

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2017 and 2016 and  
Independent Auditor's Report**

### INDEPENDENT AUDITOR'S REPORT


Taiwan International Ports Corporation, Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan International Ports Corporation, Ltd. (the Corporation) and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016. 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016, 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 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, 2016 were restated to reflect adjustments requested by NAO based on their audits.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2018

#### 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, 2017		December 31, 2016 (Notes 4 and 30)		LIABILITIES AND EQUITY	December 31, 2017		December 31, 2016 (Notes 4 and 30)	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 12,472,904	10	\$ 14,593,280	12	Notes payable and accounts payable	\$ 34,105	-	\$ 185,659	-
Available-for-sale financial assets - current (Notes 4 and 8)	10,229	-	12,708	-	Other payables (Note 18)	11,393,537	9	13,440,625	11
Held-to-maturity financial assets - current (Notes 4 and 9)	1,503,551	1	950,677	1	Current tax liabilities (Note 23)	516,122	-	532,267	-
Notes receivable (Notes 4 and 11)	15,630	-	46,853	-	Receipts in advance (Note 18)	<u>971,225</u>	<u>1</u>	<u>738,811</u>	<u>1</u>
Accounts receivable, net (Notes 4, 11 and 28)	343,705	1	969,833	1					
Other receivables (Notes 4 and 11)	6,017,699	5	3,076,512	3	Total current liabilities	<u>12,914,989</u>	<u>10</u>	<u>14,897,362</u>	<u>12</u>
Inventories(Note 4)	3,133	-	5,058	-					
Prepayments (Note 13)	2,288,273	2	394,900	-	NONCURRENT LIABILITIES				
Other financial assets - current (Notes 4 and 15)	9,990,590	8	14,435,090	12	Net defined benefit liabilities (Notes 4, 5 and 19)	369,173	-	1,627,386	1
Other current assets	<u>84,919</u>	<u>-</u>	<u>304</u>	<u>-</u>	Deferred tax liabilities (Notes 4 and 23)	33	-	4,859	-
					Deferred revenue - noncurrent (Note 4)	9,981,464	8	10,582,139	9
Total current assets	<u>32,730,633</u>	<u>27</u>	<u>34,485,215</u>	<u>29</u>	Guarantee deposits received	891,678	1	456,404	1
					Other noncurrent liabilities	<u>2,974,101</u>	<u>3</u>	<u>2,600,366</u>	<u>2</u>
NONCURRENT ASSETS									
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,956,532	2	1,576,896	2	Total noncurrent liabilities	<u>14,216,449</u>	<u>12</u>	<u>15,271,154</u>	<u>13</u>
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	1,393,620	1	-	-					
Held-to-maturity financial assets - noncurrent (Notes 4 and 9)	13,920,114	11	14,275,540	12	Total liabilities	<u>27,131,438</u>	<u>22</u>	<u>30,168,516</u>	<u>25</u>
Investments accounted for using equity method (Notes 4 and 14)	74,498	-	84,750	-					
Debt investment with no active market - noncurrent (Notes 4 and 10)	400,000	1	200,000	-	EQUITY (Note 20)				
Property, plant and equipment (Notes 4 and 16)	44,457,200	36	40,781,924	34	Ordinary share capital	<u>65,000,000</u>	<u>53</u>	<u>65,000,000</u>	<u>54</u>
Investment properties (Notes 4 and 17)	27,207,533	22	27,847,334	23	Capital surplus	<u>19,266,262</u>	<u>16</u>	<u>19,266,262</u>	<u>16</u>
Intangible assets (Note 4)	385,289	-	372,271	-	Retained earnings				
Deferred tax assets (Notes 4 and 23)	268,208	-	217,440	-	Legal reserve	2,609,415	2	2,609,415	2
Refundable deposits	534	-	57,391	-	Special reserve	3,122,711	2	3,122,711	3
Long-term receivables (Notes 4 and 11)	75,349	-	212,383	-	Unappropriated earnings	<u>6,099,242</u>	<u>5</u>	<u>-</u>	<u>-</u>
Other noncurrent assets	<u>349,107</u>	<u>-</u>	<u>55,645</u>	<u>-</u>	Total retained earnings	<u>11,831,368</u>	<u>9</u>	<u>5,732,126</u>	<u>5</u>
					Other equity	<u>(60,766)</u>	<u>-</u>	<u>(115)</u>	<u>-</u>
Total noncurrent assets	<u>90,487,984</u>	<u>73</u>	<u>85,681,574</u>	<u>71</u>					
					Total equity attributable to owner of the Corporation	96,036,864	78	89,998,273	75
					NON-CONTROLLING INTERESTS	<u>50,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
					Total equity	<u>96,087,179</u>	<u>78</u>	<u>89,998,273</u>	<u>75</u>
TOTAL	<u>\$ 123,218,617</u>	<u>100</u>	<u>\$ 120,166,789</u>	<u>100</u>	TOTAL	<u>\$ 123,218,617</u>	<u>100</u>	<u>\$ 120,166,789</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 13, 2018)

# 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			
	2017		2016 (Notes 4 and 30)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 21 and 28)	\$ 18,657,144	100	\$ 18,840,076	100
OPERATING COSTS (Note 22)	<u>9,126,439</u>	<u>49</u>	<u>8,794,860</u>	<u>47</u>
GROSS PROFIT	<u>9,530,705</u>	<u>51</u>	<u>10,045,216</u>	<u>53</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	1,446,282	8	1,382,990	7
General and administrative expenses	1,151,479	6	1,244,565	7
Research and development expenses	<u>24,100</u>	<u>-</u>	<u>27,401</u>	<u>-</u>
Total operating expenses	<u>2,621,861</u>	<u>14</u>	<u>2,654,956</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>6,908,844</u>	<u>37</u>	<u>7,390,260</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	635,375	3	628,851	3
Other gains and losses (Note 22)	158,469	1	(1,031,675)	(5)
Share of the loss of associates (Note 14)	<u>(10,252)</u>	<u>-</u>	<u>(15,906)</u>	<u>-</u>
Total non-operating income and expenses	<u>783,592</u>	<u>4</u>	<u>(418,730)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	7,692,436	41	6,971,530	37
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,245,992</u>	<u>7</u>	<u>1,256,106</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>6,446,444</u>	<u>34</u>	<u>5,715,424</u>	<u>31</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 19)	(416,731)	(2)	(386,805)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	70,844	-	65,757	-
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on available-for-sale financial assets (Note 20)	(60,618)	-	6,375	-

(Continued)

# 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			
	2017		2016 (Notes 4 and 30)	
	Amount	%	Amount	%
Income tax expense relating to items that may be reclassified subsequently to profit or loss (Note 23)	\$ (33)	-	\$ -	-
Other comprehensive loss for the year, net of income tax	(406,538)	(2)	(314,673)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,039,906</u>	<u>32</u>	<u>\$ 5,400,751</u>	<u>29</u>
NET PROFIT ATTRIBUTABLE TO				
Owners of the Corporation	\$ 6,445,129		\$ 5,715,424	
Non-controlling interests	<u>1,315</u>		<u>-</u>	
	<u>\$ 6,446,444</u>		<u>\$ 5,715,424</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the Corporation	\$ 6,038,591		\$ 5,400,751	
Non-controlling interests	<u>1,315</u>		<u>-</u>	
	<u>\$ 6,039,906</u>		<u>\$ 5,400,751</u>	
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 0.99</u>		<u>\$ 0.88</u>	

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

(With Deloitte & Touche audit report dated March 13, 2018)

(Concluded)

# TAIWAN INTERNATIONAL PORTS CORPORATION, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation					Unrealized Gain (Loss) on Available-for- -sale Financial Assets	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
	Ordinary Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings				
			Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2016	\$ 65,000,000	\$ 19,266,262	\$ 2,069,978	\$ 2,394,470	\$ -	\$ (6,490)	\$ 88,724,220	\$ -	\$ 88,724,220
Net profit for the year ended December 31, 2016	-	-	-	-	5,715,424	-	5,715,424	-	5,715,424
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	(321,048)	6,375	(314,673)	-	(314,673)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	5,394,376	6,375	5,400,751	-	5,400,751
Appropriation of earnings (Note 20)									
Legal reserve	-	-	539,437	-	(539,437)	-	-	-	-
Special reserve	-	-	-	728,241	(728,241)	-	-	-	-
Appropriation to central government	-	-	-	-	(1,796,327)	-	(1,796,327)	-	(1,796,327)
Appropriation to local government	-	-	-	-	(873,889)	-	(873,889)	-	(873,889)
Appropriation to Port Construction Fund	-	-	-	-	(1,456,482)	-	(1,456,482)	-	(1,456,482)
	-	-	539,437	728,241	(5,394,376)	-	(4,126,698)	-	(4,126,698)
BALANCE AT DECEMBER 31, 2016 (Notes 4 and 30)	65,000,000	19,266,262	2,609,415	3,122,711	-	(115)	89,998,273	-	89,998,273
Net profit for the year ended December 31, 2017	-	-	-	-	6,445,129	-	6,445,129	1,315	6,446,444
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(345,887)	(60,651)	(406,538)	-	(406,538)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	6,099,242	(60,651)	6,038,591	1,315	6,039,906
Increase in non-controlling interests	-	-	-	-	-	-	-	49,000	49,000
BALANCE AT DECEMBER 31, 2017	\$ 65,000,000	\$ 19,266,262	\$ 2,609,415	\$ 3,122,711	\$ 6,099,242	\$ (60,766)	\$ 96,036,864	\$ 50,315	\$ 96,087,179

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

(With Deloitte & Touche audit report dated March 13, 2018)

# 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>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 7,692,436	\$ 6,971,530
Adjustments for:		
Depreciation	3,112,159	3,248,496
Amortization	30,290	36,007
Impairment loss on doubtful accounts (reversal of impairment loss)	33,956	(18,298)
Loss (gain) on financial assets at fair value through profit or loss	(379,636)	1,103,285
Interest income	(635,375)	(627,752)
Dividend income	-	(449)
Share of the loss of associates	10,252	15,906
Net loss on disposal of property, plant and equipment	131,793	134,820
Loss on disposal of investment properties	5,000	11,363
Loss on disposal of investment	828	12,949
Transfer of deferred revenue to rental revenue	(944,927)	(1,233,814)
Others	97,275	30,668
Changes in operating assets and liabilities		
Notes receivable	31,223	(22,359)
Accounts receivable	634,957	(109,440)
Other receivables	(1,020,838)	(1,850,342)
Inventories	1,925	(109)
Prepayments	14,995	802,609
Other current assets	-	2,806
Notes payable and accounts payable	(151,554)	181,788
Other payables	(237,056)	800,946
Receipts in advance	232,414	(1,251,796)
Net defined benefit liabilities	(1,674,944)	(1,732,633)
Cash generated from operations	6,985,173	6,506,181
Income taxes paid	(1,246,920)	(1,769,038)
Net cash generated from operating activities	<u>5,738,253</u>	<u>4,737,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	2,201,246
Increase in prepayments for long-term investment	(39,200)	(9,800)
Acquisition of available-for-sale financial assets	(1,458,904)	(18,729)
Proceeds from disposal of available-for-sale financial assets	5,117	136,528
Acquisition of debt investments with no active market	(200,000)	(200,000)
Acquisition of held-to-maturity financial assets	(1,191,815)	(2,541,539)
Proceeds from disposal of held-to-maturity financial assets	950,000	250,925
Decrease in other financial assets	4,431,252	12,189,199
Acquisition of property, plant and equipment	(5,205,504)	(4,652,400)
Proceeds from disposal of property, plant and equipment	29,369	72,875
		(Continued)

# 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>2017</b>	<b>2016</b>
Acquisition of investment properties	\$ (306,293)	\$ (493,147)
Proceeds from disposal of investment properties	-	311
Increase in other receivables	(1,999,673)	-
Acquisition of intangible assets	(45,274)	(145,484)
Decrease (increase) in refundable deposits	56,857	(55,149)
Increase in other noncurrent assets	(298,498)	(2,227)
Decrease in long-term receivables	110,727	186,663
Dividends received	-	449
Interest received	<u>613,524</u>	<u>584,840</u>
Net cash generated from (used in) investing activities	<u>(4,548,315)</u>	<u>7,504,561</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in guarantee deposits received	435,274	64,971
Increase (decrease) in other noncurrent liabilities	355,279	(471,319)
Dividends paid	(4,149,867)	(3,786,792)
Increase in non-controlling interests	<u>49,000</u>	<u>-</u>
Net cash used in financing activities	<u>(3,310,314)</u>	<u>(4,193,140)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,120,376)</b>	<b>8,048,564</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>14,593,280</u></b>	<b><u>6,544,716</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 12,472,904</u></b>	<b><u>\$ 14,593,280</u></b>

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

(With Deloitte & Touche audit report dated March 13, 2018)

(Concluded)