

**TAIWAN INTERNATIONAL PORTS  
CORPORATION, LTD. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2016 and 2015 and  
Independent Auditor's Report**

### INDEPENDENT AUDITOR'S REPORT

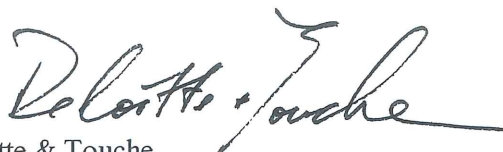
The Board of Directors  
Taiwan International Ports Corporation, Ltd.

We have audited the accompanying consolidated balance sheet of Taiwan International Ports Corporation, Ltd. (the Corporation) and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015, in conformity with the regulations governing the accounting matters of state-owned enterprises issued by the government, Business Entity Accounting Act, Regulation on Business Entity Accounting Handling with respect to financial accounting standards, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

As discussed in Notes 4 and 31 to the accompanying consolidated financial statements, the amounts in the Corporation's consolidated financial statements shall be audited by National Audit Office, Control Yuan (NAO). Therefore, some items in the consolidated financial statements for the year ended December 31, 2015 were restated to reflect adjustments requested by NAO based on their audits.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 21, 2017

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditor's report and the accompanying consolidated 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 independent auditor's report and consolidated financial statements shall prevail.*

# TAIWAN INTERNATIONAL PORTS CORPORATION, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015 (Notes 4 and 31)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 14,593,280	12	\$ 6,544,716	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	2,198,791	2
Available-for-sale financial assets - current (Notes 4 and 8)	12,708	-	-	-
Held-to-maturity financial assets - current (Notes 4 and 9)	950,677	1	555,069	1
Notes receivable (Notes 4 and 11)	46,453	-	24,494	-
Accounts receivable, net (Notes 4, 11 and 28)	964,692	1	547,676	-
Other receivables (Notes 4 and 11)	3,095,783	2	1,763,872	1
Current tax assets (Note 23)	-	-	631,387	1
Inventories (Note 4)	5,058	-	4,949	-
Prepayments (Note 13)	2,172,260	2	1,187,709	1
Other financial assets - current (Notes 4 and 15)	<u>14,435,090</u>	<u>12</u>	<u>26,624,289</u>	<u>22</u>
Total current assets	<u>36,276,001</u>	<u>30</u>	<u>40,082,952</u>	<u>33</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,576,896	1	2,682,636	2
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	-	-	136,865	-
Held-to-maturity financial assets - noncurrent (Notes 4 and 9)	14,275,540	12	12,404,373	10
Investments accounted for using equity method (Notes 4 and 14)	84,750	-	100,656	-
Debt investment with no active market-no-current (Notes 4 and 10)	200,000	-	-	-
Property, plant and equipment (Notes 4 and 16)	40,783,373	34	37,791,395	31
Investment properties (Notes 4 and 17)	27,847,334	23	27,229,265	23
Intangible assets (Note 4)	372,271	-	257,837	-
Deferred tax assets (Notes 4 and 23)	217,440	-	78,991	-
Refundable deposits	57,391	-	2,242	-
Long-term receivables (Notes 4 and 11)	212,383	-	360,682	1
Other noncurrent assets (Note 11)	<u>55,645</u>	<u>-</u>	<u>70,302</u>	<u>-</u>
Total noncurrent assets	<u>85,683,023</u>	<u>70</u>	<u>81,115,244</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 121,959,024</u>	<u>100</u>	<u>\$ 121,198,196</u>	<u>100</u>

LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015 (Notes 4 and 31)	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Notes payable and account payable	\$ 185,659	-	\$ 3,871	-
Other payables (Note 18)	11,124,219	9	11,901,875	10
Current tax liabilities (Note 23)	529,208	-	1,604,086	1
Receipts in advance (Note 18)	<u>738,811</u>	<u>1</u>	<u>2,288,505</u>	<u>2</u>
Total current liabilities	<u>12,577,897</u>	<u>10</u>	<u>15,798,337</u>	<u>13</u>
<b>NONCURRENT LIABILITIES</b>				
Net defined benefit liabilities (Notes 4, 5 and 19)	1,627,386	1	2,973,214	3
Deferred tax liabilities (Notes 4 and 23)	4,859	-	4,667	-
Deferred revenue - noncurrent (Note 4)	10,582,139	9	11,069,393	9
Guarantee deposits received (Note 28)	456,404	1	391,433	-
Other noncurrent liabilities	<u>2,599,966</u>	<u>2</u>	<u>2,236,932</u>	<u>2</u>
Total noncurrent liabilities	<u>15,270,754</u>	<u>13</u>	<u>16,675,639</u>	<u>14</u>
Total liabilities	<u>27,848,651</u>	<u>23</u>	<u>32,473,976</u>	<u>27</u>
<b>EQUITY (Note 20)</b>				
Ordinary share capital	<u>65,000,000</u>	<u>53</u>	<u>65,000,000</u>	<u>53</u>
Capital surplus	<u>19,266,262</u>	<u>16</u>	<u>19,266,262</u>	<u>16</u>
Retained earnings				
Legal reserve	2,069,978	2	2,069,978	2
Special reserve	2,394,470	2	2,394,470	2
Unappropriated earnings	<u>5,379,778</u>	<u>4</u>	<u>-</u>	<u>-</u>
Total retained earnings	<u>9,844,226</u>	<u>8</u>	<u>4,464,448</u>	<u>4</u>
Other equity	<u>(115)</u>	<u>-</u>	<u>(6,490)</u>	<u>-</u>
Total equity	<u>94,110,373</u>	<u>77</u>	<u>88,724,220</u>	<u>73</u>
<b>TOTAL</b>	<u>\$ 121,959,024</u>	<u>100</u>	<u>\$ 121,198,196</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 21, 2017)

**TAIWAN INTERNATIONAL PORTS CORPORATION, LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2016		2015 (Notes 4 and 30)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 21 and 28)	\$ 18,834,935	100	\$ 18,241,321	100
OPERATING COSTS (Note 22)	<u>8,794,566</u>	<u>47</u>	<u>8,261,040</u>	<u>45</u>
GROSS PROFIT	<u>10,040,369</u>	<u>53</u>	<u>9,980,281</u>	<u>55</u>
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	1,382,990	7	1,527,429	9
General and administrative expenses	1,244,558	7	1,487,132	8
Research and development expenses	<u>27,401</u>	<u>-</u>	<u>18,923</u>	<u>-</u>
Total operating expenses	<u>2,654,949</u>	<u>14</u>	<u>3,033,484</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>7,385,420</u>	<u>39</u>	<u>6,946,797</u>	<u>38</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	628,851	3	677,236	4
Other gains and losses (Note 22)	(1,044,492)	(5)	(857,068)	(5)
Share of the loss of associates (Note 14)	<u>(15,906)</u>	<u>-</u>	<u>(18,071)</u>	<u>-</u>
Total non-operating income and expenses	<u>(431,547)</u>	<u>(2)</u>	<u>(197,903)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	6,953,873	37	6,748,894	37
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,253,047</u>	<u>7</u>	<u>1,645,999</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>5,700,826</u>	<u>30</u>	<u>5,102,895</u>	<u>28</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 19)	(386,805)	(2)	(218,473)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	65,757	1	-	-

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**TAIWAN INTERNATIONAL PORTS CORPORATION, LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2016		2015 (Notes 4 and 30)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on available-for-sale financial assets (Note 20)	\$ 6,375	-	\$ (6,490)	-
Other comprehensive income for the year, net of income tax	(314,673)	(1)	(224,963)	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 5,386,153</u>	<u>29</u>	<u>\$ 4,877,932</u>	<u>27</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$ 0.88</u>		<u>\$ 0.79</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 21, 2017)

(Concluded)

# TAIWAN INTERNATIONAL PORTS CORPORATION, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Ordinary Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
			Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2015	\$ 65,000,000	\$ 19,266,262	\$ 1,581,536	\$ 2,135,073	\$ -	\$ -	\$ 87,982,871
Net profit for the year ended December 31, 2015	-	-	-	-	5,102,895	-	5,102,895
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	(218,473)	(6,490)	(224,963)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	4,884,422	(6,490)	4,877,932
Appropriation of earnings (Note 20)							
Legal reserve	-	-	488,442	-	(488,442)	-	-
Special reserve	-	-	-	259,397	(259,397)	-	-
Appropriation to central government	-	-	-	-	(2,026,513)	-	(2,026,513)
Appropriation to local government	-	-	-	-	(791,276)	-	(791,276)
Appropriation to Port Construction Fund	-	-	-	-	(1,318,794)	-	(1,318,794)
	-	-	488,442	259,397	(4,884,422)	-	(4,136,583)
BALANCE AT DECEMBER 31, 2015 (Notes 4 and 31)	65,000,000	19,266,262	2,069,978	2,394,470	-	(6,490)	88,724,220
Net profit for the year ended December 31, 2016	-	-	-	-	5,700,826	-	5,700,826
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(321,048)	6,375	(314,673)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	5,379,778	6,375	5,386,153
BALANCE AT DECEMBER 31, 2016	\$ 65,000,000	\$ 19,266,262	\$ 2,069,978	\$ 2,394,470	\$ 5,379,778	\$ (115)	\$ 94,110,373

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 21, 2017)

**TAIWAN INTERNATIONAL PORTS CORPORATION, LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 6,953,873	\$ 6,748,894
Adjustments for:		
Depreciation expense	3,247,047	3,128,032
Amortization expense	36,007	26,775
Impairment loss on doubtful accounts (reversal of impairment loss)	(18,298)	38,160
Loss on financial assets at fair value through profit or loss	1,103,285	2,244,909
Interest income	(627,752)	(675,030)
Dividend income	(449)	(2,206)
Share of the loss of associates	15,906	18,071
Net loss (gain) on disposal of property, plant and equipment	134,820	(42,685)
Loss on disposal of investment properties	11,363	45,075
Net loss on disposal of investment	12,949	-
Transfer of deferred revenue to rental revenue	(1,233,814)	(1,245,218)
Others	213,002	59,650
Changes in operating assets and liabilities		
Notes receivable	(21,959)	1,296
Accounts receivable	(104,299)	4,985
Other receivables	(1,749,704)	799,977
Inventories	(109)	(450)
Prepayments	792,809	(903,627)
Other current assets	2,806	(2,641)
Notes payable and accounts payable	181,788	(53,573)
Other payables	(1,295,160)	423,984
Receipts in advance	(1,251,796)	(797,156)
Net defined benefit liabilities	(1,732,633)	(1,737,179)
Cash generated from operations	4,669,682	8,080,043
Income taxes paid	(1,769,038)	(1,136,600)
Net cash generated from operating activities	<u>2,900,644</u>	<u>6,943,443</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	-	(3,070,000)
Proceeds from disposal of financial assets at fair value through profit or loss	2,201,246	3,661,289
Acquisition of available-for-sale financial assets	(18,729)	(143,355)
Proceeds from disposal of available-for-sale financial assets	136,528	-
Acquisition of debt investments with no active market	(200,000)	-
Acquisition of held-to-maturity financial assets	(2,541,539)	(6,227,248)
Proceeds from disposal of held-to-maturity financial assets	250,925	200,000
Decrease in other financial assets	12,189,199	6,703,651
Acquisition of property, plant and equipment	(4,834,732)	(4,488,043)
Proceeds from disposal of property, plant and equipment	72,875	167,743

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# TAIWAN INTERNATIONAL PORTS CORPORATION, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	2015
Acquisition of investment properties	\$ (493,147)	\$ (150,553)
Proceeds from disposal of investment properties	311	175
Acquisition of intangible assets	(145,486)	(134,225)
Increase in refundable deposits	(55,149)	(1,786)
Decrease (increase) in other noncurrent assets	(2,227)	397,082
Decrease in long-term receivables	186,663	110,949
Dividends received	449	2,206
Interest received	<u>584,840</u>	<u>643,983</u>
Net cash generated from (used in) investing activities	<u>7,332,027</u>	<u>(2,328,132)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	64,971	3,083
Decrease in other noncurrent liabilities	(471,718)	(289,863)
Dividends paid	<u>(1,777,360)</u>	<u>(4,918,056)</u>
Net cash used in financing activities	<u>(2,184,107)</u>	<u>(5,204,836)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,048,564	(589,525)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,544,716</u>	<u>7,134,241</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,593,280</u>	<u>\$ 6,544,716</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 21, 2017)

(Concluded)