Preferred Stock C1	January 20, 2004	161,300	January 20, 2004 to January 19, 2008	1,613,000	1,613,000	161,300	1,500,090
Less: Converted into common				(1,259,000)	(1,259,000)	(1,259,000)	
				354,000	354,000	354,000	
stock C2	February 27, 2004	151,400	February 27, 2004 to February 26, 2008	1,514,000	1,514,000	1,514,000	1,408,020
Less: Converted into common				(1,041,000)	(1,041,000)	(1,041,000)	
				473,000	473,000	473,000	
stock C3	March 24, 2004	74,600	March 24, 2004 to March 23, 2008	746,000	746,000	746,000	693,780
Less: Converted into common				(700,000)	(700,000)	(700,000)	
				46,000	46,000	46,000	
stock C4	April 23, 2004	107,620	April 23, 2004 to April 22, 2008	1,076,200	1,076,200	1,076,200	1,000,866
Less: Converted into common				(719,200)	(719,200)	(719,200)	
				357,000	357,000	357,000	
stock C5	August 18, 2004	637,077	August 18, 2004 to August 17, 2008	6,370,770	6,370,770	6,370,770	5,924,816
Less: Converted into common				(3,886,114)	(3,886,114)	(3,886,114)	
				2,484,656	2,484,656	2,484,656	
stock C6	September 7, 2004	64,500	September 7, 2004 to September 6, 2008	645,000	645,000	645,000	599,850
Less: Converted into common				(645,000)	(645,000)	(645,000)	
				-	-	-	
stock C7	November 17, 2004	37,010	November 17, 2004 to November 16, 2008	370,100	370,100	370,100	344,193
Less: Converted into common				(360,800)	(360,800)	(360,800)	
				9,300	9,300	9,300	
stock C8	April 28, 2005	645,900	April 28, 2005 to April 27, 2009	6,459,000	6,459,000	6,459,000	6,006,870
Less: Converted into common				(4,408,534)	(4,408,534)	(4,408,534)	
				2,050,466	2,050,466	2,050,466	
stock C9	September 30, 2005	806,500	September 30, 2005 to September 29, 2009	8,065,000	8,065,000	8,065,000	7,500,450
				$ 40,189,917	$ 40,189,917	$ 40,189,917	

The rights and obligations of preferred stock are as follows:

1) Class A and Class B preferred stock

a) Preferred stock shall be issued at par value per share. The dividend yield is payable at the rate of 5% based on par value per annum. Dividends are payable in cash on a yearly basis. If, in any given year, the Corporation generates no profit or insufficient profits for the distribution of preferred stock dividends, dividends are accumulated and are given preference over the dividends to be distributed to the holders of common stock in the year when the Corporation generates sufficient profits. Upon the maturity date of the Preferred Stock, the Corporation shall prioritize the payment in full of the undistributed dividends in a particular year or each year thereafter.

b) If the preferred stockholders fail to convert the shares during the conversion period, the Corporation shall redeem the preferred stock at par value on the maturity date. If the Corporation is prevented by laws and regulations from redeeming the preferred stock in whole or in part on the maturity date, the rights and obligations associated with the unredeemed preferred stock shall continue in accordance with the terms and conditions for issue until they are redeemed.

c) Other than the dividends on preferred stock, the preferred stockholders are not entitled to participate in the distribution of profits and capital surplus to the common stockholders.

d) The preferred stockholders have preference over the common stockholders in the distribution of the residual assets; however, the assets to be distributed to them shall not exceed the total issue price of the preferred stock.

e) The preferred stockholders have no voting rights in the common stockholders' meetings, including the election of directors and supervisors, but may be elected as directors or supervisors.

f) The preferred stockholders have the same preemptive rights as the common stockholders in capital-raising.

g) Commencing from the day following a full three years after the issuance of preferred stock and ending three months prior to the maturity date, the preferred stockholders may at any time make a one-time request to the Corporation for converting all their preferred stock into common shares newly issued by the Corporation at a 1:1 ratio. Preferred stockholders are not entitled to receive the preferred dividends in the year of conversion, but shall receive the common dividends appropriated from profits and the distribution of capital reserve in the year of conversion. The rights and obligations of the preferred stockholders after conversion shall be identical to those of the Corporation's common stockholders unless otherwise restricted by laws.

2) Class C preferred stock

a) Preferred stock shall be issued at $9.3 per share. The dividend yield is payable at the rate of 9.5% per annum for the initial two years, and 0% thereafter. Dividends are payable in cash on a yearly basis. If, in any given year, the Corporation generates no profit or insufficient profits for the distribution of preferred stock dividends, dividends are accumulated and are given preference over the dividends to be distributed to the holders of common stock in the year when the Corporation generates sufficient profits. Upon the maturity date of the Preferred Stock, the Corporation shall prioritize the payment in full of the undistributed dividends in a particular year or each year thereafter.

b) Preferred stock shall mature four years after the initial issue date. The Corporation shall redeem all preferred stock at issuance value on the maturity date. If legal restrictions prevent the Corporation from redeeming all or part of the preferred stock, the unredeemed preferred stock is entitled to payment of interest at the rate of 4.71% based on the issuance value of such unredeemed stock. The unredeemed preferred stock is entitled to the same rights and obligations stated in the Corporation's articles of incorporation until such unredeemed stock is fully redeemed.

c) Other than the dividends on preferred stock, the preferred stockholders are not entitled to participate in the distribution of profits and capital surplus to the common stockholders.

d) The preferred stockholders have preference over the common stockholders in the distribution of the residual assets; however, the assets to be distributed to them shall not exceed the total issue price of the preferred stock.

e) The preferred stockholders have no voting rights in the common stockholders' meetings, including the election of directors and supervisors, but may be elected as directors or supervisors.

f) The preferred stockholders have the same preemptive rights as the common stockholders in the capital-raising.

g) Commencing from the day following a full three years after the issuance of preferred stock and ending three months prior to the maturity date, the preferred stockholders may at any time make a one-time request to the Corporation for converting all their preferred stock into common shares newly issued by the Corporation at a 1:1 ratio. Preferred stockholders are not entitled to receive the preferred dividends in the year of conversion, but shall receive the common dividends appropriated from profits and the distribution of capital reserve in the year of conversion. The rights and obligations of the preferred stockholders after conversion shall be identical to those of the Corporation's common stockholders unless otherwise restricted by laws.

b. Capital surplus and appropriation of earnings

The Corporation's Articles of Incorporation provide that the annual income shall be appropriated as follows:

1) To pay all taxes and duties;
2) To make up for deficit;
3) To set aside 10% of the profits as legal reserve;
4) To set aside special reserve in addition to the legal reserve where necessary;
5) To pay dividends on preferred stocks.

Thereafter, an amount representing 1% of the remaining profits is set aside as bonus to directors and supervisors and at least 1% of the remaining profits as bonus to employees. Any remaining profits and undistributed retained earnings are distributed as dividends to common stockholders based on the resolution drawn up by the board of directors and approved by the stockholders during their meeting.

The Corporation's policy on dividend and bonus appropriation is based on the principles of stability and equity, balancing stockholder value and the Corporation's long-term financial plans and impact thereof on the business operations of the Corporation.

As of December 31, 2012 and 2011, the Corporation had a deficit as shown on the balance sheets; therefore, no bonus to employees and bonus to directors and supervisors for 2012 and 2011 were paid.

As of December 31, 2013 and 2012, the Corporation still had a deficit as shown on the balance sheets; therefore, the accruals for bonus to employees and bonus to directors and supervisors for the years ended December 31, 2013 and 2012 were all nil.

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

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 1,793	$ 992
Unrealized gain arising on revaluation of available-for-sale financial assets	4,179	4,573
Cumulative gain (loss) transferred to profit or loss on sale of available-for-sale financial assets	(4,447)	(3,772)
Balance, end of year	$ 1,525	$ 1,793

d. Preferred stock dividends

During the development stage, after obtaining government approval, the Corporation was allowed to declare dividends to preferred stockholders regardless of the restrictions outlined above. However, the Corporation is required to account for the prepayment of dividends to preferred stockholders in its balance sheet under the stockholders' equity; where the annual appropriations for dividends and bonuses exceed 6% of the Corporation's paid-in capital, the excess is offset against prepaid dividends to preferred stockholders.

After the Corporation launched operations, the estimated preferred stock dividends for the years ended December 31, 2013 and 2012 were both $1,923,733 thousand. The estimated preferred stock dividends will be recognized as liabilities when the stockholders resolve to distribute these dividends. As of December 31, 2013, December 31, 2012 and January 1, 2012, estimated unpaid accumulated preferred stock dividends amounted to $12,088,363 thousand, $10,164,630 thousand and $8,240,897 thousand, respectively.

e. Lawsuits in regard to preferred stock

1) On December 5, 2012, China Aviation Development Foundation (CADF) filed a civil action in the Shihlin District Court to compel the Corporation to redeem the capital of $8,556 thousand on Class C9 preferred stock and to distribute dividends of $54,009 thousand on Class C9 preferred stock that had accumulated from September 30, 2009 to December 31, 2009, with 5% interest accumulated from January 1, 2011 to the discharge date. CADF reserves the right to obtain the remaining capital and dividends on Class C9 preferred stock. On December 12, 2012, the Corporation received the notice of mediation from Shihlin District Court, and began the mediation process with CADF on January 3, 2013. On February 7, 2013, CADF had revoked the aforementioned civil action filed in the Shihlin District Court.

2) During February to April 2013, China Development Industrial Bank (CDIB) was holding 107,526 thousand shares of Class C5 preferred stock. CDIB filed a lawsuit to compel the Corporation to redeem the capital of $4,891 thousand on Class C5 preferred stock and to distribute dividends of $17,501 thousand on Class C5 preferred stock that had accumulated from August 18, 2008 to December 31, 2008, with 5% interest accumulated to the discharge date. CDIB reserves the right to obtain the remaining capital and dividends on Class C5 preferred stock. On December 26, 2013, the court decided the Corporation does not have to distribute the dividends of $17,501 thousand but have to redeem the capital of $4,891 thousand on Class C5 preferred stock. As of December 31, 2013, the Corporation recognized above capital amounting to $4,891 thousand and the 5% interest accumulated to the discharge date amounting to $365 thousand as provisions, accounted for as other equity and interest expense, separately.

3) Fubon Life Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of (1) $23,529 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 27, 2007, and (2) $49,452 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On December 30, 2013, the court issued a resolution denying the plaintiff's petition for a provisional execution.

4) Fubon Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $2,941 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 27, 2007, with 5% interest accumulated to the discharge date.

5) ShinKong Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of (1) $4,485 thousand on Class C1 preferred stock that had accumulated from January 20, 2008 to December 31, 2008, and (2) $9,945 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2008, with 5% interest accumulated to the discharge date. On February 26, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

6) China Steel Corporation filed a lawsuit to compel the Corporation to distribute dividends of (1) $99,452 thousand on Class B preferred stock that had accumulated from January 5, 2007 to December 31, 2008, (2) $26,324 thousand on Class C5 preferred stock that had accumulated from August 18, 2008 to December 31, 2008, and (3) $91,615 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 24, 2007, with 5% interest accumulated to the discharge date. On February 26, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

7) Individual stockholder A filed a lawsuit to compel the Corporation to distribute dividends of $5,055 thousand on Class C2 preferred stock that had accumulated from February 27, 2008 to December 31, 2011, with 5% interest accumulated to the discharge date. On February 26, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

8) Hwatai Commercial Bank, Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $14,341 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On December 30, 2013, the court issued a resolution denying the plaintiff's petition for a provisional execution.

9) Shinkong Textile Co., Ltd. (STCL) was holding 21,500 thousand shares of Class C4 preferred stock. STCL filed a lawsuit to compel the Corporation to distribute dividends of $15,971 thousand on Class C4 preferred stock that had accumulated from April 23, 2008 to December 31, 2009 with 5% interest accumulated to the discharge date. On February 21, 2014, the Court made a judgment that the Corporation lost the lawsuit.

10) The Shanghai Commercial & Savings Band, Ltd. (SCSB) filed a lawsuit to compel the Corporation to distribute dividends of $9,890 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007 with 5% interest accumulated to the discharge date. On February 19, 2014, SCSB withdrew the lawsuit.

11) Shin Kong Life Insurance, Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $24,726 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007 with 5% interest accumulated to the discharge date. On February 26, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

12) Yuanta Securities Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $24,726 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

13) Continental International Corporation filed a lawsuit to compel the Corporation to distribute dividends of $3,156 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 27, 2007, with 5% interest accumulated to the discharge date.

14) Taishin International Bank filed a lawsuit to compel the Corporation to distribute dividends of $14,836 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

15) Bank of Panhsin (Panhsin Bank) was holding 1,000 thousand shares of Class A preferred stock. Panhsin Bank filed a lawsuit to compel the Corporation to redeem the capital of $10,000 thousand on Class A preferred stock and to distribute dividends of $1,573 thousand on Class A preferred stock that had accumulated from January 5, 2007 to February 26, 2010, with 5% interest accumulated to the discharge date. On February 26, 2014, the court decided the Corporation does not have to distribute the dividends of $1,573 thousand but have to redeem the capital of $10,000 thousand on Class A preferred stock. As of December 31, 2013, the Corporation recognized above capital amounting to $10,000 and the 5% interest accumulated to the discharge date amounting to $1,922 thousand as provisions, accounted for as other equity and interest expense, separately.

16) Farglory Life Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $31,452 thousand on Class A preferred stock that had accumulated from January 5, 2007 to February 26, 2010, with 5% interest accumulated to the discharge date.

17) United Microelectronics Corp. filed a lawsuit to compel the Corporation to distribute dividends of $14,836 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

18) Taiwan Fire & Marine Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $1,484 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On February 13, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

19) TransGlobe Life Insurance Inc. filed a lawsuit to compel the Corporation to distribute dividends of (1) $29,404 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 27, 2007, and (2) $9,890 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

20) Continental Engineering Corp. filed a lawsuit to compel the Corporation to distribute dividends of $8,821 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 27, 2007, with 5% interest accumulated to the discharge date.

21) TCC Investment Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $49,726 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2008, with 5% interest accumulated to the discharge date.

22) Cathay Life Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $49,452 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On January 28, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

23) Cathay United Bank Company Limited filed a lawsuit to compel the Corporation to distribute dividends of $19,781 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On January 28, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

24) Mega International Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $197,808 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

25) Bank of Taiwan filed a lawsuit to compel the Corporation to distribute dividends of $123,630 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

26) Taiwan Cooperative Bank filed a lawsuit to compel the Corporation to distribute dividends of $98,904 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

27) First Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $98,904 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

28) Hua Nan Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $98,904 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

29) Land Bank of Taiwan filed a lawsuit to compel the Corporation to distribute dividends of $98,904 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

30) Taiwan Business Bank filed a lawsuit to compel the Corporation to distribute dividends of $74,178 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

31) Chang Hwa Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $64,288 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

32) Evergreen International Corp. filed a lawsuit to compel the Corporation to distribute dividends of $14,705 thousand on Class C8 preferred stock that had accumulated from January 5, 2007 to April 27, 2007, with 5% interest accumulated to the discharge date.

33) South China Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $2,473 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On February 25, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

34) KGI Securities Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $7,486 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2012, with 5% interest accumulated to the discharge date.

35) Concord International Securities Co., Ltd. (CISC) filed a lawsuit to compel the Corporation to distribute dividends of (1) $5,256 thousand on Class C1 preferred stock that had accumulated from January 20, 2008 to January 19, 2012, and (2) $21,026 thousand on Class C2 preferred stock that had accumulated from February 27, 2008 to February 26, 2012, with 5% interest accumulated to the discharge date. On January 21, 2014, CISC withdrew the lawsuit.

36) Quintain Steel Co., Ltd. (QSC) filed a lawsuit to compel the Corporation to distribute dividends of $26,282 thousand on Class C2 preferred stock that had accumulated from February 27, 2008 to February 26, 2012, with 5% interest accumulated to the discharge date. On January 21, 2014, QSC withdrew the lawsuit.

37) Taiwan Shin Kong Commercial Bank Company Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $14,836 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date. On March 6, 2014, the court issued a resolution denying the plaintiff's petition for a provisional execution.

38) Continental Development Corp. filed a lawsuit to compel the Corporation to distribute dividends of $49,291 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

39) CEC filed a lawsuit to compel the Corporation to distribute dividends of $49,291 thousand on Class A preferred stock that had accumulated from January 5, 2007 to December 31, 2007, with 5% interest accumulated to the discharge date.

40) Individual stockholder B filed a lawsuit to compel the Corporation to redeem the capital of $10,230 thousand on Class C1 preferred stock and to distribute dividends of $2,384 thousand on Class C1 preferred stock that had accumulated from January 20, 2008 to December 31, 2012, with 5% interest accumulated to the discharge date.

41) Century Development Corporation filed a lawsuit to compel the Corporation to distribute dividends of $17,964 thousand on Class C5 preferred stock that had accumulated from August 18, 2008 to December 31, 2009, with 5% interest accumulated to the discharge date.

Information on the lawsuits and petitions about preferred stock is available on the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
An analysis of depreciation, and amortization expenses by assets		
Property, plant and equipment	$ 34,182	$ 44,856
Intangible assets	15,062,989	13,316,738
Other non-current assets	626	1,436
	$ 15,097,797	$ 13,363,030
An analysis of depreciation by function		
Operating costs	$ 25,138	$ 33,853
Operating expenses	9,044	11,003
	$ 34,182	$ 44,856
An analysis of amortization by function		
Operating costs	$ 15,060,711	$ 13,314,337
Operating expenses	2,904	3,837
	$ 15,063,615	$ 13,318,174

b. Employee benefit expenses

	For the Year Ended December 31	
	2013	2012
Post-employment benefit		
Defined contribution plans	$ 112,091	$ 112,874
Defined benefit plans	25,500	28,403
	137,591	141,277
Short-term benefits		
Payroll	2,424,952	2,391,671
Insurance	214,384	207,648
Professional service	127,557	106,014
Others	115,360	113,245
	2,882,253	2,818,578
	$ 3,019,844	$ 2,959,855
An analysis of employee benefit expense by function		
Operating costs	$ 2,476,527	$ 2,426,853
Operating expenses	543,317	533,002
	$ 3,019,844	$ 2,959,855

c. Interest income

	For the Year Ended December 31	
	2013	2012
Interest income of repurchase agreement collateralized by government bonds	$ 202,215	$ 219,305
Interest income of bank balance	21,338	25,421
	$ 223,553	$ 244,726

d. Interest expense

	For the Year Ended December 31	
	2013	2012
Interest on bank loans	$ 8,170,928	$ 8,737,156
Interest on operating concession liability	1,535,998	1,545,096
Others	2,940	-
	$ 9,709,866	$ 10,282,252

The information of capitalized interest was as follows:

	For the Year Ended December 31	
	2013	2012
Capitalized interest	$ 76,043	$ 28,989
Capitalization rate	2.06%-2.31%	2.16%-2.34%

e. Others

	For the Year Ended December 31	
	2013	2012
Gain on repayment of long-term debt before its original maturity	$ 475,650	$ -
Foreign exchange gains, net	318,019	346,073
Gain on disposal of available-for-sale financial assets	4,447	3,772
Loss on disposal of intangible assets	(668)	(34,232)
Loss on disposal of property, plant and equipment	(15)	(23)
Others	3,928	34,961
	$ 801,361	$ 350,551

20. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax	$ 514	$ 310
Deferred tax	(579,953)	367,106
Income tax expense (benefit) recognized in profit or loss	$ (579,439)	$ 367,416

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31 2013	2012
Income tax expense calculated at the statutory rate (17%)	$ 460,617	$ 318,182
Nondeductible expenses in determining taxable income	5,352	5,393
Unrecognized loss carryforwards	(828,447)	(296,438)
Unrecognized investment credits	(244)	1,378
Unrecognized deductible temporary differences	(217,231)	338,591
Others	514	310
Income tax expense (benefit) recognized in profit or loss	$ (579,439)	$ 367,416

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31 2013	2012
Current tax	$ -	$ -
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	11,819	(2,993)
Total income tax expense (benefit) recognized in other comprehensive income	$ 11,819	$ (2,993)

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Profit sharing return	$ 1,158,017	$ 685,004	$ -	$ 1,843,021
Deferred revenue	-	2,300	-	2,300
Defined benefit obligation	2,993	-	(2,993)	-
Others	12,748	(19,312)	-	(6,564)
	1,173,758	667,992	(2,993)	1,838,757
Loss carryforwards	1,804,523	(239,621)	-	1,564,902
	$ 2,978,281	$ 428,371	$ (2,993)	$ 3,403,659
Deferred tax liabilities				
Temporary differences				
Amortization of operating assets	$ 3,823,377	$ (151,582)	$ -	$ 3,671,795
Defined benefit obligation	-	-	8,826	8,826
	$ 3,823,377	$ (151,582)	$ 8,826	$ 3,680,621

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Profit sharing return	$ 1,449,439	$ (291,422)	$ -	$ 1,158,017
Defined benefit obligation	-	-	2,993	2,993
Others	-	12,748	-	12,748
	1,449,439	(278,674)	2,993	1,173,758
Loss carryforwards	2,006,732	(202,209)	-	1,804,523
	$ 3,456,171	$ (480,883)	$ 2,993	$ 2,978,281
Deferred tax liabilities				
Temporary differences				
Amortization of operating assets	$ 3,937,154	$ (113,777)	$ -	$ 3,823,377

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

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards	$ 7,599,504	$ 8,427,558	$ 8,723,324
Investment credits	$ 7,026	$ 6,782	$ 8,160
Deductible temporary differences	$ 1,064,750	$ 1,282,225	$ 942,256

e. Tax effects of unused loss carryforwards and investment tax credits of the Corporation as of December 31, 2013 comprised:

Loss Carryforwards	Investment Tax Credits	Year of Expiry
$ -	$ 2,616	2014
-	2,073	2015
-	2,337	2016
4,321,720	-	2017
3,849,678	-	2018
726,381	-	2019
266,627	-	2020
$ 9,164,406	$ 7,026	

f. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credits accounts	$ 73,401	$ 72,928	$ 72,750

g. Income tax assessments

The tax returns through 2011 have been assessed by the tax authorities.

21. EARNINGS (LOSS) PER SHARE

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

	For the Year Ended December 31	
	2013	2012
Income for the year	$ 3,288,951	$ 1,504,243
Less: Dividends on preferred stock	(1,923,733)	(1,923,733)
Income (loss) used in the computation of basic earnings (loss) per share	$ 1,365,218	$ (419,490)
Weighted average number of common shares outstanding (in thousand shares)	6,513,233	6,513,233
Basic earnings (loss) per share	$ 0.21	$ (0.06)

The Corporation's convertible preferred stock is potential common stock. However, the preferred shares had an anti-dilutive effect in the calculation of after income tax diluted earnings per share for the year ended December 31, 2013 and 2012; therefore, they were not considered in the calculation of diluted earnings per share.

22. CAPITAL MANAGEMENT

The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, profit sharing return payments, long-term and short-term debt payments, secured domestic corporate bonds payments and other business requirements associated with its existing operations over the next 12 months.

23. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Hedging derivative assets	$ -	$ -	$ 1,081
Available-for sale financial assets	665,025	647,142	628,094
Loans and receivables (Note 1)	40,006,733	34,709,182	32,622,254
Financial liabilities			
Hedging derivative liabilities	706	-	-
Financial liabilities carried at amortized cost (Note 2)	452,416,761	459,887,921	470,201,088

Note 1: The remaining balance does not include tax fund receivable, but includes cash and cash equivalents, receivables, other financial assets and other receivables measured at amortized cost.

Note 2: The remaining balance does not include short-term employee benefit, income taxes payable and provisions, but includes short-term loan, accounts payable, operating concession liability, other payables, payable for construction, bonds payable and long-term loans (including current portion).

b. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

	December 31, 2013	
	Carrying Amount	Fair Value
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bonds payable	$ 2,759,855	$ 2,759,663

	December 31, 2012	
	Carrying Amount	Fair Value
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bonds payable	$ 9,259,239	$ 9,255,724
Long-term debt (tranche D facility of the second syndicated loan)	7,893,746	7,951,011

	January 1, 2012	
	Carrying Amount	Fair Value
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bonds payable	$ 13,256,031	$ 13,220,202
Long-term debt (tranche D facility of the second syndicated loan, including current portion)	15,786,570	15,903,241

Except for the financial instruments listed above, financial instruments not measured by at fair value approximate fair value.

2) Fair value measurements recognized in the balance sheets

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

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Money market mutual fund	$ 665,025	$ -	$ -	$ 665,025
Hedging derivative liabilities				
Foreign currency forward contracts	$ -	$ 706	$ -	$ 706

December 31, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Money market mutual fund	$ 647,142	$ -	$ -	$ 647,142

January 1, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Money market mutual fund	$ 628,094	$ -	$ -	$ 628,094
Hedging derivative assets				
Foreign currency forward contracts	$ -	$ 1,081	$ -	$ 1,081

There were no transfers between Level 1 and Level 2 in the current and prior periods.

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 liquid 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. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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 internal auditors and governed by the Corporation's policies approved by the board of directors. Financial transactions are made in accordance with the Corporation's overall financial risks management and division of responsibilities.

1) Market risk

a) Foreign currency risk

The Corporation's accounts payable and payable for construction are mainly transacted in foreign currencies; thus, the Corporation is exposed to foreign currency risk or decline in value due to changes in exchange rates and fluctuations in future cash flows. The Corporation uses forward exchange contracts to hedge foreign exchange risk. Derivative financial instruments can help reduce, but not completely remove, the impact of foreign exchange rate changes.

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

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 20,385	29.95	$ 610,543
EUR	1	41.277	35
JPY	1,892	0.2852	540
RMB	1,008	4.948	4,988
Financial liabilities			
Monetary items			
USD	2,500	29.95	74,875
EUR	1,500	41.277	61,913
JPY	4,990,225	0.2852	1,423,212
CAD	3	28.141	83
HKD	498	3.863	1,925

	December 31, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 20,177	29.136	$ 587,891
EUR	1	38.532	33
JPY	1,892	0.3382	640
Financial liabilities			
Monetary items			
USD	2,558	29.136	74,518
EUR	778	38.532	29,963
JPY	2,672,248	0.3382	903,754
CHF	16	31.884	509
HKD	47	3.759	177

	January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 19,887	30.29	$ 602,388
EUR	40	39.107	1,574
JPY	1,892	0.3900	738
Financial liabilities			
Monetary items			
USD	5,237	30.29	158,615
EUR	2,320	39.107	90,746
JPY	9,382,630	0.3900	3,659,226
AUD	109	30.732	3,346

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. dollars strengthened against the New Taiwan dollars by 1%, income before tax would have increased by $5,357 thousand and $5,134 thousand for the years ended December 31, 2013 and 2012. If the JPY weakened against the New Taiwan dollars by 1%, the income before tax of the Corporation would have increased by $13,281 thousand and $9,031 thousand for the years ended December 31, 2013 and 2012.

b) Interest rate risk

As of December 31, 2013 and December 31, 2012, the Corporation's syndicated loan with floating interest rates amounted to $361,682,491 thousand and $357,747,632 thousand. If the market interest rate increased by 1%, the income before tax of the Corporation would have increased by $3,616,825 thousand and $3,577,476 thousand for the years ended December 31, 2013 and 2012.

c) Other price risk

The fair values of available-for-sale financial assets, open-end funds are determined using their market values.

If fund price increased (or decreased) by 1%, other comprehensive income before tax of the Corporation would have increased (or decreased) by $6,650 thousand and $6,471 thousand for the years ended December 31, 2013 and 2012.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation can incur loss from the counterparties' failure to discharge their obligations and from the Corporation's fulfillment of financial guarantees. At the end of the reporting period, the Corporation's maximum exposure to credit risk is equivalent to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation is dealing mainly with financial institutions and corporations with good credit. Therefore, significant credit risk is not expected.

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 borrowings and ensures compliance with loan covenants.

The derivatives and non-derivative liabilities controlled by the Corporation will all mature in one year. The table below summarizes the maturity profile of the Corporation's long-term debt, interest on long-term debt, and operating concession liability based on contractual undiscounted payments.

December 31, 2013

	Under 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Long-term debt (including current portion)	$ -	$ 2,565,141	$ 56,596,951	$ 302,520,399
Interest on long-term debt	1,597,750	4,793,250	44,578,046	106,574,889
Operating concession liability	-	271,143	8,794,756	96,538,417
	$ 1,597,750	$ 7,629,534	$ 109,969,753	$ 505,633,705

December 31, 2012

	Under 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Long-term debt (including current portion)	$ -	$ 2,565,141	$ 47,118,308	$ 315,964,183
Interest on long-term debt	1,763,507	5,705,096	40,558,408	119,161,015
Operating concession liability	-	395,683	7,604,317	98,000,000
	$ 1,763,507	$ 8,665,920	$ 95,281,033	$ 533,125,198

January 1, 2012

	Under 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Long-term debt (including current portion)	$ -	$ 7,900,000	$ 29,107,093	$ 332,540,539
Interest on long-term debt	1,448,545	5,341,380	36,623,616	130,786,292
Operating concession liability	-	2,000,000	734,452	105,265,548
	$ 1,448,545	$ 15,241,380	$ 66,465,161	$ 568,592,379

24. TRANSACTIONS WITH RELATED PARTIES

a. The Republic of China ("ROC") Government, one of the Corporation's customers held significant equity interest in the Corporation. The Corporation is mainly engaged in the operation of North-south high speed railway. Based on the C&O Agreement, fare rates, timing of fare adjustment and the procedures for evaluating and deciding fare rates require the approval by the MOTC; setting of fare rates and adjustments to passenger fares are implemented only after the review and approval by the MOTC. The ticket sales transactions with related parties were not different from those with non-related parties. Because the ticket sales transactions with related parties recognized as operating revenue cannot be separated from the total ticket sales transactions, the Corporation was unable to disclose separate amount of operating revenue from related parties.

b. Details of transactions

1) Regarding the C&O Agreement, SZD Agreement and the Protocol of Taipei Main Station and Tunnel which the Corporation entered into with the MOTC, and the reserve for profit sharing return during the concession periods, and the rental expense and prepaid rents for land leased from the MOTC, Taipei Main Station and tunnel for use by the Corporation in HSR operation, please refer to Note 26 for further details.

2) The Corporation has entered into Tripartite Agreement with the MOTC and Bank of Taiwan. Please refer to Note 14 for further details.

3) The Corporation has entered into syndicated loan with Bank of Taiwan (Main bank of the syndication, an entity controlled by the ROC government). Please refer to Note 14 for further details.

c. Compensation of key management personnel:

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 57,323	$ 54,831
Post-employment benefits	1,000	1,000
	$ 58,323	$ 55,831

25. RESTRICTED ASSETS

Pledged Assets	Pledged to Secure	December 31, 2013	December 31, 2012	January 1, 2012
Other financial assets - current:				
Time deposits	Guarantee for commodity sale	$ 940	$ 500	$ 1,000
Time deposits	Guarantee for office lease	17,232	954	16,277
Time deposits	Guarantee for station land lease	-	2,615	2,562
Time deposits	Guarantee for oil purchase	-	-	1,000
Time deposits	Guarantee for customs duties	110,000	130,000	-
Time deposits	Trust deposit of unearned revenue	31,500	27,000	-
Demand deposits	Trust deposit of unearned revenue	50,105	30,031	37,562
Demand deposits	Syndicated loan	35,323	25,129	55,660
Repurchase agreement collateralized by government bonds	Syndicated loan	36,523,000	31,415,500	29,441,000
		36,768,100	31,631,729	29,555,061

(Continued)

Pledged Assets	Pledged to Secure	December 31, 2013	December 31, 2012	January 1, 2012
Other financial assets - non-current:				
Time deposits	Guarantee for commodity sale	$ -	$ 440	$ -
Time deposits	Guarantee for office lease	-	16,267	-
Time deposits	Guarantee for development of station	1,192,368	1,192,368	1,192,368
Time deposits	Guarantee for station land lease	10,655	7,751	12,268
Time deposits	Guarantee for oil purchase	4,320	4,320	3,000
Time deposits	Guarantee for customs duties	20,517	20,511	20,505
		1,227,860	1,241,657	1,228,141
		$ 37,995,960	$ 32,873,386	$ 30,783,202

(Concluded)

The Corporation provided a portion of the superficies with a total area of 30 hectares as collateral to secure the second syndicated loan and the syndicated loan.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant contracts

On July 23, 1998, the Corporation entered into the C&O Agreement and SZD Agreement with the MOTC. The significant provisions of these contracts are as follows:

1) The C&O Agreement covers the building, operation and transfer (BOT) of the HSR between Taipei (Xizhi) and Kaohsiung (Zuoying). In addition, the contract includes the transfer of stations built by the Corporation and station facilities co-built by the Corporation with the Taiwan Railroad Administration and Taipei Rapid Transit Corporation.

2) The station contract covers the plan, design and construction of the Taoyuan (Chingpu), Hsinchu (Liujia), Miaoli, Taichung (Wuri), Changhua, Yunlin, Chiayi (Taibao), Tainan (Shaluen) and Kaohsiung (Zuoying) stations as well as any required modifications and engineering equipment for the Taipei and Banqiao stations.

3) The SZD Agreement covers the development, operation, return of land, and transfer of assets of five stations along the Taiwan HSR line: Taoyuan (Chingpu), Hsinchu (Liujia), Taichung (Wuri), Chiayi (Taibao), and Tainan (Shaluen).

4) The duration of the concession agreement for the HSR, including the construction period and operating period, is 35 years from the contract date.

5) The concession agreement for the stations also includes the following:

   a) The right to develop and operate the station land for 35 years from the contract date.

   b) The concession agreement to operate businesses on the land neighboring the stations for 50 years after the land is transferred to the Corporation.

6) Any changes to the Corporation's articles of incorporation, organization by-laws, directors and supervisors should be reported to the MOTC within 15 days of the change.

7) The ratio of the Corporation's stockholders' equity to its total assets shall be maintained at 25% or more during the concession period. On January 7, 2009, the Corporation obtained the consent from the MOTC to delay the start of compliance with this ratio until the year following the first year in which the Corporation's deficit becomes earnings.

8) During the operating period, the Corporation undertakes to return by profit sharing 10% of the operating profit before tax (representing the profit after deduction of all costs and expenses necessary for operating from revenues) to the MOTC each year for use in projects associated with HSR development, provided, however, that if the total amount of the Corporation's cumulative profit sharing return is less than the amount listed in the table below, the Corporation undertakes to follow the table below:

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 the expiration of the concession period		108 billion

Starting in 2013, the Corporation prepared financial statements and recognized the profit sharing return as operating concession liability in accordance with IFRSs approved by the FSC (please refer to Note 4 (j), (k), 12 and 19).

For the years ended December 31, 2013 and 2012, the profit sharing return payments were $395,683 thousand and $2,000,000 thousand, respectively.

9) Assets which are purchased with the consent of the MOTC during the five-year period immediately preceding the expiration of the concession period and are not yet completely depreciated and are still available for normal operation and use upon the expiration of the concession period shall be transferred to the MOTC or other party designated by the MOTC with compensation based on the carrying value of these assets upon the expiration of the concession period, and depreciated using the declining balance method over minimum useful lives prescribed by the Executive Yuan. Except for those operating facilities of ancillary business and the land acquired by the Corporation, all operating assets shall be transferred to the MOTC or other party designated by the MOTC without compensation.

10) Transfer of ownership prior to the expiration of the concession period

The operating assets will be examined and evaluated by impartial and professional appraisal organizations before the transfer.

11) Agreement guarantee

a) The C&O Agreement

The Corporation provided a $5 billion performance bond at the start of the contract as a guarantee for fulfilling its operating responsibility. After the start of railway operations, if there is no breach of the contract, the MOTC will return $0.5 billion each year; however, the total returnable amount shall not exceed $3 billion. The deadline for returning the remaining performance bond is the earlier of six months after the end of the concession period, or six months after early termination of the agreement.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the remaining performance bond provided amounted to $2 billion, $2.5 billion and $3 billion, respectively.

b) The SZD Agreement

As of December 31, 2013, December 31, 2012 and January 1, 2012, the same amount of time deposits of approximately $1.2 billion was provided by the Corporation as guarantee for the aggregate development of the Taoyuan, Hsinchu, Taichung, Chiayi and Tainan stations.

12) Force Majeure and determination, remedy of Excluded Events

a) The term "Force Majeure" refers to any events which have a material effect on the construction or operation under the agreement; The term "Excluded Events" refers to any events which are not attributable to the Corporation and have a material effect on the construction or operation under the agreement.

b) If MOTC and the Corporation cannot reach an agreement over the determination of the nature of such event or state of events and its commencement date, the matter shall be referred to Conciliation Committee as soon as possible.

c) Upon determination, MOTC and the Corporation shall promptly adopt remedial measures in accordance with the C&O Agreement. If MOTC and the Corporation fail to reach an agreement within three months, the matter shall be referred to Conciliation Committee.

d) The remedial measures of Force Majeure and Excluded Events in accordance with the C&O Agreement

i. The Corporation could request MOTC or other authorities in charge to reduce or exempt the land value tax, house tax, rent or other taxes.

ii. In the events that the Corporation incurs material damage as a result of any natural disaster, MOTC shall co-ordinate with the banking institutions to secure material natural disaster restoration loans or adopt other relief measures.

iii. MOTC may consent the Corporation to suspend contribution of the profit sharing return.

iv. The Corporation may apply to the government for any necessary financial assistance.

v. MOTC may agree to suspend the running of the concession period according to the particular circumstance.

vi. MOTC and the Corporation may adopt other appropriate remedies upon agreement.

13) Liabilities in breach of contract and the consequences under the Corporation's C&O Agreement with the MOTC

a) Any of the following events attributable to the Corporation shall constitute a breach of contract:

i. Material delay in work schedule.

ii. Material default in quality control of the works.

iii. A material default during the operating period in relation to traffic safety, service quality, or the relevant management as determined by the Authority in Charge.

iv. Other events which have a material impact on the construction or operation of the HSR and for which the situation is serious as determined by the MOTC or the Authority in Charge.

b) Consequences of breach of contract

If it confirms that the Corporation has breached the contract, the MOTC may take the following action:

i. Suspend the construction or operation of the HSR.

ii. Revoke the permit for construction or operation of the HSR.

iii. Terminate the C&O Agreement. Upon revocation of the Corporation's permit for construction or operation of the HSR by the Authority in Charge, the C&O Agreement shall be terminated automatically. Where there are operating assets and works in progress which are necessary and useful, the Corporation shall apply to the Authority in Charge for a compulsory take-over of such assets and works.

b. In accordance with the C&O Agreement, SZD Agreement and the Protocol of Taipei Main Station and Tunnel, the MOTC leased land, Taipei Main Station and tunnel to the Corporation for HSR use. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Encouragement Statute, and is determined by future price of public-owned land and usage and other factors. The Corporation pays the rental for the following year by the end of each year. The rental expenses amounted to $446,305 thousand and $371,033 thousand for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, prepaid rental amounted to $446,112 thousand, $370,369 thousand and $364,613 thousand, respectively, and was recognized as prepayment and other current assets.

c. As of December 31, 2013, the Corporation had obtained credit line facilities in the form of letters of credit from several banks, of which JPY4,439,663 thousand was unused.

d. In May 2012, the Corporation entered into a purchase agreement for type 700T rolling stock with Kawasaki Heavy Industries Ltd. and Toshiba Digital Media Network Taiwan Corporation. According to the agreement, the Corporation shall acquire four sets of type 700T rolling stock in the total amount of JPY18,392,000 thousand (excluding tariff and business tax). Furthermore, the Corporation can make 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 (excluding tariff and business tax) by March 2014. As of December 31, 2013, the Corporation had paid the amount of JPY11,363,224 thousand, recognized as intangible assets - operating concession asset.

e. In November 2012, December 2012, and January 2013, the Corporation's board of directors resolved the construction and purchase agreements of Yunlin, Miaoli and Changhua stations and the contract prices including business tax were $1,588,800 thousand, $1,551,680 thousand and $1,596,600 thousand, respectively. As of December 31, 2013, the Corporation had paid the amount of JPY817,106 thousand, recognized as intangible assets - operating concession asset - construction in progress.

f. In July 2013, the Corporation entered into a purchase agreement of "Nangang Trackwork And Core System (Supply Contract)" and "Nangang Trackwork And Core System (Installation Contract)" and the contract prices not including business tax were JPY11,016,691 thousand and 2,545,124 thousand, respectively. As of December 31, 2013, the Corporation had paid the amount of JPY1,382,299 thousand and 464,723 thousand, recognized as intangible assets - operating concession asset - construction in progress.

g. In December 2013, the Corporation's board of directors resolved the core system and purchase agreements of Yunlin, Miaoli and Changhua stations and the contract prices not including business tax were $799,876 thousand.

27. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Certain preferred stockholders filed civil actions against the Corporation. Please refer to Note 18.

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

For the information on the significant financial assets and liabilities denominated in foreign currencies of the Corporation, please refer to Note 23 c.

29. OTHERS

a. Superficies

Pursuant to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Corporation further secured superficies from the MOTC over the transportation infrastructure land such as route land, maintenance bases, station land, etc. As of December 31, 2013, superficies had been procured over the land from Lot 0837-0000 Kuanghua Section, Hsinchuang, New Taipei City, in the north to Lot 0421-0002, Subsection 6, Hsinchuang Section, Zuoying, Kaohsiung, in 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.

Pursuant to the SZD Agreement, the Corporation also procured from the MOTC superficies of ancillary business land of station zones within the designated areas of the Taoyuan, Hsinchu, Taichung, Chiayi and Tainan stations. The superficies cover an area of 46.49 hectares. In addition, the MOTC and the Corporation reached an agreement: In order to reflect and improve the value of assets and financial structure of the Corporation by promoting the use of the land and representing the real value of superficies, and further, to attract professionals to develop the ancillary business land by providing a guarantee institution for superficies, the Corporation shall have the right to dispose of the superficies over the ancillary land for business development purposes, transfer the superficies to others for development and operation, and create liens over the superficies. The MOTC entered into an Agreement on the Principles of Handling Superficies over Ancillary Business Land in Taiwan North-South High Speed Rail Station Zones ("Superficies Agreement") with the Corporation on March 9, 2006, and approved the aforementioned matters. However, the terms and conditions of the contracts covering the actual disposal and transfer of and creation of liens over these superficies shall be consented to by the MOTC.

As of December 31, 2013, the Corporation had secured the right to develop and conduct business on the ancillary land of the Taoyuan, Hsinchu, Taichung, Chiayi and Tainan station zones, the concession periods were as follows:

Ancillary Land of Stations	Concession Period
Taoyuan	July 1, 2006 to July 1, 2056
Hsinchu	August 22, 2007 to August 22, 2057
Taichung	August 22, 2007 to August 22, 2057
Chiayi	February 2, 2004 to February 2, 2054
Tainan	June 1, 2005 to June 1, 2055

b. As of December 31, 2013, the deficit amounted to $52,155,933 thousand. The Corporation adopted a strategy to improve its financial condition and decrease deficit as follows:

1) The Corporation promotes the ridership and reduces the operation costs continually.

2) In order to reduce the heavy burden of depreciation, the Corporation had changed the depreciation method of part of properties from the straight-line method to the units of throughput method based on ridership commencing from January 1, 2009, with the prior approval of the FSC. Under IFRSs, the HSR should be transferred from property, plant and equipment to intangible assets - operating concession asset, which has to be amortized using the units of throughput method based on ridership retroactive to the date of the beginning of HSR commercial operation (please refer to Note 32).

3) In order to reduce the heavy burden of interest expense, on January 8, 2010, the Corporation entered into the Tripartite Agreement with the MOTC and Bank of Taiwan, and the Syndicated Loan Agreement with a bank syndicate consisting of 8 banks. On May 2010, the Corporation utilized the above credit facilities (please refer to Note 14).

After the Corporation adopted the aforementioned measures and improved the operating status, the Corporation's net income before tax amounted to $2,709,512 thousand and $1,871,659 thousand for the years ended December 31, 2013 and 2012, respectively.

In addition to the aforementioned strategy to improve its financial condition and decrease deficit, the Corporation applied to the MOTC for allowance for the differences between the statutory concession ticket and short charge and requested for approval of force majeure and excluded events as follows:

1) Since the Corporation started its commercial operations on January 5, 2007, the Corporation has been offering half-price tickets for the elders over 65 years old and the handicapped according to the Senior Citizens Welfare Act and People with Disabilities Protection Act (renamed "People with Disabilities Rights Protection Act" later). Also, based on the Act of Encouraging Public Transportation Development and related regulations, the Corporation submitted summary report and detailed list to the MOTC monthly to apply for the allowance for the differences between the statutory concession ticket and short charge. The accumulated amount applied for was $8,709,838 thousand as of December 31, 2013. However, the MOTC replied that the application must be processed "taking rates of each ticket type into consideration". The Corporation claimed that the allowance for the differences between the statutory concession ticket and short charge had constitutive element to be an excluded event and submitted the case to the HSR Conciliation Committee for coordination.

2) Since the beginning of construction of HSR, the Corporation made claims under the force majeure and unfavorable circumstances not attributable to the Corporation (excluded events) to the MOTC over the years. In addition to the aforementioned allowance for the differences between the statutory concession ticket and short charge not yet received, the Corporation also made claims about the following: Significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected, the 921 earthquake and amended seismic design specifications during the construction, delayed road digging license on Shui Guan Road in Renwu Dist., Kaohsiung City, delayed announcement of urban planning of Zuoying train station, discovery of cultural heritage in Tainan Science Park, Miaoli Ma-tzu Tien and Fan-tsai Jing, FMD App buried events in Pitou Township, Changhua, discarded soft soil from Liujia base, drainage diversion works in Wuri base and the regulations of secondary land expropriation on right-of-way, etc. In May 2013, the Corporation provided the MOTC with the financial improvement plan for the MOTC to identify force majeure and excluded events, to consult with the Corporation handling the financial improvement plan and to apply remedial measures as soon as possible. The financial improvement plan proposed by the Corporation includes, but is not limited to the extension of the concession, C&O Agreement modifications and other programs. As of March 13, 2013, except for the 921 earthquake case, which is still under review, the MOTC has replied that the identification of force majeure or excluded events of other cases are difficult to reach; however, the Corporation may apply for coordination to the Conciliation Committee if the Corporation had different opinions. The Corporation had submitted request for coordination to the Conciliation Committee to coordinate the case of significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected.

30. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 23 and information of the preceding paragraph, there are no significant transactions, information of investees and investments in mainland China required for disclosure.

31. SEGMENT INFORMATION

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

32. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation of financial information under IFRSs

The Corporation's financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Corporation not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact of the transition to IFRSs

After transition to IFRSs, the impact on the Corporation's balance sheets and statements of comprehensive income is stated as follows:

1) Reconciliation of balance sheet as of January 1, 2012

	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Current assets	$ 36,052,568	$ (464,569)	$ 35,587,999	5) h)
Non-current assets				
Property, plant and equipment	385,544,813	(385,452,707)	92,106	5) b), c)
Intangible assets	27,537	473,401,054	473,428,591	5) b)-d), f)
Deferred income tax assets	2,133,382	1,322,789	3,456,171	5) d), f)-h)
Other non-current assets	1,277,555	12,236	1,289,791	5) e)
Total assets	$ 425,035,855	$ 88,818,803	$ 513,854,658	
Current liabilities				
Accrued expenses	$ 2,106,800	$ 89,558	$ 2,196,358	5) f)
Operating concession liability	2,000,000	-	2,000,000	5) d)
Deferred revenue	-	37,150	37,150	5) g)
Others	14,270,577	-	14,270,577	
Total current liabilities	18,377,377	126,708	18,504,085	
Non-current liabilities				
Deferred income tax liabilities	-	3,937,154	3,937,154	5) c)
Operating concession liability	-	75,254,790	75,254,790	5) d)
Others	377,851,823	-	377,851,823	
Total non-current liabilities	377,851,823	79,191,944	457,043,767	
Total liabilities	396,229,200	79,318,652	475,547,852	
Capital stock	105,322,243	-	105,322,243	
Capital surplus	1,293,910	(1,293,910)	-	5) i)
Legal reserve	40,285	-	40,285	
Deficit	(67,786,276)	10,794,061	(56,992,215)	5) b)-i)
Unrealized gain on available-for-sale financial assets	992	-	992	
Prepaid preferred stock dividends	(10,064,499)	-	(10,064,499)	
Total equity	28,806,655	9,500,151	38,306,806	
Total liabilities and equity	$ 425,035,855	$ 88,818,803	$ 513,854,658	

2) Reconciliation of balance sheet as of December 31, 2012

	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Current assets	$ 37,639,282	$ (86,162)	$ 37,553,120	5) h)
Non-current assets				
Property, plant and equipment	376,927,709	(376,839,987)	87,722	5) b), c)
Intangible assets	52,649	462,647,019	462,699,668	5) b)-f)
Deferred income tax assets	2,132,107	846,174	2,978,281	5) d), f)-h)
Other non-current assets	1,278,325	(4,876)	1,273,449	5) e)
Total assets	$ 418,030,072	$ 86,562,168	$ 504,592,240	
Current liabilities				
Accrued expenses	$ 2,279,296	$ 89,544	$ 2,368,840	5) f)
Operating concession liability	395,642	-	395,642	5) d)
Deferred revenue	-	36,417	36,417	5) g)
Others	4,761,018	-	4,761,018	
Total current liabilities	7,435,956	125,961	7,561,917	

(Continued)

	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Non-current liabilities				
Deferred income tax liabilities	$ -	$ 3,823,377	$ 3,823,377	5) c)
Operating concession liability	1,204,358	75,199,886	76,404,244	5) d)
Others	377,005,466	-	377,005,466	
Total non-current liabilities	378,209,824	79,023,263	457,233,087	
Total liabilities	385,645,780	79,149,224	464,795,004	
Capital stock	105,322,243	-	105,322,243	
Capital surplus	1,293,910	(1,293,910)	-	5) i)
Legal reserve	40,285	-	40,285	
Deficit	(64,209,440)	8,706,854	(55,502,586)	5) b)-i)
Unrealized gain on available-for-sale financial assets	1,793	-	1,793	
Prepaid preferred stock dividends	(10,064,499)	-	(10,064,499)	
Total equity	32,384,292	7,412,944	39,797,236	
Total liabilities and equity	$ 418,030,072	$ 86,562,168	$ 504,592,240	

(Concluded)

3) Reconciliation of statement of comprehensive income for the year ended December 31, 2012

	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Operating revenues	$ 33,984,137	$ 733	$ 33,984,870	5) g)
Operating costs	(20,961,652)	(537,545)	(21,499,197)	5) c)-f)
Gross profit	13,022,485	(536,812)	12,485,673	
Operating expenses	(927,256)	217	(927,039)	5) e), f)
Income from operations	12,095,229	(536,595)	11,558,634	
Non-operating income and gains (expenses and losses)	(8,138,401)	(1,548,574)	(9,686,975)	5) c), d)
Income before income tax	3,956,828	(2,085,169)	1,871,659	
Income tax expense	(379,992)	12,576	(367,416)	5) c), h)
Net income	$ 3,576,836	$ (2,072,593)	$ 1,504,243	
Other comprehensive income				
Unrealized gain on available-for-sale financial assets			801	
Actuarial loss arising from a defined benefit pension plan			(17,607)	5) e)
Income tax benefit relating to the components of other comprehensive loss			2,993	5) h)
Total comprehensive income for the period			$ 1,490,430	

4) Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for the first-time preparation of the Corporation's financial statements in accordance with IFRSs. According to IFRS 1, the Corporation is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date), except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The effect of the aforementioned exemptions is explained in the following section "5) Explanations of significant reconciling items in the transition to IFRSs".

5) Explanations of significant reconciling items in the transition to IFRSs

The Corporation had assessed the material differences and the effects, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

a) Preferred stock

Under ROC GAAP, preferred stock issued before January 1, 2006 which was regarded as equity in the legal form but as liabilities in the economic substance, was recognized as stockholders' equity, and therefore was not differentiated between financial liability and equity. Under IFRSs, the preferred stock should be classified into financial liability or equity based on its economic substance. However, according to Rule No. 10000322083 issued by the FSC on July 7, 2011, the Corporation may be exempt from reclassifying the aforementioned preferred stock into financial liability.

b) Service concession arrangements

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". Under IFRSs, the Corporation should calculate the direct cost (mainly the operating assets and profit sharing return) of the acquisition of concession retroactively to the commencement of HSR commercial operation, and use cost model to recognize intangible assets - HSR operating concession which has to be amortized using the units of throughput method based on ridership during the concession period.

c) Service concession arrangements - operating assets

According to the C&O Agreement, the cost of construction of HSR is directly related to the operation of HSR and will be transferred without compensation at the expiration date of the concession period; thus, it is considered as acquisition cost of the concession. Under IFRSs, the HSR construction should be transferred from properties to intangible assets - HSR operating concession.

Due to the IFRS adjustment to cost model under the above paragraph b) "Service concession arrangements", as of January 1, 2012 and December 31, 2012, intangible assets - HSR operating concession increased by $408,612,437 thousand and $399,330,438 thousand; property, plant and equipment decreased by $385,452,707 thousand and $376,839,987 thousand; and related deferred income tax liabilities increased by $3,937,154 thousand and $3,823,377 thousand, respectively. For the year ended December 31, 2012, operating costs increased by $665,801 thousand, non-operating expenses and losses increased by $3,478 thousand as a result of disposal of assets, and income tax expense decreased by $113,777 thousand.

d) Service concession arrangements - profit sharing return

According to the C&O Agreement, the Corporation is required to pay profit sharing return to the MOTC for the development of related HSR construction, thus profit sharing return is considered as an acquisition cost of the concession. Under IFRSs, the Corporation should discount the minimum commitment to profit sharing return of $108 billion and recognize the amount as intangible assets - HSR operating concession and operating concession liability.

The Corporation discounted and recognized the minimum commitment of $108 billion mentioned in the preceding paragraph retroactively to the commencement of HSR commercial operation. In addition, at the commencement of HSR commercial operation, the Corporation also commenced to amortize the intangible assets by the units of throughput method based on ridership, and used effective interest method to calculate operating concession liability at the date of IFRSs adoption.

As a result of IFRS adjustment to profit sharing return, as of January 1, 2012, the intangible assets - HSR operating concession and operating concession liability increased by $64,787,612 thousand and $75,254,790 thousand, respectively. As of December 31, 2012, intangible assets - HSR operating concession and operating concession liability increased by $63,313,637 thousand and $75,199,886 thousand, respectively. For the year ended December 31, 2012, the operating costs decreased by $126,025 thousand and interest expense increased by $1,545,096 thousand.

e) Employee benefits - pension

Under ROC GAAP, unrecognized net transition obligation from first-adoption of Statement of Financial Accounting Standards (SFAS) No. 18 “Accounting for Pensions” should be amortized using the straight-line method and recorded in net periodic pension cost. The straight-line method is based on average remaining service lives of employees expected to receive pension benefits. After transition to IFRSs, the Corporation is not subject to the transitional requirements under IAS No. 19 “Employee Benefits”, thus the unrecognized net transition obligation should be recognized immediately to retained earnings.

Under ROC GAAP, actuarial gains and losses are recognized under corridor approach. The actuarial gains and losses to be recognized are based on the amortization calculated using average remaining service lives of employees expected to receive pension benefits. After transition to IFRSs, actuarial gains and losses determined based on actuarial calculations under the requirements of IAS No. 19 “Employee Benefits” should be recognized immediately in other comprehensive income and retained earnings in the statement of changes in equity and should not be transferred to profit or loss in subsequent periods.

Due to the effects of complying with IAS No. 19 “Employee Benefits” and IFRS No. 1 “First-time Adoption of International Financial Reporting Standards”, as of January 1, 2012, prepaid pension cost increased by $12,236 thousand. As of December 31, 2012, prepaid pension cost decreased by $4,876 thousand and intangible assets - HSR operating concession decreased by $12 thousand. For the year ended December 31, 2012, operating costs and operating expenses decreased by $368 thousand and $115 thousand, respectively, and actuarial loss arising from a defined benefit pension plan under other comprehensive income increased by $17,607 thousand.

f) Employee benefits - compensated absences

Employees’ leave days are granted based on the length of their service. Under ROC GAAP, the cost of compensated absences is recognized when the absences occur. Under IFRSs, the compensated absences earned by employees who provided service and could be deferred to next year should be recognized as accumulated compensated absences payable in the balance sheet at the end of reporting period.

As a result of IFRS adjustment to compensated absences, as of January 1, 2012 and December 31, 2012, salaries payable increased by $89,558 thousand and $89,544 thousand, and intangible assets - HSR operating concession increased by $1,005 thousand and $2,956 thousand, respectively. For the year ended December 31, 2012, the operating costs and operating expenses decreased by $1,863 thousand and $102 thousand, respectively.

g) Customer loyalty programs

The Corporation established customer loyalty programs. Under IFRSs, the Corporation should allocate part of the consideration received or receivable from the sales transaction to the award credits and defer the recognition of revenue when providing free or discounted goods or services.

As a result of IFRS adjustment to customer loyalty programs, as of January 1, 2012 and December 31, 2012, deferred revenue increased by $37,150 thousand and $36,417 thousand, respectively. For the year ended December 31, 2012, revenue increased by $733 thousand.

h) Deferred income tax assets/liabilities

Under ROC GAAP, valuation allowance for deferred income tax assets is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are recognized only if the realization of tax benefit is probable, and the valuation allowance account is not used.

Under ROC GAAP, current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; likewise, same rules applied to non-current deferred income tax liabilities and assets.

Under IFRSs, an entity can offset deferred income tax assets and deferred income tax liabilities only if:

i. The entity has a legally enforceable right to offset current income tax assets against current income tax liabilities; and

ii. The deferred income tax assets and the deferred income tax liabilities related to income taxes levied by the same taxation authority.

In addition, under ROC GAAP, a deferred income tax asset and liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred income tax asset and liability is classified as a non-current asset or liability.

As of January 1, 2012 and December 31, 2012, the amount transferred from current deferred income tax assets to non-current deferred income tax assets was $464,569 thousand and $86,162 thousand, respectively.

As of January 1, 2012 and December 31, 2012, except for the deferred income tax liability related to the previous paragraph c) “Service concession arrangement - operating assets”, the Corporation had assessed the likelihood of realization of deferred income tax assets for the effects of transition to IFRSs, and deferred income tax assets was adjusted for an increase of $858,220 thousand and $760,012 thousand, respectively. For the year ended December 31, 2012, income tax expense and income tax benefit relating to the components of other comprehensive loss was adjusted for an increase of $101,201 thousand and $2,993 thousand, respectively.

i) Euro-convertible bond (ECB)

Under ROC GAAP, if the currency of conversion price for ECB is designated as New Taiwan dollars and the designated exchange rate used upon conversion of ECB is a fixed exchange rate, the conversion will be settled by exchanging a fixed number of ECB with a fixed number of common shares. Therefore, the conversion right of ECB should be classified as equity.

Under IFRSs, the ECB that will be settled by exchanging a fixed number of equity instruments with variable cash due to fluctuation of the exchange rate should be classified as financial liability at fair value through profit or loss.

As of January 1, 2012 and December 31, 2012, the amounts reclassified from capital surplus to retained earnings were both $1,293,910 thousand.

j) Explanation of material adjustments to the statement of cash flows

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 “Statement of Cash Flows”, cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the statement of cash flows.

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company
The Corporation	Mega Diamond Money Market Fund	-
	Yuanta Wan Tai Money Market Fund	-
	Jih Sun Money Market Fund	-
	Eastspring Inv Well Pool Money Market Fund	-
	UPAMC James Bond Money Market Fund	-
	Capital Money Market Fund	-
	Union Money Market Fund	-
	Paradigm Pion Money Market Fund	-
	Central Government Bonds 2013-2	-
	Central Government Bonds 2013-4	-
	Central Government Bonds 2013-10	-
	Central Government Bonds 2012-6	-
	Central Government Bonds 2012-9	-
	Central Government Bonds 2012 B 1st	-
	Central Government Bonds 2012 B 2	-
	Central Government Bonds 2011-5	-
	Central Government Bonds 2011-6	-
	Central Government Bonds 2011-9	-
	Central Government Bonds 2010-5	-
	Central Government Bonds 2010-6	-
	Central Government Bonds 2010-8	-
	Central Government Bonds 2009-4	-
	Central Government Bonds 2009-5	-

Financial Statement Account	December 31, 2013				Note
	Units/Face Value (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Available-for-sale financial assets - current	9,096	$ 111,298	-	$ 111,298	
"	6,755	100,032	-	100,032	
"	7,646	110,542	-	110,542	
"	7,527	100,034	-	100,034	
"	6,152	100,477	-	100,477	
"	3,173	50,017	-	50,017	
"	4,068	52,517	-	52,517	
"	3,551	40,108	-	40,108	
Other financial assets - current	$ 140,000	140,000	-	140,000	
"	385,200	428,000	-	428,000	
"	300,000	333,333	-	333,333	
"	1,125,200	1,248,000	-	1,248,000	
"	499,300	554,700	-	554,700	
"	60,300	67,000	-	67,000	
"	387,900	431,000	-	431,000	
"	33,300	36,900	-	36,900	
"	3,605,600	4,004,000	-	4,004,000	
"	95,000	100,000	-	100,000	
"	312,000	312,000	-	312,000	
"	883,700	981,400	-	981,400	
"	400,000	444,444	-	444,444	
"	699,200	774,469	-	774,469	
"	465,900	517,600	-	517,600	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company
The Corporation	Central Government Bonds 2009-6	-
	Central Government Bonds 2008-3	-
	Central Government Bonds 2008-6	-
	Central Government Bonds 2006-3	-
	Central Government Bonds 2006-6	-
	Central Government Bonds 2005-4	-
	Central Government Bonds 2005-7	-
	Central Government Bonds 2005-8	-
	Central Government Bonds 2004-8	-
	Central Government Bonds 2002-3	-
	Central Government Bonds 2002-7	-
	Central Government Bonds 2001-2	-
	Central Government Bonds 2001-3	-
	Central Government Bonds 2001-6	-
	Central Government Bonds 2001-7	-
	Central Government Bonds 2001-8	-
	Central Government Bonds 2000-3	-
	Central Government Bonds 2000-4	-
	Central Government Bonds 2000-9	-
	Central Government Bonds 2000-11	-
	Central Government Bonds 1999 B 1st	-

Financial Statement Account	December 31, 2013 Units/Face Value (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	Note
Other financial assets - current	$ 2,053,800	$ 2,282,000	-	$ 2,282,000	
"	389,800	416,333	-	416,333	
"	200,000	200,000	-	200,000	
"	740,000	820,000	-	820,000	
"	1,642,500	1,825,000	-	1,825,000	
"	214,100	214,100	-	214,100	
"	4,772,700	5,290,072	-	5,290,072	
"	561,100	623,400	-	623,400	
"	392,700	435,684	-	435,684	
"	499,500	555,000	-	555,000	
"	700,000	777,778	-	777,778	
"	799,600	888,400	-	888,400	
"	1,469,000	1,620,000	-	1,620,000	
"	3,717,700	4,049,635	-	4,049,635	
"	2,946,600	3,170,756	-	3,170,756	
"	400,000	444,445	-	444,445	
"	893,900	991,000	-	991,000	
"	107,700	119,667	-	119,667	
"	849,800	941,000	-	941,000	
"	35,800	39,662	-	39,662	
"	404,200	446,222	-	446,222	

(Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
The Corporation	Central Government Bonds 2013-1	Other financial assets - current	-	-
	Central Government Bonds 2013-2	"	-	-
	Central Government Bonds 2013-4	"	-	-
	Central Government Bonds 2013-10	"	-	-
	Central Government Bonds 2012-3	"	-	-
	Central Government Bonds 2012-5	"	-	-
	Central Government Bonds 2012-6	"	-	-
	Central Government Bonds 2012-9	"	-	-
	Central Government Bonds 2012 B 2	"	-	-
	Central Government Bonds 2011-1	"	-	-
	Central Government Bonds 2011-5	"	-	-
	Central Government Bonds 2011-6	"	-	-
	Central Government Bonds 2011-7	"	-	-
	Central Government Bonds 2010-1	"	-	-
	Central Government Bonds 2010-5	"	-	-
	Central Government Bonds 2010-6	"	-	-
	Central Government Bonds 2010-7	"	-	-
	Central Government Bonds 2010-8	"	-	-
	Central Government Bonds 2009-1	"	-	-
	Central Government Bonds 2009-3	"	-	-
	Central Government Bonds 2009-4	"	-	-
	Central Government Bonds 2009-5	"	-	-
	Central Government Bonds 2009-6	"	-	-
	Central Government Bonds 2008-1	"	-	-
	Central Government Bonds 2008-3	"	-	-
	Central Government Bonds 2008-4	"	-	-
	Central Government Bonds 2007-3	"	-	-
	Central Government Bonds 2006-3	"	-	-

Beginning Balance		Acquisition		Disposal					Ending Balance	
Units/Face Value (In Thousands)	Amount	Units/Face Value (In Thousands)	Amount	Units/Face Value (In Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Units/Face Value (In Thousands)	Amount
$ -	$ -	$ 366,000	$ 386,000	$ 366,000	$ 386,616	$ 386,000	$ 616	$ -	$ -	$ -
-	-	2,113,600	2,306,200	1,973,600	2,168,957	2,166,200	2,757	-	140,000	140,000
-	-	1,704,600	1,894,000	1,319,400	1,467,925	1,466,000	1,925	-	385,200	428,000
-	-	300,000	333,333	-	-	-	-	-	300,000	333,333
112,000	124,400	300,000	330,000	412,000	455,056	454,400	656	-	-	-
700,000	774,000	474,300	487,000	1,174,300	1,262,839	1,261,000	1,839	-	-	-
348,000	385,000	5,715,100	6,227,683	4,937,900	5,372,134	5,364,683	7,451	-	1,125,200	1,248,000
70,000	70,000	679,300	734,700	250,000	250,340	250,000	340	-	499,300	554,700
-	-	454,000	504,400	66,100	73,491	73,400	91	-	387,900	431,000
-	-	2,190,700	2,410,600	2,190,700	2,413,952	2,410,600	3,352	-	-	-
314,200	314,200	90,900	100,700	371,800	378,580	378,000	580	-	33,300	36,900
2,928,800	3,164,600	12,976,300	14,177,400	12,299,500	13,356,322	13,338,000	18,322	-	3,605,600	4,004,000
177,000	191,973	131,900	145,500	308,900	338,007	337,473	534	-	-	-
-	-	321,900	342,894	321,900	343,158	342,894	264	-	-	-
-	-	5,131,200	5,597,333	4,819,200	5,292,197	5,285,333	6,864	-	312,000	312,000
912,000	931,600	3,462,200	3,758,800	3,490,500	3,714,356	3,709,000	5,356	-	883,700	981,400
100,000	110,000	291,000	320,000	391,000	430,638	430,000	638	-	-	-
45,000	45,000	445,000	489,444	90,000	90,138	90,000	138	-	400,000	444,444
-	-	3,752,800	4,152,444	3,752,800	4,157,765	4,152,444	5,321	-	-	-
450,000	486,000	854,000	933,000	1,304,000	1,421,122	1,419,000	2,122	-	-	-
875,500	941,300	2,561,800	2,801,309	2,738,100	2,972,272	2,968,140	4,132	-	699,200	774,469
-	-	705,300	783,600	239,400	266,348	266,000	348	-	465,900	517,600
873,900	971,000	6,552,900	7,273,222	5,373,000	5,969,178	5,962,222	6,956	-	2,053,800	2,282,000
889,100	916,800	-	-	889,100	918,302	916,800	1,502	-	-	-
-	-	539,800	566,333	150,000	150,195	150,000	195	-	389,800	416,333
2,541,600	2,684,825	2,228,600	2,344,993	4,770,200	5,036,555	5,029,818	6,737	-	-	-
1,154,800	1,280,119	5,316,300	5,906,944	6,471,100	7,196,661	7,187,063	9,598	-	-	-
137,600	145,420	2,256,000	2,483,225	1,653,600	1,811,160	1,808,645	2,515	-	740,000	820,000

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
The Corporation	Central Government Bonds 2006-6	Other financial assets - current	-	-
	Central Government Bonds 2005-4	"	-	-
	Central Government Bonds 2005-5	"	-	-
	Central Government Bonds 2005-7	"	-	-
	Central Government Bonds 2005-8	"	-	-
	Central Government Bonds 2004-8	"	-	-
	Central Government Bonds 2003-4	"	-	-
	Central Government Bonds 2003-7	"	-	-
	Central Government Bonds 2003-10	"	-	-
	Central Government Bonds 2002-3	"	-	-
	Central Government Bonds 2002-7	"	-	-
	Central Government Bonds 2001-2	"	-	-
	Central Government Bonds 2001-3	"	-	-
	Central Government Bonds 2001-6	"	-	-
	Central Government Bonds 2001-7	"	-	-
	Central Government Bonds 2001-8	"	-	-
	Central Government Bonds 2000-3	"	-	-
	Central Government Bonds 2000-4	"	-	-
	Central Government Bonds 2000-9	"	-	-
	Central Government Bonds 2000-11	"	-	-
	Central Government Bonds 1999-2	"	-	-
	Central Government Bonds 1999-3	"	-	-
	Central Government Bonds 1999 B 1st	"	-	-

Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
Units/Face Value (In Thousands)	Amount	Units/Face Value (In Thousands)	Amount	Units/Face Value (In Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal		Units/Face Value (In Thousands)	Amount
$ 876,500	$ 972,000	$ 5,370,000	$ 5,964,778	$ 4,604,000	$ 5,117,390	$ 5,111,778	$ 5,612	$ -	$ 1,642,500	$ 1,825,000
206,400	225,081	1,069,500	1,082,446	1,061,800	1,094,973	1,093,427	1,546	-	214,100	214,100
170,000	184,307	370,000	370,000	540,000	555,175	554,307	868	-	-	-
953,800	1,000,800	13,704,200	15,082,332	9,885,300	10,806,874	10,793,060	13,814	-	4,772,700	5,290,072
1,161,800	1,290,800	2,757,500	3,063,844	3,358,200	3,735,834	3,731,244	4,590	-	561,100	623,400
1,122,300	1,180,775	2,463,200	2,651,959	3,192,800	3,401,857	3,397,050	4,807	-	392,700	435,684
1,887,200	2,094,300	-	-	1,887,200	2,097,565	2,094,300	3,265	-	-	-
789,100	842,300	1,257,700	1,362,197	2,046,800	2,207,702	2,204,497	3,205	-	-	-
24,200	24,200	324,000	356,000	348,200	380,783	380,200	583	-	-	-
-	-	1,182,400	1,313,756	682,900	759,779	758,756	1,023	-	499,500	555,000
398,000	416,000	1,588,300	1,764,778	1,286,300	1,404,588	1,403,000	1,588	-	700,000	777,778
-	-	2,334,100	2,593,400	1,534,500	1,707,314	1,705,000	2,314	-	799,600	888,400
802,700	863,000	5,598,500	6,110,872	4,932,200	5,360,082	5,353,872	6,210	-	1,469,000	1,620,000
3,081,600	3,372,607	12,845,800	13,874,288	12,209,700	13,213,322	13,197,260	16,062	-	3,717,700	4,049,635
859,500	875,400	8,445,500	8,947,066	6,358,400	6,660,903	6,651,710	9,193	-	2,946,600	3,170,756
-	-	400,000	444,445	-	-	-	-	-	400,000	444,445
1,209,200	1,249,000	4,548,900	4,844,000	4,864,200	5,109,286	5,102,000	7,286	-	893,900	991,000
250,000	250,000	1,257,300	1,334,867	1,399,600	1,467,246	1,465,200	2,046	-	107,700	119,667
2,547,700	2,547,700	2,494,100	2,752,530	4,192,000	4,363,472	4,359,230	4,242	-	849,800	941,000
-	-	1,655,800	1,692,662	1,620,000	1,655,135	1,653,000	2,135	-	35,800	39,662
144,100	158,393	1,304,000	1,398,813	1,448,100	1,559,150	1,557,206	1,944	-	-	-
-	-	675,300	741,787	675,300	742,802	741,787	1,015	-	-	-
-	-	404,200	446,222	-	-	-	-	-	404,200	446,222

(Concluded)

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