

**TAIWAN HIGH SPEED RAIL
CORPORATION
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
JUNE 30, 2023 AND 2022**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of Taiwan High Speed Rail Corporation

Introduction

We have reviewed the accompanying balance sheet of Taiwan High Speed Rail Corporation (the "Company") as at June 30, 2023, and the related statements of comprehensive income for the three months and six months then ended, as well as the statements of changes in equity and of cash flows for the six months then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and 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 review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2023, and of its financial performance for the three months and six months then ended and

its cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Other Matter – Reference to the review of other auditors

The financial statements for the six months ended June 30, 2022, were reviewed by other auditors who expressed an unmodified conclusion on those statements dated August 3, 2022.

Yu, Chih-Fan

Yu, Chih-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2023

Chou, Chien-Hung

Chou, Chien-Hung

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

TAIWAN HIGH SPEED RAIL CORPORATION
BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2023 and 2022 are reviewed, not audited)

Assets		Notes	June 30, 2023		December 31, 2022		June 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 11,276,832	3	\$ 16,558,946	4	\$ 19,537,081	5
1139	Financial assets for hedging	6(3)	727,794	-	72	-	-	-
1170	Notes and accounts receivable	6(16)	317,986	-	413,946	-	191,914	-
1220	Current tax assets	4(23)	28,217	-	180,600	-	154,721	-
130X	Inventories	6(4)	2,738,747	1	2,425,999	1	2,642,210	1
1476	Other financial assets	6(5) and 8	16,265,775	4	11,496,900	3	3,288,023	1
1479	Other current assets	7	622,376	-	1,060,231	-	771,491	-
11XX	Total current assets		31,977,727	8	32,136,694	8	26,585,440	7
Non-current assets								
1600	Property, plant and equipment	6(6)	128,189	-	128,514	-	124,389	-
1755	Right-of-use assets	6(7)	319,100	-	405,315	-	488,623	-
1821	Operating concession assets	6(8) and 7	355,294,509	90	359,479,197	90	363,119,366	91
1801	Computer software, net	6(8)	126,115	-	134,962	-	106,458	-
1840	Deferred tax assets	4(23)	5,427,058	1	6,174,444	2	6,847,772	2
1980	Other financial assets	6(5) and 8	2,127,210	1	2,079,603	-	2,095,843	-
1990	Other non-current assets		49,647	-	1,403	-	1,921	-
15XX	Total non-current assets		363,471,828	92	368,403,438	92	372,784,372	93
1XXX	Total assets		\$ 395,449,555	100	\$ 400,540,132	100	\$ 399,369,812	100

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION
BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2023 and 2022 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2023		December 31, 2022		June 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	\$ 105,498	-	\$ 5,737	-	\$ -	-
2110	Short-term notes and bills payable	6(9) and 7	21,962,418	6	21,960,820	6	21,968,355	6
2120	Financial liabilities at fair value through profit or loss	6(2)	29,881	-	-	-	-	-
2126	Financial liabilities for hedging	6(3)	58,341	-	-	-	457	-
2170	Accounts payable		464,754	-	403,869	-	452,046	-
2209	Operating concession liabilities	6(11) and 7	461,603	-	426,563	-	86,757	-
2216	Cash dividends payable	6(15)	3,770,956	1	-	-	4,266,246	1
2200	Other payables	6(9)(13)	3,467,026	1	3,418,404	1	2,677,962	1
2211	Payable for construction	7	643,140	-	941,566	-	323,201	-
2230	Current tax liabilities	4(23)	91,245	-	-	-	7,487	-
2250	Provisions	6(12) and 7	1,508	-	284,781	-	1,169,542	-
2399	Other current liabilities	6(7)(13)(16) and 7	861,442	-	1,508,643	-	727,628	-
21XX	Total current liabilities		<u>31,917,812</u>	<u>8</u>	<u>28,950,383</u>	<u>7</u>	<u>31,679,681</u>	<u>8</u>
	Non-current liabilities							
2530	Bonds payable	6(10)	27,475,674	7	27,473,537	7	27,471,394	7
2541	Long-term debt	6(9), 7 and 8	207,628,406	53	217,622,140	54	217,619,497	55
2550	Provisions	6(12) and 7	5,537,533	1	3,149,335	1	2,289,519	1
2580	Lease liabilities	6(7) and 7	196,255	-	238,113	-	311,385	-
2611	Long-term interest payable	6(9)	4,949,987	1	5,390,517	1	5,532,088	1
2612	Operating concession liabilities	6(11) and 7	49,796,112	13	49,759,974	13	49,497,475	12
2670	Other non-current liabilities	6(13)(14)	674,541	-	666,066	-	621,173	-
25XX	Total non-current liabilities		<u>296,258,508</u>	<u>75</u>	<u>304,299,682</u>	<u>76</u>	<u>303,342,531</u>	<u>76</u>
2XXX	Total liabilities		<u>328,176,320</u>	<u>83</u>	<u>333,250,065</u>	<u>83</u>	<u>335,022,212</u>	<u>84</u>
	Equity	6(15)						
	Share capital							
3110	Common stock		56,282,930	14	56,282,930	14	56,282,930	14
	Capital surplus							
3200	Capital surplus		172,981	-	172,981	-	172,981	-
	Retained earnings							
3310	Legal reserve		4,590,376	1	4,212,542	1	4,212,542	1
3350	Unappropriated retained earnings		6,226,948	2	6,621,614	2	3,679,147	1
3XXX	Total equity		<u>67,273,235</u>	<u>17</u>	<u>67,290,067</u>	<u>17</u>	<u>64,347,600</u>	<u>16</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		<u>\$ 395,449,555</u>	<u>100</u>	<u>\$ 400,540,132</u>	<u>100</u>	<u>\$ 399,369,812</u>	<u>100</u>

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

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as earnings per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	For the three months ended June 30				For the six months ended June 30			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 12,308,801	100	\$ 6,665,611	100	\$ 24,457,346	100	\$ 15,655,953	100
5000 Operating costs	6(17) and 7	(6,904,275)	(56)	(6,329,884)	(95)	(13,472,071)	(55)	(12,579,965)	(80)
5900 Gross profit		5,404,526	44	335,727	5	10,985,275	45	3,075,988	20
6000 Operating expenses	6(17) and 7	(384,991)	(3)	(302,296)	(5)	(759,595)	(3)	(604,230)	(4)
6900 Net operating income		5,019,535	41	33,431	-	10,225,680	42	2,471,758	16
Non-operating income and expense									
7100 Interest income	6(17)	96,957	1	42,422	1	200,288	1	79,612	-
7510 Interest expense	6(9)(17) and 7	(1,706,075)	(14)	(1,529,598)	(23)	(3,373,513)	(14)	(2,956,214)	(19)
7625 Stabilization reserve reverse (expense)	6(12)	(1,390,994)	(11)	1,567,432	23	(2,388,198)	(10)	1,258,583	8
7590 Other gains and losses	6(17)	(38,821)	(1)	52,238	1	(48,229)	-	13,827	-
7000 Total non-operating income and expense		(3,038,933)	(25)	132,494	2	(5,609,652)	(23)	(1,604,192)	(11)
7900 Profit before income tax		1,980,602	16	165,925	2	4,616,028	19	867,566	5
7950 Income tax benefit (expense)	6(18)	(353,109)	(3)	111,926	2	(861,904)	(4)	(31,691)	-
8200 Profit for the period		<u>\$ 1,627,493</u>	<u>13</u>	<u>\$ 277,851</u>	<u>4</u>	<u>\$ 3,754,124</u>	<u>15</u>	<u>\$ 835,875</u>	<u>5</u>
8500 Total comprehensive income for the period		<u>\$ 1,627,493</u>	<u>13</u>	<u>\$ 277,851</u>	<u>4</u>	<u>\$ 3,754,124</u>	<u>15</u>	<u>\$ 835,875</u>	<u>5</u>
Basic earnings per share									
9750 Basic earnings per share	6(19)	<u>\$ 0.29</u>		<u>\$ 0.05</u>		<u>\$ 0.67</u>		<u>\$ 0.15</u>	
Diluted earnings per share									
9850 Diluted earnings per share	6(19)	<u>\$ 0.29</u>		<u>\$ 0.05</u>		<u>\$ 0.67</u>		<u>\$ 0.15</u>	

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

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Share capital- common stock	Capital surplus	Retained Earnings		Total equity
			Legal reserve	Unappropriated retained earnings	
<u>For the six months ended June 30, 2022</u>					
Balance at January 1, 2022	\$ 56,282,930	\$ 172,981	\$ 3,852,440	\$ 7,469,620	\$67,777,971
Profit for the period	-	-	-	835,875	835,875
Total comprehensive income	-	-	-	835,875	835,875
Appropriations of 2021 earnings					
Legal reserve	-	-	360,102	(360,102)	-
Cash dividends-NT\$0.758 per share	-	-	-	(4,266,246)	(4,266,246)
Balance at June 30, 2022	\$ 56,282,930	\$ 172,981	\$ 4,212,542	\$ 3,679,147	\$64,347,600
<u>For the six months ended June 30, 2023</u>					
Balance at January 1, 2023	\$ 56,282,930	\$ 172,981	\$ 4,212,542	\$ 6,621,614	\$67,290,067
Profit for the period	-	-	-	3,754,124	3,754,124
Total comprehensive income	-	-	-	3,754,124	3,754,124
Appropriations of 2022 earnings					
Legal reserve	-	-	377,834	(377,834)	-
Cash dividends-NT\$0.67 per share	-	-	-	(3,770,956)	(3,770,956)
Balance at June 30, 2023	\$ 56,282,930	\$ 172,981	\$ 4,590,376	\$ 6,226,948	\$67,273,235

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

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	For the six months ended June 30	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 4,616,028	\$ 867,566
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	113,759	110,248
Amortization	6,657,164	6,655,461
Interest expense	3,373,513	2,956,214
Interest income	(200,288)	(79,612)
Gain on foreign currency exchange, net	(49,924)	(50,330)
Stabilization reserve expense(reserve)	2,388,198	(1,258,583)
Loss on disposal of intangible assets	66,432	123,148
Others	28,462	1,082
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets for hedging	179	(55)
Notes and accounts receivable	95,960	474,043
Inventories	(312,748)	(296,212)
Other current assets	436,928	435,915
Other non-current assets	-	(470)
Changes in operating liabilities		
Accounts payable	77,044	(70,339)
Other payables	(334,455)	(533,803)
Other current liabilities	(604,952)	(550,927)
Other non-current liabilities	(2,576)	(3,381)
Cash inflow generated from operations	16,348,724	8,779,965
Interest received	201,412	79,165
Interest paid	(3,207,481)	(3,155,881)
Interest paid with respect to operating concession liabilities	(426,563)	(8,049,281)
Income tax refunded (paid)	132,253	(20,321)
Net cash flows from (used in) operating activities	13,048,345	(2,366,353)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of financial assets at fair value through profit or loss	(1,759,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,762,153	-
Acquisition of financial assets for hedging	(718,211)	-
(Increase) decrease in other financial assets	(4,797,785)	20,956,022
Acquisition of property, plant and equipment	(26,253)	(28,229)
Acquisition of intangible assets	(2,823,237)	(2,568,933)
Net cash flows (used in) from investing activities	(8,362,333)	18,358,860
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase (decrease) in short-term borrowings	102,193	(16,538)
Increase in short-term notes and bills payable	-	7,000,000
Repayment of long-term debt	(10,000,000)	(25,000,000)
Repayment of the principal portion of lease liabilities	(84,107)	(82,636)
Increase in other non-current liabilities	8,068	24,175
Net cash flows used in financing activities	(9,973,846)	(18,074,999)
Effects due to changes in exchange rate on the balance of cash held in foreign currency	5,720	77
Net decrease in cash and cash equivalents	(5,282,114)	(2,082,415)
Cash and cash equivalents at beginning of period	16,558,946	21,619,496
Cash and cash equivalents at end of period	\$ 11,276,832	\$ 19,537,081

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

TAIWAN HIGH SPEED RAIL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

1. GENERAL

Taiwan High Speed Rail Corporation (the “Company”) 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 Company and the Ministry of Transportation and Communications (“MOTC”) on July 23, 1998, the Company 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 Company 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 Company started its commercial operations from the Banqiao Station to the Zuoying Station. On March 2, 2007, the Company started operating its railway service at the Taipei Station. On December 1, 2015, the Company started operating its railway service at the Miaoli, Changhua and Yunlin stations. On July 1, 2016, the Company started operating its railway service at the Nangang Station.

The Company’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 and released by the Board of Directors on August 9, 2023.

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

(1) 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 Standards, Interpretations and Amendments
January 1, 2023	Amendments to IAS 1 “Disclosure of Accounting Policies”
January 1, 2023	Amendments to IAS 8 “Definition of Accounting Estimates”
January 1, 2023	Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company 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 Company’s accounting policies.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company.

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

Effective Date Announced by IASB (Note 1)	New Standards, Interpretations and Amendments
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”
January 1, 2024 (Note 2)	Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”
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, 2024	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
January 1, 2024	Amendments to IAS 1 “Non-current liabilities with contractual terms”
January 1, 2024	Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’
May 23, 2023	Amendments to IAS 12, ‘International tax reform - pillar two model rules’

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The seller and lessee should retrospectively apply the amendments of IFRS 16 to the sale and leaseback transactions signed after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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). For other financial assets measured at amortized cost, after considering all reasonable and substantiated information, if the credit risk has not increased significantly since the original recognition, the allowance loss is measured at the 12-month expected credit loss amount; For those whose credit risk has increased significantly since the original recognition, the allowance loss shall be measured according to the amount of expected credit loss during the duration.

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.

(8) 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.

(9) 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.

(10) Intangible assets

a. Operating concession assets

The Company was granted authority to construct and operate the HSR and relevant ancillary facilities under the C&O Agreement and therefore the Company's operation is under the scope of IFRIC 12 "Service Concession Arrangements". According to the C&O Agreement, the Company 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 (Calculated from 2007, the operating concession period is 61.5 years). 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.

b. Computer software

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

(11) Operating concession liabilities

According to the C&O Agreement, the Company 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).

(12) Impairment of assets

The Company 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 Company 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.

(13) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.

Financial liabilities at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss.

(14) Hedge accounting

The Company designates some hedging instruments (including derivatives and non-derivatives to avoid exchange rate risk) for fair value hedging, which refers to the hedging of recognized liabilities or unrecognized firm commitments against risk of fair value changes. The profits and losses of hedging instruments designated and in line with fair value hedging, and the changes in the fair value of the hedged items attributable to the risks being hedged are recognized immediately in profit or loss, and are recognized in the consolidated statement of comprehensive income under the item related to the hedged item.

The Company only postpones the cessation of hedging accounting when the hedging relationship no longer meets the requirements of hedging accounting, including the expiration, sale, termination or exercise of hedging tools.

(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

(16) Share capital

Common stocks are classified as equity.

(17) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(18) Revenue recognition

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

Sales of tickets that grant reward credits to customers under the Company'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 Company's obligations have been fulfilled.

(19) Leases

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

a. The Company 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.

b. The Company as lessee

The Company 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 Company 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.

(20) Borrowing costs

- a. Borrowing costs refer to long-term and short-term funds borrowed from banks and other long-term and short-term loans. The Company measured it at its fair value minus transaction costs at the time of original recognition, and subsequently recognized any difference between the price after deducting transaction costs and the redemption value, using the effective interest method and amortizing procedures to recognize interest expenses during the circulation period in profit and loss.
- b. The fee paid when setting up the loan amount, if it is very likely to withdraw part or all of the amount, the fee shall be recognized as the transaction cost of the loan, and shall be deferred until the payment occurs and shall be recognized as an adjustment of the effective interest rate.

- c. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (interest and other costs incurred on borrowed funds) 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.

(21) Government grants

Government grants are not recognized until there is reasonable assurance that the Company 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 Company 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

(22) 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.

(23) 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.

a. 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 Company'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 shareholders approve to retain the earnings.

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

b. 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 Company 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 Company'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 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.

(1) Stabilization reserve

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company recognized a provision for stabilization reserve in the amounts of \$5,539,041 thousand, \$3,150,817 thousand and \$3,175,782 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 6(12) and 9(1)c. to the financial statements for further information.

(2) 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, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of deferred tax assets in relation to deductible temporary differences were \$5,427,058 thousand, \$6,174,444 thousand and \$6,847,772 thousand, respectively.

6. Details of Significant Accounts

(1) CASH AND CASH EQUIVALENTS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 85,234	\$ 101,699	\$ 149,368
Demand deposits	417,693	233,658	248,593
Time deposits	4,720,000	12,595,866	15,506,000
Repurchase agreement collateralized by bonds	<u>6,053,905</u>	<u>3,627,723</u>	<u>3,633,120</u>
	<u>\$ 11,276,832</u>	<u>\$ 16,558,946</u>	<u>\$ 19,537,081</u>

(2) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current :			
Financial liabilities at fair value through profit or loss			
Forward exchange contracts	<u>\$ 29,881</u>	<u>\$ -</u>	<u>\$ -</u>

The purpose of the Company's forward foreign exchange contract transactions is mainly to avoid risks arising from exchange rate changes. Since it does not meet the requirements for hedge, hedge accounting is not applicable. The Company's outstanding forward foreign exchange contracts are as follows:

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<u>June 30, 2023</u>			
Buy	US\$/JPY	July 2023	JPY 2,523,822

(3) FINANCIAL ASSETS AND LIABILITIES FOR HEDGING

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets for hedging - current</u>			
Fair value hedges - forward exchange contracts	\$ -	\$ 72	\$ -
Fair value hedges - time deposit in USD	\$ 727,794	\$ -	\$ -
<u>Financial liabilities for hedging - current</u>			
Fair value hedges - forward exchange contracts	\$ 58,341	\$ -	\$ 457

The Company 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:

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<u>June 30, 2023</u>			
Buy	US\$/JPY	July 2023	JPY 3,149,081
Buy	NT\$/US\$	July 2023	US\$ 333
<u>December 31, 2022</u>			
Buy	US\$/JPY	January 2023	JPY 49,219
Buy	NT\$/US\$	January 2023	US\$ 371
<u>June 30, 2022</u>			
Buy	US\$/JPY	July 2022	JPY 160,949
Buy	NT\$/US\$	July 2022	US\$ 1,199

(4) INVENTORIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Spare parts and supplies	\$ 2,728,847	\$ 2,416,637	\$ 2,629,545
Merchandise	9,900	9,362	12,665
	<u>\$ 2,738,747</u>	<u>\$ 2,425,999</u>	<u>\$ 2,642,210</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, allowance for inventory valuation losses amounted to \$592,057 thousand, \$596,176 thousand and \$600,228 thousand, respectively.

(5) OTHER FINANCIAL ASSETS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Time deposits	\$ 16,923,994	\$ 12,131,528	\$ 2,885,034
Repurchase agreement collateralized by bonds	1,453,000	1,426,000	1,604,000
Demand deposits	8,599	11,615	2,574
Demand deposits - Stabilization Mechanism Account (Note 6(12))	1,356	1,334	886,233
Other performance guarantee	<u>6,036</u>	<u>6,026</u>	<u>6,025</u>
	<u>\$ 18,392,985</u>	<u>\$ 13,576,503</u>	<u>\$ 5,383,866</u>
Current	\$ 16,265,775	\$ 11,496,900	\$ 3,288,023
Non-current	<u>2,127,210</u>	<u>2,079,603</u>	<u>2,095,843</u>
	<u>\$ 18,392,985</u>	<u>\$ 13,576,503</u>	<u>\$ 5,383,866</u>

a. Details of other financial asset pledged to others as collected are provided in Note 8.

b. Information relating to the credit risk of financial assets is provided in Note 6(21)c.

(6) PROPERTY, PLANT AND EQUIPMENT

			Machinery and Transportation	Office	Leasehold	Other	
	<u>Land</u>	<u>Equipment</u>	<u>Equipment</u>	<u>Equipment</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance at							
January 1,2023	\$ 28	\$ 404,959	\$ 87	\$ 124,723	\$ 82,133	\$ 283,666	\$ 895,596
Additions	-	13,033	-	792	-	12,428	26,253
Disposals	-	(29,389)	-	(1,158)	-	(310)	(30,857)
Transfer	-	592	-	(395)	-	545	742
Balance at							
June 30, 2023	<u>28</u>	<u>389,195</u>	<u>87</u>	<u>123,962</u>	<u>82,133</u>	<u>296,329</u>	<u>891,734</u>
<u>Accumulated depreciation</u>							
	-	314,580	87	112,409	81,409	258,597	767,082
Balance at							
January 1,2023	-	20,823	-	2,334	362	4,025	27,544
Depreciation	-	(29,389)	-	(1,158)	-	(310)	(30,857)
Disposals	-	-	-	(224)	-	-	(224)
Balance at							
June 30, 2023	<u>-</u>	<u>306,014</u>	<u>87</u>	<u>113,361</u>	<u>81,771</u>	<u>262,312</u>	<u>763,545</u>
	<u>\$ 28</u>	<u>\$ 83,181</u>	<u>\$ -</u>	<u>\$ 10,601</u>	<u>\$ 362</u>	<u>\$ 34,017</u>	<u>\$ 128,189</u>
<u>Cost</u>							
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	<u>28</u>	<u>387,313</u>	<u>87</u>	<u>123,750</u>	<u>82,133</u>	<u>282,339</u>	<u>875,650</u>
<u>Accumulated depreciation</u>							
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	<u>-</u>	<u>303,640</u>	<u>87</u>	<u>111,707</u>	<u>81,040</u>	<u>254,787</u>	<u>751,261</u>
	<u>\$ 28</u>	<u>\$ 83,673</u>	<u>\$ -</u>	<u>\$ 12,043</u>	<u>\$ 1,093</u>	<u>\$ 27,552</u>	<u>\$ 124,389</u>

(7) LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 472,823	\$ 496,973	\$ 71,994	\$ 1,260	\$ 1,043,050
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2023	<u>472,823</u>	<u>496,973</u>	<u>71,994</u>	<u>1,260</u>	<u>1,043,050</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	339,395	245,925	51,575	840	637,735
Depreciation	<u>43,566</u>	<u>30,741</u>	<u>11,698</u>	<u>210</u>	<u>86,215</u>
Balance at June 30, 2023	<u>382,961</u>	<u>276,666</u>	<u>63,273</u>	<u>1,050</u>	<u>723,950</u>
	<u>\$ 89,862</u>	<u>\$ 220,307</u>	<u>\$ 8,721</u>	<u>\$ 210</u>	<u>\$ 319,100</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 469,915	\$ 496,973	\$ 71,994	\$ 1,260	\$ 1,040,142
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2022	<u>469,915</u>	<u>496,973</u>	<u>71,994</u>	<u>1,260</u>	<u>1,040,142</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	252,259	184,443	28,179	420	465,301
Depreciation	<u>43,569</u>	<u>30,741</u>	<u>11,698</u>	<u>210</u>	<u>86,218</u>
Balance at June 30, 2022	<u>295,828</u>	<u>215,184</u>	<u>39,877</u>	<u>630</u>	<u>551,519</u>
	<u>\$ 174,087</u>	<u>\$ 281,789</u>	<u>\$ 32,117</u>	<u>\$ 630</u>	<u>\$ 488,623</u>

b. Lease liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Buildings	\$ 91,259	\$ 134,829	\$ 174,598
Machinery and equipment	213,310	241,874	270,315
Transportation equipment	8,790	20,548	32,273
Other equipment	<u>218</u>	<u>433</u>	<u>647</u>
	313,577	397,684	477,833
Less: Recognized as current lease liabilities	<u>(117,322)</u>	<u>(159,571)</u>	<u>(166,448)</u>
Lease liabilities - non-current	<u>\$ 196,255</u>	<u>\$ 238,113</u>	<u>\$ 311,385</u>

Range of discount rate for lease liabilities was as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Buildings	0.38%~1%	0.38%-1%	0.38%-0.87%
Machinery and equipment	0.87%	0.87%	0.87%
Transportation equipment	0.45%~0.73%	0.45%-0.73%	0.45%-0.73%
Other equipment	0.38%	0.38%	0.38%

c. Material lease terms

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

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

d. Other lease information

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ <u>275</u>	\$ <u>329</u>
Expenses relating to low-value asset leases	\$ <u>-</u>	\$ <u>118</u>
Total cash outflows for leases	(\$ <u>43,049</u>)	(\$ <u>42,758</u>)
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ <u>489</u>	\$ <u>518</u>
Expenses relating to low-value asset leases	\$ <u>-</u>	\$ <u>197</u>
Total cash outflows for leases	(\$ <u>86,038</u>)	(\$ <u>85,339</u>)

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

(8) INTANGIBLE ASSETS

a. Movements of the intangible assets

	Operating Concession Assets						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	Total
<u>Cost</u>							
Balance at January 1, 2023	\$479,284,196	\$ 69,972,043	\$ 12,701,819	\$ 3,048,089	\$565,006,147	\$ 631,182	\$ 565,637,329
Additions	644,293	-	-	1,884,328	2,528,621	2,384	2,531,005
Disposals	(281,396)	-	-	-	(281,396)	-	(281,396)
Transfer	2,860,844	-	-	(2,873,017)	(12,173)	11,015	(1,158)
Balance at June 30, 2023	<u>482,507,937</u>	<u>69,972,043</u>	<u>12,701,819</u>	<u>2,059,400</u>	<u>567,241,199</u>	<u>644,581</u>	<u>567,885,780</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2023	183,750,308	20,030,893	1,745,749	-	205,526,950	496,220	206,023,170
Amortization	5,965,311	548,804	120,397	-	6,634,512	22,246	6,656,758
Disposals	(214,964)	-	-	-	(214,964)	-	(214,964)
Transfer	192	-	-	-	192	-	192
Balance at June 30, 2023	<u>189,500,847</u>	<u>20,579,697</u>	<u>1,866,146</u>	<u>-</u>	<u>211,946,690</u>	<u>518,466</u>	<u>212,465,156</u>
	<u>\$ 293,007,090</u>	<u>\$ 49,392,346</u>	<u>\$ 10,835,673</u>	<u>\$ 2,059,400</u>	<u>\$ 355,294,509</u>	<u>\$ 126,115</u>	<u>\$ 355,420,624</u>
<u>Cost</u>							
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	<u>477,876,143</u>	<u>69,972,043</u>	<u>12,701,819</u>	<u>2,593,138</u>	<u>563,143,143</u>	<u>581,767</u>	<u>563,724,910</u>
<u>Accumulated amortization</u>							
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	<u>178,916,335</u>	<u>19,482,089</u>	<u>1,625,353</u>	<u>-</u>	<u>200,023,777</u>	<u>475,309</u>	<u>200,499,086</u>
	<u>\$ 298,959,808</u>	<u>\$ 50,489,954</u>	<u>\$ 11,076,466</u>	<u>\$ 2,593,138</u>	<u>\$ 363,119,366</u>	<u>\$ 106,458</u>	<u>\$ 363,225,824</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Operating assets, net</u>			
Land improvements	\$ 153,427,504	\$ 154,998,583	\$ 156,596,019
Buildings	25,725,386	26,045,381	26,314,894
Machinery and equipment	22,671,872	23,397,821	23,922,732
Transportation equipment	91,170,814	91,077,877	92,108,971
Other equipment	<u>11,514</u>	<u>14,226</u>	<u>17,192</u>
	<u>\$ 293,007,090</u>	<u>\$ 295,533,888</u>	<u>\$ 298,959,808</u>
<u>Construction in progress</u>			
Prepayments for equipment	<u>\$ 2,059,400</u>	<u>\$ 3,048,089</u>	<u>\$ 2,593,138</u>

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 Company acquired superficieses 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 Publicly-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 publicly-owned land and usage of such publicly-owned land and other relevant factors. The Company prepays the rental for the following year by the end of each year, and if the reported price of publicly-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of June 30, 2023, the superficieses 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 superficieses is from the date of their registration to the date of expiration or termination of the C&O Agreement.

(9) BORROWINGS AND SHORT-TERM NOTES AND BILLS PAYABLE

a. Short-term borrowings

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Letters of credit	<u>\$ 105,498</u>	<u>\$ 5,737</u>	<u>\$ -</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Letters of credit	0.63%-0.74%	0.63%-0.74%	-

b. Short-term notes and bills payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Short-term bills payable	\$ 22,000,000	\$ 22,000,000	\$ 22,000,000
Less: Discount on short-term bills payable	(37,582)	(39,180)	(31,645)
	<u>\$ 21,962,418</u>	<u>\$ 21,960,820</u>	<u>\$ 21,968,355</u>

The above-mentioned short-term notes and bills payable are non-guaranteed commercial papers. The Company 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 notes and 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	2023.6.5~ 2023.8.24	\$ 5,000,000	(\$ 11,837)	\$ 4,988,163	1.57%	2021.7.19~ 2026.7.18
Mega Bills Finance Corporation	2023.6.5~ 2023.8.24	5,000,000	(11,837)	4,988,163	1.57%	2021.7.19~ 2026.7.18
China Bills Finance Corporation	2023.6.5~ 2023.8.24	5,000,000	(11,837)	4,988,163	1.57%	2021.7.19~ 2026.7.18
International Bills Finance Corporation	2023.4.12 ~2023.7.6	2,500,000	(740)	2,499,260	1.80%	2022.5.3~ 2027.5.2
Mega Bills Finance Corporation	2023.4.12 ~2023.7.6	2,000,000	(592)	1,999,408	1.80%	2022.5.3~ 2027.5.2
China Bills Finance Corporation	2023.4.12 ~2023.7.6	<u>2,500,000</u>	<u>(739)</u>	<u>2,499,261</u>	1.80%	2022.5.3~ 2027.5.2
		<u>\$ 22,000,000</u>	<u>(\$ 37,582)</u>	<u>\$ 21,962,418</u>		

c. Long-term debt

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Syndicated loan			
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	\$ 91,200,000	\$ 95,400,000	\$ 95,400,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	<u>116,505,117</u>	<u>122,305,117</u>	<u>122,305,117</u>
	207,705,117	217,705,117	217,705,117
Less: Unamortized cost of long-term debt	<u>(76,711)</u>	<u>(82,977)</u>	<u>(85,620)</u>
	<u>\$ 207,628,406</u>	<u>\$ 217,622,140</u>	<u>\$ 217,619,497</u>

The Company 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:

- (a) 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.
- (b) The Company provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) as collateral for the syndicated loan (the Company’s assets are not required to be registered with the syndicated banks for creating rights attached to the Company’s such assets). When the value of the collateral is less than the balance of the outstanding syndicated loan, the Company 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 Company 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.
- (c) According to the Syndicated Loan Agreement, the Company opened capital account and reserve account at Bank of Taiwan for deposits and financial instruments. The Company 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 6(5) and 8 to the financial statements for further information.

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

i. Term of loan and repayment method

	<u>Repayment Schedule</u>	<u>Ratio of Repayment</u>	<u>Repayment schedule after Early Repayment</u>	<u>Number of Semi- annual Installment Repayment after Early Repayment</u>
Tranche A1 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	May 4, 2028 - November 4, 2040	Installments 15-40
	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	November 4, 2028 - November 4, 2040	Installments 16-40
	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 April 7, 2023, the Company made early repayment for \$10 billion and repaid interest differences for \$306,421 thousand due to early repayment of the loan.

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

ii. 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 Company 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, 2023, December 31, 2022 and June 30, 2022, the reference rate were 1.56%, 1.44% and 1.19%, respectively.

<u>Syndicated Period</u>	<u>Mark-up Interest Rates</u>
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%

(e) The interest on Tranche A1 and A2 Facilities is calculated based on the Syndicated Loan Agreement. The Company 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:

i. Effective interest rates

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Tranche A1 Facility	2.48%	2.34%	2.08%
Tranche A2 Facility	2.50%	2.35%	2.09%

ii. Accrued interest expense (included in other payables)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Syndicated loan</u>			
Tranche A1 Facility	\$ 195,680	\$ 193,978	\$ 166,520
Tranche A2 Facility	<u>249,976</u>	<u>248,685</u>	<u>213,482</u>
	<u>\$ 445,656</u>	<u>\$ 442,663</u>	<u>\$ 380,002</u>

iii. Long-term interest payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Syndicated loan</u>			
Tranche A1 Facility	\$ 2,354,989	\$ 2,546,169	\$ 2,611,873
Tranche A2 Facility	<u>2,594,998</u>	<u>2,844,348</u>	<u>2,920,215</u>
	<u>\$ 4,949,987</u>	<u>\$ 5,390,517</u>	<u>\$ 5,532,088</u>

iv. Interest expense

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
<u>Syndicated loan</u>		
Interest expense	\$ 1,292,226	\$ 1,107,434
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
<u>Syndicated loan</u>		
Interest expense	\$ 2,555,049	\$ 2,123,951

(10) BONDS PAYABLE

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Domestic unsecured bond	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000
Less: Unamortized issuance cost	<u>(24,326)</u>	<u>(26,463)</u>	<u>(28,606)</u>
	<u>\$ 27,475,674</u>	<u>\$ 27,473,537</u>	<u>\$ 27,471,394</u>

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

<u>Bonds Name</u>	<u>Trustee</u>	<u>Issuance Period</u>	<u>Total Amount</u>	<u>Coupon Rate</u>	<u>Unamortized Repayment</u>
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

(11) OPERATING CONCESSION LIABILITIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Operating concession liabilities	\$ 70,051,548	\$ 69,785,986	\$ 68,947,918
Value of returned superficies for offset of profit sharing payable	(19,793,833)	(19,599,449)	(19,363,686)
	<u>\$ 50,257,715</u>	<u>\$ 50,186,537</u>	<u>\$ 49,584,232</u>
Current	461,603	426,563	86,757
Non-current	<u>49,796,112</u>	<u>49,759,974</u>	<u>49,497,475</u>
	<u>\$ 50,257,715</u>	<u>\$ 50,186,537</u>	<u>\$ 49,584,232</u>

According to the C&O Agreement, the Company is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Please refer to Note 9(1)b. 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:

<u>Year</u>	<u>Amortization Expense</u>	<u>Interest Expense</u>	<u>Total</u>
Up to December 31, 2022	\$ 20,030,893	\$ 24,813,943	\$ 44,844,836
Six months ended June 30, 2023	<u>548,804</u>	<u>692,125</u>	<u>1,240,929</u>
	<u>20,579,697</u>	<u>25,506,068</u>	<u>46,085,765</u>
Six months ending December 31,			
2023 (estimate)	548,804	703,595	1,252,399
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)	7,683,258	7,461,404	15,144,662
2034-2068 (estimate)	<u>37,867,460</u>	<u>-</u>	<u>37,867,460</u>
	<u>49,392,346</u>	<u>12,521,889</u>	<u>61,914,235</u>
	<u>\$ 69,972,043</u>	<u>\$ 38,027,957</u>	<u>\$ 108,000,000</u>

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 Company 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 9(1)b. 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:

<u>Year</u>	<u>Other Gain</u>	<u>Deduction of Interest Expense</u>	<u>Total</u>
Up to December 31, 2022	\$ 22,613,234	\$ 3,241,981	\$ 25,855,215
Six months ended June 30, 2023	<u>-</u>	<u>194,384</u>	<u>194,384</u>
	<u>22,613,234</u>	<u>3,436,365</u>	<u>26,049,599</u>
Six months ending December 31,			
2023 (estimate)	-	197,605	197,605
2024 (estimate)	-	399,829	399,829
2025 (estimate)	-	407,825	407,825
2026 (estimate)	-	415,982	415,982
2027-2033 (estimate)	<u>-</u>	<u>2,314,015</u>	<u>2,314,015</u>
	<u>-</u>	<u>3,735,256</u>	<u>3,735,256</u>
	<u>\$ 22,613,234</u>	<u>\$ 7,171,621</u>	<u>\$ 29,784,855</u>

As of June 30, 2023, the Company's accumulated profit sharing payments paid to the MOTC amounted to \$ 19,170,797 thousand (or accumulated profit sharing payments for \$ 25,426,563 thousand less the deductible amount of returned superficies for \$ 6,255,766 thousand).

(12) PROVISIONS

a. Provisions

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Current</u>			
Provision for controversial overtime payments	\$ -	\$ 283,299	\$ 283,279
Provision for stabilization reserve	<u>1,508</u>	<u>1,482</u>	<u>886,263</u>
	<u>\$ 1,508</u>	<u>\$ 284,781</u>	<u>\$ 1,169,542</u>
<u>Non-current</u>			
Provision for stabilization reserve	<u>\$ 5,537,533</u>	<u>\$ 3,149,335</u>	<u>\$ 2,289,519</u>

b. Movements in provisions were as follows:

	<u>Balance at January 1, 2023</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance at June 30, 2023</u>
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,299	\$ -	(\$ 283,299)	\$ -
Provision for stabilization reserve	<u>1,482</u>	<u>26</u>	<u>-</u>	<u>1,508</u>
	<u>\$ 284,781</u>	<u>\$ 26</u>	<u>(\$ 283,299)</u>	<u>\$ 1,508</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 3,149,335</u>	<u>\$ 2,388,198</u>	<u>\$ -</u>	<u>\$ 5,537,533</u>
	<u>Balance at January 1, 2022</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance at June 30, 2022</u>
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,279	\$ -	\$ -	\$ 283,279
Provision for stabilization reserve	<u>885,994</u>	<u>269</u>	<u>-</u>	<u>886,263</u>
	<u>\$ 1,169,273</u>	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ 1,169,542</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 3,548,102</u>	<u>\$ -</u>	<u>(\$ 1,258,583)</u>	<u>\$ 2,289,519</u>

(a) Controversial overtime payments

The Company's administrative lawsuit over controversial overtime pay was heard by the Supreme Administrative Court and the judgment was confirmed on January 16, 2023. The Company discussed the disposition measures according to the resolution of the board of directors on February 22, 2023, and negotiated with the employees who should be paid. The amount payable, and the estimated provision for liabilities of \$283,299 thousand was transferred to other payables. As of June 30, 2023, the Company completed the payment to the employees that had been negotiated and determined, with an amount of \$243,783 thousand, and the rest will be paid after the negotiation with these employees is completed.

(b) Stabilization reserve

Please refer to Note 9(1)c. regarding the recognition and use of provision for stabilization reserve from 2016 in accordance with the C&O Agreement. For the six months ended June 30, 2023 and

2022, the provision for the stabilization reserve expenses and the stabilization reserve reverse amounted to \$2,388,198 thousand and \$1,258,583 thousand, respectively. In November 2021, the Company contributed \$885,959 thousand to the Stabilization Mechanism Account. In December 2022, disbursed in accordance with the C&O agreement. As of June 30, 2023, balance of the stabilization reserve account was \$5,539,041 thousand recognized and the bank balance of stabilization mechanism account was \$ 1,356 thousand.

(13) OTHER LIABILITIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Other payables</u>			
Accrued expenses (Note 6(12))	\$ 2,424,048	\$ 2,491,035	\$ 1,868,243
Accrued interest expense	690,986	590,818	652,859
Business tax payable	309,976	262,611	108,446
Others	42,016	73,940	48,414
	<u>\$ 3,467,026</u>	<u>\$ 3,418,404</u>	<u>\$ 2,677,962</u>
<u>Other current liabilities</u>			
Contract liabilities (Note 6(16))	\$ 664,921	\$ 1,285,739	\$ 473,913
Lease liabilities (Note 6(7))	117,322	159,571	166,448
Receipts under custody	34,920	33,076	33,201
Rent received in advance	31,291	459	26,954
Others	12,988	29,798	27,112
	<u>\$ 861,442</u>	<u>\$ 1,508,643</u>	<u>\$ 727,628</u>
<u>Other non-current liabilities</u>			
Guarantee deposits received	\$ 391,391	\$ 383,480	\$ 313,623
Net defined benefit liabilities	274,285	275,823	288,555
Deferred revenue	5,708	6,748	7,788
Deferred tax liabilities	3,157	15	11,207
	<u>\$ 674,541</u>	<u>\$ 666,066</u>	<u>\$ 621,173</u>

(14) RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The Company 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 Company 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 Company 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 Company 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.

Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 is \$19,274 thousand.

- c. Please refer to Note 6(17)a. to the financial statements for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income.

(15) EQUITY

a. Share capital

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Number of shares authorized (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Shares authorized	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>5,628,293</u>	<u>5,628,293</u>	<u>5,628,293</u>
Share capital issued and outstanding	<u>\$ 56,282,930</u>	<u>\$ 56,282,930</u>	<u>\$ 56,282,930</u>

A holder of issued common stock with par value of \$10 is entitled to vote and to receive dividends. On November 26, 2015, the Company 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 before mentioned 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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Additional paid-in capital	\$ 171,885	\$ 171,885	\$ 171,885
Forfeited employee share options	<u>1,096</u>	<u>1,096</u>	<u>1,096</u>
	<u>\$ 172,981</u>	<u>\$ 172,981</u>	<u>\$ 172,981</u>

Pursuant to the R.O.C Company Law, 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 Company has no accumulated deficit. Further, the R.O.C Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

c. Legal reserve and dividend policy

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 Company's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to shareholders as proposed by the Board of Directors and ultimately resolved by the shareholders.

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

For the information on the appropriation policy, actual distributions of employees' compensation and remuneration to directors, please refer to Note 6(17)a. to the financial statements.

The appropriations of earnings for 2022 and 2021 approved in the shareholders' meetings on May 25, 2023 and May 26, 2022, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2022</u>	<u>For Fiscal Year 2021</u>	<u>For Fiscal Year 2022</u>	<u>For Fiscal Year 2021</u>
Legal reserve	\$ 377,834	\$ 360,102		
Cash dividends	<u>3,770,956</u>	<u>4,266,246</u>	\$ 0.670	\$ 0.758
	<u>\$ 4,148,790</u>	<u>\$ 4,626,348</u>		

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.

(16) REVENUE

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Railroad transportation revenue	\$ 11,887,289	\$ 6,307,404
Other operating revenue	<u>421,512</u>	<u>358,207</u>
	<u>\$ 12,308,801</u>	<u>\$ 6,665,611</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Railroad transportation revenue	\$ 23,612,060	\$ 14,932,220
Other operating revenue	<u>845,286</u>	<u>723,733</u>
	<u>\$ 24,457,346</u>	<u>\$ 15,655,953</u>

a. Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Notes and accounts receivable	<u>\$ 317,986</u>	<u>\$ 413,946</u>	<u>\$ 191,914</u>	<u>\$ 665,957</u>
Contract liabilities				
Railroad transportation revenue	\$ 542,563	\$ 1,185,983	\$ 326,196	\$ 872,822
Customer loyalty program	108,244	88,834	139,531	116,134
Others	<u>14,114</u>	<u>10,922</u>	<u>8,186</u>	<u>8,808</u>
	<u>\$ 664,921</u>	<u>\$ 1,285,739</u>	<u>\$ 473,913</u>	<u>\$ 997,764</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, accounts receivable and notes receivable are not overdue.

The changes in the balances of contract liabilities primarily result from the timing difference between the Company'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	
	2023	2022
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 2,264	\$ 1,763
Customer loyalty program	15,551	13,773
Others	<u>199</u>	<u>95</u>
	<u>\$ 18,014</u>	<u>\$ 15,631</u>
	For the Six Months Ended June 30	
	2023	2022
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 1,177,825	\$ 862,050
Customer loyalty program	47,824	30,691
Others	<u>10,352</u>	<u>7,982</u>
	<u>\$ 1,236,001</u>	<u>\$ 900,723</u>

b. Revenue from contracts with customers

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

(17) INCOME BEFORE INCOME TAX

a. Employee benefit expense

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Post-employment benefits		
Defined contribution plan	\$ 51,487	\$ 50,117
Defined benefit plan	<u>4,264</u>	<u>3,784</u>
	<u>55,751</u>	<u>53,901</u>
Short-term employee benefits		
Payroll	1,341,204	1,073,178
Insurance	109,689	104,017
Others	<u>53,337</u>	<u>44,359</u>
	<u>1,504,230</u>	<u>1,221,554</u>
	<u>\$ 1,559,981</u>	<u>\$ 1,275,455</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,260,906	\$ 1,047,835
Operating expenses	<u>299,075</u>	<u>227,620</u>
	<u>\$ 1,559,981</u>	<u>\$ 1,275,455</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Post-employment benefits		
Defined contribution plan	\$ 101,566	\$ 98,810
Defined benefit plan	<u>8,528</u>	<u>7,568</u>
	<u>110,094</u>	<u>106,378</u>
Short-term employee benefits		
Payroll	2,672,466	2,244,152
Insurance	218,435	206,763
Others	<u>106,760</u>	<u>91,188</u>
	<u>2,997,661</u>	<u>2,542,103</u>
	<u>\$ 3,107,755</u>	<u>\$ 2,648,481</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 2,523,352	\$ 2,198,700
Operating expenses	<u>584,403</u>	<u>449,781</u>
	<u>\$ 3,107,755</u>	<u>\$ 2,648,481</u>

Under the Company's Articles of Incorporation, if there is any after-tax profit at the end of the year, the Company 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 Company 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, 2023, the estimated employees' compensation in cash was \$40,628 thousand and \$94,688 thousand, and the estimated remuneration to directors in cash was \$10,157 thousand and \$23,672 thousand, respectively. 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.

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, 2022 payable in cash on January 18, 2023 which were the same amounts recognized in the financial statements for the year ended December 31, 2022.

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.

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

b. Depreciation and amortization

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 14,102	\$ 11,529
Right-of-use assets	43,107	43,109
Intangible assets	3,346,773	3,361,241
Other non-current assets	149	315
	<u>\$ 3,404,131</u>	<u>\$ 3,416,194</u>
An analysis of depreciation by function		
Operating costs	\$ 50,879	\$ 48,929
Operating expenses	6,330	5,709
	<u>\$ 57,209</u>	<u>\$ 54,638</u>
An analysis of amortization by function		
Operating costs	\$ 3,344,411	\$ 3,359,178
Operating expenses	2,511	2,378
	<u>\$ 3,346,922</u>	<u>\$ 3,361,556</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 27,544	\$ 24,030
Right-of-use assets	86,215	86,218
Intangible assets	6,656,758	6,654,582
Other non-current assets	406	879
	<u>\$ 6,770,923</u>	<u>\$ 6,765,709</u>

	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
An analysis of depreciation by function		
Operating costs	\$ 101,175	\$ 97,334
Operating expenses	12,584	12,914
	<u>\$ 113,759</u>	<u>\$ 110,248</u>
An analysis of amortization by function		
Operating costs	\$ 6,652,141	\$ 6,650,545
Operating expenses	5,023	4,916
	<u>\$ 6,657,164</u>	<u>\$ 6,655,461</u>
c. Interest income		
	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest income of bank deposits	\$ 78,094	\$ 34,719
Interest income of repurchase agreement collateralized by bonds	18,850	7,696
Others	13	7
	<u>\$ 96,957</u>	<u>\$ 42,422</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest income of bank deposits	\$ 164,826	\$ 66,887
Interest income of repurchase agreement collateralized by bonds	35,435	12,710
Others	27	15
	<u>\$ 200,288</u>	<u>\$ 79,612</u>
d. Interest expense		
	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest on bank loans	\$ 1,293,692	\$ 1,108,882
Interest on operating concession liabilities	250,246	297,879
Interest on short-term notes and bills payable	86,832	36,256
Interest on bonds payable	74,443	74,443
Others	862	12,138
	<u>\$ 1,706,075</u>	<u>\$ 1,529,598</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest on bank loans	\$ 2,557,895	\$ 2,126,911
Interest on operating concession liabilities	497,741	592,485
Interest on short-term notes and bills payable	165,838	57,977
Interest on bonds payable	148,077	148,077
Others	3,962	30,764
	<u>\$ 3,373,513</u>	<u>\$ 2,956,214</u>

e. Other gains and losses

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Foreign exchange gain, net	\$ 24,073	\$ 49,127
Liquidated damages income	3,161	1,969
Compensation gain	609	60,643
Compensation loss	-	-
Loss on disposal of intangible assets, net	(39,829)	(60,689)
Loss on financial assets(liabilities) at FVTPL	(28,731)	-
Others	1,896	1,188
	<u>(\$ 38,821)</u>	<u>\$ 52,238</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Foreign exchange gain, net	\$ 26,781	\$ 63,725
Liquidated damages income	9,039	3,855
Compensation income	6,636	83,948
Compensation loss	-	(21,000)
Loss on disposal of intangible assets, net	(66,432)	(123,148)
Loss on financial assets(liabilities) at FVTPL	(26,728)	-
Others	2,475	6,447
	<u>(\$ 48,229)</u>	<u>\$ 13,827</u>

(18) INCOME TAXES

a. Income tax recognized in profit

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Current tax		
Current tax on profits for the period	\$ 111,195	(\$ 322,968)
Prior year income tax adjustment	-	(129,797)
Deferred tax		
Current tax on profits for the period	271,181	356,346
Prior year income tax adjustment	(29,267)	(15,507)
Income tax expense(benefit)	<u>\$ 353,109</u>	<u>(\$ 111,926)</u>
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Current tax		
Current tax on profits for the period	\$ 111,376	\$ -
Prior year income tax adjustment	-	(128,080)
Deferred tax		
Current tax on profits for the period	779,795	174,520
Prior year income tax adjustment	(29,267)	(14,749)
Income tax expense	<u>\$ 861,904</u>	<u>\$ 31,691</u>

b. Income tax assessments

The tax authorities have assessed the tax returns through 2020.

(19) EARNINGS PER SHARE

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Basic (Diluted) earnings per share (NT\$)	\$ 0.29	\$ 0.05
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Basic (Diluted) earnings per share (NT\$)	\$ 0.67	\$ 0.15
The net income and weighted average number of common stock outstanding that were used in the computation of earnings per share were as follows:		

	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Earnings attributable to common shareholders	\$ 1,627,493	\$ 277,851
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293
	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Earnings attributable to common shareholders	\$ 3,754,124	\$ 835,875
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

(20) CAPITAL MANAGEMENT

The Company 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, short-term notes and bills payable, repayments of long-term and short-term debt, repayments of unsecured domestic bonds and other operating needs.

(21) FINANCIAL INSTRUMENTS

a. Financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Financial assets for hedging	\$ 727,794	\$ 72	\$ -
Financial assets at amortized cost			
Other financial assets	18,392,985	13,576,503	5,383,866
Others (Note 1)	11,620,515	16,999,526	19,738,278
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	29,881	-	-
Financial liabilities for hedging	58,341	-	457
Financial liabilities at amortized cost (Note 2)	315,762,186	326,188,034	325,003,875

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 notes and 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

(a) 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.

(b) 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:

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

ii. 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

iii. Level 3 inputs are unobservable inputs for the asset or liability.

<u>June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets for hedging				
Time deposit in USD	\$ 727,794	\$ -	\$ -	\$ 727,794
Financial liabilities at FVTPL				
Forward exchange contracts	\$ -	\$ 29,881	\$ -	\$ 29,881
Financial liabilities for hedging				
Forward exchange contracts	\$ -	\$ 58,341	\$ -	\$ 58,341
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets for hedging				
Forward exchange contracts	\$ -	\$ 72	\$ -	\$ 72
<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities for hedging				
Forward exchange contracts	\$ -	\$ 457	\$ -	\$ 457

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2023 and 2022.

(c) Valuation techniques and assumptions applied for measuring fair value

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

- i. 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.
- ii. 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 Company'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 Company 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 Company's important financial activities. The Company also established related financial transaction procedures in accordance with the Company's overall financial risk management and segregation of duties.

(a) Market risk

i. Foreign currency risk

The Company's deposits, accounts payable, payable for construction and confirmed commitments of capital expenditures denominated in foreign currencies exposed the Company to foreign currency risk. To control decline in value or fluctuations in future cash flows due to changes in exchange rates, the Company enters into forward exchange contracts and purchases foreign currencies deposits 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 Company hedges recognized assets and liabilities and unrecognized firm commitments with tools such as forward exchange rate transactions, and regularly evaluates the effectiveness of the hedge. If hedge accounting is applicable, financial assets and liabilities that are hedged please refer to Note 6 (3); if hedge accounting is not applicable, list financial assets and liabilities that are measured at fair value through profit or loss, please refer to Note 6(2).

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

	June 30, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 177	31.14	\$ 5,512
JPY	55,898	0.2150	12,018
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	48	31.14	1,495
JPY	1,679,765	0.2150	361,149
	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 23,051	30.71	\$ 707,896
JPY	13,765	0.2324	3,199
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	64	30.71	1,965
JPY	1,319,094	0.2324	306,557
	June 30, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 22,782	29.72	\$ 677,081
JPY	8,868	0.2182	1,935
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY	1,003,775	0.2182	219,024

The Company 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 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 \$40 thousand and \$6,771 thousand for the six months ended June 30, 2023 and 2022, respectively. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by \$3,491 thousand and \$1,820 thousand for the six months ended June 30, 2023 and 2022, respectively.

The significant unrealized exchange gain and loss were as follows:

For the Three Months Ended June 30				
Foreign Currency	2023		2022	
	Exchange Rate	Exchange (losses) Gain, Net	Exchange Rate	Exchange (losses) Gain, Net
USD	31.14	(\$ 339)	29.72	\$ 24,570
JPY	0.2150	19,162	0.2182	(5,837)
For the Six Months Ended June 30				
Foreign Currency	2023		2022	
	Exchange Rate	Exchange Gain, Net	Exchange Rate	Exchange Gain, Net
USD	31.14	\$ 25,262	29.72	\$ 46,461
JPY	0.2150	24,874	0.2182	3,906

ii. Interest rate risk

As of June 30, 2023 and 2022, the Company's syndicated loan with floating interest rates amounted to \$207,705,117 thousand and \$217,705,117 thousand, respectively. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Company would have decreased by \$1,038,526 thousand and \$1,088,526 thousand for the six months ended June 30, 2023 and 2022, respectively.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. At the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company 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 Company only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

(c) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company's remaining contractual maturity for its long-term debt and interest on long-term debt (Refer to Note 6(9)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, 2023

<u>Repayment Period</u>	<u>Long-term Debt</u>	<u>Interest on Long-term Debt</u>	<u>Operating Concession Liabilities</u>	<u>Lease Liabilities</u>	<u>Principal and Interest on Bonds Payable</u>	<u>Total</u>
2023.7.1-2023.9.30	\$ -	\$ 1,488,371	\$ -	\$ 42,774	\$ 166,300	\$ 1,697,445
2023.10.1-2024.6.30	-	4,745,515	568,900	76,649	128,000	5,519,064
2024.7.1-2025.6.30	-	6,649,297	629,400	79,672	5,294,300	12,652,669
2025.7.1-2026.6.30	-	6,784,305	627,200	73,524	4,278,500	11,763,529
2026.7.1-2027.6.30	-	6,784,305	14,227,828	45,315	264,500	21,321,948
2027.7.1-2028.6.30	450,000	6,826,728	426,563	-	264,500	7,967,791
2028.7.1-2034.6.30	55,063,072	37,088,356	42,564,457	-	1,587,000	136,302,885
2034.7.1-2050	<u>152,192,045</u>	<u>40,952,813</u>	<u>-</u>	<u>-</u>	<u>22,868,500</u>	<u>216,013,358</u>
	<u>\$ 207,705,117</u>	<u>\$ 111,319,690</u>	<u>\$ 59,044,348</u>	<u>\$ 317,934</u>	<u>\$ 34,851,600</u>	<u>\$ 413,238,689</u>

December 31, 2022

<u>Repayment Period</u>	<u>Long-term Debt</u>	<u>Interest on Long-term Debt</u>	<u>Operating Concession Liabilities</u>	<u>Lease Liabilities</u>	<u>Principal and Interest on Bonds Payable</u>	<u>Total</u>
2023.1.1-2023.3.31	\$ -	\$ 1,560,029	\$ -	\$ 42,774	\$ -	\$ 1,602,803
2023.4.1-2023.12.31	-	4,680,087	426,563	119,397	294,300	5,520,347
2024	-	6,827,920	568,900	85,340	5,294,300	12,776,460
2025	-	7,110,937	629,400	74,017	4,278,500	12,092,854
2026	-	7,110,937	627,200	72,099	264,500	8,074,736
2027	5,803,074	7,016,163	14,227,828	9,855	264,500	27,321,420
2028-2033	55,116,921	37,945,834	42,991,020	-	1,587,000	137,640,775
2034-2050	<u>156,785,122</u>	<u>43,600,153</u>	<u>-</u>	<u>-</u>	<u>22,868,500</u>	<u>223,253,775</u>
	<u>\$ 217,705,117</u>	<u>\$ 115,852,060</u>	<u>\$ 59,470,911</u>	<u>\$ 403,482</u>	<u>\$ 34,851,600</u>	<u>\$ 428,283,170</u>

June 30, 2022

<u>Repayment Period</u>	<u>Long-term Debt</u>	<u>Interest on Long-term Debt</u>	<u>Operating Concession Liabilities</u>	<u>Lease Liabilities</u>	<u>Principal and Interest on Bonds Payable</u>	<u>Total</u>
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	<u>152,192,045</u>	<u>40,952,813</u>	<u>-</u>	<u>-</u>	<u>22,868,500</u>	<u>216,013,358</u>
	<u>\$ 217,705,117</u>	<u>\$ 119,029,705</u>	<u>\$ 59,470,911</u>	<u>\$ 485,303</u>	<u>\$ 35,145,900</u>	<u>\$ 431,836,936</u>

7. TRANSACTIONS WITH RELATED PARTIES

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

(1) Name of related party and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
MOTC	An investor with significant influence over the Company
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 Company
Century Development Corporation	An entity controlled by the legal entity as directors of the Company
InfoChamp Systems Corporation	An entity controlled by the legal entity as directors of the Company
Others	Individual and legal entity as directors of the Company, and individuals and entities controlled by the directors, key management personnel and their relatives, and related parties in substance

(2) Operating revenue

The Company 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 Company'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.

(3) Operating costs/Operating expenses

a. Profit sharing payments

According to the C&O Agreement, during the operating period, the Company 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 6(11) and 9(1)b. to the financial statements for further information.

b. Operating concession - rental

The transactions between the Company and the MOTC were as follows, and, as for the nature, please refer to Note 6(8)c. to the financial statements for further details:

(a) Rental expense

<u>Related Party Name</u>	<u>For the Three Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Railway Bureau, MOTC	\$ 196,045	\$ 193,994
Taiwan Railways Administration, MOTC	13,155	12,549
	<u>\$ 209,200</u>	<u>\$ 206,543</u>
<u>Related Party Name</u>	<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Railway Bureau, MOTC	\$ 392,090	\$ 387,988
Taiwan Railways Administration, MOTC	26,310	25,097
	<u>\$ 418,400</u>	<u>\$ 413,085</u>

(b) Prepaid rentals (included in other current assets)

<u>Related Party Name</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Railway Bureau, MOTC	\$ 392,091	\$ 784,181	\$ 387,987
Taiwan Railways Administration, MOTC	26,309	52,619	25,097
	<u>\$ 418,400</u>	<u>\$ 836,800</u>	<u>\$ 413,084</u>

c. Other - operating costs and expenses

	<u>For the Three Months Ended June 30</u>	
<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
InfoChamp Systems Corporation	\$ 10,817	\$ 2,502
Century Development Corporation	2,334	2,068
	<u>\$ 13,151</u>	<u>\$ 4,570</u>
	<u>For the Six Months Ended June 30</u>	
<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
InfoChamp Systems Corporation	\$ 12,997	\$ 4,976
Century Development Corporation	4,294	3,940
	<u>\$ 17,291</u>	<u>\$ 8,916</u>

(4) Non-operating income and expenses-interest expense

Please refer to Note 6(11) 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.

(5) Payables to related parties - payable for construction

<u>Related Party Name</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
China Steel Corporation	\$ 83,379	\$ 27,654	\$ 27,654
InfoChamp Systems Corporation	1,354	67,311	1,345
	<u>\$ 84,733</u>	<u>\$ 94,965</u>	<u>\$ 28,999</u>

(6) Acquisition of intangible assets - operating concession assets

	<u>Purchase Price</u> <u>For the Three Months Ended June 30</u>	
<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
China Steel Corporation	\$ 378,391	\$ -
InfoChamp Systems Corporation	25,052	7,234
	<u>\$ 403,443</u>	<u>\$ 7,234</u>
	<u>Purchase Price</u> <u>For the Six Months Ended June 30</u>	
<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
China Steel Corporation	\$ 378,391	\$ -
InfoChamp Systems Corporation	25,331	7,234
	<u>\$ 403,722</u>	<u>\$ 7,234</u>

(7) Intangible assets - construction in progress of the operating concession assets

<u>Related Party Name</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
InfoChamp Systems Corporation	\$ 36,910	\$ 38,367	\$ 27,905

(8) Lease arrangements

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

Line Item	Related Party Name	June 30, 2023	December 31, 2022	June 30, 2022
Lease liabilities (Note 6(7))	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC Century Development Corporation	\$ 47,613	\$ 54,462	\$ 61,002
		<u>25,902</u>	<u>56,907</u>	<u>87,341</u>
		<u>\$ 73,515</u>	<u>\$ 111,369</u>	<u>\$ 148,343</u>

(9) Short-term bills payable

The Company 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 6(9)b. to the financial statements for further information.

(10) Long-term debt

The Company has entered into the Tripartite Agreement with the MOTC and Bank of Taiwan. In addition, the Company 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 6(9)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.

(11) The Company was in compliance with government's policies to contribute and utilize the funds of the Stabilization Mechanism Account. Please refer to Note 6(12)b(b) to the financial statements for further information.

(12) Compensation of key management personnel was as follows:

	For the Three Months Ended June 30	
	2023	2022
Short-term employee benefits	\$ 33,087	\$ 19,095
Post-employment benefits	<u>299</u>	<u>316</u>
	<u>\$ 33,386</u>	<u>\$ 19,411</u>
	For the Six Months Ended June 30	
	2023	2022
Short-term employee benefits	\$ 71,936	\$ 42,394
Post-employment benefits	<u>608</u>	<u>590</u>
	<u>\$ 72,544</u>	<u>\$ 42,984</u>

8. PLEDGED ASSETS

<u>Pledged Assets</u>	<u>Purpose of pledge</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other financial assets - current:				
Repurchase agreement collateralized by bonds	Syndicated loan	\$1,453,000	\$1,426,000	\$1,304,000
Time deposits	Guarantee for customs duties	20,000	20,027	-
Time deposits	Guarantee for office lease	15,621	16,278	-
Time deposits	Trust deposit of unearned revenue	-	68,000	68,000
Demand deposits	Trust deposit of unearned revenue	6,922	9,923	684
Demand deposits	Syndicated loan	<u>1,677</u>	<u>1,692</u>	<u>1,890</u>
		<u>1,497,220</u>	<u>1,541,920</u>	<u>1,374,574</u>
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	Trust deposit of unearned revenue	68,000	-	-
Time deposits	Guarantee for customs duties	42,054	62,147	62,110
Time deposits	Guarantee for parking lease	7,000	7,310	7,310
Time deposits	Guarantee for oil purchase	4,120	4,120	4,120
Time deposits	Guarantee for office lease	-	-	16,278
		<u>2,121,174</u>	<u>2,073,577</u>	<u>2,089,818</u>
		<u>\$ 3,618,394</u>	<u>\$ 3,615,497</u>	<u>\$ 3,464,392</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Construction and operation agreement

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

- a. 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.
- b. During the operating period, the Company 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 Company and MOTC engaged independent and professional appraisal firms to appraise the fair value of the superfices returned to the MOTC for \$22,613,234 thousand. The value of the returned superfices 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 Company prepares its financial statements in accordance with IFRSs endorsed by the FSC. Refer to Note 6(11) to the financial statements for the recognition of profit sharing payments as operating concession liabilities.

- c. The Company 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 Company'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 Company'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 Company'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 $\div$ (1 - The statutory tax rate)
- A2 = Net income of \$4.0 billion $\div$ (1 - The statutory tax rate)
- A3 = Net income of \$4.5 billion $\div$ (1 - The statutory tax rate)

- (b) If the Company'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 Company 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 Company 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 Company. 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 Company 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 Company cannot use the funds of the Stabilization Mechanism Account, unless the Company 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 Company 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 Company.
 - iii. According to the C&O Agreement, if the termination is due to the reasons attributable to the Company, 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 Company.

- (e) Starting from 2017, the following year after the mechanism became effective, the Company shall submit to the MOTC an execution report audited by independent auditors, including provision, contribution, accumulated balance of the stabilization reserve, and the utilization and balance of the Stabilization Mechanism Account within one month from the date the shareholders approved the annual financial statements. The Company complied with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 6(12)b. for further information.
- d. 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.
- e. 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.
- f. The Company 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 Company 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, 2023, December 31, 2022 and June 30, 2022, the amount of the aforementioned performance bond remained unchanged at \$2 billion, and was recognized as other financial assets.

(2) As of June 30, 2023, unused letters of credit amounted to JPY 4,037,344 thousand.

(3) Capital expenditures that has been contracted but not incurred.

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Intangible assets	\$ 29,645,598	\$ 4,468,459	\$ 4,474,766

10. SIGNIFICANT DISASTER LOSS

None.

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

For the information on the Company's significant financial assets and liabilities denominated in foreign currencies, please refer to Note 6(21)c. to the financial statements.

12. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

None.

13. SEPARATELY DISCLOSED ITEMS

Except for Notes 6(2)(3) and 6(21) 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 shareholders for Table 3 to the financial statements as attached.

14. SEGMENT INFORMATION

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

TAIWAN HIGH SPEED RAIL CORPORATION

Holding of marketable securities at the end of the period

Six months ended June 30, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

As of June 30, 2023									
Securities held by The Company	Marketable securities	Relationship with the securities issuer	General ledger account	Number (amount) of shares				Footnote	
				Cash and cash equivalents	(thousands)	Book value	Ownership (%)		Fair value
	Wisdom Marine Lines Co., Limited 1st Secured Corporate Bond Issue in 2019	None			\$ 80,000	\$ 80,000	-	\$ 80,000	
"	Taipei City Government Bond 2021-6	"	"		4,000	4,000	-	4,000	
"	Kaohsiung City Government Bond 2021-5	"	"		60,000	60,000	-	60,000	
"	Nan Ya Plastics 2nd Unsecured Corporate Bond-B Issue In 2013	"	"		105,170	105,170	-	105,170	
"	CPC Corporation 1st Unsecured Corporate Bonds-B Issue in 2022	"	"		81,990	81,990	-	81,990	
"	CSC 3rd Unsecured Corporate Bond-B Issue In 2018	"	"		96,000	96,000	-	96,000	
"	Kindom Construction Corp. 1st Secured Corporate Bond Issue In 2018	"	"		100,000	100,000	-	100,000	
"	TAIWAN POWER COMPANY 1ST UNSECURED BOND-A ISSUE IN 2022	"	"		110,000	110,000	-	110,000	
"	TAIWAN POWER COMPANY 3RD UNSECURED BOND-A ISSUE IN 2022	"	"		100,000	100,000	-	100,000	
"	SinoPac Bank 3rd Senior Unsecured Financial Debentures in 2019	"	"		300,000	300,000	-	300,000	
"	Societe Generale Taipei Branch 2nd Senior Unsecured Financial Debenture-Series B Issued in 2019	"	"		30,000	30,000	-	30,000	
"	Societe Generale Taipei Branch 2nd Senior Unsecured Financial Debenture-Series D	"	"		20,600	20,600	-	20,600	

As of June 30, 2023

Securities held by The Company	Marketable securities	Relationship with the securities issuer	General ledger account	Number (amount) of shares		Ownership (%)	Fair value	Footnote
				(thousands)	Book value			
	ETERNAL 2019 1st secured Corporate Bonds.	None	Cash and cash equivalents	\$ 304,000	\$ 304,000	-	\$ 304,000	
"	Far Eastern International Bank 1St Unsecured Senior Financial Debentures Issue in 2019	"	"	277,500	277,510	-	277,510	
"	SCSB 1st Unsecured Bond-A Issued in 2020	"	"	100,000	100,000	-	100,000	
"	Dragon Steel Co., Ltd 1st Unsecured Corporate Bond Issue in 2020	"	"	81,300	81,300	-	81,300	
"	Chung Hung Steel Corporation 1st Unsecured Corporate Bond Issue in 2020	"	"	200,000	200,000	-	200,000	
"	Yuanta Securities Finance Co., Ltd. 2nd Unsecured RADIUM LIFE TECH. CO., LTD 1st Secured Corporate Bond Issued in 2020	"	"	134,400	134,400	-	134,400	
"	TSMC 1st Unsecured Corporate Bond in 2020- Tranche B	"	"	100,000	100,000	-	100,000	
"	Far Eastone Telecommunications Co., Ltd. 2nd Unsecured Domestic Corporate Bond Issue in 2020	"	"	82,840	82,840	-	82,840	
"	Chailease Finance Co., Ltd. 1st Unsecured Bond-A Issued in 2021	"	"	20,000	20,000	-	20,000	
"	VIS 1st Unsecured Corporate Bond in 2021-Tranche A	"	"	342,900	342,900	-	342,900	
"	VIS 1st Unsecured Corporate Bond in 2021-Tranche B	"	"	160,700	160,700	-	160,700	
"	Ycashin Inter. Development Co., Ltd. 3rd Secured Corporate Bond Issue In 2021	"	"	100,000	100,000	-	100,000	
"	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-B Issue In 2021	"	"	5,100	5,100	-	5,100	

As of June 30, 2023

Securities held by The Company	Marketable securities	Relationship with the securities issuer	General ledger account	Number (amount) of shares		Ownership (%)	Fair value	Footnote
				(thousands)				
	CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION 1ST UNSECURED CORPORATE BONDS-A ISSUE IN 2022	None		\$	5,000	\$	5,000	
"	DACIN Construction Co., Ltd. 1st Secured Corporate Bond Issue In 2021	"	"		50,000		50,000	
"	North-Star International Co., LTD. 2nd Secured Corporate Bond Issue in 2022	"	"		100,000		99,999	
"	TAIWAN POWER COMPANY 4TH UNSECURED BOND-D ISSUE IN 2022	"	"		35,000		35,000	
"	TAIWAN POWER COMPANY 5th UNSECURED BOND-C ISSUE IN 2022	"	"		69,800		69,800	
"	2022-1 Secured Corporate Bond-A of Taiwan Mask Corporation	"	"		34,500		34,500	
"	Yeshin Inter. Development Co., Ltd. 1st Secured Corporate Bond Issue In 2022	"	"		90,500		90,500	
"	Sun Ba Power Corporation 1st Secured Corporate Bond Issue in 2022	"	"		467,400		467,397	
"	EXIMBANK 24-9TH UNSECURED FINANCIAL DEBENTURES	"	"		300,000		300,000	
"	Hon Hai Precision Industry Co., Ltd. 2nd Unsecured Corporate Bonds-C Issue in 2020	"	"		65,000		65,000	
"	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bonds-A Issue in 2020	"	"		140,200		140,200	
"	TCC 3rd Unsecured Bond-A Issued in 2022	"	"		100,000		100,000	
"	Taipei Financial Center Corp. 1st Unsecured Corporate Bond Issue in 2023	"	"		110,000		110,000	

Table 1,Page 3

As of June 30, 2023

Securities held by The Company	Marketable securities	Relationship with the securities issuer	General ledger account	Number (amount) of shares (thousands)		Book value	Ownership (%)	Fair value	Footnote
				\$	277,000	\$			
	Formosa Plastics Corporation 1st Unsecured Corporate Bond Issue in 2023	None	Cash and cash equivalents		277,000	\$	-	\$ 277,000	
"	Delta Electronics, Inc. 2nd Unsecured Corporate Bond-A Issue In 2023	"	"	338,000	338,000		-	338,000	
"	DELTA ELECTRONICS, INC. 2nd Unsecured Corporate Bond in 2023-Tranche B	"	"	475,000	475,000		-	475,000	
"	Cathay Financial Holdings Co., Ltd. 1st Unsecured Corporate Bond Issue In 2023	"	"	300,000	300,000		-	300,000	
"	Central Government Bond 2017-4	"	Other financial assets-current	1,365,000	1,453,000		-	1,453,000	

TAIWAN HIGH SPEED RAIL CORPORATION

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Six months ended June 30, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023			Addition			Disposal			Balance as at June 30, 2023		
					Face value/	Units	Amount	Face value/	Units	Amount	Face value/	Units	Amount	Gain (loss) on disposal	Gain (loss) on valuation	Face value/
					(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	\$	\$	(in thousands)
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	-	106,508	-	1,469,000	106,508	-	1,471,779	2,779	-	-
	Agricultural Bank of Taiwan 1st Subordinated Financial Debentures Issue in 2015	Note	-	-	-	-	-	301,500	-	301,500	301,500	-	301,933	433	-	-
	Central Government Bond 2016-11		-	-	1,329,000	1,426,000	2,662,000	2,662,000	2,856,000	2,856,000	2,662,000	2,863,338	7,338	-	1,329,000	1,426,000
	Central Government Bond 2017-4		-	-	-	-	1,365,000	1,365,000	1,453,000	-	-	-	-	-	1,365,000	1,453,000
	Taipei City Government Bond 2021-6		-	-	50,000	50,000	265,000	265,000	265,000	311,000	311,000	311,587	587	-	4,000	4,000
	Kaohsiung City Government Bond 2021-6		-	-	143,400	143,467	300,000	300,000	300,000	443,400	443,400	444,255	788	-	-	-
	SinoPac Bank 3rd Senior Unsecured Financial Debentures in 2019		-	-	-	-	300,000	300,000	300,000	-	-	-	-	-	300,000	300,000
	Eternal Materials Co., Ltd. 1st Secured Corporate Bond Issue in 2019		-	-	-	-	404,000	404,000	404,000	100,000	100,000	100,174	174	-	304,000	304,000
	Shinkong Synthetic Fibers Corporation 1st Secured Corporate Bond Issue In 2020		-	-	103,000	103,000	439,300	439,300	439,298	543,144	542,300	543,144	846	-	-	-
	Vanguard International Semiconductor Corporation 1st Domestic Unsecured Corporate Bond-A Issue in 2021		-	-	267,000	267,000	787,900	787,900	787,900	712,000	712,000	713,246	1,246	-	342,900	342,900
	Vanguard International Semiconductor Corporation 1st Domestic Unsecured Corporate Bond-A Issue in 2022		-	-	-	-	393,000	393,000	393,000	393,775	393,000	393,775	775	-	-	-

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023			Addition			Disposal			Balance as at June 30, 2023		
					Face value/ Units (in thousands)	Amount		Face value/ Units (in thousands)	Amount		Face value/ Units (in thousands)	Amount		Face value/ Units (in thousands)	Amount	
					\$	\$		\$	\$		\$	\$		\$	\$	
☐	Qisda Corporation 1st Secured Corporate Bond Issue In 2022	☐	-	-	110,000	110,000		915,700	915,723		1,027,494	1,025,723	1,771	-	-	-
☐	Sun Ba Power Corporation 1st Secured Corporate Bond Issue In 2022	☐	-	-	90,000	90,000		1,213,400	1,213,582		837,460	836,185	1,275	-	467,400	467,397
☐	EXIMBANK 24-9TH UNSECURED FINANCIAL DEBENTURES	☐	-	-	-	-		300,000	300,000		-	-	-	-	300,000	300,000
☐	Delta Electronics, Inc. 2nd Unsecured Corporate Bond-A Issue In 2023	☐	-	-	-	-		338,000	338,000		-	-	-	-	338,000	338,000
☐	Delta Electronics, Inc. 2nd Unsecured Corporate Bond-B Issue In 2023	☐	-	-	-	-		575,000	575,000		100,178	100,000	178	-	475,000	475,000
☐	Cathay Financial Holdings Co., Ltd. 1st Unsecured Corporate Bond Issue In 2023	☐	-	-	-	-		300,000	300,000		-	-	-	-	300,000	300,000
☐	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A Issue In 2023	☐	-	-	-	-		456,000	456,000		456,834	456,000	834	-	-	-
☐	Far Eastern New Century Corporation 1st Unsecured Corporate Bond-A Issue In 2023	☐	-	-	-	-		330,000	330,000		330,520	330,000	520	-	-	-

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

TAIWAN HIGH SPEED RAIL CORPORATION
Major shareholders information
Six months ended June 30, 2023

Table 3

	Name of major shareholders	Shares	
		Number of shares held	Ownership

MOTC

2,420,000,000

43%

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