

**TAIWAN INTERNATIONAL PORTS
CORPORATION, LTD.**

**Standalone 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 standalone balance sheet of Taiwan International Ports Corporation, Ltd. (the Corporation) as of December 31, 2016 and 2015, and the related standalone 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 standalone financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the standalone financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall standalone financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the standalone financial statements referred to in the first paragraph present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2016 and 2015, and its standalone financial performance and its standalone 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 30 to the accompanying standalone financial statements, the amounts in the Corporation's financial statements shall be audited by National Audit Office, the Control Yuan (NAO). Therefore, some items in the standalone 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 standalone financial statements are intended only to present the standalone 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 standalone financial statements are those generally applied in the Republic of China.

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

Taiwan International Ports Corporation, Ltd.

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015 (Notes 4 and 30)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 13,745,946	11	\$ 5,418,937	4
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	-
Notes receivable (Notes 4, 11 and 27)	46,477	-	24,494	-
Accounts receivable, net (Notes 4, 11 and 27)	980,742	1	547,676	-
Other receivables (Notes 4 and 11)	3,080,293	3	2,026,038	2
Other receivables - related parties (Notes 4, 11 and 27)	75,489	-	60,853	-
Inventories (Note 4)	5,058	-	4,949	-
Current tax assets (Note 22)	-	-	623,238	1
Prepayments (Note 12)	2,127,207	2	1,143,660	1
Other financial assets - current (Notes 4 and 14)	<u>13,795,290</u>	<u>11</u>	<u>26,564,489</u>	<u>22</u>
Total current assets	<u>34,819,887</u>	<u>29</u>	<u>39,168,194</u>	<u>32</u>
NONCURRENT ASSETS				
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 13)	2,488,940	2	2,135,802	2
Debt investment with no active market - noncurrent (Notes 4 and 10)	200,000	-	-	-
Property, plant and equipment (Notes 4 and 15)	39,800,226	33	36,687,185	30
Investment properties (Notes 4 and 16)	27,847,334	23	27,229,265	23
Intangible assets (Note 4)	371,054	-	256,451	-
Deferred tax assets (Notes 4 and 22)	217,440	-	78,991	-
Refundable deposits	57,389	-	2,240	-
Long-term receivables (Notes 4 and 11)	212,383	-	360,682	1
Other noncurrent assets (Note 11)	<u>54,904</u>	<u>-</u>	<u>67,496</u>	<u>-</u>
Total noncurrent assets	<u>87,102,106</u>	<u>71</u>	<u>82,041,986</u>	<u>68</u>
TOTAL	<u>\$ 121,921,993</u>	<u>100</u>	<u>\$ 121,210,180</u>	<u>100</u>

LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015 (Notes 4 and 30)	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Notes payable and accounts payable (Note 27)	\$ 187,080	-	\$ 3,871	-
Other payables (Note 17)	10,969,105	9	11,822,491	10
Other payables - related parties (Notes 17 and 27)	162,371	-	153,674	-
Current tax liabilities (Notes 4 and 22)	486,433	-	1,544,394	1
Receipts in advance (Note 17)	<u>738,811</u>	<u>1</u>	<u>2,288,505</u>	<u>2</u>
Total current liabilities	<u>12,543,800</u>	<u>10</u>	<u>15,812,935</u>	<u>13</u>
NONCURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4, 5 and 18)	1,627,386	1	2,973,214	3
Deferred tax liabilities (Notes 4 and 22)	4,859	-	4,667	-
Deferred revenue - noncurrent (Note 4)	10,582,139	9	11,069,393	9
Guarantee deposits received (Note 27)	454,650	1	390,262	-
Other noncurrent liabilities	<u>2,598,786</u>	<u>2</u>	<u>2,235,489</u>	<u>2</u>
Total noncurrent liabilities	<u>15,267,820</u>	<u>13</u>	<u>16,673,025</u>	<u>14</u>
Total liabilities	<u>27,811,620</u>	<u>23</u>	<u>32,485,960</u>	<u>27</u>
EQUITY (Note 19)				
Ordinary share capital	65,000,000	53	65,000,000	53
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>
TOTAL	<u>\$ 121,921,993</u>	<u>100</u>	<u>\$ 121,210,180</u>	<u>100</u>

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

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

Taiwan International Ports Corporation, Ltd.

STANDALONE 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, 20 and 27)	\$ 17,833,713	100	\$ 17,401,766	100
OPERATING COSTS (Notes 21 and 27)	<u>8,262,158</u>	<u>46</u>	<u>7,795,154</u>	<u>45</u>
GROSS PROFIT	<u>9,571,555</u>	<u>54</u>	<u>9,606,612</u>	<u>55</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	1,382,360	8	1,528,770	9
General and administrative expenses	1,212,931	7	1,465,056	8
Research and development expenses	<u>27,401</u>	<u>-</u>	<u>18,922</u>	<u>-</u>
Total operating expenses	<u>2,622,692</u>	<u>15</u>	<u>3,012,748</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>6,948,863</u>	<u>39</u>	<u>6,593,864</u>	<u>38</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 21)	621,858	4	674,440	4
Other gains and losses (Note 21)	(1,044,786)	(6)	(857,688)	(5)
Share of the profit of subsidiaries and associates	<u>353,139</u>	<u>2</u>	<u>278,587</u>	<u>1</u>
Total non-operating income and expenses	<u>(69,789)</u>	<u>-</u>	<u>95,339</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	6,879,074	39	6,689,203	38
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,178,248</u>	<u>7</u>	<u>1,586,308</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>5,700,826</u>	<u>32</u>	<u>5,102,895</u>	<u>29</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 18)	(386,805)	(2)	(218,473)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	65,757	-	-	-

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Taiwan International Ports Corporation, Ltd.

STANDALONE 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 19)	\$ 6,375	-	\$ (6,490)	-
Other comprehensive income (loss) for the year, net of income tax	(314,673)	(2)	(224,963)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 5,386,153	30	\$ 4,877,932	28
EARNINGS PER SHARE (Note 23)				
Basic	\$ 0.88		\$ 0.79	

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

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

(Concluded)

Taiwan International Ports Corporation, Ltd.

STANDALONE 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	<u>\$ 65,000,000</u>	<u>\$ 19,266,262</u>	<u>\$ 1,581,536</u>	<u>\$ 2,135,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,982,871</u>
Net profit for the year ended December 31, 2015	-	-	-	-	5,102,895	-	5,102,895
Other comprehensive income (loss) for the year ended December 31, 2015, net of 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 19)							
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 30)	<u>65,000,000</u>	<u>19,266,262</u>	<u>2,069,978</u>	<u>2,394,470</u>	<u>-</u>	<u>(6,490)</u>	<u>88,724,220</u>
Net profit for the year ended December 31, 2016	-	-	-	-	5,700,826	-	5,700,826
Other comprehensive income (loss) for the year ended December 31, 2016, net of 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	<u>\$ 65,000,000</u>	<u>\$ 19,266,262</u>	<u>\$ 2,069,978</u>	<u>\$ 2,394,470</u>	<u>\$ 5,379,778</u>	<u>\$ (115)</u>	<u>\$ 94,110,373</u>

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

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

Taiwan International Ports Corporation, Ltd.

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

	For the Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 6,879,074	\$ 6,689,203
Adjustments for:		
Depreciation expense	3,075,778	2,956,970
Amortization expense	35,730	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	(621,409)	(672,234)
Dividend income	(449)	(2,206)
Share of the profit of subsidiaries and associates	(353,139)	(278,587)
Net loss (gain) on disposal of property, plant and equipment	134,820	(42,684)
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	213,001	59,650
Changes in operating assets and liabilities		
Notes receivable	(21,983)	1,296
Accounts receivable	(120,350)	4,763
Other receivables (including related parties)	(1,749,191)	675,618
Inventories	(109)	(450)
Prepayments	793,813	(1,223,862)
Other current assets	-	165
Notes payable and accounts payable	183,209	(53,573)
Other payables (including related parties)	(1,362,193)	662,999
Receipts in advance	(1,251,795)	(803,687)
Net defined benefit liabilities	(1,732,633)	(1,737,179)
Cash generated from operations	3,977,659	7,345,903
Income taxes paid	(1,685,471)	(1,112,725)
Net cash generated from operating activities	2,292,188	6,233,178
CASH FLOWS FROM INVESTING ACTIVITIES		
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	12,769,199	6,743,651
Acquisition of investments accounted for using equity method	-	(341,222)
Acquisition of property, plant and equipment	(4,784,526)	(4,484,781)
Proceeds from disposal of property, plant and equipment	72,875	167,743

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Taiwan International Ports Corporation, Ltd.

STANDALONE 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	(145,377)	(132,840)
Increase in refundable deposits	(55,149)	(1,784)
Decrease (increase) in other noncurrent liabilities	(1,486)	405,940
Decrease in long-term receivables	186,664	110,949
Dividends received from subsidiaries	262,291	62,391
Other dividends received	449	2,206
Interest received	<u>578,713</u>	<u>641,279</u>
Net cash generated from (used in) investing activities	<u>8,219,248</u>	<u>(2,556,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	64,388	1,912
Decrease in other noncurrent liabilities	(471,455)	(284,775)
Dividends paid	<u>(1,777,360)</u>	<u>(4,918,056)</u>
Net cash used in financing activities	<u>(2,184,427)</u>	<u>(5,200,919)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,327,009	(1,523,901)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,418,937</u>	<u>6,942,838</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,745,946</u>	<u>\$ 5,418,937</u>

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

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

(Concluded)