TAIWAN HIGH SPEED RAIL CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT

MARCH 31, 2023 AND 2022

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying balance sheet of Taiwan High Speed Rail Corporation (the "Company") as at March 31, 2023, and the related statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and of its financial performance and its cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Other matter – Reference to the review of other auditors

The financial statements for the three months ended March 31, 2022, were reviewed by other auditors who expressed an unmodified conclusion on those statements dated May 4, 2022.

Yu, Chih-Fan

Chou, Chien-Hung

Yu, Chih-Fan　　　Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

May 10, 2023

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.

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

	Assets	Notes	March 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%	March 31, 2022 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 21,971,511	6	$ 16,558,946	4	$ 32,703,681	8
1110	Financial assets at fair value through profit or loss	6(2)	1,761,003	-	-	-	-	-
1139	Financial assets for hedging	6(3)	-	-	72	-	-	-
1170	Notes and accounts receivable	6(16)	326,143	-	413,946	-	233,077	-
1220	Current tax assets	4(22)	37,393	-	180,600	-	9,576	-
130X	Inventories	6(4)	2,780,888	1	2,425,999	1	2,667,045	-
1476	Other financial assets	6(5) and 8	9,779,941	2	11,496,900	3	16,205,557	4
1479	Other current assets	7	877,941	-	1,060,231	-	1,017,174	-
11XX	**Total current assets**		37,534,820	9	32,136,694	8	52,836,110	12
	Non-current assets							
1600	Property, plant and equipment	6(6)	118,785	-	128,514	-	106,785	-
1755	Right-of-use assets	6(7)	362,207	-	405,315	-	531,732	-
1821	Operating concession assets	6(8) and 7	357,591,090	89	359,479,197	90	365,600,483	85
1801	Computer software, net	6(8)	132,452	-	134,962	-	108,108	-
1840	Deferred tax assets	4(22)	5,665,815	1	6,174,444	2	7,184,788	2
1980	Other financial assets	6(5) and 8	2,127,210	1	2,079,603	-	2,095,843	1
1990	Other non-current assets		1,146	-	1,403	-	2,236	-
15XX	**Total non-current assets**		365,998,705	91	368,403,438	92	375,629,975	88
1XXX	**Total assets**		$ 403,533,525	100	$ 400,540,132	100	$ 428,466,085	100

(Continued)

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

	Liabilities and Equity	Notes	March 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%	March 31, 2022 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 44,426	-	$ 5,737	-	$ 40,303	-
2110	Short-term notes and bills payable	6(9) and 7	21,956,563	6	21,960,820	6	14,982,599	4
2126	Financial liabilities for hedging	6(3)	106	-	-	-	4,958	-
2170	Accounts payable		774,768	-	403,869	-	747,350	-
2209	Operating concession liabilities	6(11) and 7	426,563	-	426,563	-	8,049,281	2
2200	Other payables	6(9)(13)	3,788,906	1	3,418,404	1	3,487,684	1
2211	Payable for construction	7	730,172	-	941,566	-	374,028	-
2230	Current tax liabilities	4(22)	-	-	-	-	331,284	-
2250	Provisions	6(12) and 7	1,482	-	284,781	-	1,169,273	-
2320	Current portion of long-term debt	6(9), 7 and 8	9,996,251	3	-	-	24,990,811	6
2399	Other current liabilities	6(7)(13)(16) and 7	1,243,669	-	1,508,643	-	1,142,368	-
21XX	**Total current liabilities**		38,962,906	10	28,950,383	7	55,319,939	13
	Non-current liabilities							
2530	Bonds payable	6(10)	27,474,605	7	27,473,537	7	27,470,325	6
2541	Long-term debt	6(9), 7 and 8	207,627,196	52	217,622,140	54	217,625,053	51
2550	Provisions	6(12) and 7	4,146,539	1	3,149,335	1	3,856,951	1
2580	Lease liabilities	6(7) and 7	217,177	-	238,113	-	353,233	-
2611	Long-term interest payable	6(9)	5,013,680	1	5,390,517	1	5,607,216	1
2612	Operating concession liabilities	6(11) and 7	50,007,469	12	49,759,974	13	49,286,353	12
2670	Other non-current liabilities	6(13)(14)	667,255	-	666,066	-	611,020	-
25XX	**Total non-current liabilities**		295,153,921	73	304,299,682	76	304,810,151	71
2XXX	**Total liabilities**		334,116,827	83	333,250,065	83	360,130,090	84
	Equity	6(15)						
	Share capital							
3110	Common stock		56,282,930	14	56,282,930	14	56,282,930	13
	Capital surplus							
3200	Capital surplus		172,981	-	172,981	-	172,981	-
	Retained earnings							
3310	Legal reserve		4,212,542	1	4,212,542	1	3,852,440	1
3350	Unappropriated retained earnings		8,748,245	2	6,621,614	2	8,027,644	2
3XXX	**Total equity**		69,416,698	17	67,290,067	17	68,335,995	16
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after reporting period	10						
3X2X	**Total liabilities and equity**		$ 403,533,525	100	$ 400,540,132	100	$ 428,466,085	100

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

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(REVIEWED, NOT AUDITED)

			Three months ended March 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	$ 12,148,545	100	$ 8,990,342	100
5000	Operating costs	6(17) and 7	(6,567,796)	(54)	(6,250,081)	(70)
5900	Gross profit		5,580,749	46	2,740,261	30
6000	Operating expenses	6(17) and 7	(374,604)	(3)	(301,934)	(3)
6900	Net operating income		5,206,145	43	2,438,327	27
	Non-operating income and expenses					
7100	Interest income	6(17)	103,331	1	37,190	-
7510	Interest expense	6(9)(17) and 7	(1,667,438)	(14)	(1,426,616)	(16)
7625	Stabilization reserve expense	6(12)	(997,204)	(8)	(308,849)	(3)
7590	Other gains and losses	6(17)	(9,408)	-	(38,411)	-
7000	Total non-operating income and expenses		(2,570,719)	(21)	(1,736,686)	(19)
7900	**Profit before income tax**		2,635,426	22	701,641	8
7950	Income tax expense	6(18)	(508,795)	(4)	(143,617)	(2)
8200	**Profit for the period**		$ 2,126,631	18	$ 558,024	6
8500	**Total comprehensive income for the period**		$ 2,126,631	18	$ 558,024	6
	Basic earnings per share	6(19)				
9750	Basic earnings per share		$ 0.38		$ 0.10	
	Diluted earnings per share	6(19)				
9850	Diluted earnings per share		$ 0.38		$ 0.10	

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

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Share capital-common stock	Capital surplus	Retained Earnings: Legal reserve	Retained Earnings: Unappropriated retained earnings	Total equity
For the three months ended March 31, 2022					
Balance at January 1, 2022	$ 56,282,930	$ 172,981	$ 3,852,440	$ 7,469,620	$67,777,971
Profit for the period	-	-	-	558,024	558,024
Total comprehensive income	-	-	-	558,024	558,024
Balance at March 31, 2022	$ 56,282,930	$ 172,981	$ 3,852,440	$ 8,027,644	$68,335,995
For the three months ended March 31, 2023					
Balance at January 1, 2023	$ 56,282,930	$ 172,981	$ 4,212,542	$ 6,621,614	$67,290,067
Profit for the period	-	-	-	2,126,631	2,126,631
Total comprehensive income	-	-	-	2,126,631	2,126,631
Balance at March 31, 2023	$ 56,282,930	$ 172,981	$ 4,212,542	$ 8,748,245	$69,416,698

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

TAIWAN HIGH SPEED RAIL CORPORATION
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Three months ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 2,635,426	$ 701,641
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	56,550	55,610
Amortization	3,310,242	3,293,905
Interest expense	1,667,438	1,426,616
Interest income	(103,331)	(37,190)
Gain on foreign currency exchange, net	(31,334)	(31,216)
Stabilization reserve expense	997,204	308,849
Loss on disposal of intangible assets	26,603	62,459
Others	(3,991)	(1,092)
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets for hedging	178	4,446
Notes and accounts receivable	87,803	432,880
Inventories	(354,889)	(321,047)
Other current assets	192,409	201,368
Other non-current assets	-	(470)
Changes in operating liabilities		
Accounts payable	375,448	222,445
Other payables	(309,810)	(449,007)
Other current liabilities	(243,893)	(135,692)
Other non-current liabilities	(2,004)	(2,799)
Cash inflow generated from operations	8,300,049	5,731,706
Interest received	93,328	25,278
Interest paid	(1,399,093)	(1,112,487)
Income tax paid (refunded)	143,027	(4,144)
Net cash flows from operating activities	7,137,311	4,640,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(1,759,000)	-
Decrease in other financial assets	1,688,653	8,013,769
Acquisition of property, plant and equipment	(3,168)	(4,244)
Acquisition of intangible assets	(1,657,464)	(1,567,403)
Net cash flows (used in) from investing activities	(1,730,979)	6,442,122
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	38,829	25,478
Repayment of the principal portion of lease liabilities	(42,018)	(41,283)
Increase in other non-current liabilities	3,241	17,192
Net cash flows from financing activities	52	1,387
Effects due to changes in exchange rate on the balance of cash held in foreign currency	6,181	323
Net increase in cash and cash equivalents	5,412,565	11,084,185
Cash and cash equivalents at beginning of period	16,558,946	21,619,496
Cash and cash equivalents at end of period	$ 21,971,511	$ 32,703,681

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

TAIWAN HIGH SPEED RAIL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2023 AND 2022

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

(Reviewed, not audited)

1. GENERAL

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and released by the Board of Directors on May 10, 2023.

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

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

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
January 1, 2023	Amendments to IAS 1 "Disclosure of Accounting Policies"
January 1, 2023	Amendments to IAS 8 "Definition of Accounting Estimates"
January 1, 2023	Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

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

the Company.

None.

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

Effective Date Announced by IASB (Note 1)	New Standards, Interpretations and Amendments
To be determined by IASB	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”
January 1, 2024 (Note2)	Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”
January 1, 2023	IFRS 17 “Insurance Contracts”
January 1, 2023	Amendments to IFRS 17
January 1, 2023	Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
January 1, 2024	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
January 1, 2024	Amendments to IAS 1 “Non-current liabilities with contractual terms”

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

(4) Foreign currencies

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

(5) Cash equivalents

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

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

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

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

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

(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).

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

(8) Inventories

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

(9) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently. Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: Machinery and equipment - 3 to 7 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 5 years; other equipment - 3 to 35 years.

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

(10) Intangible assets

a. Operating concession assets

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

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years (Calculated from 2007, the operating concession period is 61.5 years). Receivable due from shortfall charges with respect to statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession assets - period extension cost.

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

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

b. Computer software

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

(11) Operating concession liabilities

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

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

(12) Impairment of assets

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

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

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

(13) Hedge accounting

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

(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. The fee paid when setting up the loan amount, if it is very likely to withdraw part or all of the amount, the fee shall be recognized as the transaction cost of the loan, and shall be deferred until the payment occurs and shall be recognized as an adjustment of the effective interest rate.

c. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (interest and other costs incurred on borrowed funds) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than the borrowing costs described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(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.

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

(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.

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

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

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Actual results may differ from these estimates.

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

(1) Stabilization reserve

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Company recognized a provision for stabilization reserve in the amounts of $4,148,021 thousand, $3,150,817 thousand and $4,742,945 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. Please refer to Notes 6(12) and 9(1)c. to the financial statements for further information.

(2) Income taxes

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of deferred tax assets in relation to deductible temporary differences and unused loss carryforwards were $5,665,815 thousand, $6,174,444 thousand and $7,184,788 thousand, respectively.

6. Details of Significant Accounts

(1) CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	$ 90,047	$ 101,699	$ 77,216
Demand deposits	236,236	233,658	13,212,293
Time deposits	15,004,323	12,595,866	12,900,000
Repurchase agreement collateralized by bonds	6,640,905	3,627,723	6,514,172
	$ 21,971,511	$ 16,558,946	$ 32,703,681

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

	March 31, 2023	December 31, 2022	March 31, 2022
Open-end money market funds	$ 1,761,003	$ -	$ -

The financial assets at FVTPL are mandatorily classified as FVTPL.

(3) FINANCIAL ASSETS AND LIABILITIES FOR HEDGING

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets for hedging - current			
Fair value hedges - forward exchange contracts	$ -	$ 72	$ -
Financial liabilities for hedging - current			
Fair value hedges - forward exchange contracts	$ 106	$ -	$ 4,958

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

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2023			
Buy	US$/JPY	April 2023	JPY 33,923
Buy	NT$/US$	April 2023	US$ 258
December 31, 2022			
Buy	US$/JPY	January 2023	JPY 49,219
Buy	NT$/US$	January 2023	US$ 371
March 31, 2022			
Buy	US$/JPY	April 2022	JPY 771,364
Buy	NT$/US$	April 2022	US$ 6,515

(4) INVENTORIES

	March 31, 2023	December 31, 2022	March 31, 2022
Spare parts and supplies	$ 2,773,230	$ 2,416,637	$ 2,654,525
Merchandise	7,658	9,362	12,520
	$ 2,780,888	$ 2,425,999	$ 2,667,045

As of March 31, 2023, December 31, 2022 and March 31, 2022, allowance for inventory valuation losses amounted to $594,616 thousand, $596,176 thousand and $601,874 thousand, respectively.

(5) OTHER FINANCIAL ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Time deposits	$ 10,463,073	$ 12,131,528	$ 15,546,314
Repurchase agreement collateralized by bonds	1,430,000	1,426,000	1,859,948
Demand deposits	6,708	11,615	3,122
Demand deposits - Stabilization Mechanism Account (Note 6(12))	1,334	1,334	885,991
Other performance guarantee	6,036	6,026	6,025
	$ 11,907,151	$ 13,576,503	$ 18,301,400
Current	$ 9,779,941	$ 11,496,900	$ 16,205,557
Non-current	2,127,210	2,079,603	2,095,843
	$ 11,907,151	$ 13,576,503	$ 18,301,400

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

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

(6) PROPERTY, PLANT AND EQUIPMENT

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2023	$ 28	$ 404,959	$ 87	$ 124,723	$ 82,133	$ 283,666	$ 895,596
Additions	-	2,869	-	299	-	-	3,168
Disposals	-	(285)	-	(597)	-	(20)	(902)
Transfer	-	-	-	-	-	545	545
Balance at March 31, 2023	28	407,543	87	124,425	82,133	284,191	898,407
Accumulated depreciation							
Balance at January 1, 2023	-	314,580	87	112,409	81,409	258,597	767,082
Depreciation	-	10,177	-	1,177	181	1,907	13,442
Disposals	-	(285)	-	(597)	-	(20)	(902)
Balance at March 31, 2023	-	324,472	87	112,989	81,590	260,484	779,622
	$ 28	$ 83,071	$ -	$ 11,436	$ 543	$ 23,707	$ 118,785
Cost							
Balance at January 1, 2022	$ 28	$ 355,972	$ 87	$ 124,252	$ 82,133	$ 273,418	$ 835,890
Additions	-	3,173	-	524	-	547	4,244
Disposals	-	-	-	(1,033)	-	-	(1,033)
Transfer	-	-	-	-	-	5,880	5,880
Balance at March 31, 2022	28	359,145	87	123,743	82,133	279,845	844,981
Accumulated depreciation							
Balance at January 1, 2022	-	286,329	87	110,736	80,664	248,912	726,728
Depreciation	-	7,222	-	1,245	188	3,846	12,501
Disposals	-	-	-	(1,033)	-	-	(1,033)
Balance at March 31, 2022	-	293,551	87	110,948	80,852	252,758	738,196
	$ 28	$ 65,594	$ -	$ 12,795	$ 1,281	$ 27,087	$ 106,785

(7) LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2023	$ 472,823	$ 496,973	$ 71,994	$ 1,260	$ 1,043,050
Additions	-	-	-	-	-
Balance at March 31, 2023	472,823	496,973	71,994	1,260	1,043,050
Accumulated depreciation					
Balance at January 1, 2023	339,395	245,925	51,575	840	637,735
Depreciation	21,783	15,371	5,849	105	43,108
Balance at March 31, 2023	361,178	261,296	57,424	945	680,843
	$ 111,645	$ 235,677	$ 14,570	$ 315	$ 362,207
Cost					
Balance at January 1, 2022	$ 469,915	$ 496,973	$ 71,994	$ 1,260	$ 1,040,142
Additions	-	-	-	-	-
Balance at March 31, 2022	469,915	496,973	71,994	1,260	1,040,142
Accumulated depreciation					
Balance at January 1, 2022	252,259	184,443	28,179	420	465,301
Depreciation	21,785	15,370	5,849	105	43,109
Balance at March 31, 2022	274,044	199,813	34,028	525	508,410
	$ 195,871	$ 297,160	$ 37,966	$ 735	$ 531,732

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Buildings	$ 113,061	$ 134,829	$ 195,820
Machinery and equipment	227,608	241,874	284,488
Transportation equipment	14,673	20,548	38,124
Other equipment	325	433	754
	355,667	397,684	519,186
Less: Recognized as current lease liabilities	(138,490)	(159,571)	(165,953)
Lease liabilities - non-current	$ 217,177	$ 238,113	$ 353,233

Range of discount rate for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Buildings	0.38%-1%	0.38%-1%	0.38%-0.87%
Machinery and equipment	0.87%	0.87%	0.87%
Transportation equipment	0.45%-0.73%	0.45%-0.73%	0.45%-0.73%
Other equipment	0.38%	0.38%	0.38%

c. Material lease terms

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

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

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

d. Other lease information

	For the Three Months Ended March 31	
	2023	2022
Expenses relating to short-term leases	$ 214	$ 189
Expenses relating to low-value asset leases	$ -	$ 79
Total cash outflows for leases	($ 42,989)	($ 42,581)

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

(8) INTANGIBLE ASSETS

a. Movements of the intangible assets

	Operating Concession Assets						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	Total
Cost							
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	429,219	-	-	1,016,845	1,446,064	807	1,446,871
Disposals	(52,865)	-	-	-	(52,865)	-	(52,865)
Transfer	1,927,173	-	-	(1,935,906)	(8,733)	7,833	(900)
Balance at March 31, 2023	481,587,723	69,972,043	12,701,819	2,129,028	566,390,613	639,822	567,030,435
Accumulated amortization							
Balance at January 1, 2023	183,750,308	20,030,893	1,745,749	-	205,526,950	496,220	206,023,170
Amortization	2,964,235	274,402	60,198	-	3,298,835	11,150	3,309,985
Disposals	(26,262)	-	-	-	(26,262)	-	(26,262)
Balance at March 31, 2023	186,688,281	20,305,295	1,805,947	-	208,799,523	507,370	209,306,893
	$ 294,899,442	$ 49,666,748	$ 10,895,872	$ 2,129,028	$ 357,591,090	$ 132,452	$ 357,723,542
Cost							
Balance at January 1, 2022	$ 476,575,681	$ 69,972,043	$ 12,701,819	$ 2,826,901	$ 562,076,444	$ 569,309	$ 562,645,753
Additions	348,509	-	-	634,906	983,415	1,395	984,810
Disposals	(406,480)	-	-	-	(406,480)	(490)	(406,970)
Transfer	248,379	-	-	(257,820)	(9,441)	3,561	(5,880)
Balance at March 31, 2022	476,766,089	69,972,043	12,701,819	3,203,987	562,643,938	573,775	563,217,713
Accumulated amortization							
Balance at January 1, 2022	173,665,854	18,933,286	1,504,956	-	194,104,096	456,196	194,560,292
Amortization	2,948,780	274,401	60,199	-	3,283,380	9,961	3,293,341
Disposals	(344,021)	-	-	-	(344,021)	(490)	(344,511)
Balance at March 31, 2022	176,270,613	19,207,687	1,565,155	-	197,043,455	465,667	197,509,122
	$ 300,495,476	$ 50,764,356	$ 11,136,664	$ 3,203,987	$ 365,600,483	$ 108,108	$ 365,708,591

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

	March 31, 2023	December 31, 2022	March 31, 2022
Operating assets, net			
Land improvements	$ 154,268,466	$ 154,998,583	$ 157,459,434
Buildings	25,908,041	26,045,381	26,419,553
Machinery and equipment	23,009,804	23,397,821	23,948,254
Transportation equipment	91,700,449	91,077,877	92,649,434
Other equipment	12,682	14,226	18,801
	$ 294,899,442	$ 295,533,888	$ 300,495,476
Construction in progress			
Prepayments for equipment	$ 2,129,028	$ 3,048,089	$ 3,203,987

c. Operating concession - rental

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Company acquired superficies from the MOTC on the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in the future reported price of public-owned land and usage of such public-owned land and other relevant factors. The Company prepays the rental for the following year by the end of each year, and if the reported price of public-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of March 31, 2023, the superficies encompasses northern area to southern area of Taiwan, from Land Lot No. 1042-0001 of Tongxing Section, Xizhi District, New Taipei City located on the north to Land Lot No. 0419-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located on the south. The term of such acquired superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

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

a. Short-term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
Letters of credit	$ 44,426	$ 5,737	$ 40,303

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

	March 31, 2023	December 31, 2022	March 31, 2022
Letters of credit	0.63%-0.70%	0.63%-0.74%	0.63%-0.74%

b. Short-term notes and bills payable

	March 31, 2023	December 31, 2022	March 31, 2022
Short-term bills payable	$ 22,000,000	$ 22,000,000	$ 15,000,000
Less: Discount on short-term bills payable	(43,437)	(39,180)	(17,401)
	$ 21,956,563	$ 21,960,820	$ 14,982,599

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 bills payable are as follows:

Guarantee or Acceptance Agency	Issue Period	Issue Price	Unamortized Discount	Book Value	Interest Rate	Cyclical Issuing Contract Period
International Bills Finance Corporation	2023.3.7-2023.6.5	$ 5,000,000	($ 13,174)	$ 4,986,826	1.46%	2021.7.19-2026.7.18
Mega Bills Finance Corporation	2023.3.7-2023.6.5	5,000,000	(13,174)	4,986,826	1.46%	2021.7.19-2026.7.18
China Bills Finance Corporation	2023.3.7-2023.6.5	5,000,000	(13,174)	4,986,826	1.46%	2021.7.19-2026.7.18
International Bills Finance Corporation	2023.1.12-2023.4.12	2,500,000	(1,399)	2,498,601	1.70%	2022.5.3-2027.5.2
Mega Bills Finance Corporation	2023.1.12-2023.4.12	2,000,000	(1,119)	1,998,881	1.70%	2022.5.3-2027.5.2
China Bills Finance Corporation	2023.1.12-2023.4.12	2,500,000	(1,397)	2,498,603	1.70%	2022.5.3-2027.5.2
		$ 22,000,000	($ 43,437)	$21,956,563		

c. Long-term debt

	March 31, 2023	December 31, 2022	March 31, 2022
Syndicated loan			
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	$ 95,400,000	$ 95,400,000	$ 105,900,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	122,305,117	122,305,117	136,805,117
	217,705,117	217,705,117	242,705,117
Less: Unamortized cost of long-term debt	(81,670)	(82,977)	(89,253)
	217,623,447	217,622,140	242,615,864
Less: Current portion			
Tranche A1 Facility	4,200,000	-	10,500,000
Tranche A2 Facility	5,800,000	-	14,500,000
Unamortized cost of long-term debt	(3,749)	-	(9,189)
	9,996,251	-	24,990,811
	$ 207,627,196	$ 217,622,140	$ 217,625,053

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 Note 6(5) and 8 to the financial statements for further information.

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

i. Term of loan and repayment method

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

On May 4, 2022, the Company made early repayment for $250 billion and repaid interest differences for $795,291 thousand due to early repayment of the loan.

ii. Interest rates

The interest rates (including 5% VAT) of the Tranche A1 Facility and Tranche A2 Facility are determined as the reference rate (1-year time deposit floating rate of Chunghwa Post Co., Ltd.) plus spread as listed on the table below. Due to the step-up spread mechanism, the Company shall make up for the deficit of the interests below the agreed interest rate to the syndicated banks if early redemption occurs. As of March 31, 2023, December 31, 2022 and March 31, 2022, the reference rate were 1.56%, 1.44% and 1.06%, respectively.

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%

(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

	March 31, 2023	December 31, 2022	March 31, 2022
Tranche A1 Facility	2.47%	2.34%	1.93%
Tranche A2 Facility	2.49%	2.35%	1.94%

ii.Accrued interest expense (included in other payables)

	March 31, 2023	December 31, 2022	March 31, 2022
Syndicated loan			
Tranche A1 Facility	$ 330,654	$ 193,978	$ 505,886
Tranche A2 Facility	436,664	248,685	683,394
	$ 767,318	$ 442,663	$ 1,189,280

iii.Long-term interest payable

	March 31, 2023	December 31, 2022	March 31, 2022
Syndicated loan			
Tranche A1 Facility	$ 2,384,809	$ 2,546,169	$ 2,646,587
Tranche A2 Facility	2,628,871	2,844,348	2,960,629
	$ 5,013,680	$ 5,390,517	$ 5,607,216

iv.Interest expense

	For the Three Months Ended March 31	
	2023	2022
Syndicated loan		
Interest expense	$ 1,262,823	$ 1,016,517

(10) BONDS PAYABLE

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic unsecured bond	$ 27,500,000	$ 27,500,000	$ 27,500,000
Less: Unamortized issuance cost	(25,395)	(26,463)	(29,675)
	$ 27,474,605	$ 27,473,537	$ 27,470,325

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-A	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2024	4,000,000	0.32%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-B	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2025	4,000,000	0.35%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-2	Hua Nan Commercial Bank	August 30, 2021 - August 30, 2024	1,000,000	0.30%	Bullet repayment and Annual simple interest payment

(11) OPERATING CONCESSION LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Operating concession liabilities	$ 70,130,136	$ 69,785,986	$ 80,834,966
Value of returned superficies for offset of profit sharing payable	(19,696,104)	(19,599,449)	(23,499,332)
	$ 50,434,032	$ 50,186,537	$ 57,335,634
Current	426,563	426,563	8,049,281
Non-current	50,007,469	49,759,974	49,286,353
	$ 50,434,032	$ 50,186,537	$ 57,335,634

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, 2022	$ 20,030,893	$ 24,813,943	$ 44,844,836
Three months ended March 31, 2023	274,402	344,150	618,552
	20,305,295	25,158,093	45,463,388
Nine months ending December 31, 2023 (estimate)	823,206	1,051,570	1,874,776
2024 (estimate)	1,097,608	1,423,634	2,521,242
2025 (estimate)	1,097,608	1,452,107	2,549,715
2026 (estimate)	1,097,608	1,481,149	2,578,757
2027-2033 (estimate)	7,683,258	7,461,404	15,144,662
2034-2068 (estimate)	37,867,460	-	37,867,460
	49,666,748	12,869,864	62,536,612
	$ 69,972,043	$ 38,027,957	$ 108,000,000

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

Year	Other Gain		Deduction of Interest Expense		Total	
Up to December 31, 2022	$	22,613,234	$	3,241,981	$	25,855,215
Three months ended March 31, 2023		-		96,655		96,655
		22,613,234		3,338,636		25,951,870
Nine months ending December 31, 2023 (estimate)		-		295,334		295,334
2024 (estimate)		-		399,829		399,829
2025 (estimate)		-		407,825		407,825
2026 (estimate)		-		415,982		415,982
2027-2033 (estimate)		-		2,314,015		2,314,015
		-		3,832,985		3,832,985
	$	22,613,234	$	7,171,621	$	29,784,855

As of March 31, 2023, the Company's accumulated profit sharing payments paid to the MOTC amounted to $18,744,234 thousand (or accumulated profit sharing payments for $25,000,000 thousand less the deductible amount of returned superficies for $6,255,766 thousand).

(12) PROVISIONS

a. Provisions

	March 31, 2023		December 31, 2022		March 31, 2022	
Current						
Provision for controversial overtime payments	$	-	$	283,299	$	283,279
Provision for stabilization reserve		1,482		1,482		885,994
	$	1,482	$	284,781	$	1,169,273
Non-current						
Provision for stabilization reserve	$	4,146,539	$	3,149,335	$	3,856,951

b. Movements in provisions were as follows:

	Balance at January 1, 2023	Addition	Deduction	Balance at March 31, 2023
Current				
Provision for controversial overtime payments	$ 283,299	$ -	($ 283,299)	$ -
Provision for stabilization reserve	1,482	-	-	1,482
	$ 284,781	$ -	($ 283,299)	$ 1,482
Non-current				
Provision for stabilization reserve	$ 3,149,335	$ 997,204	$ -	$ 4,146,539

	Balance at January 1, 2022	Addition	Deduction	Balance at March 31, 2022
Current				
Provision for controversial overtime payments	$ 283,279	$ -	$ -	$ 283,279
Provision for stabilization reserve	885,994	-	-	885,994
	$ 1,169,273	$ -	$ -	$ 1,169,273
Non-current				
Provision for stabilization reserve	$ 3,548,102	$ 308,849	$ -	$ 3,856,951

(a) Controversial overtime payments

The company's administrative lawsuit over controversial overtime pay was heard by the Supreme Administrative Court and the judgment was confirmed on January 16, 2023. The company discussed the disposition measures according to the resolution of the board of directors on February 22, 2023, and negotiated with the employees who should be paid. The amount payable, and the estimated provision for liabilities of $283,299 thousand was transferred to other payables. On April 17, 2023, the company completed the payment to the employees that had been negotiated and determined, with an amount of $227,623 thousand, and the rest will be paid after the negotiation with these employees is completed.

(b) Stabilization reserve

Please refer to Note 9(1)c. regarding the recognition and use of provision for stabilization reserve from 2016 in accordance with the C&O Agreement. For the three months ended March 31, 2023 and 2022, additional provision for the stabilization reserve expenses amounted to $997,204 thousand and $308,849 thousand, respectively. In November 2021, the Company contributed $885,959 thousand to the Stabilization Mechanism Account. In November 2022, disbursed in accordance with the C&O agreement. As of March 31, 2023, balance of the stabilization reserve account was $4,148,021 thousand recognized and the bank balance of stabilization mechanism account was $1,334 thousand

(13) OTHER LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Other payables			
Accrued expenses (Note 6(12))	$ 2,585,397	$ 2,491,035	$ 1,961,661
Accrued interest expense	988,045	590,818	1,377,728
Business tax payable	153,109	262,611	114,760
Others	62,355	73,940	33,535
	$ 3,788,906	$ 3,418,404	$ 3,487,684
Other current liabilities			
Contract liabilities (Note 6(16))	1,017,937	1,285,739	879,433
Lease liabilities (Note 6(7))	138,490	159,571	165,953
Rent received in advance	41,801	459	37,784
Receipts under custody	16,450	33,076	31,144
Others	28,991	29,798	28,054
	$ 1,243,669	$ 1,508,643	$ 1,142,368
Other non-current liabilities			
Guarantee deposits received	386,690	383,480	306,711
Net defined benefit liabilities	274,337	275,823	288,617
Deferred revenue	6,228	6,748	8,308
Deferred tax liabilities	-	15	7,384
	$ 667,255	$ 666,066	$ 611,020

(14) RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

Expected contributions to the defined benefit pension plans of the Company for the year ending

March 31, 2024 is $19,221 thousand.

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

(15) EQUITY

a. Share capital

	March 31, 2023	December 31, 2022	March 31, 2022
Number of shares authorized (in thousands)	12,000,000	12,000,000	12,000,000
Shares authorized	$ 120,000,000	$ 120,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293	5,628,293
Share capital issued and outstanding	$ 56,282,930	$ 56,282,930	$ 56,282,930

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

b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
Additional paid-in capital	$ 171,885	$ 171,885	$ 171,885
Forfeited employee share options	1,096	1,096	1,096
	$ 172,981	$ 172,981	$ 172,981

Pursuant to the R.O.C Company Law, capital surplus generated from shares issued in excess of par and generated from forfeited employee share options may be used to offset an accumulated deficit, if any; in addition, when the Company has no accumulated deficit. Further, the R.O.C Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

c. Retained earnings and dividend policy

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

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

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

The appropriations of earnings for 2022 and 2021 proposed by the Board of Directors on March 15, 2023, and approved in the shareholders' meetings on May 26, 2022, respectively, were as follows:

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

The appropriations of earnings for 2022 are subject to the resolution in the shareholders' meeting to be held in May of 2023. Information on the employees' compensation and remuneration to directors, and the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(16) REVENUE

	For the Three Months Ended March 31	
	2023	2022
Revenue from contracts with customers		
Railroad transportation revenue	$ 11,724,771	$ 8,624,816
Other operating revenue	423,774	365,526
	$ 12,148,545	$ 8,990,342

a. Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022
Notes and accounts receivable	$ 326,143	$ 413,946	$ 233,077	$ 665,957
Contract liabilities				
Railroad transportation revenue	$ 905,875	$ 1,185,983	$ 735,586	$ 872,822
Customer loyalty program	93,147	88,834	128,218	116,134
Others	18,915	10,922	15,629	8,808
	$ 1,017,937	$ 1,285,739	$ 879,433	$ 997,764

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

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

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

	For the Three Months Ended March 31	
	2023	2022
From the beginning balance of contract liability		
Railroad transportation revenue	$ 1,175,561	$ 860,287
Customer loyalty program	32,273	16,918
Others	10,153	7,887
	$ 1,217,987	$ 885,092

b. Revenue from contracts with customers

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

(17) INCOME BEFORE INCOME TAX

a. Employee benefit expense

	For the Three Months Ended March 31	
	2023	2022
Post-employment benefits		
Defined contribution plan	$ 50,079	$ 48,693
Defined benefit plan	4,264	3,784
	54,343	52,477
Short-term employee benefits		
Payroll	1,331,262	1,170,974
Insurance	108,746	102,746
Others	53,423	46,829
	1,493,431	1,320,549
	$ 1,547,774	$ 1,373,026
An analysis of employee benefit expense by function		
Operating costs	$ 1,262,446	$ 1,150,865
Operating expenses	285,328	222,161
	$ 1,547,774	$ 1,373,026

Under the Company's Articles of Incorporation, if there is any after-tax profit at the end of the year, the Company shall first make up for accumulated losses and then distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees' compensation and remuneration to directors of the Company were calculated based on income before income tax (net of the employees' compensation and remuneration to directors) according to the above policy. For the three months ended March 31, 2023 and 2022, the estimated employees' compensation in cash was $54,060 thousand and $14,393 thousand, and the estimated remuneration to directors in cash was $13,515 thousand and $3,598 thousand, respectively.

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

The Board of Directors had resolved the employees' compensation of $87,500 thousand and the remuneration to directors of $21,875 thousand for the year ended December 31, 2022 payable in cash on January 18, 2023 which were the same amounts recognized in the financial statements for the year ended December 31, 2022.

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

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

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2023	2022
Property, plant and equipment	$ 13,442	$ 12,501
Right-of-use assets	43,108	43,109
Intangible assets	3,309,985	3,293,341
Other non-current assets	257	564
	$ 3,366,792	$ 3,349,515
An analysis of depreciation by function		
Operating costs	50,296	48,405
Operating expenses	6,254	7,205
	$ 56,550	$ 55,610
An analysis of amortization by function		
Operating costs	3,307,730	3,291,367
Operating expenses	2,512	2,538
	$ 3,310,242	$ 3,293,905

c. Interest income

	For the Three Months Ended March 31	
	2023	2022
Interest income of bank deposits	$ 86,732	$ 32,168
Interest income of repurchase agreement collateralized by bonds	16,585	5,014
Others	14	8
	$ 103,331	$ 37,190

d. Interest expense

	For the Three Months Ended March 31	
	2023	2022
Interest on bank loans	$ 1,264,203	$ 1,018,029
Interest on operating concession liabilities	247,495	294,606
Interest on short-term notes and bills payable	79,006	21,721
Interest on bonds payable	73,634	73,634
Others	3,100	18,626
	$ 1,667,438	$ 1,426,616

e. Other gains and losses

	For the Three Months Ended March 31	
	2023	2022
Compensation gain	$ 6,027	$ 23,305
Foreign exchange gain, net	2,708	14,598
Gains on financial assets at FVTPL	2,003	-
Loss on disposal of intangible assets, net	(26,603)	(62,459)
Compensation loss	-	(21,000)
Others	6,457	7,145
	($ 9,408)	($ 38,411)

(18) INCOME TAXES

a. Income tax recognized in profit

	For the Three Months Ended March 31	
	2023	2022
Current tax	$ 181	$ 324,685
Deferred tax	508,614	(181,068)
Income tax expense	$ 508,795	$ 143,617

b. Income tax assessments

The tax authorities have assessed the tax returns through 2019.

(19) EARNINGS PER SHARE

	For the Three Months Ended March 31	
	2023	2022
Basic (Diluted) earnings per share (NT$)	$ 0.38	$ 0.10

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

	For the Three Months Ended March 31	
	2023	2022
Earnings attributable to common stockholders	$ 2,126,631	$ 558,024
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

(20) CAPITAL MANAGEMENT

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

(21) FINANCIAL INSTRUMENTS

a. Financial instruments

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets			
Financial assets at FVTPL	$ 1,761,003	$ -	$ -
Financial assets for hedging	-	72	-
Financial assets at amortized cost			
Other financial assets	11,907,151	13,576,503	18,301,400
Others (Note 1)	22,334,410	16,999,526	32,957,291
Financial liabilities			
Financial liabilities for hedging	106	-	4,958
Financial liabilities at amortized cost (Note 2)	326,489,118	326,188,034	351,853,637

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

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

b. Fair value of financial instruments

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

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

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

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

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

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

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

March 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Open-end money market funds	$ 1,761,003	$ -	$ -	$ 1,761,003
Financial liabilities for hedging				
Forward exchange contracts	$ -	$ 106	$ -	$ 106

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Forward exchange contracts	$ -	$ 72	$ -	$ 72

March 31, 2022	Level 1	Level 2	Level 3	Total
Financial liabilities for hedging				
Forward exchange contracts	$ -	$ 4,958	$ -	$ 4,958

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2023 and 2022.

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

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

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

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

c. Financial risk management objectives and policies

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

The Board of Directors in accordance with related regulations and internal controls reviews the Company’s important financial activities. The Company also established related financial transaction procedures in accordance with the Company’s overall financial risk management and segregation of duties.

(a) Market risk

i. Foreign currency risk

The Company's deposits, accounts payable and payable for construction denominated in foreign currencies exposed the Company to foreign currency risk. To control decline in value or fluctuations in future cash flows due to changes in exchange rates, the Company enters into forward exchange contracts 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's significant foreign-currency financial assets and liabilities were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

	March 31, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 23,297	30.45	$ 709,394
JPY	83,987	0.2288	19,216
Financial liabilities			
Monetary items			
JPY	2,489,450	0.2288	569,586

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 23,051	30.71	$ 707,896
JPY	13,765	0.2324	3,199
Financial liabilities			
Monetary items			
USD	64	30.71	1,965
JPY	1,319,094	0.2324	306,557

	March 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 22,761	28.625	$ 651,534
JPY	14,299	0.2353	3,365
Financial liabilities			
Monetary items			
JPY	2,623,521	0.2353	617,314

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 and hedging financial instruments relating to exchange rate at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by $7,094 thousand and $6,515 thousand for the three months ended March 31, 2023 and 2022, respectively. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by $5,426 thousand and $4,324 thousand for the three months ended March 31, 2023 and 2022, respectively.

The significant unrealized exchange gain and loss were as follows:

	For the Three Months Ended March 31			
	2023		2022	
Foreign Currency	Exchange Rate	Exchange Gain, Net	Exchange Rate	Exchange Gain, Net
USD	30.45	$ 25,601	28.625	$ 21,891
JPY	0.2288	5,712	0.2353	9,743

ii.Interest rate risk

As of March 31, 2023 and 2022, the Company's syndicated loan with floating interest rates amounted to $217,705,117 thousand and $242,705,117 thousand, respectively. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Company would have decreased by $544,263 thousand and $606,763 thousand for the three months ended March 31, 2023 and 2022, respectively.

iii.Other price risk

The investments in open-end money market funds (recorded as financial assets at FVTPL) exposed the Company to price risk. If the price of the funds decreased by 1%, income before income tax would have decreased by $17,610 thousand for the three months ended March 31, 2023.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. At the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets. The Company only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

(c) Liquidity risk

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

The following table details the Company's remaining contractual maturity for its long-term debt and interest on long-term debt (Refer to Note 6(9)c. to the financial statements, operating concession liabilities, lease liabilities, and bonds payable based on the undiscounted cash flows (excluding the hedging financial instruments and non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

March 31,2023

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2023.4.1-2023.6.30	$ 10,000,000	$ 1,488,371	$ 426,563	$ 42,774	$ -	$ 11,957,708
2023.7.1-2024.3.31	-	4,605,314	-	98,052	294,300	4,997,666
2024.4.1-2025.3.31	-	6,581,793	568,900	82,477	5,294,300	12,527,470
2025.4.1-2026.3.31	-	6,784,305	629,400	73,771	4,278,500	11,765,976
2026.4.1-2027.3.31	-	6,784,305	627,200	63,634	264,500	7,739,639
2027.4.1-2028.3.31	-	6,805,517	14,654,391	-	264,500	21,724,408
2028.4.1-2034.3.31	50,919,995	37,481,973	42,564,457	-	1,587,000	132,553,425
2034.4.1-2050	156,785,122	42,276,483	-	-	22,868,500	221,930,105
	$ 217,705,117	$ 112,808,061	$ 59,470,911	$ 360,708	$ 34,851,600	$ 425,196,397

December 31, 2022

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

March 31, 2022

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2022.4.1-2022.6.30	$ 25,000,000	$ 1,973,644	$ 8,049,281	$ 42,312	$ -	$ 35,065,237
2022.7.1-2023.3.31	-	3,965,973	-	127,060	294,300	4,387,333
2023.4.1-2024.3.31	-	6,786,098	658,800	139,840	294,300	7,879,038
2024.4.1-2025.3.31	-	7,000,938	182,113	81,491	5,294,300	12,558,842
2025.4.1-2026.3.31	-	7,000,938	142,002	73,278	4,278,500	11,494,718
2026.4.1-2027.3.31	-	7,048,270	238,590	63,634	264,500	7,614,994
2027.4.1-2034.3.31	60,919,995	44,662,205	58,249,406	-	1,851,500	165,683,106
2034.4.1-2050	156,785,122	42,276,483	-	-	22,868,500	221,930,105
	$ 242,705,117	$ 120,714,549	$ 67,520,192	$ 527,615	$ 35,145,900	$ 466,613,373

7. TRANSACTIONS WITH RELATED PARTIES

The MOTC under the Executive Yuan owns 43% equity interests in the Company's outstanding common stock. Under IAS 24, the Company is a government-related entity, which is significantly influenced by the central government. The Company is a related party with the government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan. However, the Company is not a related party with those government-related entities, which are only significantly influenced but not controlled by the Executive Yuan. The Company is not required to disclose transactions and outstanding balances with the government-related entities. Except for those separately disclosed in other notes, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:

(1) Name of related party and relationship

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

(2) Operating revenue

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

(3) Operating costs/Operating expenses

a. Profit sharing payments

According to the C&O Agreement, during the operating period, the Company shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. The minimum commitment to profit sharing payments of $108 billion was discounted and recognized as intangible assets - operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. Please refer to Notes 6(11) and 9(1)b. to the financial statements for further information.

b. Operating concession - rental

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

(a)Rental expense

Related Party Name	For the Three Months Ended March 31 2023	2022
Railway Bureau, MOTC	$ 196,045	$ 193,994
Taiwan Railways Administration, MOTC	13,155	12,548
	$ 209,200	$ 206,542

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

Related Party Name	March 31, 2023	December 31, 2022	March 31, 2022
Railway Bureau, MOTC	$ 588,136	$ 784,181	$ 581,981
Taiwan Railways Administration, MOTC	39,464	52,619	37,646
	$ 627,600	$ 836,800	$ 619,627

c. Other - operating costs and expenses

Related Party Name	For the Three Months Ended March 31 2023		For the Three Months Ended March 31 2022	
InfoChamp Systems Corporation	$	2,180	$	2,474
Century Development Corporation		1,960		1,872
	$	4,140	$	4,346

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

Please refer to Note 6(11) to the financial statements for the interest expense recognized on the operating concession liabilities, and the deduction of interest expense recognized on the value of returned superficies for offset of profit sharing payable using the effective interest method due to termination of the SZD Agreement.

(5) Payables to related parties - payable for construction

Related Party Name	March 31, 2023		December 31, 2022		March 31, 2022	
China Steel Corporation	$	27,654	$	27,654	$	27,654
InfoChamp Systems Corporation		1,659		67,311		3,575
	$	29,313	$	94,965	$	31,229

(6) Acquisition of intangible assets - operating concession assets

Related Party Name	Purchase Price For the Three Months Ended March 31 2023		Purchase Price For the Three Months Ended March 31 2022	
InfoChamp Systems Corporation	$	279	$	-

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

Related Party Name	March 31, 2023		December 31, 2022		March 31, 2022	
InfoChamp Systems Corporation	$	39,361	$	38,367	$	20,119

(8) Lease arrangements

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

Line Item	Related Party Name	March 31, 2023	December 31, 2022	March 31, 2022
Lease liabilities (Note 6(7))	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	$ 51,041	$ 54,462	$ 64,233
	Century Development Corporation	41,415	56,907	102,478
		$ 92,456	$ 111,369	$ 166,711

(9) Short-term bills payable

The Company has entered into non-guaranteed commercial paper underwriting agreement with Mega Bills Finance Co., Ltd., with a total underwriting amount of $7 billion. The transaction terms are not significantly different from those with other non-related parties. Please refer to Note 6(9)b. to the financial statements for further information.

(10)Long-term debt

The Company has entered into the Tripartite Agreement with the MOTC and Bank of Taiwan. In addition, the Company has entered into the Syndicated Loan Agreement with Bank of Taiwan and seven other syndicated banks. If an early termination of the C&O Agreement occurs, the MOTC shall assume the remaining obligations under Tranche A Facility of the Syndicated Loan Agreement. Please refer to Note 6(9)c. to the financial statements for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

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

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

	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	$ 38,849	$ 23,299
Post-employment benefits	309	274
	$ 39,158	$ 23,573

8. PLEDGED ASSETS

Pledged Assets	Pledged to Secure	March 31, 2023	December 31, 2022	March 31, 2022
Other financial Assets - current:				
Repurchase agreement collateralized by bonds	Syndicated loan	$ 1,430,000	$ 1,426,000	$ 1,170,000
Time deposits	Guarantee for office lease	30,944	16,278	-
Time deposits	Guarantee for customs duties	20,000	20,027	-
Time deposits	Trust deposit of unearned revenue	-	68,000	68,000
Demand deposits	Trust deposit of unearned revenue	5,492	9,923	1,529
Demand deposits	Syndicated loan	1,216	1,692	1,593
		1,487,652	1,541,920	1,241,122
Other financial Assets - non-current:				
Time deposits	Performance guarantee for the C&O Agreement	2,000,000	2,000,000	2,000,000
Time deposits	Trust deposit of unearned revenue	68,000	-	-
Time deposits	Guarantee for customs duties	42,054	62,147	62,110
Time deposits	Guarantee for parking lease	7,000	7,310	7,310
Time deposits	Guarantee for oil purchase	4,120	4,120	4,120
Time deposits	Guarantee for office lease	-	-	16,278
		2,121,174	2,073,577	2,089,818
		$ 3,608,826	$ 3,615,497	$ 3,330,940

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Construction and operation agreement

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

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

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

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

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

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

Starting from 2013, the Company prepares its financial statements in accordance with IFRSs endorsed by the FSC. Refer to Note 6(11) to the financial statements for the recognition of profit sharing payments as operating concession liabilities.

c. The Company should establish a financial stabilization mechanism starting from 2016.

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

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

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

(EBT - A2) × 50%

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

(A3 - A2) × 50% + (EBT - A3) × 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.

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

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

(i) Fare discount or fare reduction,

(ii) Construction of HSR infrastructure and facilities, and

(iii) In compliance with the government's policies.

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

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

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

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

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

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

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

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

The Company complied with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 6(12)b. for further information.

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

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

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the amount of the aforementioned performance bond remained unchanged at $2 billion, and was recognized as other financial assets.

(2) As of March 31, 2023, unused letters of credit amounted to JPY4,829,591 thousand and EUR2,152 thousand.

(3) On March 15, 2023, the Company agreed with the Hitachi Toshiba Supreme Consortium, to purchase 12 sets of new generation rolling stock through the resolution of the Board of Directors. The total price is about JPY124.091 billion.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Intangible assets	$ 3,868,686	$ 4,468,459	$ 5,650,507

10. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On April 7, 2023, the Company made an early repayment of the Tranche A Facility of Syndicated Loan Agreement in the amount of $10 billion, and notified the bank one month in advance in accordance with the agreement.

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

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

12. SEPARATELY DISCLOSED ITEMS

Except for Notes 6(3) and 6(21) to the financial statements regarding the information on derivative financial instrument transactions and Tables 1 and 2 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major shareholders for Table 3 to the financial statements as attached.

13. 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

Three months ended March 31, 2023

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 March 31, 2023 Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	Footnote
The Company	Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss	$ 106,508	$ 1,470,810	-	$ 1,470,810	
〃	Taishin Ta Chong Money Market Fund	〃	〃	20,047	290,193	-	290,193	
〃	ESUN Bank 1st Subordinate Financial Debentures-B Issue in 2014	〃	Cash and cash equivalents	175,000	175,000	-	175,000	
〃	Taiwan Shin Kong Commercial Bank 2nd Subordinate Financial Debentured in 2014	〃	〃	126,000	126,000	-	126,000	
〃	Agricultural Bank of Taiwan 1st Subordinate Financial Debentures Issue in 2015	〃	〃	301,500	301,500	-	301,500	
〃	Taipei City Government Bond 2021-5	〃	〃	156,000	156,000	-	156,000	
〃	Taipei City Government Bond 2021-6	〃	〃	70,000	70,000	-	70,000	
〃	Kaohsiung City Government Bond 2021-5	〃	〃	66,000	66,000	-	66,000	
〃	Kaohsiung City Government Bond 2021-6	〃	〃	150,000	150,000	-	150,000	
〃	FCFC 2nd Unsecured Corporate Bonds Issue in 2013	〃	〃	60,000	60,000	-	60,000	
〃	Ta Ya Electric Wire & Cable Co.,Ltd 1St Secured Corporate Bonds Issue in 2018	〃	〃	100,000	100,000	-	100,000	
〃	Dragon Steel Corporation 1st Unsecured Corporate Bonds-A Issue in 2018	〃	〃	13,000	13,000	-	13,000	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023 Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	Footnote
The Company	Yuanta FHC 1st Unsecured Corporate Bond-A Issue in 2018	None	Cash and cash equivalents	$ 30,000	$ 30,000	-	$ 30,000	
〃	Far Eastern New Century Corporation 1st Unsecured Corporate Bond issue in 2018	〃	〃	110,000	110,000	-	110,000	
〃	Hon Hai Precision Industry Co., Ltd 2nd Unsecured Corporate Bonds-E Issuance in 2018	〃	〃	43,000	43,000	-	43,000	
〃	Taipei Fubon Bank 2nd issue of Senior Unsecured Financial Debentures in 2019	〃	〃	46,000	46,000	-	46,000	
〃	Societe Generale Taipei Branch 1st Senior Unsecured Financial Debenture-Series B Issued in 2019	〃	〃	22,000	22,000	-	22,000	
〃	ETERNAL 2019 1st secured Corporate Bonds.	〃	〃	100,000	100,000	-	100,000	
〃	Wan Hai Lines , Ltd 1th Unsecured Corporate Bonds-B Issuance in 2019	〃	〃	120,000	120,000	-	120,000	
〃	Hon Hai Precision Industry Co., Ltd 1st Unsecured Corporate Bonds-E Issuance in 2019	〃	〃	151,000	151,000	-	151,000	
〃	Yuanta Securities Finance Co., Ltd. 1st Unsecured Corporate Bond-B Issue in 2020	〃	〃	100,000	100,000	-	100,000	
〃	RADIUM LIFE TECH. CO., LTD 1st Secured Corporate Bond Issued in 2020	〃	〃	13,500	13,500	-	13,500	
〃	Taipei Fubon Bank 1st issue of Senior Unsecured Financial Debentures in 2020	〃	〃	99,700	99,700	-	99,700	
〃	TSMC 6th Unsecured Corporate Bond in 2020-Tranche B	〃	〃	100,000	100,000	-	100,000	
〃	Cheng Uei Precision Industry Co., Ltd. 1st Secured Corporate Bond Issue in 2020	〃	〃	199,700	199,700	-	199,700	
〃	SinoPac Securities Corp. 1st unsecured corporate bond issuance in 2020	〃	〃	21,300	21,300	-	21,300	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023 Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	Footnote
The Company	Taiwan Cooperative Financial Holding Co., Ltd. 1st Unsecured Corporate Bond Issue In 2020	None	Cash and cash equivalents	$ 110,000	$ 110,000	-	$ 110,000	
〃	GOOD FINANCE SECURITIES CO., LTD. 2nd Secured Corporate Bond Issue in 2020	〃	〃	55,000	55,000	-	55,000	
〃	CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION 1ST UNSECURED CORPORATE BONDS-A ISSUE IN 2020	〃	〃	75,000	75,000	-	75,000	
〃	Shinkong Synthetic Fibers Corporation 1st Secured Corporate Bond issue in 2020	〃	〃	179,500	179,500	-	179,500	
〃	Far Eastern New Century Corporation 2nd Unsecured Corporate Bond-Tranche A issue in 2020	〃	〃	141,100	141,100	-	141,100	
〃	Yuan Ding Investment Corporation 2nd Unsecured Corporate Bond issue in 2020	〃	〃	37,000	37,000	-	37,000	
〃	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bonds-B Issue in 2020	〃	〃	117,200	117,200	-	117,200	
〃	Shihlin development company limited 1st secured corporate bond issue in 2020	〃	〃	150,000	150,000	-	150,000	
〃	VIS 1st Unsecured Corporate Bond in 2021-Tranche A	〃	〃	200,000	200,000	-	200,000	
〃	VIS 1st Unsecured Corporate Bond in 2021-Tranche B	〃	〃	70,000	70,000	-	70,000	
〃	TSMC 6th Unsecured Corporate Bond in 2021-Tranche B	〃	〃	68,600	68,600	-	68,600	
〃	Chang Chun Petrochemical Co., Ltd.1st Unsecured Corporate Bond issued in 2021	〃	〃	120,000	120,000	-	120,000	
〃	JSL CONSTRUCTION & DEVELOPMENT CO., LTD..2nd Secured Corporate Bond Issued in 2021	〃	〃	18,000	18,000	-	18,000	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023 Number (amount) of shares (thousands)	 Book value	 Ownership (%)	 Fair value	Footnote
The Company	CPC Corporation 3rd Unsecured Corporate Bonds-A Issue in 2022	None	Cash and cash equivalents	$ 110,000	$ 110,000	-	$ 110,000	
〃	RADIUM LIFE TECH. CO., LTD. 1st Secured Corporate Bond Issue in 2022	〃	〃	27,300	27,300	-	27,300	
〃	VIS 1st Unsecured Corporate Bond in 2022-Tranche A	〃	〃	30,000	30,000	-	30,000	
〃	North-Star International Co., LTD. 2nd Secured Corporate Bond Issue in 2022	〃	〃	100,000	100,000	-	100,000	
〃	TAIWAN POWER COMPANY 4TH UNSECURED BOND-B ISSUE IN 2022	〃	〃	150,000	150,000	-	150,000	
〃	TAIWAN POWER COMPANY 5th UNSECURED BOND-C ISSUE IN 2022	〃	〃	39,600	39,600	-	39,600	
〃	1st unsecured subordinated corporate bond issuance in 2022 of SinoPac Securities Corp.-B Series	〃	〃	50,000	50,000	-	50,000	
〃	2nd unsecured subordinated corporate bond issuance in 2022 of SinoPac Securities Corp.-A Series	〃	〃	100,000	100,000	-	100,000	
〃	2022-2 Secured Corporate Bond-B of Taiwan Mask Corporation	〃	〃	100,000	100,000	-	100,000	
〃	2022-1 Secured Corporate Bond of Qisda Corporation	〃	〃	785,000	785,011	-	785,011	
〃	Sun Ba Power Corporation 1st Secured Corporate Bond Issue in 2022	〃	〃	393,000	393,094	-	393,094	
〃	Shin Ruenn development Co., LTD 1st Secured Corporate Bond Issue in 2022	〃	〃	110,000	110,000	-	110,000	
〃	Hon Hai Precision Industry Co., Ltd 2nd Unsecured Corporate Bonds-A Issue in 2022	〃	〃	50,500	50,500	-	50,500	
〃	TAIWAN POWER COMPANY 1ST UNSECURED BOND-D ISSUE IN 2023	〃	〃	100,000	100,000	-	100,000	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023 Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	Footnote
The Company	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A issued in 2023	None	Cash and cash equivalents	$ 350,000	$ 350,000	-	$ 350,000	
〃	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-B issued in 2023	〃	〃	100,000	100,000	-	100,000	
〃	Far Eastern New Century Corporation 1st Unsecured Corporate Bond-Tranche A issue in 2023	〃	〃	330,000	330,000	-	330,000	
〃	Far Eastern New Century Corporation 2nd Unsecured Corporate Bond-Tranche A issue in 2023	〃	〃	300	300	-	300	
〃	Central Government Bond 2016-11	〃	Other financial assets-current	1,333,000	1,430,000	-	1,430,000	

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

Three months ended March 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2023		Addition		Disposal					Balance as at March 31, 2023	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	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	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	$ -	106,508	$ 1,469,000	-	$ -	$ -	$ -	$ 1,810	106,508	$ 1,470,810
〃	Agricultural Bank of Taiwan 1st Subordinate Financial Debentures Issue in 2015	Note	-	-	$ -	-	$ 301,500	301,500	$ -	-	-	-	-	$ 301,500	301,500
〃	Central Government Bond 2016-11	〃	-	-	1,329,000	1,426,000	1,333,000	1,430,000	1,329,000	1,429,553	1,426,000	3,553	-	1,333,000	1,430,000
〃	2022-1 Secured Corporate Bond of Qisda Corporation	〃	-	-	110,000	110,000	785,000	785,011	110,000	110,202	110,000	202	-	785,000	785,011
〃	Sun Ba Power Corporation 1st Secured Corporate Bond Issue in 2022	〃	-	-	90,000	90,000	488,600	488,788	185,600	186,044	185,694	350	-	393,000	393,094
〃	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A issued in 2023	〃	-	-	-	-	350,000	350,000	-	-	-	-	-	350,000	350,000
〃	Far Eastern New Century Corporation 1st Unsecured Corporate Bond-Tranche A issue in 2023	〃	-	-	-	-	330,000	330,000	-	-	-	-	-	330,000	330,000

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

TAIWAN HIGH SPEED RAIL CORPORATION

Major shareholders information

Three months ended March 31, 2023

Table 3

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

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common 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.