

**TAIWAN HIGH SPEED RAIL  
CORPORATION**

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT  
DECEMBER 31, 2024 AND 2023

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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' REPORT

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

### ***Opinion***

We have audited the accompanying balance sheets of Taiwan High Speed Rail Corporation (the "Company") as at December 31, 2024 and 2023, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2024 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2024 financial statements are stated as follows:

### ***Recognition of gain on contract modification***

#### Description

Refer to Notes 4(17) and 6(15) of the financial statements for the accounting policies and the explanation of operating revenue, respectively. The Company primarily engages in the construction and operation of high-speed rail in Taiwan. Railway transportation revenue is the main source of operating revenue for the Company. During 2024, the net railway transportation revenue amounted to \$51,248,824 thousand, accounting for 96 percent of the operating revenue. Due to the various types of tickets and sales channels, the calculation of revenue is highly dependent on the operation of the ticketing system, which has a significant impact on the financial performance of the Company. Thus, we consider the accuracy of the recognition of railway transportation revenue as a key audit matter in the current period.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Test the operating effectiveness of automated controls and general information technology controls of ticket-related information technology systems, such as the automated ticketing system, revenue management system, accounting system, and so forth.
2. Test the operating effectiveness of internal control over the recognition of railway transportation revenue.
3. Perform sampling and examine the payment collecting record and ride record of railway transportation revenue to ensure the accuracy of the recognition of revenue.

### ***Responsibilities of management and those charged with governance for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Yu, Chih-Fan*

Yu, Chih-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan  
February 19, 2025

*Chou Chien-Hung*

Chou, Chien-Hung

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

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**  
**DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2024		December 31, 2023		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 4,287,400	1	\$ 17,569,018	4
1139	Financial assets for hedging	6(2)	—	—	94,908	—
1170	Notes and accounts receivable	6(15)	420,209	—	509,512	—
1220	Current tax assets	4(22)	28,217	—	28,217	—
130X	Inventories	6(3)	2,762,472	1	2,651,680	1
1476	Other financial assets	6(4) and 8	17,411,332	5	18,121,004	5
1479	Other current assets	7	1,046,915	—	1,012,975	—
11XX	<b>Total current assets</b>		<u>25,956,545</u>	<u>7</u>	<u>39,987,314</u>	<u>10</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(5)	246,020	—	251,631	—
1755	Right-of-use assets	6(6) and 7	422,585	—	447,510	—
1821	Operating concession assets	6(7) and 7	345,659,449	90	351,993,627	87
1801	Computer software, net	6(7)	162,175	—	148,496	—
1840	Deferred tax assets	4(22) and 6(17)	8,262,191	2	7,401,472	2
1980	Other financial assets	6(4) and 8	2,073,939	1	2,160,013	1
1990	Other non-current assets	6(2)	1,088,408	—	314,166	—
15XX	<b>Total non-current assets</b>		<u>357,914,767</u>	<u>93</u>	<u>362,716,915</u>	<u>90</u>
1XXX	<b>Total assets</b>		<u>\$ 383,871,312</u>	<u>100</u>	<u>\$ 402,704,229</u>	<u>100</u>

(Continued)

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2024		December 31, 2023		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(8)	\$ —	—	\$ 48,099	—
2110	Short-term notes and bills payable	6(8) and 7	10,409,719	3	21,938,192	6
2126	Financial liabilities for hedging	6(2)	380,324	—	—	—
2170	Accounts payable	7	380,686	—	237,135	—
2209	Operating concession liabilities	6(10) and 7	804,112	—	973,782	—
2200	Other payables	6(8)(12)	4,793,714	1	10,081,258	3
2211	Payable for construction	7	880,820	—	1,016,403	—
2230	Current tax liabilities	4(22)	844,972	—	3,092,765	1
2250	Provisions	6(11) and 7	7,160,378	2	4,371,701	1
2320	Current portion of long-term liabilities	6(9)	3,999,410	1	4,998,681	1
2399	Other current liabilities	6(6)(12)(15) and 7	1,725,414	1	1,104,374	—
21XX	<b>Total current liabilities</b>		<u>31,379,549</u>	<u>8</u>	<u>47,862,390</u>	<u>12</u>
<b>Non-current liabilities</b>						
2511	Financial liabilities for hedging	6(2)	628,905	—	367,963	—
2530	Bonds payable	6(9)	18,481,633	5	22,479,136	6
2541	Long-term debt	6(8), 7 and 8	200,327,870	52	199,852,375	50
2550	Provisions	6(11) and 7	10,000,000	3	10,000,000	2
2580	Lease liabilities	6(6) and 7	237,674	—	278,006	—
2612	Operating concession liabilities	6(10) and 7	50,009,616	13	49,789,923	12
2670	Other non-current liabilities	6(12)(13)(17)	731,077	—	738,136	—
25XX	<b>Total non-current liabilities</b>		<u>280,416,775</u>	<u>73</u>	<u>283,505,539</u>	<u>70</u>
2XXX	<b>Total liabilities</b>		<u>311,796,324</u>	<u>81</u>	<u>331,367,929</u>	<u>82</u>
<b>Equity</b>						
6(14)						
Share capital						
3110	Common stock		56,282,930	15	56,282,930	14
Capital surplus						
3200	Capital surplus		172,981	—	172,981	—
Retained earnings						
3310	Legal reserve		5,372,095	1	4,590,376	1
3350	Unappropriated retained earnings		10,246,982	3	10,290,013	3
3XXX	<b>Total equity</b>		<u>72,074,988</u>	<u>19</u>	<u>71,336,300</u>	<u>18</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 383,871,312</u>	<u>100</u>	<u>\$ 402,704,229</u>	<u>100</u>

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

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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

	Items	Notes	Years Ended December 31			
			2024		2023	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(15) and 7	\$ 53,185,664	100	\$ 49,812,023	100
5000	Operating costs	6(16) and 7	(29,828,709)	(56)	(27,618,817)	(55)
5900	Gross profit		23,356,955	44	22,193,206	45
6000	Operating expenses	6(16) and 7	(1,861,329)	(4)	(1,661,185)	(3)
6900	Net operating income		21,495,626	40	20,532,021	42
	Non-operating income and expense					
7100	Interest income	6(16)	454,104	1	419,962	1
7510	Interest expense	6(8)(16) and 7	(6,633,022)	(13)	(6,815,554)	(14)
7625	Stabilization reserve expense	6(11)	(7,160,376)	(13)	(11,220,855)	(23)
7590	Other gains and losses	6(8)(16) and 7	(115,211)	—	6,822,247	14
7000	Total non-operating income and expense		(13,454,505)	(25)	(10,794,200)	(22)
7900	<b>Income before income tax</b>		8,041,121	15	9,737,821	20
7950	Income tax expense	6(17)	(1,589,693)	(3)	(1,913,538)	(4)
8200	<b>Net income for the year</b>		<u>\$ 6,451,428</u>	<u>12</u>	<u>\$ 7,824,283</u>	<u>16</u>
	<b>Other comprehensive income</b>					
	<b>Other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Gains (losses) on remeasurements of defined benefit plan	6(13)	\$ 35,149	—	\$ (8,868)	—
8349	Income tax relating to components item that will not be reclassified subsequently to profit or loss	6(17)	(7,030)	—	1,774	—
8300	<b>Other comprehensive income (loss) for the year</b>		<u>\$ 28,119</u>	<u>—</u>	<u>\$ (7,094)</u>	<u>—</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 6,479,547</u>	<u>12</u>	<u>\$ 7,817,189</u>	<u>16</u>
	Basic earnings per share	6(18)				
9750	Basic earnings per share		<u>\$</u>	<u>1.15</u>	<u>\$</u>	<u>1.39</u>
	Diluted earnings per share	6(18)				
9850	Diluted earnings per share		<u>\$</u>	<u>1.15</u>	<u>\$</u>	<u>1.39</u>

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

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

	Share capital- common stock	Capital surplus	Retained Earnings		Total equity
			Legal reserve	Unappropriated retained earnings	
<u>For the year ended December 31, 2024</u>					
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 year	—	—	—	6,451,428	6,451,428
Other comprehensive income	—	—	—	28,119	28,119
Total comprehensive income	—	—	—	6,479,547	6,479,547
Balance at December 31, 2024	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 5,372,095</u>	<u>\$ 10,246,982</u>	<u>\$ 72,074,988</u>
<u>For the year ended December 31, 2023</u>					
Balance at January 1, 2023	\$ 56,282,930	\$ 172,981	\$ 4,212,542	\$ 6,621,614	\$ 67,290,067
Appropriations of 2022 earnings					
Legal reserve	—	—	377,834	(377,834)	—
Cash dividends of NT\$0.67 per share	—	—	—	(3,770,956)	(3,770,956)
	—	—	377,834	(4,148,790)	(3,770,956)
Net income for the year	—	—	—	7,824,283	7,824,283
Other comprehensive loss	—	—	—	(7,094)	(7,094)
Total comprehensive income	—	—	—	7,817,189	7,817,189
Balance at December 31, 2023	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 4,590,376</u>	<u>\$ 10,290,013</u>	<u>\$ 71,336,300</u>

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

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

	Years Ended December 31	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 8,041,121	\$ 9,737,821
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	257,694	230,040
Amortization	14,219,644	13,441,734
Interest expense	6,633,022	6,815,554
Interest income	(454,104)	(419,962)
Gain on foreign currency exchange, net	(1,043)	(35,640)
Stabilization reserve expense	7,160,376	11,220,855
Loss on disposal of intangible assets, net	112,246	62,093
Gain on contract modification	—	(6,832,216)
Others	(4,977)	20,974
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets for hedging	—	72
Notes and accounts receivable	89,303	(95,566)
Inventories	(110,792)	(225,681)
Other current assets	(33,653)	50,067
Other non-current assets	(3,389)	(2,881)
Changes in operating liabilities		
Accounts payable	144,486	(160,740)
Other payables	550,551	644,242
Provisions	(4,371,705)	—
Other current liabilities	600,838	(410,549)
Other non-current liabilities	9,943	37,795
Cash inflow generated from operations	32,839,561	34,078,012
Interest received	453,823	417,285
Interest paid	(10,919,250)	(6,423,940)
Interest paid with respect to operating concession liabilities	(973,782)	(426,563)
Income tax (paid) refunded	(4,705,025)	106,641
Net cash flows from operating activities	16,695,327	27,751,435
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	—	(1,759,000)
Proceeds from disposal of financial assets at fair value through profit or loss	—	1,762,153
Acquisition of financial assets for hedging	(1,164,433)	(1,531,233)
Proceeds from disposal of financial assets for hedging	1,203,664	1,473,330
Decrease (increase) in other financial assets	795,674	(6,685,719)
Acquisition of property, plant and equipment	(64,564)	(54,346)
Acquisition of intangible assets	(8,154,670)	(6,080,530)
Proceeds from disposal of intangible assets	141	—
Increase in other non-current assets	(73,946)	—
Net cash flows used in investing activities	(7,458,134)	(12,875,345)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(48,287)	42,671
Decrease in short-term notes and bills payable	(11,575,000)	—
Repayment of bonds	(5,000,000)	—
Repayment of long-term debt	—	(10,000,000)
Repayment of the principal portion of lease liabilities	(172,239)	(168,690)
Increase in other non-current liabilities	18,077	24,997
Cash dividends paid	(5,740,859)	(3,770,956)
Net cash flows used in financing activities	(22,518,308)	(13,871,978)
Effects due to changes in exchange rate on the balance of cash held in foreign currency	(503)	5,960
Net (decrease) increase in cash and cash equivalents	(13,281,618)	1,010,072
Cash and cash equivalents at beginning of year	17,569,018	16,558,946
Cash and cash equivalents at end of year	\$ 4,287,400	\$ 17,569,018

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

TAIWAN HIGH SPEED RAIL CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(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 February 19, 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	New Standards, Interpretations and Amendments
Announced by IASB	
January 1, 2024 (Note 1)	Amendments to IFRS 16 “Lease liability in a sale and leaseback”
January 1, 2024	Amendments to IAS 1 “Classification of liabilities as current or non-current”
January 1, 2024	Amendments to IAS 1 “Non-current liabilities with covenants”
January 1, 2024	Amendments to IAS 7 and IFRS 7, “Supplier finance arrangements”

Note 1: The seller and lessee should retrospectively apply the amendments of IFRS 16 to the sale and leaseback transactions signed after the date of initial application of IFRS 16.

The Company has assessed that the initial application of the abovementioned IFRSs that came into effect as endorsed by the FSC did not have significant impact on the Company's accounting policies.

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

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
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.

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

Effective Date Announced by IASB (Note 1)	New Standards, Interpretations and Amendments
January 1, 2026	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
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, 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"
January 1, 2027	IFRS 18 "Presentation and Disclosure in Financial Statements"
January 1, 2027	IFRS 19 "Subsidiaries without Public Accountability: Disclosures"

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

As of the date the financial statements were authorized for issuance, 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 IFRSs as endorsed and issued into effect by the FSC.

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

(5) Cash equivalents

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

(6) Financial assets at fair value through profit or loss

Financial asset is classified as at financial assets at fair value through profit or loss (FVTPL) when the financial asset is mandatorily classified or it is designated as at FVTPL.

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

(7) Impairment of financial assets at amortized cost

Cash and cash equivalents, receivables and other financial assets are measured at amortized cost. Subsequent to initial recognition, financial assets measured at amortized cost are measured at

amortized costs, which equals to the carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Receivables are mainly generated from customers who purchased tickets and merchandise through credit cards; these receivables are assessed for lifetime Expected Credit Loss (ECL). For other financial assets measured at amortized cost, after considering all reasonable and substantiated information, if the credit risk has not increased significantly since the original recognition, the allowance loss is measured at the 12-month expected credit loss amount; For those whose credit risk has increased significantly since the original recognition, the allowance loss shall be measured according to the amount of expected credit loss during the duration.

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

(8) Inventories

Inventories, consisting of consumptive and non-consumptive spare parts and supplies for internal operation and merchandise for sale, are stated at the lower of weighted-average cost or net realizable value.

(9) Property, plant and equipment

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

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

(10) Intangible assets

a. Operating concession assets

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

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years (Calculated from 2007, the operating concession period is 61.5 years). Receivable due from

shortfall charges with respect to statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession assets - period extension cost.

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

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

b. Computer software

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

(11) Operating concession liabilities

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

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

(12) Impairment of assets

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

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

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

(13) Hedge accounting

The Company designates some hedging instruments (including derivatives and non-derivatives to avoid exchange rate risk) for fair value hedging, which refers to the hedging of recognized liabilities or unrecognized firm commitments against risk of fair value changes. The 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.

(14) 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.

(15) Share capital

Common stocks are classified as equity.

(16) 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.

(17) 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.

(18) 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.

(19) 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. When all or part of the terms of a financial liability are modified, the Company should compare between the present value of the discounted future cash flows based on the modified terms (including any fees paid and discounted using the original effective interest rate) should be compared with the discounted present value of the remaining cash flows of the original financial liability to determine whether there is a significant difference. If there is no significant difference, the carrying amount of the original financial liability will be adjusted to the present value of the future cash flows under the modified terms discounted at the original effective interest rate, and the adjustment will be recognized as other gains and losses.

- c. 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.
- d. 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.

(20) 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.

(21) 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.

(22) 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.

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 December 31, 2024 and 2023, the Company recognized a provision for stabilization reserve in the amounts of \$17,160,378 thousand and \$14,371,701 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(11) 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 December 31, 2024 and 2023, the carrying amounts of deferred tax assets in relation to deductible temporary differences were \$8,262,191 thousand and \$7,401,472 thousand, respectively.

6. Details of Significant Accounts

(1) CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
Cash on hand	\$ 79,566	\$ 119,506
Demand deposits	980,400	5,801,174
Time deposits	567,434	8,718,000
Repurchase agreement collateralized by bonds	2,660,000	2,930,338
	<u>\$ 4,287,400</u>	<u>\$ 17,569,018</u>

(2) FINANCIAL ASSETS AND LIABILITIES FOR HEDGING

	December 31, 2024	December 31, 2023
<u>Financial assets for hedging - current</u>		
Fair value hedges - forward exchange contracts	\$ —	\$ 57,121
Fair value hedges - demand deposit in JPY	—	37,787
	<u>\$ —</u>	<u>\$ 94,908</u>
<u>Financial liabilities for hedging - current</u>		
Fair value hedges - forward exchange contracts	\$ 190,686	\$ —
Fair value hedges - cross currency swap contracts	189,638	—
	<u>\$ 380,324</u>	<u>\$ —</u>
<u>Other non-current assets</u>		
Adjustments for change in fair value hedges	\$ 1,083,176	\$ 310,842

	December 31, 2024	December 31, 2023
<u>Financial liabilities for hedging - non current</u>		
Fair value hedges - forward exchange contracts	\$ 628,905	\$ 256,595
Fair value hedges - cross currency swap contracts	—	111,368
	<u>\$ 628,905</u>	<u>\$ 367,963</u>

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

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

December 31, 2023	Currency	Maturity Date	Contract Amount (In Thousands)	
Buy forward exchange contracts	NT\$/JPY	January 2024- December 2024	JPY	42,118,773
"	"	December 2026	JPY	33,392,369
"	"	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

### (3) INVENTORIES

	December 31, 2024	December 31, 2023
Spare parts and supplies	\$ 2,734,114	\$ 2,627,997
Merchandise	28,358	23,683
	<u>\$ 2,762,472</u>	<u>\$ 2,651,680</u>

As of December 31, 2024 and 2023, allowance for inventory valuation losses amounted to \$577,966 thousand and \$582,830 thousand, respectively.

(4) OTHER FINANCIAL ASSETS

	December 31, 2024	December 31, 2023
Time deposits	\$ 18,230,668	\$ 19,090,984
Repurchase agreement collateralized by bonds	1,230,000	1,170,000
Demand deposits	18,543	12,636
Demand deposits - Stabilization Mechanism Account (Note 6(11))	2	1,361
Other performance guarantee	6,058	6,036
	<u>\$ 19,485,271</u>	<u>\$ 20,281,017</u>
Current	\$ 17,411,332	\$ 18,121,004
Non-current	2,073,939	2,160,013
	<u>\$ 19,485,271</u>	<u>\$ 20,281,017</u>

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

b. Information relating to the credit risk of financial assets is provided in Note 6(20)c.

(5) PROPERTY, PLANT AND EQUIPMENT

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2024	\$ 28	\$ 483,308	\$ 44	\$ 126,368	\$ 122,889	\$ 310,443	\$ 1,043,080
Additions	—	33,344	—	4,351	21,150	5,719	64,564
Disposals	—	—	(44)	(3,858)	—	(963)	(4,865)
Transfer	—	5,769	—	(300)	—	4,750	10,219
Balance at December 31, 2024	<u>28</u>	<u>522,421</u>	<u>—</u>	<u>126,561</u>	<u>144,039</u>	<u>319,949</u>	<u>1,112,998</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2024	—	327,220	44	113,747	82,474	267,964	791,449
Depreciation	—	56,499	—	4,665	6,286	13,211	80,661
Disposals	—	—	(44)	(3,825)	—	(963)	(4,832)
Transfer	—	—	—	(300)	—	—	(300)
Balance at December 31, 2024	<u>—</u>	<u>383,719</u>	<u>—</u>	<u>114,287</u>	<u>88,760</u>	<u>280,212</u>	<u>866,978</u>
	<u>\$ 28</u>	<u>\$ 138,702</u>	<u>\$ —</u>	<u>\$ 12,274</u>	<u>\$ 55,279</u>	<u>\$ 39,737</u>	<u>\$ 246,020</u>

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 28	\$ 404,959	\$ 87	\$ 124,723	\$ 82,133	\$ 283,666	\$ 895,596
Additions	—	30,681	—	4,945	80	18,640	54,346
Disposals	—	(29,389)	(43)	(3,039)	—	(310)	(32,781)
Transfer	—	77,057	—	(261)	40,676	8,447	125,919
Balance at December 31, 2023	28	483,308	44	126,368	122,889	310,443	1,043,080
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	—	314,580	87	112,409	81,409	258,597	767,082
Depreciation	—	42,029	—	4,601	1,065	9,677	57,372
Disposals	—	(29,389)	(43)	(3,039)	—	(310)	(32,781)
Transfer	—	—	—	(224)	—	—	(224)
Balance at December 31, 2023	—	327,220	44	113,747	82,474	267,964	791,449
	<u>\$ 28</u>	<u>\$ 156,088</u>	<u>\$ —</u>	<u>\$ 12,621</u>	<u>\$ 40,415</u>	<u>\$ 42,479</u>	<u>\$ 251,631</u>

(6) LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2024	\$ 660,312	\$ 496,973	\$ 96,482	\$ 4,146	\$1,257,913
Additions	35,241	—	116,867	—	152,108
Disposals	(958)	—	(94,371)	—	(95,329)
Balance at December 31, 2024	694,595	496,973	118,978	4,146	1,314,692
<u>Accumulated depreciation</u>					
Balance at January 1, 2024	426,527	307,406	75,146	1,324	810,403
Depreciation	87,751	61,481	26,606	1,195	177,033
Disposals	(958)	—	(94,371)	—	(95,329)
Balance at December 31, 2024	513,320	368,887	7,381	2,519	892,107
	<u>\$ 181,275</u>	<u>\$ 128,086</u>	<u>\$ 111,597</u>	<u>\$ 1,627</u>	<u>\$ 422,585</u>

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 472,823	\$ 496,973	\$ 71,994	\$ 1,260	\$1,043,050
Additions	187,489	—	24,488	2,886	214,863
Balance at December 31, 2023	660,312	496,973	96,482	4,146	1,257,913
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	339,395	245,925	51,575	840	637,735
Depreciation	87,132	61,481	23,571	484	172,668
Balance at December 31, 2023	426,527	307,406	75,146	1,324	810,403
	<u>\$ 233,785</u>	<u>\$ 189,567</u>	<u>\$ 21,336</u>	<u>\$ 2,822</u>	<u>\$ 447,510</u>

b. Lease liabilities

	December 31, 2024	December 31, 2023
Buildings	\$ 183,332	\$ 234,900
Machinery and equipment	126,868	184,621
Transportation equipment	111,781	21,448
Other equipment	1,746	2,888
	<u>423,727</u>	<u>443,857</u>
Less: Recognized as current lease liabilities	(186,053)	(165,851)
Lease liabilities - non-current	<u>\$ 237,674</u>	<u>\$ 278,006</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2024	December 31, 2023
Buildings	0.87%~1.90%	0.38%~1.69%
Machinery and equipment	0.87%	0.87%
Transportation equipment	1.47%~1.92%	0.68%~1.47%
Other equipment	1.68%~1.69%	0.38%~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. (the “Taiwan Railway”, the former Taiwan Railway Administration, MOTC and its affiliates had a corporate restructuring on January 1, 2024) 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 Years Ended December 31	
	2024	2023
Expenses relating to short-term leases	\$ 2,174	\$ 690
Expenses relating to low-value asset leases	\$ —	\$ —
Total cash outflows for leases	\$ (179,349)	\$ (172,152)

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.

(7) INTANGIBLE ASSETS

a. Movements of the intangible assets

	Operating Concession Assets						Total
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	
<u>Cost</u>							
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	1,021,190	—	—	6,952,094	7,973,284	45,445	8,018,729
Disposals	(2,699,758)	—	—	—	(2,699,758)	—	(2,699,758)
Transfer	588,302	—	—	(628,972)	(40,670)	32,291	(8,379)
Balance at December 31, 2024	481,799,721	69,972,043	12,701,819	11,169,937	575,643,520	770,211	576,413,731
<u>Accumulated amortization</u>							
Balance at January 1, 2024	195,301,994	21,128,501	1,986,542	—	218,417,037	543,979	218,961,016
Amortization	12,815,704	1,097,608	240,793	—	14,154,105	64,057	14,218,162
Disposals	(2,587,371)	—	—	—	(2,587,371)	—	(2,587,371)
Transfer	300	—	—	—	300	—	300
Balance at December 31, 2024	205,530,627	22,226,109	2,227,335	—	229,984,071	608,036	230,592,107
	<u>\$ 276,269,094</u>	<u>\$ 47,745,934</u>	<u>\$ 10,474,484</u>	<u>\$ 11,169,937</u>	<u>\$ 345,659,449</u>	<u>\$ 162,175</u>	<u>\$ 345,821,624</u>

Operating Concession Assets							
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 479,284,196	\$ 69,972,043	\$ 12,701,819	\$ 3,048,089	\$ 565,006,147	\$ 631,182	\$ 565,637,329
Additions	885,828	—	—	5,237,343	6,123,171	38,814	6,161,985
Disposals	(565,063)	—	—	—	(565,063)	(150)	(565,213)
Transfer	3,285,026	—	—	(3,438,617)	(153,591)	22,629	(130,962)
Balance at December 31, 2023	482,889,987	69,972,043	12,701,819	4,846,815	570,410,664	692,475	571,103,139
<u>Accumulated amortization</u>							
Balance at January 1, 2023	183,750,308	20,030,893	1,745,749	—	205,526,950	496,220	206,023,170
Amortization	12,054,464	1,097,608	240,793	—	13,392,865	47,909	13,440,774
Disposals	(502,970)	—	—	—	(502,970)	(150)	(503,120)
Transfer	192	—	—	—	192	—	192
Balance at December 31, 2023	195,301,994	21,128,501	1,986,542	—	218,417,037	543,979	218,961,016
	<u>\$ 287,587,993</u>	<u>\$ 48,843,542</u>	<u>\$ 10,715,277</u>	<u>\$ 4,846,815</u>	<u>\$ 351,993,627</u>	<u>\$ 148,496</u>	<u>\$ 352,142,123</u>

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

	December 31, 2024	December 31, 2023
<u>Operating assets, net</u>		
Land improvements	\$ 148,367,179	\$ 151,773,650
Buildings	24,914,196	25,457,554
Machinery and equipment	20,991,013	22,117,693
Transportation equipment	81,989,424	88,230,041
Other equipment	7,282	9,055
	<u>\$ 276,269,094</u>	<u>\$ 287,587,993</u>
<u>Construction in progress</u>	<u>\$ 11,169,937</u>	<u>\$ 4,846,815</u>

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

	For the Years Ended December 31	
	2024	2023
Capitalization of interest amount	\$ 112,281	\$ 3,906
Range of the interest rates for capitalization	2.17%~2.38%	2.18%~2.19%

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 superficieses from the MOTC on

the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the Publicly-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in the future reported price of publicly-owned land and usage of such publicly-owned land and other relevant factors. The Company prepays the rental for the following year by the end of each year, and if the reported price of publicly-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of December 31, 2024, 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.

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

a. Short-term borrowings

	December 31, 2024	December 31, 2023
Letters of credit	\$ —	\$ 48,099

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

	December 31, 2024	December 31, 2023
Letters of credit	—	0.63%~0.89%

b. Short-term notes and bills payable

	December 31, 2024	December 31, 2023
Short-term bills payable	\$ 10,425,000	\$ 22,000,000
Less: Discount on short-term bills payable	(15,281)	(61,808)
	<u>\$ 10,409,719</u>	<u>\$ 21,938,192</u>

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

Guarantee or Acceptance Agency	Issue Period	Issue Price	Unamortized Discount	Book Value	Interest Rate	Contract Period
International Bills Finance Corporation	2024.12.12-2 025.2.21	\$ 5,000,000	\$ (12,645)	\$ 4,987,355	1.78%	2021.7.19- 2026.7.18
International Bills Finance Corporation	2024.10.17-2 025.1.9	2,500,000	(1,215)	2,498,785	1.97%	2022.5.3- 2027.5.2
Mega Bills Finance Corporation	2024.10.17-2 025.1.9	1,300,000	(632)	1,299,368	1.97%	2022.5.3- 2027.5.2
China Bills Finance Corporation	2024.10.17-2 025.1.9	1,625,000	(789)	1,624,211	1.97%	2022.5.3- 2027.5.2
		<u>\$ 10,425,000</u>	<u>\$ (15,281)</u>	<u>\$ 10,409,719</u>		

c. Long-term debt

	December 31, 2024	December 31, 2023
Syndicated loan		
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	\$ 91,200,000	\$ 91,200,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	116,505,117	116,505,117
	<u>207,705,117</u>	<u>207,705,117</u>
Less: Discount on long-term debt	(7,377,247)	(7,852,742)
	<u>\$ 200,327,870</u>	<u>\$ 199,852,375</u>

(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 corporate bond guarantee facility, and Tranche B is performance guarantee facility. Tranche A3, C and D were fully redeemed and cannot be issued afterwards.
- (b) The Company provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) as collateral for the syndicated loan (the Company's assets are not required to be registered with the syndicated banks for creating rights attached to the Company's such assets). When the value of the collateral is less than the balance of the

outstanding syndicated loan, the Company shall negotiate with Bank of Taiwan and the MOTC for solutions. However, if an agreement cannot be reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Company should redeem the difference immediately. The aforementioned collateral is inspected in May and November every year. The re-assessment mechanism for collateral value is inactive when Tranche B Facility is not utilized.

(c) According to the Syndicated Loan Agreement, the Company opened capital account and reserve account at Bank of Taiwan for deposits and financial instruments. The Company is free to use the capital account; however, the reserve account is restricted and pledged as collateral to Bank of Taiwan, and is recorded as other financial assets. Please refer to Notes 6(4) 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		
Tranche A2 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	November 4, 2028 - November 4, 2040	Installments 16-40
	May 4, 2041 - November 4, 2049	2.0% per installment	May 4, 2041 - May 4, 2048	Installments 41-55
	May 4, 2050	4.0% per installment		

On April 7, 2023, the Company made early repayment for \$10 billion and repaid interest differences for \$306,421 thousand due to early repayment of the loan.

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:

	December 31, 2024	December 31, 2023
Reference rate	1.69%	1.56%
Mark-up interest rate	0.45%	0.92%

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.

On December 21, 2023, the Company signed the sixth amendment of the Syndicated Loan Agreement (the “Agreement”) with the syndicated banks, the mark-up interest rate before the contract took effect were as listed on the table below. Due to the step-up spread mechanism, the Company shall make up for the deficit of the interests below the agreed interest rate to the syndicated banks if early redemption occurs.

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

In accordance with the provisions of the Agreement, the Company pays a one-time compensation of interest difference on original ramp-up markup interests to the syndicated banks. The Company paid \$5,766,731 thousand on January 2, 2024 (booked as other payables on December 31, 2023).

The Company discounted the expected cash flow of the Agreement at the original effective interest rate, and reduced the carrying amount of long-term debt by \$7,852,742 thousand in December 2023 (booked as discount on long-term debt). Meanwhile, long-term interest payable of \$4,820,454 thousand and unamortized long-term debt costs of \$74,249 thousand were written off, and a gain on contract modification of \$6,832,216 thousand (booked as other gains and losses) was recognized as well.

- (e) The interest on Tranche A1 and A2 Facilities is calculated based on the Syndicated Loan Agreement. The Company computes interest expense by the effective interest method. Interest payment that is due longer than one year is recognized as long-term interest

payable according to the agreement. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

i. Effective interest rates

	December 31, 2024	December 31, 2023
Tranche A1 Facility	2.57%	2.43%
Tranche A2 Facility	2.59%	2.45%

ii. Accrued interest expense (included as other payables, balance as of December 31, 2023 includes payment for the interest difference between Syndicated Loan Bank, please refer to the explanation related to the amendment in the preceding paragraph).

	December 31, 2024	December 31, 2023
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 174,078	\$ 2,911,555
Tranche A2 Facility	222,379	3,315,687
	<u>\$ 396,457</u>	<u>\$ 6,227,242</u>

iii. Long-term interest payable (The balance as of December 31, 2023 has been written off, please refer to the explanation related to the amendment in the preceding paragraph).

iv. Interest expense

	For the Years Ended December 31	
	2024	2023
<u>Syndicated loan</u>		
Interest expense	<u>\$ 5,097,476</u>	<u>\$ 5,158,870</u>

(B) Long-term unsecured loans

The Company obtained a credit line of NT\$5 billion 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 December 31, 2024 and 2023, the unused credit lines of long-term loans were as follows:

	December 31, 2024	December 31, 2023
Floating rate		
Unused credit facilities	<u>\$ 16,074,619</u>	<u>\$ 15,000,000</u>

(9) BONDS PAYABLE

	December 31, 2024	December 31, 2023
Domestic unsecured bond	\$ 22,500,000	\$ 27,500,000
Less: Unamortized issuance cost	(18,956)	(22,183)
	<u>22,481,044</u>	<u>27,477,817</u>
Less: Bond payable-current portion	(3,999,411)	(4,998,681)
	<u>\$ 18,481,633</u>	<u>\$ 22,479,136</u>

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-2021-1-B	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2025	4,000,000	0.35%	Bullet repayment and Annual simple interest payment

(10) OPERATING CONCESSION LIABILITIES

	December 31, 2024	December 31, 2023
Operating concession liabilities	\$ 71,204,995	\$ 70,755,143
Value of returned superficies for offset of profit sharing payable	(20,391,267)	(19,991,438)
	<u>\$ 50,813,728</u>	<u>\$ 50,763,705</u>
Current	\$ 804,112	\$ 973,782
Non-Current	50,009,616	49,789,923
	<u>\$ 50,813,728</u>	<u>\$ 50,763,705</u>

According to the C&O Agreement, the Company is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Please refer to Note 9(1)b. to the financial statements for further information. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. The information about the amortization expense of operating concession assets and the interest expense of operating concession liabilities during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
Up to December 31, 2023	\$ 21,128,501	\$ 26,209,663	\$ 47,338,164
Year ended December 31, 2024	1,097,608	1,423,634	2,521,242
	<u>22,226,109</u>	<u>27,633,297</u>	<u>49,859,406</u>
2025 (estimate)	1,097,608	1,452,107	2,549,715
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
2029-2033 (estimate)	5,488,042	4,869,645	10,357,687
2034-2068 (estimate)	37,867,460	—	37,867,460
	<u>47,745,934</u>	<u>10,394,660</u>	<u>58,140,594</u>
	<u>\$ 69,972,043</u>	<u>\$ 38,027,957</u>	<u>\$ 108,000,000</u>

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the Company used the appraised fair value of returned superficies of \$22,613,234 thousand to proportionally offset the operating concession liabilities (profit sharing payable), which is payable to the MOTC at the end of every five years. The estimated offset amount is \$29,784,855 thousand. Please refer to Note 9(1)b. to the financial statements for further details. The information on actual and estimated profit or loss recognized on the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

Year	Other Gain	Deduction of Interest Expense	Total
Up to December 31, 2023	\$ 22,613,234	\$ 3,633,970	\$ 26,247,204
Year ended December 31, 2024	—	399,829	399,829
	<u>22,613,234</u>	<u>4,033,799</u>	<u>26,647,033</u>
2025 (estimate)	—	407,825	407,825
2026 (estimate)	—	415,982	415,982
2027 (estimate)	—	424,301	424,301
2028 (estimate)	—	302,385	302,385
2029-2033 (estimate)	—	1,587,329	1,587,329
	<u>\$ 22,613,234</u>	<u>\$ 7,171,621</u>	<u>\$ 29,784,855</u>

As of December 31, 2024, the Company's accumulated profit sharing payments paid to the MOTC amounted to \$20,144,579 thousand (or accumulated profit sharing payments for \$26,400,345 thousand less the deductible amount of returned superficies for \$6,255,766 thousand).

(11) PROVISIONS

a. Provisions

	December 31, 2024	December 31, 2023
<u>Current</u>		
Provision for stabilization reserve	\$ 7,160,378	\$ 4,371,701
<u>Non-current</u>		
Provision for stabilization reserve	\$ 10,000,000	\$ 10,000,000

b. Movements in provisions were as follows:

	Balance at January 1, 2024	Addition	Used	December 31, 2024
<u>Current</u>				
Provision for stabilization reserve	\$ 4,371,701	\$ 7,160,382	\$ (4,371,705)	\$ 7,160,378
<u>Non-current</u>				
Provision for stabilization reserve	\$ 10,000,000	\$ —	\$ —	\$ 10,000,000
	Balance at January 1, 2023	Addition	Used	December 31, 2023
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,299	—	\$ (283,299)	\$ —
Provision for stabilization reserve	1,482	4,370,219	—	4,371,701
	\$ 284,781	\$ 4,370,219	\$ (283,299)	\$ 4,371,701
<u>Non-current</u>				
Provision for stabilization reserve	\$ 3,149,335	\$ 6,850,665	\$ —	\$ 10,000,000

(A) Controversial overtime payments

The Company's administrative lawsuit over controversial overtime pay was heard by the Supreme Administrative Court and the judgment was confirmed on January 16, 2023. The Company discussed the disposition measures according to the resolution of the Board of Directors on February 22, 2023, and negotiated with the employees who should be paid. For the year ended December 31, 2023, the Company completed the payment and adjustment.

(B) Stabilization reserve

Please refer to Note 9(1)c. regarding the recognition and use of provision for stabilization reserve from 2016 in accordance with the C&O Agreement. For the years ended December 31, 2024 and 2023, the provision for the stabilization reserve expenses and the stabilization reserve reverse amounted to \$7,160,376 thousand and \$11,220,855 thousand, respectively.

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 December 31, 2024, balance of the stabilization reserve account was \$17,160,378 thousand and the bank balance of stabilization mechanism account was \$2 thousand.

(12) OTHER LIABILITIES

	December 31, 2024	December 31, 2023
<u>Other payables</u>		
Accrued expenses	\$ 3,955,739	\$ 3,419,667
Accrued interest expense (Note 6(8)c.)	488,396	6,326,357
Business tax payable	307,805	277,821
Others	41,774	57,413
	<u>\$ 4,793,714</u>	<u>\$ 10,081,258</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 6(15))	\$ 1,478,300	\$ 901,915
Lease liabilities (Note 6(6))	186,053	165,851
Receipts under custody	38,948	35,608
Rent received in advance	7,897	115
Others	14,216	885
	<u>\$ 1,725,414</u>	<u>\$ 1,104,374</u>
<u>Other non-current liabilities</u>		
Guarantee deposits received	\$ 426,545	\$ 408,607
Net defined benefit liabilities (Note 6(13))	241,737	281,843
Deferred revenue	62,287	47,387
Deferred tax liabilities	508	299
	<u>\$ 731,077</u>	<u>\$ 738,136</u>

(13) 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. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

Through the defined benefit plans under the LSA, the Company is exposed to the following risks:

(A) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be lower than the interest rate for a 2-year time deposit with local banks.

(B) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the value on the plan’s debt investments.

(C) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The amounts included in the balance sheets in respect of the Company’s obligations under its defined benefit plan are as follows:

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	\$ (955,083)	\$ (967,083)
Fair value of plan assets	713,346	685,240
Net defined benefit liability	<u>\$ (241,737)</u>	<u>\$ (281,843)</u>

Movements in net defined benefit liability were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2023	\$ (936,431)	\$ 660,608	\$ (275,823)
Current service cost	(13,725)	—	(13,725)
Net interest income (expense)	(11,448)	8,117	(3,331)
Recognized in profit or loss	(25,173)	8,117	(17,056)
Remeasurements:			
Return on plan assets	—	5,960	5,960
Actuarial loss - experience adjustments	(14,828)	—	(14,828)
Recognized in other comprehensive income	(14,828)	5,960	(8,868)
Contributions from the employer	—	19,904	19,904
Benefits paid	9,349	(9,349)	—
Balance at December 31, 2023	<u>\$ (967,083)</u>	<u>\$ 685,240</u>	<u>\$ (281,843)</u>
Balance at January 1, 2024	<u>\$ (967,083)</u>	<u>\$ 685,240</u>	<u>\$ (281,843)</u>
Current service cost	(13,291)	—	(13,291)
Net interest income (expense)	(11,615)	8,218	(3,397)
Recognized in profit or loss	(24,906)	8,218	(16,688)
Remeasurements:			
Return on plan assets	—	60,476	60,476
Actuarial loss - experience adjustments	(44,266)	—	(44,266)
Actuarial gain - changes in financial assumptions	18,939	—	18,939
Recognized in other comprehensive income	(25,327)	60,476	35,149
Contributions from the employer	—	21,645	21,645
Benefits paid	62,233	(62,233)	—
Balance at December 31, 2024	<u>\$ (955,083)</u>	<u>\$ 713,346</u>	<u>\$ (241,737)</u>

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	For the Years Ended December 31	
	2024	2023
Discount rate	1.50%	1.25%
Future salary increases	2.75%	2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as shown on the table below. The sensitivity analysis may not be

representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2024	December 31, 2023
Discount rate		
Increase 0.5%	\$ (36,285)	\$ (39,754)
Decrease 0.5%	\$ 38,434	\$ 42,295
Future salary increases		
Increase 0.5%	\$ 38,164	\$ 41,859
Decrease 0.5%	\$ (36,398)	\$ (39,754)

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31, 2024	December 31, 2023
The expected contributions to the plan for the next year	\$ 66,666	\$ 75,801
The average duration of the defined benefit obligation	6.4 years	7.2 years

Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2025 is \$22,871 thousand.

- c. Please refer to Note 6(16)a. to the financial statements for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income.

#### (14) EQUITY

##### a. Share capital

	December 31, 2024	December 31, 2023
Number of shares authorized (in thousands)	12,000,000	12,000,000
Shares authorized	\$ 120,000,000	\$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293
Share capital issued and outstanding	\$ 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 aforementioned privately placed common stock are the same as other common stock issued, except that such common stock has not yet been applied to be listed and traded on the Taiwan Stock Exchange.

b. Capital surplus

	December 31, 2024	December 31, 2023
Additional paid-in capital	\$ 171,885	\$ 171,885
Forfeited employee share options	1,096	1,096
	<u>\$ 172,981</u>	<u>\$ 172,981</u>

Pursuant to the R.O.C Company Law, capital surplus generated from shares issued in excess of par and generated from forfeited employee share options may be used to offset an accumulated deficit 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 remuneration to directors, and payments for all taxes and duties, 10% of the remaining after-tax profit is set aside as legal reserve. However, when the legal reserve equals the Company's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to shareholders as proposed by the Board of Directors and ultimately resolved by the shareholders.

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

For the information on the appropriation policy, actual distributions of employees' compensation and remuneration to directors, please refer to Note 6(16)a. to the financial statements.

The appropriations of earnings for 2023 and 2022 approved in the shareholders' meetings on May 23, 2024 and May 25, 2023, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2023	For Fiscal Year 2022	For Fiscal Year 2023	For Fiscal Year 2022
Legal reserve	\$ 781,719	\$ 377,834		
Cash dividends	5,740,859	3,770,956	\$ 1.02	\$ 0.67
	<u>\$ 6,522,578</u>	<u>\$ 4,148,790</u>		

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

(15) REVENUE

	For the Years Ended December 31	
	2024	2023
Revenue from contracts with customers		
Railroad transportation revenue	\$ 51,248,824	\$ 48,074,881
Other operating revenue	1,936,840	1,737,142
	<u>\$ 53,185,664</u>	<u>\$ 49,812,023</u>

a. Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Notes and accounts receivable	<u>\$ 420,209</u>	<u>\$ 509,512</u>	<u>\$ 413,946</u>
Contract liabilities			
Railroad transportation revenue	\$ 1,321,876	\$ 784,530	\$ 1,185,983
Customer loyalty program	137,725	103,394	88,834
Others	18,699	13,991	10,922
	<u>\$ 1,478,300</u>	<u>\$ 901,915</u>	<u>\$ 1,285,739</u>

As of December 31, 2024 and 2023, 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 Years Ended December 31	
	2024	2023
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 778,609	\$ 1,179,523
Customer loyalty program	98,279	84,194
Others	13,755	10,910
	<u>\$ 890,643</u>	<u>\$ 1,274,627</u>

b. Revenue from contracts with customers

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

c. Partially completed contracts

For the performance obligations that are not fully satisfied, the expected timings for recognition of revenue are as follows:

	December 31, 2024	
Railroad transportation revenue		
In 2025	\$	1,315,779
In 2026		6,097
		<u>1,321,876</u>
Customer loyalty program		
In 2025		130,781
In 2026		6,944
		<u>137,725</u>
Others		
In 2025		17,538
In 2026		1,161
		<u>18,699</u>
	<u>\$</u>	<u>1,478,300</u>

(16) INCOME BEFORE INCOME TAX

a. Employee benefit expense

	For the Years Ended December 31	
	2024	2023
Post-employment benefits		
Defined contribution plan	\$ 225,852	\$ 208,305
Defined benefit plan	29,118	17,056
	<u>254,970</u>	<u>225,361</u>
Short-term employee benefits		
Payroll	5,749,131	5,297,084
Insurance	449,748	422,339
Others	230,144	219,738
	<u>6,429,023</u>	<u>5,939,161</u>
	<u>\$ 6,683,993</u>	<u>\$ 6,164,522</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 5,424,991	\$ 4,987,031
Operating expenses	1,259,002	1,177,491
	<u>\$ 6,683,993</u>	<u>\$ 6,164,522</u>

Under the Company's Articles of Incorporation, if there is any after-tax profit at the end of the year, the Company shall first make up for accumulated losses and then distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees' compensation and remuneration

to directors of the Company were calculated based on income before income tax (net of the employees' compensation and remuneration to directors) according to the above policy.

For the years ended December 31, 2024 and 2023, the estimated employees' compensation in cash was \$164,946 thousand and \$199,750 thousand, respectively, and the estimated remuneration to directors in cash was \$41,237 thousand and \$49,938 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 remuneration to directors 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 remuneration to directors 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 remuneration to directors resolved by the Board of Directors and reported in the shareholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Depreciation and amortization

	For the Years Ended December 31	
	2024	2023
Property, plant and equipment	\$ 80,661	\$ 57,372
Right-of-use assets	177,033	172,668
Intangible assets	14,218,162	13,440,774
Other non-current assets	1,482	960
	<u>\$ 14,477,338</u>	<u>\$ 13,671,774</u>
An analysis of depreciation by function		
Operating costs	\$ 222,971	\$ 204,502
Operating expenses	34,723	25,538
	<u>\$ 257,694</u>	<u>\$ 230,040</u>
An analysis of amortization by function		
Operating costs	\$ 14,206,000	\$ 13,430,972
Operating expenses	13,644	10,762
	<u>\$ 14,219,644</u>	<u>\$ 13,441,734</u>

c. Interest income

	For the Years Ended December 31	
	2024	2023
Interest income of bank deposits	\$ 404,296	\$ 341,966
Interest income of repurchase agreement collateralized by bonds	49,749	77,943
Others	59	53
	<u>\$ 454,104</u>	<u>\$ 419,962</u>

d. Interest expense

	For the Years Ended December 31	
	2024	2023
Interest on bank loans	\$ 5,098,127	\$ 5,164,357
Interest on operating concession liabilities	1,023,805	1,003,731
Interest on short-term notes and bills payable	325,387	347,666
Interest on bonds payable	290,369	298,309
Others	7,615	5,397
	<u>6,745,303</u>	<u>6,819,460</u>
Less: Capitalization amount of qualifying assets	(112,281)	(3,906)
	<u>\$ 6,633,022</u>	<u>\$ 6,815,554</u>

e. Other gains and losses

	For the Years Ended December 31	
	2024	2023
Foreign exchange gain, net	\$ 37,846	\$ 11,075
Liquidated damages income	15,916	16,500
Government grants	12,489	7,693
Waste recycling income	9,305	10,548
Gain on contract modification (Note 6(8) c.)	—	6,832,216
Loss on disposal of intangible assets, net	(112,246)	(62,093)
Financial expenses	(94,249)	(8,997)
Others	15,728	15,305
	<u>\$ (115,211)</u>	<u>\$ 6,822,247</u>

(17) INCOME TAXES

a. Income tax expense

(A) Income tax recognized in profit or loss

	For the Years Ended December 31	
	2024	2023
Current tax		
Current tax on profits for the year	\$ 2,436,493	\$ 3,134,409
Income tax on unappropriated earnings	64,730	—
Prior year income tax adjustment	(43,990)	4,099
Deferred tax		
Current tax on profits for the year	(867,540)	(1,195,703)
Prior year income tax adjustment	—	(29,267)
Income tax expense	<u>\$ 1,589,693</u>	<u>\$ 1,913,538</u>

A reconciliation of income before income tax and income tax expense was as follows:

	For the Years Ended December 31	
	2024	2023
Income tax expense calculated at the statutory rate	\$ 1,608,224	\$ 1,947,564
Nondeductible expenses in determining taxable income	6,956	2,082
Adjustments for prior years	(43,990)	(25,168)
Income tax on unappropriated earnings	64,730	—
Others	(46,227)	(10,940)
Income tax expense	<u>\$ 1,589,693</u>	<u>\$ 1,913,538</u>

(B) Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2024	2023
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	<u>\$ (7,030)</u>	<u>\$ 1,774</u>

(C) Deferred tax assets and liabilities

	Balance at January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31, 2024
Deferred tax assets				
Temporary differences				
Profit sharing payments	\$ 4,451,105	\$ 302,251	\$ —	\$ 4,753,356
Provisions	2,874,340	557,736	—	3,432,076
Deferred revenue	20,679	6,866	—	27,545
Defined benefit plan	55,308	—	(7,030)	48,278
Others	40	896	—	936
	<u>7,401,472</u>	<u>867,749</u>	<u>(7,030)</u>	<u>8,262,191</u>
Loss carryforwards	—	—	—	—
	<u>\$ 7,401,472</u>	<u>\$ 867,749</u>	<u>\$ (7,030)</u>	<u>\$ 8,262,191</u>
Deferred tax liabilities				
Temporary differences				
Others	<u>\$ 299</u>	<u>\$ 209</u>	<u>\$ —</u>	<u>\$ 508</u>
	Balance at January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31, 2023
Deferred tax assets				
Temporary differences				
Profit sharing payments	\$ 4,044,992	\$ 406,113	\$ —	\$ 4,451,105
Provisions	686,823	2,187,517	—	\$ 2,874,340
Deferred revenue	17,767	2,912	—	\$ 20,679
Defined benefit plan	53,534	—	1,774	\$ 55,308
Others	55,182	(55,142)	—	\$ 40
	<u>4,858,298</u>	<u>2,541,400</u>	<u>1,774</u>	<u>7,401,472</u>
Loss carryforwards	1,316,146	(1,316,146)	—	—
	<u>\$ 6,174,444</u>	<u>\$ 1,225,254</u>	<u>\$ 1,774</u>	<u>\$ 7,401,472</u>
Deferred tax liabilities				
Temporary differences				
Others	<u>\$ 15</u>	<u>\$ 284</u>	<u>\$ —</u>	<u>\$ 299</u>

(D) The tax authorities have assessed the tax returns through 2020.

(18) EARNINGS PER SHARE

	For the Years Ended December 31	
	2024	2023
Basic (Diluted) earnings per share (NT\$)	<u>\$ 1.15</u>	<u>\$ 1.39</u>

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 Years Ended December 31	
	2024	2023
Earnings attributable to common shareholders	\$ 6,451,428	\$ 7,824,283
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

(19) 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.

(20) FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31, 2024	December 31, 2023
<u>Financial assets</u>		
Financial assets for hedging	\$ —	\$ 94,908
Financial assets at amortized cost		
Other financial assets	19,485,271	20,281,017
Others (Note 1)	4,748,658	18,141,405
<u>Financial liabilities</u>		
Financial liabilities for hedging	1,009,229	367,963
Financial liabilities at amortized cost (Note 2)	287,776,891	309,486,327

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.

December 31, 2024	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at FVTPL</b>				
Forward exchange contracts	\$ —	\$ 819,591	\$ —	\$ 819,591
Cross currency swap contracts	—	189,638	—	189,638
	<u>\$ —</u>	<u>\$ 1,009,229</u>	<u>\$ —</u>	<u>\$ 1,009,229</u>
December 31, 2023	Level 1	Level 2	Level 3	Total
<b>Financial assets for hedging</b>				
Demand deposit in JPY	\$ 37,787	\$ —	\$ —	\$ 37,787
Forward exchange contracts	—	57,121	—	57,121
	<u>\$ 37,787</u>	<u>\$ 57,121</u>	<u>\$ —</u>	<u>\$ 94,908</u>
<b>Financial liabilities for hedging</b>				
Forward exchange contracts	\$ —	\$ 256,595	\$ —	256,595
Cross currency swap contracts	—	111,368	—	111,368
	<u>\$ —</u>	<u>\$ 367,963</u>	<u>\$ —</u>	<u>\$ 367,963</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2024 and 2023.

(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. 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 hedges recognized assets and liabilities and unrecognized firm commitments with tools such as forward exchange rate transactions, cross currency swap transaction and regularly evaluates the effectiveness of the hedge. If hedge accounting is applicable, financial assets and liabilities that are hedged are shown in Note 6(2).

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

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

	December 31, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$	131	30.71 \$ 4,022
JPY		10,159	0.22 2,207
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY		972,043	0.22 211,128

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, the income before income tax would have decreased by \$16 thousand and \$40 thousand for the years ended December 31, 2024 and 2023, 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 \$258 thousand and \$2,089 thousand for the years ended December 31, 2024 and 2023, respectively.

The significant unrealized exchange gain and loss were as follows:

Foreign Currency	For the Years Ended December 31			
	2024		2023	
	Exchange Rate	Exchange Gain, Net	Exchange Rate	Exchange Gain, Net
USD	32.79	\$ 204	30.71	\$ 25,166
JPY	0.21	1,312	0.22	10,474

(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 \$2,077,051 thousand for the years ended December 31, 2024 and 2023, respectively.

(B) Credit risk

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

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

### (C) Liquidity risk

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

The following table details the Company's remaining contractual maturity for its long-term debt and interest on long-term debt (Refer to Note 6(8)c.) to the financial statements, operating concession liabilities, lease liabilities, and bonds payable based on the undiscounted cash flows (excluding the hedging financial instruments, and non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

#### December 31, 2024

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liability	Lease Liabilities	Principle 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
	<u>\$ 207,705,117</u>	<u>\$ 84,935,821</u>	<u>\$ 58,070,566</u>	<u>\$ 431,565</u>	<u>\$ 29,263,000</u>	<u>\$ 380,406,069</u>

#### December 31, 2023

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liability	Lease Liabilities	Principle and Interest on Bond Payables	Total
2024.1.1-2024.3.31	\$ —	\$ 6,985,632	\$ —	\$ 43,620	\$ —	\$ 7,029,252
2024.4.1-2024.12.31	—	3,656,703	973,782	126,732	5,294,300	10,051,517
2025	—	4,941,195	670,000	139,824	4,278,500	10,029,519
2026	—	4,941,195	694,390	131,897	264,500	6,031,982
2027	—	4,941,195	13,715,157	9,860	264,500	18,930,712
2028	4,989,228	5,151,864	426,563	—	264,500	10,832,155
2029-2033	45,930,767	24,631,608	42,564,456	—	1,322,500	114,449,331
2034-2050	156,785,122	40,394,358	—	—	22,868,500	220,047,980
	<u>\$ 207,705,117</u>	<u>\$ 95,643,750</u>	<u>\$ 59,044,348</u>	<u>\$ 451,933</u>	<u>\$ 34,557,300</u>	<u>\$ 397,402,448</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

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

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

(1) Name of related party and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
MOTC	An investor with significant influence over the Company
State-owned Taiwan Railway Corporation, Ltd. (the “Taiwan Railway” )	A government-related entity controlled by the central government
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(10) 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(7)d. to the financial statements for further details:

(A) Rental expense

Related Party Name	For the Years Ended December 31	
	2024	2023
Railway Bureau, MOTC	\$ 813,523	\$ 784,181
Taiwan Railway	55,401	52,619
	<u>\$ 868,924</u>	<u>\$ 836,800</u>

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

Related Party Name	December 31,	December 31,
	2024	2023
Railway Bureau, MOTC	\$ 813,276	\$ 783,116
Taiwan Railway	54,929	52,619
	<u>\$ 868,205</u>	<u>\$ 835,735</u>

c. Purchase

Related Party Name	For the Years Ended December 31	
	2024	2023
Kaohsiung Catering Service, Ltd.	\$ 134,228	\$ 111,315
National Chung-Shan Institute of Science & Technology	111,870	74,077
	<u>\$ 246,098</u>	<u>\$ 185,392</u>

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 Years Ended December 31	
	2024	2023
China Steel Corporation	\$ 13,779	\$ —
InfoChamp Systems Corporation	12,090	16,097
Century Development Corporation	11,003	10,219
Kaohsiung Catering Service, Ltd.	—	55
	<u>\$ 36,872</u>	<u>\$ 26,371</u>

(4) Non-operating income and expenses

a. Interest expense

Please refer to Note 6(10) 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 Years Ended December 31	
	2024	2023
Kaohsiung Catering Service, Ltd.	\$ 7	\$ 5
InfoChamp Systems Corporation	—	11
	<u>\$ 7</u>	<u>\$ 16</u>

(5) Payables to related parties

a. Accounts payable

Related Party Name	December 31, 2024	December 31, 2023
National Chung-Shan Institute of Science & Technology	\$ 26,735	\$ 8,119
Kaohsiung Catering Service, Ltd.	23,078	20,617
	<u>\$ 49,813</u>	<u>\$ 28,736</u>

b. Payable for construction

Related Party Name	December 31, 2024	December 31, 2023
InfoChamp Systems Corporation	\$ 3,039	\$ 44,908
China Steel Corporation	—	83,379
	<u>\$ 3,039</u>	<u>\$ 128,287</u>

(6) Acquisition of intangible assets - operating concession assets

Related Party Name	Purchase Price For the Years Ended December 31	
	2024	2023
China Steel Corporation	\$ 401,509	\$ 378,391
InfoChamp Systems Corporation	135,009	26,064
	<u>\$ 536,518</u>	<u>\$ 404,455</u>

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

Related Party Name	December 31, 2024	December 31, 2023
InfoChamp Systems Corporation	\$ 12,151	\$ 94,984

(8) Lease arrangements

Related Party Name	Acquisition Right-of-use Assets For the Years Ended December 31	
	2024	2023
Century Development Corporation	\$ —	\$ 187,489

Line Item	Related Party Name	December 31, 2024	December 31, 2023
Lease liabilities (Note 6(6))	Century Development Corporation	\$ 120,707	\$ 182,151
	Taiwan Railway	26,884	40,733
		\$ 147,591	\$ 222,884

(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 \$1.3 billion. The transaction terms are not significantly different from those with other non-related parties. Please refer to Note 6(8)b. 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(8)c. to the financial statements for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

b. The Company obtained 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(8)c. 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(11)b.(B) to the financial statements for further information.

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

	For the Years Ended December 31	
	2024	2023
Short-term employee benefits	\$ 121,309	\$ 129,127
Post-employment benefits	14,851	1,611
	\$ 136,160	\$ 130,738

## 8. PLEDGED ASSETS

Pledged Assets	Purpose of Pledge	December 31, 2024	December 31, 2023
Other financial assets - current:			
Repurchase agreement collateralized by bonds	Syndicated loan	\$ 1,230,000	\$ 1,170,000
Time deposits	Trust deposit of unearned revenue	68,000	—
Time deposits	Guarantee for customs duties	22,529	—
Time deposits	Guarantee for oil purchase	—	4,120
Demand deposits	Trust deposit of unearned revenue	16,537	11,359
Demand deposits	Syndicated loan	2,006	1,277
		1,339,072	1,186,756
Other financial assets - non-current:			
Time deposits	Performance guarantee for the C&O Agreement	2,000,000	2,000,000
Time deposits	Guarantee for customs duties	40,396	62,271
Time deposits	Guarantee for office lease	16,266	16,266
Time deposits	Guarantee for parking lease	7,099	7,000
Time deposits	Guarantee for oil purchase	4,120	—
Time deposits	Trust deposit of unearned revenue	—	68,000
		2,067,881	2,153,537
		\$ 3,406,953	\$ 3,340,293

## 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(10) 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(11)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 December 31, 2024 and 2023, the amount of the aforementioned performance bond remained unchanged at \$2 billion, and was recognized as other financial assets.

(2) As of December 31, 2024, unused letters of credit amounted to JPY \$30,234,802 thousand.

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

	December 31, 2024	December 31, 2023
Intangible assets	\$ 30,740,693	\$ 32,627,160

#### 10. SIGNIFICANT DISASTER LOSS

None.

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

For the information on the Company's significant financial assets and liabilities denominated in foreign currencies, please refer to Note 6(20)c. to the financial statements.

#### 12. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

None.

#### 13. SEPARATELY DISCLOSED ITEMS

Except for Notes 6(2) and 6(20) to the financial statements regarding the information on derivative financial instrument transactions and Tables 1 to 3 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major shareholders for Table 4 to the financial statements as attached.

#### 14. SEGMENT INFORMATION

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

TAIWAN HIGH SPEED RAIL CORPORATION  
Holding of marketable securities at the end of the period  
Year ended December 31, 2024

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2024				Footnote
				Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	
The Company	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-B issued in 2019	None	Cash and cash equivalents	\$ 4,600	\$ 4,600	—	\$ 4,600	
"	RADIUM LIFE TECH. CO., LTD 1st Secured Corporate Bond Issued in 2020	"	"	30,000	30,000	—	30,000	
"	Cheng Uei Precision Industry Co., Ltd. 1st Secured Corporate Bond Issue in 2020	"	"	310,000	310,000	—	310,000	
"	KGI FINANCIAL HOLDING CO.,LTD. 1ST UNSECURED CORPORATE BONDS-A ISSUE IN 2020	"	"	100,000	100,000	—	100,000	
"	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-B issued in 2020	"	"	70,400	70,400	—	70,400	
"	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C issued in 2020	"	"	130,000	130,000	—	130,000	
"	TSMC 2nd Unsecured Corporate Bond in 2021-Tranche B	"	"	100,000	100,000	—	100,000	
"	NAN YA Company 1St Unsecured Corporate Bond-A Issue in 2021	"	"	55,000	55,000	—	55,000	
"	KGI FINANCIAL HOLDING CO.,LTD. 3RD UNSECURED CORPORATE BONDS-A ISSUE IN 2020	"	"	10,000	10,000	—	10,000	
"	Yang Ming 19th secured corporate bond--B issue in 2021	"	"	100,000	100,000	—	100,000	
"	Yuan Ding Investment Corporation 1st Unsecured Corporate Bond issue in 2021	"	"	160,000	160,000	—	160,000	
"	RUN LONG CONSTRUCTION 1St Secured Corporate Bonds Issue in 2021	"	"	100,000	100,000	—	100,000	
"	Yuanta FHC 1st Unsecured Corporate Bond Issue in 2022	"	"	200,000	200,000	—	200,000	
"	RADIUM LIFE TECH. CO., LTD. 2nd Secured Corporate Bond Issue in 2022	"	"	130,000	130,000	—	130,000	

TAIWAN HIGH SPEED RAIL CORPORATION  
Holding of marketable securities at the end of the period  
Year ended December 31, 2024

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2024				Footnote
				Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	
"	CFC 1st Unsecured Corporate Bonds A Issue in 2023	"	"	\$ 100,000	\$ 100,000	—	\$ 100,000	
"	Dragon Steel Corporation 1st Unsecured Corporate Bonds Issue in 2023	"	"	100,000	100,000	—	100,000	
"	JEAN CO., LTD. 1st Secured Corporate Bond Issue in 2023	"	"	130,000	130,000	—	130,000	
"	SANFAR 1st Secured Corporate Bond issue in 2024	"	"	100,000	100,000	—	100,000	
"	TAIWAN POWER COMPANY 1ST UNSECURED BOND-A ISSUE IN 2024	"	"	120,000	120,000	—	120,000	
"	TAIWAN POWER COMPANY 3RD UNSECURED BOND-A ISSUE IN 2024	"	"	100,000	100,000	—	100,000	
"	Hua Nan Securities Co. Ltd. 1st Unsecured Subordinated Corporate Bonds issued in 2024	"	"	140,000	140,000	—	140,000	
"	YeaShin International Development Co., Ltd. 4th Secured Corporate Bond Issue in 2024	"	"	170,000	170,000	—	170,000	
"	Fubon Life Insurance Co., Ltd. 2nd issue of Unsecured Cumulative Subordinated Corporate Bonds A in 2024	"	"	100,000	100,000	—	100,000	
"	RUN LONG CONSTRUCTION 1st Secured Corporate Bond Issue in 2024	"	"	100,000	100,000	—	100,000	
"	Central Government Bond 2016-11	"	Other financial assets - current	1,149,000	1,230,000	—	1,230,000	

TAIWAN HIGH SPEED RAIL CORPORATION  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2024

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relation-ship with the investor	Balance as at January 1, 2024		Addition		Disposal				Balance as at December 31, 2024		
					Face value/Units (in thousands)	Amount	Face value/Units (in thousands)	Amount	Face value/Units (in thousands)	Selling price	Book value	Gain (loss) on disposal	Gain (loss) on valuation	Face value/Units (in thousands)	Amount
The Company	Central Government Bond 2016-11	Note	—	—	\$ 1,100,000	\$ 1,170,000	\$ 2,252,200	\$ 2,403,200	\$ 2,203,200	\$ 2,349,862	\$ 2,343,200	\$ 6,662	\$ —	\$ 1,149,000	\$ 1,230,000
"	Central Government Bond 2017-4	"	—	—	—	—	2,353,600	2,503,600	2,353,600	2,510,890	2,503,600	7,290	—	—	—
"	Hon Hai Precision Industry Co., Ltd 3rd Unsecured Corporate Bonds-D Issuance in 2017	"	—	—	—	—	320,000	320,000	320,000	320,558	320,000	558	—	—	—
"	Winbond Electronics Corporation 1st Secured Corporate Bond Issue in 2018	"	—	—	100,000	100,000	516,000	516,000	616,000	617,155	616,000	1,155	—	—	—
"	Dragon Steel Corporation 1st Unsecured Corporate Bonds Issue in 2020	"	—	—	—	—	404,000	404,000	404,000	404,790	404,000	790	—	—	—
"	RADIUM LIFE TECH. CO., LTD 1st Secured Corporate Bond Issued in 2020	"	—	—	100,000	100,000	240,000	240,000	310,000	310,484	310,000	484	—	30,000	30,000
"	1st issuance of unsecured corporate bonds of Taishin FHC of year 2020 Tranche A	"	—	—	123,600	123,626	185,000	185,000	308,600	309,313	308,626	687	—	—	—
"	Cheng Uei Precision Industry Co., Ltd. 1st Secured Corporate Bond Issue in 2020	"	—	—	160,000	160,000	549,000	549,104	399,000	399,643	399,104	539	—	310,000	310,000
"	VIS 1st Unsecured Corporate Bond in 2021-Tranche A	"	—	—	\$ 252,000	\$ 252,000	\$ 237,700	\$ 237,700	\$ 489,700	\$ 490,562	\$ 489,700	\$ 862	\$ —	\$ —	\$ —

TAIWAN HIGH SPEED RAIL CORPORATION  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2024

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relation-ship with the investor	Balance as at January 1, 2024		Addition		Disposal			Balance as at December 31, 2024			
					Face value/Units (in thousands)	Amount	Face value/Units (in thousands)	Amount	Face value/Units (in thousands)	Selling price	Book value	Gain (loss) on disposal	Gain (loss) on valuation	Face value/Units (in thousands)	Amount
"	VIS 1st Unsecured Corporate Bond in 2021-Tranche B	"	—	—	163,000	163,000	375,700	375,700	538,700	539,633	538,700	933	—	—	—
"	RUN LONG CONSTRUCTION 1st Secured Corporate Bonds Issue in 2021	"	—	—	—	—	400,000	400,000	300,000	300,545	300,000	545	—	100,000	100,000
"	VIS 1st Unsecured Corporate Bond in 2022-Tranche A	"	—	—	43,000	43,000	438,000	437,949	481,000	481,854	480,949	906	—	—	—
"	YUNGSHIN CONSTRUCTION & DEVELOPMENT CO., LTD. 1st Secured Corporate Bond-B Issue in 2022	"	—	—	—	—	338,600	338,768	338,600	339,487	338,768	719	—	—	—
"	Sun Ba Power Corporation 1st Secured Corporate Bond Issue in 2022	"	—	—	—	—	390,000	390,000	390,000	390,589	390,000	589	—	—	—
"	Hon Hai Precision Industry Co., Ltd 1st Unsecured Corporate Bonds-B Issue in 2023	"	—	—	—	—	339,840	337,715	339,840	338,380	337,715	665	—	—	—

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

TAIWAN HIGH SPEED RAIL CORPORATION

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2024

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts payable	
The Company	Kaohsiung Catering Service, Ltd.	An entity controlled by the legal entity as directors of the Company	Purchases	\$ 134,228	7.53 %	30 days	—	—	\$ 23,078	6.06 %	
The Company	National Chung-Shan Institute of Science & Technology	A government- related entity controlled by the central government	Purchases	111,870	6.28 %	60 days	—	—	26,735	7.02 %	

TAIWAN HIGH SPEED RAIL CORPORATION  
Major shareholders information  
Year ended December 31, 2024

Table 4

Name of major shareholders	Shares	
	Number of shares held	Ownership
MOTC	2,420,000,000	43%

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

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TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2024

(Expressed in thousands of New Taiwan dollars)

Schedule 1

Item	Description	Amount
Cash on hand		\$ 79,566
Deposits		
Demand deposits	Interest rate: 0.001%-0.8%	980,400
Time deposits	Expired in January 2025; interest rate: 1.6%-1.72%	567,434
Cash equivalents		
Repurchase agreement collateralized by bonds	Can be redeemed between January and February 2025; interest rate: 1.5%-1.51%	2,660,000
		\$ 4,287,400

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2024

(Expressed in thousands of New Taiwan dollars)

Schedule 2

Item	Amount
Spare parts and supplies	\$ 3,312,078
Merchandise	28,360
Less: Allowance for inventory valuation losses	(577,966)
	<u>\$ 2,762,472</u>

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2024

(Expressed in thousands of New Taiwan dollars)

Schedule 3

<u>Supplier Name</u>	<u>Amount</u>
Toshiba Electronic Components Taiwan Corporation	\$ 37,675
Taiwan Sunshine Industrial Corporation	27,354
National Chung-Shan Institute of Science & Technology	26,735
Kaohsiung Catering Service, Ltd.	23,078
Others (Note)	265,844
	<u>\$ 380,686</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF PAYABLE FOR CONSTRUCTION  
DECEMBER 31, 2024

(Expressed in thousands of New Taiwan dollars)

Schedule 4

<u>Supplier Name</u>	<u>Amount</u>
FORMOSA BUILDERS, Inc.	\$ 95,621
Industrial Technology Research Institute	94,006
IBM Taiwan Corporation	89,100
Syscom Computer Engineering Co Ltd.	56,470
Kyosan Electric Manufacturing Co., Ltd. Taiwan branch (Japan)	53,675
Others (Note)	491,948
	<u>\$ 880,820</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2024  
 (Expressed in thousands of New Taiwan dollars)

Schedule 5

Item	Description	Amount
Railroad transportation revenue	13,351 million passenger - kilometers; 78.25 million passengers	\$ 51,248,824
Others		1,936,840
		\$ 53,185,664

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2024  
(Expressed in thousands of New Taiwan dollars)

Schedule 6

Item	Amount
Amortization expense	\$ 14,206,000
Employee benefit expense	5,424,991
Electricity fee	2,843,287
Repair and maintenance expense	1,563,877
Maintenance spares consumed	1,523,710
Others	4,266,844
	\$ 29,828,709

TAIWAN HIGH SPEED RAIL CORPORATION  
STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024  
(Expressed in thousands of New Taiwan dollars)

Schedule 7

Item	Amount
Employee benefit expense	\$ 1,259,002
Professional service expense	181,771
Repair and maintenance expense	79,570
Advertisement expense	76,198
Others	264,788
	<u>\$ 1,861,329</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION**  
**AND AMORTIZATION EXPENSES BY FUNCTION**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

Schedule 8

	Year ended December 31, 2024			Year ended December 31, 2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Payroll	\$ 4,702,033	\$ 991,463	\$ 5,693,496	\$ 4,301,965	\$ 931,891	\$ 5,233,856
Insurance	377,124	72,624	449,748	354,463	67,876	422,339
Pension	200,643	54,327	254,970	187,209	38,152	225,361
Remuneration to directors	—	55,635	55,635	—	63,228	63,228
Other personnel expenses	145,191	84,953	230,144	143,394	76,344	219,738
Depreciation expense	\$ 222,971	\$ 34,723	\$ 257,694	\$ 204,502	\$ 25,538	\$ 230,040
Amortization expense	\$ 14,206,000	\$ 13,644	\$ 14,219,644	\$ 13,430,972	\$ 10,762	\$ 13,441,734

Note:

- As at December 31, 2024 and 2023, the Company had 4,837 and 4,732 employees, including 15 and 14 non-employee directors, respectively.
- The amount of average employee benefit expense for the years ended December 31, 2024 and 2023 was \$1,375 thousand and \$1,293 thousand, respectively. The amount of average payroll for the years ended December 31, 2024 and 2023 was \$1,181 thousand and \$1,109 thousand, respectively.
- The average payroll has increased by 6.49% in 2024 compared with 2023.
- The Company's audit committee consists of independent directors instead of the supervisors.
- The Company's remuneration policies:

Remuneration policy for the directors

According to Article 27-1 of the Articles of Incorporation, remuneration for individual board directors should be determined by the Board based on the level of participation, value contributed, and remuneration levels of similar companies. In addition, in accordance with Article 35-1 of the Company's Articles of Incorporation, if the Company is profitable in a given year, it shall allocate not more than 1% of the net profit as profit sharing compensation. Independent directors receive fixed monthly compensation as determined by the Board and are not entitled to the aforementioned profit sharing.

Managerial officers and employees

In accordance with the Company's "Charter of Remuneration Committee," THSRC shall periodically review the performance of directors and managers, policies, systems, standards, structure and general compensation levels of the industry. To ensure there is a competitive and motivational remuneration scheme, employee compensation is determined by considering the factors such as corporate financial status, business performance, and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to Article 35-1 of the Company's Articles of Incorporation, "if the Company is profitable in a given year, it shall allocate not less than 1% of the net profit as profit sharing compensation to employees."

The Company has established "Salary Payment Regulations" as the basis of employees' salary assessment and there is a regular review of the Company salary level and remuneration policies, setting out salary allowances and bonuses according to the regulations of Company to reward employees' contributive work. Bonus levels are based on the considerations of corporate financial status, operating conditions, and individuals' work performance. According to business performance, THSRC distributes year-end bonuses and performance bonuses as incentive, and has set salary adjustment policies to enhance employee compensation and welfare.