Taiwan High Speed Rail Corporation

Financial Statements for the
Six Months Ended June 30, 2022 and 2021 and
Independent Auditors’ Review Report

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Taiwan High Speed Rail Corporation

Introduction

We have reviewed the accompanying balance sheets of Taiwan High Speed Rail Corporation (the "Corporation") as of June 30, 2022 and 2021 and the related statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, as well as the statements of changes in equity and cash flows for the six months then ended, and the related notes to the financial statements, including a summary of significant accounting policies (collectively referred to as "the financial statements"). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China ("ROC"). Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Taiwan High Speed Rail Corporation as at June 30, 2022 and 2021, its financial performance for the three months ended June 30, 2022 and 2021, and its financial performance and its cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the ROC.

The engagement partners on the reviews resulting in this independent auditors' review report are Jui-Hsuan Ho and Kuo-Tyan Hong.

Jui-Hsuan Ho

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 3, 2022

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

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

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

TAIWAN HIGH SPEED RAIL CORPORATION

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 19,537,081	5	$ 21,619,496	5	$ 22,248,911	5
Financial assets at fair value through profit or loss (Note 7)	-	-	-	-	13,424,438	3
Notes and accounts receivable (Note 22)	191,914	-	665,957	-	44,490	-
Current tax assets (Note 4)	154,721	-	9,646	-	-	-
Inventories (Note 9)	2,642,210	1	2,345,998	1	2,348,336	1
Other financial assets (Notes 10 and 29)	3,288,023	1	24,126,307	6	3,723,775	1
Other current assets (Notes 14 and 28)	771,491	-	1,206,592	-	798,572	-
Total current assets	26,585,440	7	49,973,996	12	42,588,522	10
NON-CURRENT ASSETS						
Property, plant and equipment (Note 11)	124,389	-	109,162	-	97,612	-
Right-of-use assets (Note 12)	488,623	-	574,841	-	628,272	-
Operating concession assets (Notes 13 and 28)	363,119,366	91	367,972,348	86	372,402,959	88
Computer software, net (Note 13)	106,458	-	113,113	-	105,652	-
Deferred tax assets (Note 4)	6,847,772	2	6,997,477	2	7,373,332	2
Other financial assets (Notes 10 and 29)	2,095,843	-	2,163,774	-	2,159,654	-
Other non-current assets (Note 14)	1,921	-	2,330	-	3,867	-
Total non-current assets	372,784,372	93	377,933,045	88	382,771,348	90
TOTAL	$ 399,369,812	100	$ 427,907,041	100	$ 425,359,870	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	$ -	-	$ 16,142	-	$ 116,265	-
Short-term bills payable (Notes 15 and 28)	21,968,355	6	14,982,445	4	-	-
Financial liabilities for hedging (Note 8)	457	-	512	-	314	-
Accounts payable	452,046	-	533,336	-	353,341	-
Operating concession liabilities (Notes 17 and 28)	86,757	-	8,049,281	2	7,969,108	2
Cash dividends payable (Note 21)	4,266,246	1	-	-	5,909,708	1
Other payables (Notes 15 and 19)	2,677,962	1	3,033,767	1	2,430,914	1
Payable for construction (Note 28)	323,201	-	952,575	-	318,689	-
Current tax liabilities (Note 4)	7,487	-	10,813	-	96,053	-
Provisions (Notes 18 and 28)	1,169,542	-	1,169,273	-	1,169,238	-
Other current liabilities (Notes 12, 19, 22 and 28)	727,628	-	1,277,565	-	585,874	-
Total current liabilities	31,679,681	8	30,025,709	7	18,949,504	4
NON-CURRENT LIABILITIES						
Bonds payable (Note 16)	27,471,394	7	27,469,258	6	18,479,074	4
Long-term debt (Notes 15 and 28)	217,619,497	55	242,614,407	57	257,610,578	61
Provisions (Notes 18 and 28)	2,289,519	1	3,548,102	1	7,576,703	2
Lease liabilities (Notes 12 and 28)	311,385	-	395,011	-	447,913	-
Long-term interest payable (Note 15)	5,532,088	1	6,494,430	2	7,180,391	2
Operating concession liabilities (Notes 17 and 28)	49,497,475	12	48,991,747	11	48,481,425	11
Other non-current liabilities (Notes 19 and 20)	621,173	-	590,406	-	589,965	-
Total non-current liabilities	303,342,531	76	330,103,361	77	340,366,049	80
Total liabilities	335,022,212	84	360,129,070	84	359,315,553	84
EQUITY (Note 21)						
Capital stock						
Common stock	56,282,930	14	56,282,930	13	56,282,930	13
Capital surplus	172,981	-	172,981	-	172,981	-
Retained earnings						
Legal reserve	4,212,542	1	3,852,440	1	3,852,440	1
Unappropriated earnings	3,679,147	1	7,469,620	2	5,735,966	2
Total retained earnings	7,891,689	2	11,322,060	3	9,588,406	3
Total equity	64,347,600	16	67,777,971	16	66,044,317	16
TOTAL	$ 399,369,812	100	$ 427,907,041	100	$ 425,359,870	100

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

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 28)	$ 6,665,611	100	$ 6,101,721	100	$ 15,655,953	100	$ 15,969,083	100
OPERATING COSTS (Notes 23 and 28)	(6,329,884)	(95)	(6,459,969)	(106)	(12,579,965)	(80)	(12,868,882)	(80)
GROSS PROFIT (LOSS)	335,727	5	(358,248)	(6)	3,075,988	20	3,100,201	20
OPERATING EXPENSES (Notes 23 and 28)	(302,296)	(5)	(329,562)	(5)	(604,230)	(4)	(614,940)	(4)
INCOME (LOSS) FROM OPERATIONS	33,431	-	(687,810)	(11)	2,471,758	16	2,485,261	16
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 23)	42,422	1	16,837	-	79,612	-	29,873	-
Interest expense (Notes 15, 23 and 28)	(1,529,598)	(23)	(1,429,341)	(23)	(2,956,214)	(19)	(2,843,248)	(18)
Stabilization reserve reverse (Note 18)	1,567,432	23	3,083,063	50	1,258,583	8	2,423,297	15
Other gains and losses (Notes 23 and 28)	52,238	1	16,479	-	13,827	-	67,006	1
Total non-operating income and expenses	132,494	2	1,687,038	27	(1,604,192)	(11)	(323,072)	(2)
INCOME BEFORE INCOME TAX	165,925	2	999,228	16	867,566	5	2,162,189	14
INCOME TAX BENEFIT (EXPENSE) (Note 24)	111,926	2	(505,944)	(8)	(31,691)	-	(294,820)	(2)
NET INCOME	277,851	4	493,284	8	835,875	5	1,867,369	12
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 277,851	4	$ 493,284	8	$ 835,875	5	$ 1,867,369	12
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	$ 0.05		$ 0.09		$ 0.15		$ 0.33	

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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Per Share Information)
(Reviewed, Not Audited)

	Capital Stock		Retained Earnings			
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total	Total Equity
BALANCE AT JANUARY 1, 2022	$ 56,282,930	$ 172,981	$ 3,852,440	$ 7,469,620	$ 11,322,060	$ 67,777,971
Appropriations of 2021 earnings						
Legal reserve	-	-	360,102	(360,102)	-	-
Cash dividends to stockholders - NT$0.758 per share	-	-	-	(4,266,246)	(4,266,246)	(4,266,246)
	-	-	360,102	(4,626,348)	(4,266,246)	(4,266,246)
Net income for the six months ended June 30, 2022	-	-	-	835,875	835,875	835,875
Total comprehensive income for the six months ended June 30, 2022	-	-	-	835,875	835,875	835,875
BALANCE AT JUNE 30, 2022	$ 56,282,930	$ 172,981	$ 4,212,542	$ 3,679,147	$ 7,891,689	$ 64,347,600
BALANCE AT JANUARY 1, 2021	$ 56,282,930	$ 172,981	$ 3,270,422	$ 10,360,323	$ 13,630,745	$ 70,086,656
Appropriations of 2020 earnings						
Legal reserve	-	-	582,018	(582,018)	-	-
Cash dividends to stockholders - NT$1.05 per share	-	-	-	(5,909,708)	(5,909,708)	(5,909,708)
	-	-	582,018	(6,491,726)	(5,909,708)	(5,909,708)
Net income for the six months ended June 30, 2021	-	-	-	1,867,369	1,867,369	1,867,369
Total comprehensive income for the six months ended June 30, 2021	-	-	-	1,867,369	1,867,369	1,867,369
BALANCE AT JUNE 30, 2021	$ 56,282,930	$ 172,981	$ 3,852,440	$ 5,735,966	$ 9,588,406	$ 66,044,317

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

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Six Months Ended June 30	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 867,566	$ 2,162,189
Adjustments for:		
Depreciation	110,248	109,748
Amortization	6,655,461	7,010,303
Reversal of write-downs of inventories	(4,233)	(13,239)
Interest expense	2,956,214	2,843,248
Interest income	(79,612)	(29,873)
(Gain) loss on foreign currency exchange, net	(50,330)	5,628
Stabilization reserve reverse	(1,258,583)	(2,423,297)
Loss on disposal of intangible assets, net	123,148	3,715
Others	1,082	(1,154)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	1,793,562
Financial liabilities for hedging	(55)	314
Notes and accounts receivable	474,043	173,602
Inventories	(291,979)	(266,147)
Other current assets	435,915	577,300
Other non-current assets	(470)	(700)
Accounts payable	(70,339)	77,411
Other payables	(533,803)	(950,191)
Other current liabilities	(550,927)	(242,787)
Other non-current liabilities	(3,381)	(1,955)
Cash generated from operations	8,779,965	10,827,677
Interest received	79,165	31,772
Interest paid	(3,155,881)	(2,342,748)
Interest paid with respect to operating concession liabilities	(8,049,281)	(541,931)
Income tax paid	(20,321)	(3,104)
Net cash (used in) generated from operating activities	(2,366,353)	7,971,666
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other financial assets	20,956,022	15,259,261
Acquisition of property, plant and equipment	(28,229)	(11,474)
Acquisition of intangible assets	(2,568,933)	(1,643,527)
Proceeds from disposal of intangible assets	-	47
Net cash generated from investing activities	18,358,860	13,604,307
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in short-term borrowings	(16,538)	61,649
Proceeds from short-term bills payable	7,000,000	-

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Six Months Ended June 30	
	2022	**2021**
Repayment of long-term debt	$ (25,000,000)	$ -
Repayment of the principal portion of lease liabilities	(82,636)	(82,048)
Increase in other non-current liabilities	24,175	41,569
Net cash (used in) generated from financing activities	(18,074,999)	21,170
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	77	(1)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,082,415)	21,597,142
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,619,496	651,769
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 19,537,081	$ 22,248,911

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

TAIWAN HIGH SPEED RAIL CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on August 3, 2022.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Effective Date Announced by IASB	New IFRSs
January 1, 2022	Annual Improvements to IFRS Standards 2018-2020
January 1, 2022	Amendments to IFRS 3 "Reference to the Conceptual Framework"
January 1, 2022	Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"
January 1, 2022	Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The Corporation has evaluated that the initial application of the abovementioned IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

Effective Date Announced by IASB	New IFRSs
January 1, 2023 (Note 1)	Amendments to IAS 1 “Disclosure of Accounting Policies”
January 1, 2023 (Note 2)	Amendments to IAS 8 “Definition of Accounting Estimates”
January 1, 2023 (Note 3)	Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Note 1: The amendments will be applied for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation assessed that the amendments of relevant standards and interpretations have no material impact on the Corporation’s financial positions and financial performance.

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

Effective Date Announced by IASB (Note)	New IFRSs
January 1, 2023	IFRS 17 “Insurance Contracts”
January 1, 2023	Amendments to IFRS 17
January 1, 2023	Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
January 1, 2023	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
To be determined by IASB	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of relevant standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The financial statements do not present all the disclosures required for a complete set of annual financial statements prepared under the IFRSs.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

d. Foreign currencies

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

e. Cash equivalents

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

f. Financial assets at fair value through profit or loss

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss contains any dividend or interest earned on the financial asset.

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

g. Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

h. Impairment of financial assets at amortized cost

Cash and cash equivalents, receivables and other financial assets are measured at amortized cost. Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized costs, which equals to the carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Receivables are mainly generated from customers who purchased tickets and merchandise through credit cards; these receivables are assessed for lifetime Expected Credit Loss (ECL).

Expected credit loss reflects the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument.

i. 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.

j. Property, plant and equipment

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

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: Machinery and equipment - 3 to 7 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 5 years; other equipment - 3 to 35 years.

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

k. Intangible assets

1) Operating concession assets

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

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years until the year of 2068. Receivable due from shortfall charges with respect to statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession assets - period extension cost.

The cost less residual value of the operating concession assets are amortized on a straight-line basis over the estimated useful lives which range as follows: Land improvements - 15 to 61.5 years; buildings - 10 to 61.5 years; machinery and equipment - 2 to 35 years; transportation equipment - 3 to 35 years; other equipment - 5 years; profit sharing payments - 61.5 years; period extension cost (shortfall charge with respect to statutory concession tickets) - 52.75 years (the remaining concession period started from October 2015).

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

2) Computer software

Computer software is amortized on a straight-line basis over 2 to 7 years.

l. Operating concession liabilities

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

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

m. Impairment of assets

The Corporation estimates the recoverable amount of an asset at the balance sheet date if there was an indication that it might be impaired.

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

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

n. Hedge accounting

Hedging financial instruments are measured at fair value. Related gains and losses are recognized in profit or loss in currently.

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 used are recorded as contract liabilities.

Sales of tickets that grant reward credits to customers under the Corporation's reward scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the tickets sold and the reward credits granted. The transaction price of the reward credits is allocated to the contract's performance obligations based on the relatively separate sales price. Such consideration is not recognized as revenue at the time of the initial sale transaction but is recognized as contract liabilities; revenue is recognized when the reward credits are redeemed and the Corporation's obligations have been fulfilled.

q. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

The Corporation negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liabilities.

r. 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.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

t. Retirement benefit costs

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself, which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

1) Current tax

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

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

Pursuant to the Income Tax Act, an additional tax at 5% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

2) Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 to the financial statements, 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 Corporation considers the recent development of the COVID-19 pandemic in Taiwan and its economic environment implications when making its critical accounting estimates with respect to cash flow projections, revenue growth rates, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a. Controversial overtime payments

As of June 30, 2022, December 31, 2021 and June 30, 2021, provision for controversial overtime payments recognized by the Corporation were all $283,279 thousand. The estimated provision could differ from the actual amount payable, which is subject to the result of the administrative court judgment or the agreement to be settled with the employees. Refer to Note 18 to the financial statements for further information.

b. Stabilization reserve

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Corporation recognized a provision for stabilization reserve in the amount of $3,175,782 thousand, $4,434,096 thousand and $8,462,662 thousand, respectively, in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period, which ends in the year 2068 or earlier if so terminated. Please refer to Notes 18 and 30.a.3) to the financial statements for further information.

c. Income taxes

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

As of June 30, 2022, December 31, 2021 and June 30, 2021, the carrying amounts of deferred tax assets in relation to deductible temporary differences were $6,847,772 thousand, $6,997,477 thousand and $7,373,332 thousand, respectively. As of June 30, 2021, deductible temporary differences of $171,614 thousand were not recognized as deferred tax assets according to the assessment of the realizability of deferred tax assets.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	$ 149,368	$ 106,523	$ 120,918
Demand deposits	248,593	13,462,645	7,671,993
Time deposits	15,506,000	5,220,000	14,046,000
Repurchase agreement collateralized by bonds	3,633,120	2,830,328	410,000
	$ 19,537,081	$ 21,619,496	$ 22,248,911

The interest rate intervals of cash and cash equivalents at the end of the reporting periods were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Demand deposits	0.001%-0.35%	0.001%-0.30%	0.001%-0.30%
Time deposits	0.50%-0.68%	0.32%-0.35%	0.19%-0.30%
Repurchase agreement collateralized by bonds	0.52%-0.67%	0.28%-0.32%	0.19%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
Open-end money market funds	$ -	$ -	$ 13,424,438

The financial assets at FVTPL are mandatorily classified as FVTPL.

8. FINANCIAL LIABILITIES FOR HEDGING

	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities for hedging - current			
Fair value hedges - forward exchange contracts	$ 457	$ 512	$ 314

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

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2022			
Buy	US$/JPY	July 2022	JPY 160,949
Buy	NT$/US$	July 2022	US$ 1,199
December 31, 2021			
Buy	US$/JPY	January 2022	JPY 141,194
Buy	NT$/US$	January 2022	US$ 1,238
June 30, 2021			
Buy	US$/JPY	July 2021	JPY 446,401
Buy	NT$/US$	July 2021	US$ 4,069

9. INVENTORIES

	June 30, 2022	December 31, 2021	June 30, 2021
Spare parts and supplies	$ 2,629,545	$ 2,332,806	$ 2,336,321
Merchandise	12,665	13,192	12,015
	$ 2,642,210	$ 2,345,998	$ 2,348,336

As of June 30, 2022, December 31, 2021 and June 30, 2021, allowance for inventory valuation losses amounted to $600,228 thousand, $604,461 thousand and $606,583 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits	$ 2,885,034	$ 22,980,675	$ 4,541,954
Repurchase agreement collateralized by bonds	1,604,000	2,399,000	1,321,000
Demand deposits - Stabilization Mechanism Account (Note 18)	886,233	885,991	-
Demand deposits	2,574	18,379	14,401
Other performance guarantee	6,025	6,036	6,074
	$ 5,383,866	$ 26,290,081	$ 5,883,429
Current	$ 3,288,023	$ 24,126,307	$ 3,723,775
Non-current	2,095,843	2,163,774	2,159,654
	$ 5,383,866	$ 26,290,081	$ 5,883,429

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

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits	0.002%-1.19%	0.002%-0.82%	0.07%-0.82%
Repurchase agreement collateralized by bonds	0.46%-0.66%	0.28%-0.30%	0.19%
Demand deposits	0.155%-0.205%	0.01%-0.04%	0.01%-0.04%

b. Refer to Note 29 to the financial statements for the information of other financial assets pledged as collateral.

11. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2022	December 31, 2021	June 30, 2021
Land	$ 28	$ 28	$ 28
Machinery and equipment	83,673	69,643	54,288
Transportation equipment	-	-	-
Office equipment	12,043	13,516	14,205
Leasehold improvements	1,093	1,469	100
Other equipment	27,552	24,506	28,991
	$ 124,389	$ 109,162	$ 97,612

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2022	$ 28	$ 355,972	$ 87	$ 124,252	$ 82,133	$ 273,418	$ 835,890
Additions	-	26,491	-	1,042	-	696	28,229
Disposals	-	-	-	(1,544)	-	-	(1,544)
Transfer	-	4,850	-	-	-	8,225	13,075
Balance at June 30, 2022	28	387,313	87	123,750	82,133	282,339	875,650
Accumulated depreciation							
Balance at January 1, 2022	-	286,329	87	110,736	80,664	248,912	726,728
Depreciation	-	15,264	-	2,515	376	5,875	24,030
Disposals	-	-	-	(1,544)	-	-	(1,544)
Transfer	-	2,047	-	-	-	-	2,047
Balance at June 30, 2022	-	303,640	87	111,707	81,040	254,787	751,261
	$ 28	$ 83,673	$ -	$ 12,043	$ 1,093	$ 27,552	$ 124,389
Cost							
Balance at January 1, 2021	$ 28	$ 327,176	$ 87	$ 123,984	$ 80,528	$ 270,848	$ 802,651
Additions	-	6,794	-	1,673	-	3,007	11,474
Disposals	-	(5,550)	-	(2,054)	-	(97)	(7,701)
Transfer	-	14	-	-	-	-	14
Balance at June 30, 2021	28	328,434	87	123,603	80,528	273,758	806,438
Accumulated depreciation							
Balance at January 1, 2021	-	266,023	87	108,971	80,250	237,591	692,922
Depreciation	-	13,673	-	2,481	178	7,273	23,605
Disposals	-	(5,550)	-	(2,054)	-	(97)	(7,701)
Balance at June 30, 2021	-	274,146	87	109,398	80,428	244,767	708,826
	$ 28	$ 54,288	$ -	$ 14,205	$ 100	$ 28,991	$ 97,612

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2022	$ 469,915	$ 496,973	$ 71,994	$ 1,260	$ 1,040,142
Additions	-	-	-	-	-
Balance at June 30, 2022	469,915	496,973	71,994	1,260	1,040,142
Accumulated depreciation					
Balance at January 1, 2022	252,259	184,443	28,179	420	465,301
Depreciation	43,569	30,741	11,698	210	86,218
Balance at June 30, 2022	295,828	215,184	39,877	630	551,519
	$ 174,087	$ 281,789	$ 32,117	$ 630	$ 488,623
Cost					
Balance at January 1, 2021	$ 437,883	$ 496,973	$ 71,777	$ -	$ 1,006,633
Additions	986	-	-	1,260	2,246
Balance at June 30, 2021	438,869	496,973	71,777	1,260	1,008,879
Accumulated depreciation					
Balance at January 1, 2021	165,128	122,962	6,374	-	294,464
Depreciation	43,562	30,741	11,630	210	86,143
Balance at June 30, 2021	208,690	153,703	18,004	210	380,607
	$ 230,179	$ 343,270	$ 53,773	$ 1,050	$ 628,272

b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	$ 174,598	$ 217,010	$ 228,263
Machinery and equipment	270,315	298,631	326,825
Transportation equipment	32,273	43,967	53,887
Other equipment	647	861	1,075
	477,833	560,469	610,050
Less: Recognized as current lease liabilities	(166,448)	(165,458)	(162,137)
Lease liabilities - non-current	$ 311,385	$ 395,011	$ 447,913

Range of discount rate for lease liabilities was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	0.38%-0.87%	0.38%-0.87%	0.38%-0.87%
Machinery and equipment	0.87%	0.87%	0.87%
Transportation equipment	0.45%-0.73%	0.45%-0.73%	0.54%-0.73%
Other equipment	0.38%	0.38%	0.38%

c. Material lease terms

The Corporation leased an office building from Century Development Corporation with the lease term from January 2018 to December 2023.

The Corporation leased a parking lot for rental business in Zuoying Station from Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC with the lease term from January 2017 to January 2027.

The Corporation leased a host of automatic ticketing system for operating from Kyndryl Taiwan Corporation with the lease term from February 2018 to January 2027.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	$ 329	$ 318	$ 518	$ 478
Expenses relating to low-value asset leases	$ 118	$ 40	$ 197	$ 158
Total cash outflows for leases	$ (42,758)	$ (42,636)	$ (85,339)	$ (85,160)

The Corporation leases certain space, which qualifies as short-term leases, and certain office equipment and other equipment, which qualify as low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Operating concession assets	$ 363,119,366	$ 367,972,348	$ 372,402,959
Computer software, net	106,458	113,113	105,652
	$ 363,225,824	$ 368,085,461	$ 372,508,611

a. Movements of the intangible assets

	Operating Concession Assets						
	Operating Assets	**Profit Sharing Payments**	**Period Extension Cost**	**Construction in Progress**	**Total**	**Computer Software**	**Total**
Cost							
Balance at January 1, 2022	$ 476,575,681	$ 69,972,043	$ 12,701,819	$ 2,826,901	$ 562,076,444	$ 569,309	$ 562,645,753
Additions	665,744	-	-	1,257,628	1,923,372	5,787	1,929,159
Disposals	(836,305)	-	-	-	(836,305)	(490)	(836,795)
Transfer	1,471,023	-	-	(1,491,391)	(20,368)	7,161	(13,207)
Balance at June 30, 2022	477,876,143	69,972,043	12,701,819	2,593,138	563,143,143	581,767	563,724,910
Accumulated amortization							
Balance at January 1, 2022	173,665,854	18,933,286	1,504,956	-	194,104,096	456,196	194,560,292
Amortization	5,965,779	548,803	120,397	-	6,634,979	19,603	6,654,582
Disposals	(713,157)	-	-	-	(713,157)	(490)	(713,647)
Transfer	(2,141)	-	-	-	(2,141)	-	(2,141)
Balance at June 30, 2022	178,916,335	19,482,089	1,625,353	-	200,023,777	475,309	200,499,086
	$ 298,959,808	$ 50,489,954	$ 11,076,466	$ 2,593,138	$ 363,119,366	$ 106,458	$ 363,225,824
Cost							
Balance at January 1, 2021	$ 474,398,159	$ 69,972,043	$ 12,701,819	$ 1,569,788	$ 558,641,809	$ 503,172	$ 559,144,981
Additions	566,617	-	-	559,669	1,126,286	19,700	1,145,986
Disposals	(165,861)	-	-	-	(165,861)	(2,437)	(168,298)
Transfer	307,043	-	-	(327,615)	(20,572)	20,572	-
Balance at June 30, 2021	475,105,958	69,972,043	12,701,819	1,801,842	559,581,662	541,007	560,122,669
Accumulated amortization							
Balance at January 1, 2021	161,250,555	17,835,678	1,264,164	-	180,350,397	419,920	180,770,317
Amortization	6,321,205	548,804	120,396	-	6,990,405	17,872	7,008,277
Disposals	(162,099)	-	-	-	(162,099)	(2,437)	(164,536)
Balance at June 30, 2021	167,409,661	18,384,482	1,384,560	-	187,178,703	435,355	187,614,058
	$ 307,696,297	$ 51,587,561	$ 11,317,259	$ 1,801,842	$ 372,402,959	$ 105,652	$ 372,508,611

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

	June 30, 2022	December 31, 2021	June 30, 2021
Operating assets, net			
Land improvements	$ 156,596,019	$ 158,327,671	$ 160,000,374
Buildings	26,314,894	26,564,132	26,806,717
Machinery and equipment	23,922,732	24,346,956	24,963,099
Transportation equipment	92,108,971	93,650,574	95,903,351
Other equipment	17,192	20,494	22,756
	$ 298,959,808	$ 302,909,827	$ 307,696,297
Construction in progress			
Prepayments for equipment	$ 2,593,138	$ 2,826,901	$ 1,801,842

c. Operating concession - rental

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Corporation acquired superficies from the MOTC on the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in the future reported price of public-owned land and usage of such public-owned land and other relevant factors. The Corporation prepays the rental for the following year by the end of each year, and if the reported price of public-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of June 30, 2022, the superficies encompasses northern area to southern area of Taiwan, from Land Lot No. 1042-0001 of Tongxing Section, Xizhi District, New Taipei City located on the north to Land Lot No. 0419-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located on the south. The term of such acquired superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

14. OTHER ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Other current assets			
Prepayments	$ 740,525	$ 1,181,856	$ 775,769
Others	30,966	24,736	22,803
	$ 771,491	$ 1,206,592	$ 798,572
Other non-current assets			
Others	$ 1,921	$ 2,330	$ 3,867

15. BORROWINGS AND SHORT-TERM BILLS PAYABLE

a. Short-term borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
Letters of credit	$ -	$ 16,142	$ 116,265

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

	June 30, 2022	December 31, 2021	June 30, 2021
Letters of credit	-	0.63%	0.63%-0.85%

b. Short-term bills payable

	June 30, 2022	December 31, 2021
Short-term bills payable	$ 22,000,000	$ 15,000,000
Less: Discount on short-term bills payable	(31,645)	(17,555)
	$ 21,968,355	$ 14,982,445

The above-mentioned short-term notes payable are non-guaranteed commercial papers. The Corporation could issue non-guaranteed commercial paper (up to 90 days) on a revolving basis during the contract term, only interest and handling fees will be paid during the period. The outstanding short-term bills payable are as follows:

Guarantee or Acceptance Agency	Issue Period	Issue Price	Unamortized Discount	Book Value	Interest Rate	Cyclical Issuing Contract Period
International Bills Finance Corporation	June 10, 2022 - September 8, 2022	$ 5,000,000	$ (8,279)	$ 4,991,721	0.86%	July 19, 2021 - July 18, 2026
Mega Bills Finance Corporation	June 10, 2022 - September 8, 2022	5,000,000	(8,279)	4,991,721	0.86%	July 19, 2021 - July 18, 2026
China Bills Finance Corporation	June 10, 2022 - September 8, 2022	5,000,000	(8,279)	4,991,721	0.86%	July 19, 2021 - July 18, 2026
International Bills Finance Corporation	May 4, 2022 - August 2, 2022	2,500,000	(2,434)	2,497,566	1.08%	May 3, 2022 - May 2, 2027
Mega Bills Finance Corporation	May 4, 2022 - August 2, 2022	2,000,000	(1,947)	1,998,053	1.08%	May 3, 2022 - May 2, 2027
China Bills Finance Corporation	May 4, 2022 - August 2, 2022	2,500,000	(2,427)	2,497,573	1.07%	May 3, 2022 - May 2, 2027
		$ 22,000,000	$ (31,645)	$ 21,968,355		

c. Long-term debt

	June 30, 2022	December 31, 2021	June 30, 2021
Syndicated loan			
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	$ 95,400,000	$ 105,900,000	$ 112,200,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	122,305,117	136,805,117	145,505,117
	217,705,117	242,705,117	257,705,117
Less: Unamortized cost of long-term debt	(85,620)	(90,710)	(94,539)
	$ 217,619,497	$ 242,614,407	$ 257,610,578

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

1) The syndicated loan includes Tranches A1, A2, A3, B, C and D with different credit facilities. Tranches A1, A2, C and D are credit facilities, Tranche A3 is corporate bond guarantee facility, and Tranche B is performance guarantee facility. Tranche A3, C and D were fully redeemed and cannot be issued afterwards.

2) The Corporation provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) as collateral for the syndicated loan (the Corporation's assets are not required to be registered with the syndicated banks for creating rights attached to the Corporation's such 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 for solutions. However, if an agreement cannot be reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Corporation should redeem the difference immediately. The aforementioned collateral is inspected in May and November every year. The re-assessment mechanism for collateral value is inactive when Tranche B Facility is not utilized.

3) According to the Syndicated Loan Agreement, the Corporation opened capital account and reserve account at Bank of Taiwan for deposits and financial instruments. The Corporation is free to use the capital account; however, the reserve account is restricted and pledged as collateral to Bank of Taiwan, and is recorded as other financial assets. Please refer to Notes 10 and 29 to the financial statements for further information.

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

    a) Term of loan and repayment method

	Repayment Schedule	**Ratio of Repayment**	**Repayment schedule after Early Repayment**	**Number of Semi-annual Installment Repayment after Early Repayment**
Tranche A1 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	May 4, 2027 - November 4, 2040	Installments 13-40
	May 4, 2041 - November 4, 2049	2.0% per installment	May 4, 2041 - May 4, 2049	Installments 41-57
	May 4, 2050	4.0% per installment		
Tranche A2 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	May 4, 2027 - November 4, 2040	Installments 13-40
	May 4, 2041 - November 4, 2049	2.0% per installment	May 4, 2041 - May 4, 2048	Installments 41-55
	May 4, 2050	4.0% per installment		

On December 2, 2021, the Corporation made early repayment for $15 billion and repaid interest differences for $485,121 thousand due to early repayment of the loan.

On May 4, 2022, the Corporation made early repayment for $25 billion and repaid interest differences for $795,291 thousand due to early repayment of the loan.

b) Interest rates

The interest rates (including 5% VAT) of the Tranche A1 Facility and Tranche A2 Facility are determined as the reference rate (1-year time deposit floating rate of Chunghwa Post Co., Ltd.) plus spread as listed on the table below. Due to the step-up spread mechanism, the Corporation shall make up for the deficit of the interests below the agreed interest rate to the syndicated banks if early redemption occurs. As of June 30, 2022, December 31, 2021 and June 30, 2021, the reference rate were 1.19%, 0.81% and 0.81%, respectively.

Syndicated Period	Markup Interest Rates
May 4, 2010-May 3, 2012	0.10%
May 4, 2012-May 3, 2013	0.20%
May 4, 2013-May 3, 2014	0.30%
May 4, 2014-May 3, 2015	0.40%
May 4, 2015-May 3, 2016	0.50%
May 4, 2016-May 3, 2017	0.60%
May 4, 2017-May 3, 2018	0.70%
May 4, 2018-May 3, 2040	0.92%
May 4, 2040-May 4, 2049	1.08%

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

a) Effective interest rates

	June 30, 2022	December 31, 2021	June 30, 2021
Tranche A1 Facility	2.08%	1.67%	1.66%
Tranche A2 Facility	2.09%	1.68%	1.67%

b) Accrued interest expense (included in other payables)

	June 30, 2022	December 31, 2021	June 30, 2021
Syndicated loan			
Tranche A1 Facility	$ 166,520	$ 163,794	$ 167,941
Tranche A2 Facility	213,482	211,595	217,791
	$ 380,002	$ 375,389	$ 385,732

c) Long-term interest payable

	June 30, 2022	December 31, 2021	June 30, 2021
Syndicated loan			
Tranche A1 Facility	$ 2,611,873	$ 3,022,405	$ 3,316,987
Tranche A2 Facility	2,920,215	3,472,025	3,863,404
	$ 5,532,088	$ 6,494,430	$ 7,180,391

d) Interest expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Syndicated loan				
Interest expense	$ 1,107,434	$ 1,068,249	$ 2,123,951	$ 2,123,955

16. BONDS PAYABLE

	June 30, 2022	December 31, 2021	June 30, 2021
Domestic unsecured bond	$ 27,500,000	$ 27,500,000	$ 18,500,000
Less: Unamortized issuance cost	(28,606)	(30,742)	(20,926)
	$ 27,471,394	$ 27,469,258	$ 18,479,074

The main conditions of domestic unsecured bonds issued by the Corporation were as follows:

Bonds Name	Trustee	Issuance Period	Total Amount	Coupon Rate	Unamortized Repayment
Domestic Unsecured Bonds-2019-1	Taishin International Bank	November 14, 2019 - November 14, 2049	$ 8,000,000	1.60%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2020-1	Taishin International Bank	July 1, 2020 - July 1, 2050	10,500,000	1.30%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-A	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2024	4,000,000	0.32%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-B	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2025	4,000,000	0.35%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-2	Hua Nan Commercial Bank	August 30, 2021 - August 30, 2024	1,000,000	0.30%	Bullet repayment and Annual simple interest payment

17. OPERATING CONCESSION LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Operating concession liabilities	$ 68,947,918	$ 80,425,041	$ 79,603,407
Value of returned superficies for offset of profit sharing payable	(19,363,686)	(23,384,013)	(23,152,874)
	$ 49,584,232	$ 57,041,028	$ 56,450,533
Current	$ 86,757	$ 8,049,281	$ 7,969,108
Non-current	49,497,475	48,991,747	48,481,425
	$ 49,584,232	$ 57,041,028	$ 56,450,533

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Please refer to Note 30.a.2) to the financial statements for further information. The minimum commitment to profit sharing payments of $108 billion was discounted and recognized as operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. The information about the amortization expense of operating concession assets and the interest expense of operating concession liabilities during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
Up to December 31, 2021	$ 18,933,286	$ 23,151,472	$ 42,084,758
First half year of 2022	548,803	824,403	1,373,206
	19,482,089	23,975,875	43,457,964
Second half year of 2022 (estimate)	548,805	838,067	1,386,872
2023 (estimate)	1,097,608	1,395,720	2,493,328
2024 (estimate)	1,097,608	1,423,634	2,521,242
2025 (estimate)	1,097,608	1,452,107	2,549,715
2026 (estimate)	1,097,608	1,481,149	2,578,757
2027-2033 (estimate)	7,683,257	7,461,405	15,144,662
2034-2068 (estimate)	37,867,460	-	37,867,460
	50,489,954	14,052,082	64,542,036
	$ 69,972,043	$ 38,027,957	$ 108,000,000

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

Year	Other Gain	Deduction of Interest Expense	Total
Up to December 31, 2021	$ 22,613,234	$ 2,774,300	$ 25,387,534
First half year of 2022	-	231,918	231,918
	22,613,234	3,006,218	25,619,452
Second half year of 2022 (estimate)	-	235,763	235,763
2023 (estimate)	-	391,989	391,989
2024 (estimate)	-	399,829	399,829
2025 (estimate)	-	407,825	407,825
2026 (estimate)	-	415,982	415,982
2027-2033 (estimate)	-	2,314,015	2,314,015
	-	4,165,403	4,165,403
	$ 22,613,234	$ 7,171,621	$ 29,784,855

As of June 30, 2022, the Corporation’s accumulated profit sharing payments paid to the MOTC amounted to $18,744,234 thousand (or accumulated profit sharing payments for $25,000,000 thousand less the deductible amount of returned superficies for $6,255,766 thousand).

18. PROVISIONS

a. Provisions

	June 30, 2022	December 31, 2021	June 30, 2021
Current			
Provision for controversial overtime payments	$ 283,279	$ 283,279	$ 283,279
Provision for stabilization reserve	886,263	885,994	885,959
	$ 1,169,542	$ 1,169,273	$ 1,169,238
Non-current			
Provision for stabilization reserve	$ 2,289,519	$ 3,548,102	$ 7,576,703

b. Movements in provisions were as follows:

	Balance at January 1, 2022	Addition (Deduction)	Balance at June 30, 2022
Current			
Provision for controversial overtime payments	$ 283,279	$ -	$ 283,279
Provision for stabilization reserve	885,994	269	886,263
	$ 1,169,273	$ 269	$ 1,169,542
Non-current			
Provision for stabilization reserve	$ 3,548,102	$ (1,258,583)	$ 2,289,519

	Balance at January 1, 2021	Addition (Deduction)	Balance at June 30, 2021
Current			
Provision for controversial overtime payments	$ 283,279	$ -	$ 283,279
Provision for stabilization reserve	885,959	-	885,959
	$ 1,169,238	$ -	$ 1,169,238
Non-current			
Provision for stabilization reserve	$ 10,000,000	$ (2,423,297)	$ 7,576,703

1) Controversial overtime payments

Employees assigned in particular functions in the Corporation are required to work in shifts due to the nature of the Corporation's business. The national holidays are adjusted to regular holidays for employees who work in shifts and the combination of adjusted national holidays and regular holidays has been excluded in the calculation of regular working hours for the entire year. However, the Taiwan High Speed Rail Corporation Labor Union (the "THSRC Labor Union") claimed that overtime should be paid if employees working in shifts worked on national holidays. Concerning the controversy over the calculation of overtime hours in every two consecutive weeks, and the improvement of policy on recess during regular days and holidays, in January 2016, the THSRC Labor Union proclaimed that employees working in shifts should cease to work overtime on Chinese New Year Holidays. In order to uphold the rights of both the passengers and employees, the Corporation has reached an agreement regarding the aforementioned controversy with the THSRC Labor Union on January 21, 2016. The Corporation shall finish the calculation of overtime hours and overtime payments on the abovementioned adjusted national holidays and working hours of two consecutive weeks, and after confirmation of the calculated amount of overtime, the Corporation shall sign agreements with employees individually, and half of the overtime payments shall be paid as an incentive bonus. The Corporation and the THSRC Labor Union agreed to settle the litigation on the Taipei City Government Labor Sanction in the Taipei High Administrative Court. In the final judgment, if the Corporation loses the lawsuit, the abovementioned incentive bonus shall be considered as part of the overtime pay to the employees; if the Corporation wins the lawsuit, the abovementioned incentive bonus shall remain in its nature as incentive bonus and does not need to be returned to the Corporation. This administrative litigation was rejected by Taipei High Administrative Court in June 2018. After the Corporation lodged an appeal against the verdict, the Supreme Administrative Court has decided that the original judgment be remanded to the Taipei High Administrative Court in October 2019. In December 2020, the Taipei High Administrative Court reversed the original ruling regarding violation of Article 24 of the Labor Standards Act. As for the unfavorable ruling on the parts related to Article 37 of the Labor Standards Act, the Corporation has filed an appeal by the end of the statutory appealing period.

As of June 30, 2022, the Corporation evaluated the most likely result and recognized the provision for controversial overtime payments for $283,279 thousand.

2) Stabilization reserve

Please refer to Note 30.a.3) regarding the recognition and use of provision for stabilization reserve. For the six months ended June 30, 2022 and 2021, additional provision for the stabilization reserve expenses amounted to $1,258,583 thousand and $2,423,297 thousand, respectively. In November 2021, the Corporation contributed $885,959 thousand to the Stabilization Mechanism Account in accordance with the C&O agreement but still had disputes about MOTC's purpose of disbursement. As of August 3, 2022, the appropriate measures are still under discussion. As of June 30, 2022, balance of the stabilization reserve account was $3,175,782 thousand recognized and the Stabilization Mechanism Account was $886,233 thousand.

19. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Other payables			
Accrued expenses	$ 1,868,243	$ 2,312,625	$ 1,772,809
Accrued interest expense	652,859	474,761	601,857
Business tax payable	108,446	201,094	26,113
Others	48,414	45,287	30,135
	$ 2,677,962	$ 3,033,767	$ 2,430,914
Other current liabilities			
Contract liabilities (Note 22)	$ 473,913	$ 997,764	$ 297,223
Lease liabilities (Note 12)	166,448	165,458	162,137
Receipts under custody	33,201	31,426	33,282
Rent received in advance	26,954	55,521	65,931
Others	27,112	27,396	27,301
	$ 727,628	$ 1,277,565	$ 585,874
Other non-current liabilities			
Guarantee deposits received	$ 313,623	$ 289,541	$ 298,823
Net defined benefit liabilities	288,555	290,241	279,828
Deferred tax liabilities	11,207	1,141	-
Deferred revenue	7,788	9,483	11,314
	$ 621,173	$ 590,406	$ 589,965

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The Corporation also adopted a defined benefit plan under the Labor Standards Act (the “LSA”). Under the LSA, pension benefits are calculated based on the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committees’ name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Corporation is required to fund the difference in a one-time appropriation that shall be made before the end of March of the following year.

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

c. Please refer to Note 23.a. to the financial statements for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income.

21. EQUITY

a. Capital stock

	June 30, 2022	December 31, 2021	June 30, 2021
Number of shares authorized (in thousands)	12,000,000	12,000,000	12,000,000
Shares authorized	$ 120,000,000	$ 120,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293	5,628,293
Share capital issued and outstanding	$ 56,282,930	$ 56,282,930	$ 56,282,930

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

On November 26, 2015, the Corporation conducted capital injection and issued 3,000,000 thousand shares of common stock through a private placement at par value of $10, or a total of $30,000,000 thousand. The rights and obligations of the aforementioned privately placed common stock are the same as other common stock issued, except that such common stock has not yet been applied to be listed and traded on the Taiwan Stock Exchange.

b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
Issuance of common stock	$ 171,885	$ 171,885	$ 171,885
Forfeited employee share options	1,096	1,096	1,096
	$ 172,981	$ 172,981	$ 172,981

The capital surplus generated from shares issued in excess of par and generated from forfeited employee share options may be used to offset an accumulated deficit, if any; in addition, when the Corporation has no accumulated deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital.

c. Legal reserve and appropriation of earnings

Under the dividend policy set forth in the Articles, after the resolution of the board of directors to distribute employees' compensation and remuneration to directors, and payments for all taxes and duties, 10% of the remaining after-tax profit is set aside as legal reserve. However, when the legal reserve equals the Corporation's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to stockholders as proposed by the board of directors and ultimately resolved by the stockholders.

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

For the information on the appropriation policy, actual distributions of employees' compensation and remuneration to directors, please refer to Note 23.a. to the financial statements.

The appropriations of earnings for 2021 and 2020 approved in the stockholders' meetings on May 26, 2022 and August 12, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2021	For Fiscal Year 2020	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	$ 360,102	$ 582,018		
Cash dividends	4,266,246	5,909,708	$0.758	$1.05
	$ 4,626,348	$ 6,491,726		

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

22. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Revenue from contracts with customers				
Railroad transportation revenue	$ 6,307,404	$ 5,811,880	$ 14,932,220	$ 15,314,773
Other operating revenue	358,207	289,841	723,733	654,310
	$ 6,665,611	$ 6,101,721	$ 15,655,953	$ 15,969,083

a. Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Notes and accounts receivable	$ 191,914	$ 665,957	$ 44,490	$ 218,092
Contract liabilities				
Railroad transportation revenue	$ 326,196	$ 872,822	$ 160,784	$ 491,626
Customer loyalty program	139,531	116,134	135,298	107,989
Others	8,186	8,808	1,141	7,991
	$ 473,913	$ 997,764	$ 297,223	$ 607,606

The changes in the balances of contract liabilities primarily result from the timing difference between the Corporation’s performance and the customer’s payment.

Revenue of the reporting period recognized from the beginning balance of contract liability is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
From the beginning balance of contract liability				
Railroad transportation revenue	$ 1,763	$ 1,617	$ 862,050	$ 481,476
Customer loyalty program	13,773	10,903	30,691	23,127
Others	95	46	7,982	7,543
	$ 15,631	$ 12,566	$ 900,723	$ 512,146

b. Revenue from contracts with customers

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

23. INCOME BEFORE INCOME TAX

a. Employee benefit expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plan	$ 50,117	$ 55,444	$ 98,810	$ 99,358
Defined benefit plan	3,784	3,938	7,568	7,875
	53,901	59,382	106,378	107,233
Short-term employee benefits				
Payroll	1,073,178	1,114,911	2,244,152	2,246,410
Insurance	104,017	106,795	206,763	211,975
Others	44,359	45,999	91,188	95,751
	1,221,554	1,267,705	2,542,103	2,554,136
	$ 1,275,455	$ 1,327,087	$ 2,648,481	$ 2,661,369
An analysis of employee benefit expense by function				
Operating costs	$ 1,047,835	$ 1,082,556	$ 2,198,700	$ 2,204,914
Operating expenses	227,620	244,531	449,781	456,455
	$ 1,275,455	$ 1,327,087	$ 2,648,481	$ 2,661,369

Under the Corporation’s Articles of Incorporation, if there is any after-tax profit at the end of the year, the Corporation shall first make up for accumulated losses and then distribute employees’ compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees’ compensation and remuneration to directors of the Corporation were calculated based on income before income tax (net of the employees’ compensation and remuneration to directors) according to the above policy. For the three months and six months ended June 30, 2022, the estimated employees’ compensation in cash was $3,403 thousand and $17,796 thousand, and the estimated remuneration to directors in cash was $851 thousand and $4,449 thousand, respectively. For the three months and six months ended June 30, 2021, the estimated employees’ compensation in cash was $20,497 thousand and $44,353 thousand, and the estimated remuneration to directors in cash was $5,124 thousand and $11,088 thousand, respectively.

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

The board of directors had resolved the employees’ compensation of $87,500 thousand and the remuneration to directors of $21,875 thousand for the year ended December 31, 2021 payable in cash on January 19, 2022 which were the same amounts recognized in the financial statements for the year ended December 31, 2021.

The board of directors had resolved the employees’ compensation of $111,165 thousand and the remuneration to directors of $27,791 thousand for the year ended December 31, 2020 payable in cash on January 20, 2021 which were the same amounts recognized in the financial statements for the year ended December 31, 2020.

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

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	**2021**	**2022**	**2021**
Property, plant and equipment	$ 11,529	$ 11,759	$ 24,030	$ 23,605
Right-of-use assets	43,109	43,072	86,218	86,143
Intangible assets	3,361,241	3,509,708	6,654,582	7,008,277
Other non-current assets	315	1,003	879	2,026
	$ 3,416,194	$ 3,565,542	$ 6,765,709	$ 7,120,051
An analysis of depreciation by function				
Operating costs	$ 48,929	$ 48,425	$ 97,334	$ 96,917
Operating expenses	5,709	6,406	12,914	12,831
	$ 54,638	$ 54,831	$ 110,248	$ 109,748
An analysis of amortization by function				
Operating costs	$ 3,359,178	$ 3,508,499	$ 6,650,545	$ 7,006,298
Operating expenses	2,378	2,212	4,916	4,005
	$ 3,361,556	$ 3,510,711	$ 6,655,461	$ 7,010,303

c. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	**2021**	**2022**	**2021**
Interest income of bank deposits	$ 34,719	$ 11,990	$ 66,887	$ 18,308
Interest income of repurchase agreement collateralized by bonds	7,696	4,840	12,710	11,550
Others	7	7	15	15
	$ 42,422	$ 16,837	$ 79,612	$ 29,873

d. Interest expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest on bank loans	$ 1,108,882	$ 1,069,931	$ 2,126,911	$ 2,127,236
Interest on operating concession liabilities	297,879	292,039	592,485	580,868
Interest on bonds payable	74,443	66,126	148,077	131,527
Others	48,394	1,245	88,741	3,617
	$ 1,529,598	$ 1,429,341	$ 2,956,214	$ 2,843,248

e. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Compensation gain	$ 60,643	$ 115	$ 83,948	$ 515
Foreign exchange gain (loss), net	49,127	(3,224)	63,725	30,638
Liquidated damages	1,969	6,891	3,855	8,684
Gains on financial assets at FVTPL	-	8,760	-	21,354
Loss on disposal of intangible assets, net	(60,689)	(276)	(123,148)	(3,715)
Compensation loss	-	-	(21,000)	-
Others	1,188	4,213	6,447	9,530
	$ 52,238	$ 16,479	$ 13,827	$ 67,006

24. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	$ 322,968	$ 5,221	$ -	$ (19,587)
Adjustments for prior periods	129,797	24,687	128,080	24,687
Deferred tax				
In respect of the current period	(356,346)	(535,852)	(174,520)	(299,920)
Adjustments for prior periods	15,507	-	14,749	-
Income tax benefit (expense)	$ 111,926	$ (505,944)	$ (31,691)	$ (294,820)

According to Article 28 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, the Corporation applied for a five-year income tax exemption. On April 13, 2018, the Ministry of Finance approved the application for income tax exemption, and the qualified exemption income is railroad and freight transportation income according to Article 3, Section 1, Item 1 of the Regulations Governing Application of Profit-seeking Enterprise Income Tax Exemption to Private Institutions Participating in Transportation and Communication Infrastructure Projects. The Corporation chose to start and has started its consecutive five-year income tax exemption period from January 1, 2017 according to Article 28, Section 2 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects.

b. Income tax assessments

The tax authorities have assessed the tax returns through 2019.

25. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Basic earnings per share (NT$)	$ 0.05	$ 0.09	$ 0.15	$ 0.33

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Earnings attributable to common stockholders	$ 277,851	$ 493,284	$ 835,875	$ 1,867,369
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293	5,628,293	5,628,293

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

a. Financial instruments

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets			
Financial assets at FVTPL	$ -	$ -	$ 13,424,438
Financial assets at amortized cost			
Other financial assets	5,383,866	26,290,081	5,883,429
Others (Note 1)	19,738,278	22,294,007	22,300,596
Financial liabilities			
Financial liabilities for hedging	457	512	314
Financial liabilities at amortized cost (Note 2)	325,003,875	352,051,974	342,384,443

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable, and other receivables (included in other current assets).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, short-term bills payable, accounts payable, operating concession liabilities, other payables, payable for construction, bonds payable, long-term debt, long-term interest payable and guarantee deposits received (included in other non-current liabilities). However, short-term employee benefits payable and business tax payable were not included.

b. Fair value of financial instruments

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

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

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

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

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

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

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

June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities for hedging				
Forward exchange contracts	$ -	$ 457	$ -	$ 457

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities for hedging				
Forward exchange contracts	$ -	$ 512	$ -	$ 512

June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Open-end money market funds	$ 13,424,438	$ -	$ -	$ 13,424,438
Financial liabilities for hedging				
Forward exchange contracts	$ -	$ 314	$ -	$ 314

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2022 and 2021.

3) Valuation techniques and assumptions applied for measuring fair value

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

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

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

	June 30, 2022		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 22,782	29.72	$ 677,081
JPY	8,868	0.2182	1,935
Financial liabilities			
Monetary items			
JPY	1,003,775	0.2182	219,024

	December 31, 2021		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 22,739	27.68	$ 629,416
JPY	247,804	0.2405	59,597
Financial liabilities			
Monetary items			
JPY	2,141,835	0.2405	515,111

	June 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 22,701	27.86	$ 632,450
JPY	16	0.2521	4
Financial liabilities			
Monetary items			
JPY	1,456,301	0.2521	367,133

The Corporation was mainly exposed to USD and JPY foreign currency exchange risks. The sensitivity analysis related to foreign currency exchange rate risk was mainly calculated for foreign currency monetary items and hedging financial instruments relating to exchange rate at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by $6,771 thousand and $6,325 thousand for the six months ended June 30, 2022 and 2021, respectively. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by $1,820 thousand and $2,546 thousand for the six months ended June 30, 2022 and 2021, respectively.

The significant unrealized exchange gain and loss were as follows:

	For the Three Months Ended June 30			
	2022		2021	
Foreign Currency	Exchange Rate	Exchange Gain (Loss), Net	Exchange Rate	Exchange Loss, Net
USD	29.72	$ 24,750	27.86	$ (14,766)
JPY	0.2182	(5,837)	0.2521	(5,410)

	For the Six Months Ended June 30			
	2022		2021	
Foreign Currency	Exchange Rate	Exchange Gain, Net	Exchange Rate	Exchange Gain (Loss), Net
USD	29.72	$ 46,461	27.86	$ (14,150)
JPY	0.2182	3,906	0.2521	9,042

b) Interest rate risk

As of June 30, 2022 and 2021, the Corporation’s syndicated loan with floating interest rates amounted to $217,705,117 thousand and $257,705,117 thousand, respectively. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Corporation would have decreased by $1,088,526 thousand and $1,288,526 thousand for the six months ended June 30, 2022 and 2021, respectively.

c) Other price risk

The investments in open-end money market funds (recorded as financial assets at FVTPL) exposed the Corporation to equity price risk. If the price of the funds decreased by 1%, income before income tax would have decreased by $134,244 thousand for the six months ended June 30, 2021.

2) Credit risk

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

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

3) Liquidity risk

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

The following table details the Corporation's remaining contractual maturity for its long-term debt and interest on long-term debt (Refer to Note 15.c.) to the financial statements, operating concession liabilities, lease liabilities, and bonds payable based on the undiscounted cash flows (excluding the hedging financial instruments and non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

June 30, 2022

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2022.7.1-2022.9.30	$ -	$ 1,215,890	$ -	$ 42,312	$ 166,300	$ 1,424,502
2022.10.1-2023.6.30	-	4,717,504	449,700	127,275	128,000	5,422,479
2023.7.1-2024.6.30	-	6,857,711	182,113	118,437	294,300	7,452,561
2024.7.1-2025.6.30	-	7,000,938	142,002	78,686	5,294,300	12,515,926
2025.7.1-2026.6.30	-	7,000,938	238,590	73,278	4,278,500	11,591,306
2026.7.1-2027.6.30	1,209,998	7,095,603	15,467,486	45,315	264,500	24,082,902
2027.7.1-2034.6.30	64,303,074	44,188,308	42,991,020	-	1,851,500	153,333,902
2034.7.1-2050	152,192,045	40,952,813	-	-	22,868,500	216,013,358
	$ 217,705,117	$ 119,029,705	$ 59,470,911	$ 485,303	$ 35,145,900	$ 431,836,936

December 31, 2021

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2022.1.1-2022.3.31	$ -	$ 1,184,826	$ -	$ 42,312	$ -	$ 1,227,138
2022.4.1-2022.12.31	-	3,554,477	8,049,281	126,844	294,300	12,024,902
2023	-	7,485,537	658,800	161,185	294,300	8,599,822
2024	3,244,614	7,752,716	182,113	84,354	5,294,300	16,558,097
2025	9,186,153	7,552,842	142,002	73,278	4,278,500	21,232,775
2026	9,186,153	7,257,435	238,590	72,099	264,500	17,018,777
2027-2033	64,303,075	45,192,723	58,249,406	9,855	1,851,500	169,606,559
2034-2050	156,785,122	43,600,153	-	-	22,868,500	223,253,775
	$ 242,705,117	$ 123,580,709	$ 67,520,192	$ 569,927	$ 35,145,900	$ 469,521,845

June 30, 2021

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2021.7.1-2021.9.30	$ -	$ 1,235,018	$ -	$ 41,962	$ 136,500	$ 1,413,480
2021.10.1-2022.6.30	-	4,061,907	8,049,281	120,775	128,000	12,359,963
2022.7.1-2023.6.30	4,465,384	6,817,998	742,500	158,616	264,500	12,448,998
2023.7.1-2024.6.30	9,186,153	7,996,805	182,113	107,966	264,500	17,737,537
2024.7.1-2025.6.30	9,186,153	7,866,601	142,002	73,575	264,500	17,532,831
2025.7.1-2026.6.30	9,186,153	7,558,960	238,590	73,278	264,500	17,321,481
2026.7.1-2034.6.30	73,489,228	51,759,102	58,165,706	45,315	2,116,000	185,575,351
2034.7.1-2050	152,192,046	41,486,111	-	-	22,868,500	216,546,657
	$ 257,705,117	$ 128,782,502	$ 67,520,192	$ 621,487	$ 26,307,000	$ 480,936,298

28. TRANSACTIONS WITH RELATED PARTIES

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

The Corporation is not required to disclose transactions and outstanding balances with the government-related entities. Except for those separately disclosed in other notes, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:

a. Name of related party and relationship

Related Party Name	Relationship with the Corporation
MOTC	An investor with significant influence over the Corporation
Bank of Taiwan and seven other syndicated banks	A government-related entity controlled by the central government
Mega Bills Finance Co., Ltd.	A government-related entity controlled by the central government
China Steel Corporation	A legal entity as director of the Corporation
Century Development Corporation	An entity controlled by the legal entity as directors of the Corporation
InfoChamp Systems Corporation	An entity controlled by the legal entity as directors of the Corporation
Others	Individual and legal entity as directors of the Corporation, and individuals and entities controlled by the directors, key management personnel and their relatives, and related parties in substance

b. Operating revenue

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

c. Operating costs

1) Profit sharing payments

According to the C&O Agreement, during the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. The minimum commitment to profit sharing payments of $108 billion was discounted and recognized as intangible assets - operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. Please refer to Notes 17 and Note 30.a.2) to the financial statements for further information.

2) Operating concession - rental

The transactions between the Corporation and the MOTC were as follows, and, as for the nature, please refer to Note 13.c. to the financial statements for further details:

a) Rental expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Party Name	**2022**	**2021**	**2022**	**2021**
Railway Bureau, MOTC	$ 193,994	$ 194,373	$ 387,988	$ 388,746
Taiwan Railways Administration, MOTC	12,549	12,549	25,097	25,097
	$ 206,543	$ 206,922	$ 413,085	$ 413,843

b) Prepaid rentals (included in other current assets)

Related Party Name	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
Railway Bureau, MOTC	$ 387,987	$ 775,975	$ 388,746
Taiwan Railways Administration, MOTC	25,097	50,194	25,097
	$ 413,084	$ 826,169	$ 413,843

c) Other - operating costs and expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Party Name	**2022**	**2021**	**2022**	**2021**
InfoChamp Systems Corporation	$ 2,502	$ 2,661	$ 4,976	$ 4,443
Century Development Corporation	2,068	2,133	3,940	4,070
	$ 4,570	$ 4,794	$ 8,916	$ 8,513

d. Non-operating income and expenses

1) Interest expense

Please refer to Note 17 to the financial statements for the interest expense recognized on the operating concession liabilities, and the deduction of interest expense recognized on the value of returned superficies for offset of profit sharing payable using the effective interest method due to termination of the SZD Agreement.

2) Performance delay income (included in other gain or loss)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Party Name	**2022**	**2021**	**2022**	**2021**
InfoChamp Systems Corporation	$ -	$ -	$ -	$ 2

e. Payables to related parties - payable for construction

Related Party Name	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
China Steel Corporation	$ 27,654	$ 274,054	$ -
InfoChamp Systems Corporation	1,345	8,880	1,176
	$ 28,999	$ 282,934	$ 1,176

f. Acquisition of intangible assets - operating concession assets

	Purchase Price For the Six Months Ended June 30	
Related Party Name	**2022**	**2021**
InfoChamp Systems Corporation	$ 7,234	$ 769

g. Intangible assets - construction in progress of the operating concession assets

Related Party Name	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
InfoChamp Systems Corporation	$ 27,905	$ 16,192	$ 7,930
China Steel Corporation	-	-	117,333
	$ 27,905	$ 16,192	$ 125,263

h. Lease arrangements

The transactions between the Corporation with Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC and Century Development Corporation were as follows:

Line Item	Related Party Name	June 30, 2022	December 31, 2021	June 30, 2021
Lease liabilities (Note 12)	Century Development Corporation	$ 87,341	$ 117,595	$ 147,768
	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	61,002	67,457	73,885
		$ 148,343	$ 185,052	$ 221,653

i. Short-term bills payable

The Corporation has entered into non-guaranteed commercial paper underwriting agreement with Mega Bills Finance Co., Ltd., with a total underwriting amount of $7 billion. The transaction terms are not significantly different from those with other non-related parties. Please refer to Note 15.b. to the financial statements for further information.

j. Long-term debt

The Corporation has entered into the Tripartite Agreement with the MOTC and Bank of Taiwan. In addition, the Corporation has entered into the Syndicated Loan Agreement with Bank of Taiwan and seven other syndicated banks. If an early termination of the C&O Agreement occurs, the MOTC shall assume the remaining obligations under Tranche A Facility of the Syndicated Loan Agreement. Please refer to Note 15.c. to the financial statements for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

k. The Corporation was in compliance with MOTC's policies to contribute and utilize the funds of the Stabilization Mechanism Account. Please refer to Note 18.b.2) to the financial statements for further information.

l. Compensation of key management personnel was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	$ 19,095	$ 22,468	$ 42,394	$ 45,469
Post-employment benefits	316	251	590	480
	$ 19,411	$ 22,719	$ 42,984	$ 45,949

29. PLEDGED ASSETS

Pledged Assets	Pledged to Secure	June 30, 2022	December 31, 2021	June 30, 2021
Other financial assets - current:				
Repurchase agreement collateralized by bonds	Syndicated loan	$ 1,304,000	$ 1,169,000	$ 1,271,000
Time deposits	Trust deposit of unearned revenue	68,000	-	-
Time deposits	Guarantee for oil purchase	-	-	3,120
Demand deposits	Syndicated loan	1,890	1,840	1,911
Demand deposits	Trust deposit of unearned revenue	684	16,539	12,490
		1,374,574	1,187,379	1,288,521
Other financial assets - non-current:				
Time deposits	Performance guarantee for the C&O Agreement	2,000,000	2,000,000	2,000,000
Time deposits	Guarantee for customs duties	62,110	62,083	62,045
Time deposits	Guarantee for office lease	16,278	16,278	16,278
Time deposits	Guarantee for parking lease	7,310	7,257	7,257
Time deposits	Guarantee for oil purchase	4,120	4,120	-
Time deposits	Trust deposit of unearned revenue	-	68,000	68,000
		2,089,818	2,157,738	2,153,580
		$ 3,464,392	$ 3,345,117	$ 3,442,101

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Construction and operation agreement

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

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

2) During the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. However, if the accumulated amount of the profit sharing payments is less than the amount listed in the table below, the latter shall prevail.

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

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

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

Starting from 2013, the Corporation prepares its financial statements in accordance with IFRSs endorsed by the FSC. Refer to Note 17 to the financial statements for the recognition of profit sharing payments as operating concession liabilities.

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

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

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

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

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

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

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

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

A1 = Net income of $3.5 billion ÷ (1 - The statutory tax rate)
A2 = Net income of $4.0 billion ÷ (1 - The statutory tax rate)
A3 = Net income of $4.5 billion ÷ (1 - The statutory tax rate)

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

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

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

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

i) Fare discount or fare reduction,

ii) Construction of HSR infrastructure and facilities, and

iii) In compliance with the government's policies.

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

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

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

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

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

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

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

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

The Corporation complied with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 18.b.) for further information.

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

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

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

   As of June 30, 2022, December 31, 2021 and June 30, 2021, the amount of the aforementioned performance bond remained unchanged at $2 billion, and was recognized as other financial assets.

b. As of June 30, 2022, unused letters of credit amounted to JPY5,293,139 thousand and EUR7,172 thousand.

c. In July 2019, the Corporation entered into an equipment procurement contract, and the total amounts of the contract (business tax included) were JPY2,626,531 thousand and NT$120,955 thousand. As of June 30, 2022, payments for the contract amounted to JPY1,072,380 thousand and NT$44,724 thousand were recognized as construction in progress of the operating concession assets under intangible assets.

d. In August 2018, the Corporation entered into the "OCS Maintenance Vehicle Manufacturing and Supply Procurement Contract" with China Steel Corporation, and the contract value, including business tax, was $1,232,000 thousand. As of June 30, 2022, payments for the contract amounted to $352,000 thousand.

e. In response to the aging equipment such as 700T train electronic control, the Corporation expects to update the equipment during the train maintenance period from 2021 to 2023 and purchase the relevant components. Therefore, the Corporation entered into a procurement contract "700T Spare Parts of 7GI" with Toshiba Electronic Components Taiwan Corporation, Ltd (subsidiary of Toshiba Corporation in Taiwan) in July 2019 and the total amounts of the contract (business tax and import tariffs excluded) were JPY11.6 billion. As of June 30, 2022, payments for the contract made were JPY6.032 billion.

f. In March 2021, the Corporation entered into the contract "Upgrade of CRP and Related Subsystems Tender Package 1" with Toshiba Electronic Components Taiwan Corporation, and the contract value, including business tax, was JPY7,612,500 thousand. As of June 30, 2022, payments for the contract, which amounted to JPY1,063,776 thousand, were recognized as construction in progress of the operating concession assets under intangible assets.

g. In April 2021, the Corporation entered into the contract "Automated Construction Equipment of Paint Shop in Yanchao Main Workshop" with Industrial Technology Research Institute (ITRI), and the contract value, including business tax, was $741,395 thousand. As of June 30, 2022, no payment regarding the aforementioned contract has been made yet.

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On August 3, 2022, the board of directors approved the procurement of "Data Transmission System & Fiber Optic Cable System Extension Project". The total amount of the procurement is $632,500 thousand, which comprise construction contract for 600,000 thousand and the retention for subsequent expansion for $32,500 thousand.

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

For the information on the Corporation's significant financial assets and liabilities denominated in foreign currencies, please refer to Note 27. c. to the financial statements.

33. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 27 to the financial statements, regarding the information on derivative financial instrument transactions and Tables 1 and 2 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major stockholders for Table 3 to the financial statements as attached.

34. SEGMENT INFORMATION

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

TABLE 1

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD
JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item	June 30, 2022				Note
				Units/Face Value (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	TSMC 1st Unsecured Corporate Bond-C Issue 2013	-	Cash and cash equivalents	$ 100,000	$ 100,000	-	$ 100,000	
	Taiwan Cooperative Bank 2nd Unsecured Subordinate Financial Debentures-B Issue in 2013	-	〃	200,000	200,000	-	200,000	
	Wisdom Marine Lines Co., Limited 1st Secured Corporate Bond Issue in 2019	-	〃	100,000	100,000	-	100,000	
	Hon Hai Precision Industry Co., Ltd 1st Unsecured Corporate Bonds-D Issuance in 2014	-	〃	30,000	30,000	-	30,000	
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C issue in 2015	-	〃	105,300	105,300	-	105,300	
	Dragon Steel Corporation 1st Unsecured Corporate Bonds-A Issue in 2018	-	〃	50,000	50,000	-	50,000	
	Dragon Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2018	-	〃	17,300	17,300	-	17,300	
	TAIWAN POWER COMPANY 3RD UNSECURED BOND-C ISSUE IN 2018	-	〃	200,000	200,000	-	200,000	
	TAIWAN HON CHUAN ENTERPRISE CO.,LTD. Domestic 1st Unsecured Corporate Bond Issued in 2018	-	〃	45,000	45,000	-	45,000	
	KINDOM CONSTRUCTION CORP. 1st Secured Corporate Bond Issue in 2018	-	〃	100,000	100,000	-	100,000	
	Taipei Fubon Bank 2nd issue of Senior Unsecured Financial Debentures in 2019	-	〃	169,000	169,000	-	169,000	
	ESUN FHC 1st Unsecured Corporate Bonds Issue in 2019	-	〃	60,600	60,600	-	60,600	
	Ting Sin CO.,LTD. 1st Secured Corporate Bond Issue in 2019	-	〃	55,000	55,000	-	55,000	
	Societe Generale Taipei Branch 1st Senior Unsecured Financial Debenture-Series B Issued in 2019	-	〃	13,000	13,000	-	13,000	
	Societe Generale Taipei Branch 2nd Senior Unsecured Financial Debenture-Series B Issued in 2019	-	〃	50,000	50,000	-	50,000	
	First Issuance of unsecured corporate bonds of Cathay FHC in 2019 Series C	-	〃	52,000	52,000	-	52,000	
	HSBC BANK (Taiwan) Limited 2nd Financial Debenture-A Issue in 2019	-	〃	81,000	80,948	-	80,948	
	WE&WIN DIVERSIFICATION CO.,LTD. 1st Secured Corporate Bond Issue in 2019	-	〃	100,000	100,000	-	100,000	
	1st issuance of unsecured corporate bonds of Taishin FHC of year 2020 Tranch B	-	〃	60,000	60,000	-	60,000	
	TSMC 1st Unsecured Corporate Bond in 2020 - Tranche B	-	〃	195,000	195,000	-	195,000	
	Second Issuance of unsecured corporate bonds of Cathay FHC in 2020_Series C	-	〃	208,200	208,172	-	208,172	
	CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION 1ST UNSECURED CORPORATE BONDS-A ISSUE IN 2020	-	〃	109,800	109,800	-	109,800	
	CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION 1ST UNSECURED CORPORATE BONDS-B ISSUE IN 2020	-	〃	100,000	100,000	-	100,000	
	Shinkong Synthetic Fibers Corporation 1st Secured Corporate Bond issue in 2020	-	〃	228,000	228,000	-	228,000	
	Wan Hai Lines Ltd. 1st Unsecured Corporate Bonds issue in 2020	-	〃	50,000	50,000	-	50,000	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item	June 30, 2022				Note
				Units/Face Value (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	CFC 1st Unsecured Corporate Bonds A Issue in 2021	-	Cash and cash equivalents	$ 30,000	$ 30,000	-	$ 30,000	
	VIS 1st Unsecured Corporate Bond in 2021-Tranche A	-	〃	240,000	240,000	-	240,000	
	VIS 1st Unsecured Corporate Bond in 2021-Tranche B	-	〃	50,000	50,000	-	50,000	
	TSMC 6th Unsecured Corporate Bond in 2021-Tranche C	-	〃	60,000	60,000	-	60,000	
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche A	-	〃	122,000	122,000	-	122,000	
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche C	-	〃	112,000	112,000	-	112,000	
	SinoPac Financial Holdings Company Ltd. 1st senior unsecured corporate bond in 2021	-	〃	90,000	90,000	-	90,000	
	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A issued in 2021	-	〃	100,000	100,000	-	100,000	
	RUN LONG CONSTRUCTION 1St Secured Corporate Bonds Issue in 2021	-	〃	50,000	50,000	-	50,000	
	TAIWAN POWER COMPANY 2ND UNSECURED BOND-B ISSUE IN 2022	-	〃	300,000	300,000	-	300,000	
	Third issue of Unsecured Subordinated Debentures of Taishin International Bank in 2014.	-	Other financial assets - current	250,000	250,000	-	250,000	
	The second issue of subordinated unsecured financial debentures of TAIPEI FUBON BANK in 2017	-	〃	50,000	50,000	-	50,000	
	Central Government Bonds 2017-4	-	〃	1,214,000	1,304,000	-	1,304,000	

(Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Gain on Valuation	Ending Balance	
					Units/Face Value (In Thousands)	Carrying Amount	Units/Face Value (In Thousands)	Carrying Amount	Units/Face Value (In Thousands)	Amount	Carrying Amount	Gain on Disposal		Units/Face Value (In Thousands)	Carrying Amount
The Corporation	Central Government Bonds 2015-12	Note	-	-	$ 658,000	$ 658,000	$ -	$ -	$ 658,000	$ 658,350	$ 658,000	$ 350	$ -	$ -	$ -
	Central Government Bonds 2016-11	〃	-	-	1,627,000	1,718,000	1,789,000	1,921,000	3,416,000	3,641,737	3,639,000	2,737	-	-	-
	Central Government Bonds 2017-4	〃	-	-	-	-	2,874,000	3,088,000	1,660,000	1,784,967	1,784,000	967	-	1,214,000	1,304,000
	HSBC Bank (Taiwan) Limited 1st Financial Debenture - C Issue in 2013	〃	-	-	-	-	690,000	690,000	690,000	690,366	690,000	366	-	-	-
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C issue in 2015	〃	-	-	300,000	300,000	950,300	950,300	1,145,000	1,145,447	1,145,000	447	-	105,300	105,300
	China Steel Corporation 3rd Unsecured Corporate Bonds Issue-A in 2018	〃	-	-	-	-	400,000	400,000	400,000	400,220	400,000	220	-	-	-
	TAIWAN HON CHUAN ENTERPRISE CO.,LTD. Domestic 1st Unsecured Corporate Bond Issued in 2018	〃	-	-	-	-	400,000	400,000	355,000	355,176	355,000	176	-	45,000	45,000
	TCC 1st unsecured corporate bond issue in 2019	〃	-	-	-	-	400,000	400,000	400,000	400,197	400,000	197	-	-	-
	Second Issuance of unsecured corporate bonds of Cathay FHC in 2020_Series C	〃	-	-	482,700	482,700	669,072	669,044	943,572	944,171	943,572	599	-	208,200	208,172
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C issued in 2020	〃	-	-	-	-	300,000	300,000	300,000	300,122	300,000	122	-	-	-
	Fubon Financial Holding Co., Ltd. 3rd Unsecured Corporate Bond-B issued in 2020	〃	-	-	-	-	343,600	343,600	343,600	343,784	343,600	184	-	-	-
	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bonds-B Issue in 2020	〃	-	-	-	-	310,000	310,000	310,000	310,146	310,000	146	-	-	-
	VIS 1st Unsecured Corporate Bond in 2021-Tranche A	〃	-	-	-	-	486,000	486,000	246,000	246,151	246,000	151	-	240,000	240,000
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche A	〃	-	-	330,000	330,000	572,000	572,000	780,000	780,348	780,000	348	-	122,000	122,000
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche C	〃	-	-	112,000	112,000	336,000	336,000	336,000	336,169	336,000	169	-	112,000	112,000
	TAIWAN POWER COMPANY 2ND UNSECURED BOND-B ISSUE IN 2022	〃	-	-	-	-	300,000	300,000	-	-	-	-	-	300,000	300,000
	HFC Ltd. 1st Secured Corporate Bond Issue in 2022	〃	-	-	-	-	560,000	560,000	560,000	560,262	560,000	262	-	-	-

Note: Repurchase agreement collateralized by bonds included in cash and cash equivalents and other financial assets - current, respectively. Gain on disposal in the table were interest income.

TAIWAN HIGH SPEED RAIL CORPORATION

INFORMATION OF MAJOR STOCKHOLDERS
JUNE 30, 2022

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
MOTC	2,420,000,000	43%

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.