台灣高鐵
TAIWAN HIGH SPEED RAIL

2014 ANNUAL REPORT

Published on September 30, 2015.

Fact Sheet
THSRC Milestones

Commencement Date: May 1998
Construction Stage: March 2000-December 2006
Operation Stage: Started in January 2007
Capitalization: NT$65.13 billion

Key Operating Statistics for 2014:

Number of Train Services: 50,467
Punctuality (defined as departure within five minutes of scheduled time): 99.61%
Annual Ridership: 48.02 million passengers
Annual Revenues: NT$38.51 billion
Loading Factor: 57.12%
Passenger Kilometers: 9,235 million km
Total Route Length: 345 km
Number of Cities/Counties Passed Through: 11
Maximum Operating Speed: 300 km/hr
Number of Seats Per Train: 989 (923 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 = $\sum$ (Number of seats per trainset x sum of the mileage of trains operated in revenue service)

Table of Contents

Chairman's Letter to Shareholders

Meeting Challenges, Embracing Opportunities & Managing Sustainably.

Chairman's Letter to Shareholders

Victor W.Liu

Victor W.Liu
Chairman

Dear Fellow Shareholders,

2014 marked the eighth 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.

2014 Results

Over 300 million passengers have been carried by THSR since its launch in January 2007. Last year marked our eighth operational anniversary, and we continued our efforts to grow ridership despite a challenging economic environment.

During 2014, our passenger volume increased to 48.02 million, we provided a total of 50,467 train services, and our loading factor was 57.12%, marginally down by 0.38 percentage point compared to 57.50% in 2013. Even with this increase in volume, we achieved 99.61% punctuality with trains maintaining 99.96% reliability, excluding delays due to force majeure events.

We are proud of our zero accident record over the past year – no accidents or injuries to passengers or the public on railway premises were caused by train service operations or malfunctions of railway equipment.

We rolled out a number of sales and marketing campaigns in 2014 to support new service offerings, promote train travel and help generate passenger traffic, such as Early Bird ticketing, discounts for college students, upgraded business class offering, and vacation packages and deals under our T Holiday program. Furthermore, we provided multiple channels for ticket purchase, including at convenience stores, via smartphone, and using contactless EasyCard. We maximized accessibility to our HSR stations by providing free shuttle bus services to and from downtown areas.

Our financial performance also improved significantly from the prior year. Revenues increased 6.68% year-on-year to NT$38.51 billion. Gross and operating profit reached NT$12.80 billion and NT$11.88 billion, respectively. Profit before tax was NT$2.66 billion. Our strong set of results reflected the positive impacts of higher passenger volumes and revenues, stricter cost control and improved efficiency.

Research & Development

During 2014, we worked hard to enhance our maintenance capabilities and to reduce the cost and risk of loss resulting

James Jeng
CEO

from the delayed or failed delivery of spare parts. To meet these objectives, we secured local suppliers for spare parts and improved our maintenance facilities, in particular for the repair of electronic equipment. Through extensive research, we developed solutions for maintaining and improving track and signaling assets.

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.

Looking into 2015, we will bring to our passengers new service offerings as well as enhanced safety, reliability and comfort. We also seek to expand the development of station areas and facilities in order to create new streams of income. In the meantime, we will continue giving back to the communities in which we work and serve.

(2) Growth target

We will align our services to meet changing demands and to exploit opportunities for growth. We have set an annual ridership target of 48.9 million for 2015.

(3) Main 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 order to remain competitive, gain market share and increase ridership.

In the year ahead, we will focus on six major initiatives. They include:

- ensuring safe and stable transport
- Planning new products and services
- broadening the breadth and depth of services to increase passenger revenues
- 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

Overview

Connecting Taiwan from THSR

Company Profile

Business segments

THSRC's business scope covers the operation of the high-speed rail and the affiliated businesses.

A. High-speed rail service

THSRC provides high-speed rail services along Taiwan's western corridor via eight stations: Taipei, Banqiao, Taoyuan, Hsinchu, Taichung, Chiayi, Tainan and Zuoying. A total of 50,467 train services were delivered in 2014 with maximum traffic volume amounting to as many as 192 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 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.

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.

Empowering Cities,
Economies and People.

Our Core Values

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

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.

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.

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

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

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.

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.

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.

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).

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.
May 2014	THSRC and the International Union of Railway (UIC) jointly organize a series of conferences that include the 6th UIC Asia-Pacific Technical Directors Meeting, the 17th Asia-Pacific Regional Assembly and the 1st UIC Conference on Natural Disaster Management of Railway Systems at Le Meridien Taipei.
	THSRC receives the 2013 Occupational Safety Award and Excellent Award for Self-Inspection from the Labor Inspection Office of Taipei City Government.
June 2014	THSRC ranks the third place among all category winners of the 2014 Digital Service Benchmark Enterprise Award and receives the top honor in the transportation category in Business Next Magazine's annual ranking.
September 2014	THSRC wins six awards at the 15th Golden Road Award, including Awards for Outstanding Performance in equipment maintenance of vehicle, signal communications, road, station electrical and mechanical maintenance, depot electrical and mechanical maintenance, and the second prize for station environment maintenance.
October 2014	THSR Emergency Response and Management Systems win the 2014 ITS Application Award organized by the Intelligent Transportation Society of Taiwan.
January 2015	THSRC receives the carbon footprint certificate for high-speed rail service from the Environmental Protection Administration of Executive Yuan, R.O.C.
March 2015	THSRC allows passengers who have booked and bought train tickets online via the IRS, T-Express and IVR to collect proofs for missing pre-booked trains using their reservation numbers at convenient stores in the event of them missing the trains they wanted to travel or needing to claim reimbursement of travel expenses.
	The 2015 Taiwan Lantern Festival is celebrated in a special zone adjacent to HSR Taichung Station from March 5 to March 15.
	"Deliver Love with HSR to Children," a tuition assistance program held jointly with Child Welfare League Foundation, raises over NT$11 million for 2015, benefiting more than 1,000 schoolchildren from disadvantaged backgrounds. Since 2010, THSRC has raised close to NT$88 million to assist more than 17,500 students in paying the tuition.
	The Board of Directors approves making the company's shares available for public purchase in an effort to improve the company's financial position.
April 2015	THSRC allows passengers to book and collect combo tickets from the self-service kiosk "ibon" at convenient stores starting on April 8, 2015 for travel scheduled to depart on/and after May 1, 2015.

Our Business

Earning a Worldwide Reputation for Excellent Rail Service

Five Years in Review

Enabling Faster, Safer, More Frequent Service.

This section is a review of THSRC's operations and performance for the five years ended December 31, 2014.

- Provided a total of 243,521 train services and achieved an average 99.96% reliability. 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 42.6 billion passenger-kilometers and a loading factor of 54.01%
- Achieved 78.9 billion seat-kilometers and an average 99.50% punctuality. The punctuality rate is derived by dividing the total number of trains departing within five minutes of scheduled time by the total number of operating trains.

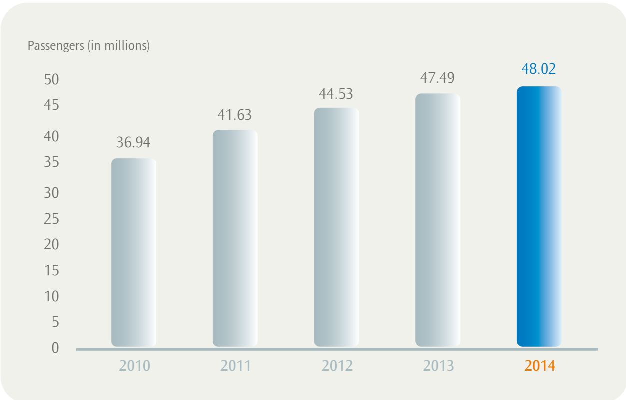
Average Service Reliability, 2010 – 2014

99.96%

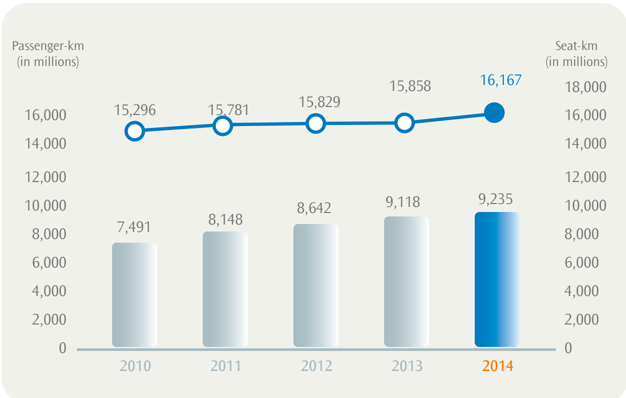
Average Punctuality, 2010 – 2014

99.50%

Total Ridership, 2010 – 2014



Passenger-Kilometers and Seat-Kilometers, 2010 – 2014

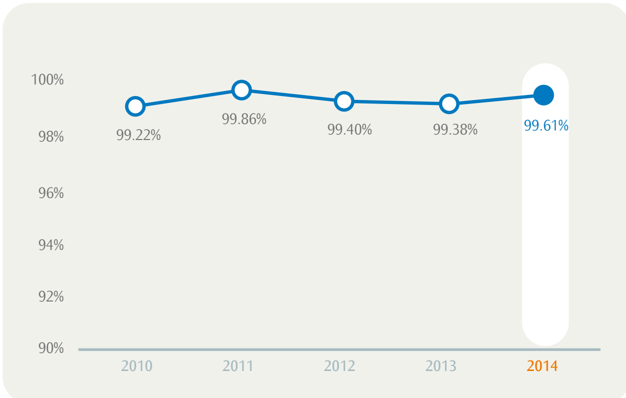


Measures of Transport Performance, 2013-2014

	2013	2014	Change
1. Number of services	48,859	50,467	3.29% ↑
2. Number of passengers (in millions)	47.49	48.02	1.12% ↑
3. Seat-kilometers (in millions)	15,858	16,167	1.95% ↑
4. Passenger-kilometers (in millions)	9,118	9,235	1.28% ↑
5. Punctuality (as % of trains departing within five minutes of scheduled time)	99.38%	99.61%	0.23% ↑
6. Loading factor (passenger-km/seat-km)	57.50%	57.12%	- 0.38%↓

Punctuality, 2010 – 2014

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



Key Operating Statistics, 2010 – 2014

Key Performance Indicator	Total ridership (in millions)	Train services per year	Loading factor (passenger-km/ seat-km)	Punctuality (as % of trains departing within five minutes of scheduled time)	Passenger-kilometers (in millions)	Seat-kilometers (in millions)
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
2014	48.02	50,467	57.12%	99.61%	9,235	16,167

Results of Operations

2014 highlights

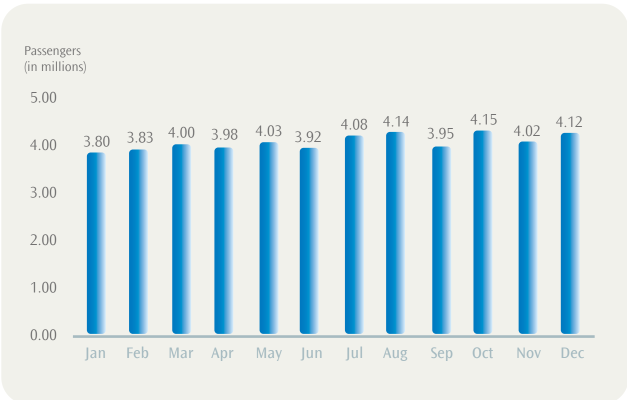
In 2014, THSRC carried 48 million passengers, an increase of 1.1% over the prior year.

- Total passenger-kilometers were 9,235 million.
- Total seat-kilometers were 16,167 million.
- The overall service reliability (excluding force majeure events) and punctuality was 99.96% and 99.61%, respectively.

Service Reliability in 2014

99.96%

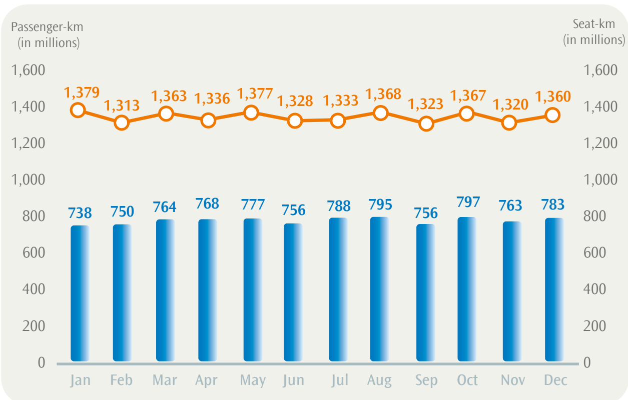
Ridership in 2014



Punctuality in 2014

99.61%

Passenger-Kilometers and Seat-Kilometers in 2014



Multiple booking and ticketing options

We offer a number of easy and convenient channels 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, a joint ticketing program with airlines and an agent ticketing management system. Passengers also can proceed through ticket barriers using their Easy Card, a contactless smartcard.

Station services and facilities

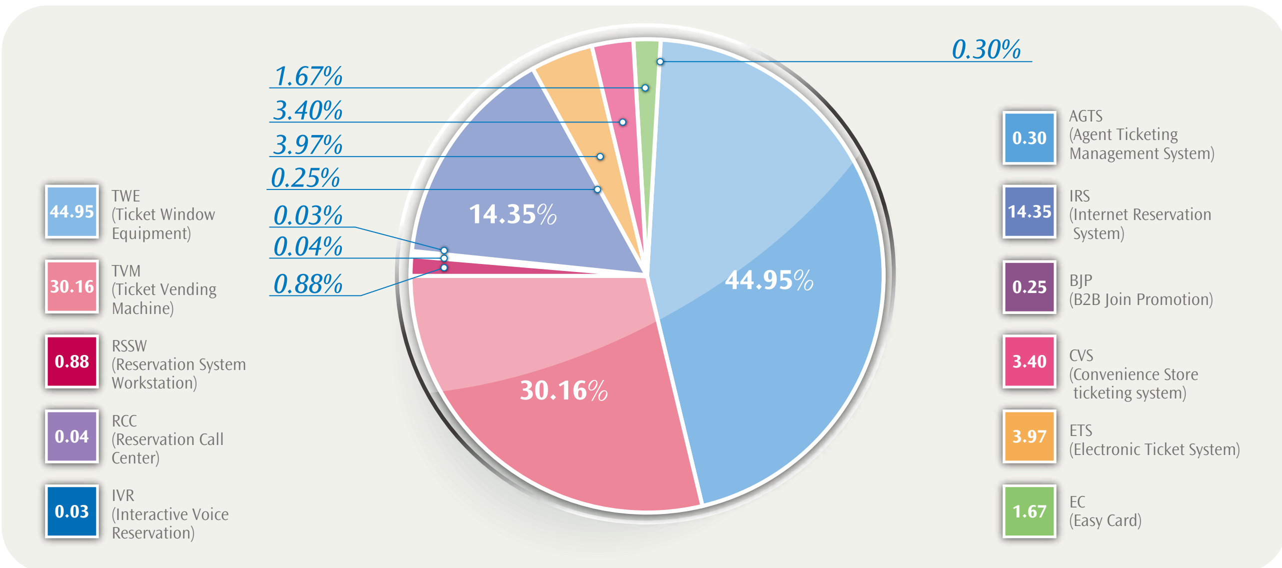
At each of our eight modern, beautifully designed stations, we provide a wide range of services and amenities to ensure ease of travel. These include ticket counters and automated ticket vending machines, passenger information systems, information desks, disabled facilities, nursery rooms, drinking fountains, convenience stores, 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 stands and interchanges with metro, bus and traditional railway services. In addition, we collaborate with express bus companies to run free shuttle bus services. In 2014, we offered 354,093 free shuttle bus rides to 4,642,653 passengers. Below is a summary of bus routes operated in 2014:

Free Shuttle Bus Routes

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

Booking and Ticket Purchase by Channel in 2014

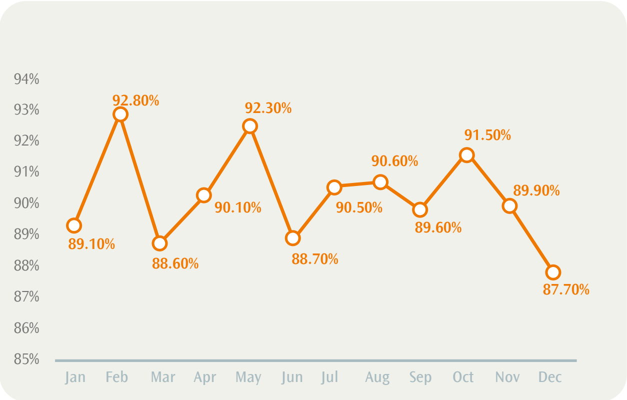


Maintenance

In order to provide passengers a safe and comfortable experience, we ensure all maintenance work carried out is in compliance with the Rolling Stock Maintenance Plan. In 2014, we completed the sixth bogie inspection (BI-6) for twelve trainsets (a total of 288 bogies) at a running distance of 3.6 million kilometers and the seventh bogie inspection (BI-7) for eighteen trainsets (a total of 432 bogies) at a running distance of 4.2 million kilometers.

The third general inspection (GI-3) started in September 2012. By September 2014, the inspection had been carried out for the entire fleet (30 trainsets). From January to September 2014, a total of 10 trainsets underwent the inspection. Our disciplined approach to the maintenance and upkeep of trains ensures that we comply with all relevant performance requirements and safety measures in a consistent manner.

Trainset Availability in 2014



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 2014 are as follows:

Preventive Maintenance Works in 2014

System	Preventive maintenance (arranged by the order of the work when performed)		
	Planned	Actual	Percent completed
Building Service System	28,608	28,608	100%
Rolling Stock	8,721	8,721	100%
Signaling System	8,815	8,815	100%
Communication System	5,336	5,336	100%
Operation Control Center	6,315	6,315	100%
Power Supply System	2,232	2,232	100%
OCS System	1,662	1,662	100%
Track System	1,333	1,333	100%
Total	63,022	63,022	100%

In 2014, we completed two surveillance audits with LRQA from May 22 to May 23 and from November 6 to November 7, respectively, and were granted renewal of ISO 9001 certification.

Training

In 2014, 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: 6,460 attendances for employees and partners who received general training on High Speed Rail Operations Regulations (HSROR); 24,461 attendances for control, train and station staff; and 5,118 attendances for staff responsible for the maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS) and tracks.

Operational safety

To ensure that our train operations staff comply with relevant health and safety regulations 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 Service commitments

THSRC strives to provide 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 IC (integrated circuit) boards and components in our electronics workshop.

(2) cooperation with National Chung-Shan Institute of Science and Technology (CSIST), 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 components; the development of highly-efficient air conditioning filters; and local procurement of parts and components, including pantograph contact pad, saloon seat cushions, salon LED lighting and a developed repair kit for toilet disk valves.

The Way 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:

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 2014. 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 well-being of our passengers and staff.

Strengthen financial position

We will continue to work with the government over financing arrangements to improve THSRC's capital and liquidity position. With support from the government, we are confident that our efforts to restore financial stability and investor confidence will be successful.

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.

We will work to transform the areas within and near railway station areas into regional hubs of economic activity, therefore creating fresh revenue streams. Additionally, we will continue to cultivate 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 extended 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

Promoting Strong Governance

Corporate Governance Overview

(1) Board and Committees

Board of Directors

The Board has the overall responsibility for the Company'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. Certain responsibilities are delegated to six Committees, which assist the Board in carrying out its duties. Elected on June 30, 2015 for a term of three years, the current Board consists of the Chairman, eleven Directors and three Independent Directors (two Supervisors attend Board meetings in non-voting capacity). Nine meetings of the Board were held during 2014.

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 three to five members and its meetings 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 the risk management function. The Committee consists of three to five members and its meetings 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 three to five members and its meetings 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 five to 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 to seven members.

Special Committee

The Special Committee assists the Board in fulfilling its responsibilities for planning and reviewing the Company's practice and procedures relating to the arbitration of commercial and legal disputes. The Committee consists of five to seven members and the independent director is responsible for convening committee meetings.

(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) Additional important disclosures

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. Upon the renewal of the liability insurance on November 1, 2010, the annual coverage was raised to US$20 million. Since November 1, 2014, the annual coverage has been adjusted to NT$600 million.

4.Board of Directors and Supervisors

Victor W. Liu

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

Other position held:

- 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
- President, Chung Hua University

Ph. D. and Managerial Economics and Decision Sciences (MEDS), The Kellogg Graduate School of Management, Northwestern University

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

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

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

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

Yeou-Jinn Chiou

Director (Representative, Taiwan Sugar Corporation)

Other positions held:

- Vice President, Taiwan Sugar Corporation
- Director, Vietnam-Taiwan Sugar Co., Ltd.

B.A. in Land Economics, National Chung Hsing University

Wenent P. Pan

Director (Representative, China Aviation Development 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

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 position held:

- President, China Airlines Ltd.

Previous positions:

- Chairman, Aviation Safety Council
- 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

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:

- Senior Consultant, 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

Yeong-Chyan Wu

Independent Director

Other positions held:

- President, Shih Hsin University
- Director, Health, Welfare & Environment Foundation

Previous position:

- Managing Director, Taipei Public Access Channel Association

Ph. D. in Law, University of Washington

Ter-Chen Wen

Supervisor (Representative, Walsin Lihwa Corporation)

Other position held:

- Special Assistant to CEO of Walsin Lihwa Corporation

M.S. in Business Management, University of Texas

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

James 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.

M.S. in Civil Engineering, Chung Hua University

Barret Wang

Secretariat-General, Secretariat Division of Board of Directors

Previous position:

- Attorney-at-Law, Chun He Law Firm

Bachelor of Law, National Taiwan University

William Hsu

Vice President, Engineering Technology Division

Previous positions:

- Executive Vice President and Chief Operating Officer, TransAsia Airways Corporation
- Assistant Vice President of Planning, Far Eastern Air Transport Corporation

B.S. in Aerospace Engineering, Tamkang 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

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

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

Max Liu

Assistant Vice President, Quality Assurance Office

Previous positions:

- Vice President, DJ Auto Components Corporation (an investee company of Germany-based Hella KGaA Hueck & Co.)
- Director, International High-Speed Rail Association

EMBA, National Chengchi University

B.E. in Mechanical Engineering, National Chiao Tung University

6.Organizational structure

Internal Control

(1) Statement of Internal Control System

Taiwan High Speed Rail Corporation

Statement of Internal Control System

Date: March 27, 2015

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, 2014:

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 2014, 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 2014 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 March 26, 2015, with 14 of the attending directors all affirming the content of this Statement.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors:

CEO:

(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	9.29	-	-	-	-	-	-	THSRC Director
Chung-Yi Lin	-	-	-	-	-	-	-	-	Representative of China Steel Corporation
Taiwan Sugar Corporation	500,000	7.68	-	-	-	-	-	-	THSRC Director
Yeou-Jinn Chiou	-	-	-	-	-	-	-	-	Representative of Taiwan Sugar Corporation
Teco Electric & Machinery Co., Ltd.	475,151	7.30	-	-	-	-	-	-	THSRC Director
Theodore M. H. Huang	-	-	-	-	-	-	-	-	Representative of Teco Electric & Machinery Co., Ltd.
Pacific Electric Wire & Cable	343,364	5.27	-	-	-	-	-	-	-
Jun-Tang Yuan	-	-	-	-	-	-	-	-	Chairman of Pacific Electric Wire & Cable Co., Ltd.
Development Fund of Executive Yuan	300,000	4.61	-	-	-	-	-	-	THSRC Director
I-Hsi Ho, Yu-Hern Chang	-	-	-	-	-	-	-	-	Representatives of Development Fund of Executive Yuan
Taiwan Shinkansen Corporation	240,000	3.68	-	-	-	-	-	-	-
Tetsu Ikeda	-	-	-	-	-	-	-	-	Chairman of Taiwan Shinkansen Corporation
Taiwan Fixed Network Co., Ltd.	225,531	3.46	-	-	-	-	-	-	-

(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	
Richard Tsai	-	-	-	-	-	-	-	-	Chairman of Taiwan Fixed Network Co., Ltd.
Continental Development Corporation	201,735	3.10	-	-	-	-	Continental Engineering Corporation	Continental Development Corporation and Continental Engineering Corporation are the subsidiaries of Continental Holdings Corporation	-
Christopher Chang	-	-	-	-	-	-	-	-	Chairman of Continental Developrnent Corporation
Continental Engineering Corporation	198,607	3.05	-	-	-	-	Continental Development Corporation	Continental Engineering Corporation and Continental Development Corporation are the subsidiaries of Continental Holdings Corporation	-
Nita Ing	-	-	-	-	-	-	-	-	Chairman of Continental Engineering Corporation
Fubon Insurance Co., Ltd.	164,719	2.53	-	-	-	-	-	-	-
Steve T. H. Chen	-	-	-	-	-	-	-	-	Chairman of Fubon Insurance Co., Ltd.

Note 1: Shareholders' names should be separate. (If shares are 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

Making Lasting Impact on Local Communities

Corporate Social Responsibility

Since the inception of THSRC, we have embedded the values of inclusion, respect, collaboration, communication and care for the disadvantaged into our corporate social responsibility initiatives. Supporting a wide range of social, environmental and ecological causes in partnership with the government, non-profit organizations and welfare agencies is an integral part of our community engagement and social activities. We are committed to gaining trust from society through meeting its demands and expectations, and exploring ways to make a meaningful impact on the communities we serve.

Corporate Philanthropy

Deliver Love with HSR to Children

Since 2010, we have offered a tuition assistance program to children from disadvantaged backgrounds. By inviting passengers to support our philanthropic efforts, we have raised close to NT$88 million over the past six years, which was used to help more than 17,500 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.

Spread the Love with Children Challenged with Developmental Difficulties

Valentine's Day is a day to celebrate love. Last year, we invited a group of developmentally-delayed children, who are beneficiaries of an early intervention and education program jointly supported by THSRC and Eden Social Welfare Foundation, to spread the words of love. At HSR stations in Chiayi and Zuoying and dressed as the winged messenger of love, they handed out thank-you cards for showing appreciation for the public's contribution to the program. They also encouraged passersby to write down their words of love for their family and friends.

The early intervention program, as part of our long-standing "Deliver Love with HSR to Children" initiative, provides children with developmental delays and disabilities with early medical care and education. Since many of the children are from financially strapped families or their personal mobility is limited by disability, most of them have never traveled via HSR before. In light of this, THSRC arranged a day trip by high-speed train, which included a visit to Ciaotou Sugar Refinery in Kaohsiung and the "Spread the Love" activity. Although it is less than 100km between the Chiayi Station and Ciaotou Sugar Refinery in Kaohsiung, the sceneries, people and attractions along the way were an eye opening experience for these children.

Among the children on the outing was a five-year-old boy "Xiao Xuan," who was diagnosed with mild disability at the age of two; at the time, he could not express himself verbally at all, and his oral muscle development was hampered. Three years ago, Xiao Xuan became a beneficiary of the "Deliver Love with HSR to Children" program, which allowed him embark on a personal journey of growth and development. During the "Spread the Love" event, he showed great improvement with his communication skills, speaking out words such as "thank you" and "happy Valentine's Day" with much ease.

In Taiwan, there are approximately 100,000 children diagnosed with developmental disabilities like Xiao Xuan. By supporting the early intervention program, we will continue to address learning and other developmental difficulties and help the children to flourish.

THSRC Smile Program

In cooperation with local governments 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 2014, 24,496 people in total, comprising 445 underprivileged groups and families, have participated in the THSRC Smile Program.

Visually Impaired Tandem Cycling Team Sings Praise of Life

In 2014, we invited Taiwan's first tandem cycling team made of visually impaired cyclists – who are passionate about signing just as much as cycling – to showcase their talent at HSR stations. Their singing stopped passersby to watch and drew enthusiastic rounds of applause. By organizing the performance, we hope to demonstrate that people impacted by vision loss could live with as much independence and joy for life as the sighted. We also seek to raise the issues relating to sight loss and promote social inclusion of people with visual impairment.

In the future, the ensemble will continue to use the high-speed rail to travel around Taiwan, giving rousing performances and sharing inspiring stories about how they have overcome their physical challenges.

Sponsored Tours

Last year, we arranged children and families supported by Fly Angel Association, a non-profit organization in Tainan City for disabled children from disadvantaged backgrounds, a day out to Taipei. The trip made the children's dreams of taking high-speed train ride, while their family members had a chance to take valuable time out from daily routines. By taking a tour of the trains and station facilities, they also got a first-hand glimpse into the convenient, comfortable and high-quality services provided by THSRC. We believe such trips not only make these children more engaged and intellectually curious, but also give them an opportunity to experience things outside classroom that their families may not be able to afford.

I-Lan Chinese Youth Orchestra's Touring Performances at HSR Stations

As part of our efforts to take arts to public spaces, I-Lan Chinese Youth Orchestra was invited to give performances at six HSR stations south of Taoyuan, where a mixture of pop music, traditional opera, jazz and rock 'n' roll turned train stations into concert halls with vibrant notes.

Founded in 2006, I-Lan Chinese Youth Orchestra is a performance group comprised of approximately 80 students specialized in playing various musical instruments and led by a group of Chinese orchestra teachers. Together, they have infused contemporary elements into traditional Chinese orchestration and rearranged the melody to stage performances that are enriched with local characteristics. With a fusion of tradition and innovation, the group has toured the country to stage over 180 performances since its inception, attracting an audience of 100,000.

Throughout the years, we are committed to bringing Taiwan's rich artistic heritage to passengers with shows, concerts and artistic events held in the HSR stations from time to time. We believe that art has the power to energize public spaces, transforming them into welcoming environments that invite interactions and allow people to experience art at first hand.

Free Transport for Gas Explosion Relief Efforts

As a public transport service provider, THSRC is committed to utilizing its resources to facilitate the transportation of aid and donations in times of disasters. Last year, we actively contributed to the relief efforts following a deadly gas explosion that took place in Kaohsiung. Coordinating with the government and various non-profit organizations, we provided free transport of rescuers, aid workers and relief supplies to the areas devastated by the explosion. During the week-long relief operations, we fulfilled 453 requests for our offered services from over 80 government agencies and disaster relief organizations, including Tzu Chi, Red Cross, a rescue squad made of volunteer firefighters and Youth Development Administration, transporting over 5,000 people to and from Kaohsiung via HSR. In the future, we will continue to use our transport capability and capacity to be of assistance of humanitarian efforts.

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 our “Warm Hearts Winter Campaign,” 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. This year, we expand the reach of the campaign to include the HRS station in Taoyuan.

Environmental Protection

THSRC as First Asian Railway Service Granted TÜV Rheinland and Local Carbon Label Certifications

In January 2015, we officially became the first transport service provider to obtain the “Transportation Service Carbon Footprint Label” from the Environmental Protection Agency in the country. At the same time, we also received the “between-station passenger transport carbon footprint" certification and labeling from TÜV Rheinland, making us the first organization in Asia to receive both certifications.

Apart from calculating of greenhouse gas (GHG) emissions per kilometer and passenger, with reference to Taiwan Carbon Label specifications, we have commissioned TÜV Rheinland to verify passenger-transport emissions at individual stations and disclosed GHG emissions for the stations on the corporate website. These actions, pioneering among Asia’s high-speed rail service providers, have riveted the attention of the regional industry. At the same time, this information is marked on the back of the tickets. Through the THSRC website, passengers can check the carbon footprint between stations to understand the amount of GHG emissions per trip.

Carbon footprint refers to the total volume of GHG emissions caused directly or indirectly by a product during its lifecycle. Based on TÜV Rheinland’s verification, our high-speed rail has emissions of 38 gCO_2e/pkm, equivalent to one-third of the CO_2 emitted by a passenger car and half of the CO_2 emitted a bus. If calculated by total passenger distance travelled in 2013, we produced fewer CO_2 emissions than cars by 656,500 tons, approximately the amount of carbon held by soil and trees in green space equivalent to 2,213 Da-an Forest Parks.

Carbon reduction is a vital part of THSRC’s environmental initiatives. We are constantly striving to improve our performance in energy management and educating the public about high-speed rail transport as one of the most energy-efficient, environmentally-friendly modes of transport. By choosing to travel by rail, people are instantly making a personal contribution to minimize the impact on the environment.

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.

The Old Camphor Tree of Hsinchu and the Land God Temple

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.

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.

Exchange and Events

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 2014, 78 THSR camps were organized and attended by 2,340 students. The camps are divided into a wide range of levels, including college/university, senior high school/vocational high school, junior high school, and elementary school levels. Courses and activities are tailored for students that are similar in age and knowledge, combining varied experiences where students learn about the work of daily rail operations, the unique history and culture of THSRC and the influence it has on the growth of Taiwan. The camps also include visits to the Jacana Park, which teach students about the importance of biodiversity and species conservation. Overall, by giving students a glimpse behind the scenes of high-speed rail lines, we hope THSR camps will motivate students to explore the opportunities in transportation and act as ambassadors for THSRC.

Enchanting Melody and Abundant Journey – A Cappella Performances at HSR Stations

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 2014, we invited cappella groups from Sweden, the U.S. and Austria 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 2014, we received 45 groups with a total of 1,127 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.

In 2014, members of the Institute of Transportation, which serves as the Ministry of Transportation and Communications' brain trust on transportation policy, visited THSRC. Led by Director-General Lin Zhi-ming, the delegation gained insight into THSR's passenger rail operations as well as the intermodal facilities planned for connection between THSR and the Taoyuan International Airport MRT. The two sides also exchanged ideas over THSR's role as the transportation choice, its tremendous economic and environmental benefits, and how it can exert a greater influence on the community through improved infrastructure and services.

International Exchange Program between THSRC and JR Kyushu

In January 2014, a group of THSRC train attendants visited Kyushu Railway Company for their first time ever. The train attendants exchanged work practices with their Japanese counterparts so as to expand understanding of the different operating practices and cultures within Taiwanese and Japanese high-speed rail operators. The visit was part of a broader talent interchange program between THSRC and JR Kyushu, which started in December 2013 when five train attendants from JR Kyushu stayed in Taiwan for two weeks to share their customer service skills and working knowledge. During that time, local passengers had the rare and pleasant experience of seeing THSRC's crew members wearing orange-and-grey, sharp-looking uniforms work alongside the JR Kyushu crew dressed in black suit and colorful scarf.

UIC High Speed Railway Systems Maintenance Seminar

From May 14 to 15, 2014, THSRC and International Union of Railways (UIC) organized the "1st UIC Conference on Natural Disaster Management for Railway Systems" at Le Meridien Hotel Taipei, where railway operators, UIC members, experts in disaster early warning and detection from around the world gathered to discuss and exchange ideas on natural disaster preparedness and prevention. The seminar provided a platform for members of the railway industry to strengthen concerted actions to mitigate the impact of natural disasters in a world increasingly exposed to climate-related hazards.

Over the two-day seminar, 32 papers were presented, including seven from Taiwan and six from THSRC that research the risk of natural disasters faced by railway operators and the prevention, preparedness and response measures recommended for implementation. With a total of 247 attendees from around the world, the seminar brought together 64 public officials and policy makers from UIC member countries of Japan, Korea, China, Russia, India, Mongolia, Australia, USA, Saudi Arabia, Turkey, Czech Republic, France and United Kingdom under one roof. Local attendees consisted of 72 experts from the rail industry, government officials and scholars, who represented institutions including the Bureau of High Speed Rail, the Ministry of Transportation and Communications, the Railway Reconstruction Bureau, the Vehicles Mobilization Committee, the Institute of Transportation, the Department of Railways and Highways, National Fire Agency, the Ministry of Interior, the Railway Police Bureau, the Central Disaster Prevention and Response Council, Executive Yuan, the Office of Homeland Security, Taiwan Railways Administration, Taipei Rapid Transit Corporation, National Science and Technology Center for Disaster Reduction, National Kaohsiung First University of Science and Technology and National Taipei University of Technology. Other participants included 39 representatives from 16 event sponsors as well as THSRC colleagues. Around 100 UIC individual members also logged in to a live video webcast via the UIC website.

Alongside the two-day seminar, a group of international transportation experts visited the 921 Earthquake Museum and Chelungpu Fault Preservation Park in Chushan Township, Nantou County on May 16, to understand Taiwan's policies and actions for disaster prevention and reduction. At the request of JRE President Seino Satoshi, the group took a ride on THSR to experience its speed and comfort as well as the convenient amenities within the HSR Taipei Station and Taichung Station. Impressed by THSR's courteous staff members and high-quality services they were provided, the guests poured generous compliments about THSR as transportation choice in Taiwan.

Financial Report

Aligning Financial Performance with the Delivery of Strategic Objectives

Financial Highlights

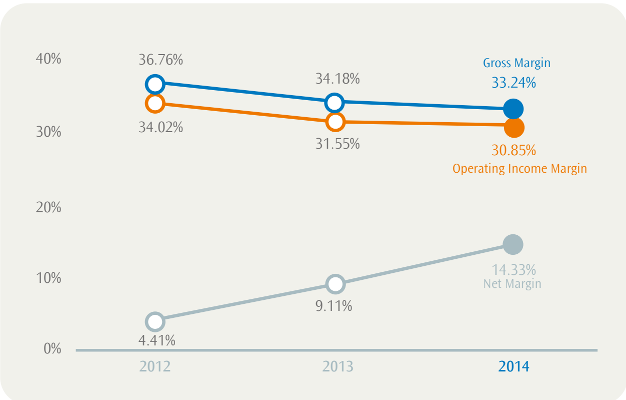
We are delighted to report a strong set of results for 2014. Revenues reached a record high of NT$38.51 billion, an increase of 6.68% compared to NT$36.10 billion in 2013. Gross profit, income from operations, and EBITDA was at NT$12.80 billion, NT$11.88 billion and NT$28.89 billion, respectively.

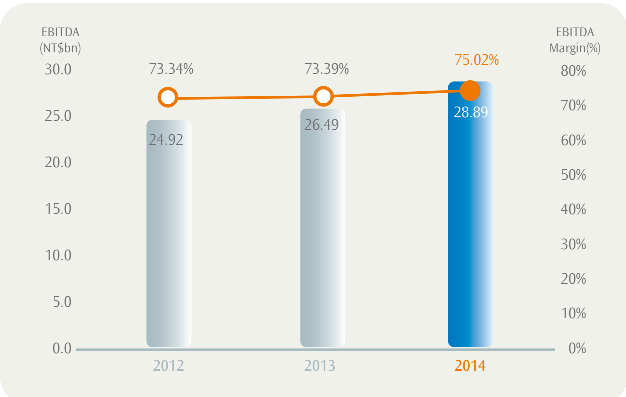
The following table shows the financial results for 2012 to 2014.

In billions of NT dollars	2012	2013	2014
Operating revenues	33.98	36.10	38.51
Gross profit	12.49	12.34	12.80
Income from operation	11.56	11.39	11.88
Income before tax	1.87	2.71	2.66
Net income	1.50	3.29	5. 52

We continue to align our strategies and actions with changes in the economic environment to ensure that the company achieves efficient and successful operations. We also seek to unlock revenue potential by developing areas of retail and catering outlets within train stations and commercial properties in the stations' proximity.

As we pursue growth, safety remains our number one priority, underlying all aspects of our operations. Meanwhile, we are renewing our vision of THSRC as a safe, reliable and environmentally responsible rail operator. THSRC will continue to be a catalyst for growth, improving connectivity between cities and regions and boosting productivity and prosperity for the communities.





Financial Status

Amounts in thousands of NTD

Item \ Year	2014	2013	Difference	%
Current Assets	57,324,949	42,867,830	14,457,119	33.72
Property, Plant and Equipment	75,312	91,482	(16,170)	(17.68)
Service Concession Assets	440,330,659	452,863,612	(12,532,953)	(2.77)
Other Assets	3,988,506	4,783,692	(795,186)	(16.62)
Total Assets	501,719,426	500,606,616	1,112,810	0.22
Current Liabilities	10,995,461	8,072,730	2,922,731	36.20
Non-current Liabilities	445,674,933	449,405,156	(3,730,223)	(0.83)
Total Liabilities	456,670,394	457,477,886	(807,492)	(0.18)
Capital Stock	105,322,243	105,322,243	-	-
Retained Earnings	(46,600,915)	(52,115,648)	5,514,733	10.58
Other Equity	(13,672,296)	(10,077,865)	(3,594,431)	(35.67)
Total Equity	45,049,032	43,128,730	1,920,302	4.45

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

1.The increase in current assets was mainly due to the increase of operating revenue and investing in short term bonds with repurchase agreements and pledged for syndicated loan.

2.The increase in current liabilities and the decrease of other equity were mainly due to the increase in provisions for the lawsuits regarding to redeeming preferred stock in 2014.

Operating Results

Amounts in thousands of NTD

Item \ Year	2014	2013	Difference	%
Operating Revenue	38,508,784	36,101,166	2,407,618	6.67
Operating Costs	(25,709,094)	(23,763,735)	1,945,359	8.19
Gross Profit	12,799,690	12,337,431	462,259	3.75
Operating Expenses	(923,882)	(942,967)	(19,085)	(2.02)
Income from operations	11,875,808	11,394,464	481,344	4.22
Non-operating Income and Expenses	(9,217,314)	(8,684,952)	532,362	6.13
Income before income tax	2,658,494	2,709,512	(51,018)	(1.88)
Income Tax Benefit	2,861,621	579,439	2,282,182	393.86
Net Income	5,520,115	3,288,951	2,231,164	67.84
Other Comprehensive Income	(5,347)	57,434	(62,781)	(109.31)
Total Comprehensive Income	5,514,768	3,346,385	2,168,383	64.80

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

1.The increase in income tax benefit was mainly due to the realized loss carryforwards.

2.The decrease in other comprehensive income was mainly due to the actuarial loss based on actuarial calculations in 2014.

3.The increases in net income and total comprehensive income were mainly due to the increases in income tax benefit in 2014.

Capital

In thousands of shares

Type of stock	Authorized share capital			Remarks
	Issued shares	Unissued shares	Total	
Common stock	6,513,232	5,486,768	12,000,000	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 May 2, 2015)

Type of shareholders	Government agencies	Government-owned institutions	Financial institutions	Other corporate investors	Individuals	Foreign institutions and individuals	Total
Number of Shareholders	2	1	11	126	59,407	23	59,570
Shareholding	300,100	500,000	483,364	3,031,978	1,956,063	241,727	6,513,232
Percentage (%)	4.61%	7.68%	7.42%	46.55%	30.03%	3.71%	100.00%

Taiwan High Speed Rail Corporation

Financial Statements for the Years Ended December 31, 2014 and 2013 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, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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, 2014 and 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and 2013, 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.

The Corporation had a deficit of $46,641,200 thousand as of December 31, 2014. As mentioned in Note 4 b. and as explained in Note 31 b., the Corporation had adopted a strategy to improve its financial condition and decrease deficit. However, as explained in Notes 15 b. and 20 e., some preferred stockholders of the Corporation requested the Court to require the Corporation to redeem the preferred stock, and such redemption might result in the possibility of a breach of the Syndicated Loan Agreement and a termination of the Taiwan North-South High Speed Rail Construction and Operation Agreement before the expiration of the concession period. Also, whether the promotion of the National Stock Subscription Project stated in the following paragraph can be undertaken in time is still uncertain. These factors raise substantial doubt about the Corporation's ability to continue as a going concern. The financial statements referred to in the first paragraph have been prepared assuming that the Corporation will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

On March 26, 2015, the Board of Directors approved the National Stock Subscription Project. The project include the redemption of all issued preferred stocks and reduction of capital, extension of concession to 70 years, capital reduction plan to offset losses, capital injection, issuance of consent to terminate the Taiwan North-South High Speed Rail Station Zone Development Agreement with the Ministry of Transportation and Communications, amendment of Syndicated Loan Agreement, withdrawal of Arbitrated Three Cases, adjustment of rates and fares and establishment of smooth mechanism and its account (please refer also to Note 31 d.).

Deloitte & Touche

April 28, 2015

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

DECEMBER 31, 2014 AND 2013

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

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,332,151	-	$ 1,617,949	-
Available-for-sale financial assets (Note 7)	694,360	-	665,025	-
Hedging derivative assets (Note 8)	551	-	-	-
Notes and accounts receivable	227,233	-	358,804	-
Inventories (Note 9)	2,800,664	1	2,885,714	1
Other financial assets (Notes 10 and 27)	51,699,002	10	36,773,048	8
Prepayments and other current assets (Note 14)	570,988	-	567,290	-
Total current assets	57,324,949	11	42,867,830	9
NON-CURRENT ASSETS				
Property, plant and equipment (Note 11)	75,312	-	91,482	-
Operating concession asset (Note 13)	440,330,659	88	452,863,612	90
Computer software, net (Note 13)	58,443	-	60,361	-
Deferred tax assets (Note 22)	2,604,272	1	3,410,223	1
Refundable deposits	8,290	-	7,908	-
Other financial assets (Notes 10 and 27)	1,254,087	-	1,227,860	-
Other non-current assets (Notes 14 and 19)	63,414	-	77,340	-
Total non-current assets	444,394,477	89	457,738,786	91
TOTAL	$ 501,719,426	100	$ 500,606,616	100

LIABILITIES AND EQUITY	2014 Amount	2014 %	2013 Amount	2013 %
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 128,145	-	$ 575,084	-
Hedging derivative liabilities (Note 8)	-	-	706	-
Accounts payable	279,262	-	334,230	-
Operating concession liability (Note 16)	265,849	-	271,143	-
Other payables (Notes 15 and 18)	2,209,674	-	2,323,393	-
Payable for construction	1,254,880	-	1,422,212	-
Provisions (Note 17)	3,695,228	1	17,178	-
Current portion of long-term debt (Note 15)	2,564,279	1	2,563,982	1
Other current liabilities (Note 18)	598,144	-	564,802	-
Total current liabilities	10,995,461	2	8,072,730	1
NON-CURRENT LIABILITIES				
Bonds payable (Note 15)	-	-	2,759,855	1
Long-term debt (Note 15)	359,139,057	72	358,924,650	72
Deferred tax liabilities (Note 22)	18,109	-	3,687,185	1
Long-term interest payable (Note 15)	7,499,357	1	6,295,832	1
Operating concession liabilities (Note 16)	78,970,118	16	77,669,057	15
Other non-current liabilities (Note 18)	48,292	-	68,577	-
Total non-current liabilities	445,674,933	89	449,405,156	90
Total liabilities	456,670,394	91	457,477,886	91
EQUITY (Note 20)				
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
Preferred stock - issued 4,018,992 thousand shares	40,189,917	8	40,189,917	8
Total capital stock	105,322,243	21	105,322,243	21
Retained earnings (accumulated losses)				
Legal reserve	40,285	-	40,285	-
Deficit	(46,641,200)	(9)	(52,155,933)	(10)
Total retained earnings (accumulated losses)	(46,600,915)	(9)	(52,115,648)	(10)
Unrealized gain on financial instruments	1,560	-	1,525	-
Prepaid preferred stock dividends	(10,064,499)	(2)	(10,064,499)	(2)
Other equity	(3,609,357)	(1)	(14,891)	-
Total equity	45,049,032	9	43,128,730	9
TOTAL	$ 501,719,426	100	$ 500,606.616	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated April 28, 2015)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 38,508,784	100	$ 36,101,166	100
OPERATING COSTS (Note 21)	(25,709,094)	(67)	(23,763,735)	(66)
GROSS PROFIT	12,799,690	33	12,337,431	34
OPERATING EXPENSES (Note 21)	(923,882)	(2)	(942,967)	(3)
INCOME FROM OPERATIONS	11,875,808	31	11,394,464	31
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	252,085	1	223,553	1
Interest expense (Notes 15 and 21)	(9,556,030)	(25)	(9,709,866)	(27)
Other gains and losses (Notes 15 and 21)	86,631	-	801,361	2
Total non-operating income and expenses	(9,217,314)	(24)	(8,684,952)	(24)
INCOME BEFORE INCOME TAX	2,658,494	7	2,709,512	7
INCOME TAX BENEFIT (Note 22)	2,861,621	7	579,439	2
NET INCOME	5,520,115	14	3,288,951	9

	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on available-for-sale financial assets	35	-	(268)	-
Actuarial gain (loss) arising from defined benefit plans	(6,484)	-	69,521	-
Income tax benefit (expense) relating to components of other comprehensive income (Note 22)	1,102	-	(11,819)	-
Other comprehensive income (loss) for the year, net of income tax	(5,347)	-	57,434	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,514,768	14	$ 3,346,385	9
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	$ 0.55		$ 0.21	
Diluted earnings per share	$ 0.52		$ -	

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated April 28, 2015)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31 , 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings (Accumulated Losses)		
	Common Stock	Preferred Stock	Legal Reserve	Deficit	Total
BALANCE AT JANUARY 1, 2014	$ 65,132,326	$ 40,189,917	$ 40,285	$ (52,155,933)	$ (52,115,648)
Net income for the year ended December 31, 2014	-	-	-	5,520,115	5,520,115
Other comprehensive income for the year ended December 31, 2014	-	-	-	(5,382)	(5,382)
Total comprehensive income for the year ended December 31, 2014	-	-	-	5,514,733	5,514,733
The adjustments of lawsuits in regard to preferred stock	-	-	-	-	-
BALANCE AT DECEMBER 31, 2014	$ 65,132,326	$ 40,189,917	$ 40,285	$ (46,641,200)	$ (46,600,915)
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)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated April 28, 2015)

Unrealized Gain on Available-for-sale Financial Assets	Prepaid Preferred Stock Dividends	Other Equity	Total Equity
$ 1,525	$ (10,064,499)	$ (14,891)	$ 43,128,730
-	-	-	5,520,115
35	-	-	(5,347)
35	-	-	5,514,768
-	-	(3,594,466)	(3,594,466)
$ 1,560	$ (10,064,499)	$ (3,609,357)	$ 45,049,032
$ 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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,658,494	$ 2,709,512
Adjustments for:		
Depreciation	30,981	34,182
Amortization	16,982,121	15,063,615
Interest expense	9,556,030	9,709,866
Interest income	(252,085)	(223,553)
Gain on repayment of long-term debt before its original maturity	-	(475,650)
Gain on foreign currency exchange, net	(21,917)	(113,603)
Others	39,259	(9,730)
Changes in operating assets and liabilities		
Derivative financial assets for hedging	(1,257)	706
Notes and accounts receivable	131,571	2,266
Inventories	88,085	94,321
Prepayments and other current assets	29,163	(84,853)
Other non-current assets	6,563	9,194
Accounts payable	(50,461)	(79,980)
Other payable	(147,592)	89,129
Other current liabilities	37,605	165,923
Cash generated from operations	29,086,560	26,891,345
Interest received	243,177	228,293
Interest paid	(6,834,268)	(6,866,308)
Operating concession liabilities' interest paid	(270,951)	(395,683)
Income tax paid	(24,326)	(23,135)
Net cash generated from operating activities	22,200,192	19,834,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(861,900)	(713,500)
Proceeds from disposal of available-for-sale financial assets	836,449	699,796
Increase in other financial assets	(14,952,268)	(5,127,434)
Acquisition of property, plant and equipment	(14,549)	(38,300)
Acquisition of intangible assets	(5,185)	-
Increase in intangible assets	(4,510,404)	(4,895,719)
Proceeds from disposal of intangible assets	22	-
Decrease (increase) in refundable deposits	(382)	6,245
Net cash used in investing activities	(19,508,217)	(10,068,912)

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term debt	$ (468,329)	$ 449,667
Redemption of bonds	(2,760,000)	(6,500,000)
Proceeds from long-term debt	2,760,000	6,500,000
Repayment of long-term debt	(2,565,141)	(10,070,141)
Increase in other non-current liabilities	40,665	15,892
Net cash used in financing activities	$ (2,992,805)	$ (9,604,582)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	15,032	14,822
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(285,798)	175,840
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,617,949	1,442,109
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,332,151	$ 1,617,949

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated April 28, 2015)

(Concluded)

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

1. 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.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the Board of Directors on April 28, 2015.

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

a. The amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective.

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Corporation should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	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 ended 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

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
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)

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation's accounting policies:

1) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (a) will not be reclassified subsequently to profit or loss; and (b) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. The Corporation will adopt the aforementioned amendments to prepare the statements of comprehensive income.

2) Revision to IAS 19 "Employee Benefits"

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. And also eliminates the adoption of recognition of actuarial gains and losses under "corridor approach" or be recognized immediately to net income or loss permitted under current IAS 19. Furthermore, revised IAS 19 requires the actuarial gains and losses to be recognized immediately through other comprehensive income and past service costs to be recognized immediately as an expense when they occur. Past service costs will no longer be recognized as an expense on a straight-line basis over the average period until the benefits become vested.

Under revised IAS 19, the entity is required to recognized related termination benefits liabilities and expenses when the condition of termination benefits is no longer cancelable or an entity recognizes any termination benefits, or related restructuring costs, whichever is earlier, not at the time when the resignation is decided.

In addition, the revised IAS 19 includes more extensive disclosures. The Corporation plans to adopt the revised IAS 19 in 2015. On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2014 resulting from the retrospective application are adjusted to prepaid pension cost, retained earnings and retained earnings.

As of January 1, 2014, prepaid pension cost and retained earnings both decreased by 67,783 thousand.

As of December 31, 2014, deferred tax liabilities decreased by $889 thousand, prepaid pension cost and retained earnings decreased by $58,719 thousand and $57,830 thousand, respectively. For the year ended December 31, 2014, operating costs and operating expenses decreased by $14,293 thousand.

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

The Corporation has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28"'Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 " Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
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

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, include:

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

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

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

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

Except for the limited circumstances under intangible asset, the amended IAS 16 requires that a depreciation method or an amortization method that is based on revenue that is generated by an activity that includes the use of the asset is not appropriate.

The amortization expense of operating concession asset of the Corporation calculated by units of throughput method based on ridership that is based on revenue that is generated by an activity.

The Corporation will not be allowed to use units of throughput method based on ridership to amortize its concession asset after the amended IAS 16 endorsed by FSC.

The Corporation assessed that if the Corporation uses straight-line basis to amortize its concession asset at the effective date announced by IASB starting 2016, the amortization expenses for the year ended 2016 will increased by $7,128,415 thousand, compared with the amortization expenses calculated by the units of throughput method based on ridership according to the transport volume report prepared by an external expert in July 2009.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

As of December 31, 2014, the deficit amounted to $46,641,200 thousand. The Corporation had adopted a strategy to improve its financial condition and decrease deficit (please refer to Note 31 b.). However, the possibility of a breach of the Syndicated Loan Agreement and a termination of the C&O Agreement before the expiration of the concession period (please refer to Note 15 b.), and whether the promotion of the National Stock Subscription Project (please refer to Note 31 d.) can be undertaken in time is still uncertain. These factors raise substantial doubt about the Corporation's ability to continue as a going concern. The financial statements for the years ended December 31, 2014 and 2013 have been prepared assuming that the Corporation will continue as a going concern.

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. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes.

Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

k. 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. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently.

2) Computer software

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

l. 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.

m. Impairment of assets

Recoverable amount is the higher of fair value less costs to sell and value in use. When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

n. Hedging derivatives

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

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Lawsuits in regard to preferred stock

The Corporation 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 17 and 20 e. for further details.

Provisions for litigation which were very likely to generate payment obligations were $3,695,228 thousand as of December 31, 2014. Due to the appeals from either the stockholders or the Corporation, the estimation of provisions may change with the development of the litigation.

b. 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 in 2014 and 2013 was 57 million and 50 million, respectively. The actual number of passengers in 2014 and 2013 was 48 million and 47 million, respectively.

c. 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. The assessment of fair value less costs to sell and value-in-use of operating concession asset, please refer to Note 13 e. for further details.

d. 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, 2014 and 2013, the carrying amounts of deferred tax assets in relation to deductible temporary differences, unused tax losses and investment credits were $2,604,272 thousand and $3,410,223 thousand, respectively. As of December 31, 2014 and 2013, no deferred tax asset has been recognized on tax losses of $5,352,509 thousand and $8,671,280 thousand, respectively, due to the unpredictability of future profit streams.

e. Arbitration agreement on three cases coordination

The Corporation entered into an arbitration agreement on Coordinated Three Cases involving the C&O Agreement on February 17, 2015. The Corporation requested the MOTC to compensate the loss. Please refer to Note 31 c. for further details, and The Court of arbitration has not made the ruling yet. Till the end of December 31, 2014, the Corporation has not recognized related interest. On March 26, 2015, the Board of Directors approved the National Stock Subscription Project which has taken into consideration the arbitration agreement on the Coordinated Three Cases. Hence, the Corporation's contingent interest that would result from the arbitration agreement on the Coordinated Three Cases may change due to the arbitration ruling or the development of National Stock Subscription Project.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2014		2013	
Cash on hand	$	60,153	$	55,196
Checking accounts and demand deposits		63,210		428,378
Time deposits		1,208,788		1,134,375
	$	1,332,151	$	1,617,949

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

	December 31	
	2014	2013
Bank balance	0.01%-1.40%	0.01%-1.37%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2014		2013	
Open-end money market funds	$	694,360	$	665,025

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31			
	2014		2013	
Hedging derivative assets				
Fair value hedges-forward exchange contracts	$	551	$	-
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 balance sheets day outstanding forward exchange contracts were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)	
December 31, 2014				
Buy	NT$/JPY	January 2015	JPY	321,120
	NT$/US$	January 2015	US$	2,671
December 31, 2013	NT$/JPY	January 2014	JPY	31,574
Buy	US$/JPY	January 2014	JPY	300,000
	NT$/US$	January 2014	US$	2,876

9. INVENTORIES

	December 31			
	2014		2013	
Spare parts and supplies	$	2,794,900	$	2,883,444
Merchandise		5,764		2,270
	$	2,800,664	$	2,885,714

As of December 31, 2014 and 2013, allowance for loss on inventories amounted to $1,174 thousand and $74 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	December 31			
	2014		2013	
Repurchase agreement collateralized by government bonds	$	51,205,100	$	36,523,000
Demand deposits		420,985		85,428
Time deposits		1,327,004		1,392,480
	$	52,953,089	$	38,000,908
Current	$	51,699,002	$	36,773,048
Non-current		1,254,087		1,227,860
	$	52,953,089	$	38,000,908

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

	December 31	
	2014	2013
Repurchase agreement collateralized by government bonds	0.43%-0.60%	0.50%-0.65%
Bank balance	0.01%-1.37%	0.17%-2.80%

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

11. PROPERTY, PLANT AND EQUIPMENT

	December 31			
	2014		2013	
Land	$	28	$	28
Machinery and equipment		42,288		46,768
Transportation equipment		-		-
Office equipment		8,711		11,428
Leasehold improvements		134		393
Other equipment		24,151		32,865
	$	75,312	$	91,482

	Land	Machinery and Equipment	Transportation Equipmen	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2014	$ 28	$ 257,607	$ 523	$ 115,889	$ 76,465	$ 281,461	$ 731,973
Additions	-	12,927	-	1,154	151	317	14,549
Disposals	-	(10,449)	-	(1,365)	-	(56,259)	(68,073)
Transfer	-	-	-	-	-	822	822
Balance at December 31, 2014	28	260,085	523	115,678	76,616	226,341	679,271
Accumulated depreciation							
Balance at January 1, 2014	-	210,839	523	104,461	76,072	248,596	640,491
Depreciation	-	17,407	-	3,871	410	9,853	31,541
Disposals	-	(10,449)	-	(1,365)	-	(56,259)	(68,073)
Transfer	-	-	-	-	-	-	-
Balance at December 31, 2014	-	217,797	523	106,967	76,482	201,190	603,959
	$ 28	$ 42,288	$ -	$ 8,711	$134	$ 24,151	$ 75,312

	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

12. INVESTMENT PROPERTIES

In order to improve financial structures, the Corporation proposed a project, included a termination of the SZD Agreement entered into with the MOTC and return of superficies. Hence, the related expenditure of design for development of Hsinchu Cinema has been recognized as loss.

13. INTANGIBLE ASSETS

	December 31	
	2014	2013
Operating concession asset	$ 440,330,659	$ 452,863,612
Computer software, net	58,443	60,361
	$ 440,389,102	$ 452,923,973

a. Movements of the intangible assets

	Operating Concession Asset					
	Operating Assets	Profit Sharing Return	Construction In Process	Total	Computer Software, Net	Total
Cost						
Balance at January 1, 2014	$ 454,491,052	$ 69,972,043	$ 4,488,957	$ 528,952,052	$ 359,709	$ 529,311,761
Additions	79,595	-	4,367,361	4,446,956	14,508	4,461,464
Disposals	(31,038)	-	-	(31,038)	(7,878)	(38,916)
Transfer	1,762,572	-	(1,777,602)	(15,030)	1,095	(13,935)
Balance at December 31, 2014	456,302,181	69,972,043	7,078,716	533,352,940	367,434	533,720,374
Accumulated amortization						
Balance at January 1, 2014	67,767,306	8,321,134	-	76,088,440	299,348	76,387,788
Amortization	15,096,589	1,867,556	-	16,964,145	17,521	16,981,666
Disposals	(20,186)	-	-	(20,186)	(7,878)	(28,064)
Transfer	(10,118)	-	-	(10,118)	-	(10,118)
Balance at December 31, 2014	82,833,591	10,188,690	-	93,022,281	308,991	93,331,272
	$ 373,468,590	$ 59,783,353	$ 7,078,716	$ 440,330,659	$ 58,443	$ 440,389,102
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

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

	December 31			
	2014		2013	
Operating assets, net				
Land improvements	$	185,541,667	$	191,335,879
Buildings		26,322,213		27,042,588
Machinery and equipment		38,680,429		41,581,999
Transportation equipment		122,921,325		126,759,287
Other equipment		2,956		3,993
	$	373,468,590	$	386,723,746
Construction in process				
Construction related to core system	$	1,687,606	$	902,582
Construction related to Yunlin station		1,110,862		475,842
Construction related to Changhua station		986,463		324,232
Construction related to Miaoli station		948,796		400,551
Construction related to Nangang station		695,550		671,530
700T rolling stock		403,152		994,437
Construction related to auto-payment system		138,600		-
Other construction		85,190		48,240
Capitalized cost		681,199		377,888
Capitalized interest		185,383		82,116
Prepayments for equipment		155,915		211,539
	$	7,078,716	$	4,488,957

(Concluded)

c. 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	346
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.

d. As of December 31, 2014, 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	Amortization Expense of Profit Sharing Return	Total
2015	$ 16,720,469	$ 2,084,434	$ 18,804,903
2016	18,202,343	2,307,616	20,509,959
2017	16,269,148	2,530,238	18,799,386
2018	17,528,386	2,735,066	20,263,452
2019-2033	304,748,244	50,125,999	354,874,243
	$ 373,468,590	$ 59,783,353	$ 433,251,943

For the year ended December 31, 2015, the estimated amortization expense of operating assets and profit sharing return of the Corporation will be amounted to 21,863,492 thousand, which is based on the transport volume report prepared by an external expert in March 2015.

e. Impairment of assets assessment

The actual number of passengers in 2014 was significantly lower than the estimated number of passengers in the transport volume report prepared by an external expert in July 2009. Hence, the Corporation engaged an external expert to analyze the transport volume. According to the transport volume report prepared by an external expert in March 2015, the carrying amount of operating assets exceeds the estimated value-in-use of those assets in the remaining concession period. However, the Corporation assessed that the net fair value of operating assets still exceeds the carrying amount of those assets. The Corporation did not recognize impairment loss in 2014.

The Corporation proposed a National Stock Subscription Project in March 2015 in order to apply for the extension of the concession period to increase the value-in-use of operating assets and create the continuing operation value of the Corporation. Please refer to Note 31 d. for further details. In February 2015, the Corporation and the MOTC entered into an arbitration agreement regarding the case involving significant changes in domestic or overseas economy that resulted from force majeure which has a material effect on the construction or operation under the agreement, which also bind two other cases (please refer also to Note 31 c.). The arbitration agreement also included an application for MOTC's payment for revenue shortage amount of $30,590,000 thousand due to the underperformance of the actual ridership in 2014 with 5% interest accumulated from February 17, 2015 to the arbitration conclusion date or extension of the concession period indicated in the C&O Agreement to generate enough revenue to cover the shortage, or other appropriate methods. Please refer to Note 31 c. for further details.

1) Measured assets

		December 31 2014
Operating concession asset		
Operating assets	$	373,468,590
Profit sharing return		59,783,353
Construction in process		7,078,716
Computer software		58,443
Property, plant and equipment		75,312
Other non-current assets-Deferred expenses		2,881
Carrying amount of measured assets by using value-in-use measurement		440,467,295
Less:Profit sharing return		(59,783,353)
Carrying amount of measured assets by using fair value measurement	$	380,683,942

If an early termination of the C&O Agreement occurred, the transferred assets would not include profit sharing return. Therefore, profit sharing return shall be excluded when measuring recoverable amount by using fair value. But if assuming that the Corporation will continue as a going concern, profit sharing return shall be included when measuring recoverable amount by using value-in-use.

2) Measurement of value-in-use

		December 31 2014
Value-in-use	$	426,269,498
Carrying amount of measured assets	$	440,467,295
Carrying amount exceeds value-in-use	$	(14,197,797)

Measurement of value-in-use of operating concession asset was calculated based on the transport volume report prepared by an external expert in March 2015, using annual discount rate of 3.7%-4.7% to estimate cash flow in the remaining period of concession.

3) Measurement of fair value less costs to sell

		December 31 2014
Fair value	$	421,684,749
Carrying amount of measured assets	$	380,683,942
Fair value exceeds carrying amount	$	41,000,807

a) A fair value measurement of operating concession asset uses the assumption that the price is the price that would be received to sell the asset in an orderly transaction between market participants. The assumption is that market participants are independent of each other, knowledgeable about the operating concession asset, and able and willing to enter into a transaction involving the asset, and know the highest and best use of the asset. In addition, the Corporation considered the conditions in the C&O Agreement and Regulations on Real Estate Appraisal, and used the weighted estimation of income approach and cost approach to calculate fair value less costs to sell, which amounted to $421,684,749 thousand.

However, if the Corporation disposed of the operating concession asset, the transaction amount shall be agreed by both parties. Furthermore, if the termination of the C&O Agreement is attributed to the Corporation, the capitalized financial costs of about $27.9 billion shall be subtracted from the price that would be received to sell those assets, and guarantee deposits amount of $2 billion will be forfeited and claim for other compensation may be made.

b) According to the Regulations on Real Estate Appraisal, cost approach refers to an approach to estimating the value of the subject property, by deducting the accrued depreciation or other items due to be subtracted from the reproduction or replacement cost, on the date of valuation report. Income approach refers to the result of value-in-use measurement of the Corporation's assets within the concession period.

14. OTHER ASSETS

	December 31			
		2014		2013
Prepayments and other current assets				
Prepayments	$	463,456	$	462,315
Other receivable		85,950		87,782
Others		21,582		17,193
	$	570,988	$	567,290
Other non-current assets				
Prepaid pension	$	60,531	$	75,883
Others		2,883		1,457
	$	63,414	$	77,340

(Concluded)

15. BORROWINGS AND BONDS PAYABLE

a. Short-term debt

	December 31			
		2014		2013
JPY letters of credit	$	128,145	$	575,084

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

	December 31	
	2014	2013
JPY letters of credit	0.75%-1.01%	0.79%-1.40%

b. Long-term debt

	December 31	
	2014	2013
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
Tranche A2 Facility, which was initially utilized on May 4, 2010, repayable in thirty-one semi-annual installments from May 4, 2017.	176,205,117	173,445,117
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
Tranche D Facility, which was initially utilized on May 13,	8,977,993	11,543,134
2010, repayable in nine semi-annual installments from May 4, 2013.	6,412,852	8,977,993
	361,877,350	361,682,491
Less: Unamortized cost of long-term debt	(174,014)	(193,859)
	361,703,336	361,488,632
Less: Current portion (including unamortized cost of long-term debt)	(2,564,279)	(2,563,982)
	$ 359,139,057	$ 358,924,650

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

	December 31	
	2014	2013
Syndicated loan		
Tranche A1 Facility	2.20%	2.20%
Tranche A2 Facility	2.18%	2.18%
Tranche C Facility	2.25%	2.25%
Tranche D Facility	2.25%	2.25%

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, April 25, 2013, and April 23, 2014 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, the $3,000,000 thousand and the $2,760,000 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 $26,566,942 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.

3) If any events of substantial breach of contract were not remedied and identified by the bank lenders, the C&O Agreement shall be terminated immediately after the 80–day grace period. The MOTC shall assume the remaining Tranche A of Syndicated Loan balance, and repay the others by assets amount according to the C&O Agreement (please refer to Note 28 a. 10)) after deducting assumed liability amount.

4) The events of substantial breach of contract, in certain instances subject to grace periods, include:

a) Failure to meet repayment schedule under the Syndicated Loan Agreement.

b) Any opening of insolvency or similar legal proceedings.

c) Denial to conducting transactions by Bills Clearing House.

d) Substantial adverse concerns on the ability of carrying on the obligations in respect of the C&O Agreement and Loan Agreement due to compulsory execution or forfeiture against the corporate operations assets by any non-syndicated-bank third parties.

e) The recognition of any substantial adverse concern on the Company's capability to perform its obligations through majority vote of the bank lenders under the Loan 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.

As of December 31, 2014, certain preferred stockholders filed civil actions against the Corporation. Please refer to Note 20 e. for further details. Provisions for litigation which were very likely to generate payment obligations were $3,695,228 thousand, exceeding the balance of cash and cash equivalents of $1,332,151 thousand. If the final civil judgments result in the compulsory execution is positive, it is probable that the Corporation will breach the Syndicated Loan Agreement and terminate the C&O Agreement immediately due to the fact that the Corporation will not able to repay the significant obligations.

As of December 31, 2014, the Corporation had submitted request for coordination to the Conciliation Committee to coordinate the case involving significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected, along with two other cases stated in Note 31 c., but the cases were still not affirmed and no remedial measures are applied.

In order to improve the Corporation's financial condition, the Board of Directors approved the Financial Improvement Plan on October 23, 2014. However, on January 7, 2015 the Legislative Yuan Transportation Committee decided not to handle the case at this stage. On March 26, 2015, the Board of Directors approved the National Stock Subscription Project, and whether the promotion of the project could be undertaken in time is still uncertain due to the fact that it has to be reviewed by the MOTC and the Legislative Yuan.

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 27 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 was of $475,650 thousand.

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,	
	2014	2013
Syndicated loan		
Tranche A1 Facility	$ 202,229	$ 190,602
Tranche A2 Facility	274,106	254,300
Tranche C Facility	94,241	94,241
Tranche D Facility	12,269	17,176
	$ 582,845	$ 556,319

2) Long-term interest payable

	December 31	
	2014	2013
Syndicated loan		
Tranche A1 Facility	$ 3,385,602	$ 2,866,795
Tranche A2 Facility	4,113,755	3,429,037
	$ 7,499,357	$ 6,295,832

3) Interest expense

	For the Year Ended December 31	
	2014	2013
Syndicated loan		
Interest expense	$ 7,906,396	$ 7,963,048
Capitalized interest	$ 94,395	$ 46,486
The second syndicated loan		
Interest expense	$ -	$ 122,805

c. Bonds payable

	December 31	
	2014	2013
Secured domestic corporate bonds		
Issued in April 2017, repayable in April 2014, and interest payable annually at 2.17%	$ -	$ 2,760,000
Less:Unamortized bonds issuance cost	-	(145)
	$ -	$ 2,759,855

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 2007 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. OPERATING CONCESSION LIABILITY

	December 31	
	2014	2013
Current liabilities	$ 265,849	$ 271,143
Non-current liabilities	78,970,118	77,669,057
	$ 79,235,967	$ 77,940,200

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. Please refer to Note 28 a. 8) for further details. 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. In addition, at the commencement of HSR commercial operation, the Corporation also recognized amortization expense and interest expense, respectively. For the year ended December 31, 2014, the Corporation has paid accumulated profit sharing return of $2,666,634 thousand, the information about the amortization expense, and interest expense of operating concession liability during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
2014	$ 10,188,690	$ 11,930,558	$ 22,119,248
2015 (Estimate)	2,084,434	1,598,052	3,682,486
2016 (Estimate)	2,307,616	1,630,013	3,937,629
2017 (Estimate)	2,530,238	1,662,613	4,192,851
2018 (Estimate)	2,735,066	1,535,866	4,270,932
2019-2033 (Estimate)	50,125,999	19,670,855	69,796,854
	$ 69,972,043	$ 38,027,957	$ 108,000,000

17. PROVISIONS

	December 31 2014		December 31 2013	
Preferred stock	$	3,609,357	$	14,891
Interest expenses generated from delayed payment of preferred stock litigation		60,586		2,287
Judicature fee for preferred stock litigation		25,285		-
	$	3,695,228	$	17,178

Movements in provisions were as follows:

For the Year Ended December 31, 2014	Preferred Stock		Interest Expenses Generated from Delayed Payment of Preferred Stock Litigation		Judicature Fee for Preferred Stock Litigation		Total	
Balance, beginning of year	$	14,891	$	2,287	$	-	$	17,178
Recognized		3,594,466		58,299		25,285		3,678,050
Balance, end of year	$	3,609,357	$	60,586	$	25,285	$	3,695,228

For the Year Ended December 31, 2013	Preferred Stock		Interest Expenses Generated from Delayed Payment of Preferred Stock Litigation		Judicature Fee for Preferred Stock Litigation		Total	
Balance, beginning of year	$	-	$	-	$	-	$	-
Recognized		14,891		2,287		-		17,178
Balance, end of year	$	14,891	$	2,287	$	-	$	17,178

Lawsuits in regard to preferred stock have provisions for litigation which were very likely to generate payment obligations. Please refer to Note 20 e. for further details.

18. OTHER LIABILITIES

	December 31 2014		December 31 2013	
Other payables				
Accrued expenses	$	1,342,992	$	1,506,719
Accrued interest expense		582,994		597,906
Sales tax payable		189,536		202,297
Others		94,152		16,471
	$	2,209,674	$	2,323,393

(Continued)

	December 31	
	2014	2013
Other current liabilities		
Unearned receipts	$ 537,318	$ 505,301
Deferred revenue	28,065	26,059
Receipts under custody	18,346	17,952
Others	14,415	15,490
	$ 598,144	$ 564,802
Other non-current liabilities		
Guarantee deposits received	$ 48,292	$ 49,491
Unearned receipts	-	19,086
	$ 48,292	$ 68,577

(Concluded)

19. 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 $119,362 thousand and $112,091 thousand in the statement of comprehensive income for the years ended December 31, 2014 and 2013, 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	
	2014	2013
Discount rate	2.25%	2.25%
Expected return rate of plan assets	1.25%	2.00%
Expected salary growth rate	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	
	2014	2013
Current service cost	$ 29,540	$ 18,875
Interest cost	11,328	9,657
Expected return on plan assets	(6,536)	(10,033)
Past service cost	9,064	9,064
	$ 43,396	$ 27,563
An analysis by function		
Operating cost	$ 20,169	$ 18,961
Operating expenses	21,205	6,539
Operating concession asset - construction in progress	2,022	2,063
	$ 43,396	$ 27,563

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $(5,382) thousand and $57,702 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was $37,706 thousand and $43,088 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	
	2014	2013
Present value of funded defined benefit obligation	$ (534,317)	$ (514,746)
Fair value of plan assets	536,129	522,846
Surplus	1,812	8,100
Past service cost not yet recognized	58,719	67,783
Prepaid pension (included in other current assets)	$ 60,531	$ 75,883

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 514,746	$ 561,642
Current service cost	14,100	18,875
Interest cost	11,328	9,657
Actuarial losses (gains)	12,223	(73,077)
Benefits paid from plan assets	(18,080)	(2,351)
Balance, end of year	$ 534,317	$ 514,746

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 522,846	$ 501,050
Expected return on plan assets	6,536	10,033
Actuarial gains (losses)	5,739	(3,556)
Contributions from employer	19,088	17,670
Benefits paid from plan assets	(18,080)	(2,351)
Balance, end of year	$ 536,129	$ 522,846

The Corporation expects to make contributions of $19,730 thousand to the defined benefit plans for the year ended December 31, 2015.

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	
	2014	2013
Equity instruments	48%	45%
Cash	19%	23%
Debt instruments	12%	9%
Fixed income investment	15%	18%
Others	6%	5%
	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			
	2014	2013	2012	2011
Present value of defined benefit obligation	(534,317)	$ (514,746)	$ (561,642)	$ (523,385)
Fair value of plan assets	536,129	522,846	501,050	482,082
Surplus (deficit)	$ 1,812	$ 8,100	$ (60,592)	$ (41,303)
Experience adjustments on plan liabilities	$ 12,223	$ 8,895	$ (18,288)	$ -
Experience adjustments on plan assets	$ 5,739	$ (3,556)	$ (4,860)	$ -

20. EQUITY

a. Preferred stock comprised:

Item	Issue Date	Issued Shares (In Thousands)	Issue Period	Par Value December 31 2014	Par Value December 31 2013	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
Less: Converted into common stock				(890,000)	(890,000)	
				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
Less: Converted into common stock				(1,002,000)	(1,002,000)	
				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	1,500,090
Less: Converted into common stock				(1,259,000)	(1,259,000)	
				354,000	354,000	
C2	February 27, 2004	151,400	February 27, 2004 to February 26, 2008	1,514,000	1,514,000	1,408,020
Less: Converted into common stock				(1,041,000)	(1,041,000)	
				473,000	473,000	
C3	March 24, 2004	74,600	March 24, 2004 to March 23, 2008	746,000	746,000	693,780
Less: Converted into common stock				(700,000)	(700,000)	
				46,000	46,000	
C4	April 23, 2004	107,620	April 23, 2004 to April 22, 2008	1,076,200	1,076,200	1,000,866
Less: Converted into common stock				(719,200)	(719,200)	
				357,000	357,000	
C5	August 18, 2004	637,077	August 18, 2004 to August 17, 2008	6,370,770	6,370,770	5,924,816
Less: Converted into common stock				(3,886,114)	(3,886,114)	
				2,484,656	2,484,656	
C6	September 7, 2004	64,500	September 7, 2004 to September 6, 2008	645,000	645,000	599,850
Less: Converted into common stock				(645,000)	(645,000)	
				-	-	
C7	November 17, 2004	37,010	November 17, 2004 to November 16, 2008	370,100	370,100	344,193
Less: Converted into common stock				(360,800)	(360,800)	
				9,300	9,300	
C8	April 28, 2005	645,900	April 28, 2005 to April 27, 2009	6,459,000	6,459,000	6,006,870
Less: Converted into common stock				(4,408,534)	(4,408,534)	
				2,050,466	2,050,466	
C9	September 30, 2005	806,500	September 30, 2005 to September 29, 2009	8,065,000	8,065,000	7,500,450
				$ 40,189,917	$ 40,189,917	

The rights and obligations of preferred stock are as follows:

1) Class A and Class B Convertible 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 convertible 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, 2014 and 2013, the Corporation had a deficit as shown on the balance sheets; therefore, no bonus to employees and bonus to directors and supervisors for 2014 and 2013 were paid.

As of December 31, 2014 and 2013, 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, 2014 and 2013 were all nil.

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 1,525	$ 1,793
Unrealized gain arising on revaluation of available-for-sale financial assets	3,884	4,179
Cumulative gain (loss) transferred to profit or loss on sale of available-for-sale financial assets	(3,849)	(4,447)
Balance, end of year	$ 1,560	$ 1,525

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, 2014 and 2013 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, 2014 and 2013, estimated unpaid accumulated preferred stock dividends amounted to $14,012,096 thousand and $12,088,363 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 Taiwan 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 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 Taiwan 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 Taiwan Shihlin District Court. On July 2014, CADF refiled the lawsuit to compel the Corporation to redeem the aforementioned capital of $8,556 thousand on Class C9 preferred stock and to distributed 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 to the discharge date. Till the end of December 31, 2014, the Corporation recognized above capital amounting to $8,556 thousand and the 5% interest accumulated to the discharge date amounting to $178 thousand as provisions, accounted for as other equity and interest expense, separately.

2) 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 has to redeem the capital of $4,891 thousand on Class C5 preferred stock. As of December 31, 2014, the Corporation recognized above dividends amounting to $4,891 thousand and the 5% interest accumulated to the discharge date amounting to $608 thousand as provisions, accounted for as other equity and interest expense, separately. On February 2015, CDIB expanded its filing to compel the Corporation to redeem the capital of $995,100 thousand on Class C5 preferred stock and 5% interest accumulated to the discharge date. On March 3, 2015, the Court's second resolution decided the Corporation shall redeem the capital of $995,100 thousand on Class C5 preferred stock.

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 24, 2014, the Court's second resolution denied the plaintiff's petition for provisional execution for Class A preferred stock. On February 26, 2015, the Court's second

resolution denied the plaintiff's petition for provisional execution for Class C8 preferred stock. Fubon Life Insurance Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $50,000 thousand on Class A preferred stock for 2008, with 5% interest accumulated to the discharge date. On January 2015, Fubon Life Insurance Co., Ltd. also filed a lawsuit to compel the Corporation to distribute dividends of $50,000 thousand and $7,808 thousand on Class A preferred stock for 2009 and 2010, respectively; with 5% interest accumulated to the discharge date. On January 19, 2015, Fubon Life Insurance Co., Ltd. filed a lawsuit to compel the Corporation to redeem the capital of $1,000,000 thousand on Class A preferred stock, with 5% interest accumulated to the discharge date.

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. On October 28, 2014, the Court denied the plaintiff's petition for provisional execution.

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 overruled the plaintiff's petition and application for a provisional execution. The plaintiff ShinKong Insurance Co., Ltd. decided not to appeal; the Court's first resolution becomes the final resolution.

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 overruled the plaintiff's petition and application for a provisional execution. Subsequently China Steel Corporation filed an appeal in Taiwan High Court and requested the Company to compensate the damage. On August 19, 2014, Taiwan High Court overruled the plaintiff's appeal. The plaintiff China Steel Corporation decided not to appeal; the Court's second resolution becomes the final resolution.

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 overruled the plaintiff's petition and application for a provisional execution. On February 25, 2014, the individual stockholder A filed a lawsuit to compel the Corporation to redeem the capital of $27,900 thousand on Class C2 preferred stock, with 5% interest accumulated to the discharge date. On March 27, 2015, the Court's resolution decided the Corporation shall redeem the capital of $27,900 thousand on Class C2 preferred stock. Till the end of December 31, 2014, the Corporation has established provision of $27,900 thousand for Class C2 preferred stock and $1,250 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately.

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, 2014, the Court's second resolution denied the plaintiff's petition for provisional execution. On May 2014, Hwatai Commercial Bank, Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $14,500 thousand on Class A preferred stock for 2008, with 5% interest accumulated to the discharge date.

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 ruled against the Corporation. The Corporation filed a petition on March 2014. On December 25, 2014, the Court's second resolution overruled the plaintiff's petition and application for provisional execution. The plaintiff STCL decided not to appeal; the Court's second resolution becomes the final resolution.

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. On March 11, 2015, SCSB filed a lawsuit to compel the Corporation to redeem the capital of $200,000 thousand on Class A preferred stock, with 5% interest accumulated to the discharge date.

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 August 19, 2014, the Court's second resolution denied the plaintiff's petition for provisional execution. Shin Kong Life Insurance, Ltd. decided not to appeal; the Court's second resolution becomes the final resolution.

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. On June 17, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On July 2014, Yuanta Securities Co., Ltd. filed a lawsuit to compel the Corporation to redeem some capital of $5,000 thousand on Class A preferred stock and distribute dividends of $25,000 thousand on Class A preferred stock for 2008, with 5% interest accumulated to the discharge date. As of December 31, 2014, the Corporation recognized above capital amounting to $5,000 thousand and the 5% interest accumulated to the discharge date amounting to $105 thousand as provisions, accounted for as other equity and interest expense, separately.

13) Continental International Corporation was holding 11,537 thousand shares of Class C8 preferred stock. 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. On March 31, 2014, the Court overruled the plaintiff's petition and application for a provisional execution for Class C8 preferred stock. In April 2014, Continental International Corporation filed a lawsuit to compel the Corporation to distribute deferred interest of $3,475 thousand on Class C8 preferred stock, and redeem the capital of $4,990 thousand on Class C8 preferred stock, with 5% interest accumulated to the discharge date. On June 17, 2014, the Court's resolution decided the Corporation shall redeem the capital of $4,990 thousand on Class C8 preferred stock. Till the end of December 31, 2014, the Corporation has established provision of $4,990 thousand for Class C8 preferred stock and $178 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately. On September 2014, Continental International Corporation expanded its filing to compel the Corporation to redeem the capital of $102,300 thousand on Class C8 preferred stock, with 5% interest accumulated to the discharge date, but withdrew the aforementioned petition for distribute deferred interest of $3,475 thousand on Class C8 preferred stock. On March 3, 2015, the Court's second resolution decided the Corporation shall redeem the capital of $102,300 thousand on Class C8 preferred stock. Till the end of December 31, 2014, the Corporation has established provision of $102,300 thousand for Class C8 preferred stock and $1,556 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately.

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. On January 20, 2015, the Court's second resolution denied the plaintiff's petition for a provisional execution. On May 2014, Taishin International Bank filed a lawsuit to compel the Corporation to distribute dividends of $15,000 thousand on Class A preferred stock for 2008, with 5% interest accumulated to the discharge date. On April 16, 2015, the Court overruled the plaintiff's petition and application for a provisional execution.

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 has to redeem the capital of $10,000 thousand on Class A preferred stock. As of December 31, 2014, the Corporation recognized above capital amounting to $10,000 thousand and the 5% interest accumulated to the discharge date amounting to $2,422 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. On November 19, 2014, the Court's second resolution denied the plaintiff's petition for provisional execution.

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. On January 2014, United Microelectronics Corp. filed a lawsuit to compel the Corporation to redeem capital of $3,000 thousand on Class A preferred stock, with 5% interest accumulated to the discharge date. On November 4, 2014, the Court decided the Corporation does not have to distribute the dividends of $14,836 thousand but has to redeem the capital of $3,000 thousand on Class A preferred stock for 5% accumulated interest. As of December 31, 2014, the Corporation recognized above capital amounting to $3,000 thousand and the 5% interest accumulated to the discharge date amounting to $133 thousand as provisions, accounted for as other equity and interest expense, separately.

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 August 26, 2014, the Court's second resolution denied the plaintiff's petition for provisional execution. According to the rule of appeal from the second instance judgment arising from proprietary rights of the Civil Procedure, the plaintiff cannot appeal for third resolution when the value of interest is less than $1,500 thousand. Hence, the Court's second resolution becomes the final resolution.

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. On April 14, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On December 2014, TransGlobe Life Insurance Inc. filed a lawsuit to compel the Corporation to distribute dividends of $10,000 thousand on Class A preferred stock for 2008, with 5% interest accumulated to the discharge date. On April 21, 2015, the Court's second resolution overruled the plaintiff's petition and application for provisional execution.

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, and $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. On April 14, 2014, the Court overruled the plaintiff's petition and application for a provisional execution for Class C8 preferred stock. On December 10, 2014, Taipei High Court issued a second resolution denying the plaintiff's petition. On May 6, 2014, the Court overruled the plaintiff's petition and application for a provisional execution for Class A preferred stock. On April 2014, Continental Engineering Corp. filed a lawsuit to compel the Corporation to distribute deferred interest of $54,853 thousand on Class C4, C5, and C8 preferred stock, distribute dividends of $49,837 thousand on Class A preferred stock for 2008, and redeem the capital of $6,750 thousand, $7,440 thousand, $1,163 thousand, and $2,325 thousand on Class A, C4, C5 and C8 preferred stock, respectively, with 5% interest accumulated to the discharge date. On January 20, 2015, the Court overruled the plaintiff's petition and application for a provisional execution for Class A preferred stock. On September 2014, Continental Engineering Corp. amended its filing to redeem the capital of $996,750 thousand, $91,140 thousand, $549,863 thousand, and $299,925 thousand on Class A, C4, C5, and C8 preferred stock, with 5% interest accumulated to the discharge date. Continental Engineering Corp. also withdrew the aforementioned lawsuit on deferred interest of $54,853 thousand on Class C4, C5, and C8 preferred stock. On November 11, 2014, the Court's resolution decided the Corporation does not have to distribute the dividends but have to redeem the capital of preferred stock. Till the end of December 31, 2014, the Corporation has established provision of $391,065 thousand for Class C4 and C8 preferred stock and $6,147 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately. Till the end of December 31, 2014, the Corporation has established Provision of $1,546,613 thousand for Class A and C5 preferred stock and $23,684 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately.

21) TCC Investment 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. On November 19, 2014, the Court's second resolution denied the plaintiff's petition for provisional execution. On October 2013, TCC Investment Co., Ltd. filed a lawsuit to compel the Corporation to distribute dividends of $25,000 thousand on Class A preferred stock for 2008, with 5% interest accumulated to the discharge date. On April 14, 2015, the Court's second resolution denied the plaintiff's petition for provisional execution. On January 2015, TCC Investment Co., Ltd. filed a lawsuit to compel the Corporation to redeem capital of $500,000 thousand on Class A preferred stock, 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 overruled the plaintiff's petition and application for a provisional execution. Subsequently, Cathay Life Insurance Co., Ltd. filed an appeal in Taiwan High Court. On September 30, 2014, Taiwan High Court issued a second resolution stating the Corporation shall distribute dividends for preferred stock from January 5, 2007 to March 1, 2007 and rejecting the rest of the appeal. The Corporation filed a petition on October 2014.

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. Subsequently, Cathay United Bank Company Limited filed an appeal in Taiwan High Court. On September 30, 2014, Taiwan High Court issued a second resolution stating the Corporation shall

distribute dividends for preferred stock from January 5, 2007 to March 1, 2007 and rejecting the rest of the appeal. The Corporation filed a petition on October 2014.

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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, Mega International Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $200,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, Bank of Taiwan filed a lawsuit to compel the Corporation to distribute dividends of $125,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, Taiwan Cooperative Bank filed a lawsuit to compel the Corporation to distribute dividends of $100,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, First Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $100,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, Hua Nan Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $100,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, Land Bank of Taiwan filed a lawsuit to compel the Corporation to distribute dividends of $100,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On March 12, 2015, Taiwan Business Bank filed a lawsuit to compel the Corporation to distribute dividends of $75,000 thousand on Class A preferred stock for 2008, 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. On March 24, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. On December 2014, Chang Hwa Commercial Bank filed a lawsuit to compel the Corporation to distribute dividends of $65,000 thousand on Class A preferred stock for 2008, 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. On April 21, 2015, the Court overruled the plaintiff's petition and application for a provisional execution.

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 October 15, 2014, the Court overruled the plaintiff's petition and application for a provisional execution. South China Insurance Co., Ltd. decided not to appeal, the Court's second resolution becomes the final resolution.

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. On January 20, 2015, the Court's second resolution overruled the plaintiff's petition and application for provisional execution. On March 11, 2015, KGI Securities Co., Ltd. filed a lawsuit to compel the Corporation to redeem capital of $25,000 thousand on Class A preferred stock, 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 November 18, 2014, the Court's second resolution overruled the plaintiff's petition and application for provisional execution. Taiwan Shin Kong Commercial Bank Company Ltd. decided not to appeal, the Court's second resolution becomes the final resolution.

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. On May 6, 2014, the Court overruled the plaintiff's petition and application for a provisional execution for Class A preferred stock. On April 2014, Continental Development Corp. filed a lawsuit to compel the Corporation to distribute deferred interest of $49,837 thousand on Class A preferred stock for 2008, and redeem the capital of $6,750 thousand and $3,488 thousand on some Class A and C5 preferred stock, respectively, with 5% interest accumulated to the discharge date. On January 20, 2015, the Court's second resolution issued a second resolution denying the plaintiff's petition. On September 2014, Continental Development Corp. amended

its filing to redeem the capital of $996,750 thousand and $449,888 thousand on Class A and C5 preferred stock, respectively, with 5% interest accumulated to the discharge date. Continental Development Corp. also withdrew the aforementioned lawsuit on deferred interest of $30,636 thousand on Class C5 preferred stock. Till the end of December 31, 2014, the Corporation has established provision of $1,446,638 thousand for Class A and C5 preferred stock and $22,214 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately.

39) 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. On April 9, 2015, the Court decided the Corporation does not have to distribute the dividends of $2,384 thousand but has to redeem the capital of $10,230 thousand on Class C1 preferred stock for 5% accumulated interest. Till the end of December 31, 2014, the Corporation has established provision of $10,230 thousand for Class C1 preferred stock and $454 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately.

40) 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.

41) The individual stockholder C was holding 2,600 thousand shares of Class C2 preferred stock. The individual stockholder C filed a lawsuit to compel the Corporation to redeem the capital of $24,180 thousand on Class C2 preferred stock, with 5% interest accumulated to the discharge date. On March 24, 2015, the Court's second resolution decided the Corporation shall redeem the capital of $24,180 thousand on Class C2 preferred stock. Till the end of December 31, 2014, the Corporation has established provision of $24,180 thousand for Class C2 preferred stock and $1,269 thousand for 5% accumulated interest, which are accounted for as other equity and interest expense, separately.

42) China Technical Consultants, Inc., (CITC) filed a lawsuit to compel the Corporation to redeem capital of $23,994 thousand on Class C9 preferred stock, with 5% interest accumulated to the discharge date. As of December 31, 2014, the Corporation recognized above capital amounting to $23,994 thousand on Class C9 preferred stock, with 5% interest accumulated to the discharge date amounting to $388 thousand as provisions, accounted for as other equity and interest expense, separately.

Till the end of December 31, 2014, lawsuits demanding the Corporation to redeem the capital on preferred stock amounted to $3,609,357 thousand. Total capital for this preferred stock amounted to $12,864,375 thousand. The trend in the filing of lawsuit on preferred stock against the Corporation has increased. Till the end of April 28, 2015, lawsuits demanding the Corporation to redeem preferred stock increased to $6,329,457 thousand. Total capital for this preferred stock amounted to $14,589,357 thousand.

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

21. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
An analysis of depreciation, and amortization expenses by assets		
Property, plant and equipment	$ 30,981	$ 34,182
Intangible assets	16,981,242	15,062,989
Other non-current assets	879	626
	$ 17,013,102	$ 15,097,797
An analysis of depreciation by function		
Operating costs	$ 22,726	$ 25,138
Operating expenses	8,255	9,044
	$ 30,981	$ 34,182
An analysis of amortization by function		
Operating costs	$ 16,979,407	$ 15,060,711
Operating expenses	2,714	2,904
	$ 16,982,121	$ 15,063,615

(Concluded)

b. Employee benefit expenses

	For the Year Ended December 31	
	2014	2013
Post-employment benefit		
Defined contribution plans	$ 119,362	$ 112,091
Defined benefit plans	41,374	25,500
	160,736	137,591
Short-term benefits		
Payroll	2,478,779	2,424,952
Insurance	231,405	214,384
Professional service	76,622	127,557
Others	125,300	115,360
	2,912,106	2,882,253
	$ 3,072,842	$ 3,019,844
An analysis of employee benefit expense by function		
Operating costs	$ 2,524,067	$ 2,476,527
Operating expenses	548,775	543,317
	$ 3,072,842	$ 3,019,844

As of December 31, 2014 and 2013, the number of employees of the Corporation was 3,622 and 3,320, respectively; the number of professional service was 44 and 179, respectively.

c. Interest income

	For the Year Ended December 31	
	2014	2013
Interest income of repurchase agreement collateralized by government bonds	$ 229,845	$ 202,215
Interest income of bank balance	22,240	21,338
	$ 252,085	$ 223,553

d. Interest expense

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	$ 7,931,012	$ 8,170,928
Interest on operating concession liability	1,566,718	1,535,998
Others	58,300	2,940
	$ 9,556,030	$ 9,709,866

The information of capitalized interest was as follows:

	For the Year Ended December 31	
	2014	2013
Capitalized interest	$ 117,408	$ 76,043
Capitalization rate	2.02%-2.24%	2.06%-2.31%

e. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Foreign exchange gains, net	$ 93,158	$ 318,019
Miscellaneous income	28,167	-
Gain on disposal of available-for-sale financial assets	3,849	4,447
Gain on repayment of long-term debt before its original maturity	-	475,650
Loss on disposal of investment properties	(31,670)	-
Loss on disposal of intangible assets	(10,830)	(668)
Others	3,957	3,913
	$ 86,631	$ 801,361

22. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2014	2013
Current tax	$ (402)	$ (514)
Deferred tax	2,862,023	579,953
Income tax benefit	$ 2,861,621	$ 579,439

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

	For the Year Ended December 31	
	2014	2013
Income tax expense calculated at the statutory rate (17%)	$ 451,944	$ 460,617
Nondeductible expenses in determining taxable income	5,834	5,352
Unrecognized loss carryforwards	(3,093,935)	(828,055)
Unrecognized investment credits	712	244
Unrecognized deductible temporary differences	(225,866)	(217,867)
Others	(310)	270
Income tax benefit recognized in profit or loss	$ (2,861,621)	$ (579,439)

(Concluded)

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
Current tax	$ -	$ -
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	(1,102)	11,819
Total income tax expense (benefit) recognized in other comprehensive income	$ (1,102)	$ 11,819

c. Deferred tax assets and liabilities

For the year ended December 31, 2014

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Profit sharing return	$ 1,843,021	$ 761,251	$ -	$ 2,604,272
Deferred revenue	2,300	(2,300)	-	-
	1,845,321	758,951	-	2,604,272
Loss carryforwards	1,564,902	(1,564,902)	-	-
	$ 3,410,223	$ (805,951)	$ -	$ 2,604,272
Deferred tax liabilities				
Temporary differences				
Amortization of operating assets	$ 3,671,795	$ (3,671,795)	$ -	$ -
Defined benefit obligation	8,826	-	(1,102)	7,724
Others	6,564	3,821	-	10,385
	$ 3,687,185	$ (3,667,974)	$ (1,102)	$ 18,109

For the year ended December 31, 2013

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Profit sharing return	$ 1,158,017	$ 685,004	$ -	$ 1,843,021
Deferred revenue	-	23,00	-	2,300
Defined benefit obligation	2,993	-	(2,993)	-
Others	12,748	(12,748)	-	-
	1,173,758	674,556	(2,993)	1,845,321
Loss carryforwards	1,804,523	(239,621)	-	1,564,902
	$ 2,978,281	$ 434,935	$ (2,993)	$ 3,410,223
Deferred tax liabilities				
Temporary differences				
Amortization of operating assets	$ 3,823,377	$ (151,582)	$ -	$ 3,671,795
Defined benefit obligation	-	-	8,826	8,826
Others	-	6,564	-	6,564
	$ 3,823,377	$ (145,018)	$ 8,826	$ 3,687,185

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

	December 31 2014	December 31 2013
Loss carryforwards	$ 4,505,568	$ 7,599,504
Investment credits	$ 7,738	$ 7,026
Deductible temporary differences	$ 839,203	$ 1,064,750

On April 9, 2014, the Ministry of Finance announced Rule No. 10304540780 to revise the Regulations Governing Assessment of Enterprise Income Tax. The revised regulations are applicable beginning after the filing of Income Tax Return for the year ended December 31, 2013. According to the letter issued by the tax authorities on April 16, 2014, the related adjustments of accumulated amortization of operating asset and retained earnings that resulted from the first-time adoption of IFRSs shall be reported as non-operating income while filing tax returns. Loss carryforwards which have not been recognized as deferred tax assets have been realized and generated income tax benefit amount of $3,671,795 thousand due to the revision. There was no additional tax payable that resulted from the revision of the aforementioned regulations.

e. Tax effects of unused loss carryforwards and investment tax credits of the Corporation as of December 31, 2014 comprised:

Year of Expiry	Loss Carryforwards	Investment Tax Credits
2015	$ -	$ 2,073
2016	-	2,337
2017	-	3,328
2018	3,512,560	-
2019	726,381	-
2020	266,627	-
	$ 4,505,568	$ 7,738

f. Integrated income tax

	December 31	
	2014	2013
Imputation credits accounts	$ 73,803	$ 73,401

g. Income tax assessments

The tax returns through 2012 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

	Amount	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the year ended December 31, 2014			
Income for the year	$ 5,520,115		
Less: Dividends on preferred stock	(1,923,733)		
Basic earnings per share			
Earnings attributable to common stockholders	3,596,382	6,513,233	$ 0.55
Diluted earnings per share			
Effect of dilutive potential convertible preferred stock	1,923,733	4,018,992	
Income for the year attributable to common stockholders plus effect of potential convertible preferred stock	$ 5,520,115	10,532,225	$ 0.52
For the year ended December 31, 2013			
Income for the year	$ 3,288,951		
Less: Dividends on preferred stock	(1,923,733)		
Basic earnings per share			
Earnings attributable to common stockholders	$ 1,365,218	6,513,233	$ 0.21

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 years ended December 31, 2013; therefore, they were not considered in the calculation of diluted earnings per share.

24. CAPITAL MANAGEMENT

The Corporation 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.

On March 26, 2015, the Board of Directors approved the National Stock Subscription Project, including applying for capital increase $30 billion. Please refer to Note 31 d. for further details.

25. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31			
		2014		2013
Financial assets				
Available-for sale financial assets	$	694,360	$	665,025
Hedging derivative assets		551		-
Loans and receivables				
Other financial assets (Note 1)		52,953,089		38,000,908
Others (Note 2)		1,599,053		2,005,825
Financial liabilities				
Hedging derivative liabilities		-		706
Financial liabilities carried at amortized cost (Note 3)		451,589,138		452,416,761

Note 1: Other financial assets include repurchase agreement collateralized by government bonds, demand deposits and time deposits.

Note 2: The remaining balance does not include tax fund receivable, but includes cash and cash equivalents, receivables and other receivables measured at amortized cost.

Note 3: 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

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, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Money market mutual fund	$ 694,360	$ -	$ -	$ 694,360
Hedging derivative assets				
Foreign currency forward contracts	$ -	$ 551	$ -	$ 551

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

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, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 20,624	31.718	$ 654,161
EUR	5	38.563	198
JPY	1,893	0.2652	502
Financial liabilities			
Monetary items			
USD	$ 2,459	31.718	$ 77,986
EUR	579	38.563	22,314
JPY	2,406,968	0.2652	638,328
HKD	476	4.09	1,949

(Concluded)

	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

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 weakened against the New Taiwan dollars by 1%, income before tax would have decreased by $5,762 thousand and

$5,357 thousand for the years ended December 31, 2014 and 2013. If the JPY strengthened against the New Taiwan dollars by 1%, the income before tax of the Corporation would have decreased by $5,527 thousand and $13,281 thousand for the years ended December 31, 2014 and 2013.

b) Interest rate risk

As of December 31, 2014 and 2013, the Corporation's syndicated loan with floating interest rates amounted to $361,877,350 thousand and $361,682,491 thousand. If the market interest rate increased by 1%, the income before tax of the Corporation would have decreased by $3,618,774 thousand and $3,616,825 thousand for the years ended December 31, 2014 and 2013.

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 decreased by 1%, other comprehensive income before tax of the Corporation would have decreased by $6,944 thousand and $6,650 thousand for the years ended December 31, 2014 and 2013.

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, 2014

	Long-term debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Total
2015.1.1~2015.03.31	$ -	$ 1,927,336	$ -	$ 1,927,336
2015.4.1~2015.12.31	2,565,141	5,782,008	265,849	8,612,998
2016	13,511,670	8,291,619	-	21,803,289
2017	21,039,355	9,162,629	7,067,517	37,269,501
2018	19,756,785	9,961,523	-	29,718,308
2019	19,756,785	9,575,404	-	29,332,189
After 2020	285,247,614	71,901,251	98,000,000	455,148,865
	$ 361,877,350	$ 116,601,770	$ 105,333,366	$ 583,812,486

December 31, 2013

	Long-term Debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Total
2014.1.1~2014.03.31	$ -	$ 1,597,750	$ -	$ 1,597,750
2014.4.1~2014.12.31	2,565,141	4,793,250	271,143	7,629,534
2015	2,565,141	9,676,666	-	12,241,807
2016	13,511,670	10,689,977	67,626	24,269,273
2017	20,901,355	11,625,277	7,265,548	39,792,180
2018	19,618,785	12,586,126	1,461,582	33,666,493
After 2019	302,520,399	106,574,889	96,538,417	505,633,705
	$ 361,682,491	$ 157,543,935	$ 105,604,316	$ 624,830,742

As of December 31, 2014, par value of outstanding preferred stocks which have been issued were amounted to $40,189,917 thousand (actual issuance amount was $39,221,157 thousand) and recognized as equity. Provisions amounted to $3,609,357 thousand for litigations regarding the requisition of preferred stockholders of the Corporation have been recognized. Please refer to Note 17 and 20 e. for further details.

26. 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 28 for further details.

2) The Corporation has entered into Tripartite Agreement with the MOTC and Bank of Taiwan. Please refer to Note 15 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 15 for further details.

c. Compensation of key management personnel:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	$ 60,409	$ 57,323
Post-employment benefits	16,518	1,000
	$ 76,927	$ 58,323

27. RESTRICTED ASSETS

Pledged Assets	Pledged to Secure	December 31 2014	2013
Other financial assets - current:			
Time deposits	Guarantee for commodity sale	$ 500	$ 940
Time deposits	Guarantee for office lease	17,232	17,232
Time deposits	Guarantee for oil purchase	3,130	-
Time deposits	Guarantee for customs duties	-	110,000
Time deposits	Trust deposit of unearned revenue	31,500	31,500
Time deposits	Guarantee for Court	15,000	-
Time deposits	Syndicated loan	$ 5,555	$ -
Demand deposits	Trust deposit of unearned revenue	53,832	50,105
Demand deposits	Syndicated loan	367,153	35,323
Repurchase agreement collateralized by government bonds	Syndicated loan	51,205,100	36,523,000
		51,699,002	36,768,100
Other financial assets - non-current:			
Time deposits	Guarantee for commodity sale	440	-
Time deposits	Guarantee for development of station	1,192,368	1,192,368
Time deposits	Guarantee for station land lease	10,755	10,655
Time deposits	Guarantee for oil purchase	-	4,320
Time deposits	Guarantee for customs duties	42,524	20,517
Time deposits	Syndicated loan	8,000	-
		1,254,087	1,227,860
		$ 52,953,089	$ 37,995,960

(Concluded)

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

28. 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. The Corporation started to make profit in 2011, and then the MOTC requested it to propose a project and a timeline for improving the overall financial status. Thereafter, the Corporation proposed a financial improvement plan in 2013. The Corporation's plan is to improve its financial status and make up for deficit. As of April 28, 2015, the National Stock Subscription Project is still under review by the MOTC and the Legislative Yuan. Please refer to Note 31 d. for further details.

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 16).

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, 2014 and 2013, the remaining performance bond provided amounted were both to $2 billion.

b) The SZD Agreement

As of December 31, 2014 and 2013, 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 $446,154 thousand and $446,305 thousand for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, prepaid rental amounted to $444,155 thousand and $446,112 thousand, respectively, and was recognized as prepayment and other current assets.

c. As of December 31, 2014, the Corporation had obtained credit line facilities in the form of letters of credit from several banks, of which JPY2,660,673 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 2016. As of December 31, 2014, the Corporation had paid the amount of JPY14,811,724 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, 2014, the Corporation had paid the amount of JPY2,429,389 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, 2014, the Corporation had paid the amount of JPY2,598,879 thousand and 733,209 thousand, recognized as intangible assets - operating concession asset - construction in progress.

g. In February 2014, 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. As of December 31, 2014, the Corporation had paid the amount of $111,469 thousand, recognized as intangible assets - operating concession asset - construction in progress.

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. Certain preferred stockholders filed civil actions against the Corporation, please refer to Note 20.

b. On January 7, 2015, the Legislative Yuan Transportation Committee decided not to handle the Financial Improvement Plan at this stage. On March 26, 2015, the Corporation proposed a National Stock Subscription Project (please refer to Note 31 d. for further details).

c. On February 17, 2015, the Corporation and MOTC entered into an arbitration agreement regarding the Three Cases involving the C&O agreement (please refer to Note 31 c. for further details).

30. 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 25 c.

31. 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, 2014, 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, 2014, 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, 2014, the deficit amounted to $46,641,200 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

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 15).

After the Corporation adopted the aforementioned measures and improved the operating status, the Corporation's net income before tax amounted to $2,658,494 thousand and $2,709,512 thousand for the years ended December 31, 2014 and 2013, respectively.

c. In order to protect stockholders' equity and maintain stable operation, the Corporation applied to the Conciliation Committee for the coordination of the following cases, hereafter called "Coordinated Three Cases" (1) the case of statutory concession ticket and short charge not yet received which was an Excluded Event; (2) the case of significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected that resulted in a material effect on the construction or operation under the C&O agreement, and (3) the case of 921 earthquake and 9 more events which were Force Majeure and excluded events that have material effect on the construction or operation under the C&O agreement, during the construction.

Due to the fact that the determination of whether the Coordinated Three Cases were qualified as force majeure and excluded events was complicated, the Conciliation Committee concluded that the Corporation should discuss with the MOTC to seek a remedial method to improve its financial status; furthermore, both parties should conciliate the conflict under the C&O Agreement to solve the financial difficulties the Corporation faces so far. As of the day the MOTC and the Corporation both consented to the extension of the period of conciliation to February 16, 2015. Because of the financial improvement plan has not yet been accomplished, and by taking the statute of limitations into consideration, the Corporation referred the Coordinate Three Cases to arbitration on February 17, 2015 where the Corporation is requesting the MOTC to reimburse the loss of the Corporation on a reasonable basis. The three cases are collectively referred to as "Arbitrated Three Cases". The result of the arbitration is still unpredictable.

1) The case of statutory concession ticket and short charge not yet received which was an Excluded Events

The Corporation applied for the payment by MOTC to the Corporation of the amount of $10,990,040 thousand cumulatively with 5% interest accumulated from each date of application.

2) The case of significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected that resulted in material effect on the construction or operation under the C&O agreement

As of December 31, 2014, the passenger traffic and revenue were lower than expected and resulted in a loss of approximately $227.1 billion. The Corporation applied for the payment by MOTC for revenue shortage amount of $30,590,000 thousand due to the underperformance of the actual ridership in 2014, and with 5% interest accumulated from February 17, 2015 to the conclusion date of the arbitration or extension of the concession period indicated in the C&O Agreement for generating enough revenue to cover the shortage, or other appropriate methods.

3) The case of 921 earthquake and 9 more events which were Force Majeure and excluded events that have a material effect on the construction or operation under the C&O agreement

The Corporation applied for a claim regarding additional payments for construction and operating losses of approximately $71.9 billion, requesting the MOTC to repay $16,041,590 thousand and with 5% interest accumulated from February 9, 2013 to each payment date.

d. The Corporation's financial structure was unstable due to some preferred stockholders of the Corporation who continuously filed lawsuits to compel the Corporation to redeem preferred stocks and distribute dividends. If the unfavorable results for the final judgments of aforementioned lawsuits increase, the syndicate of banks might take adequate preventive measures, or even consider it as substantial breach of contract according to the Tripartite Agreement and the Syndicated Loan Agreement which might result in the termination of the C&O Agreement (please refer to Note 15 b. 3) to protect their own credits.

Furthermore, based on the conclusion made by the Conciliation Committee on the Coordinated Three Cases, the Board of Directors approved the Financial Improvement Plan on October 23, 2014. However, on January 7, 2015 the Legislative Yuan Transportation Committee decided not to handle the plan at this stage. On March 26, 2015, the Board of Directors approved the National Stock Subscription Project. The concrete measure of the National Stock Subscription Project included.

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

The Corporation proposed to redeem all issued preferred stocks in a total of 4,018,992 thousand shares according to the Corporation's Articles of Incorporation and rules of preferred stocks issuance and conversion for each class of preferred stocks. The Corporation will have a capital payable amount of $39,221,157 thousand and paid-in capital of common stock amount of $65,132,326 thousand will be left after reducing capital.

2) Extension of concession to 70 years

In order to maintain reasonable returns and operate stably under acceptable amortization years, the Corporation planned to enter into an additional agreement regarding C&O Agreement with MOTC to extend the concession period from 35 years to 70 years.

3) Capital reduction plan to offset losses

After preferred stocks are all redeemed, paid-in capital of common stock amount of $65,132,326 thousand will be left. The Corporation proposed to carry out a capital reduction plan in which the cancellation ratio is approximately 60% to eliminate accumulated deficit. The amount of capital reduction and cancellation ratio will be adjusted depending on the actual situation.

4) Capital injection of $30 billion

The Corporation proposed a National Stock Subscription Project. The MOTC might consent to extend concession period under the premise that the Corporation shall increase its government shares. In order to meet the criteria, the

Corporation proposed to raise $30 billion and apply for the shares to be traded on the Taiwan GreTai Securities Market or listed on the Taiwan Stock Exchange.

The planned distribution of new shares subscription listed as follows:

a) Up to 10% of such new shares, which amount to $3 billion, shall be reserved for subscription by employees of the Corporation as required by law;

b) Up to $7.8 billion of such new shares shall be reserved for subscription by specific government-backed entities;

c) The remaining $19.2 billion new shares may be opened for public issuance.

If there are new shares left unsubscribed by employees of the Corporation and by open public, original shareholders may subscribe according to the percentage of shareholdings.

If there are still new shares left unsubscribed, specific government-backed shareholders may subscribe through negotiation.

5) Consent to terminate SZD Agreement with the MOTC

The Corporation proposed to terminate SZD Agreement with the MOTC. Hence, superficies defined as ancillary land for business development purposes in the SZD Agreement will be taken back by the MOTC. The fair value appraisal results of aforementioned superficies will be the basis for calculating payment of profit sharing return according to the C&O Agreement. Station land defined in SZD Agreement will remain the same. Rights and obligations of the aforementioned station land shall be complied with C&O Agreement and the Corporation proposed to amend the agreement.

6) Amendment of Syndicated Loan Agreement

a) Termination of bank account and lifting of limitation on fund use

The Corporation proposed to negotiate with syndicate of banks and obtain their permission to amend Syndicated Loan Agreement for redeeming preferred stocks after termination of bank account and lifting of limitation on fund use.

b) Cancellations of liens on superficies

The Corporation proposed to negotiate with the syndicate of banks for cancellations of liens of superficies in order to let the MOTC take back the superficies.

c) Extension of payment term of Syndicated Loan Agreement

In order to process the National Stock Subscription Project and the extension of concession period to 70 years, the Corporation proposed to negotiate with the syndicate of banks to extend the payment term of Syndicated Loan Agreement and combine with other revolving credit facility as a supporting measure to other measures of financial improvement plan such as redeeming preferred stocks and return of equity in capital injection of the National Stock Subscription Project.

7) Withdrawal of Arbitrated Three Cases

The Corporation is in the process of arbitration over “unfavorable change in the volume of passengers”, “subsidy on statutory discounted ticket” and “damage compensation from 921 earthquake or an act of God” with the MOTC. The Corporation plans to revise agreement on C&O Agreement. Once the new agreement becomes effective, the arbitration mentioned above will be withdrawn.

8) Rates and fare adjustment

The Corporation plans to make adjustment on the chapter “High speed railway standard operating rate, timing and manner for rate adjustment” of the C&O agreement with the MOTC to take the element of income shortage from statutory discounted ticket in to consideration for the Corporation to decide the self-determination High Speed Railway standard operating rate as a subsidy. The new adjustment also designates the elements of the Corporation’s self-determination pricing structure shall reflect various market promotion properly.

9) Establish smooth mechanism and its account

The Corporation plans to establish smooth mechanism and its account. Once the amendment of C&O Agreement becomes applicable, the account becomes effective on the following January 1.

a) Smooth mechanism is established subject to certain profit standard and the Corporation records provision as an expense for the current period. When the profit is lower than the standard, the provision is reversed as a deduction of the expense, but only to the extent of the provision balance. When the provision exceeds $10 billion, the Corporation records the exceeding amount to “Taiwan High Speed Rail Smooth Mechanism Account”. The capital under the account is only available for designated use. The remaining balance will be transferred to the Ministry of Transportation and Communication once the concession period expires.

b) When the Corporation’s income after tax exceeds $4 billion, but below $4.5 billion, the Corporation shall record 50% of income after tax as provision. When the Corporation’s income after tax exceeds $4.5 billion, the Corporation shall record 70% of the exceeding amount as provision. For the convenience of calculation, the recorded amount of income after tax is converted to income before tax according to the statutory tax rate.

For the Corporation’s major development on “National Stock Subscription Project”, please refer to the major news issued by the Corporation.

32. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 25 and information of the preceding paragraph, there are no significant transactions, information of investees and investments in mainland China required for disclosure.

33. SEGMENT INFORMATION

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

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(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	-
	Jih Sun Money Market Fund	-
	Eastspring Inv Well Pool Money Market Fund	-
	Capital Money Market Fund	-
	Union Money Market Fund	-
	Allianz Global Investors Taiwan Money Market Fund	-
	SinoPa TWD Money Market	-
	Central Government Bonds 2014-2	-
	Central Government Bonds 2014-4	-
	Central Government Bonds 2014-9	-
	Central Government Bonds 2014-10	-
	Central Government Bonds 2013-2	-
	Central Government Bonds 2013-6	-
	Central Government Bonds 2013-8	-
	Central Government Bonds 2013-10	-
	Central Government Bonds 2013-11	-
	Central Government Bonds 2013 B 1st	-
	Central Government Bonds 2012-5	-
	Central Government Bonds 2012-6	-
	Central Government Bonds 2012-9	-
	Central Government Bonds 2012 B 2	-
	Central Government Bonds 2011-5	-
	Central Government Bonds 2011-6	-
	Central Government Bonds 2011-9	-
	Central Government Bonds 2010-5	-
	Central Government Bonds 2010-8	-
	Central Government Bonds 2009-3	-
	Central Government Bonds 2009-6	-
	Central Government Bonds 2008-3	-
	Central Government Bonds 2008-6	-
	Central Government Bonds 2007-3	-
	Central Government Bonds 2007-6	-

Financial Statement Account	December 31, 2014				Note
	Units/Face Value (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Available-for-sale financial assets - current	9,096	$ 111,943	-	$ 111,943	
"	7,587	110,032	-	110,320	
"	7,484	100,009	-	100,009	
"	6,784	107,527	-	107,527	
"	9,686	110,011	-	110,011	
"	8,488	104,410	-	104,410	
"	3,663	50,140	-	50,140	
Other financial assets - current	$ 200,000	220,000	-	220,000	
"	521,000	573,000	-	573,000	
"	655,500	727,778	-	727,778	
"	2,601,600	2,856,889	-	2,856,889	
"	1,045,100	1,139,000	-	1,139,000	
"	47,000	52,222	-	52,222	
"	387,700	430,700	-	430,700	
"	450,000	500,000	-	500,000	
"	253,600	281,778	-	281,778	
"	82,300	91,444	-	91,444	
"	140,000	140,000	-	140,000	
"	2,167,700	2,398,567	-	2,398,567	
"	642,100	713,445	-	713,445	
"	198,800	220,889	-	220,889	
"	515,700	573,000	-	573,000	
"	3,526,800	3,863,222	-	3,863,222	
"	356,200	391,333	-	391,333	
"	1,170,700	1,300,778	-	1,300,778	
"	544,400	606,000	-	606,000	
"	851,100	942,533	-	942,533	
"	2,354,400	2,616,000	-	2,616,000	
"	1,813,400	1,858,889	-	1,858,889	
"	1,237,000	1,347,600	-	1,347,600	
"	2,753,800	3,059,622	-	3,059,622	
"	200,000	200,000	-	200,000	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company
The Corporation	Central Government Bonds 2006-3	-
	Central Government Bonds 2006-6	-
	Central Government Bonds 2005-7	-
	Central Government Bonds 2005-8	-
	Central Government Bonds 2003-3	-
	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 2000-9	-
	Central Government Bonds 2000-11	-
	Central Government Bonds 2000-13	-
	Central Government Bonds 2000 B 1st	-
	Central Government Bonds 1999 B-2	-
	Central Government Bonds 1999 B-3	-
	Central Government Bonds 1999 B 1st	-

Financial Statement Account	December 31, 2014				Note
	Units/Face Value (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Other financial assets - current	$ 986,000	$ 1,092,000	-	$ 1,092,000	
"	1,174,200	1,296,600	-	1,296,600	
"	2,552,200	2,826,500	-	2,826,500	
"	603,900	671,000	-	671,000	
"	390,600	434,000	-	434,000	
"	690,000	766,667	-	766,667	
"	1,100,000	1,222,222	-	1,222,222	
"	1,000,000	1,111,111	-	1,111,111	
"	1,946,500	2,155,293	-	2,155,293	
"	2,611,500	2,883,480	-	2,883,480	
"	2,465,400	2,715,200	-	2,715,200	
"	3,414,100	3,792,578	-	3,792,578	
"	376,500	413,000	-	413,000	
"	15,300	17,000	-	17,000	
"	203,700	226,220	-	226,220	
"	340,300	377,570	-	377,570	
"	401,200	445,700	-	445,700	
"	1,492,800	1,654,270	-	1,654,270	

(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, 2014

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship
The Corporation	Central Government Bonds 2014-2	Other financial assets - current	-	-
	Central Government Bonds 2014-4	"	-	-
	Central Government Bonds 2014-9	"	-	-
	Central Government Bonds 2014-10	"	-	-
	Central Government Bonds 2013-1	"	-	-
	Central Government Bonds 2013-2	"	-	-
	Central Government Bonds 2013-4	"	-	-
	Central Government Bonds 2013-6	"	-	-
	Central Government Bonds 2013-8	"	-	-
	Central Government Bonds 2013-10	"	-	-
	Central Government Bonds 2013-11	"	-	-
	Central Government Bonds 2012-1	"	-	-
	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 2011-9	"	-	-
	Central Government Bonds 2010-5	"	-	-
	Central Government Bonds 2010-6	"	-	-
	Central Government Bonds 2010-8	"	-	-
	Central Government Bonds 2009-3	"	-	-
	Central Government Bonds 2009-4	"	-	-

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
$ -	$ -	$ 1,459,800	$ 1,608,548	$ 1,259,800	$ 1,390,125	$ 1,388,548	$ 1,577	$ -	$ 200,000	$ 220,000
-	-	2,396,000	2,614,221	1,875,000	2,043,562	2,041,221	2,341	-	521,000	573,000
-	-	907,200	1,007,111	251,700	279,672	279,333	339	-	655,500	727,778
-	-	2,751,600	3,023,556	150,000	166,867	166,667	200	-	2,601,600	2,856,889
-	-	350,000	356,000	350,000	356,425	356,000	425	-	-	-
140,000	140,000	11,508,600	12,512,900	10,603,500	11,527,611	11,513,900	13,711	-	1,045,100	1,139,000
385,200	428,000	1,389,000	1,543,333	1,774,200	1,973,779	1,971,333	2,446	-	-	-
-	-	1,445,900	1,606,511	1,398,900	1,556,200	1,554,289	1,911	-	47,000	52,222
-	-	934,300	1,037,956	546,600	607,906	607,256	650	-	387,700	430,700
300,000	333,333	986,900	1,096,467	836,900	930,965	929,800	1,165	-	450,000	500,000
-	-	1,236,200	1,362,979	982,600	1,082,430	1,081,201	1,229	-	253,600	281,778
-	-	285,000	312,000	285,000	312,357	312,000	357	-	-	-
-	-	1,394,100	1,488,222	1,254,100	1,349,816	1,348,222	1,594	-	140,000	140,000
1,125,200	1,248,000	5,397,600	5,957,967	4,355,100	4,812,858	4,807,400	5,458	-	2,167,700	2,398,567
499,300	554,700	2,041,500	2,263,156	1,898,700	2,106,964	2,104,411	2,553	-	642,100	713,445
387,900	431,000	1,314,400	1,460,356	1,503,500	1,672,541	1,670,467	2,074	-	198,800	220,889
-	-	2,390,000	2,608,711	2,390,000	2,611,631	2,608,711	2,920	-	-	-
33,300	36,900	2,095,200	2,328,000	1,612,800	1,794,111	1,791,900	2,211	-	515,700	573,000
3,605,600	4,004,000	9,201,600	10,156,444	9,280,400	10,309,124	10,297,222	11,902	-	3,526,800	3,863,222
95,000	100,000	1,291,800	1,419,711	1,030,600	1,129,704	1,128,378	1,326	-	356,200	391,333
312,000	312,000	4,003,500	4,448,289	3,144,800	3,463,733	3,459,511	4,222	-	1,170,700	1,300,778
883,700	981,400	1,058,800	1,176,000	1,942,500	2,159,882	2,157,400	2,482	-	-	-
400,000	444,444	909,800	1,012,000	765,400	851,499	850,444	1,055	-	544,400	606,000
-	-	1,806,300	1,997,707	955,200	1,056,418	1,055,174	1,244	-	851,100	942,533
699,200	774,469	472,100	524,556	1,171,300	1,300,659	1,299,025	1,634	-	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship
The Corporation	Central Government Bonds 2009-5	Other financial assets - current	-	-
	Central Government Bonds 2009-6	"	-	-
	Central Government Bonds 2008-3	"	-	-
	Central Government Bonds 2008-6	"	-	-
	Central Government Bonds 2007-3	"	-	-
	Central Government Bonds 2006-3	"	-	-
	Central Government Bonds 2006-6	"	-	-
	Central Government Bonds 2005-7	"	-	-
	Central Government Bonds 2005-8	"	-	-
	Central Government Bonds 2004-8	"	-	-
	Central Government Bonds 2003-3	"	-	-
	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 2001 B 1st	"	-	-
	Central Government Bonds 2000-3	"	-	-
	Central Government Bonds 2000-9	"	-	-
	Central Government Bonds 2000-11	"	-	-
	Central Government Bonds 2000 B 1st	"	-	-
	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
$ 465,900	$ 517,600	$ 465,900	$ 517,600	$ 931,800	$ 1,036,462	$ 1,035,200	$ 1,262	$ -	$ -	$ -
2,053,800	2,282,000	4,915,600	5,461,778	4,615,000	5,134,070	5,127,778	6,292	-	2,354,400	2,616,000
389,800	416,333	3,080,900	3,267,000	1,657,300	1,826,631	1,824,444	2,187	-	1,813,400	1,858,889
200,000	200,000	1,237,000	1,347,600	200,000	200,195	200,000	195	-	1,237,000	1,347,600
-	-	9,694,600	10,771,167	6,940,800	7,721,076	7,711,545	9,531	-	2,753,800	3,059,622
740,000	820,000	4,777,000	5,294,720	4,531,000	5,028,669	5,022,720	5,949	-	986,000	1,092,000
1,642,500	1,825,000	5,421,900	6,016,200	5,890,200	6,552,325	6,544,600	7,725	-	1,174,200	1,296,600
4,772,700	5,290,072	10,823,300	11,996,500	13,043,800	14,477,346	14,460,072	17,274	-	2,552,200	2,826,500
561,100	623,400	2,245,400	2,494,856	2,202,600	2,450,257	2,447,256	3,001	-	603,900	671,000
392,700	435,684	259,200	288,000	651,900	724,499	723,684	815	-	-	-
-	-	938,200	1,042,444	547,600	609,194	608,444	750	-	390,600	434,000
499,500	555,000	2,750,300	3,055,889	2,559,800	2,847,615	2,844,222	3,393	-	690,000	766,667
700,000	777,778	3,595,300	3,994,778	3,195,300	3,554,753	3,550,334	4,419	-	1,100,000	1,222,222
799,600	888,400	2,581,400	2,868,222	2,381,000	2,648,846	2,645,511	3,335	-	1,000,000	1,111,111
1,469,000	1,620,000	6,275,600	6,928,845	5,798,100	6,400,946	6,393,552	7,394	-	1,946,500	2,155,293
3,717,700	4,049,635	9,562,900	10,503,226	10,669,100	11,682,482	11,669,381	13,101	-	2,611,500	2,883,480
2,946,600	3,170,756	11,067,500	12,084,398	11,548,700	12,554,379	12,539,954	14,425	-	2,465,400	2,715,200
400,000	444,444	491,000	544,444	891,000	990,126	988,888	1,238	-	-	-
-	-	387,600	430,667	387,600	431,188	430,667	521	-	-	-
893,900	991,000	2,395,900	2,657,400	3,289,800	3,652,541	3,648,400	4,141	-	-	-
849,800	941,000	11,020,300	12,239,833	8,456,000	9,398,380	9,388,255	10,125	-	3,414,100	3,792,578
35,800	39,662	1,168,700	1,292,440	828,000	920,162	919,102	1,060	-	376,500	413,000
-	-	411,100	454,132	207,400	228,172	227,912	260	-	203,700	226,220
-	-	2,434,400	2,679,800	2,094,100	2,304,777	2,302,230	2,547	-	340,300	377,570
-	-	4,002,700	4,428,023	3,601,500	3,986,929	3,982,323	4,606	-	401,200	445,700
404,200	446,222	5,012,800	5,528,118	3,924,200	4,324,918	4,320,070	4,848	-	1,492,800	1,654,270

(Concluded)

Headquarters

Address: 13F., No. 66, Jingmao 2nd Rd., Nangang District, Taipei 11568, Taiwan, R.O.C.
Website: www.thsrc.com.tw
Tel: +886-2-8789-2000

THSRC Spokesperson: Max Liu

Title: Assistant Vice President of Quality Assurance Office
Tel: +886-2-8789-2000 Ext. 72710
Email: Spokesman_MBOX@thsrc.com.tw

THSRC Deputy Spokesperson: Kenneth Wang

Title: Senior Specialist
Tel: +886-2-8789-2000 Ext. 72710
Email: Spokesman_MBOX@thsrc.com.tw

Share Transfer Agent and Registrar

Company : Transfer Agency Department, Fubon Securities
Address : 2F., No. 17, Shu Chung Street, Chungchen District, Taipei City, Taiwan, R.O.C.
Website : www.fbs.com.tw
Tel: +886-2-2361-1300

Auditors

Auditors : Ruske Ho, Shirley Chiang
Company : Deloitte & Touche
Address : 12F., Hung Tai Financial Plaza 156 Min Sheng East Road, Sec. 3, Taipei 10596, Taiwan, R.O.C.
Website : www.deloitte.com.tw
Tel: +886-2-2545-9988

台灣高鐵
TAIWAN HIGH SPEED RAIL

Taiwan High Speed Rail Corporation
13F, No. 66, Jingmao 2nd Rd., Nangang District
Taipei 11568,Taiwan, R.O.C.
TEL：+886-2-8789-2000 www.thsrc.com.tw