台灣高鐵
TAIWAN HIGH SPEED RAIL

2015 ANNUAL REPORT

Published on May 25, 2016.

Fact Sheet
THSRC Milestones

Commencement Date: May 1998
Construction Stage: March 2000 – December 2006
Operation Stage: Started in January 2007
Capitalization: NT$56.05 billion

Key Operating Statistics for 2015:

Number of Train Services: 50,532
Punctuality (defined as departure within five minutes of scheduled time): 99.66%
Annual Ridership: 50.56 million passengers
Annual Revenues: NT$51.9 billion
Loading Factor: 59.65%
Passenger Kilometers: 9,665 million km
Total Route Length: 345 km
Number of Cities/Counties Passed Through: 11
Maximum Operating Speed: 300 km/hr
Number of Seats Per Train: 989 (923 in standard and 66 in business class carriages)
Stations in Service: 11 (Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan and Zuoying)
Maintenance Depots in Service: 5 (Liujia/Hsinchu, Wuri/Taichung, Taibao/Chiayi, Zuoying/Kaohsiung and Yanchao Main Workshop/Kaohsiung)

Note:
Loading Factor = Passenger-kilometers/seat-kilometers x100%
Passenger-Kilometers = Sum of the mileage traveled by each passenger
Seat-Kilometers = ∑ (Number of seats per trainset x sum of the mileage of trains operated in revenue service)

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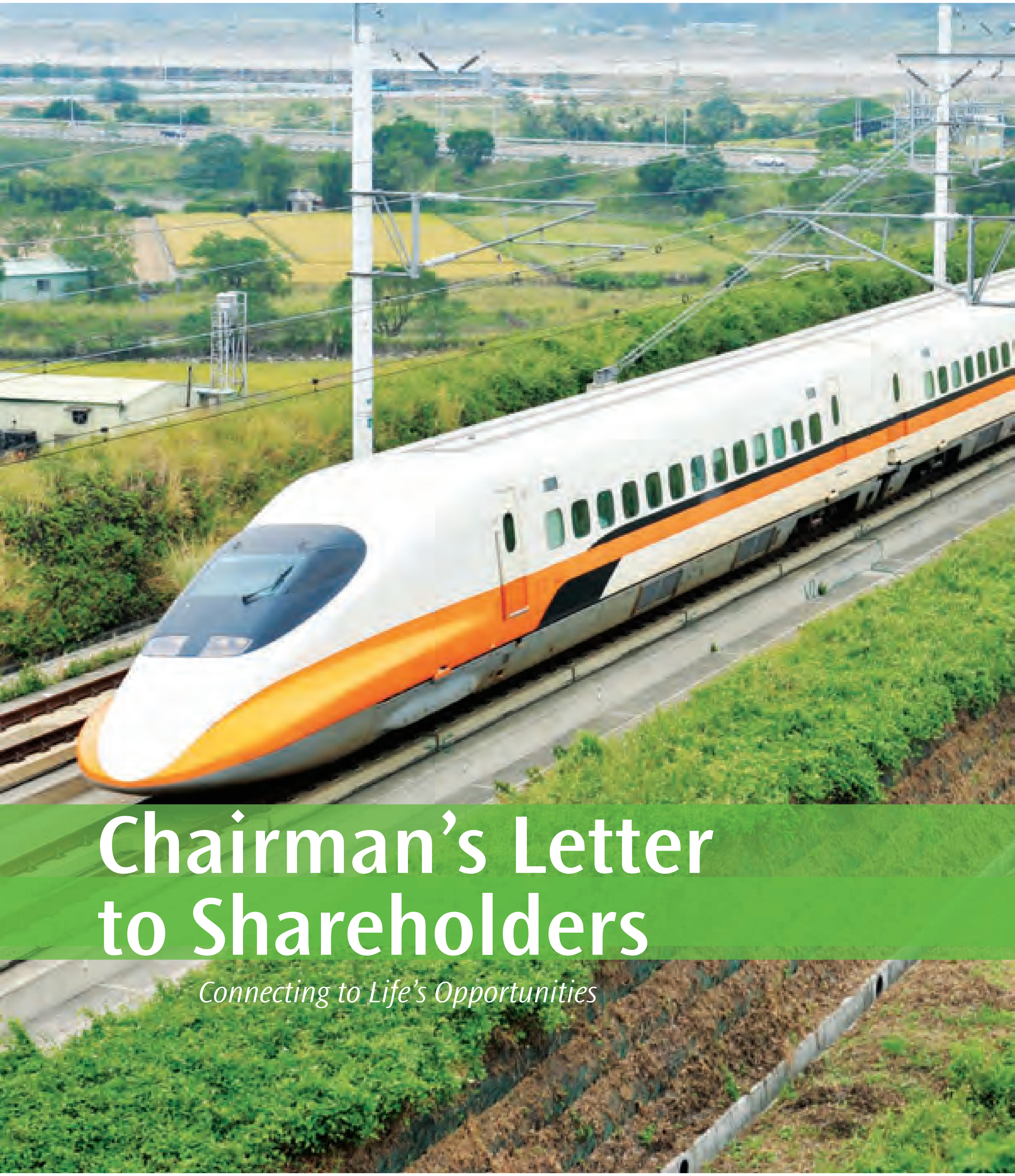


Chairman's Letter to Shareholders

Connecting to Life's Opportunities

Chairman’s Letter to Shareholders

Victor W. Liu
Chairman

Dear Fellow Shareholders,

2015 marked the eighth year since Taiwan High Speed Rail Corporation (THSRC) opened its high-speed rail line. Over the years, we have induced significant changes to people’s lifestyles and brought urban and rural communities closer together. As a high-speed rail operator, we continue to deliver on our commitment to excellence in service, customer satisfaction and corporate responsibility, with the principle of “Go Extra Mile” guiding every action we take.

2015 Results

Over 350 million passengers have been carried by Taiwan High Speed Rail (THSR) since its launch in January 2007. Last year marked our eighth anniversary, and we continued our efforts to grow ridership despite a challenging economic environment.

During 2015, our passenger volume increased to 50.56 million, we provided a total of 50,532 train services, and our loading factor was 59.65%, up by 2.53 percentage points compared to 57.12% in 2014. Even with this increase in volume, we achieved excellent on-time performance with 99.66% punctuality and 100.00% reliability, excluding delays due to force majeure events.

We are proud of our zero accident record over the past year – no accidents or injuries to passengers or the public on railway premises were caused by train service operations or malfunctions of railway equipment.

In 2015, we continued to offer Early Bird ticketing, discounts for college students, upgraded business class offerings and vacation packages and deals under our T Holiday program in order to promote train travel and attract new passengers. We worked to improve the way train tickets are purchased, including at convenience stores, via smartphone, and using a contactless EasyCard. We also maximized accessibility to our HSR stations by providing free shuttle bus services to and from downtown areas.

In order to maintain a sufficient return, to operate sustainably and to allow a reasonable period for the amortization of our investment, we implemented a Financial Resolution Plan in 2015 with the concession period granted to construct and operate the HSR extended from 35 years to 70 years. Please see page 101~107 for further details on the plan.

The 2015 results underscored the importance of the Financial Resolution Plan and our provision of passenger services matching the sustained growth in patronage, whilst keeping operating and maintenance costs at the lowest levels consistent with maintaining the highest standards of safety, reliability and efficiency throughout the rail operation. Revenues increased 34.8% year-on-year to NT$51.90 billion. Gross and operating profit reached NT$21.40 billion and NT$20.56 billion, respectively. Profit before tax was NT$18.83 billion.

James Jeng
CEO

Research & Development

During 2015, we continued to enhance our maintenance capabilities and reduce the cost and risk of loss resulting from the delayed or failed delivery of spare parts. To meet these objectives, we secured local suppliers for spare parts and improved our maintenance facilities, in particular those for the repair of electronic equipment. Through extensive research, we developed solutions for maintaining and managing critical track and signaling assets.

Looking Ahead

(1)Management objective

The high-speed rail has become the most important means of travel along Taiwan's western corridor, serving as a catalyst for growth in the regional economies and enhancing the lives of those we serve.

In 2016, we plan to bring to passengers new service offerings as well as enhanced safety, reliability and comfort. We also seek to grow our affiliated businesses in order to drive revenue and profit growth. In the meantime, we will continue giving back to the communities in which we work and serve.

(2)Growth target

We will continue aligning services with customer needs and exploring new opportunities for growth. We have set an annual ridership target of 52.4 million for 2016.

(3)Main initiatives

Since the commencement of our operation, we have investigated all aspects of passenger behaviors and researched their needs and satisfaction levels. We have also tailored our services to anticipate and meet passenger expectations in order to remain competitive, gain market share and increase ridership.

In the year ahead, we will focus on six major initiatives. They include:

- ensuring safe and stable transport
- planning new products and services
- broadening the breadth and depth of services to increase passenger revenues
- expanding cooperation with partners beyond the transportation industry
- improving the quality of service and enabling the sharing of information and knowledge through one common platform across the organization
- accelerating the development of affiliated businesses

Overview

Creating Sustainable Lifestyles with High-Speed Rail

Company Profile

Business scope

THSRC's business scope covers the operation of the high-speed rail and the affiliated businesses.

A. High-speed rail service

THSRC provides high-speed rail services along Taiwan's western corridor via 11 stations: Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan and Zuoying. A total of 50,532 train services were delivered in 2015 with maximum traffic volume amounting to as many as 195 daily services on one of the consecutive holidays. Offering speed, convenience and dependability, THSRC has become the transport of choice for residents and travelers alike.

B. Affiliated businesses

To serve the needs of the traveling public, at high-speed rail stations, we provide various commercial outlets that supply goods and services, including food, beverages, newspapers and other reading materials, souvenirs, car rental and travel services, and car parking facilities.

Advertising, both in stations and on board trains, makes a significant contribution to revenues, offering passengers within the rail system a unique brand of distinctive artwork and information.

All these commercial outlets and facilities are designed to add value to passengers' high-speed rail experience and demonstrate THSRC's commitment to providing high-quality services in its stations, which play an important role in the communities served by the high-speed rail network.

Business strategy and vision

THSRC not only identifies itself as a major participant in Taiwan's transport industry, but also acts as a positive agent for change in the development of Taiwan's commercial and manufacturing industries in areas served by high-speed rail.

THSRC also strives to play a significant role in improving the quality of life of the entire population of Taiwan, and works to identify and meet the needs of those traveling along Taiwan's

western corridor. THSRC continually works to improve the quality and standard of its services by ensuring that its stations are well connected and accessible via the high-speed rail network and through connections with other transport modes.

Five core values – Discipline, Integrity, Efficiency, Innovation and Sensibility – form the basis of THSRC's objective of establishing and developing long-term partnerships with those electing to travel by high-speed rail. In addition to these five core values, four attributes characterize THSRC's rail service: Real, Progressive, Passionate and Premium. THSRC's corporate culture, founded on these core values and attributes, can best be exemplified by the guiding principle of "Go Extra Mile," which aptly describes the company's commitment to meeting passengers' needs and improving performance in all facets of its organization.

Looking ahead, THSRC will continue to adhere to its core values and attributes to develop and improve its high-speed rail service to respond to the demands and needs of the industries, businesses, and residents in the towns and cities it serves. In addition, THSRC will continue to play a key role in Taiwan's transport network and take steps to seamlessly integrate its stations with the surrounding neighborhoods. THSRC remains committed to pursuing these strategic initiatives in order to deliver value to its passengers, employees and shareholders.

Our Core Values

Discipline
Discipline defines our ways of carrying out tasks. We demand the highest standards of ourselves. This is the foundation of safety, punctuality and service reliability.

Integrity
Carrying out our duties in accordance with all relevant codes and standards, we are dedicated, in hearts and minds, to meeting the highest standards of probity in order to deserve the trust of shareholders and customers.

Efficiency
We seek to carry out each task efficiently through regular review and assessment of the most effective approach to our daily activities.

Innovation
Constantly exploring innovative methods and ways to improve our services, we aim to achieve continuous improvement in all areas of our business.

Sensibility
In our quest for service excellence, we strive to understand our customers' needs through research and systematic assessments and develop standards and facilities accordingly.

Our Attributes

Progressive
By taking a measured and progressive approach to achieving improvement in all our activities, we aim to meet customers' needs and provide a railway of world class standards.

Passionate
We are driven by a passionate desire to succeed in our goals of making each passenger experience memorable and encouraging public use of high speed rail.

Real
We encourage all employees to be realistic in their approach to life, identifying that which is substantive when addressing the facts in each encounter with problems or adverse circumstances.

Premium
In pursuing the highest standards of quality in all our activities and provision of rail services, we are determined to demonstrate true "Value for Money" for each journey by high-speed rail.

Company History

Development Stage

November 1996	The Taiwan High Speed Rail Consortium is established.
September 1997	The Ministry of Transportation and Communications (the MOTC) awards the Taiwan High Speed Rail Consortium with a concession to build and operate THSR.
May 1998	THSRC is incorporated.
July 1998	THSRC and the MOTC sign the Taiwan North-South High Speed Rail Construction and Operation Agreement, the Taiwan North-South High Speed Rail Station Zone Development Agreement, the Memorandum on Government Commitment Matters and the Memorandum on Contract Execution.
February 2000	THSRC enters into a syndicated loan agreement with 25 banks, under which THSRC obtains credit facilities of NT$323.3 billion. THSRC, the syndicate and the MOTC sign a tripartite agreement at the same time.

Construction Stage

March 2000	THSRC begins the construction of the high-speed rail project.
December 2000	THSRC enters into the Core System Supply Contract and the Core System Integration and Installation Contract with Taiwan Shinkansen Corporation and Taiwan Shinkansen International Engineering Corporation.
April 2001	The Securities and Futures Bureau approves THSRC's re-registration as a public company.
September 2003	THSRC applies to the GreTai Securities Market for permission to list on the Emerging Stock Market.
January 2004	A ceremony that unveils the THSR 700T trainset is held in Kawasaki's manufacturing facilities in Kobe, Japan.
October 2005	A train to be delivered to THSRC reaches a top speed of 315 km/hr on a test run.
July 2006	THSRC enters into a second syndicated loan agreement with seven banks, under which THSRC secures credit facilities of NT$40.7 billion.
October 2006	THSRC launches a new corporate identity system.

Operation Stage

January 2007	THSRC starts operating the rail line between Banqiao and Zuoying with 38 train services a day.
May 2007	Lehman Brothers Asia and the parties to the second syndicated loan agreement agree to raise credit facilities to NT$65.5 billion.
September 2007	The number of train services run by THSRC increases to 91 a day. THSRC launches an around-the-clock online reservation system. THSRC reaches a major ridership milestone of 10 million passengers since its inception.
November 2007	The number of train services run by THSRC increases to 113 a day. THSRC starts offering non-reserved seats on its trains.
November 2008	THSRC introduces HSR Dual Color Fare. The Orange Fare for a standard reserved seat is 35% off the regular fare and the Blue Fare is 15% off the regular fare.
December 2008	The number of train services run by THSRC increases to a range from 130 to 142 services a day depending on peak or off-peak days of the week.
January 2009	In its second year of operation, THSRC sees ridership reach 46.5 million passengers.

January 2010	THSRC enters into yet another syndicated loan agreement with eight banks, under which THSRC secures NT$382 billion in credit facilities for refinancing its existing two syndicated loans. THSRC, the syndicate and the MOTC also renew their tripartite agreement.
February 2010	THSRC allows passengers to book, pay for and collect train tickets at partnering convenience stores of FamilyMart. With this new service, passengers can pass through ticket barriers by scanning the QR codes printed on their tickets.
April 2010	The number of convenience stores where passengers can book, pay for and collect train tickets increases to more than 7,000 after THSRC partners with President Chain Store.
May 2010	THSRC draws down the facilities designated as tranches A, B and C of its new loan of NT$382 billion to repay the outstanding balance of its first syndicated loan of NT$323.3 billion and tranches A, B and C of its second loan.
August 2010	The Taiwan North-South High Speed Rail Project is honored with the Outstanding Civil Engineering Project Award by the Asian Civil Engineering Coordination Council. THSRC carries its 100 millionth passenger.
October 2010	The number of train services run by THSRC increases to 915 a week. THSRC also improves its interactive voice response system to provide around-the-clock information to callers and allows travelers to receive notification about reservations via text message.

January 2011	THSRC introduces early-bird fares to encourage travelers to start purchasing tickets in advance.
February 2011	THSRC tops an online poll conducted by the Public Construction Commission, Executive Yuan to select Taiwan's most important 100 public works.
March 2011	THSRC claims a top 10 spot in an online poll conducted by the Public Construction Commission, Executive Yuan to select Taiwan's most important 100 public works. The poll is part of a government campaign to mark the launch of an online exhibition of past and current infrastructure projects.
August 2011	THSRC wins a total of six awards in the MOTC's 12th Golden Road Award including: five first place awards in the categories of maintenance of vehicle, maintenance of signal communications equipment, maintenance of route network, maintenance of depot electrical and mechanical equipment and maintenance of station electrical and mechanical equipment; and a second place award in the category of maintenance of yard environment.
October 2011	THSRC receives a Distinguished Award in the 20th R.O.C. Enterprise Environmental Protection Award hosted by the Environmental Protection Administration. THSRC launches T Express, a new ticketing system that enables customers to book and purchase tickets using their smartphones. Tickets are displayed as QR codes on smartphone screens, allowing passengers to pass through ticket barriers.
November 2011	THSRC is recognized for achievement in entrepreneurship by the GreTai Securities Market in the 1st Golden Laurel Award.

April 2012

THSRC and the International Union of Railways (UIC) hold the 2nd UIC World High Speed Interaction Workshop, offering a global platform for the exchange between experts and institutions in the area of high-speed rail system maintenance.

July 2012

THSRC is selected as overall winner across all categories in the 2012 Golden Service Award hosted by CommonWealth Magazine.

THSRC launches the Fun Reading for Family initiative, allowing passengers to borrow and return children's books at different HSR stations.

November 2012

THSRC participates in the 14th UIC Regional Assembly for Asia and Oceania and the 11th Asian Management Committee (AMC) in Moscow, and is recognized as a member of the AMC effective from 2013.

Vice President of the Republic of China (Taiwan) Wu Den-yih presents a Distinguished Award to THSRC in the 21st Annual Enterprise Environmental Protection Award.

Lloyd's Register Quality Assurance issues an ISO 9001 compliance certificate to THSRC's rail operation, maintenance and passenger service. All audited items conform to the standards of ISO 9001 Quality Management System.

National Geographic editors select one of THSRC's T Holiday packages as Best Winter Trip for 2013, citing ease of travel with high-speed rail. They note that taking the high speed train through Taiwan's western corridor allows travelers to quickly move between cities and counties while providing a gateway to other attractions and scenic spots.

December 2012

THSRC carries its 200 millionth passenger.

January 2013

THSRC holds groundbreaking ceremonies for new stations planned in Yunlin, Miaoli and Changhua.

July 2013

To celebrate the arrival of its 31st trainset, THSRC gives the train a fun, energetic look by painting it in cartoon characters A group of children supported by Good Shepherd Social Welfare Services and Children Are Us Foundation are treated to free rides on this new train's first day of service.

August 2013

THSRC wins six first place awards in the MOTC's 14th Golden Road Award in the categories of maintenance of vehicle, maintenance of signal communications equipment, maintenance of route network, maintenance of depot electrical and mechanical equipment, maintenance of station electrical and mechanical equipment and maintenance of yard environment.

October 2013

THSRC raises passenger fares using a formula approved by the MOTC.

November 2013

THSRC receives a Distinguished Award in the 22nd R.O.C. Enterprise Environmental Protection Award hosted by the Environmental Protection Administration.

December 2013

THSRC holds beam-raising ceremonies for new stations planned in Yunlin, Miaoli and Changhua.

THSRC and JR Kyushu Railway Company exchange work practices of train attendants so as to expand understanding of the different operating practices and cultures within Taiwanese and Japanese high-speed rail operators.

January 2014

The third of four new 700T trainsets purchased from Japan arrives in Kaohsiung for remodeling, testing and acceptance inspection.

April 2014

THSRC tops the list in the Ground Transportation category in CommonWealth Magazine's Golden Service Award.

May 2014

THSRC and the UIC jointly organize a series of conferences that include the 6th UIC Asia-Pacific Technical Directors Meeting, the 17th Asia-Pacific Regional Assembly and the 1st UIC Conference on Natural Disaster Management of Railway Systems at Le Meridien Taipei.

THSRC is honored in the 2013 Occupational Safety Award and receives an Excellence Award for Self Inspection by the Labor Inspection Office of Taipei City Government.

June 2014

THSRC ranks in third place across all categories and tops the Transportation category for a fourth straight year in the 2014 Digital Service Benchmark Enterprise Award hosted by Business Next Magazine.

September 2014

THSRC wins a total of six awards in the MOTC's 15th Golden Road Award including: five first place awards in the categories of maintenance of vehicle, maintenance of signal communications equipment, maintenance of route network, maintenance of depot electrical and mechanical equipment and maintenance of station electrical and mechanical equipment; and a second place award in the category maintenance of yard environment.

October 2014

THSRC's emergency response and management system is selected as recipient of the 2014 ITS Application Award by the Intelligent Transportation Society of Taiwan.

January 2015

THSRC receives a carbon footprint certificate for high-speed rail service from the Environmental Protection Administration, Executive Yuan.

March 2015

THSRC allows passengers who have booked and bought train tickets online via the IRS, T Express and IVR to collect proofs for missing pre-booked trains using their reservation numbers at convenience stores in the event of them missing the trains they wanted to travel or needing to claim reimbursement of travel expenses.

Deliver Love with HSR to Children, a tuition assistance program held jointly with Child Welfare League Foundation, raises over NT$11 million for 2015, benefiting more than 1,000 school children from disadvantaged backgrounds. Since 2010, THSRC has raised close to NT$88 million to help more than 17,500 students stay in school.

July 2015

THSRC and the MOTC enter into two agreements including: the Fourth Supplement to Taiwan North-South High Speed Rail Construction and Operation Agreement; and the Termination of Taiwan North-South High Speed Rail Station Zone Development Agreement.

THSRC launches a new multi-ride ticket. After reporting a lost or stolen card, the cardholder may choose either to receive a refund or to have a new card issued.

August 2015

The TR34 trainset, the newest addition to THSRC's high-speed train fleet, arrives in Kaohsiung for remodeling, testing and acceptance inspection. This train will begin service when three new train stations open for traffic.

September 2015

THSRC unveils a Muslim prayer room in Taichung HSR Station in order to better cater to Muslim passengers' needs.

October 2015

Three new HSR stations in Miaoli, Changhua and Yunlin pass final inspections and obtain operating permits from the MOTC.

THSRC's QR code e-ticket solution receives the 2015 ITS Application Award from the Intelligent Transportation Society of Taiwan.

November 2015

A train carrying the motif of underglaze blue dragon is launched to mark the start of shuttle bus service connecting Chiayi HSR Station and the Southern Branch of the National Palace Museum.

December 2015

Three new HSR stations in Miaoli, Changhua and Yunlin open for traffic. THSRC also announces schedule adjustments in the same month.

Train fares are rolled back to the level they were before a hike was implemented on October 8, 2013.

January 2016

A ceremony is held to celebrate the arrival of a test train coming to the new Nangang HSR Station and the completion of system testing.

February 2016

THSRC experiences record levels of station and passenger traffic on the 228 Peace Memorial Day weekend. Taoyuan HSR Station handles a record 146,000 travelers and passenger volume around the island hits an all-time high of over 267,000 on day two of the three-day long weekend.

March 2016

As part of the Deliver Love with HSR to Children program and in partnership with Eden Social Welfare Foundation, THSRC has raised over NT$12 million to support more than 600 children with developmental disabilities. Since its launch in 2010, the program has received donations of more than NT$100 million, helping more than 18,000 students pay tuition fees and stay in school.

Shareholders, at an extraordinary general meeting, approve plans formulated by the THSRC Board for an initial public offering (IPO).

THSRC enters into a Memorandum of Understanding with Central Weather Bureau, MOTC on disaster preparedness collaboration. The bureau will provide THSRC with weather information to ensure timely formulation of emergency response plans in the event of typhoon. THSRC also will receive alerts from the bureau's earthquake early warning system that detects a quake before it hits so that a high-speed train could be slowed down or stopped for safety after it receives an alert 10 seconds before an earthquake hits. THSRC also plans to set up electronic display boards showing the latest weather information within train stations in order to improve the level of passenger service.

April 2016

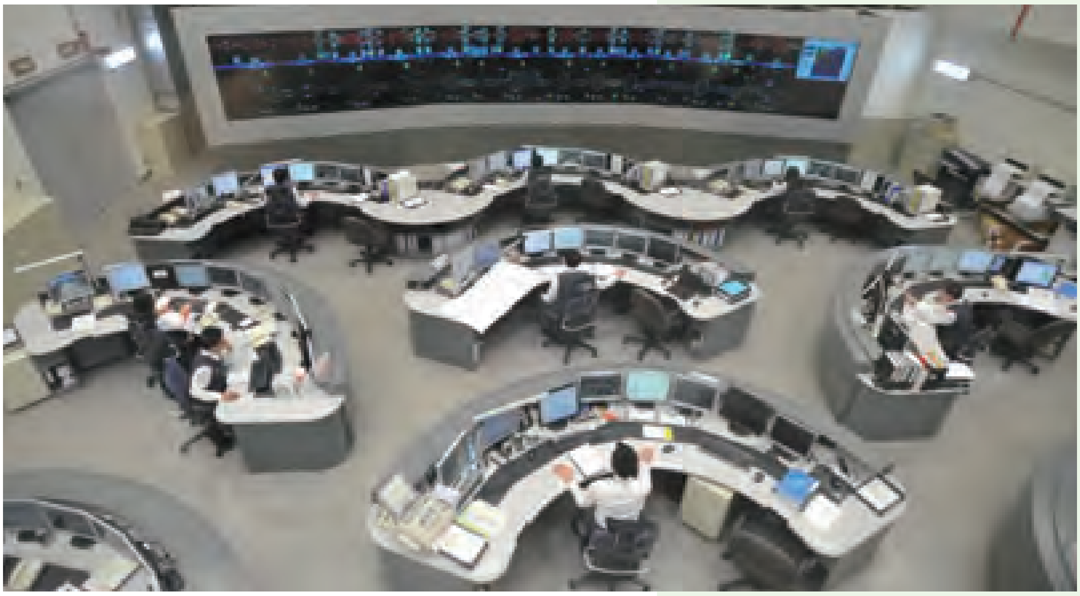
Changhua HSR Station is selected as Popular Choice Winner by the Architizer A+ Awards in the Bus & Train Station category.

THSRC wins a Gold Award in the Transportation category in CommonWealth Magazine's 2016 Golden Service Award.

Our Business

Gearing Up for Growth with New Stations

Five Years in Review



This section is a review of THSRC's operations and performance for the five years ending December 31, 2015.

- Provided a total of 247,093 train services and achieved an average 99.97% reliability. The reliability rate is derived by dividing the total number of operating trains by the total number of scheduled trains over a period of one year.
- Achieved 44.8 billion passenger-kilometers and a loading factor of 56.12%
- Achieved 79.8 billion seat-kilometers and an average 99.58% punctuality. The punctuality rate is derived by dividing the total number of trains departing within five minutes of scheduled time by the total number of operating trains.

Average Service Reliability, 2011 – 2015

99.97%

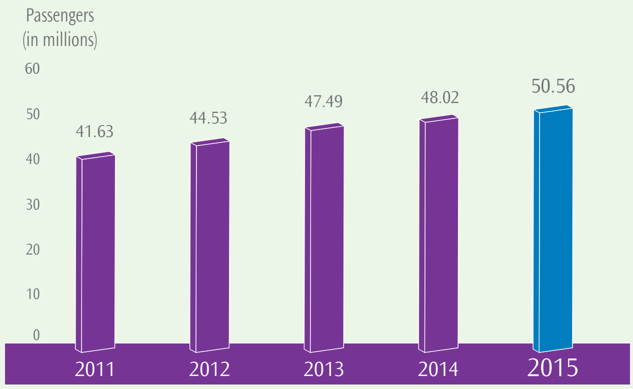
Average Punctuality, 2011 – 2015

99.58%

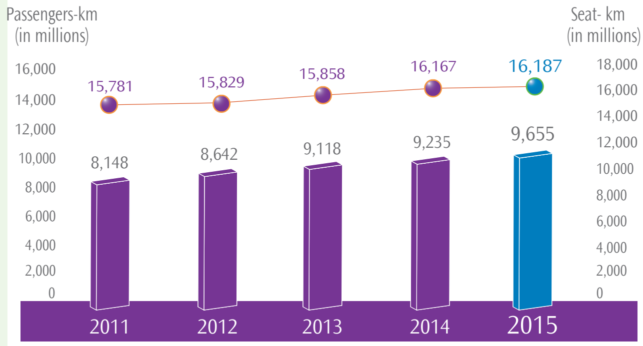
Key Operating Statistics, 2011 – 2015

Key Performance Indicator	Total ridership (in millions)	Train services per year	Loading factor (passenger-km/seat-km)	Punctuality (as % of trains departing within five minutes of scheduled time)	Passenger-kilometers (in millions)	Seat-kilometers (in millions)
2011	41.63	48,553	51.63%	99.86%	8,148	15,781
2012	44.53	48,682	54.59%	99.40%	8,642	15,829
2013	47.49	48,859	57.50%	99.38%	9,118	15,858
2014	48.02	50,467	57.12%	99.61%	9,235	16,167
2015	50.56	50,532	59.65%	99.66%	9,655	16,187

Total Ridership, 2011 – 2015

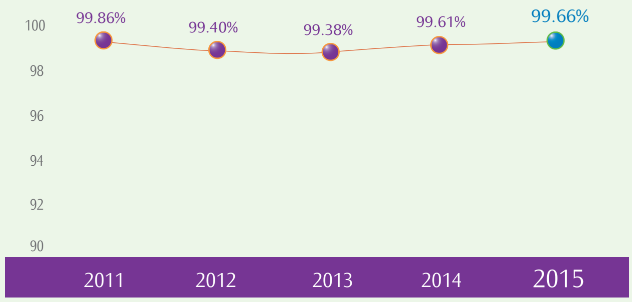


Passenger-Kilometers and Seat-Kilometers, 2011 – 2015



Punctuality, 2011 – 2015

(as % of trains departing within five minutes of scheduled time)



Measures of Transport Performance, 2014-2015

	2014	2015	Change
1. Number of services	50,467	50,532	0.13% ↑
2. Number of passengers (in millions)	48.02	50.56	5.29% ↑
3. Seat-kilometers (in millions)	16,167	16,187	0.12% ↑
4. Passenger-kilometers (in millions)	9,235	9,655	4.55% ↑
5. Punctuality (as % of trains departing within five minutes of scheduled time)	99.61%	99.66%	0.05% ↑
6. Loading factor (passenger-km/seat-km)	57.12%	59.65%	2.53%↑

Results of Operations

2015 highlights

In 2015, THSRC carried over 50 million passengers, an increase of 5.3% over the prior year.

- Total passenger-kilometers were 9,655 million.
- Total seat-kilometers were 16,187 million.
- The overall service reliability (excluding force majeure events) and punctuality was 100% and 99.66%, respectively.

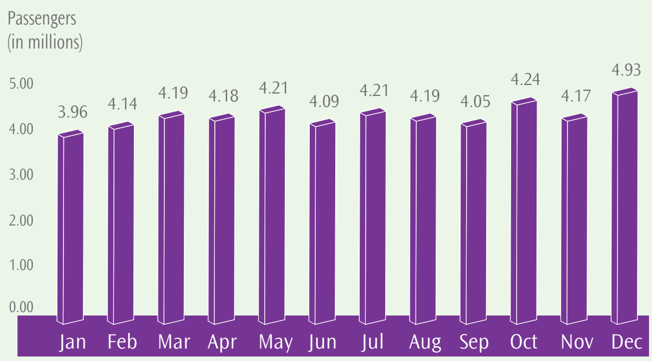
Service Reliability in 2015

100%

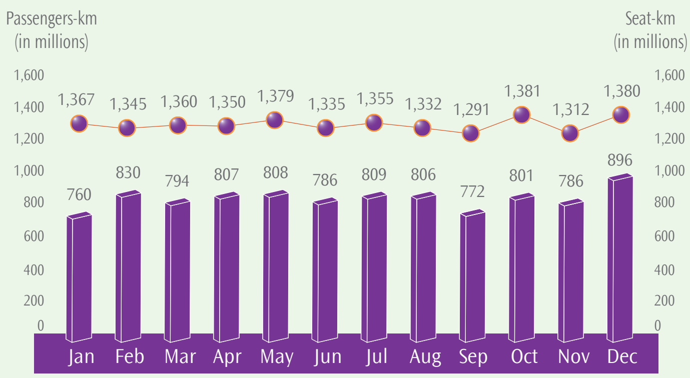
Punctuality in 2015

99.66%

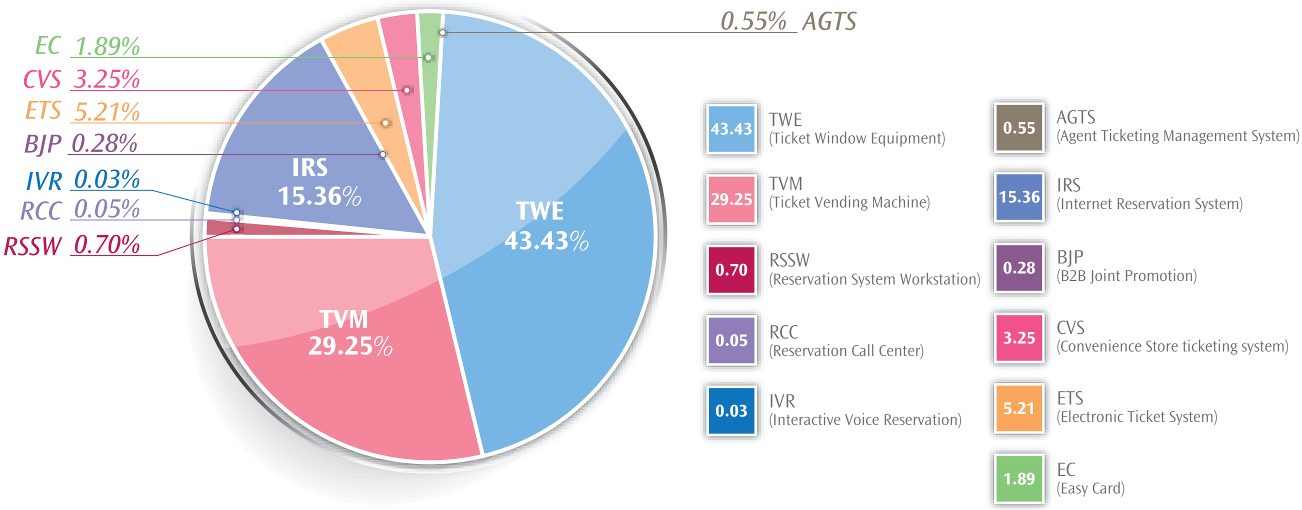
Ridership in 2015



Passenger-Kilometers and Seat-Kilometers in 2015



Booking and Ticket Purchases by Channel in 2015



Multiple booking and ticketing options

We offer a number of channels to make booking and paying for tickets easy and convenient. Passengers can choose to purchase tickets at ticket counters, vending machines and convenience stores, or via an internet reservation system, an interactive voice reservation system, a reservation call center, a group reservation system, a joint ticketing program with airlines and an agent ticketing management system. Passengers also can get through ticket barriers using an Easy Card, a contactless smartcard.

Station services and facilities

At each of our eleven modern, beautifully designed stations, we provide a wide range of services and amenities to ensure ease of travel. These include ticket counters and automated ticket vending machines, passenger information systems, information desks, disabled facilities, nursery rooms, drinking fountains, convenience stores, restaurants and Wi-Fi access in waiting areas.

To provide quick and easy access to and from our eleven stations, each station is equipped with parking lots, car rental services, park-and-ride drop-off sites, taxi stands and interchanges with metro, bus and traditional railway services. In addition, we collaborate with express bus companies to run free shuttle bus services. In 2015, we offered 359,944 free shuttle bus trips to 4,858,516 passengers. Below is a summary of bus routes operated in 2015:

Free Shuttle Bus Routes

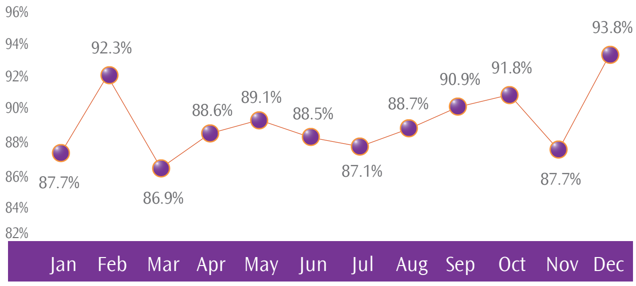
HSR station	Number of bus routes
Taoyuan	2
Hsinchu	1
Miaoli	1
Taichung	3
Changhua	1
Yunlin	1
Chiayi	1
Tainan	2

Maintenance

In order to provide passengers a safe and comfortable experience, we ensure that all repair and maintenance works are in compliance with a comprehensive Rolling Stock Maintenance Plan. A summary of the bogie inspections conducted in 2015 is as follows: the first bogie inspection (BI-1) for one trainset (a total of 24 bogies) at a running distance of 0.6 million kilometers; the seventh bogie inspection (BI-7) for thirteen trainsets (a total of 312 bogies) at a running distance of 4.2 million kilometers; eighth bogie inspection (BI-8) for twelve trainsets (a total of 288 bogies) at a running distance of 4.8 million kilometers; and the ninth bogie inspection (BI-9) for two trainsets (a total of 48 bogies) at a running distance of 5.4 million kilometers.

We started the fourth general inspection (GI-4) in October 2014 after the cumulative running distance reached 4.8 million kilometers. Inspections of 4 trainsets and 13 trainsets were completed in 2014 and 2015, respectively. Our disciplined approach to maintenance ensures that rolling stock is kept in a reliable and safe operating condition.

Trainset Availability in 2015



The maintenance cycle for rolling stock is as follows:

1. Daily inspection (level 1 inspection): every two days
2. Monthly inspection (level 2 inspection): every 30 days or every 30,000 km
3. Bogie inspection (level 3 inspection): every 18 months or every 600,000 km
4. General inspection (level 4 inspection): every 36 months or every 1,200,000 km

Note: The maintenance frequency is determined by which condition occurs first.

The preventive maintenance works performed in 2015 are as follows:

System	Preventive maintenance (arranged by the order of the work when performed)		
	Planned	Actual	Percent completed
Building Service System	54,856	54,856	100%
Rolling Stock	8,787	8,787	100%
Signaling System	9,756	9,756	100%
Communication System	5,347	5,347	100%
Operation Control Center	6,167	6,167	100%
Power Supply System	2,306	2,306	100%
OCS System	1,665	1,665	100%
Track System	1,446	1,446	100%
Total	90,330	90,330	100%

In 2015, we were granted renewal of ISO 9001 certification after completing a surveillance audit with LRQA from August 24 to August 27.

Training

We have put in place various training initiatives to ensure that our operations and maintenance staff have the proper competencies and knowledge. The participation of first-time or recurrent training courses in 2015 is as follows: 6,536 attendances for employees and external partners who received general training on High Speed Rail Operations Regulations (HSROR); 26,221 attendances for control, train and station staff; and 6,931 attendances for staff responsible for the maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS) and tracks.

Operational safety

The primary objective of THSRC is to build, manage and maintain rail operations that meet international standards for safety and reliability. To achieve this objective, a structured, risk-focused safety management system has been established in accordance with local and international best practices and standards. We regularly review the system in order to maintain an effective framework for implementing safety policy and improving safety performance. In addition, we require all our staff to be trained in and knowledgeable of the Safety Rules and Procedures and to exercise good judgment and discretion in applying safe work practices to daily activities.

In 2015, we carried out 62 emergency drills to test our skill level at handling the various scenarios presented in the drills. The goals are to develop a high level of preparedness and minimize impact on our operations in the event of unforeseen circumstances such as rail accidents or large-scale natural disasters.

To date, we have kept an excellent safety record with no deaths or injuries of passengers on board caused by train accidents.

Our service commitment

THSRC strives to provide passengers with best-in-class experience with high-speed rail and exemplary customer service. We focus on:

(1)Putting customers first

To fully meet customers' demands and expectations, we review their comments and modify our service policy as appropriate.

(2)Creating and maintaining a service-oriented culture

We motivate our employees to develop and sustain a passion for service. We make continuous progress on quality and efficiency by providing opportunities for employees to expand their knowledge and skills and engaging them in positive service-oriented behaviors.

Capability and skill development

We have made it a top priority to deliver safe performance by strengthening our in-house maintenance capabilities and acquiring new maintenance technologies while reducing maintenance costs. Two prime objectives we set for the maintenance of rolling stock, signaling and communication systems and turnout systems are:

(1)enhancement of inspection and repair capabilities for failed integrated circuit boards and components in our electronics workshop;

(2)cooperation with National Chung-Shan Institute of Science and Technology, National Kaohsiung First University of Science and Technology and Taiwan's Industrial Technology Research Institute to perform technical studies to find better maintenance solutions for rolling stock in various areas, including reliability improvements for frequently failed parts used in air conditioning and toilet components; the development of highly-efficient air conditioning filters; and local procurement of parts and components, including pantograph contact pads, saloon seat cushions, salon LED lighting and repair kits for toilet disk valves.

The Way Ahead

Since our inception, we have operated under the guidance of our five core values: Discipline, Integrity, Efficiency, Innovation and Sensibility. Going forward, three strategic objectives will define our future and ensure our success:

Accelerate and sustain growth

Despite challenges posed by the global financial crisis in the years following THSRC's launch of high-speed rail service, we have still managed to grow ridership from a daily average of 43,000 passengers in 2007 to over 138,500 passengers in 2015. Our pursuit of growth, however, has never compromised our commitment to quality service and safety. Through meticulous planning, we will continue to increase ride comfort of passengers by providing easy and speedy access to railway stations, on-board services, ticket purchases and customer support. We will also ensure that at all times we act in the best interest of passengers and staff members.

Strengthen financial position

We have worked with the government over financing arrangements to improve THSRC's capital and liquidity position. With support from the government, we are confident that our efforts to restore financial stability and investor confidence will be successful.

Expand network coverage

Developing new points of access remains a top priority. With the opening of three new stations in Miaoli, Changhua and Yunlin in December 2015, our service has been extended to underserved regions along the western corridor of Taiwan. We are also planning to procure new trainsets to meet increased passenger traffic and to improve the frequency of services.

We will continue to transform the areas within and around railway stations into hubs of commercial activity so as to create additional revenues. Additionally, we will cultivate long-term relationships with our global industry peers, whose strength in railway operation, maintenance and ticketing developments will inspire and catalyze our own continued development.

A key mission for us is to support Taiwan's economic progress. The high-speed railway has closed distances between cities, bringing comfort and speed to tens of millions of travelers a year while making possible new markets and expanding trade. The spirit of "Go Extra Mile" will guide us as we make progress on all of our highest priorities, including enhancing operational efficiency, upgrading technology and infrastructure and improving financial performance.

Corporate Governance

Delivering Exemplary Corporate Governance

Overview

(1)Board and Committees

Board of Directors

The Board has the overall responsibility for the Company's performance and its main duties include regularly reviewing the Company's strategy, planning capital expenditure, internal restructuring and human resources policy. It also appoints, dismisses and supervises the Company's senior management team, chief auditor and chief accountant. Certain responsibilities are delegated to six Committees, which assist the Board in carrying out its duties. Elected on June 30, 2015 for a term of three years, the current Board consists of the Chairman, eleven Directors and three Independent Directors. Fourteen meetings of the Board were held during 2015.

Corporate Governance & Nomination Committee

The Corporate Governance & Nomination Committee has primary responsibility for recommending candidates to be nominated for election as independent directors at the shareholders' meeting, consistent with criteria approved by the Board; and developing and regularly reviewing corporate governance principles and related policies for approval by the Board. The Committee consists of five to seven members and its meetings shall be convened by the independent director.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities for overseeing the Company's financial reporting processes, the audit of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's Chief Auditor, the performance of THSRC's internal control function, any conflicts of interest from affiliated parties and the risk management function. The Committee consists of three Independent Directors.

The Audit Committee was established on March 18, 2016 in lieu of Board supervisors.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities for setting the compensation policies, systems and standards, and evaluating the performance and the compensation of THSRC's Board directors and executives. The Committee consists of three to five members and its meetings shall be convened by the independent director.

Finance Committee

The Finance Committee assists the Board in fulfilling its responsibilities for planning and reviewing the Company's capital and debt structure, financial and investment policies and financial risk management. The Committee consists of five to nine members and the independent director is responsible for convening committee meetings.

Procurement Committee

The Procurement Committee assists the Board in fulfilling its responsibilities for overseeing the procurement processes and practices for major projects and construction awards. The Committee consists of five to seven members.

Special Committee

The Special Committee assists the Board in fulfilling its responsibilities in advising and overseeing the Company's practices relating to significant legal and contract disputes or institutional changes. The Committee consists of five to seven members and the independent director is responsible for convening committee meetings.

(2)Corporate governance guidelines

Approved and ratified by shareholders, THSRC's Guidelines for Corporate Governance is based upon OECD Principles of Corporate Governance, S&P Corporate Governance Scores and Evaluations, NYSE Listed Company Manual Sec303A, Infosys Corporate Governance Report, corporate governance guidelines for international and/or domestic companies, corporate governance-related laws and regulations in Taiwan, and rules published by the Taiwan Stock Exchange. The main purposes for THSRC are to establish the best corporate governance system, to protect shareholders' rights and interests, to strengthen the structure of the Board of directors and to fulfill social obligations.

In addition to Guidelines for Corporate Governance, THSRC has drawn up a number of governance documents and committee charters, including Rules for Proceedings of Board Meetings, Charter of the Corporate Governance & Nomination Committee, Charter of the Audit Committee, Charter of the Remuneration Committee, Charter of the Procurement Committee, Information Disclosure Rules and Code of Conduct & Ethics, among others. These documents provide the basis for decision-making and guide THSRC's corporate governance actions.

The documents that describe THSRC's corporate governance framework are prepared in Chinese language and available on the About Us section of company website at http://www.thsrc.com.tw

(3)Additional important disclosures

In compliance with Guidelines for Corporate Governance, which was approved at the shareholders' meeting on November 1, 2004, THSRC had taken liability insurance to indemnify its directors, supervisors and executive managers against liability while acting for THSRC, and the coverage was US$10 million per year until 2010. Upon the renewal of the liability insurance on November 1, 2010, the annual coverage was raised to US$20 million. On November 1, 2014, the annual coverage was adjusted to NT$600 million. In the subsequent year, upon the renewal of the insurance contract, the annual coverage was increased to NT$900 million.

(4)Board of Directors and Supervisors

Victor W. Liu

Chairman of the Board (Representative, China Aviation Development Foundation)

Other position held:

- Chairman, Chinese Management Association

Previous positions:

- Chairman, International Bills Finance Co., Ltd.
- Chairman, Waterland Financial Holdings Co., Ltd.
- Chairman, Aviation Safety Council, Executive Yuan
- President, National Sun Yat-sen University
- President, Chung Hua University
- Chairman, Taiwan Assessment and Evaluation Association

Ph. D. and Managerial Economics and Decision Sciences (MEDS), The Kellogg Graduate School of Management, Northwestern University

Arthur Chiang

Director (Representative, TSRC Corporation)

Other position held:

- Chairman, Metropolis Industry Co., Ltd.
- Chairman, Metropolis Property Management Corporation

Previous positions:

- Executive Vice President, China Development Financial Holding Corporation
- Executive Vice President, China Development Industrial Bank Co., Ltd.
- Vice President, Taiwan High Speed Rail Corporation

Master of Public Administration, National Chengchi University

Theodore M. H. Huang

Director (Representative, Teco Electric & Machinery Co., Ltd.)

Other position held:

- Chairman, Century Development Corporation
- Managing Director, Teco Electric & Machinery Co., Ltd.
- Honorary Chairman, Chinese National Association of Industry & Commerce, Taiwan

MBA, The Wharton School, University of Pennsylvania

George Liu

Director (Representative, Taipei Fubon Commercial Bank Co., Ltd.)

Other position held:

- Consultant, Fubon Land Development Co., Ltd.

Ph.D. in Physics, Massachusetts Institute of Technology

Sharon Fong

Director (Representative, Tai Ho Investment Co., Ltd.)

Other position held:

- Special Assistant to Chairman, Pacific Electric Wire & Cable Co., Ltd.

Bachelor's degree in International Finance, Kent State University

Chung-Yi Lin

Director (Representative, China Steel Corporation)

Other positions held:

- Vice President, Corporate Planning Division, China Steel Corporation
- Supervisor, Aerospace Industrial Development Corporation

B.A. in Economics, Soochow University

Lee-Ching Ko

Director (Representative, Evergreen International Corporation)

Other positions held:

- Chairman, Evergreen International Corporation
- Director, EVA Airways Corporation
- Supervisor, Evergreen Marine Corp. (Taiwan) Ltd

Yeou-Jinn Chiou

Director (Representative, Taiwan Sugar Corporation)

Other positions held:

- Vice President, Taiwan Sugar Corporation
- Director, Vietnam-Taiwan Sugar Co., Ltd.

B.A. in Land Economics, National Chung Hsing University

Wenent P. Pan

Director (Representative, China Aviation Development Foundation)

Other positions held:

- Chairman, CTCI Foundation
- Chairman, Gintech Energy Corporation

Previous position:

- Chairman, Chinese Petroleum Corporation, Taiwan

Ph. D. in Chemical Engineering, University of Wyoming

I-Hsi Ho

Director (Representative, Development Fund, Executive Yuan)

Other position held:

- Deputy Comptroller, Department of Accounting, Ministry of Transportation and Communications, R.O.C.

Previous position:

- Specialized member of the Ministry of Transportation and Communications, R.O.C.

M.S. in Civil Engineering, Virginia Polytechnic Institute and State University

Yu-Hern Chang

Director (Representative, Development Fund, Executive Yuan)

Other position held:

- Professor, Department of Transportation and Communication Management Science, National Cheng Kung University

Previous positions:

- President, China Airlines Ltd.
- Chairman, Aviation Safety Council
- Dean, College of Management, National Cheng Kung University
- Director General, Civil Aeronautics Administration, Ministry of Transportation and Communications, R.O.C.
- Director General, Institute of Transportation, Ministry of Transportation and Communications, R.O.C.

Ph.D. in Transportation Management, Civil Engineering, University of Pennsylvania

M.S. from the Institute of Traffic and Transportation, National Chiao Tung University

Henry Ho

Director (Representative, Tung Ho Steel Enterprise Corporation)

Other position held:

- Chairman, Tung Ho Steel Enterprise Corporation

B.A. in Economics, Harvard University

Chen-Kuo Lin

Independent Director

Other position held:

- Independent Director, High Tech Computer Corporation

Previous positions:

- Chairman, Tunghai University
- Chairman, Taiwan Asset Management Corporation
- Chairman, Taiwan External Trade Development Council
- Minister without Portfolio, Executive Yuan
- Minister, Ministry of Finance, R.O.C.

Research and study in Economics, Oklahoma State University

Research and study in Economics, Harvard University

B.A. in Economics, National Taiwan University

George S. Y. Chen

Independent Director

Other positions held:

- Senior Consultant, Sustainable Development Division, National Policy Foundation
- Independent Director, TransAsia Airways Corporation
- Director, The China Road Federation

Previous position:

- Acting Minister and Executive Vice-Minister, Ministry of Transportation and Communications, R.O.C.

Research, study and co-authorship of a book with Professor Krowne at the Graduate School of System Management, University of Southern California

M.S. in Transportation Engineering, Asian Institute of Technology

Yeong-Chyan Wu

Independent Director

Other positions held:

- President, Shih Hsin University
- Director, Health, Welfare & Environment Foundation

Previous position:

- Managing Director, Taipei Public Access Channel Association

Ph. D. in Law, University of Washington

(5)Senior management team

James Jeng

Chief Executive Officer

Previous positions:

- Chairman, EVA Airways Corporation
- Chairman, UNI Airways Corporation
- Vice Chairman, Italia Marittima S.p.A, a wholly-owned subsidiary of Evergreen Group
- Executive Vice President, Evergreen Marine Corporation

Ph.D. in Transportation Management, National Chiao Tung University

M.S. in Ocean Systems Management, Massachusetts Institute of Technology

M.S. in Transportation Engineering, National Chiao Tung University

B.S. in Naval Architecture and Marine Engineering, National Cheng Kung University

John Chen

Chief Operation Officer, Railway Operation Division

Previous position:

- Director, Muzha Division, Taipei Rapid Transit Corporation

M.S. in Computer Science, Alabama Agricultural and Mechanical University

B.S. in Civil Engineering, National Central University

Bryan Chou

Deputy Chief Operation Officer, Railway Operation Division

Previous position:

- Assistant Director, EVA Airways Corporation

Diploma in Marine Engineering, China College of Marine Technology and Commerce

Daniel Chu

Vice President, Construction Management & Procurement Division

Previous positions:

- President, BES Building & Construction Material Co., Ltd.
- Chief Assistant to Chairman, BES Engineering Corporation
- General Manager, Gen-Gu Consultants, Ltd.

M.S. in Civil Engineering, Chung Hua University

Barret Wang

Secretary General, Secretariat Division of Board of Directors

Previous position:

- Attorney-at-Law, Chun He Law Firm

Bachelor of Law, National Taiwan University

William Hsu

Vice President, Engineering Technology Division

Previous positions:

- Executive Vice President and Chief Operating Officer, TransAsia Airways Corporation
- Assistant Vice President of Planning, Far Eastern Air Transport Corporation

B.S. in Aerospace Engineering, Tamkang University

Eleanore New

Vice President, Finance Division

Previous positions:

- Vice President, Taishin International Bank Co., Ltd.
- Vice President, UBS AG, Taipei Branch
- Assistant Vice President, Bank of America N.T. & S.A., Taipei Branch

MBA, New York Institute of Technology

Anthony Wu

Vice President, Human Resource Division

Previous positions:

- Assistant Vice President, Human Resources Department, Hon Hai/Foxconn Technology Group
- General Director, Office of Human Resources, Industrial Technology Research Institute
- Deputy Director, Human Resources Division, TSMC

Master in Education, Wright St. University

Rae-Fang Chung

Vice President, Business Division

Previous position:

- Marketing Manager, New Zealand Milk Products (Far East) Ltd. Taiwan Branch

B.A. in Economics, Tamkang University

Min Chen

Vice President, Information Technology Division

Previous position:

- IT Director, Chinatrust Commercial Bank Co., Ltd.

M.S. in Computer Science, Ohio University

Ting-Tzong Su

Assistant Vice President, Corporate Planning Office

Previous position:

- Assistant Vice President, BES Engineering Corporation

B.S. in Civil Engineering, National Chung Hsing University

Yan-Ping Tien

Assistant Vice President, Public Affairs Office

Previous position:

- Director of South District, National Security Bureau, R.O.C.

B.A. in Political Science, Fu Hsing Kang College

Tim Fu

Assistant Vice President, Corporate Audit Office

Previous positions:

- Instructor, Vocational Training Center, Department of Labor, Taipei City Government
- Manager, Pfizer Inc.

B.S. in Computer Science, Tamkang University

Max Liu

Assistant Vice President, Quality Assurance Office

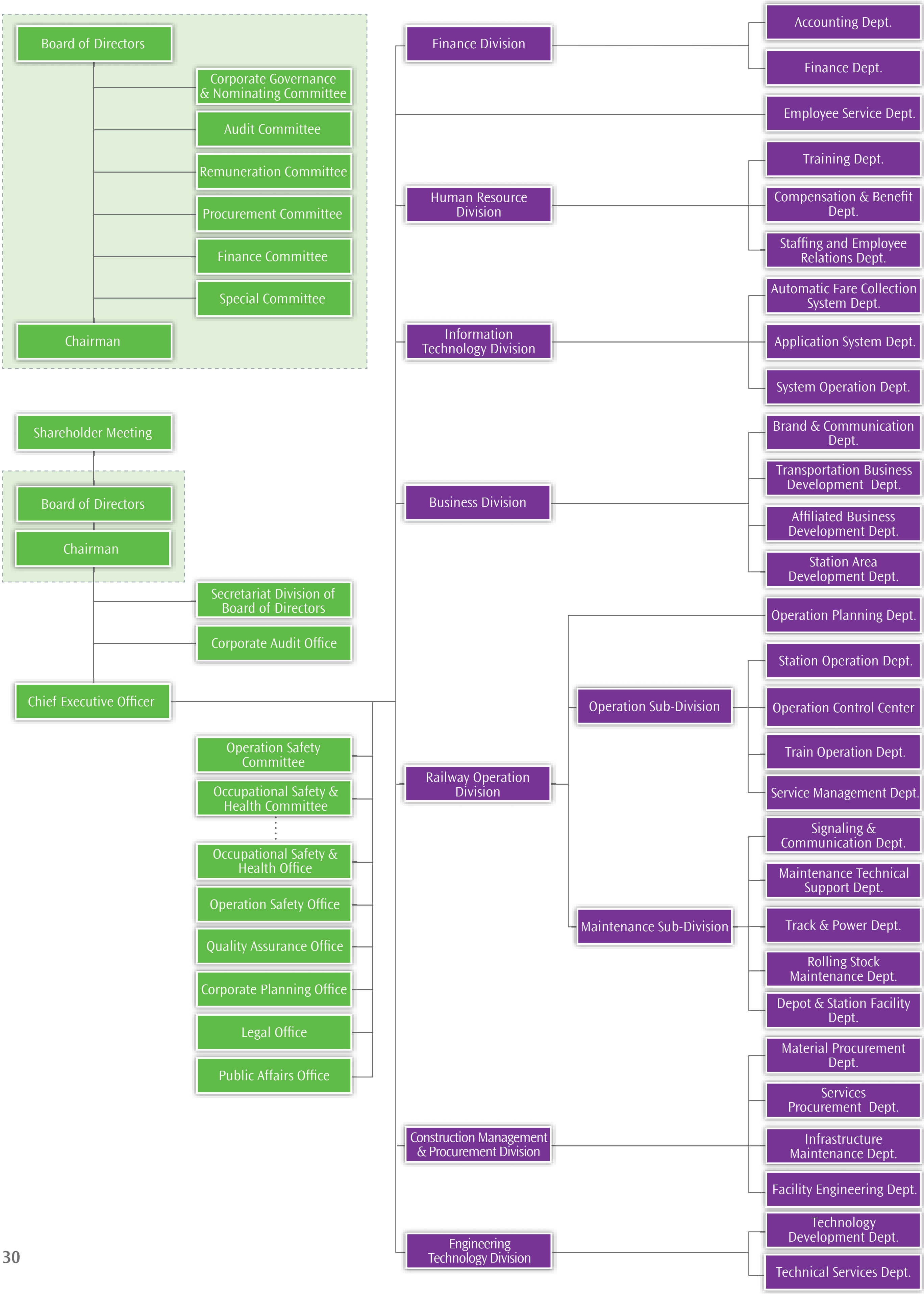
Previous positions:

- Vice President, DJ Auto Components Corporation (an investee company of Germany-based Hella KGaA Hueck & Co.)
- Director, International High-Speed Rail Association

EMBA, National Chengchi University

B.E. in Mechanical Engineering, National Chiao Tung University

(6)Organizational structure



Internal Control

Statement of Internal Control System

Taiwan High Speed Rail Corporation

Statement of Internal Control System

Date: Feb 22, 2016

Based on the findings of a self-assessment, Taiwan High Speed Rail Corporation (THSRC) states the following with regard to its internal control system during the period from January 1 to December 31, 2015:

1. THSRC is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. THSRC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability, timeliness, transparency of reporting comply with the relevant specifications, and (3) compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless the internal control system of THSRC contains self-monitoring mechanisms, and THSRC takes corrective actions whenever a deficiency is identified.
3. THSRC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. THSRC has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the finding of the evaluation mentioned in the preceding paragraph, THSRC believes that during the year 2015, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency of reporting comply with the relevant specifications, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of THSRC's Annual Report for year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors meeting held on Feb 22, 2016, with 14 of the attending directors all affirming the content of this Statement.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors:

CEO:

The Disclosure of Relationship among the Top 10 Stockholders who are Related Parties, or a Relative up to the Second Degree of Kinship or a Spouse to One Another

Thousands of shares; % (as of April 26, 2016)

Name (Note 1)	Shareholding		Spouse & minor children		Shareholding by nominee arrangement		The relationship between any of the Company's top ten shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Ministry of Transportation and Communications	2,420,000	43.17	-	-	-	-	-	-	Institutional shareholder of THSRC
China Aviation Development Foundation	260,040	4.64	-	-	-	-	-	-	Director of the Board of THSRC
Victor W. Liu	-	-	-	-	-	-	-	-	Representative of China Aviation Development Foundation
Wenent P. Pan	80	0.00	-	-	-	-	-	-	
China Steel Corporation	242,148	4.32	-	-	-	-	-	-	Director of the Board of THSRC
Chung-Yi Lin	-	-	-	-	-	-	-	-	Representative of China Steel Corporation
Taiwan Sugar Corporation	200,000	3.57	-	-	-	-	-	-	Director of the Board of THSRC
Yeou-Jinn Chiou	-	-	-	-	-	-	-	-	Representative of Taiwan Sugar Corporation
Teco Electric & Machinery Co., Ltd.	190,060	3.39	-	-	-	-	-	-	Director of the Board of THSRC
Theodore M. H. Huang	-	-	-	-	-	-	-	-	Representative of Teco Electric & Machinery Co., Ltd.
Pacific Electric Wire & Cable Co., Ltd.	137,345	2.45	-	-	-	-	-	-	Institutional shareholder of THSRC

Thousands of shares; % (as of April 26, 2016)

Name (Note 1)	Shareholding		Spouse & minor children		Shareholding by nominee arrangement		The relationship between any of the Company's top ten shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Jun-Tang Yuan	-	-	-	-	-	-	-	-	Chairman of Pacific Electric Wire & Cable Co., Ltd.
Development Fund of Executive Yuan	120,000	2.14	-	-	-	-	-	-	Director of the Board of THSRC
I-Hsi Ho, Yu-Hern Chang	-	-	-	-	-	-	-	-	Representatives of Development Fund of Executive Yuan
Taiwan Shinkansen Corporation	96,000	1.71	-	-	-	-	-	-	Institutional shareholder of THSRC
Tetsu Ikeda	-	-	-	-	-	-	-	-	Chairman of Taiwan Shinkansen Corporation
Taiwan Fixed Network Co., Ltd.	90,212	1.61	-	-	-	-	-	-	Institutional shareholder of THSRC
Richard Tsai	-	-	-	-	-	-	-	-	Chairman of Taiwan Fixed Network Co., Ltd.
Continental Development Corporation	80,694	1.44	-	-	-	-	-	-	Institutional shareholder of THSRC
Christopher Chang	-	-	-	-	-	-	-	-	Chairman of Continental Development Corporation

Note 1: Shareholders' names should be separate. (If shares were held by other corporations, the names of corporations and their representatives should be disclosed separately.)

Note 2: The percentage of stockholdings should be calculated based on the total shares held by oneself, spouse, minors and nominee arrangements.

Corporate Activities

Extending Care and Support

Corporate Social Responsibility

Since the inception of THSRC, we have intergrated the values of inclusion, respect, collaboration, communication and care into our corporate social responsibility initiatives. Supporting a wide range of social, environmental and ecological causes in partnership with the government, non-profit organizations and welfare agencies is an integral part of our community engagement activities. We are committed to earning trust from society through meeting its demands and expectations, and exploring ways to make a meaningful impact on the communities we serve.

Corporate Philanthropy

Deliver Love with HSR to Children

Since 2010, we have been supporting children from disadvantaged backgrounds through the Deliver Love with HSR to Children program. By inviting passengers to donate to this program, we have raised over NT$100 million to date, helping more than 18,000 students stay in school and address educational challenges. In 2015, we partnered with Eden Social Welfare Foundation to provide children with developmental delays and disabilities with early care and education. We are grateful to all of the passengers whose participation has helped students achieve improved educational outcomes, and we will expand assistance to more students to advance their prospects for a better future.

Spread Love for Children with Developmental Difficulties

Upon our invitation, a group of children with developmental delays performed in the hall of Taipei HSR Station on December 30, 2015. While their dance moves seemed clumsy and their speech unclear, their guileless performance stopped passers-by to watch and offer enthusiastic rounds of applause. The performance gave these children an opportunity to not only express themselves through dancing, but also to show appreciation for public contribution to an early intervention program jointly supported by THSRC and Eden Social Welfare Foundation.

As part of the Deliver Love with HSR to Children program, we have been offering children with developmental delays and disabilities with medical care and education. Since many of the children are from low-income backgrounds, or their personal mobility is limited by disability, most of them have never traveled on high-speed trains before. In light of this, we arranged a trip to Taipei for children from the Chiayi Early Intervention Center. The sceneries and attractions along the way turned out to be an eye opening experience for them.

Among the children on the outing was a five-year-old girl nicknamed Qi Qi. When the girl was diagnosed with developmental delay, she had difficulty with coordination and balance. After she became a beneficiary of Eden Social Welfare Foundation's early intervention program, her balance, strength and flexibility improved significantly thanks to the physical therapy sessions she received to develop functional abilities. Qi Qi is now embarking on a personal journey of growth and development.

In Taiwan, there are approximately 100,000 children diagnosed with developmental delays like Qi Qi. Our efforts to support early education and care services are showing success, and we look forward to helping more developmentally disabled children reach their full potential in life.

THSRC Smile

In cooperation with local governments and various nonprofit organizations, the THSRC Smile program has been in place since 2008, giving children from minority and disadvantaged backgrounds and their families a chance to experience the comfort and convenience of high-speed train rides. As of the end of 2015, 29,250 people, comprising 544 groups, have benefited from the THSRC Smile program.

One-Day Excursion for Special Education Students

As part of our long-term support for individuals with disabilities, in 2015, we sponsored a field trip to Hsinchu for students of the special education classes at Ziqiang Junior High School, New Taipei City along with their family members. With THSR bringing all urban centers in Taiwan, including New Taipei City and Hsinchu, within one day's return rail travel, these students were able to enjoy their trip with ease thanks to travel time savings. Activities outside the classroom also helped improve their social interaction skills and broaden their experience.

In order to provide an educational element to the field trip, the students had learned about how to ride high-speed train and other means of travel such as bus, traditional train and mass-rapid transit prior to the trip. Therefore, the students got to test their knowledge of and discover interesting facts about THSR through this trip.

Find the Way Home via HSR

Every year, International Missing Children's Day is commemorated on May 25. In 2015, we collaborated with the Child Welfare League Foundation in a campaign named Find the Way Home via HSR on this day to raise awareness of the phenomenon of missing children globally.

The highlight of the campaign was a series of choir performances by students from Jiayi Elementary School, a school located in a rural village of Pingtung County, at the HSR stations in Zuoying, Taichung and Taipei. Dressed in aboriginal traditional costumes, the 20 members of the choir sang ballads including "My Hometown Puyuma," "The Way Home," and "Missing You Suddenly" with their enchanting singing voice greeted by cheers and applause from passers-by. We hope the sense of longing for home in these ballads could bring public attention to the importance of remembering the vulnerable children who have fallen victims of crime, continuing efforts to find those who are missing, and making children safety a top priority. We also look to spread a message of hope with THSR serving as a symbol for a safe return home.

Warm Christmas Eve Message from Miaoli HSR Station to Yu An Children's Home

In December 2015, when we celebrated the inauguration of Miaoli HSR Station, we also reflected on our responsibility to contribute to the local community in which the new rail station operates. We took the first step by sending complimentary tickets to Yu An Children's Home, a nursing home for 144 children and young adults with disabilities, who hardly leave their home due to special physical needs. Going forward, we will continue to assist people with disabilities to participate in the community by improving the accessibility of our passenger transport network.

Make Dreams Come True for Patients with Chronic Mental Disorder

Travelling on high-speed train once was a far-off dream for patients with chronic mental disorder in a psychiatric care facility in Tainan City due to their limited financial resources and disabilities – until we learned about the situation. Vincent Ku, station master of Tainan HSR Station, gave train tickets as a present to the facility, demonstrating THSRC's commitment to promoting equal access to transportation and eliminating the social and physical barriers faced by people with disabilities.

Free Rides for Underprivileged Children

Throughout the years, THSRC has helped numerous school children in rural and remote areas fulfill their dream of travelling on high-speed trains. In 2015, we invited students from Jutsuen Elementary School, Chiayi County to take a ride to Taipei. In a ceremony marking the giving of train tickets, the students danced and gave a record performance under an old Chinese banyan tree to express their appreciation.

A Cappella Performances in Train Stations

Since 2010, we have cooperated with the New Choral Foundation to organize the Taiwan International A Cappella Festival and the Spring Concert, which feature live performances by award-winning international a cappella groups in HSR stations. These a cappella ensembles bring the joy of live choral singing to the hustle and bustle of train stations, and they never fail to raise a smile from passers-by.

In 2015, we invited a cappella groups from Hungary, Canada, and Germany to perform in HSR stations, bringing to passengers an unforgettable experience and a delightful way to enjoy their high-speed rail rides.


Annual Blood Drive

Since 2012, we have held blood donation campaigns as a way to raise awareness on the life-saving importance of donating blood and to contribute to the local communities. At the end of the year, when there is often a shortfall in blood stocks, we encourage staff as well as passengers to participate in our blood drive. In 2015, our annual blood drive expanded to include the Taipei headquarters and HSR stations in Taoyuan, Hsinchu, Taichung, Chiayi, Tainan and Zuoying, with a total of 2,322 pints of blood having been collected over the past four years.

Environmental Protection

Celebration of Arbor Day with Sapling Giveaway

In honor of Arbor Day, a holiday dedicated to planting and caring for trees, we handed out saplings of Taiwan native plants to passengers in Taichung HSR Station. In collaboration with the Taiwan Forestry Research Institute, Council of Agriculture and Wutong Foundation, a total of 1,000 saplings of Machulus, Swamp Gelonium, S. Paucivenium, Alexandrian Laurel and other Taiwan native trees, kept or grown in moso bamboo stems or decomposable containers, were given away. In addition, experts were on site to answer questions and give advice on planting and maintaining the saplings. We decided to adopt the custom of sapling giveaway as a means of promoting awareness of environmental conservation, encouraging people to value trees and making Taiwan a greener place to live.

Carbon reduction is a vital part of THSRC's environmental initiatives. We continue to launch programs and initiatives to encourage people to travel with high-speed rail – the most energy-efficient, environmentally-friendly mode of transport. By choosing THSR, passengers not only enjoy the ease and speed of travel, but also make a personal contribution to minimize the impact on the environment. The seedlings in our Arbor Day event are a symbol of hope that the positive action we take will lead to a sustainable future.

Pheasant-Tailed Jacana Preservation

For more than 10 years, we have been devoted to the preservation of the pheasant-tailed jacana, a type of bird that is considered endangered in Taiwan. With over NT$50 million invested to date and in collaboration with the local government and business community, our artificial habitat recovery project has helped increase the pheasant-tailed jacana population in Tainan City to 711 in 2015 from nine in 2000. In 2007, we renamed the recovered habitat Jacana Park and opened the park to the public, with more than 150,000 visitors recorded to date. We also have created tour devices, galleries and interactive displays to present the results of our native species restoration efforts.

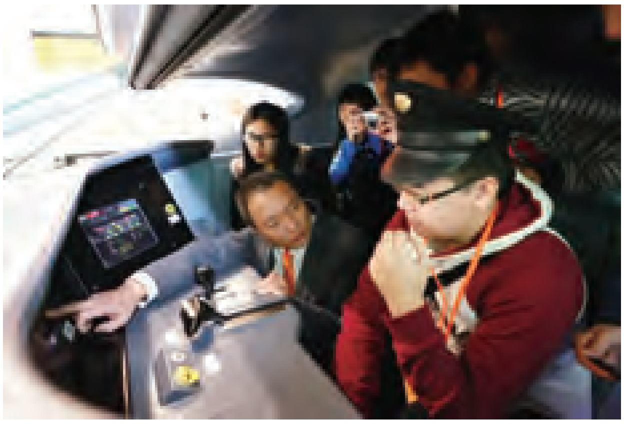
To educate students in matters concerning environmental protection, we have arranged for visits to Jacana Park by elementary and junior high school students, where they are able to learn about the beauty of Taiwan's natural habitats as well as THSRC's conservation efforts.

The Old Camphor Tree of Hsinchu and the Land God Temple

During the construction period, an old camphor tree in the city of Hsinchu and the Land God Temple both faced removal, as they were unfortunately located on the main route of the THSR right-of-way. Under a joint effort involving our management team and local celebrities, our construction team managed to preserve the old camphor tree in its original place through an adjustment in the construction design. Afterwards, together with the government, the Environment and Resources Protection Committee, and cultural and historical authorities, we drafted the Hsinchu Old Camphor Tree Medical Plan, which called for the repair of decayed branches as well as measures designed to maintain the long-term growth and health of the tree.

Phase	Time	Work Description
Preservation and incubation	1996~1999	Transplantation was the original concept of the government. Driven by our emphasis on protecting cultural relics, we ultimately decided to preserve the tree.
Design alteration	1999~2000	Engineering design was changed to accommodate the Land God Temple and the old tree, increasing engineering costs and subsequent maintenance expenses.
Emergency rescue	2001~2002	The old tree suffered from severe infestation and parts of its trunk were decayed. The service of Mr. Yang Gan-lin, a tree surgeon qualified in Japan, was engaged to restore life to the old tree.
Relocation and changing orientation	2003~2004	After the completion of THSR, the followers recommended changing the orientation of the Land God Temple to face the south for a broader field of vision. After several negotiations, the orientation of the Land God Temple was successfully changed and the expenses were covered by THSRC and our contractor.
Management and maintenance	2006~present	The branches of the old tree gradually grew closer to the THSR track. In order to maintain the tree's appearance and consider the healing of its wounds, the old camphor tree is regularly trimmed and the surrounding trees are also sprayed with pesticides for protection.

Exchange and Events



THSR Camp

Since THSRC started railway service, a series of THSR camps have been planned together with the Railway Cultural Society of Taiwan, the National Chiao Tung University Railway Research Society and the China Youth Corps. Between 2008 and 2015, 90 THSR camps were organized and attended by 2,700 students. Held in summer and winter breaks, the two-day camps are divided into a wide range of levels, including college/university, senior high school/vocational high school, junior high school, and elementary school.

Courses and activities are tailored for students that are similar in age and knowledge. For instance, the college-level camps teach about the work of daily rail operations. The camps for senior high school /vocational school focus on the unique history and culture of THSRC. The camps targeting younger students from junior high and elementary schools provide basic introduction to THSRC along with visits to the Jacana Park so that students can learn about the importance of biodiversity and species conservation. By giving students a glimpse behind the scenes of high-speed rail lines, we hope THSR camps will motivate students to explore the opportunities in transportation and act as ambassadors for THSRC.

Take Arts to HSR Stations

In 2015, we continued to invite high school and college students as well as amateur or professional performance groups to give performances at nine HSR stations south of Taoyuan County, as part of our efforts to bring arts to public spaces. Unveiling Taiwan's rich artistic heritage, the music and dance performances never fail to surprise and delight commuters. In 2015, 71 groups, or a total of 2,060 individuals, performed in HSR stations.

Visits and Tours

In order to give the public better understanding of THSR, we provide station tour guides who educate visitors about THSR's operations and services. In addition, professional organizations are permitted to visit the depots and Operational Management Center to gain hands-on knowledge about THSR. In 2015, we received 35 groups, or a total of 1,049 visitors.

During the year, we continued to exchange experience and ideas with fellow railway operators from Finland, Vietnam, Japan and other countries. An international delegation led by Baroness Kramer, Minister of State for Transport of United Kingdom, and accompanied by Ching-Chih Chen, Vice President of Engineering Division for the Bureau of High Speed Rail, MOTC, visited THSR's Operational Control Center and other facilities. The delegation was also briefed on a new intermodal hub planned between THSR and the Taoyuan International Airport MRT. After extensive exchanges and discussions, the delegation expressed their impression of THSR as the transportation choice in Taiwan.

2015 THSR Summer Internship Program

In order to develop partnerships between schools and THSRC, we started holding a summer internship program in 2015. Through two months of hands-on training, 50 students in tourism and related disciplines from 16 colleges and universities gained first-hand knowledge about the challenges faced by THSRC to deliver the highest level of safety standards and operational performance. We see the program as a starting point on their journey into a career in the transportation industry.

T Express App Wins Industry Award for Innovative Features

In 2015, we received the Service Sector Technology Innovation Award from the Institute for Information Industry for T Express app, our proprietary train ticketing app. Launched in 2011, T Express is the first app developed by a local transportation service provider that not only allows passengers to book and buy tickets on their smartphones, but also provides a QR code on the device's screen to be scanned at station barriers. To date, more than 2.6 million passengers have used this app to buy and use tickets right on their smartphones easily and conveniently.

Over the past few years, we have improved T Express to allow passengers to book tickets up to five minutes prior to departure of a scheduled train, add train schedules to their personal calendars and receive notifications and service updates. In 2014, T Express added the feature of paying multiple fares for a group of travelers and sending them the downloadable e-tickets on the smartphone.

Three New HSR Stations Open for Traffic

Three new HSR stations in Miaoli, Changhua and Yunlin began operations on December 1, 2015, with these new links further increasing accessibility for connecting cities along the western corridor of Taiwan. Each new station has its distinct character that reflects the environment and heritage of the local area. Miaoli HSR Station, for instance, incorporates the Hakka culture with the design of its steel structure representing the Hakka spirit of perseverance. The landscaping around Changhua HSR Station mimics views of rolling farmland because Changhua is a major agriculture production base in Taiwan. The design of Yunlin HSR Station utilizes the nature concept as the two Chinese characters that make up the name of Yunlin stand for cloud and forest.

The opening ceremonies of the three stations were connected via teleconferencing linking President Ma Ying-jeou's address with the video of the ceremonies. During a ceremonial moment, officials pushed a control handle to mark the official opening of the stations.

Financial Report

Aiming for Sustainable Growth and Reasonable Returns

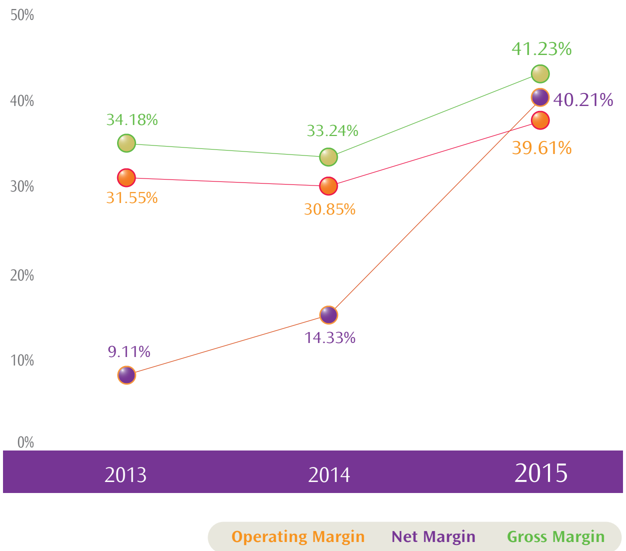
Financial Highlights

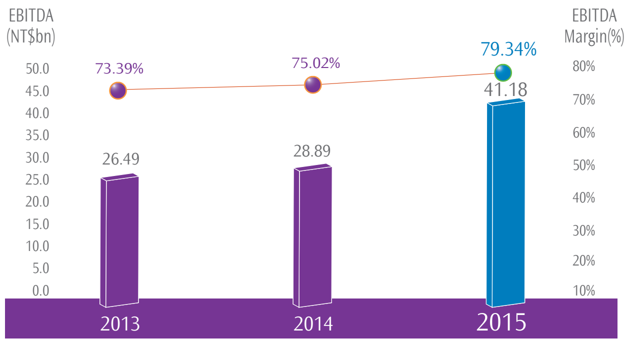
From 2007 to late 2015, THSR operated eight stations on the rail line along Taiwan's western corridor. In December 2015, three new stations were inaugurated to expand the passenger base. Our performance in 2015 was reassuringly strong as revenues reached a record high of NT$51.90 billion, including NT$12.10 billion of shortfall charge revenue from statutory concession ticket that had long been overdue. Gross profit, income from operations and EBITDA was at NT$21.40 billion, NT$20.56 billion and NT$41.18 billion, respectively. A summary of financial results from 2013 to 2015 is set out below:

In billions of NT dollars

	2013	2014	2015
Operating revenues	36.10	38.51	51.90
Gross profit	12.34	12.80	21.40
Income from operation	11.39	11.88	20.56
Income before tax	2.71	2.66	18.83
Net income	3.29	5. 52	20.87

Note: 2015 operating revenues included NT$12.10 billion of shortfall charge revenue from statutory concession ticket that had long been overdue.





Note: In October 2015, the method used to account for depreciation costs for certain properties was changed from the unit-of-throughput method to the straight-line method.

2015 was a year in which we made steady progress toward our goals. We look forward to the coming year, during which we will align our business with changes in the marketplace, capitalize on growth opportunities and reiterate our commitment to creating value for shareholders. In addition, we are renewing our vision of THSRC as a safe, reliable and environmentally responsible rail operator. THSRC will continue to be a key catalyst for growth, improving connectivity between cities and regions and boosting prosperity for the communities.

Financial Status

Amounts in thousands of NT dollars

Item \ Year	2015	2014	Difference	%
Current Assets	60,148,335	57,324,949	2,823,386	4.93
Property, Plant and Equipment	70,928	75,312	(4,384)	(5.82)
Operating Concession Assets	439,626,852	440,330,659	(703,807)	(0.16)
Other Assets	6,758,101	3,929,787	2,828,314	71.97
Total Assets	506,604,216	501,660,707	4,943,509	0.99
Current Liabilities	36,153,835	10,995,461	25,158,374	228.81
Non-current Liabilities	410,247,659	445,674,044	(35,426,385)	(7.95)
Total Liabilities	446,401,494	456,669,505	(10,268,011)	(2.25)
Capital Stock	56,052,930	105,322,243	(49,269,313)	(46.78)
Retained Earnings	4,149,237	(46,658,745)	50,807,982	108.89
Other Equity	555	(13,672,296)	13,672,851	100.00
Total Equity	60,202,722	44,991,202	15,211,520	33.81

Analysis of significant differences over 20%.

1.The increase in other assets was mainly due to the increase of deferred tax assets and other financial assets.

2.The increase in current liabilities was mainly due to the increase in current portion of long-term debt and payable of preferred stock compensation recognized regarding the execution of the Financial Resolution Plan.

3.The decrease in capital stock was mainly due to the redemption of all preferred stock, capital reduction to cover accumulated losses and the capital injection regarding the execution of the Financial Resolution Plan.

4.The increase in retained earnings was mainly due to the accumulated losses covered by capital reduction and net income increase regarding the benefits from the execution of the Financial Resolution Plan.

5.The increase in other equity was mainly due to the prepaid preferred stock dividends reclassified into accumulated losses after redeeming all preferred stocks, and the provision for litigations regarding preferred stock was reduced to zero due to these litigations having been resolved by the compensation agreements.

Operating Results

Amounts in thousands of NT dollars

Item / Year	2015	2014	Difference	%
Operating Revenues	51,901,392	38,508,784	13,392,608	34.78
Operating Costs	30,499,460	25,697,979	4,801,481	18.68
Gross Profit	21,401,932	12,810,805	8,591,127	67.06
Operating Expenses	845,436	920,704	(75,268)	(8.18)
Income from Operations	20,556,496	11,890,101	8,666,395	72.89
Non-operating Income and Expenses	(1,722,661)	(9,217,314)	(7,494,653)	(81.31)
Income before Income Tax	18,833,835	2,672,787	16,161,048	604.65
Income Tax Benefit	2,038,795	2,861,621	(822,826)	(28.75)
Net Income	20,872,630	5,534,408	15,338,222	277.14
Other Comprehensive Income	(49,309)	(9,687)	39,622	409.02
Total Comprehensive Income for the Year	20,823,321	5,524,721	15,298,600	276.91

Analysis of significant differences over 20%.

1.The increase in operating revenues was mainly due to the recognition of shortfall charge revenue from statutory concession tickets regarding the Financial Resolution Plan.

2.The increase in operating costs was mainly due to the increase of amortization in the three quarters, provision for controversial overtime, and the loss on inventories valuation and obsolescence.

3.The decrease in non-operating income and expenses was mainly due to the gain on value of returned superficies for offset of profit sharing payable and the recognition of the preferred stock compensation expense regarding the Financial Resolution Plan.

4.The decrease in income tax benefit was mainly due to the increase of income before income tax and the decrease of deferred tax benefit.

5.The increase in other comprehensive income was mainly due to the remeasurement of defined benefit plan.

6.The increase in gross profit, income from operations, income before income tax, net income and total comprehensive income for the year were mainly due to the benefits from executing Financial Resolution Plan designating to cover accumulated losses and improve financial condition.

Capital

In thousands of shares

Type of stock	Authorized share capital			Remarks
	Issued shares	Unissued shares	Total	
Common stock	2,605,293	6,394,707	12,000,000	Public offering
	3,000,000			Private placement

1.Listing on the GreTai Securities Market on September 5, 2003

2.Unissued Shares can be issued as both common and preferred shares.

Composition of Shareholders

Common Stock

In thousands of shares (as of April 26, 2016)

Type of shareholders	Government agencies	Government-owned institutions	Financial institutions	Other corporate investors	Individuals	Foreign institutions and individuals	Total
Number of shareholders	2	1	17	129	67,730	32	67,911
Shareholding	2,540,000	200,000	506,349	1,469,812	790,832	98,300	5,605,293
Percentage (%)	45.31	3.57	9.03	26.22	14.11	1.76	100.00

Note: According to Article 47 of the Audit Act, the following public enterprises and institutions should be audited by an auditing agency:

1.Sole government ownership;

2.Joint government and private ownership with the government holding over 50 percent of the stock;

3.Reinvestment by the enterprises described in 1 and 2, which accounts for over 50 percent of the total capital of the reinvested enterprise.

Taiwan High Speed Rail Corporation

Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

The Board of Directors and Shareholders
Taiwan High Speed Rail Corporation

We have audited the accompanying balance sheets of Taiwan High Speed Rail Corporation as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Rule No. 10000322083 issued by the Financial Supervisory Commission (FSC) and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC of the Republic of China.

The specific details and status of execution of the Financial Resolution Plan which is being implemented by the Corporation are provided in Note 31 c. and d.

Deloitte & Touche

March 29, 2016

<u>Notice to Readers</u>

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

For the convenience of readers, 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

TAIWAN HIGH SPEED RAIL CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars, Except Par Value)

	December 31, 2015		December 31, 2014 (After Retrospective Adjustments)		January 1, 2014 (After Retrospective Adjustments)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 2,146,396	-	$ 1,332,151	-	$ 1,617,949	-
Available-for-sale financial assets (Note 7)	602,555	-	694,360	-	665,025	-
Hedging derivative assets (Note 8)	-	-	551	-	-	-
Notes and accounts receivable	210,188	-	227,233	-	358,804	-
Inventories (Note 9)	2,154,760	1	2,800,664	1	2,885,714	1
Other financial assets (Notes 10 and 27)	54,473,519	11	51,699,002	10	36,773,048	8
Prepayments and other current assets (Note 13)	560,917	-	570,988	-	567,290	-
Total current assets	60,148,335	12	57,324,949	11	42,867,830	9
NON-CURRENT ASSETS						
Property, plant and equipment (Note 11)	70,928	-	75,312	-	91,482	-
Operating concession asset (Note 12)	439,626,852	87	440,330,659	88	452,863,612	90
Computer software, net (Note 12)	41,238	-	58,443	-	60,361	-
Deferred tax assets (Note 22)	4,641,768	1	2,604,272	1	3,410,223	1
Other financial assets (Notes 10 and 27)	2,070,863	-	1,262,377	-	1,235,768	-
Other non-current assets (Notes 13 and 18)	4,232	-	4,695	-	9,557	-
Total non-current assets	446,455,881	88	444,335,758	89	457,671,003	91
TOTAL	$ 506,604,216	100	$ 501,660,707	100	$ 500,538,833	100

	December 31, 2015		December 31, 2014 (After Retrospective Adjustments)		January 1, 2014 (After Retrospective Adjustments)	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES						
Short-term borrowings (Note 14)	$ 43,460	-	$ 128,145	-	$ 575,084	-
Hedging derivative liabilities	-	-	-	-	706	-
Accounts payable	442,218	-	279,262	-	334,230	-
Operating concession liability (Note 15)	1,883,383	-	265,849	-	271,143	-
Other payables (Notes 14 and 17)	15,294,592	3	2,209,674	-	2,323,393	-
Payable for construction	1,466,212	-	1,254,880	-	1,422,212	-
Provisions (Notes 16 and 26)	2,746,756	1	3,695,228	1	17,178	-
Current portion of long-term debt (Note 14)	13,508,778	3	2,564,279	1	2,563,982	1
Other current liabilities (Note 17)	768,436	-	598,144	-	564,802	-
Total current liabilities	36,153,835	7	10,995,461	2	8,072,730	1
NON-CURRENT LIABILITIES						
Bonds payable	-	-	-	-	2,759,855	1
Long-term debt (Note 14)	345,647,453	68	359,139,057	72	358,924,650	72
Deferred tax liabilities (Note 22)	5,733	-	17,220	-	3,687,185	1
Long-term interest payable (Note 14)	8,472,455	2	7,499,357	1	6,295,832	1
Operating concession liabilities (Note 15)	55,994,730	11	78,970,118	16	77,669,057	15
Other non-current liabilities (Notes 17 and 18)	127,288	-	48,292	-	68,577	-
Total non-current liabilities	410,247,659	81	445,674,044	89	449,405,156	90
Total liabilities	446,401,494	88	456,669,505	91	457,477,886	91
EQUITY (Note 19)						
Capital stock - $10 par value, authorized 12,000,000 thousand shares						
Common stock - issued 5,605,293 thousand shares in 2015 and issued 6,513,233 thousand shares in 2014	56,052,930	11	65,132,326	13	65,132,326	13
Preferred stock - issued 4,018,992 thousand shares in 2014	-	-	40,189,917	8	40,189,917	8
Total capital stock	56,052,930	11	105,322,243	21	105,322,243	21
Retained earnings (accumulated losses)						
Legal reserve	40,285	-	40,285	-	40,285	-
Unappropriated earnings (deficit)	4,108,952	1	(46,699,030)	(9)	(52,223,716)	(10)
Total retained earnings (accumulated losses)	4,149,237	1	(46,658,745)	(9)	(52,183,431)	(10)
Unrealized gain on financial instruments	555	-	1,560	-	1,525	-
Prepaid preferred stock dividends	-	-	(10,064,499)	(2)	(10,064,499)	(2)
Other equity	-	-	(3,609,357)	(1)	(14,891)	-
Total equity	60,202,722	12	44,991,202	9	43,060,947	9
TOTAL	$ 506,604,216	100	$ 501,660,707	100	$ 500,538,833	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 29, 2016)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2015		2014 (After Retrospective Adjustments)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 20 and 26)	$ 51,901,392	100	$ 38,508,784	100
OPERATING COSTS (Notes 21 and 26)	(30,499,460)	(59)	(25,697,979)	(67)
GROSS PROFIT	21,401,932	41	12,810,805	33
OPERATING EXPENSES (Note 21)	(845,436)	(1)	(920,704)	(2)
INCOME FROM OPERATIONS	20,556,496	40	11,890,101	31
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	234,488	-	252,085	1
Interest expense (Notes 14, 21 and 26)	(9,256,852)	(18)	(9,556,030)	(25)
Other gains and losses (Notes 21 and 26)	7,299,703	14	86,631	-
Total non-operating income and expenses	(1,722,661)	(4)	(9,217,314)	(24)
INCOME BEFORE INCOME TAX	18,833,835	36	2,672,787	7
INCOME TAX BENEFIT (Note 22)	2,038,795	4	2,861,621	7
NET INCOME	20,872,630	40	5,534,408	14

	For the Year Ended December 31			
	2015		2014 (After Retrospective Adjustments)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(58,198)	-	(11,713)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	9,894	-	1,991	-
	(48,304)	-	(9,722)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	(1,005)	-	35	-
Other comprehensive income (loss) for the year, net of income tax	(49,309)	-	(9,687)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 20,823,321	40	$ 5,524,721	14
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	$ 7.19		$ 1.39	
Diluted earnings per share	$ 6.31		$ 0.84	

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 29, 2016)

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings (Accumulated Losses)		
	Common Stock	Preferred Stock	Legal Reserve	Unappropriated Earnings (Deficit)	Total
BALANCE AT JANUARY 1, 2015	$ 65,132,326	$ 40,189,917	$ 40,285	$ (46,641,200)	$ (46,600,915)
Retrospective adjustments due to 2013 IFRS (Note 3 a.)	-	-	-	(57,830)	(57,830)
BALANCE AT JANUARY 1, 2015 AFTER RETROSPECTIVE ADJUSTMENTS	65,132,326	40,189,917	40,285	(46,699,030)	(46,658,745)
Net income for the year ended December 31, 2015	-	-	-	20,872,630	20,872,630
Other comprehensive income for the year ended December 31, 2015	-	-	-	(48,304)	(48,304)
Total comprehensive income for the year ended December 31, 2015	-	-	-	20,824,326	20,824,326
Issuance of common stock	30,000,000	-	-	-	-
Capital reduction to cover accumulated losses	(39,079,396)	-	-	39,079,396	39,079,396
Preferred stock redeemed and deficit adjustments	-	(40,189,917)	-	(9,095,740)	(9,095,740)
The adjustments of lawsuits in regard to preferred stock	-	-	-	-	-
BALANCE AT DECEMBER 31, 2015	$ 56,052,930	$ -	$ 40,285	$ 4,108,952	$ 4,149,237
BALANCE AT JANUARY 1, 2014	$ 65,132,326	$ 40,189,917	$ 40,285	$ (52,155,933)	$ (52,115,648)
Retrospective adjustments due to 2013 IFRS (Note 3 a.)	-	-	-	(67,783)	(67,783)
BALANCE AT JANUARY 1, 2014 AFTER RETROSPECTIVE ADJUSTMENTS	65,132,326	40,189,917	40,285	(52,223,716)	(52,183,431)
Net income for the year ended December 31, 2014	-	-	-	5,534,408	5,534,408
Other comprehensive income for the year ended December 31, 2014	-	-	-	(9,722)	(9,722)
Total comprehensive income for the year ended December 31, 2014	-	-	-	5,524,686	5,524,686
The adjustments of lawsuits in regard to preferred stock	-	-	-	-	-
BALANCE AT DECEMBER 31, 2014	$ 65,132,326	$ 40,189,917	$ 40,285	$ (46,699,030)	$ (46,658,745)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 29, 2016)

Unrealized Gain (Loss) on Available-for-sale Financial Assets	Prepaid Preferred Stock Dividends	Other Equity	Total Equity
$ 1,560	$ (10,064,499)	$ (3,609,357)	$ 45,049,032
-	-	-	(57,830)
1,560	(10,064,499)	(3,609,357)	44,991,202
-	-	-	20,872,630
(1,005)	-	-	(49,309)
(1,005)	-	-	20,823,321
-	-	-	30,000,000
-	-	-	-
-	10,064,499	-	(39,221,158)
-	-	3,609,357	3,609,357
$ 555	$ -	$ -	$ 60,202,722
$ 1,525	$ (10,064,499)	$ (14,891)	$ 43,128,730
-	-	-	(67,783)
1,525	(10,064,499)	(14,891)	43,060,947
-	-	-	5,534,408
35	-	-	(9,687)
35	-	-	5,524,721
-	-	(3,594,466)	(3,594,466)
$ 1,560	$ (10,064,499)	$ (3,609,357)	$ 44,991,202

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2015	2014 (After Retrospective Adjustments)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 18,833,835	$ 2,672,787
Adjustments for:		
Depreciation	32,506	30,981
Amortization	20,590,168	16,982,121
Loss on inventories valuation and obsolescence	531,204	1,100
Interest expense	9,256,852	9,556,030
Interest income	(234,488)	(252,085)
Loss (gain) on foreign currency exchange, net	26,814	(21,917)
Shortfall charge revenue from statutory concession tickets	(12,096,971)	-
Gain on value of returned superficies for offset of profit sharing payable	(22,613,234)	-
Preferred stock compensation expenditure	15,161,065	-
Others	575,640	39,259
Changes in operating assets and liabilities		
Derivative financial assets for hedging	551	(1,257)
Notes and accounts receivable	17,045	131,571
Inventories	114,700	86,985
Prepayments and other current assets	21,063	29,163
Other non-current assets	(58,680)	(7,730)
Accounts payable	155,027	(50,461)
Other payable	(546,708)	(147,592)
Other current liabilities	222,261	37,605
Cash generated from operations	29,988,650	29,086,560
Interest received	248,429	243,177
Interest paid	(6,992,540)	(6,834,268)
Operating concession liabilities' interest paid	(265,849)	(270,951)
Income tax paid	(25,138)	(24,326)
Net cash generated from operating activities	22,953,552	22,200,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(852,300)	(861,900)
Proceeds from disposal of available-for-sale financial assets	946,049	836,449
Increase in other financial assets	(3,583,003)	(14,952,650)
Acquisition of property, plant and equipment	(23,170)	(14,549)
Acquisition of intangible assets	-	(5,185)
Increase in intangible assets	(6,787,085)	(4,510,404)
Proceeds from disposal of intangible assets	311	22
Net cash used in investing activities	(10,299,198)	(19,508,217)

	For the Year Ended December 31	
	2015	2014 (After Retrospective Adjustments)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term debt	$ (90,884)	$ (468,329)
Redemption of bonds	-	(2,760,000)
Proceeds from long-term debt	-	2,760,000
Repayment of long-term debt	(2,565,141)	(2,565,141)
Increase in other non-current liabilities	27,027	40,665
Issuance of common stock for cash	30,000,000	-
Preferred stock redeemed	(39,221,158)	-
Net cash used in financing activities	(11,850,156)	(2,992,805)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	10,047	15,032
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	814,245	(285,798)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,332,151	1,617,949
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,146,396	$ 1,332,151

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 29, 2016)

1. GENERAL

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

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

The Corporation's stock has been registered as an emerging market stock in the GreTai Securities Market since September 5, 2003.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on March 29, 2016.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC.

Under Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the Corporation applied the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers from January 1, 2015.

Except for the following, the initial application of the above 2013 IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers did not have any material impact on the Corporation's accounting policies:

1) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (a) will not be reclassified subsequently to profit or loss; and (b) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis.

The Corporation retrospectively adopted the revised standard in 2015. Items that will not be reclassified subsequently to profit or loss are remeasurement of defined benefit plans. Items that may be reclassified subsequently to profit or loss are unrealized gain (loss) on available-for-sale financial assets. Application of the revisions above does not affect the Corporation's net income, other comprehensive income and total comprehensive income as of the year ended December 31, 2015.

2) Amendments to IAS 19 "Employee Benefits"

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 also eliminate the options to recognize actuarial gains or losses under "corridor approach", or recognize actuarial gains or losses immediately to profit or loss. Furthermore, revised IAS 19 requires the actuarial gains and losses to be recognized immediately through other comprehensive income and past service costs to be recognized immediately as an expense when they occur. Past service costs will no longer be recognized as an expense on a straight-line basis over the average period until the benefits become vested.

Under revised IAS 19, the entity is required to recognize related termination benefits liabilities and expenses when the condition of termination benefits is no longer cancelable or an entity recognizes any termination benefits, or related restructuring costs, whichever is earlier, not at the time when the resignation is decided.

In addition, the revised IAS 19 includes more extensive disclosures. The Corporation adopted the revised IAS 19 in 2015. Upon initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2014 resulting from the retrospective application were adjusted to net defined benefit assets and retained earnings. As of January 1, 2014, both the net defined benefit assets and retained earnings decreased by $67,783 thousand. As of December 31, 2014, deferred tax liabilities decreased by $889 thousand, net defined benefit assets and retained earnings decreased by $58,719 thousand and $57,830 thousand, respectively. For the years ended December 31, 2015 and 2014, operating costs and operating expenses decreased by $13,037 thousand and $14,293 thousand, respectively.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Corporation should apply IFRS 15 starting January 1, 2018.

As of December 31, 2015, the Corporation has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Not announced
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

The impact on the Corporation’s financial position and financial performance that would result from the initial adoption of the above standards or interpretations, whenever adopted, will be disclosed when the Corporation completes the evaluation, in addition to the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

   In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period.

2) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

   The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity. Except for the limited circumstances under intangible asset, the amended IAS 16 requires that a depreciation method or an amortization method which is based on revenue that is generated by an activity that includes the use of the asset is not appropriate.

   The amortization expense of operating concession asset of the Corporation calculated by units of throughput method based on ridership which is based on revenue that is generated by an activity.

   The Corporation will not be allowed to use units of throughput method based on ridership to amortize its operating concession asset after the amended IAS 16 is endorsed by FSC.

   In order to use an amortization method which may be more systematical and reliable to reflect the expectation on consumable pattern of its future economic benefits regarding its assets, the Corporation changed its amortization method from units of throughput method based on ridership to straight-line basis method to amortize its operating concession asset since October 2015, when the Fourth Amendment of C&O Agreement was effective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Rule No. 10000322083 issued by the FSC and IFRSs as endorsed by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

d. Foreign currencies

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

e. Cash equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f. Available-for-sale financial assets

Upon initial recognition, open-end money market funds are measured at fair value, with transaction costs expensed as incurred. The changes in fair value from subsequent remeasurement are reported as other comprehensive income. The corresponding accumulated gains or losses are recognized in profit or loss when the financial asset is derecognized from the balance sheet. An impairment loss is recognized when there is objective evidence that the financial asset is impaired.

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

g. Impairment of accounts receivable

Receivables are mainly generated by customers purchasing tickets and merchandise through credit cards. Allowance for doubtful accounts is provided based on an evaluation of the collectibility of individual account balances. Receivables are assessed for impairment and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

h. 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.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized 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 - 4 to 5 years; transportation equipment - 4 years; office equipment - 5 to 10 years; leasehold improvements - 2 to 5 years; other equipment - 4 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.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes.

Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

k. Intangible assets

1) Operating concession asset

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

The Fourth Amendment of the C&O Agreement was effective from October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years until 2068. Shortfall charge receivable from statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession asset- period extension cost.

The cost less residual value of the operating concession asset is amortized on a straight-line basis over the estimated service lives which range as follows: land improvements - 15 to 61.5 years; buildings - 50 to 61.5 years; machinery and equipment - 3 to 35 years; transportation equipment - 3 to 35 years; other equipment - 5 years; profit sharing payments - 61.5 years; period extension cost (shortfall charge from statutory concession tickets) - 61.5 years.

Operating concession asset is 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.

2) Computer software

Computer software is amortized on a straight-line basis over 5 years.

l. Operating concession liability

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

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 operating concession liability (value of returned superficies for offset of profit sharing payable).

m. Impairment of assets

The Corporation estimates the recoverable amount of an asset (including intangible assets - operating concession asset) at the balance sheet date if there was an indication that it might be impaired.

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

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

n. Hedging derivatives

Hedging derivatives are measured at fair value. Changes in fair value of hedging derivatives are recognized in profit or loss.

o. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p. Revenue recognition

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

Sales of goods that grant award credits to customers under the Corporation's award scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the award, which is the amount the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Corporation's obligations have been fulfilled.

The Fourth Amendment of the C&O Agreement, effective from October 30, 2015, extended the concession period granted to construct and operate the HSR from 35 years to 70 years until 2068. Services rendered related to statutory concession tickets as of October 29, 2015 were recognized as shortfall charge revenue from statutory concession tickets. Shortfall charge from statutory concession tickets generated after October 30, 2015 shall be taken into consideration by the Corporation in evaluating and deciding rates and fare adjustment, and shall be an adjustment factor of future revenue.

According to the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement, the value of returned superficies is allowed to offset profit sharing payable each year within the concession period. After both agreements became effective on October 30, 2015, the Corporation recognized a gain on value of returned superficies for offset of profit sharing payable and uses the effective interest method to calculate interest income (a deduction of interest expense) in the remaining concession period.

q. Borrowing costs

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

r. Retirement benefit costs

Payments of contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

Pursuant to the Income Tax Law, an additional tax at 10% 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.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 profits 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 profits 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 profit will allow the deferred tax asset to be recovered.

t. Preferred stock

The preferred stock issued before January 1, 2006, regarded as equity in the legal form but as liabilities in the economic substance, pursuant to Rule No. 10000322083 issued by the FSC on July 7, 2011, the Corporation may be exempt from reclassifying the aforementioned preferred stock into financial liability.

After all preferred stocks were redeemed on August 7, 2015, the exemption from reclassifying to liability as mentioned above was no longer applicable. As the proposal to settle the accumulated unpaid preferred stock dividends was resolved in the special shareholders' meeting on September 10, 2015, and the Fourth Amendment of the C&O Agreement became effective on October 30, 2015, the Corporation recognized a provision for preferred stock compensation and preferred stock compensation expenditure on October 30, 2015.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies which are described in Note 4, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a. Lawsuits in regard to preferred stock

The Corporation processed its preferred stock based on the Corporation Act, the regulations released by the FSC and the Corporation's Articles of Incorporation. However, some preferred stock shareholders of the Corporation requested the Court to intervene and require the Corporation to pay interest on delayed payment of preferred stock and preferred stock dividends. The related requests for court action that arose from the different interpretations of the legal compliance were still in court for mediation or under trial. However, the Corporation had already redeemed all preferred stocks on August 7, 2015. According to the Financial Resolution Plan, the Corporation compensated all preferred stock shareholders and settled all related rights and obligations.

As of December 31, 2015, the Corporation had entered into an agreement with preferred stock shareholders with regard to a return of preferred stock compensation in amount of $13,012,413 thousand and recognized a related provision in amount of $2,148,652 thousand. Please refer to Note 16 for further information.

b. Controversial overtime

As of December 31, 2015, the Corporation recognized a provision for controversial overtime in the amount of $596,542 thousand. The estimated provision could differ from the actual amount payable which is subject to the result of the administrative judgement or the agreement to be signed with the employees. Please refer to Note 16 for further information.

c. Amortization of intangible assets - operating concession asset

Prior to October 2015, the Corporation's impairment of intangible assets - operating concession asset is amortized under the units of throughput method based on ridership; the amortization rate is calculated by the proportion of the higher of estimated number of passengers or actual number of passengers to the total estimated number of passengers of the remaining concession period. When there is a significant gap between the estimated number of passengers and the actual number of passengers, the amortization rate is updated based on a revised transport volume research issued by external experts and used over the remaining concession period.

There was a significant gap between estimated number of passengers and actual number of passengers starting from 2014. The Corporation engaged an external expert to do research on ridership again and issued an updated transport volume report in March 2015. The transport volume report researched and analyzed social, ecological and transportation inputs gathered which were deemed relevant, suitable and reasonable. Starting from January 1, 2015, the Corporation adjusted the amortization of operating concession asset, based on the estimated number of passengers as provided in the updated transport volume report, through the remaining concession period. The updated estimated number of passengers resulted in an increase of $2,353,445 thousand in amortization expense for the period from January 1, 2015 to September 30, 2015.

According to the transport volume report prepared by external experts, the estimated number of passengers for 2015 and 2014 was 49 million and 57 million, respectively. The actual number of passengers in 2015 and 2014 was 51 million and 48 million, respectively.

In order to use an amortization method which may be more systematic and reliable to reflect the expectation on the consumption pattern of the future economic benefits of its assets, and make the amortization period for its assets conform to the economic substance and expected future economic benefits, the Corporation changed its amortization method for its operating concession asset from units of throughput method based on ridership to straight-line method since October 2015, when the Fourth Amendment of the C&O Agreement became effective. Furthermore, after considering the concession period extension to 70 years, internal and external economic environment issues and the plan of assets retirement and other factors, the Corporation adjusted the amortization period of a portion of the operating concession asset. The changes in the amortization period and amortization method resulted in a decrease of $1,982,980 thousand in amortization expense for the period from October 1, 2015 to December 31, 2015.

d. Impairment of intangible assets - operating concession asset

The impairment of intangible assets - operating concession asset was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to significant impairment losses.

e. Income taxes

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

As of December 31, 2015 and 2014, the carrying amounts of deferred tax assets in relation to deductible temporary differences, unused tax losses and investment credits were $4,641,768 thousand and $2,604,272 thousand, respectively. As of December 31, 2015 and 2014, no deferred tax asset has been recognized on tax losses of $10,110 thousand and $5,352,509 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	$ 64,931	$ 60,153
Checking accounts	13	402
Demand deposits	715,806	62,808
Time deposits	1,365,646	1,208,788
	$ 2,146,396	$ 1,332,151

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2015	2014
Demand deposits	0.001%-0.13%	0.01%-0.17%
Time deposits	0.45%-0.86%	0.70%-1.40%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Open-end money market funds	$ 602,555	$ 694,360

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	2014
Hedging derivative assets		
Fair value hedges-forward exchange contracts	$ -	$ 551

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

	Currency	Maturity Date	Contract Amount (In Thousands)	
December 31, 2014				
Buy	US$/JPY	January 2015	JPY	321,120
	NT$/US$	January 2015	US$	2,671

9. INVENTORIES

	December 31			
	2015		2014	
Spare parts and supplies	$	2,147,153	$	2,794,900
Merchandise		7,607		5,764
	$	2,154,760	$	2,800,664

As of December 31, 2015 and 2014, allowance for inventories valuation and obsolescence loss amounted to $532,378 thousand and $1,174 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	December 31			
	2015		2014	
Repurchase agreement collateralized by government bonds	$	45,973,200	$	51,205,100
Time deposits		7,728,362		1,327,004
Guarantee for the C&O Agreement		2,000,000		-
Guarantee for issuance of letter of credits		516,360		-
Demand deposits		316,800		420,985
Guarantee for customs duties and others		9,660		8,290
	$	56,544,382	$	52,961,379
Current	$	54,473,519	$	51,699,002
Non-current		2,070,863		1,262,377
	$	56,544,382	$	52,961,379

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

	December 31	
	2015	2014
Repurchase agreement collateralized by government bonds	0.29%-0.48%	0.43%-0.60%
Time deposits	0.22%-1.365%	0.20%-1.37%
Demand deposits	0.001%-0.13%	0.01%-0.17%

b. Please refer to Note 27 for the information of other financial assets pledged as collateral.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31 2015	December 31 2014
Land	$ 28	$ 28
Machinery and equipment	39,743	42,288
Transportation equipment	-	-
Office equipment	5,918	8,711
Leasehold improvements	2,113	134
Other equipment	23,126	24,151
	$ 70,928	$ 75,312

	Land	Machinery and Equipment	Transportation Equipmen	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Balance at January 1, 2015	$ 28	$ 260,085	$ 523	$ 115,678	$ 76,616	$ 226,341	$ 679,271
Additions	-	12,573	-	1,662	2,708	6,227	23,170
Disposals	-	(10,681)	(179)	(1,409)	-	(20,573)	(32,842)
Transfer	-	(1,853)	-	-	-	2,327	474
Balance at December 31, 2015	28	260,124	344	115,931	79,324	214,322	670,073
Accumulated depreciation							
Balance at January 1, 2015	-	217,797	523	106,967	76,482	202,190	603,959
Depreciation	-	18,629	-	4,455	729	9,277	33,090
Disposals	-	(10,681)	(179)	(1,409)	-	(20,573)	(32,842)
Transfer	-	(5,364)	-	-	-	302	(5,062)
Balance at December 31, 2015	-	220,381	344	110,013	77,211	191,196	599,145
	$ 28	$ 39,743	$ -	$ 5,918	$ 2,113	$ 23,126	$ 70,928
Cost							
Balance at January 1, 2014	$ 28	$ 257,607	$ 523	$ 115,889	$ 76,465	$ 281,461	$ 731,973
Additions	-	12,927	-	1,154	151	317	14,549
Disposals	-	(10,449)	-	(1,365)	-	(56,259)	(68,073)
Transfer	-	-	-	-	-	822	822
Balance at December 31, 2014	28	260,085	523	115,678	76,616	226,341	679,271
Accumulated depreciation							
Balance at January 1, 2014	-	210,839	523	104,461	76,072	248,596	640,491
Depreciation	-	17,407	-	3,871	410	9,853	31,541
Disposals	-	(10,449)	-	(1,365)	-	(56,259)	(68,073)
Transfer	-	-	-	-	-	-	-
Balance at December 31, 2014	-	217,797	523	106,967	76,482	202,190	603,959
	$ 28	$ 42,288	$ -	$ 8,711	$ 134	$ 24,151	$ 75,312

12. INTANGIBLE ASSETS

	December 31 2015		December 31 2014	
Operating concession asset	$	439,626,852	$	440,330,659
Computer software, net		41,238		58,443
	$	439,668,090	$	440,389,102

a. Movements of the intangible assets

	Operating Concession Asset: Operating Assets	Operating Concession Asset: Profit Sharing Payments	Operating Concession Asset: Period Extension Cost	Operating Concession Asset: Construction In Process	Operating Concession Asset: Total	Computer Software, Net	Total
Cost							
Balance at January 1, 2015	$ 456,302,181	$ 69,972,043	$ -	$ 7,078,716	$ 533,352,940	$ 367,434	$ 533,720,374
Additions	178,516	-	12,701,819	7,005,894	19,886,229	1,855	19,888,084
Disposals	(165,833)	-	-	-	(165,833)	(4,666)	(170,499)
Transfer	8,128,009	-	-	(8,125,652)	2,357	-	2,357
Balance at December 31, 2015	464,442,873	69,972,043	12,701,819	5,958,958	553,075,693	364,623	553,440,316
Accumulated amortization							
Balance at January 1, 2015	82,833,591	10,188,690	-	-	93,022,281	308,991	93,331,272
Amortization	18,351,453	2,158,950	60,200	-	20,570,603	19,060	20,589,663
Disposals	(149,104)	-	-	-	(149,104)	(4,666)	(153,770)
Transfer	5,061	-	-	-	5,061	-	5,061
Balance at December 31, 2015	101,041,001	12,347,640	60,200	-	113,448,841	323,385	113,772,226
	$ 363,401,872	$ 57,624,403	$ 12,641,619	$ 5,958,958	$ 439,626,852	$ 41,238	$ 439,668,090
Cost							
Balance at January 1, 2014	$ 454,491,052	$ 69,972,043	$ -	$ 4,488,957	$ 528,952,052	$ 359,709	$ 529,311,761
Additions	79,595	-	-	4,367,361	4,446,956	14,508	4,461,464
Disposals	(31,038)	-	-	-	(31,038)	(7,878)	(38,916)
Transfer	1,762,572	-	-	(1,777,602)	(15,030)	1,095	(13,935)
Balance at December 31, 2014	456,302,181	69,972,043	-	7,078,716	533,352,940	367,434	533,720,374
Accumulated amortization							
Balance at January 1, 2014	67,767,306	8,321,134	-	-	76,088,440	299,348	76,387,788
Amortization	15,096,589	1,867,556	-	-	16,964,145	17,521	16,981,666
Disposals	(20,186)	-	-	-	(20,186)	(7,878)	(28,064)
Transfer	(10,118)	-	-	-	(10,118)	-	(10,118)
Balance at December 31, 2014	82,833,591	10,188,690	-	-	93,022,281	308,991	93,331,272
	$ 373,468,590	$ 59,783,353	$ -	$ 7,078,716	$ 440,330,659	$ 58,443	$ 440,389,102

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

	December 31	
	2015	2014
Operating assets, net		
Land improvements	$ 178,813,061	$ 185,541,667
Buildings	29,533,526	26,322,213
Machinery and equipment	36,305,938	38,680,429
Transportation equipment	118,738,459	122,921,325
Other equipment	10,888	2,956
	$ 363,401,872	$ 373,468,590
Construction in process		
Construction related to core system	$ 4,321,436	$ 1,687,606
Construction related to Nangang station	716,298	695,550
Other construction	61,588	85,190
Construction related to auto-payment system	46,851	138,600
Construction related to Yunlin station	-	1,110,862
Construction related to Changhua station	-	986,463
Construction related to Miaoli station	-	948,796
700T rolling stock	-	403,152
Capitalized cost	487,205	681,199
Capitalized interest	210,251	185,383
Prepayments for equipment	115,329	155,915
	$ 5,958,958	$ 7,078,716

c. The estimated operating concession asset amortized by the straight-line method during the remaining operation concession period is summarized as follows:

Year	Amortization Expense of Operating Assets	Amortization Expense of Profit Sharing Payments	Amortization Expense of Period Extension Cost	Total
2016 (Estimate)	$ 14,135,532	$ 1,097,608	$ 240,793	$ 15,473,933
2017 (Estimate)	11,771,312	1,097,608	240,793	13,109,713
2018 (Estimate)	11,720,057	1,097,608	240,793	13,058,458
2019 (Estimate)	10,550,326	1,097,608	240,793	11,888,727
2020 (Estimate)	10,525,314	1,097,608	240,793	11,863,715
2021-2068 (Estimate)	304,699,331	52,136,363	11,437,654	368,273,348
	$ 363,401,872	$ 57,624,403	$ 12,641,619	$ 433,667,894

13. OTHER ASSETS

	December 31	
	2015	2014
Prepayments and other current assets		
Prepayments	$ 421,346	$ 463,456
Other receivable	119,142	85,950
Others	20,429	21,582
	$ 560,917	$ 570,988
Other non-current assets		
Defined benefit assets	$ -	$ 1,812
Others	4,232	2,883
	$ 4,232	$ 4,695

14. BORROWINGS

a. Short-term debt

	December 31	
	2015	2014
JPY letters of credit	$ 43,460	$ 128,145

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

	December 31	
	2015	2014
JPY letters of credit	0.86%	0.75%-1.01%

b. Long-term debt

	December 31	
	2015	2014
Syndicated loan		
Tranche A1 Facility	$ 130,000,000	$ 130,000,000
Tranche A2 Facility	176,205,117	176,205,117
Tranche C Facility	49,259,381	49,259,381
Tranche D Facility	3,847,711	6,412,852
	359,312,209	361,877,350
Less: Unamortized cost of long-term debt	(155,978)	(174,014)
	359,156,231	361,703,336
Less: Current portion (including unamortized cost of long-term debt)	(13,508,778)	(2,564,279)
	$ 345,647,453	$ 359,139,057

In order to improve financial condition, the Corporation has entered into the Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement ("Tripartite Agreement") with the MOTC and Bank of Taiwan on January 8, 2010, and the Taiwan North-South High Speed Rail Construction and Operation Project NT$382 billion Syndicated Loan Agreement ("Syndicated Loan Agreement") with a bank syndicate consisting of eight (8) banks. The significant terms are as follows:

1) The syndicated loan includes Tranches A1, A2, A3, B, C and D with different credit facilities. The main purposes of the agreement are to repay the first syndicated loan, the second syndicated loan excluding Tranche D, and the overseas convertible bonds, and to meet fund requirements of operations.
2) The Corporation provided assets (refer to assets transferred to the MOTC under the C&O Agreement) and a portion of the superficies as collateral for the syndicated loan (the Corporation's assets need not be registered by the bank syndicate to create a right attached to the Corporation's assets). When the value of the collateral is less than the balance of the outstanding syndicated loan, the Corporation shall negotiate with the Bank of Taiwan and the MOTC. However, if an agreement is not reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Corporation should redeem the difference immediately.

The syndicate of banks of the Syndicated Loan Agreement consists 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.

According to the Syndicated Loan Agreement, the Corporation opened accounts at Bank of Taiwan for deposits and financial instruments, which are designated for loan repayments, acquisitions, and replacement of assets. Please refer to Notes 10 and 27 for further information on financial instruments pledged as collateral to Bank of Taiwan. The pledged financial instruments are recognized as other financial assets.

The Corporation has entered into a First Amendment of Tripartite Agreement with the MOTC and Bank of Taiwan, and a Second Amendment of Syndicated Loan Agreement with a bank syndicate consisting of eight (8) banks on August 3, 2015. The First Amendment of Tripartite Agreement was effective from October 20, 2015. If any insufficiency in guaranteed value takes place, the Corporation is required to pledge deposits to Bank of Taiwan and the amount of pledged deposits shall be included in the guaranteed value. The Second Amendment of Syndicated Loan Agreement was effective from October 30, 2015. The repayment period of Tranche A1 and A2 was extended and the annual repayment amount was adjusted. The Second Amendment of Syndicated Loan Agreement syndicated period, repayment method and interest rates are as follows:

1) Term of loan and repayment method

	Term of Loan	Number of Semi- Annual Installment Payment	Ratio of Repayment
Tranche A1 Facility	May 4, 2021-November 4, 2040	Installment 01-40	1.5% per installment
	May 4, 2041-November 4, 2049	Installment 41-58	2.0% per installment
	May 4, 2050	Installment 59	4.0% per installment
Tranche A2 Facility	May 4, 2021-November 4, 2040	Installment 01-40	1.5% per installment
	May 4, 2041-November 4, 2049	Installment 41-58	2.0% per installment
	May 4, 2050	Installment 59	4.0% per installment
Tranche C Facility	May 4, 2016-May 4, 2020	Installment 01-09	Fixed payment per installment
Tranche D Facility	May 4, 2013-May 4, 2017	Installment 01-09	Fixed payment per installment

2) Starting from May 4, 2010, the date of initial disbursement, Tranche A1 Facility and Tranche A2 Facility's interests (nominal interest rates) are accrued by the Corporation based on the 1 year time deposit floating rate from the Chunghwa Post Co., Ltd. plus markup to the annual interest rate and the Corporation bears the burden of business tax. As of December 31, 2015, the markup interest rates are as follows:

Syndicated Period	Markup Interest Rates
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, 2032	1.08%
May 4, 2032-May 4, 2050	1.08%

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

1) Effective rates are as follows:

	December 31	
	2015	2014
Tranche A1 Facility	2.21%	2.20%
Tranche A2 Facility	2.23%	2.18%
Tranche C Facility	2.11%	2.25%
Tranche D Facility	2.11%	2.25%

2) Accrued interest expense (included in other payables)

	December 31	
	2015	2014
Syndicated loan		
Tranche A1 Facility	$ 203,355	$ 202,229
Tranche A2 Facility	275,633	274,106
Tranche C Facility	90,264	94,241
Tranche D Facility	7,051	12,269
	$ 576,303	$ 582,845

3) Long-term interest payable

	December 31	
	2015	2014
Syndicated loan		
Tranche A1 Facility	$ 3,807,039	$ 3,385,602
Tranche A2 Facility	4,665,416	4,113,755
	$ 8,472,455	$ 7,499,357

4) Interest expense

	For the Year Ended December 31	
	2015	2014
Syndicated loan		
Interest expense	$ 7,776,383	$ 7,906,396
Capitalized interest	$ 180,777	$ 94,395

15. OPERATING CONCESSION LIABILITY

	December 31	
	2015	2014
Current liabilities	$ 1,883,383	$ 265,849
Non-current liabilities	78,684,787	78,970,118
	80,568,170	79,235,967
Value of returned superficies for offset of profit sharing payable	(22,690,057)	-
	$ 57,878,113	$ 79,235,967

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Please refer to Note 28, a., 2) for further information. The Corporation should discount the minimum commitment to profit sharing payments of $108 billion and recognize the amount as operating concession asset and operating concession liability. At the commencement of HSR commercial operation, the Corporation also recognized amortization expense and interest expense, respectively. As of December 31, 2015, the Corporation's accumulated profit sharing payments amounted to $2,932,483 thousand, the information about the amortization expense, and interest expense of operating concession liability during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
2015	$ 12,347,640	$ 13,528,610	$ 25,876,250
2016 (Estimate)	1,097,608	1,630,013	2,727,621
2017 (Estimate)	1,097,608	1,662,613	2,760,221
2018 (Estimate)	1,097,608	1,535,866	2,633,474
2019 (Estimate)	1,097,608	1,566,583	2,664,191
2020 (Estimate)	1,097,608	1,597,915	2,695,523
2021-2033 (Estimate)	14,268,904	16,506,357	30,775,261
2034-2068 (Estimate)	37,867,459	-	37,867,459
	$ 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 were effective starting from October 30, 2015 and the Corporation applied the appraised fair value of returned superficies in the amount of $22,613,234 thousand to offset operating concession liability (profit sharing payable), which is payable to the MOTC at the end of every five years in proportion. The estimated deductible amount is $29,784,855 thousand. Please refer to Note 28 a. 2), Note 31 a. and d. for further details. The information of actual and estimated recognitions in profit and loss regarding the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

Year	Other Gains	Deduction of Interest Expense	Total
2015	$ 22,613,234	$ 76,823	$ 22,690,057
2016 (Estimate)	-	453,801	453,801
2017 (Estimate)	-	462,877	462,877
2018 (Estimate)	-	432,064	432,064
2019 (Estimate)	-	440,706	440,706
2020 (Estimate)	-	449,520	449,520
2021-2033 (Estimate)	-	4,855,830	4,855,830
	$ 22,613,234	$ 7,171,621	$ 29,784,855

16. PROVISIONS

	December 31	
	2015	2014
Preferred stock compensation	$ 2,148,652	$ -
Controversial overtime	596,542	-
Preferred stock	-	3,609,357
Interest expenses generated from delayed payment of preferred stock litigation	-	60,586
Judicature fee for preferred stock litigation	-	25,285
Other provisions	1,562	-
	$ 2,746,756	$ 3,695,228

Movements in provisions were as follows:

	Balance at January 1, 2015	Increased	Deducted	Balance at December 31, 2015
Preferred stock compensation	$ -	$ 15,161,065	$ (13,012,413)	$ 2,148,652
Controversial overtime	-	596,542	-	596,542
Preferred stock	3,609,357	4,554,865	(8,164,222)	-
Interest expenses generated from delayed payment of preferred stock litigation	60,586	344,940	(405,526)	-
Judicature fee for preferred stock litigation	25,285	40,515	(65,800)	-
Other provisions	-	1,562	-	-
	$ 3,695,228	$ 20,699,489	$ (21,647,961)	$ 2,746,756

	Balance at January 1, 2014	Increased	Deducted	Balance at December 31, 2014
Preferred stock	$ 14,891	$ 3,594,466	$ -	$ 3,609,357
Interest expenses generated from delayed payment of preferred stock litigation	2,287	58,299		60,586
Judicature fee for preferred stock litigation	-	25,285	-	25,285
	$ 17,178	$ 3,678,050	$ -	$ 3,695,228

a. Preferred stock compensation

In order to implement the Financial Resolution Plan, the Corporation has redeemed all preferred stocks on August 7, 2015. Please refer to Note 19, a. for further information. The provisions for redemption of preferred stock recognized previously were adjusted to zero. The proposal to pay the accumulated unpaid preferred stock dividends was resolved by the shareholders in the special shareholders' meeting on September 10, 2015. According to the Financial Resolution Plan, the Corporation recognized a provision for preferred stock compensation and a related expenditure in the amount of $15,161,065 thousand on October 30, 2015 as the Fourth Amendment of C&O Agreement became effective. The interest on delayed payment of preferred stock related to preferred stock litigations recognized previously was also adjusted to zero. The payment of preferred stock compensation will settle pending rights and obligations between and among the parties in the agreement, the preferred stock shareholders will waive claims regarding interest on delayed payment, judiciary fee and other expenses of litigations, and will compromise or reach other agreements with the Corporation. As of December 31, 2015, the Corporation has entered into preferred stock compensation agreements with part of preferred stock shareholders and the preferred stock compensation payable amounted to $13,012,413 thousand which was recorded as other payables. The Corporation continuously reaches agreements with other preferred stock shareholders afterward. The Corporation has paid compensation in the amount of $15,146,737 thousand and $8,475 thousand on January 20, 2016 and February 3, 2016, respectively.

As of the date the financial statements were approved for issuance, the requests and litigations which have not been agreed between the Corporation and the preferred stock shareholders are summarized as follows:

Preferred Stock Shareholder	Type of Preferred Stock	Requested Amount	Status
Bank of Panhsin (Panhsin Bank)	Tranche A1 Facility	Redeem preferred stock amounted to $10,000 thousand and pay interest on delayed payment	The Corporation lost in the second trial. However, the Corporation has redeemed the preferred stock according to the Financial Resolution Plan.

For further information on the Corporation's requests and litigations related to preferred stock, please refer to the explanation on the material information announced by the Corporation.

b. Controversial overtime

Employees of the Corporation are required to work in shifts due to the nature of the business. The national holidays are adjusted to regular holidays for employees who work in shifts and the combination of adjusted national holidays and regular holidays has been excluded in the calculation of regular working hours for the entire year. However, the Taiwan High Speed Rail Corporation Labor Union (the "THSRC Labor Union") claimed that overtime should be paid if employees who work in shifts worked on national holidays. In regard to the controversy over the calculation of overtime hours within every two consecutive weeks, and the improvement of policy on recess during regular days and holidays, the THSRC Labor Union declared that employees who work in shifts cease to work overtime on Chinese New Year Holidays in January 2016. In order to uphold the rights of both the passengers and employees, the Corporation has reached an agreement regarding the aforementioned controversy with the THSRC Labor Union on January 21, 2016. The Corporation shall finish the calculation of overtime hours and overtime pay on the abovementioned adjusted national holidays and working hours of two consecutive weeks within six months, and within a month after confirmation of the calculated amount of overtime, the Corporation shall sign agreements with employees individually, and half of the amount shall be paid as an incentive bonus. The Corporation and the THSRC Labor Union agreed to settle the litigation on the Taipei City Government Labor Sanction in the Taipei High Administrative Court. In the final conviction, if the Corporation loses the lawsuit, the previously mentioned incentive bonus shall be considered as part of the overtime pay of the employees; if the Corporation wins the lawsuit, the previously mentioned incentive bonus shall still have the same nature as incentive bonus and is not subject to offset or return.

The Corporation expects that it is more likely than not that the Corporation will lose the lawsuit. As of December 31, 2015, the Corporation has recognized provision for controversial overtime and a related expense in the amount of $596,542 thousand based on estimates.

17. OTHER LIABILITIES

	December 31	
	2015	2014
Other payables		
Payable of preferred stock compensation	$ 13,012,413	$ -
Accrued expenses	1,448,584	1,342,992
Accrued interest expense	576,306	582,994
Sales tax payable	236,547	189,536
Others	20,742	94,152
	$ 15,294,592	$ 2,209,674
Other current liabilities		
Unearned receipts	$ 585,284	$ 537,318
Deferred revenue	64,238	28,065
Receipts under custody	18,495	18,346
Others	100,419	14,415
	$ 768,436	$ 598,144
Other non-current liabilities		
Net defined benefit liability	$ 51,969	$ -
Guaranteed deposits received	75,319	48,292
	$ 127,288	$ 48,292

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The Corporation also adopted a defined benefit plan under the Labor Standards Law (the “LSL”). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

Through the defined benefit plan under the LSL, the Corporation is exposed to the following risks:

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2015	2014
Present value of defined benefit obligation	$ (612,392)	$ (534,317)
Fair value of plan assets	560,423	536,129
Net defined benefit asset (liability)	$ (51,969)	$ 1,812

Movements in net defined benefit asset (liability) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset (Liability)
Balance at January 1, 2014	$ (514,746)	$ 522,846	$ 8,100
Current service cost	(14,100)	-	(14,100)
Net interest income (expense)	(11,328)	11,765	437
Past service cost and loss on settlements	(15,440)	-	(15,440)
Recognized in profit or loss	(40,868)	11,765	(29,103)
Remeasurement			
Return on plan assets	-	510	510
Actuarial loss - experience adjustments	(12,223)	-	(12,223)
Recognized in other comprehensive income	(12,223)	510	(11,713)
Contributions from the employer	-	19,088	19,088
Benefits paid	33,520	(18,080)	15,440
Balance at December 31, 2014	(534,317)	536,129	1,812
Current service cost	(13,426)	-	(13,426)
Net interest income (expense)	(11,658)	11,920	262
Recognized in profit or loss	(25,084)	11,920	(13,164)
Remeasurement			
Return on plan assets	-	2,464	2,464
Actuarial loss - experience adjustments	(25,137)	-	(25,137)
Actuarial loss - changes in financial assumptions	(35,525)	-	(35,525)
Recognized in other comprehensive income	(60,662)	2,464	(58,198)
Contributions from the employer	-	17,581	17,581
Benefits paid	7,671	(7,671)	-
Balance at December 31, 2015	$ (612,392)	$ 560,423	$ (51,969)

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

	Measurement Date December 31	
	2015	2014
Discount rate	1.75%	2.25%
Expected salary growth rate	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as shown on the table below. The sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31
	2015
Discount rate	
Increase 0.5%	$ (35,525)
Decrease 0.5%	$ 38,776
Expected salary growth rate	
Increase 0.5%	$ 38,485
Decrease 0.5%	$ (35,613)

As of December 31, 2015, the defined benefit obligation had a weighted average duration of 12.2 years.

Maturity analysis of future payments for defined benefit obligation is as follows:

	December 31
	2015
2016	$ 43,081
2017	18,139
2018	23,979
2019	19,193
2020	26,230
2021-2025	149,709

c. For the years ended December 31, 2015 and 2014, the cost of defined benefit plans in the amount of $757 thousand and $2,022 thousand, respectively, was capitalized as operating concession asset - construction in progress. The remaining expenses of defined contribution plans and defined benefit plans were recorded as pension costs in comprehensive income. Please refer to Note 21, a. for further details.

19. EQUITY

a. Capital stock

As of December 31, 2015, the Corporation's total paid-in capital amounted to $56,052,930 thousand divided into 5,605,293 thousand issued and outstanding shares. Capital increase and decrease circumstances are as follows:

1) Pursuant to the Corporation's Articles of Incorporation and preferred stock offering and conversion policy, the Corporation has redeemed a total of 4,018,992 thousand shares of issued preferred stocks at the issuing price of $39,221,158 thousand on August 7, 2015.
2) On October 20, 2015, the Corporation has conducted common stock capital reduction of $39,079,396 thousand in order to cover accumulated losses.

3) On November 26, 2015, the Corporation has conducted capital injection of 3,000,000 thousand shares by private placement, at par value of $10 per share, in amount of $30,000,000 thousand. The rights and obligations of the privately placed common stock are subject to the restrictions prescribed by the Securities and Exchange Act. In addition, the Corporation is only permitted to apply for the initial stock listing after three full years of delivery date and completion of supplementary procedures for classification as a public company. Except for the abovementioned restrictions, there are no other differences between privately placed common stock and other issued common stock.

b. Legal reserve and appropriation of earnings

Under the Corporation's Articles of Incorporation as amended on March 18, 2016, if there is any profit at the end of the year, the Corporation shall distribute employees' compensation and remuneration to directors and supervisors at the rates not less than 1% and not higher than 1%, respectively. However, any accumulated losses should be made up first. After the resolution of the board of directors to distribute employees' compensation and remuneration to directors and supervisors, and payments of all taxes and duties, 10% of the remaining profit is set aside as legal reserve. However, when the legal reserve equals the Corporation's paid-in capital, further appropriation of earnings to legal reserve may not be required. Furthermore, after reversal or appropriation of special reserve according to the law, the remaining current year profit together with any accumulated unappropriated earnings may be distributed to shareholders when proposed by the board of directors and ultimately resolved by the shareholders.

The Corporation's dividend policy takes into account current and future development projects, consideration of investment environment, demand for funds and situations of domestic and international competitions and consideration of shareholders' benefits and other relevant factors to determine earnings distribution. The Corporation adopts a stable and balanced dividend policy.

Distributable earnings shall be appropriated at the rate no less than 60% to shareholders' dividends every year, but 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 shares but cash dividends shall be no less than 50% of total dividends.

For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $21,124 thousand and $21,124 thousand, respectively, and have been approved by the board of directors on March 29, 2016. There is no difference between such amounts recorded and the amounts proposed by the board of directors. Please refer to Note 21, a.

The appropriations of earnings for 2015 proposed by the board of directors on March 29, 2016 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 410,895	
Cash dividends	3,643,441	$ 0.65
	$ 4,054,336	

The appropriations of 2015 earnings will be resolved by the shareholders in their meeting in 2016.

Information on the employees' compensation and remuneration to directors and supervisors, and the appropriations of earnings for the year ended December 31, 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

As of December 31, 2014, the Corporation had a deficit as shown on the balance sheets; therefore, no bonus to employees and bonus to directors and supervisors for 2014 were paid.

c. Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31			
	2015		2014	
Balance, beginning of year	$	1,560	$	1,525
Unrealized gain arising on revaluation of available-for-sale financial assets		1,944		3,884
Cumulative gain (loss) transferred to profit or loss on sale of available-for-sale financial assets		(2,949)		(3,849)
Balance, end of year	$	555	$	1,560

d. Preferred stock dividends

Pursuant to Article 234 of Company Act and Rule No. 09100514570 and Rule No. 10002011720 issued by the Ministry of Economic Affairs on September 24, 2002 and March 7, 2011, respectively, the Corporation has been permitted to appropriate preferred stock dividends before commencing operation and does not restrict to appropriations of earnings, but shall recognize a prepaid preferred stock dividends under shareholders' equity in its balance sheet. The Corporation had redeemed all preferred stocks on August 7, 2015, and had adjusted prepaid preferred stock dividends to accumulated losses.

20. REVENUES

	For the Year Ended December 31			
	2015		2014	
Railroad transportation revenue	$	38,831,049	$	37,565,561
Shortfall charge revenue from statutory concession tickets		12,096,971		-
Other operating revenue		973,372		943,223
	$	51,901,392	$	38,508,784

21. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Employee benefit expenses

	For the Year Ended December 31	
	2015	2014
Post-employment benefit		
Defined contribution plans	$ 123,923	$ 119,362
Defined benefit plans	12,407	27,081
	136,330	146,443
Short-term benefits		
Payroll	3,327,938	2,478,779
Insurance	240,650	231,405
Professional service	38,616	76,622
Others	149,714	125,300
	3,756,918	2,912,106
	$ 3,893,248	$ 3,058,549
An analysis of employee benefit expense by function		
Operating costs	$ 3,391,858	$ 2,512,951
Operating expenses	501,390	545,598
	$ 3,893,248	$ 3,058,549

As of December 31, 2015 and 2014, the number of employees of the Corporation was 3,756 and 3,622, respectively; the number of professional service employees was 23 and 44, respectively.

The payroll expenses in the above table include controversial overtime, performance bonuses, the employees' compensation and the remuneration to directors and supervisors in the amounts of $596,542 thousand, $116,966 thousand, $21,124 thousand and $21,124 thousand, respectively, for the year ended December 31, 2015.

Material differences between estimated amounts and the amounts proposed 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 proposed amounts after the annual financial statements were approved, the differences are recorded as a change in accounting estimate and adjusted in the following year.

For further information on the appropriations of employees' compensation and remuneration to directors and supervisors in 2015, please refer to Note 19, b.

b. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
An analysis of depreciation, and amortization expenses by assets		
Property, plant and equipment	$ 32,506	$ 30,981
Intangible assets	20,589,223	16,981,242
Other non-current assets	945	879
	$ 20,622,674	$ 17,013,102
An analysis of depreciation by function		
Operating costs	$ 26,445	$ 22,726
Operating expenses	6,061	8,255
	$ 32,506	$ 30,981
An analysis of amortization by function		
Operating costs	$ 20,587,606	$ 16,979,407
Operating expenses	2,562	2,714
	$ 20,590,168	$ 16,982,121

c. Interest income

	For the Year Ended December 31	
	2015	2014
Interest income of repurchase agreement collateralized by government bonds	$ 204,465	$ 229,845
Interest income of bank balance	30,016	22,240
Other interest	7	-
	$ 234,488	$ 252,085

d. Interest expense

	For the Year Ended December 31	
	2015	2014
Interest on bank loans	$ 7,796,209	$ 7,931,012
Interest on operating concession liability	1,521,229	1,566,718
Others	(60,586)	58,300
	$ 9,256,852	$ 9,556,030

The negative interest expense - others for the year ended December 31, 2015 represents the reversal of interest on delayed payment of preferred stock related to preferred stock litigations recognized previously due to the recognition of the preferred stock compensation expenditure in the amount of $15,161,065 thousand on October 30, 2015.

The information of capitalized interest was as follows:

	For the Year Ended December 31	
	2015	2014
Capitalized interest	$ 186,824	$ 117,408
Capitalization rate	2.03%-2.30%	2.02%-2.24%

e. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Gain on value of returned superficies for offset of profit sharing payable	$ 22,613,234	$ -
Foreign exchange gains, net	44,839	93,158
Miscellaneous income	-	28,167
Gain on disposal of available-for-sale financial assets	2,949	3,849
Preferred stock compensation expenditure	(15,161,065)	-
Arbitration and civil costs	(191,906)	-
Loss on disposal of investment properties	-	(31,670)
Loss on disposal of intangible assets	(16,418)	(10,830)
Others	8,070	3,957
	$ 7,299,703	$ 86,631

22. INCOME TAXES

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2015	2014
Current tax	$ (294)	$ (402)
Deferred tax	2,039,089	2,862,023
Income tax benefit	$ 2,038,795	$ 2,861,621

A reconciliation of accounting profit and income tax benefit is as follows:

	For the Year Ended December 31	
	2015	2014
Income tax expense calculated at the statutory rate (17%)	$ (3,201,752)	$ (451,944)
Nondeductible expenses in determining taxable income	(89,633)	(5,834)
Unrecognized loss carryforwards	4,505,568	3,093,935
Unrecognized investment credits	(1,643)	(712)
Unrecognized deductible temporary differences	838,474	225,866
Others	(12,219)	310
Income tax benefit recognized in profit or loss	$ 2,038,795	$ 2,861,621

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Current tax	$ -	$ -
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	9,894	1,991
Total income tax benefit recognized in other comprehensive income	$ 9,894	$ 1,991

c. Deferred tax assets and liabilities

For the year ended December 31, 2015

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Profit sharing payments	$ 2,604,272	$ 1,403,872	$ -	$ 4,008,144
Provisions	-	466,219	-	466,219
Annual leave paid	-	19,977	-	19,977
Deferred revenue	-	10,920	-	10,920
Defined benefit obligation	-	-	3,059	3,059
Others	-	914	-	914
	2,604,272	1,901,902	3,059	4,509,233
Loss carryforwards	-	130,643	-	130,643
Investment credits	-	1,892	-	1,892
	$ 2,604,272	$ 2,034,437	$ 3,059	$ 4,641,768
Deferred tax liabilities				
Temporary differences				
Defined benefit obligation	$ 6,835	$ -	$ (6,835)	$ -
Others	10,385	(4,652)	-	5,733
	$ 17,220	$ (4,652)	$ (6,835	$ 5,733

For the year ended December 31, 2014

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Profit sharing payments	$ 1,843,021	$ 761,251	$ -	$ 2,604,272
Deferred revenue	2,300	(2,300)	-	-
	1,845,321	758,951	-	2,604,272
Loss carryforwards	1,564,902	(1,564,902)	-	-
	$ 3,410,223	$ (805,951)	$ -	$ 2,604,272
Deferred tax liabilities				
Temporary differences				
Amortization of operating assets	$ 3,671,795	$ (3,671,795)	$ -	$ -
Defined benefit obligation	8,826	-	(1,991)	6,835
Others	6,564	3,821	-	10,385
	$ 3,687,185	$ (3,667,974)	$ (1,991)	$ 17,220

d. Items for which no deferred tax assets have been recognized

	December 31	
	2015	2014
Loss carryforwards	$ -	$ 4,505,568
Investment credits	$ 9,381	$ 7,738
Deductible temporary differences	$ 729	$ 839,203

e. Tax effects of unused loss carryforwards and investment tax credits of the Corporation as of December 31, 2015 comprised:

Year of Expiry	Loss Carryforwards	Investment Tax Credits
2015	$ -	$ 2,073
2016	-	2,337
2017	-	3,328
2018	-	1,643
2019	-	1,892
2020	130,643	-
	$ 130,643	$ 11,273

f. Integrated income tax

	December 31	
	2015	2014
Imputation credits accounts	$ 74,097	$ 73,803

g. Income tax assessments

The tax returns through 2013 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

	Amount	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the year ended December 31, 2015			
Income for the year	$ 20,872,630	2,901,183	$ 7.19
Basic earnings per share			
Earnings attributable to common shareholders	12,583,684	2,400,384	
Income for the year attributable to common shareholders plus effect of potential convertible preferred stock	$ 33,456,314	5,301,567	$ 6.31
For the year ended December 31, 2014			
Income for the year	$ 5,534,408		
Less: Dividends on preferred stock	(1,923,733)		
Basic earnings per share			
Earnings attributable to common shareholders	3,610,675	2,605,293	$ 1.39
Diluted earnings per share			
Effect of dilutive potential convertible preferred stock	1,923,733	4,018,992	
Income for the year attributable to common shareholders plus effect of potential convertible preferred stock	$ 5,534,408	6,624,285	$ 0.84

Earnings per share had been adjusted retrospectively for the effect of decrease in common stock on October 20, 2015. The basic and diluted earnings per share for 2014 before and after the retrospective adjustment were as follows:

	After Retrospective Adjustments	Before Retrospective Adjustments
Basic earnings per share	$ 1.39	$ 0.55
Diluted earnings per share	$ 0.84	$ 0.52

24. CAPITAL MANAGEMENT

The Corporation manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, profit sharing payments, long-term and short-term debt payments, secured domestic corporate bonds payments and other business requirements associated with its existing operations over the next 12 months.

According to the Financial Resolution Plan, the Corporation has redeemed all preferred stocks in the amount of $39,221,158 thousand, reduced capital to cover accumulated losses in the amount of $39,079,396 thousand, paid preferred stock compensation expenditure in the amount of $15,161,065 thousand and injected cash in the amount of $30,000,000 thousand. Please refer to Note 19, a. and Note 31, d. for further details.

25. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31	
	2015	2014
Financial assets		
Available-for-sale financial assets	$ 602,555	$ 694,360
Hedging derivative assets	-	551
Loans and receivables		
Other financial assets	56,544,382	52,961,379
Others (Note 1)	2,427,255	1,599,053
Financial liabilities		
Financial liabilities carried at amortized cost (Note 2)	441,798,665	451,589,138

Note 1: The remaining balance does not include tax fund receivable, but includes cash and cash equivalents, receivables and other receivables measured at amortized cost.

Note 2: The remaining balance does not include short-term employee benefit, income taxes payable and provisions, but includes short-term loan, accounts payable, operating concession liability, other payables, payable for construction and long-term debt (including current portion).

b. Fair value of financial instruments

1)Fair value of financial instruments not carried at fair value

Financial instruments not measured by at fair value approximate fair value.

2)Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Available-for-sale financial assets				
Money market mutual fund	$ 602,555	$ -	$ -	$ 602,555
December 31, 2014				
Available-for-sale financial assets				
Money market mutual fund	$ 694,360	$ -	$ -	$ 694,360
Hedging derivative assets				
Foreign currency forward contracts	$ -	$ 551	$ -	$ 551

There were no transfers between Level 1 and Level 2 in the current and prior periods.

3)Valuation techniques and assumptions applied for the purpose of measuring fair value

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

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

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

c. Financial risk management objectives and policies

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

The Corporation's important financial activities are reviewed by internal auditors and governed by the Corporation's policies approved by the board of directors. Financial transactions are made in accordance with the Corporation's overall financial risks management and division of responsibilities.

1)Market risk

a) Foreign currency risk

The Corporation's accounts payable and payable for construction are mainly transacted in foreign currencies; thus, the Corporation is exposed to foreign currency risk or decline in value due to changes in exchange rates and fluctuations in future cash flows. The Corporation uses forward exchange contracts to hedge foreign exchange risk. Derivative financial instruments can help reduce, but not completely remove, the impact of foreign exchange rate changes.

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

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 20,737	33.066	$ 685,691
JPY	32,529	0.2746	8,932
Financial liabilities			
Monetary items			
USD	2,606	33.066	86,161
JPY	2,750,412	0.2746	755,263

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 20,624	31.718	$ 654,161
JPY	1,893	0.2652	502
Financial liabilities			
Monetary items			
USD	2,459	31.718	77,986
JPY	2,406,968	0.2652	638,328

The Corporation was mainly exposed to USD and JPY. The sensitivity analysis related to foreign currency exchange rate risk was mainly calculated for foreign currency monetary items at the balance sheet date. If the U.S. dollars weakened against the New Taiwan dollars by 1%, income before tax would have decreased by $5,995 thousand and $5,762 thousand for the years ended December 31, 2015 and 2014. If the JPY strengthened against the New Taiwan dollars by 1%, the income before tax of the Corporation would have decreased by $7,463 thousand and $5,527 thousand for the years ended December 31, 2015 and 2014.

Major unrealized exchange gain and loss for foreign currency are as follows:

	December 31			
	2015		2014	
Foreign Currency	Exchange Rate	Exchange Gain (Loss), Net	Exchange Rate	Exchange Gain , Net
USD	33.066	$ 3,629	31.718	$ 10,821
JPY	0.2746	(29,138)	0.2652	8,981

b) Interest rate risk

As of December 31, 2015 and 2014, the Corporation's syndicated loan with floating interest rates amounted to $359,312,209 thousand and $361,877,350 thousand. If the market interest rate increased by 1%, the income before tax of the Corporation would have decreased by $3,593,122 thousand and $3,618,774 thousand for the years ended December 31, 2015 and 2014.

c) Other price risk

The fair values of available-for-sale financial assets, open-end funds are determined using their market values.

If fund price decreased by 1%, other comprehensive income before tax of the Corporation would have decreased by $6,026 thousand and $6,944 thousand for the years ended December 31, 2015 and 2014.

2)Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation can incur loss from the counterparties' failure to discharge their obligations and from the Corporation's fulfillment of financial guarantees. At the end of the reporting period, the Corporation's maximum exposure to credit risk is equivalent to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation is dealing mainly with financial institutions and corporations with good credit. Therefore, significant credit risk is not expected.

3)Liquidity risk

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

The derivatives and non-derivative liabilities controlled by the Corporation will all mature in one year. According to the Financial Resolution Plan, the Corporation amended related agreements with the MOTC and Bank of Taiwan (please refer to Note 31, d.). According to the related agreements, after considering the amount and term of payments and the estimation of interest rate regarding the Syndicated Loan Agreement, the maturity profile of the Corporation's long-term debt, interest on long-term debt, and operating concession liability based on contractual undiscounted payments are summarized in the tables below.

December 31, 2015

	Long-term Debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Preferred Stock Compensation Payable	Total
2016.1.1-2016.03.31	$ -	$ 2,072,905	$ -	$ 15,155,212	$ 17,228,117
2016.4.1-2016.12.31	13,511,670	6,218,714	1,939,460	5,853	21,675,697
2017	12,229,100	9,411,171	2,805,958	-	24,446,229
2018	10,946,529	10,481,791	8,220	-	21,436,540
2019	10,946,529	10,355,806	-	-	21,302,335
2020	5,473,265	10,087,431	115,142	-	15,675,838
2021-2033	119,419,995	117,777,496	70,413,882	-	307,611,373
2034-2050	186,785,121	68,698,542	-	-	255,483,663
	$ 359,312,209	$ 235,103,856	$ 75,282,662	$ 15,161,065	$ 684,859,792

December 31, 2014

	Long-term Debt (Including Current Portion)	Interest on Long-term Debt	Operating Concession Liability	Total
2015.1.1-2015.03.31	$ -	$ 1,927,336	$ -	$ 1,927,336
2015.4.1-2015.12.31	2,565,141	5,782,008	265,849	8,612,998
2016	13,511,670	8,291,619	-	21,803,289
2017	21,039,355	9,162,629	7,067,517	37,269,501
2018	19,756,785	9,961,523	-	29,718,308
2019	19,756,785	9,575,404	-	29,332,189
2020-2033	285,247,614	71,901,251	98,000,000	455,148,865
	$ 361,877,350	$ 116,601,770	$ 105,333,366	$ 583,812,486

26. TRANSACTIONS WITH RELATED PARTIES

The MOTC under the Executive Yuan owns significant equity interest in the Corporation at 43.17% of outstanding shares. Under IAS 24, the Corporation is a government-related entity which is significantly influenced by the government. The Corporation and other government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan are related parties. But the Corporation is not a related party with those government-related entities which are under significant influence but not controlled by the Executive Yuan.

The Corporation is not required to disclose transactions and outstanding balances with the government-related entities. Besides the C&O Agreement stated in Note 28, the individually significant transactions and amounts are summarized as follows:

a. The Corporation's Financial Resolution Plan

According to the Financial Resolution Plan, the Corporation has entered into the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement with the MOTC on July 27, 2015. On August 3, 2015, the Corporation has entered into the First Amendment of Tripartite Agreement with the MOTC and Bank of Taiwan, and the Second Amendment of the Syndicated Loan Agreement with a bank syndicate consisting of eight (8) banks which were effective from October 2015. Please refer to Note 31, d. for further details.

b. Operating revenues

The Corporation is mainly engaged in the operation of the North-South High Speed Railway. According to the C&O Agreement; fare rates, timing of fare adjustment and the procedures for evaluating and deciding fare rates require the approval by the MOTC; setting of fare rates and adjustments to passenger fares are implemented only after the review and approval by the MOTC. The ticket sales transactions with related parties were not different from those with non-related parties.

c. Operating costs

1)Profit sharing payments

According to the C&O Agreement, during the operating period, the Corporation undertakes to return by profit sharing 10% of the operating profit before tax (representing the profit after deduction of all costs and expenses necessary for operating from revenues) to the MOTC each year for the development and construction of HSR infrastructure and facilities. The Corporation shall recognize the minimum commitment to profit sharing payments of $108 billion as intangible assets - operating concession asset and operating concession liability. In addition, during the concession period, the Corporation shall also recognize amortization expense and interest expense. Please refer to Note 15 and Note 28, a., 2) for further information.

2)Rental

The Corporation has entered into the C&O Agreement, the SZD Agreement and the Protocol of Taipei Main Station and Tunnel with the MOTC. The MOTC leased land, Taipei Main Station and tunnel to the Corporation for HSR use. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Encouragement Statute, and is determined by future price of public-owned land and usage and other factors. The Corporation prepays the rental for the following year by the end of each year. Please refer to Note 28, b. for further details.

d. Non-operating income and expenses

1)Interest expense

The Corporation used the appraised fair value of the return of superficies to offset operating concession liability (profit sharing payable). Pursuant to the SZD Termination Agreement, related interest income on value of returned superficies for offset of profit sharing payable is determined using the effective interest method, and is recognized as a deduction of interest expense. Please refer to Note 15 for further details.

2)Other gains - value of returned superficies for offset of profit sharing payable

According to the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement, the Corporation engaged an impartial and professional appraisal firm to appraise the fair value of the return of superficies, which amounted to $22,613,234 thousand. Please refer to Note 15 and Note 28, a., 2) for further details.

3)Other losses - preferred stock compensation expenditure

According to the Financial Resolution Plan, the Corporation has entered into preferred stock compensation agreements with preferred stock shareholders in 2015. Some of the preferred stock shareholders are government-owned businesses or are significantly influenced by the Executive Yuan. The Corporation has limited information to determine whether the Executive Yuan has control or significant influence over such preferred stock shareholders; therefore, no related party transactions were disclosed. The terms in the preferred stock compensation agreements with related parties are the same as with non-related parties (normal preferred stock shareholders). The preferred stock compensation expenditure amounted to $15,161,065 thousand in 2015. Please refer to Note 16 for further details.

e. Acquisition of assets - operating concession asset

According to the Fourth Amendment of the C&O Agreement, the concession period has been extended from 35 years to 70 years until 2068. Shortfall charge receivable from statutory concession tickets as of October 29, 2015 was considered as cost of extension concession period and recognized as operating concession asset- period extension cost in the amount of $12,701,819 thousand. Please refer to Note 4, k., Note 4, p., Note 12 and Note 28, a.,1) for further details.

f. Long-term debt

The Corporation has entered into the Tripartite Agreement and the Syndicated Loan Agreement with the MOTC and Bank of Taiwan on January 8, 2010. If an early termination of the C&O Agreement occurred, the MOTC shall assume the remaining Tranche A of Syndicated Loan balance. The Corporation has limited information to determine whether the Executive Yuan has control or significant influence over such syndicate banks; therefore, no related party transactions were disclosed. The transactions with related parties and non-related parties were conducted on normal commercial terms.

According to the First Amendment of Tripartite Agreement and the Second Amendment of the Syndicated Loan Agreement, the pledged deposits in Bank of Taiwan shall be included in the guaranteed value. In addition, the repayment period of Tranche A1 and A2 was extended and the annual repayment amount was adjusted. Please refer to Note 14, b. for further information.

g. Compensation of key management personnel:

Compensation of key management personnel was as follows:

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	$ 87,689	$ 60,409
Post-employment benefits	909	16,518
	$ 88,598	$ 76,927

The short-term employee benefits in the above table include estimated performance bonuses, employees' compensation and remuneration to directors and supervisors of key management personnel for the year ended December 31, 2015.

27. RESTRICTED ASSETS

Pledged Assets	Pledged to Secure	December 31 2015		2014	
Other financial assets - current:					
Time deposits	Guarantee for commodity sale	$	940	$	500
Time deposits	Guarantee for office lease		-		17,232
Time deposits	Guarantee for station land lease		2,909		-
Time deposits	Guarantee for oil purchase		-		3,130
Time deposits	Trust deposit of unearned revenue		56,500		31,500
Time deposits	Guarantee for court		-		15,000
Time deposits	Syndicated loan		7,606,810		5,555
Time deposits	Guarantee for credit limit		516,360		-
Demand deposits	Trust deposit of unearned revenue		17,285		53,832
Demand deposits	Syndicated loan		299,515		367,153
Repurchase agreement collateralized by government bonds	Syndicated loan		45,973,200		51,205,100
			54,473,519		51,699,002
Other financial assets - non-current:					
Time deposits	Guarantee for commodity sale		-		440
Time deposits	Guarantee for office lease		17,232		-
Time deposits	Guarantee for development of station		-		1,192,368
Time deposits	Guarantee for station land lease		-		10,755
Time deposits	Guarantee for oil purchase		1,320		-
Time deposits	Guarantee for customs duties		42,651		42,524
Time deposits	Syndicated loan		-		8,000
			61,203		1,254,087
		$	54,534,722	$	52,953,089

According to the syndicated loan agreement, the Corporation mortgaged affiliated land superficies of five stations to the syndicated loan's co-creditors. According to the Financial Resolution Plan, the Corporation has canceled the superficies mortgage and returned the superficies to the MOTC on October 20, 2015. For further information, please refer to Note 31, a., c. and d.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Construction and operation agreement

According to the Corporation's Financial Improvement Plan, the Corporation has entered into the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement with the MOTC on July 27, 2015. For further information, please refer to Note 31, d. As of December 31, 2015, the significant provisions of the agreements are as follows:

1)The duration of the concession agreement for the HSR, including the construction period and operating period, is 70 years from the contract date.

2) During the operating period, the Corporation undertakes to return by profit sharing 10% of the operating profit before tax (representing the profit after deduction of all costs and expenses necessary for operating from revenues) to the MOTC each year for use in projects associated with HSR development; however, if the total amount of the Corporation's cumulative profit sharing payments is less than the amount listed in the table below, the Corporation undertakes to follow the table below:

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

According to the SZD Termination Agreement, the Corporation engaged an impartial and professional appraisal firm to appraise the fair value of the return of superficies, which amounted to $22,613,234 thousand. The value of returned superficies is allowed for offset of the profit sharing payable in the amount of $29,784,855 thousand. The deductions from profit sharing payable for each period approved by the MOTC are 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

Since 2013, the Corporation prepared financial statements and recognized the profit sharing payable as operating concession liability in accordance with IFRSs approved by the FSC (for further information, please refer to Note 15).

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

a) From 2016 to the year the stabilization reserve is calculated, when the annual average of net income (loss) and the effect of retrospective adjustments that resulted from change in accounting policies within the period is greater than $3.5 billion, the Corporation should make stabilization reserve as follows:

i. When the Corporation's EBT in the current year is greater than A1 but less than A2, EBT is regarded as operation incentive and the Corporation is not required to make stabilization reserve. (Please refer to the note below for the meaning of EBT, A1, A2 and A3.)

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

(EBT - A2) × 50%

iii. When the Corporation's EBT in the current year is greater than A3, the stabilization reserve should be made in the current year as follows:

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

EBT = Income before income tax excluding the stabilization reserve and compensation set out in Article 235-1 of the Company Act.

A1 = Net income \$3.5 billion ÷ (1 - the statutory tax rate)

A2 = Net income \$4 billion ÷ (1 - the statutory tax rate)

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

b) When the Corporation's EBT in the current year is less than A1, the amount distributed from the accumulated stabilization reserve should be (A1 - EBT), but only to the extent of the accumulated stabilization reserve.

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

i. If the balance of the accumulated stabilization reserve, net of the Stabilization Mechanism Account, is greater than \$10 billion at the end of any year, and within a month after the MOTC confirmed the execution report which was submitted by the Corporation, the Corporation shall contribute the amount in excess of \$10 billion (less related tax, if any) to the Stabilization Mechanism Account. The Corporation shall also make stabilization reserve in the same amount of the interest income generated from the Stabilization Mechanism Account.

ii. The Stabilization Mechanism Account shall be used under each of the following circumstances upon the request made by the MOTC:

i) Fare discount or fare decrease

ii) Conduct North-South High Speed Rail Constructions

iii) Compliance with the government's policies

iii. The accumulated stabilization reserve shall be reduced by the amount used from the Stabilization Mechanism Account.

iv. Except for payment of tax levied on the Stabilization Mechanism Account, the Corporation shall not use the Stabilization Mechanism Account without the MOTC's permission.

d) Treatments at the end of the concession period or on early termination of the stabilization reserve and the Stabilization Mechanism Account

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

ii. When the agreements are terminated on mutual agreement, force majeure or excluded events, the remaining balance of the Stabilization Mechanism Account (less related tax, if any) as of the termination date shall be transferred to a specific account designated by the MOTC, and the excess of the accumulated stabilization reserve over the balance of the Stabilization Mechanism Account shall be allocated to the Corporation.

iii. According to the agreements, when the termination resulted from the Corporation's action, the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be fully allocated to the MOTC.

iv. According to the agreements, when the termination resulted from the government's policies, the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be fully allocated to the Corporation.

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

4) For Assets which are purchased under the consent of the MOTC within five years the concession period is due, balances are not fully depreciated and are available for normal operation after the concession period is due, are transferred with consideration. Asset transfer price represents the purchase price less the depreciated amount (depreciation is based on the Fixed Rate on Declining Balance Method) determined under 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 other third party designated by the MOTC unconditionally.

5) Based on the C&O Agreement, when the agreement is terminated before the expiration of the concession period, the operating assets and constructions in process' actual cost, usage and value should be evaluated by impartial professional appraisal organizations.

6) The Corporation provided a $5 billion performance bond as a guarantee for fulfilling the Taiwan North-South High Speed Rail Operation. After the start of railway operations, if there is no breach of the agreement, the MOTC will return $0.5 billion each year; however, the total returned amount should not exceed $3 billion. The deadline for returning the remaining performance bond is within six months after the end of the concession period or six months after the agreement's early termination.

As of December 31, 2015 and 2014, the performance bond provided amounted to $2 billion. In addition, in April 2015, the Corporation provided cash (recognized as other financial assets) as a guarantee in place of the performance bond.

b. According to the C&O Agreement, SZD Agreement and the Protocol of Taipei Main Station and Tunnel; the land provided by MOTC, Taipei Main Station and tunnel are leased to the Corporation for HSR use. Calculated according to the Public-owned Land Rent Preferential Treatment Scheme under the Encouragement Statute, and the future rental is determined by future price of public-owned land and usage and other factors. The Corporation pays the rent for the following year by the end of each year. The rental expenses amounted to $432,594 thousand and $446,154 thousand for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, prepaid rental amounted to $396,898 thousand and $444,155 thousand and were recognized as prepayment and other current assets.

c. As of December 31, 2015, the Corporation had obtained credit line facilities in the form of letters of credit from several banks, of which JPY1,971,401 thousand and US$169 thousand were unused.

d. In May 2012, the Corporation entered into a purchase agreement for type 700T rolling stock. As of December 31, 2015, the Corporation has acquired four sets of type 700T rolling stock. Furthermore, the Corporation can make additional purchases of type 700T rolling stock up to four sets at the unit price ranging from JPY4,328,424 thousand to JPY4,500,000 thousand (excluding tariff and business tax) by March 2016. On March 29, 2016, the board of directors approved the Corporation to negotiate with the contractor for extending the additional purchase period to March 31, 2017.

e. In July 2013, the Corporation entered into purchase agreements titled "Nangang Trackwork and Core System (Supply Contract)" and "Nangang Trackwork and Core System (Installation Contract)" and the contract prices excluding business tax were JPY11,016,691 thousand and NT$2,545,124 thousand, respectively. As of December 31, 2015, the Corporation had paid the amounts of JPY8,666,550 thousand and NT$1,925,734 thousand, recognized as intangible assets - operating concession asset - construction in progress.

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. The board of directors had approved and the special shareholders' meeting had resolved the proposal of the initial stock listing application on January 11, 2016 and March 18, 2016, respectively.

b. The board of directors had approved the proposal to make early payment of the syndicated loan in the range of $21 billion and the Chairman was authorized to conduct related procedures.

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

For the information on the significant financial assets and liabilities denominated in foreign currencies of the Corporation, please refer to Note 25, c.

31. OTHERS

a. Superficies

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Corporation further secured superficies from the MOTC over the transportation infrastructure land such as route land, maintenance bases, station land, etc. As of December 31, 2015, superficies had been procured over the land from Lot 0837-0000 Kuanghua District, Hsinchuang, New Taipei City, in the north to Lot 0421-0002, Subsection 6, Hsinchuang District, Zuoying, Kaohsiung city, in the south. The term of such superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

According to the SZD Agreement, the Corporation procured from the MOTC superficies of ancillary business land of station zones within the designated areas of the Taoyuan, Hsinchu, Taichung, Chiayi and Tainan stations. Pursuant to the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the Corporation returned the ancillary business land but still kept the station zones' superficies.

b. In order to protect shareholders' equity and maintain stable operation, the Corporation applied to the Conciliation Committee for the coordination of the following cases, hereafter called "Coordinated Three Cases" (1) the case of shortfall charge from statutory concession tickets not yet received which was an Excluded Event; (2) the case of significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected that resulted in a material effect on the construction or operation under the C&O Agreement, and (3) the case of 921 earthquake and 9 more events which were Force Majeure and excluded events that have material effect on the construction or operation under the C&O Agreement, during the construction.

   Due to the fact that the determination of whether the Coordinated Three Cases were qualified as force majeure and excluded events was complicated, the Conciliation Committee concluded that the Corporation should discuss with the MOTC to seek a remedial method to improve its financial status; furthermore, both parties should conciliate the conflict under the C&O Agreement to solve the financial difficulties the Corporation faces so far. As of the day the MOTC and the Corporation both consented to the extension of the period of conciliation to February 16, 2015. Because of the financial improvement plan has not yet been accomplished, and by taking the statute of limitations into consideration, the Corporation referred the Coordinate Three Cases to arbitration on February 17, 2015 where the Corporation is requesting the MOTC to reimburse the loss of the Corporation on a reasonable basis. The three cases are collectively referred to as "Arbitrated Three Cases" and their arbitration.

   1) Shortfall charge from statutory concession tickets not yet received which was an Excluded Event

      The Corporation filed an application to the MOTC to pay $10,990,041 thousand cumulatively with 5% interest accumulated from the date of application. As of October 29, 2015, the amount was accumulated to $12.7 billion.

   2) Significant changes in domestic or overseas economy which made the passenger traffic and revenue lower than expected and resulted in material effect on the construction or operation under the C&O Agreement

      As of December 31, 2014, the passenger traffic and revenue were lower than expected and resulted in a loss of approximately $227.1 billion. The Corporation filled an application to the MOTC for revenue shortage amount of $30,590,000 thousand due to the underperformance of the actual ridership in 2014, and with 5% interest accumulated from February 17, 2015 to the conclusion date of the arbitration or extension of the concession period indicated in the C&O Agreement for generating enough revenue to cover the shortage, or other appropriate methods.

   3) 921 earthquake and 9 more events which were Force Majeure and excluded events that have a material effect on the construction or operation under the C&O Agreement

      The Corporation filled an application regarding additional payments for construction and operating losses of approximately $71.9 billion, requesting the MOTC to repay $16,041,591 thousand with 5% interest accumulated from February 9, 2013 to the repayment date.

According to the Financial Resolution Plan, the Fourth Amendment of C&O Agreement was effective from October 30, 2015, which extends the concession period granted to construct and operate the HSR are extended from 35 years to 70 years. The Corporation has withdrawn the Arbitrated Three Cases on November 13, 2015.

c. The Corporation's financial structure was unstable due to some preferred shareholders of the Corporation who continuously filed lawsuits to compel the Corporation to redeem preferred stocks and distribute dividends. If the final judgments on the lawsuits are unfavorable to the Corporation, the syndicate banks might take preventive measures, or even consider it as substantial breach of contract according to the Tripartite Agreement and the Syndicated Loan Agreement which might result in the termination of the C&O Agreement. Furthermore, based on the conclusion made by the Conciliation Committee on the Coordinated Three Cases, the board of directors approved the Financial Improvement Plan on October 23, 2014. However, on January 7, 2015 the Legislative Yuan decided not to handle the plan at this stage. On March 26, 2015, the board of directors approved the National Stock Subscription Project which was then submitted to the MOTC. After the MOTC modified the specific parties who are qualified to join the capital injection and the plan of amount injected in the National Stock Subscription Project, the project was renamed to "Taiwan High Speed Rail Corporation's Financial Resolution Plan" (the "Financial Resolution Plan") and the suggested Plan A and Plan B were submitted to the Legislative Yuan for examination simultaneously. On May 21, 2015, the Transportation Committee of the Legislative Yuan has resolved to adopt Plan B (including four attached resolutions). After the filing of Plan B for reference in the session of the Legislative Yuan on June 5, 2015, the MOTC has requested the Corporation to agree with the Plan B in the Financial Resolution Plan and afterward the Plan B was approved by the board of directors on June 25, 2015. The specific details with regard to the Financial Resolution Plan are summarized as follows:

1) Redemption of all issued preferred stocks and reduction of capital

The Corporation proposed to redeem all issued preferred stocks in a total of 4,018,992 thousand shares pursuant to the Corporation's Articles of Incorporation and rules of preferred stocks issuance and conversion for each class of preferred stocks. The Corporation will have a capital payable amount of $39,221,157 thousand.

2) Extension of concession to 70 years

In order to maintain reasonable returns and operate stably under acceptable amortization years, the Corporation planned to enter into an additional agreement regarding the C&O Agreement with the MOTC to extend the concession period from 35 years to 70 years.

3) Capital reduction plan to make up for losses

After preferred stocks are all redeemed, paid-in capital of common stock amounting to $65,132,326 thousand will be left. In order to eliminate accumulated losses, the Corporation proposed to carry out a capital reduction plan which the common stock capital decrease is approximately 60%. The amount of capital reduction and cancellation ratio will be adjusted depending on the actual situation.

4) Capital injection of $30 billion

The Corporation implements the Financial Resolution Plan. The MOTC might consent to extend concession period under the premise that the Corporation shall increase its government shares. In order to meet the criteria, the Corporation proposed to conduct capital injection of $30 billion.

The sources of the planned capital injection are listed as follows:

a) Up to $24.2 billion shall be contributed by government funds, which might be related to HSR constructions;
b) The remaining $5.8 billion shall be contributed by specific government-backed shareholders and entities that the government is able to control the majority of the board of directors.

After the completion of capital injection, the shareholding ratio of government-backed shareholders will be increased to 63.9%.

5) Consent to terminate SZD Agreement with the MOTC

The Corporation proposed to terminate the SZD Agreement with the MOTC. Hence, superficies defined as ancillary land for business development purposes in the SZD Agreement will be taken back by the MOTC. The fair value appraisal results of aforementioned superficies will be the basis for calculating payment of profit sharing payable according to the C&O Agreement. Station land defined in SZD Agreement will remain the same. Rights and obligations of the aforementioned station land shall be complied with C&O Agreement and the Corporation proposed to amend the agreement.

6) Amendment of Syndicated Loan Agreement

a) Termination of bank account and lifting of limitation on fund use

The Corporation proposed to negotiate with syndicate of banks and obtain their permission to amend Syndicated Loan Agreement for redeeming preferred stocks after termination of bank account and lifting of limitation on fund use.

b) Cancellations of liens on superficies

The Corporation proposed to negotiate with the syndicate of banks for cancellations of liens of superficies in order to let the MOTC take back the superficies.

c) Extension of payment term of syndicated loan agreement

In order to process the National Stock Subscription Project and the extension of concession period to 70 years, the Corporation proposed to negotiate with the syndicate of banks to extend the payment term of Syndicated Loan Agreement and combine with other revolving credit facility as a supporting measure to other measures of financial improvement plan such as redeeming preferred stocks and return of equity in capital injection of the National Stock Subscription Project.

7) Withdrawal of arbitrated three cases

The Corporation is in the process of arbitration over “unfavorable change in the volume of passengers”, “subsidy on shortfall charge from statutory concession tickets” and “damage compensation from 921 earthquake or an act of God” with the MOTC. The Corporation plans to revise the C&O Agreement. Once the new agreement becomes effective, the arbitration mentioned above will be withdrawn.

8) Rates and fare adjustment

The Corporation plans to make adjustment on the chapter “High Speed Railway standard operating rate, timing and manner for rate adjustment” of the C&O Agreement with the MOTC to take the element of shortfall charge from statutory concession tickets into consideration for the Corporation to decide the self-determination High Speed Railway standard operating rate as a subsidy. The new adjustment also designates the elements of the Corporation’s self-determination pricing structure shall reflect various market promotion properly.

9) Establish a financial stabilization mechanism and its related account

The Corporation plans to establish a financial stabilization mechanism and its related account. Once the amendment of the C&O Agreement becomes applicable, the account becomes effective on the following January 1.

a) A financial stabilization mechanism is established subject to certain profit standard and the Corporation records provision as an expense for the current period. When the profit is lower than the standard, the provision is reversed as a deduction of the expense, but only to the extent of the provision balance. When the provision exceeds $10 billion, the Corporation records the exceeding amount to “Taiwan High Speed Rail Stabilization Mechanism Account”. The capital under the account is only available for designated use. The remaining balance will be transferred to the MOTC once the concession period expires.

b) When the Corporation’s income after tax exceeds $4 billion, but below $4.5 billion, the Corporation shall record 50% of income after tax as provision. When the Corporation’s income after tax exceeds $4.5 billion, the Corporation shall record 70% of the exceeding amount as provision. For the convenience of calculation, the recorded amount of income after tax is converted to income before tax pursuant to the statutory tax rate.

d. The status of execution of the Financial Resolution Plan

1) The proposals resolved in the special shareholders’ meeting on September 10, 2015 include:

a) Proposal for the extension of the concession period in order to implement the Financial Resolution Plan;
b) Proposal for solution of compensation on accumulated unpaid preferred stock dividends;
c) Proposal for capital reduction to cover accumulated losses;
d) Proposal for offering of common stocks for cash by private placement;
e) Proposal for amendments to the Corporation’s Articles of Incorporation;
f) Proposal for the termination of the SZD Agreement and the return of the ancillary business land of station zones superficies for offset of profit sharing payable;
g) Proposal for the withdrawal of three arbitration cases which had been sent to the Court of Arbitration.
h) Proposal for establishing a financial stabilization mechanism;
i) Proposal for the High Speed Railway operating rate and fare adjustment.

2) The Corporation has entered into the Fourth Amendment of the C&O Agreement with the MOTC on July 27, 2015, which was effective from October 30, 2015. The main contents of the agreement are summarized as follows:

a) The concession period is extended from 35 years to 70 years;

b) The MOTC promises that when the Corporation conducts capital injection amount of $30 billion within six months from the effectivity date of the Fourth Amendment of the C&O Agreement, the government funds related to HSR constructions shall contribute up to $24.2 billion and the remaining $5.8 billion shall be contributed by specific government-backed shareholders and entities that the government is able to control the majority of board of directors;

c) The Corporation shall conduct capital injection amount of $30 billion within six months from the effectivity date of the Fourth Amendment of the C&O Agreement and reduce ticket fare to the level prior to the ticket fare increased on October 8, 2013 as soon as possible;

d) The MOTC and the Corporation shall engage impartial and professional appraisal firm to appraise the fair value of the returned superficies in order to set up a deduction method and a deductible amount from the profit sharing payable;

e) Establish standards for the financial stabilization mechanism in order to maintain a steady dividend payout through stable net income every year;

f) Establish usage factor within a 20% markup of HSR fare basic rate and related details;

g) Expressly state a particular date that the Corporation shall withdraw the Arbitration Three Cases after the Fourth Amendment of the C&O Agreement becomes effective and the Corporation shall not file any claims and requests with the MOTC from that date on;

3) The Corporation has entered into the SZD Termination Agreement with the MOTC on July 27, 2015, which was effective from October 30, 2015. The main contents of the agreement are summarized as follows:

a) Expressly stated the obligation that the Corporation shall apply for cancellations of ancillary business land superficies mortgage registration and liens on superficies;

b) Expressly stated that within ten days after the liens on superficies have been cancelled, the Corporation shall return the ancillary business land to the MOTC and demolish all facilities except those the MOTC permits to keep; and

c) Expressly stated that the Corporation shall be responsible for the maintenance of land for transportation use.

4) The Corporation has entered into the First Amendment of the Tripartite Agreement with the MOTC and Bank of Taiwan on August 3, 2015, which was effective from October 20, 2015. If any insufficiency in guaranteed value takes place, the Corporation is required to pledge deposits to the Bank of Taiwan and the amount of pledged deposits shall be included in the guaranteed value. For further information, please refer to Note 14, b.

5) The Corporation has entered into the second amendment of Syndicated Loan Agreement with Bank of Taiwan on August 3, 2015, which was effective from October 30, 2015. The repayment period of Tranche A1 and A2 was extended and the annual repayment amount was adjusted. For further information, please refer to Note 14, b.

6) The Corporation has conducted common stock capital reduction in the amount of $39,079,396 thousand to cover accumulated losses.

7) The Corporation has conducted capital injection of 3,000,000 thousand shares by private placement, at par value of $10 per share, in the amount of $30,000,000 thousand on November 26, 2015.

8) According to the preferred stock compensation agreements, the Corporation has paid compensation in the amount of $15,146,737 thousand and $8,475 thousand on January 20, 2016 and February 3, 2016, respectively.

32. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 25 and information of the preceding paragraph, there are no significant transactions, information of investees and investments in mainland China required for disclosure.

33. SEGMENT INFORMATION

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

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company
The Corporation	Allianz TWD Money Market Fund	-
	FSITC Taiwan Money Market Fund	-
	Taishin 1699 Money Market Fund	-
	Nomura Taiwan Money Market	-
	Jih Sun Money Market Fund	-
	Paradigm Pion Money Market Fund	-
	Central Government Bonds 2015-1	-
	Central Government Bonds 2015-3	-
	Central Government Bonds 2015-5	-
	Central Government Bonds 2015-6	-
	Central Government Bonds 2015-10	-
	Central Government Bonds 2015-12	-
	Central Government Bonds 2014-9	-
	Central Government Bonds 2014-10	-
	Central Government Bonds 2014-15	-
	Central Government Bonds 2013-2	-
	Central Government Bonds 2013-8	-
	Central Government Bonds 2013-10	-
	Central Government Bonds 2013 11	-
	Central Government Bonds 2012-6	-
	Central Government Bonds 2012-8	-
	Central Government Bonds 2012-9	-
	Central Government Bonds 2011-6	-
	Central Government Bonds 2011-7	-
	Central Government Bonds 2011-9	-

Financial Statement Account	December 31, 2015 Units/Face Value (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	Note
Available-for-sale financial assets - current	12,139	$ 150,157	-	$ 150,157	
"	6,631	100,108	-	100,108	
"	7,494	100,100	-	100,100	
"	6,212	100,094	-	100,094	
"	6,842	100,047	-	100,047	
"	4,558	52,049	-	52,049	
Other financial assets - current	$ 190,000	200,000	-	200,000	
"	4,202,500	4,669,444	-	4,669,444	
"	376,000	415,000	-	415,000	
"	78,000	85,000	-	85,000	
"	1,883,100	2,092,111	-	2,092,111	
"	1,489,500	1,655,000	-	1,655,000	
"	956,700	1,063,000	-	1,063,000	
"	5,092,700	5,547,589	-	5,547,589	
"	1,141,800	1,257,500	-	1,257,500	
"	141,300	157,000	-	157,000	
"	242,500	269,344	-	269,344	
"	77,000	85,000	-	85,000	
"	900,000	1,000,000	-	1,000,000	
"	1,341,600	1,488,778	-	1,488,778	
"	85,500	95,000	-	95,000	
"	180,000	200,000	-	200,000	
"	6,457,600	7,149,900	-	7,149,900	
"	220,500	245,000	-	245,000	
"	205,200	228,000	-	228,000	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company
	Central Government Bonds 2009-3	-
	Central Government Bonds 2009-5	-
	Central Government Bonds 2008-3	-
	Central Government Bonds 2008-5	-
	Central Government Bonds 2008-6	-
	Central Government Bonds 2007-3	-
	Central Government Bonds 2006-3	-
	Central Government Bonds 2006-6	-
	Central Government Bonds 2002-3	-
	Central Government Bonds 2002-7	-
	Central Government Bonds 2001-2	-
	Central Government Bonds 2001-3	-
	Central Government Bonds 2001-4	-
	Central Government Bonds 2001-6	-
	Central Government Bonds 2001-7	-
	Central Government Bonds 2001-8	-
	Central Government Bonds 2001 B 1st	-
	Central Government Bonds 2000-13	-
	Central Government Bonds 2000 B 1st	-
	Central Government Bonds 1999-2	-
	Central Government Bonds 1999-3	-
	Central Government Bonds 1999 B 1st	-

Financial Statement Account	December 31, 2015 Units/Face Value (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	Note
Other financial assets - current	$ 534,300	$ 590,300	-	$ 590,300	
"	142,200	158,000	-	158,000	
"	274,100	303,000	-	303,000	
"	243,000	270,000	-	270,000	
"	900,000	1,000,000	-	1,000,000	
"	81,000	90,000	-	90,000	
"	219,600	244,000	-	244,000	
"	1,994,000	2,215,556	-	2,215,556	
"	720,800	800,778	-	800,778	
"	630,000	700,000	-	700,000	
"	562,300	624,778	-	624,778	
"	778,500	865,000	-	865,000	
"	192,300	210,222	-	210,222	
"	1,704,400	1,890,300	-	1,890,300	
"	1,193,800	1,320,100	-	1,320,100	
"	2,473,100	2,747,889	-	2,747,889	
"	1,030,100	1,143,000	-	1,143,000	
"	610,800	678,600	-	678,600	
"	100,0000	101,800	-	101,800	
"	483,900	535,000	-	535,000	
"	181,000	201,100	-	201,100	
"	1,243,300	1,381,111	-	1,381,111	

(Concluded)

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship
The Corporation	Central Government Bonds 2015-1	Other financial assets - current	-	-
	Central Government Bonds 2015-3	"	-	-
	Central Government Bonds 2015-4	"	-	-
	Central Government Bonds 2015-5	"	-	-
	Central Government Bonds 2015-10	"	-	-
	Central Government Bonds 2015-12	"	-	-
	Central Government Bonds 2014-2	"	-	-
	Central Government Bonds 2014-4	"	-	-
	Central Government Bonds 2014-6	"	-	-
	Central Government Bonds 2014-9	"	-	-
	Central Government Bonds 2014-10	"	-	-
	Central Government Bonds 2014-13	"	-	-
	Central Government Bonds 2014-15	"	-	-
	Central Government Bonds 2013-2	"	-	-
	Central Government Bonds 2013-6	"	-	-
	Central Government Bonds 2013-8	"	-	-
	Central Government Bonds 2013-10	"	-	-
	Central Government Bonds 2013-11	"	-	-
	Central Government Bonds 2012-1	"	-	-
	Central Government Bonds 2012-2	"	-	-
	Central Government Bonds 2012-5	"	-	-
	Central Government Bonds 2012-6	"	-	-
	Central Government Bonds 2012-8	"	-	-
	Central Government Bonds 2012-9	"	-	-
	Central Government Bonds 2012 B2	"	-	-

Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
Face Value	Carrying Value	Face Value	Carrying Value	Face Value	Amount	Carrying Value	Gain (Loss) on Disposal		Face Value	Carrying Value
$ -	$ -	$ 6,697,000	$ 7,427,444	$ 6,507,000	$ 7,232,889	$ 7,227,444	$ 5,445	$ -	$ 190,000	$ 200,000
-	-	15,469,800	17,166,722	11,267,300	12,505,313	12,497,278	8,035	-	4,202,500	4,669,444
-	-	1,400,000	1,555,556	1,400,000	1,556,928	1,555,556	1,372	-	-	-
-	-	788,000	869,889	412,000	454,963	454,889	74	-	376,000	415,000
-	-	2,144,700	2,382,667	261,600	290,885	290,556	329	-	10,883,10	2,092,111
-	-	1,489,500	1,655,000	-	-	-	-	-	1,489,500	1,655,000
200,000	220,000	1,297,300	1,441,289	1,497,300	1,662,128	1,661,289	839	-	-	-
521,000	573,000	2,892,100	3,211,300	3,413,100	3,787,771	3,784,300	3,471	-	-	-
-	-	2,100,000	2,333,333	2,100,000	2,336,220	2,333,333	2,887	-	-	-
655,500	727,778	3,034,600	3,370,978	2,733,400	3,038,300	3,035,756	2,544	-	956,700	1,063,000
2,601,600	2,856,889	12,013,000	13,082,811	9,521,900	10,403,271	10,392,111	11,160	-	5,092,700	5,547,589
-	-	809,000	898,889	809,000	899,420	898,889	531	-	-	-
-	-	2,386,500	2,640,500	1,244,700	1,383,836	1,383,000	836	-	1,141,800	1,257,500
1,045,100	1,139,000	17,739,200	19,316,078	18,643,000	20,317,943	20,298,078	19,865	-	141,300	157,000
47,000	52,222	2,125,000	2,352,111	2,172,000	2,407,003	2,404,333	2,670	-	-	-
387,700	430,700	1,377,900	1,530,744	1,523,100	1,693,536	1,692,100	1,436	-	242,500	269,344
450,000	500,000	1,504,000	1,670,000	1,877,000	2,086,763	2,085,000	1,763	-	77,000	85,000
253,600	281,778	2,357,700	2,615,666	1,711,300	1,899,032	1,897,444	1,588	-	900,000	1,000,000
-	-	470,000	510,000	470,000	510,323	510,000	323	-	-	-
-	-	400,000	444,444	400,000	444,896	444,444	452	-	-	-
140,000	140,000	1,507,100	1,672,667	1,647,100	1,814,267	1,812,667	1,600	-	-	-
2,167,700	2,398,567	5,960,400	6,604,772	6,786,500	7,520,993	7,514,561	6,432	-	1,341,600	1,488,778
-	-	396,500	440,556	311,000	345,935	345,556	379	-	85,500	95,000
642,100	713,444	3,344,700	3,704,223	3,806,800	4,221,361	4,217,667	3,694	-	180,000	200,000
198,800	220,889	980,500	1,089,378	1,179,300	1,311,625	1,310,267	1,358	-	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship
The Corporation	Central Government Bonds 2011-1	Other financial assets - current	-	-
	Central Government Bonds 2011-5	"	-	-
	Central Government Bonds 2011-6	"	-	-
	Central Government Bonds 2011-9	"	-	-
	Central Government Bonds 2010-4	"	-	-
	Central Government Bonds 2010-5	"	-	-
	Central Government Bonds 2010-8	"	-	-
	Central Government Bonds 2009-3	"	-	-
	Central Government Bonds 2009-5	"	-	-
	Central Government Bonds 2009-6	"	-	-
	Central Government Bonds 2008-3	"	-	-
	Central Government Bonds 2008-5	"	-	-
	Central Government Bonds 2008-6	"	-	-
	Central Government Bonds 2007-3	"	-	-
	Central Government Bonds 2006-3	"	-	-
	Central Government Bonds 2006-6	"	-	-
	Central Government Bonds 2005-5	"	-	-
	Central Government Bonds 2005-7	"	-	-
	Central Government Bonds 2005-8	"	-	-
	Central Government Bonds 2003-3	"	-	-
	Central Government Bonds 2002-3	"	-	-
	Central Government Bonds 2002-7	"	-	-

Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
Face Value	Carrying Value	Face Value	Carrying Value	Face Value	Amount	Carrying Value	Gain (Loss) on Disposal		Face Value	Carrying Value
$ -	$ -	$ 2,475,600	$ 2,750,667	$ 2,475,600	$ 2,753,046	$ 2,750,667	$ 2,379	$ -	$ -	$ -
515,700	573,000	900,000	1,000,000	1,415,700	1,574,383	1,573,000	1,383	-	-	-
3,526,800	3,863,222	17,243,100	18,911,400	14,312,300	15,635,465	15,624,722	10,743	-	6,457,600	7,149,900
356,200	391,333	1,670,000	1,854,334	1,821,000	2,019,219	2,017,667	1,552	-	205,200	228,000
-	-	495,700	550,778	495,700	551,377	550,778	599	-	-	-
1,170,700	1,300,778	3,249,400	3,610,444	4,420,100	4,916,208	4,911,222	4,986	-	-	-
544,400	606,000	743,500	824,967	1,287,900	1,432,312	1,430,967	1,345	-	-	-
851,100	942,533	2,514,600	2,779,634	2,831,400	3,134,594	3,131,867	2,727	-	534,300	590,300
-	-	6,581,100	7,280,600	6,438,900	7,125,321	7,122,600	2,721	-	142,200	158,000
2,354,400	2,616,000	7,064,800	7,849,778	9,419,200	10,473,794	10,465,778	8,016	-	-	-
1,813,400	1,858,889	1,240,000	1,352,000	2,779,300	2,910,268	2,907,889	2,379	-	274,100	303,000
-	-	2,138,600	2,351,700	1,895,600	2,083,572	2,081,700	1,872	-	243,000	270,000
1,237,000	1,347,600	1,724,800	1,895,000	2,061,800	2,244,560	2,242,600	1,960	-	900,000	1,000,000
2,753,800	3,059,622	3,808,700	4,231,667	6,481,500	7,207,772	7,201,289	6,483	-	81,000	90,000
986,000	1,092,000	1,219,100	1,350,444	1,985,500	2,199,683	2,198,444	1,239	-	219,600	244,000
1,174,200	1,296,600	4,764,200	5,293,556	3,944,400	4,378,947	4,374,600	4,347	-	1,994,000	2,215,556
-	-	300,000	330,000	300,000	330,203	330,000	203	-	-	-
2,552,200	2,826,500	514,800	572,000	3,067,000	3,402,005	3,398,500	3,505	-	-	-
603,900	671,000	3,662,200	4,068,889	4,266,100	4,743,577	4,739,889	3,688	-	-	-
390,600	434,000	1,073,900	1,193,222	1,464,500	1,629,094	1,627,222	1,872	-	-	-
690,000	766,667	3,398,300	3,775,778	3,367,500	3,744,042	3,741,667	2,375	-	720,800	800,778
1,100,000	1,222,222	2,458,900	2,731,222	2,928,900	3,255,998	3,253,444	2,554	-	630,000	700,000

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship
	Central Government Bonds 2001-2	Other financial assets - current	-	-
	Central Government Bonds 2001-3	"	-	-
	Central Government Bonds 2001-4	"	-	-
	Central Government Bonds 2001-6	"	-	-
	Central Government Bonds 2001-7	"	-	-
	Central Government Bonds 2001-8	"	-	-
	Central Government Bonds 2001 B 1st	"	-	-
	Central Government Bonds 2000-9	"	-	-
	Central Government Bonds 2000-11	"	-	-
	Central Government Bonds 2000-13	"	-	-
	Central Government Bonds 2000 B 1st	"	-	-
	Central Government Bonds 1999-2	"	-	-
	Central Government Bonds 1999-3	"	-	-
	Central Government Bonds 1999 B 1st	"	-	-

Beginning Balance		Acquisition		Disposal				Gain (Loss) on Valuation	Ending Balance	
Face Value	Carrying Value	Face Value	Carrying Value	Face Value	Amount	Carrying Value	Gain (Loss) on Disposal		Face Value	Carrying Value
$ 1,000,000	$ 1,111,111	$ 4,746,800	$ 5,191,511	$ 5,184,500	$ 5,682,791	$ 5,677,844	$ 4,947	$ -	$ 562,300	$ 624,778
1,946,500	2,155,293	3,989,200	4,374,556	5,157,200	5,669,233	5,664,849	4,384	-	778,500	865,000
-	-	585,300	645,622	393,000	435,739	435,400	339	-	192,300	210,222
2,611,500	2,883,480	7,302,400	8,074,489	8,209,500	9,075,495	9,067,669	7,826	-	1,704,400	1,890,300
2,465,400	2,715,200	8,193,100	9,045,589	9,464,700	10,450,139	10,440,689	9,450	-	1,193,800	1,320,100
-	-	5,695,100	6,324,000	3,222,000	3,578,118	3,576,11	2,007	-	2,473,100	2,747,889
-	-	1,627,800	1,806,000	597,700	663,486	663,000	486	-	1,030,100	1,143,000
3,414,100	3,792,578	2,248,800	2,498,667	5,662,900	6,296,311	6,291,245	5,066	-	-	-
376,500	413,000	272,000	293,533	648,500	707,011	706,533	478	-	-	-
15,300	17,000	2,261,400	2,509,089	1,665,900	1,848,581	1,847,489	1,092	-	610,800	678,600
203,700	226,220	489,600	541,400	602,300	666,380	665,820	560	-	100,000	101,800
340,300	377,570	1,883,500	2,075,450	1,739,900	1,919,701	1,918,020	1,681	-	483,900	535,000
401,200	445,700	3,743,000	4,122,411	3,963,200	4,370,519	4,367,011	3,508	-	181,000	201,100
1,492,800	1,654,270	9,022,800	10,003,011	9,272,300	10,284,176	10,276,170	8,006	-	1,243,300	1,381,111

(Concluded)

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