TAIWAN HIGH SPEED RAIL CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT

SEPTEMBER 30, 2025 AND 2024

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 sheets of Taiwan High Speed Rail Corporation (the "Company") as at September 30, 2025 and 2024, and the related statements of comprehensive income for the three months and nine months then ended, as well as the statements of changes in equity and of cash flows for the nine months then ended, and notes to the financial statements, including a summary of material 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 reviews 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.

pwc 資誠

Conclusion

Based on our reviews, 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 September 30, 2025 and 2024, and of its financial performance for the three months and nine months then ended and its cash flows for the nine 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.

Yu, Chih-Fan

Yu, Chih-Fan

Chou, Chien-Hung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 5, 2025

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 review 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 review report of independent auditors 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN HIGH SPEED RAIL CORPORATION
BALANCE SHEETS
SEPTEMBER 30, 2025, DECEMBER 31, 2024 AND SEPTEMBER 30, 2024
(Expressed in thousands of New Taiwan dollars)

			September 30, 2025		December 31, 2024		September 30, 2024	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 5,967,878	2	$ 4,287,402	1	$ 11,359,906	3
1139	Financial assets for hedging	6(3)	—	—	—	—	121,394	—
1170	Notes and accounts receivable	6(16)	343,719	—	420,209	—	340,774	—
1220	Current tax assets	4(23)	242,406	—	28,217	—	28,217	—
130X	Inventories	6(4)	2,905,894	1	2,762,472	1	2,950,427	1
1476	Other financial assets	6(5) and 8	10,423,276	3	17,411,330	5	9,826,764	3
1479	Other current assets	7	498,379	—	1,046,915	—	468,826	—
11XX	**Total current assets**		20,381,552	6	25,956,545	7	25,096,308	7
	Non-current assets							
1517	Financial assets at fair value through other comprehensive income	6(2)	75,000	—	—	—	—	—
1600	Property, plant and equipment	6(6)	241,861	—	246,020	—	250,567	—
1755	Right-of-use assets	6(7)	287,233	—	422,585	—	318,223	—
1821	Operating concession assets	6(8) and 7	342,983,236	91	345,659,449	90	347,435,517	91
1801	Computer software, net	6(8)	152,970	—	162,175	—	151,637	—
1840	Deferred tax assets	4(23)	8,092,834	2	8,262,191	2	7,669,093	2
1980	Other financial assets	6(5) and 8	2,165,241	1	2,073,939	1	2,072,139	—
1995	Firm commitment hedging transaction	6(3)	1,390,100	—	1,083,176	—	84,451	—
1990	Other non-current assets	6(3)	9,248	—	5,232	—	34,493	—
15XX	**Total non-current assets**		355,397,723	94	357,914,767	93	358,016,120	93
1XXX	**Total assets**		$ 375,779,275	100	$ 383,871,312	100	$ 383,112,428	100

(Continued)

TAIWAN HIGH SPEED RAIL CORPORATION
BALANCE SHEETS
SEPTEMBER 30, 2025, DECEMBER 31, 2024 AND SEPTEMBER 30, 2024
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	September 30, 2025		December 31, 2024		September 30, 2024	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2110	Short-term notes and bills payable	6(9) and 7	$ 8,829,415	2	$ 10,409,719	3	$ 16,997,917	5
2126	Financial liabilities for hedging	6(3)	204,766	—	380,324	—	—	—
2170	Accounts payable	7	393,915	—	380,686	—	331,317	—
2209	Operating concession liabilities	6(11) and 7	616,818	—	804,112	—	646,298	—
2200	Other payables	6(9)(13)	4,045,291	1	4,793,714	1	4,114,096	1
2211	Payable for construction	7	1,495,283	—	880,820	—	433,236	—
2230	Current tax liabilities	4(23)	—	—	844,972	—	25,866	—
2250	Provisions	6(12) and 7	5,156,278	2	7,160,378	2	5,041,467	1
2320	Current portion of long-term liabilities	6(10)	—	—	3,999,410	1	3,999,116	1
2399	Other current liabilities	6(7)(13)(16) and 7	1,611,168	1	1,725,414	1	1,066,796	—
21XX	**Total current liabilities**		22,352,934	6	31,379,549	8	32,656,109	8
	Non-current liabilities							
2511	Financial liabilities for hedging	6(3)	999,089	—	628,905	—	239,583	—
2530	Bonds payable	6(10)	19,479,885	5	18,481,633	5	18,481,451	5
2541	Long-term debt	6(9), 7 and 8	200,729,761	54	200,327,870	52	200,210,911	52
2550	Provisions	6(12) and 7	10,000,000	3	10,000,000	3	10,000,000	3
2580	Lease liabilities	6(7) and 7	101,707	—	237,674	—	175,731	—
2612	Operating concession liabilities	6(11) and 7	50,173,864	13	50,009,616	13	49,910,080	13
2670	Other non-current liabilities	6(13)	764,833	—	731,077	—	742,778	—
25XX	**Total non-current liabilities**		282,249,139	75	280,416,775	73	279,760,534	73
2XXX	**Total liabilities**		304,602,073	81	311,796,324	81	312,416,643	81
	Equity	6(15)						
	Share capital							
3110	Common stock		56,282,930	15	56,282,930	15	56,282,930	15
	Capital surplus							
3200	Capital surplus		172,981	—	172,981	—	172,981	—
	Retained earnings							
3310	Legal reserve		6,020,050	2	5,372,095	1	5,372,095	2
3350	Unappropriated retained earnings		8,701,241	2	10,246,982	3	8,867,779	2
3XXX	**Total equity**		71,177,202	19	72,074,988	19	70,695,785	19
3X2X	**Total liabilities and equity**		$ 375,779,275	100	$ 383,871,312	100	$ 383,112,428	100

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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Three Months Ended September 30				Nine Months Ended September 30			
			2025		2024		2025		2024	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	$ 13,373,580	100	$ 13,247,645	100	$ 40,108,105	100	$ 39,750,490	100
5000	Operating costs	6(17) and 7	(7,840,071)	(59)	(7,691,032)	(58)	(22,751,471)	(57)	(22,187,220)	(56)
5900	Gross profit		5,533,509	41	5,556,613	42	17,356,634	43	17,563,270	44
6000	Operating expenses	6(17) and 7	(501,264)	(4)	(450,978)	(4)	(1,501,351)	(3)	(1,370,506)	(3)
6900	Net operating income		5,032,245	37	5,105,635	38	15,855,283	40	16,192,764	41
	Non-operating income and expense									
7100	Interest income	6(17)	90,340	1	116,205	1	316,539	1	368,680	1
7510	Interest expense	6(9)(17) and 7	(1,612,422)	(12)	(1,679,867)	(13)	(4,852,644)	(12)	(4,992,518)	(13)
7625	Stabilization reserve expense	6(12)	(1,656,808)	(12)	(1,752,218)	(13)	(5,156,278)	(13)	(5,041,467)	(13)
7590	Other gains and losses	6(17) and 7	45,263	—	(41,477)	—	5,277	—	(64,479)	—
7000	Total non-operating income and expense		(3,133,627)	(23)	(3,357,357)	(25)	(9,687,106)	(24)	(9,729,784)	(25)
7900	**Income before income tax**		1,898,618	14	1,748,278	13	6,168,177	16	6,462,980	16
7950	Income tax expense	6(18)	(375,661)	(3)	(362,991)	(3)	(1,156,255)	(3)	(1,362,636)	(3)
8200	**Net income for the period**		$ 1,522,957	11	$ 1,385,287	10	$ 5,011,922	13	$ 5,100,344	13
8500	**Total comprehensive income for the period**		$ 1,522,957	11	$ 1,385,287	10	$ 5,011,922	13	$ 5,100,344	13
	Basic earnings per share	6(19)								
9750	Basic earnings per share		$ 0.27		$ 0.25		$ 0.89		$ 0.91	
	Diluted earnings per share	6(19)								
9850	Diluted earnings per share		$ 0.27		$ 0.25		$ 0.89		$ 0.91	

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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars)

	Share capital-common stock	Capital surplus	Retained Earnings		Total equity
			Legal reserve	Unappropriated retained earnings	
For the nine months ended September 30, 2025					
Balance at January 1, 2025	$ 56,282,930	$ 172,981	$ 5,372,095	$ 10,246,982	$ 72,074,988
Appropriations of 2024 earnings					
Legal reserve	—	—	647,955	(647,955)	—
Cash dividends of NT$1.05 per share	—	—	—	(5,909,708)	(5,909,708)
	—	—	647,955	(6,557,663)	(5,909,708)
Net income for the period	—	—	—	5,011,922	5,011,922
Total comprehensive income	—	—	—	5,011,922	5,011,922
Balance at September 30, 2025	$ 56,282,930	$ 172,981	$ 6,020,050	$ 8,701,241	$ 71,177,202
For the nine months ended September 30, 2024					
Balance at January 1, 2024	$ 56,282,930	$ 172,981	$ 4,590,376	$ 10,290,013	$ 71,336,300
Appropriations of 2023 earnings					
Legal reserve	—	—	781,719	(781,719)	—
Cash dividends of NT$1.02 per share	—	—	—	(5,740,859)	(5,740,859)
	—	—	781,719	(6,522,578)	(5,740,859)
Net income for the period	—	—	—	5,100,344	5,100,344
Total comprehensive income	—	—	—	5,100,344	5,100,344
Balance at September 30, 2024	$ 56,282,930	$ 172,981	$ 5,372,095	$ 8,867,779	$ 70,695,785

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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars)

	Nine Months Ended September 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,168,177	$ 6,462,980
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	208,452	190,639
Amortization	10,117,493	10,664,440
Interest expense	4,852,644	4,992,518
Interest income	(316,539)	(368,680)
Gain on foreign currency exchange, net	(12,781)	(1,034)
Stabilization reserve expense	5,156,278	5,041,467
Loss on disposal of intangible assets, net	24,960	54,281
Others	10,903	(2,586)
Changes in operating assets and liabilities		
Changes in operating assets		
Notes and accounts receivable	76,490	168,738
Inventories	(143,422)	(298,747)
Other current assets	546,374	540,298
Other non-current assets	(5,603)	(3,389)
Changes in operating liabilities		
Accounts payable	11,565	93,512
Other payables	(790,051)	(174,204)
Provisions	(7,160,378)	(4,371,705)
Other current liabilities	(117,624)	(13,732)
Other non-current liabilities	16,867	7,597
Cash inflow generated from operations	18,643,805	22,982,393
Interest received	318,701	372,535
Interest paid	(3,634,495)	(9,620,307)
Interest paid with respect to operating concession liabilities	(804,112)	(973,782)
Income tax paid	(2,043,503)	(4,696,948)
Net cash flows from operating activities	12,480,396	8,063,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(75,000)	—
Acquisition of financial assets for hedging	(57,349)	(1,164,433)
Proceeds from disposal of financial assets for hedging	57,349	1,203,664
Decrease in other financial assets	6,896,862	8,382,161
Acquisition of property, plant and equipment	(42,129)	(49,935)
Proceeds from disposal of property, plant and equipment	29	—
Acquisition of intangible assets	(6,858,910)	(6,756,402)
Proceeds from disposal of intangible assets	492	141
(Increase) decrease in firm commitment hedging transaction	(124,938)	4,868
Net cash flows (used in) from investing activities	(203,594)	1,620,064
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	—	(48,287)
Decrease in short-term notes and bills payable	(1,575,000)	(4,975,000)
Proceeds from issuance of bonds	1,000,000	—
Repayment of bonds	(4,000,000)	(5,000,000)
Repayment of the principal portion of lease liabilities	(140,380)	(127,362)
Increase (decrease) in other non-current liabilities	14,272	(3,186)
Cash dividends paid	(5,909,708)	(5,740,859)
Net cash flows used in financing activities	(10,610,816)	(15,894,694)
Effects due to changes in exchange rate on the balance of cash held in foreign currency	14,490	1,627
Net increase (decrease) in cash and cash equivalents	1,680,476	(6,209,112)
Cash and cash equivalents at beginning of period	4,287,402	17,569,018
Cash and cash equivalents at end of period	$ 5,967,878	$ 11,359,906

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

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

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 November 5, 2025.

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") that came into effect as endorsed by the Financial Supervisory Commission (FSC)

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
January 1, 2026	Specific provisions of Amendments to IFRS 9 and IFRS 7 "Amendments to the classification and measurement requirements of financial instruments"
January 1, 2025	Amendments to IAS 21 "Lack of exchangeability"

The Company has assessed that the above standards and interpretations have no significant impact on the Company's financial position and financial performance.

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

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
January 1, 2026	Specific provisions of Amendments to IFRS 9 and IFRS 7 “Amendments to the classification and measurement requirements of financial instruments”
January 1, 2026	Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”
January 1, 2026	Annual Improvements to IFRS Accounting Standards - Volume 11
January 1, 2023	IFRS 17 “Insurance Contracts”
January 1, 2023	Amendments to IFRS 17 “Insurance contracts”
January 1, 2023	Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”

The Company has assessed that the above standards and interpretations have no significant impact on the Company's financial position and financial performance.

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

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
To be determined by International Accounting Standards Board	Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”
January 1, 2027	IFRS 18 “Presentation and Disclosure in Financial Statements”
January 1, 2027	IFRS 19 “Subsidiaries without Public Accountability: Disclosures”

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

a. 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.

b. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company only financial statements are disclosed in Note 5.

(3) Classification of current and non-current assets and liabilities

Current assets include 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; cash and cash equivalents (excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date); assets other than current assets are non-current assets. Current liabilities include liability that the Company holds primarily for the purpose of trading; the liability is due to be settled within 12 months after the balance sheet date; or at the balance sheet date, the Company does not have in substance the right to defer settlement of the liability for at least 12 months after the balance sheet date. Liabilities other than current liabilities are non-current liabilities.

(4) Foreign currencies

Foreign currency transactions are recorded in New Taiwan dollars at the rates of transactions. 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. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

(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 instruments

Financial instruments are accounted for on a trade date basis, are initially recognized at fair value and classified in accordance with regulations. Subsequently, financial instruments are measured at fair value at the end of the reporting period. Financial instruments designated as, and qualifying for, effective hedges are accounted for hedge accounting.

(7) Financial assets at fair value through other comprehensive income

The Company elected to recognise the fair value changes of financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading in other comprehensive income (OCI) at initial recognition, and the election is irrevocable.

On a regular way purchase or sale basis, financial assets at fair value through OCI that are recognised and derecognised using trade date accounting. At initial recognition, the Company measures the financial assets at fair value plus transaction costs and subsequently measures the financial assets at fair value, which are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.

Dividends are recognised as profit or loss when the Company’s right to receive payment is established and the amount of the dividend can be measured reliably.

(8) Impairment of financial assets at amortized cost

On a regular way purchase or sale basis, financial assets at amortized cost (including cash and cash equivalents, receivables and other financial assets) are recognized and derecognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Subsequent to initial recognition, financial assets at amortized cost are measured at amortized costs, which equals to the carrying amount determined by the effective interest method less any impairment loss. Foreign 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.

(9) 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.

(10) 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 10 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.

(11) 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.

(12) 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).

(13) 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.

(14) Hedge accounting

The Company designates some hedging instruments (including derivatives financial instruments and non-derivatives financial instruments 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 gain or loss on the hedging instrument shall be recognized in profit or loss. The hedging gain and loss on the hedged item shall adjust the carrying amount of the hedged item and be recognized in profit or loss. When a hedged item is an unrecognized firm commitment (or a component thereof), the subsequent cumulative change in the fair value of the hedged item is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

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 Company has taken the possible impact of climate-related risks into consideration in significant accounting estimates, and estimates and basic assumptions are reviewed on an ongoing basis. If the amendment of estimates only affects the current period, it is recognized in the current period when the accounting estimates is revised. If the amendment of accounting estimates affects both the current and future periods, it is recognized both in the current period and future periods.

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

(1) Stabilization reserve

As of September 30, 2025, December 31, 2024 and September 30, 2024, the Company recognized a provision for stabilization reserve in the amounts of $15,156,278 thousand, $17,160,378 thousand and $15,041,467 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 September 30, 2025, December 31, 2024 and September 30, 2024, the carrying amounts of deferred tax assets in relation to deductible temporary differences were $8,092,834 thousand, $8,262,191 thousand and $7,669,093 thousand, respectively.

6. Details of Significant Accounts

(1) CASH AND CASH EQUIVALENTS

	September 30, 2025	December 31, 2024	September 30, 2024
Cash on hand	$ 166,815	$ 79,566	$ 171,281
Checking accounts	—	—	16
Demand deposits	2,111,063	980,400	858,277
Demand deposits - Stabilization Mechanism Account (Note 6(12))	—	2	—
Time deposits	850,000	567,434	9,170,000
Repurchase agreement collateralized by bonds	2,840,000	2,660,000	1,160,332
	$ 5,967,878	$ 4,287,402	$ 11,359,906

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2025	December 31, 2024	September 30, 2024
Non-current			
Domestic non-listed stocks	$ 75,000	$ —	$ —

The Company has designated certain investments as financial assets measured at fair value through other comprehensive income (FVTOCI), as they are held for medium to long-term strategic purposes.

(3) FINANCIAL ASSETS AND LIABILITIES FOR HEDGING

	September 30, 2025	December 31, 2024	September 30, 2024
Financial assets for hedging - current			
Fair value hedges - forward exchange contracts	$ —	$ —	$ 121,394
Financial liabilities for hedging - current			
Fair value hedges - cross currency swap contracts	$ 197,431	$ 189,638	$ —
Fair value hedges - forward exchange contracts	7,335	190,686	—
	$ 204,766	$ 380,324	$ —

	September 30, 2025	December 31, 2024	September 30, 2024
Financial assets for hedging - non current			
Fair value hedges - cross currency swap contracts	$ —	$ —	$ 28,870.00
Financial liabilities for hedging - non current			
Fair value hedges - forward exchange contracts	$ 999,089	$ 628,905	$ 239,583
Firm commitment hedging transaction			
Adjustments for change in fair value hedges	$ 1,390,100	$ 1,083,176	$ 84,451

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

September 30, 2025	Currency	Maturity Date	Contract Amount (In Thousands)	
Buy forward exchange contracts	NT$/JPY	October 2025- December 2025	JPY	14,151,209
〃	〃	January 2026- December 2026	JPY	36,291,208
〃	〃	January 2027- December 2027	JPY	13,263,027
〃	〃	December 2028	JPY	1,246,385
Buy cross currency swap contracts	NT$/JPY	December 2025	JPY	17,545,724

December 31, 2024	Currency	Maturity Date	Contract Amount (In Thousands)	
Buy forward exchange contracts	NT$/JPY	January 2025- December 2025	JPY	29,473,560
〃	〃	January 2026- December 2026	JPY	36,015,351
〃	〃	January 2027- December 2027	JPY	12,582,050
〃	〃	December 2028	JPY	1,246,385
Buy cross currency swap contracts	NT$/JPY	December 2025	JPY	17,545,724

September 30, 2024	Currency	Maturity Date	Contract Amount (In Thousands)	
Buy forward exchange contracts	NT$/JPY	October 2024- December 2024	JPY	27,441,041
〃	〃	January 2025- October 2025	JPY	786,666
〃	〃	September 2026- December 2026	JPY	34,433,214
〃	〃	December 2027	JPY	11,420,197
〃	〃	December 2028	JPY	1,246,385
Buy cross currency swap contracts	NT$/JPY	December 2025	JPY	17,545,724

(4) INVENTORIES

	September 30, 2025	December 31, 2024	September 30, 2024
Spare parts and supplies	$ 2,876,805	$ 2,734,114	$ 2,927,671
Merchandise	29,089	28,358	22,756
	$ 2,905,894	$ 2,762,472	$ 2,950,427

As of September 30, 2025, December 31, 2024 and September 30, 2024, allowance for inventory valuation losses amounted to $607,865 thousand, $577,966 thousand and $575,572 thousand, respectively.

(5) OTHER FINANCIAL ASSETS

	September 30, 2025	December 31, 2024	September 30, 2024
Time deposits	$ 11,300,166	$ 18,230,668	$ 10,624,528
Repurchase agreement collateralized by bonds	1,264,000	1,230,000	1,253,600
Demand deposits	18,066	18,543	14,717
Other performance guarantee	6,285	6,058	6,058
	$ 12,588,517	$ 19,485,269	$ 11,898,903
Current	$ 10,423,276	$ 17,411,330	$ 9,826,764
Non-current	2,165,241	2,073,939	2,072,139
	$ 12,588,517	$ 19,485,269	$ 11,898,903

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.

c. As of September 30, 2025, the Company has no performance guarantee due to forward exchange and cross currency swap contracts.

(6) PROPERTY, PLANT AND EQUIPMENT

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2025	$ 28	$ 522,421	$ —	$ 126,561	$ 144,039	$ 319,949	$ 1,112,998
Additions	—	25,522	—	5,157	—	11,451	42,130
Disposals	—	—	—	(1,892)	—	(3,193)	(5,085)
Transfer	—	18,992	—	(5)	—	61	19,048
Balance at September 30, 2025	28	566,935	—	129,821	144,039	328,268	1,169,091
Accumulated depreciation							
Balance at January 1, 2025	—	383,719	—	114,287	88,760	280,212	866,978
Depreciation	—	46,848	—	3,631	4,728	10,101	65,308
Disposals	—	—	—	(1,863)	—	(3,193)	(5,056)
Transfer	—	—	—	(61)	—	61	—
Balance at September 30, 2025	—	430,567	—	115,994	93,488	287,181	927,230
	$ 28	$ 136,368	$ —	$ 13,827	$ 50,551	$ 41,087	$ 241,861

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2024	$ 28	$ 483,308	$ 44	$ 126,368	$ 122,889	$ 310,443	$ 1,043,080
Additions	—	20,970	—	2,640	21,150	5,176	49,936
Disposals	—	—	(44)	(2,992)	—	(963)	(3,999)
Transfer	—	4,362	—	(300)	—	4,750	8,812
Balance at September 30, 2024	28	508,640	—	125,716	144,039	319,406	1,097,829
Accumulated depreciation							
Balance at January 1, 2024	—	327,220	44	113,747	82,474	267,964	791,449
Depreciation	—	41,971	—	3,529	4,710	9,902	60,112
Disposals	—	—	(44)	(2,992)	—	(963)	(3,999)
Transfer	—	—	—	(300)	—	—	(300)
Balance at September 30, 2024	—	369,191	—	113,984	87,184	276,903	847,262
	$ 28	$ 139,449	$ —	$ 11,732	$ 56,855	$ 42,503	$ 250,567

(7) LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2025	$ 694,595	$ 496,973	$ 118,978	$ 4,146	$ 1,314,692
Additions	3,453	—	—	4,339	7,792
Disposals	—	—	—	(1,600)	(1,600)
Balance at September 30, 2025	698,048	496,973	118,978	6,885	1,320,884
Accumulated depreciation					
Balance at January 1, 2025	513,320	368,887	7,381	2,519	892,107
Depreciation	66,216	46,111	29,097	1,720	143,144
Disposals	—	—	—	(1,600)	(1,600)
Balance at September 30, 2025	579,536	414,998	36,478	2,639	1,033,651
	$ 118,512	$ 81,975	$ 82,500	$ 4,246	$ 287,233
Cost					
Balance at January 1, 2024	$ 660,312	$ 496,973	$ 96,482	$ 4,146	$ 1,257,913
Additions	1,240	—	—	—	1,240
Disposals	(958)	—	—	—	(958)
Balance at September 30, 2024	660,594	496,973	96,482	4,146	1,258,195
Accumulated depreciation					
Balance at January 1, 2024	426,527	307,406	75,146	1,324	810,403
Depreciation	65,393	46,111	18,126	897	130,527
Disposals	(958)	—	—	—	(958)
Balance at September 30, 2024	490,962	353,517	93,272	2,221	939,972
	$ 169,632	$ 143,456	$ 3,210	$ 1,925	$ 318,223

b. Lease liabilities

	September 30, 2025	December 31, 2024	September 30, 2024
Buildings	$ 120,195	$ 183,332	$ 171,108
Machinery and equipment	83,223	126,868	141,353
Transportation equipment	83,218	111,781	3,239
Other equipment	4,502	1,746	2,036
	291,138	423,727	317,736
Less: Recognized as current lease liabilities	(189,431)	(186,053)	(142,005)
Lease liabilities - non-current	$ 101,707	$ 237,674	$ 175,731

Range of discount rate for lease liabilities was as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Buildings	0.87%~1.93%	0.87%~1.90%	0.45%~1.69%
Machinery and equipment	0.87%	0.87%	0.87%
Transportation equipment	1.47%~1.92%	1.47%~1.92%	0.68%~1.47%
Other equipment	1.69%~1.90%	1.68%~1.69%	1.68%~1.69%

c. Material lease terms

The Company leased an office building from Century Development Company with the lease term from January 2018 to December 2026.

The Company leased a parking lot for rental business in Zuoying Station from the State-owned Taiwan Railway Corporation, Ltd. with the lease term from January 2017 to January 2027.

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

d. Other lease information

	For the Three Months Ended September 30	
	2025	2024
Expenses relating to short-term leases	$ 137	$ 104
Total cash outflows for leases	$ (48,327)	$ (43,756)

	For the Nine Months Ended September 30	
	2025	2024
Expenses relating to short-term leases	$ 3,431	$ 1,551
Total cash outflows for leases	$ (147,871)	$ (132,491)

The Company leases certain spaces, 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
Cost							
Balance at January 1, 2025	$ 481,799,721	$69,972,043	$ 12,701,819	$ 11,169,937	$ 575,643,520	$ 770,211	$ 576,413,731
Additions	481,517	—	—	6,993,293	7,474,810	11,518	7,486,328
Disposals	(410,729)	—	—	—	(410,729)	—	(410,729)
Transfer	1,665,137	—	—	(1,727,551)	(62,414)	32,027	(30,387)
Balance at September 30, 2025	483,535,646	69,972,043	12,701,819	16,435,679	582,645,187	813,756	583,458,943
Accumulated amortization							
Balance at January 1, 2025	205,530,627	22,226,109	2,227,335	—	229,984,071	608,036	230,592,107
Amortization	9,059,358	823,205	180,594	—	10,063,157	52,750	10,115,907
Disposals	(385,277)	—	—	—	(385,277)	—	(385,277)
Balance at September 30, 2025	214,204,708	23,049,314	2,407,929	—	239,661,951	660,786	240,322,737
	$ 269,330,938	$46,922,729	$ 10,293,890	$ 16,435,679	$ 342,983,236	$ 152,970	$ 343,136,206

	Operating Concession Assets						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	Total
Cost							
Balance at January 1, 2024	$ 482,889,987	$69,972,043	$ 12,701,819	$ 4,846,815	$ 570,410,664	$ 692,475	$ 571,103,139
Additions	799,557	—	—	5,350,071	6,149,628	22,892	6,172,520
Disposals	(581,127)	—	—	—	(581,127)	—	(581,127)
Transfer	138,345	—	—	(175,087)	(36,742)	27,324	(9,418)
Balance at September 30, 2024	483,246,762	69,972,043	12,701,819	10,021,799	575,942,423	742,691	576,685,114
Accumulated amortization							
Balance at January 1, 2024	195,301,994	21,128,501	1,986,542	—	218,417,037	543,979	218,961,016
Amortization	9,612,473	823,206	180,595	—	10,616,274	47,075	10,663,349
Disposals	(526,705)	—	—	—	(526,705)	—	(526,705)
Transfer	300	—	—	—	300	—	300
Balance at September 30, 2024	204,388,062	21,951,707	2,167,137	—	228,506,906	591,054	229,097,960
	$ 278,858,700	$48,020,336	$ 10,534,682	$ 10,021,799	$ 347,435,517	$ 151,637	$ 347,587,154

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

	September 30, 2025	December 31, 2024	September 30, 2024
Operating assets, net			
Land improvements	$ 145,764,938	$ 148,367,179	$ 149,236,577
Buildings	24,506,297	24,914,196	25,039,989
Machinery and equipment	21,015,270	20,991,013	20,934,730
Transportation equipment	78,038,896	81,989,424	83,642,430
Other equipment	5,537	7,282	4,974
	$ 269,330,938	$ 276,269,094	$ 278,858,700
Construction in progress	$ 16,435,679	$ 11,169,937	$ 10,021,799

c. Capitalization of interest amount and range of the interest rates:

	For the Three Months Ended September 30	
	2025	2024
Capitalization of interest amount	$ 66,030	$ 33,058
Range of the interest rates for capitalization	2.37%~2.39%	2.28%~2.32%

	For the Nine Months Ended September 30	
	2025	2024
Capitalization of interest amount	$ 164,734	$ 76,198
Range of the interest rates for capitalization	2.32%~2.50%	2.17%~2.32%

d. 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 superficies from the MOTC on the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the 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 September 30, 2025, the superficies encompasses northern area to southern area of Taiwan, from Land Lot No. 1042-0001 of Tongxing Section, Xizhi District, New Taipei City located in the north to Land Lot No. 0419-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located in the south. The term of such acquired superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

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

a. Short-term notes and bills payable

	September 30, 2025	December 31, 2024	September 30, 2024
Short-term bills payable	$ 8,850,000	$ 10,425,000	$ 17,025,000
Less: Discount on short-term bills payable	(20,585)	(15,281)	(27,083)
	$ 8,829,415	$ 10,409,719	$ 16,997,917

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	Contract Period
International Bills Finance Corporation	2025.9.12-2025.12.11	$ 5,000,000	$ (2,139)	$ 4,997,861	1.75%	2021.7.19-2026.7.18
International Bills Finance Corporation	2025.7.24-2025.10.16	2,500,000	(17,291)	2,482,709	1.95%	2022.5.3-2027.5.2
Mega Bills Finance Corporation	2025.7.24-2025.10.16	600,000	(514)	599,486	1.95%	2022.5.3-2027.5.2
China Bills Finance Corporation	2025.7.24-2025.10.16	750,000	(641)	749,359	1.95%	2022.5.3-2027.5.2
		$ 8,850,000	$ (20,585)	$ 8,829,415		

b. Long-term debt

	September 30, 2025	December 31, 2024	September 30, 2024
Syndicated loan			
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	$ 91,200,000	$ 91,200,000	$ 91,200,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	116,505,117	116,505,117	116,505,117
	207,705,117	207,705,117	207,705,117
Less: Discount on long-term debt	(6,975,356)	(7,377,247)	(7,494,206)
	$ 200,729,761	$ 200,327,870	$ 200,210,911

(A) Syndicated loan

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 a corporate bond guarantee facility, and Tranche B is a 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

	Repayment Schedule	Ratio of Repayment	Repayment Schedule after Early Repayment	Number of Semi-annual Installment Repayment after Early Repayment
Tranche A1 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	May 4, 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		

	Repayment Schedule	Ratio of Repayment	Repayment Schedule after Early Repayment	Number of Semi-annual Installment Repayment after Early Repayment
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		

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.) and mark-up interest rate, the interest rates are as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Reference rate	1.69%	1.69%	1.69%
Mark-up interest rate	0.45%	0.45%	0.45%

On December 21, 2023, the Company signed the sixth amendment of the Syndicated Loan Agreement (the “Agreement”) with the syndicated banks. In accordance with the provisions of the Agreement, the Company pays a one-time compensation of interest difference on original ramp-up markup interests of $5,766,731 thousand to the syndicated banks on January 2, 2024.

In each year of the credit period, on the next interest payment date after the annual financial statements audited by the independent auditor is provided to the management bank, the applicable mark-up annual interest rate will be adjusted as shown in the table below.

Pre-Tax Income Margin(X)	Mark-up interest rate
X<0%	0.65%
0%≦X<10%	0.55%
10%≦X	0.45%

Pre-Tax Income Margin(X) = Income before income tax ÷ operating revenue listed in the annual financial audit report.

(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. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

i. Effective interest rates

	September 30, 2025	December 31, 2024	September 30, 2024
Tranche A1 Facility	2.57%	2.57%	2.57%
Tranche A2 Facility	2.59%	2.59%	2.59%

ii. Accrued interest expense (included as other payables)

	September 30, 2025	December 31, 2024	September 30, 2024
Syndicated loan			
Tranche A1 Facility	$ 168,463	$ 174,078	$ 168,462
Tranche A2 Facility	215,206	222,379	215,206
	$ 383,669	$ 396,457	$ 383,668

iii. Interest expense

	For the Three Months Ended September 30	
	2025	2024
Syndicated loan		
Interest expense	$ 1,306,060	$ 1,292,804

	For the Nine Months Ended September 30	
	2025	2024
Syndicated loan		
Interest expense	$ 3,893,273	$ 3,803,934

(B) Long-term unsecured loans

The Company obtained a credit line from First Commercial Bank, Bank of Taiwan, Hua Nan Commercial Bank, Mega International Commercial Bank, and the Taiwan Cooperative Bank. The credit period is 5 years. This credit loan includes forward foreign letters of credit receivable and long-term unsecured loans. As of September 30, 2025, December 31, 2024 and September 30, 2024, the unused credit lines of long-term loans were as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Floating rate			
Unused credit facilities	$ 17,824,910	$ 16,074,619	$ 15,719,496

(10) BONDS PAYABLE

	September 30, 2025	December 31, 2024	September 30, 2024
Domestic unsecured bond	$ 19,500,000	$ 22,500,000	$ 22,500,000
Less: Unamortized issuance cost	(20,115)	(18,956)	(19,433)
	19,479,885	22,481,044	22,480,567
Less: Bond payable-current portion	—	(3,999,411)	(3,999,116)
	$ 19,479,885	$ 18,481,633	$ 18,481,451

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

Bonds Name	Trustee	Issuance Period	Total Amount	Coupon Rate	Unamortized Repayment
Domestic Unsecured Bonds-2019-1	Taishin International Bank	November 14, 2019 - November 14, 2049	$ 8,000,000	1.60%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2020-1	Taishin International Bank	July 1, 2020 - July 1, 2050	10,500,000	1.30%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2025-1	Taishin International Bank	September 30, 2025 - September 30, 2029	1,000,000	1.55%	Bullet repayment and Annual simple interest payment

(11) OPERATING CONCESSION LIABILITIES

	September 30, 2025	December 31, 2024	September 30, 2024
Operating concession liabilities	$ 71,486,980	$ 71,204,995	$ 70,847,141
Value of returned superficies for offset of profit sharing payable	(20,696,298)	(20,391,267)	(20,290,763)
	$ 50,790,682	$ 50,813,728	$ 50,556,378
Current	$ 616,818	$ 804,112	$ 646,298
Non-Current	50,173,864	50,009,616	49,910,080
	$ 50,790,682	$ 50,813,728	$ 50,556,378

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:

Year	Amortization Expense	Interest Expense	Total
Up to December 31, 2024	$ 22,226,109	$ 27,633,297	$ 49,859,406
Nine months ended September 30, 2025	823,205	1,086,097	1,909,302
	23,049,314	28,719,394	51,768,708
Three months ending December 31, 2025 (estimate)	274,403	366,010	640,413
2026 (estimate)	1,097,608	1,481,149	2,578,757
2027 (estimate)	1,097,608	1,510,772	2,608,380
2028 (estimate)	1,097,608	1,080,987	2,178,595
2029 (estimate)	1,097,608	1,102,607	2,200,215
2030-2033 (estimate)	4,390,434	3,767,038	8,157,472
2034-2068 (estimate)	37,867,460	—	37,867,460
	46,922,729	9,308,563	56,231,292
	$ 69,972,043	$ 38,027,957	$ 108,000,000

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the 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:

Year	Other Gain	Deduction of Interest Expense	Total
Up to December 31, 2024	$ 22,613,234	$ 4,033,799	$ 26,647,033
Nine months ended September 30, 2025	—	305,031	305,031
	22,613,234	4,338,830	26,952,064
Three months ending December 31, 2025 (estimate)	—	102,794	102,794
2026 (estimate)	—	415,982	415,982
2027 (estimate)	—	424,301	424,301
2028 (estimate)	—	302,385	302,385
2029 (estimate)	—	308,433	308,433
2030-2033 (estimate)	—	1,278,896	1,278,896
	$ 22,613,234	$ 7,171,621	$ 29,784,855

As of September 30, 2025, the Company’s accumulated profit sharing payments paid to the MOTC amounted to $20,948,691 thousand (or accumulated profit sharing payments for $27,204,457 thousand less the deductible amount of returned superficies for $6,255,766 thousand).

(12) <u>PROVISIONS</u>

a. Provisions

		September 30, 2025		December 31, 2024		September 30, 2024
<u>Current</u>						
Provision for stabilization reserve	$	5,156,278	$	7,160,378	$	5,041,467
<u>Non-current</u>						
Provision for stabilization reserve	$	10,000,000	$	10,000,000	$	10,000,000

b. Movements in provisions were as follows:

		Balance at January 1, 2025		Addition		Used		September 30, 2025
<u>Current</u>								
Provision for stabilization reserve	$	7,160,378	$	5,156,278	$	(7,160,378)	$	5,156,278
<u>Non-current</u>								
Provision for stabilization reserve	$	10,000,000	$	—	$	—	$	10,000,000

		Balance at January 1, 2024		Addition		Used		September 30, 2024
<u>Current</u>								
Provision for stabilization reserve	$	4,371,701	$	5,041,471	$	(4,371,705)	$	5,041,467
<u>Non-current</u>								
Provision for stabilization reserve	$	10,000,000	$	—	$	—	$	10,000,000

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 nine months ended September 30, 2025 and 2024, the provision for the stabilization reserve expenses amounted to $5,156,278 thousand and $5,041,467 thousand, respectively.

In August 2025, the Company contributed $7,160,378 thousand to the Stabilization Mechanism Account. In August 2025, disbursements were made in accordance with the C&O agreement.

In September 2024, the Company contributed $4,371,705 thousand to the Stabilization Mechanism Account. In September 2024, disbursements were made in accordance with the C&O agreement.

As of September 30, 2025, balance of the stabilization reserve account was $15,156,278 thousand and the bank balance of stabilization mechanism account was $0.

(13) OTHER LIABILITIES

	September 30, 2025	December 31, 2024	September 30, 2024
Other payables			
Accrued expenses	$ 3,307,002	$ 3,955,739	$ 3,383,927
Accrued interest expense (Note 6(9)b.)	529,919	488,396	533,453
Business tax payable	177,812	307,805	159,009
Others	30,558	41,774	37,707
	$ 4,045,291	$ 4,793,714	$ 4,114,096
Other current liabilities			
Contract liabilities (Note 6(16))	$ 1,365,589	$ 1,478,300	$ 865,705
Lease liabilities (Note 6(7))	189,431	186,053	142,005
Receipts under custody	44,504	38,948	38,823
Rent received in advance	4,663	7,897	16,111
Others	6,981	14,216	4,152
	$ 1,611,168	$ 1,725,414	$ 1,066,796
Other non-current liabilities			
Guarantee deposits received	$ 440,877	$ 426,545	$ 405,445
Net defined benefit liabilities	234,565	241,737	276,515
Deferred revenue	86,326	62,287	60,312
Deferred tax liabilities	3,065	508	506
	$ 764,833	$ 731,077	$ 742,778

(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, 2026 is $23,786 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

	September 30, 2025	December 31, 2024	September 30, 2024
Number of shares authorized (in thousands)	12,000,000	12,000,000	12,000,000
Shares authorized	$ 120,000,000	$ 120,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293	5,628,293
Share capital issued and outstanding	$ 56,282,930	$ 56,282,930	$ 56,282,930

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

	September 30, 2025	December 31, 2024	September 30, 2024
Additional paid-in capital	$ 171,885	$ 171,885	$ 171,885
Forfeited employee share options	1,096	1,096	1,096
	$ 172,981	$ 172,981	$ 172,981

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 or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that 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 of Incorporation, after the resolution of the Board of Directors to distribute employees' compensation and directors' remuneration, 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 directors' remuneration, please refer to Note 6(17)a. to the financial statements.

The appropriations of earnings for 2024 and 2023 approved in the shareholders' meetings on May 22, 2025 and May 23, 2024, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2024	For Fiscal Year 2023	For Fiscal Year 2024	For Fiscal Year 2023
Legal reserve	$ 647,955	$ 781,719		
Cash dividends	5,909,708	5,740,859	$ 1.05	$ 1.02
	$ 6,557,663	$ 6,522,578		

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

(16) REVENUE

	For the Three Months Ended September 30	
	2025	2024
Revenue from contracts with customers		
Railroad transportation revenue	$ 12,898,047	$ 12,748,217
Other operating revenue	475,533	499,428
	$ 13,373,580	$ 13,247,645

	For the Nine Months Ended September 30	
	2025	2024
Revenue from contracts with customers		
Railroad transportation revenue	$ 38,677,308	$ 38,303,813
Other operating revenue	1,430,797	1,446,677
	$ 40,108,105	$ 39,750,490

a. Contract balances

	September 30, 2025	December 31, 2024	September 30, 2024	January 1, 2024
Notes and accounts receivable	$ 343,719	$ 420,209	$ 340,774	$ 509,512
Contract liabilities				
Railroad transportation revenue	$ 1,141,820	$ 1,321,876	$ 673,297	$ 784,530
Customer loyalty program	198,899	137,725	170,639	103,394
Others	24,870	18,699	21,769	13,991
	$ 1,365,589	$ 1,478,300	$ 865,705	$ 901,915

As of September 30, 2025, December 31, 2024 and September 30, 2024, 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 September 30	
	2025	2024
From the beginning balance of contract liability		
Railroad transportation revenue	$ 1,535	$ 1,039
Customer loyalty program	36,188	17,859
Others	696	256
	$ 38,419	$ 19,154

	For the Nine Months Ended September 30	
	2025	2024
From the beginning balance of contract liability		
Railroad transportation revenue	$ 1,311,312	$ 777,889
Customer loyalty program	66,824	51,942
Others	16,863	12,657
	$ 1,394,999	$ 842,488

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) <u>INCOME BEFORE INCOME TAX</u>

a. Employee benefit expense

	For the Three Months Ended September 30	
	2025	2024
Post-employment benefits		
Defined contribution plan	$ 63,639	$ 58,600
Defined benefit plan	4,804	4,519
	68,443	63,119
Short-term employee benefits		
Payroll	1,513,528	1,487,960
Insurance	117,082	107,130
Others	78,421	56,479
	1,709,031	1,651,569
	$ 1,777,474	$ 1,714,688
An analysis of employee benefit expense by function		
Operating costs	$ 1,449,473	$ 1,403,514
Operating expenses	328,001	311,174
	$ 1,777,474	$ 1,714,688

	For the Nine Months Ended September 30	
	2025	2024
Post-employment benefits		
Defined contribution plan	$ 184,010	$ 167,549
Defined benefit plan	13,002	24,590
	197,012	192,139
Short-term employee benefits		
Payroll	4,503,424	4,455,877
Insurance	378,154	342,563
Others	222,266	169,650
	5,103,844	4,968,090
	$ 5,300,856	$ 5,160,229
An analysis of employee benefit expense by function		
Operating costs	$ 4,290,696	$ 4,187,397
Operating expenses	1,010,160	972,832
	$ 5,300,856	$ 5,160,229

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 directors’ remuneration at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. Furthermore, no less than 35% of the aforementioned employees’ compensation shall be distributed to non-executive employees. The employees’ compensation and directors’ remuneration of the Company were calculated based on income before income tax (net of the employees' compensation and directors' remuneration) according to the above policy.

For the three months and nine months ended September 30, 2025, the estimated employees' compensation in cash was $38,946 thousand and $126,527 thousand, respectively, and the estimated directors' remuneration in cash was $9,737 thousand and $31,632 thousand, respectively. For the three months and nine months ended September 30, 2024, the estimated employees' compensation in cash was $35,862 thousand and $132,574 thousand, respectively, and the estimated directors' remuneration in cash was $8,965 thousand and $33,143 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 and 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 $164,946 thousand and the directors' remuneration of $41,237 thousand for the year ended December 31, 2024 payable in cash on January 15, 2025 which were the same amounts recognized in the financial statements for the year ended December 31, 2024.

The Board of Directors had resolved the employees' compensation of $199,750 thousand and the directors' remuneration of $49,938 thousand for the year ended December 31, 2023 payable in cash on January 17, 2024 which were the same amounts recognized in the financial statements for the year ended December 31, 2023.

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

b. Depreciation and amortization

	For the Three Months Ended September 30	
	2025	2024
Property, plant and equipment	$ 23,219	$ 20,474
Right-of-use assets	47,738	43,511
Intangible assets	3,385,379	3,553,818
Other non-current assets	652	391
	$ 3,456,988	$ 3,618,194
An analysis of depreciation by function		
Operating costs	$ 61,216	$ 55,595
Operating expenses	9,741	8,390
	$ 70,957	$ 63,985

	For the Three Months Ended September 30	
	2025	2024
An analysis of amortization by function		
Operating costs	$ 3,382,655	$ 3,550,763
Operating expenses	3,376	3,446
	$ 3,386,031	$ 3,554,209

	For the Nine Months Ended September 30	
	2025	2024
Property, plant and equipment	$ 65,308	$ 60,112
Right-of-use assets	143,144	130,527
Intangible assets	10,115,907	10,663,349
Other non-current assets	1,586	1,091
	$ 10,325,945	$ 10,855,079
An analysis of depreciation by function		
Operating costs	$ 179,381	$ 165,036
Operating expenses	29,071	25,603
	$ 208,452	$ 190,639
An analysis of amortization by function		
Operating costs	$ 10,106,489	$ 10,654,349
Operating expenses	11,004	10,091
	$ 10,117,493	$ 10,664,440

c. Interest income

	For the Three Months Ended September 30	
	2025	2024
Interest income of bank deposits	$ 69,801	$ 105,286
Interest income of repurchase agreement collateralized by bonds	14,055	10,903
Others	6,484	16
	$ 90,340	$ 116,205

	For the Nine Months Ended September 30	
	2025	2024
Interest income of bank deposits	$ 273,188	$ 330,201
Interest income of repurchase agreement collateralized by bonds	35,829	38,434
Others	7,522	45
	$ 316,539	$ 368,680

d. Interest expense

	For the Three Months Ended September 30	
	2025	2024
Interest on bank loans	$ 1,306,060	$ 1,292,805
Interest on operating concession liabilities	263,217	257,350
Interest on bonds payable	66,889	71,253
Interest on short-term notes and bills payable	41,089	90,367
Others	1,197	1,150
	1,678,452	1,712,925
Less: Capitalization amount of qualifying assets	(66,030)	(33,058)
	$ 1,612,422	$ 1,679,867

	For the Nine Months Ended September 30	
	2025	2024
Interest on bank loans	$ 3,893,273	$ 3,804,586
Interest on operating concession liabilities	781,066	766,455
Interest on bonds payable	205,948	219,738
Interest on short-term notes and bills payable	132,899	271,709
Others	4,192	6,228
	5,017,378	5,068,716
Less: Capitalization amount of qualifying assets	(164,734)	(76,198)
	$ 4,852,644	$ 4,992,518

e. Other gains and losses

	For the Three Months Ended September 30	
	2025	2024
Compensation gain	$ 59,190	$ 572
Liquidated damages income	11,848	1,982
Foreign exchange (loss) gain, net	(8,766)	8
Loss on disposal of intangible assets, net	(4,720)	(27,575)
Financial expenses	(23,870)	(24,120)
Others	11,581	7,656
	$ 45,263	$ (41,477)

	For the Nine Months Ended September 30	
	2025	2024
Compensation gain	$ 59,364	$ 5,908
Liquidated damages income	19,612	13,888
Foreign exchange gain, net	2,654	27,152
Loss on disposal of intangible assets, net	(24,960)	(54,281)
Financial expenses	(71,917)	(72,118)
Others	20,524	14,972
	$ 5,277	$ (64,479)

(18) INCOME TAXES

a. Income tax recognized in profit

	For the Three Months Ended September 30	
	2025	2024
Current tax		
Current tax on profits for the period	$ (602,414)	$ (54,608)
Income tax on unappropriated earnings	—	—
Prior year income tax adjustment	—	—
Deferred tax		
Current tax on profits for the period	978,075	417,599
Income tax expense	$ 375,661	$ 362,991

	For the Nine Months Ended September 30	
	2025	2024
Current tax		
Current tax on profits for the period	$ 1,048,522	$ 1,609,310
Income tax on unappropriated earnings	—	64,730
Prior year income tax adjustment	(64,181)	(43,990)
Deferred tax		
Current tax on profits for the period	171,914	(267,414)
Income tax expense	$ 1,156,255	$ 1,362,636

b. Income tax assessments

The tax authorities have assessed the tax returns through 2021.

(19) EARNINGS PER SHARE

	For the Three Months Ended September 30	
	2025	2024
Basic (Diluted) earnings per share (NT$)	$ 0.27	$ 0.25

	For the Nine Months Ended September 30	
	2025	2024
Basic (Diluted) earnings per share (NT$)	$ 0.89	$ 0.91

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

	For the Three Months Ended September 30	
	2025	2024
Earnings attributable to common shareholders	$ 1,522,957	$ 1,385,287
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

	For the Nine Months Ended September 30	
	2025	2024
Earnings attributable to common shareholders	$ 5,011,922	$ 5,100,344
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

	September 30, 2025	December 31, 2024	September 30, 2024
Financial assets			
Financial assets at FVTOCI	$ 75,000	$ —	$ —
Financial assets for hedging	—	—	150,264
Financial assets at amortized cost			
Other financial assets	12,588,517	19,485,269	11,898,903
Others (Note 1)	6,339,443	4,748,660	11,726,328
Financial liabilities			
Financial liabilities for hedging	1,203,855	1,009,229	239,583
Financial liabilities at amortized cost (Note 2)	284,105,804	287,776,891	293,246,062

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:

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

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

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

September 30, 2025	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic non-listed stocks	$ —	$ —	$ 75,000	$ 75,000
Financial liabilities for hedging				
Forward exchange contracts	$ —	$ 1,006,424	$ —	$ 1,006,424
Cross currency swap contracts	—	197,431	—	197,431
	$ —	$ 1,203,855	$ —	$ 1,203,855

December 31, 2024	Level 1	Level 2	Level 3	Total
Financial liabilities for hedging				
Forward exchange contracts	$ —	$ 819,591	$ —	$ 819,591
Cross currency swap contracts	—	189,638	—	189,638
	$ —	$ 1,009,229	$ —	$ 1,009,229

September 30, 2024	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Forward exchange contracts	$ —	$ 121,394	$ —	$ 121,394
Cross currency swap contracts	—	28,870	—	28,870
	$ —	$ 150,264	$ —	$ 150,264
Financial liabilities at FVTPL				
Forward exchange contracts	$ —	$ 239,583	$ —	$ 239,583

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2025 and 2024.

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

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

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

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

(c) The fair value of domestic unlisted stocks investments is measured using the income approach based on discounted cash flows, and the present value of the expected income from holding the investment is used for fair value measurement. Significant unobservable inputs in Level 3 fair value measurements include discount for marketability, discount for lack of control, and discount rate. As the discount for marketability, discount for lack of control, and discount rate decrease, the fair value of the investments will increase.

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

(a) 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 derivative financial instruments 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 regularly evaluates the effectiveness of the hedge. If hedge accounting is applicable, financial assets and liabilities that are hedged are shown in Note 6(3).

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

	September 30, 2025		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 11	30.45	$ 335
JPY	263,737	0.21	54,277
Financial liabilities			
Monetary items			
JPY	194,171	0.21	39,960

	December 31, 2024		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 49	32.79	$ 1,606
JPY	272,770	0.21	57,254
Financial liabilities			
Monetary items			
JPY	395,852	0.21	83,089

	September 30, 2024			
	Foreign Currencies	Exchange Rate		New Taiwan Dollars
Financial assets				
Monetary items				
USD	$ 67	31.65	$	2,121
JPY	140,675	0.22		31,272
Financial liabilities				
Monetary items				
JPY	168,716	0.22		37,506

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 exchange rate of the US dollar against the New Taiwan dollar changes by 1% unfavorably, income before income tax would have decreased by $3 thousand and $21 thousand for the nine months ended September 30, 2025 and 2024, respectively. If the exchange rate of the JPY against the New Taiwan dollar changes by 1% unfavorably, the income before income tax would have decreased by $143 thousand and $62 thousand for the nine months ended September 30, 2025 and 2024, respectively.

The significant unrealized exchange gain and loss were as follows:

	For the Three Months Ended September 30			
	2025		2024	
Foreign Currency	Exchange Rate	Exchange Loss, Net	Exchange Rate	Exchange Gain (Loss), Net
USD	30.45	$ (2,079)	31.65	$ (54)
JPY	0.21	(1,928)	0.22	4,084

	For the Nine Months Ended September 30			
	2025		2024	
Foreign Currency	Exchange Rate	Exchange Gain (Loss), Net	Exchange Rate	Exchange Gain, Net
USD	30.45	$ (307)	31.65	$ 139
JPY	0.21	12,615	0.22	941

(b) Interest rate risk

The Company’s syndicated loan is floating interest loan. 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 $1,557,788 thousand for the nine months ended September 30, 2025 and 2024, respectively.

(c) Other price risk

The Company holds equity instruments issued by domestic unlisted stocks companies due to strategic investments (included as financial assets at fair value through other comprehensive income), which results in equity price exposure risk.

If the price of the equity investment decreased by 1%, the other comprehensive income would have decreased by $750 thousand for the nine months ended September 30, 2025.

(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)b.) 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):

September 30, 2025

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liability	Lease Liabilities	Principal and Interest on Bond Payables	Total
2025.10.1-2025.12.31	$ —	$ 1,235,299	$ —	$ 48,242	$ 128,000	$ 1,411,541
2026.1.1-2026.9.30	—	3,705,897	759,900	144,294	152,000	4,762,091
2026.10.1-2027.9.30	—	4,941,195	13,515,534	91,600	280,000	18,828,329
2027.10.1-2028.9.30	450,000	5,099,197	587,000	9,323	280,000	6,425,520
2028.10.1-2029.9.30	9,132,304	5,213,926	426,563	1,582	1,280,000	16,054,375
2029.10.1-2030.9.30	9,186,154	5,052,582	394,900	132	264,500	14,898,268
2030.10.1-2033.9.30	27,558,460	14,480,950	41,582,557	—	793,500	84,415,467
2033.10.1-2050	161,378,199	41,566,472	—	—	22,996,500	225,941,171
	$ 207,705,117	$ 81,295,518	$ 57,266,454	$ 295,173	$ 26,174,500	$ 372,736,762

December 31, 2024

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liability	Lease Liabilities	Principal and Interest on Bond Payables	Total
2025.1.1-2025.3.31	$ —	$ 1,218,901	$ —	$ 47,841	$ —	$ 1,266,742
2025.4.1-2025.12.31	—	3,656,704	804,112	143,198	4,278,500	8,882,514
2026	—	4,941,196	759,900	183,111	264,500	6,148,707
2027	—	4,941,196	13,515,534	54,515	264,500	18,775,745
2028	4,989,228	5,151,864	587,000	1,582	264,500	10,994,174
2029	9,186,154	5,234,610	426,563	1,318	264,500	15,113,145
2030-2033	36,744,613	19,396,989	41,977,457	—	1,058,000	99,177,059
2034-2050	156,785,122	40,394,361	—	—	22,868,500	220,047,983
	$ 207,705,117	$ 84,935,821	$ 58,070,566	$ 431,565	$ 29,263,000	$ 380,406,069

September 30, 2024

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liability	Lease Liabilities	Principal and Interest on Bond Payables	Total
2024.10.1-2024.12.31	$ —	$ 1,218,901	$ —	$ 39,717	$ 128,000	$ 1,386,618
2025.1.1-2025.9.30	—	3,705,897	670,000	105,378	4,150,500	8,631,775
2025.10.1-2026.9.30	—	4,941,195	694,390	139,052	264,500	6,039,137
2026.10.1-2027.9.30	—	4,941,195	13,715,156	38,117	264,500	18,958,968
2027.10.1-2028.9.30	450,000	5,099,197	587,000	—	264,500	6,400,697
2028.10.1-2029.9.30	9,132,305	5,213,926	426,563	—	264,500	15,037,294
2029.10.1-2033.9.30	36,744,614	19,533,533	41,977,457	—	1,058,000	99,313,604
2033.10.1-2050	161,378,198	41,566,473	—	—	22,996,500	225,941,171
	$ 207,705,117	$ 86,220,317	$ 58,070,566	$ 322,264	$ 29,391,000	$ 381,709,264

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

Related Party Name	Relationship with the Company
MOTC	An investor with significant influence over the Company
State-owned Taiwan Railway Corporation, Ltd. (the "Taiwan Railway")	A government-related entity controlled by the central government

Related Party Name	Relationship with 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
National Chung-Shan Institute of Science & Technology	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
Kaohsiung Catering Service, Ltd.	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)d. to the financial statements for further details:

(A) Rental expense

Related Party Name	For the Three Months Ended September 30 2025	2024
Railway Bureau, MOTC	$ 203,319	$ 195,779
Taiwan Railway	13,733	13,154
	$ 217,052	$ 208,933

Related Party Name	For the Nine Months Ended September 30 2025	2024
Railway Bureau, MOTC	$ 609,957	$ 587,337
Taiwan Railway	41,197	39,464
	$ 651,154	$ 626,801

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

Related Party Name	September 30, 2025	December 31, 2024	September 30, 2024
Railway Bureau, MOTC	$ 203,319	$ 813,276	$ 195,779
Taiwan Railway	13,732	54,929	13,155
	$ 217,051	$ 868,205	$ 208,934

c. Purchase

Related Party Name	For the Three Months Ended September 30 2025	2024
National Chung-Shan Institute of Science & Technology	$ 19,153	$ 24,931
Kaohsiung Catering Service, Ltd.	36,740	35,663
	$ 55,893	$ 60,594

Related Party Name	For the Nine Months Ended September 30 2025	2024
National Chung-Shan Institute of Science & Technology	$ 112,433	$ 101,906
Kaohsiung Catering Service, Ltd.	101,500	100,106
	$ 213,933	$ 202,012

Terms of the foregoing purchases with related parties were not significantly different from transactions with non-related parties.

d. Other - operating costs and expenses

Related Party Name	For the Three Months Ended September 30 2025	2024
Century Development Corporation	$ 3,700	$ 3,390
InfoChamp Systems Corporation	1,125	1,124
China Steel Corporation	—	—
	$ 4,825	$ 4,514

Related Party Name	For the Nine Months Ended September 30	
	2025	2024
Century Development Corporation	$ 8,707	$ 8,016
InfoChamp Systems Corporation	3,384	7,044
China Steel Corporation	—	13,779
	$ 12,091	$ 28,839

(4) Non-operating income and expenses

a. 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.

b. Other income (included in other gains or losses)

Related Party Name	For the Three Months Ended September 30	
	2025	2024
Kaohsiung Catering Service, Ltd.	$ 12	$ —

Related Party Name	For the Nine Months Ended September 30	
	2025	2024
Kaohsiung Catering Service, Ltd.	$ 15	$ 3

(5) Payables to related parties

a. Accounts payable

Related Party Name	September 30, 2025	December 31, 2024	September 30, 2024
Kaohsiung Catering Service, Ltd.	$ 24,853	$ 23,078	$ 23,464
National Chung-Shan Institute of Science & Technology	19,628	26,735	33,243
	$ 44,481	$ 49,813	$ 56,707

b. Payable for construction

Related Party Name	September 30, 2025	December 31, 2024	September 30, 2024
InfoChamp Systems Corporation	$ 1,210	$ 3,039	$ 23,759

(6) Acquisition of intangible assets - operating assets of the operating concession assets

Related Party Name	Purchase Price For the Three Months Ended September 30	
	2025	2024
InfoChamp Systems Corporation	$ 206	$ —
China Steel Corporation	—	—
	$ 206	$ —

Related Party Name	Purchase Price For the Nine Months Ended September 30 2025	2024
InfoChamp Systems Corporation	$ 206	$ 1,200
China Steel Corporation	—	401,509
	$ 206	$ 402,709

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

Related Party Name	September 30, 2025	December 31, 2024	September 30, 2024
InfoChamp Systems Corporation	$ 18,497	$ 12,151	$ 133,948

(8) Lease arrangements

Line Item	Related Party Name	September 30, 2025	December 31, 2024	September 30, 2024
Lease liabilities				
(Note 6(7))	Century Development Corporation	$ 73,939	$ 120,707	$ 136,166
	Taiwan Railway	16,417	26,884	30,357
		$ 90,356	$ 147,591	$ 166,523

(9) Short-term notes and 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 $0.6 billion. The transaction terms are not significantly different from those with other non-related parties. Please refer to Note 6(9)a. to the financial statements for further information.

(10) Long-term debt

a. 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)b. 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.

b. The Company obtained a credit line from First Commercial Bank, Bank of Taiwan, Hua Nan Commercial Bank, Mega International Commercial Bank and Taiwan Cooperative Bank. Please refer to Note 6(9)b. to the financial statements for further information with respect to the 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. to the financial statements for further information.

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

	For the Three Months Ended September 30	
	2025	2024
Short-term employee benefits	$ 28,974	$ 27,097
Post-employment benefits	1,002	941
	$ 29,976	$ 28,038

	For the Nine Months Ended September 30	
	2025	2024
Short-term employee benefits	$ 93,175	$ 97,910
Post-employment benefits	3,440	13,896
	$ 96,615	$ 111,806

8. PLEDGED ASSETS

Pledged Assets	Purpose of Pledge	September 30, 2025	December 31, 2024	September 30, 2024
Other financial assets - current:				
Repurchase agreement collateralized by bonds	Syndicated loan	$ 1,264,000	$ 1,230,000	$ 1,253,600
Demand deposits	Trust deposit of unearned revenue	16,651	16,537	13,168
Demand deposits	Syndicated loan	1,415	2,006	1,549
Time deposits	Trust deposit of unearned revenue	—	68,000	68,000
Time deposits	Guarantee for customs duties	—	22,529	22,271
Time deposits	Guarantee for oil purchase	—	—	1,800
		1,282,066	1,339,072	1,360,388
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	63,363	40,396	40,396
Time deposits	Guarantee for office lease	16,266	16,266	16,266
Time deposits	Guarantee for parking lease	7,207	7,099	7,099
Time deposits	Guarantee for oil purchase	4,120	4,120	2,320
		2,158,956	2,067,881	2,066,081
		$ 3,441,022	$ 3,406,953	$ 3,426,469

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT 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 superficies returned to the MOTC for $22,613,234 thousand. The value of the returned superficies is allowed by the MOTC to offset the profit sharing payments for $29,784,855 thousand at the end of every five years as follows:

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

Starting from 2013, the 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:

(a) 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).

(b) 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:

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

(c) 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 ÷ (1 - The statutory tax rate)

A2 = Net income of \$4.0 billion ÷ (1 - The statutory tax rate)

A3 = Net income of \$4.5 billion ÷ (1 - The statutory tax rate)

(B) If the 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.

(a) 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.

(b) 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.

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

(d) 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.

(a) 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.

(b) 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.

(c) 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.

(d) 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 September 30, 2025, December 31, 2024 and September 30, 2024, the amount of the aforementioned performance bond remained unchanged at $2 billion, and was recognized as other financial assets.

(2) As of September 30, 2025, unused letters of credit amounted to JPY $27,296,491 thousand.

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

	September 30, 2025	December 31, 2024	September 30, 2024
Intangible assets	$ 27,199,175	$ 30,740,693	$ 28,308,185

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

None.

12. OTHERS

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.

13. SEPARATELY DISCLOSED ITEMS

Except for Table 1 as attached, the Company had no significant transactions, information on investees and investments in mainland China required for disclosure.

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

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Nine months ended September 30, 2025

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		
Purchaser/ seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts payable	Footnote
The Company	National Chung-Shan Institute of Science & Technology	A government-related entity controlled by the central government	Purchases	$ 112,433	7.84 %	60 days	Not applicable	Not applicable	$ 19,628	4.98 %	
The Company	Kaohsiung Catering Service, Ltd.	An entity controlled by the legal entity as directors of the Company	Purchases	101,500	7.08 %	30 days	Not applicable	Not applicable	24,853	6.31 %	