

**TAIWAN INTERNATIONAL PORTS
CORPORATION, LTD.**

**Standalone 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 standalone balance sheets of Taiwan International Ports Corporation, Ltd. (the Corporation) as of December 31, 2017 and 2016, and the related standalone 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 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, 2017 and 2016, and its standalone financial performance and its standalone 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 of the Republic of China.

As discussed in Notes 4 and 29 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, 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 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, 2017		December 31, 2016 (Notes 4 and 29)		LIABILITIES AND EQUITY	December 31, 2017		December 31, 2016 (Notes 4 and 29)	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,635,265	10	\$ 13,745,946	11	Notes payable and accounts payable (Note 27)	\$ 32,342	-	\$ 187,080	-
Available - for - sale financial assets - current (Notes 4 and 8)	10,229	-	12,708	-	Other payables (Note 17)	11,175,836	9	13,285,511	11
Held-to-maturity financial assets - current (Notes 4 and 9)	1,503,551	1	950,677	1	Other payables - related parties (Notes 17 and 27)	156,892	-	162,371	-
Notes receivable (Notes 4, 11 and 27)	15,630	-	46,877	-	Current tax liabilities (Notes 4 and 22)	477,382	-	489,492	-
Accounts receivable, net (Notes 4, 11 and 27)	337,867	-	985,883	1	Receipts in advance (Note 17)	<u>970,545</u>	<u>1</u>	<u>738,811</u>	<u>1</u>
Other receivables (Notes 4 and 11)	6,017,294	5	3,061,022	3					
Other receivables - related parties (Notes 4, 11 and 27)	127,419	-	353,705	-	Total current liabilities	<u>12,812,997</u>	<u>10</u>	<u>14,863,265</u>	<u>12</u>
Inventories (Note 4)	3,133	-	5,058	-					
Prepayments (Note 12)	2,238,299	2	349,847	-	NONCURRENT LIABILITIES				
Other financial assets - current (Notes 4 and 14)	9,170,790	7	13,795,290	12	Net defined benefit liabilities (Notes 4, 5 and 18)	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 22)	33	-	4,859	-
					Deferred revenue - noncurrent (Note 4)	9,981,464	8	10,582,139	9
Total current assets	<u>31,144,396</u>	<u>25</u>	<u>33,307,317</u>	<u>28</u>	Guarantee deposits received	879,198	1	454,650	1
					Other noncurrent liabilities	<u>2,974,095</u>	<u>3</u>	<u>2,599,186</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>14,203,963</u>	<u>12</u>	<u>15,268,220</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	12	14,275,540	12	Total liabilities	<u>27,016,960</u>	<u>22</u>	<u>30,131,485</u>	<u>25</u>
Investments accounted for using equity method (Notes 4 and 13)	2,623,690	2	2,210,724	2					
Debt investment with no active market - noncurrent (Notes 4 and 10)	400,000	1	200,000	-	EQUITY (Note 19)				
Property, plant and equipment (Notes 4 and 15)	43,332,199	35	39,798,777	33	Ordinary share capital	<u>65,000,000</u>	<u>53</u>	<u>65,000,000</u>	<u>54</u>
Investment properties (Notes 4 and 16)	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)	382,545	-	371,054	-	Retained earnings				
Deferred tax assets (Notes 4 and 22)	268,208	-	217,440	-	Legal reserve	2,609,415	2	2,609,415	2
Refundable deposits	531	-	57,389	-	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>54,904</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>91,909,428</u>	<u>75</u>	<u>86,822,441</u>	<u>72</u>					
					Total equity	<u>96,036,864</u>	<u>78</u>	<u>89,998,273</u>	<u>75</u>
TOTAL	<u>\$ 123,053,824</u>	<u>100</u>	<u>\$ 120,129,758</u>	<u>100</u>	TOTAL	<u>\$ 123,053,824</u>	<u>100</u>	<u>\$ 120,129,758</u>	<u>100</u>

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

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

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			
	2017		2016 (Notes 4 and 29)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 20 and 27)	\$ 17,549,460	100	\$ 17,838,854	100
OPERATING COSTS (Notes 21 and 27)	<u>8,518,190</u>	<u>48</u>	<u>8,262,452</u>	<u>46</u>
GROSS PROFIT	<u>9,031,270</u>	<u>52</u>	<u>9,576,402</u>	<u>54</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	1,435,502	8	1,382,359	8
General and administrative expenses	1,106,398	7	1,212,939	7
Research and development expenses	<u>24,100</u>	<u>-</u>	<u>27,401</u>	<u>-</u>
Total operating expenses	<u>2,566,000</u>	<u>15</u>	<u>2,622,699</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>6,465,270</u>	<u>37</u>	<u>6,953,703</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 21)	625,938	4	621,858	4
Other gains and losses (Note 21)	162,024	1	(1,031,969)	(6)
Share of the profit of subsidiaries and associates	<u>361,966</u>	<u>2</u>	<u>353,139</u>	<u>2</u>
Total non-operating income and expenses	<u>1,149,928</u>	<u>7</u>	<u>(56,972)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	7,615,198	44	6,896,731	39
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,170,069</u>	<u>7</u>	<u>1,181,307</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>6,445,129</u>	<u>37</u>	<u>5,715,424</u>	<u>32</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 18)	(416,731)	(2)	(386,805)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	70,844	-	65,757	-
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on available-for-sale financial assets (Note 19)	(60,618)	(1)	6,375	-

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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			
	2017		2016 (Notes 4 and 29)	
	Amount	%	Amount	%
Income tax expense relating to items that may be reclassified subsequently to profit or loss (Note 22)	\$ (33)	-	\$ -	-
Other comprehensive loss for the year, net of income tax	(406,538)	(3)	\$ (314,673)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,038,591</u>	<u>34</u>	<u>\$ 5,400,751</u>	<u>30</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.99</u>		<u>\$ 0.88</u>	

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

(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, 2016	\$ 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	-	-	-	-	5,715,424	-	5,715,424
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	(321,048)	6,375	(314,673)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	5,394,376	6,375	5,400,751
Appropriation of earnings (Note 19)							
Legal reserve	-	-	539,437	-	(539,437)	-	-
Special reserve	-	-	-	728,241	(728,241)	-	-
Appropriation to central government	-	-	-	-	(1,796,327)	-	(1,796,327)
Appropriation to local government	-	-	-	-	(873,889)	-	(873,889)
Appropriation to Port Construction Fund	-	-	-	-	(1,456,482)	-	(1,456,482)
	-	-	539,437	728,241	(5,394,376)	-	(4,126,698)
BALANCE AT DECEMBER 31, 2016 (Notes 4 and 29)	65,000,000	19,266,262	2,609,415	3,122,711	-	(115)	89,998,273
Net profit for the year ended December 31, 2017	-	-	-	-	6,445,129	-	6,445,129
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(345,887)	(60,651)	(406,538)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	6,099,242	(60,651)	6,038,591
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

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

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

TAIWAN INTERNATIONAL PORTS CORPORATION, LTD.

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

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 7,615,198	\$ 6,896,731
Adjustments for:		
Depreciation	2,949,373	3,077,228
Amortization	29,971	35,730
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	(625,938)	(621,409)
Dividend income	-	(449)
Share of the profit of subsidiaries and associates	(361,966)	(353,139)
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	31,247	(22,383)
Accounts receivable	656,935	(125,490)
Other receivables (including related parties)	(1,087,910)	(1,849,829)
Inventories	1,925	(109)
Prepayments	19,916	803,613
Notes payable and accounts payable (including related parties)	(154,738)	183,209
Other payables (including related parties)	(302,097)	733,912
Receipts in advance	231,734	(1,251,795)
Net defined benefit liabilities	(1,674,944)	(1,732,633)
Cash generated from operations	6,272,995	5,814,160
Income taxes paid	(1,166,962)	(1,685,471)
Net cash generated from operating activities	<u>5,106,033</u>	<u>4,128,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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	4,611,252	12,769,199
Acquisition of investments accounted for using equity method	(51,000)	-
Acquisition of property, plant and equipment	(4,903,889)	(4,602,194)
Proceeds from disposal of property, plant and equipment	29,369	72,875
Acquisition of investment properties	(306,293)	(493,147)

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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	
	2017	2016
Proceeds from disposal of investment properties	\$ -	\$ 311
Increase in other receivables	(1,999,673)	-
Acquisition of intangible assets	(43,427)	(145,377)
Decrease (increase) in refundable deposits	56,858	(55,149)
Increase in other noncurrent assets	(299,239)	(1,486)
Decrease in long-term receivables	110,727	186,663
Dividends received from subsidiaries	278,217	262,291
Other dividends received	-	449
Interest received	<u>604,143</u>	<u>578,713</u>
Net cash generated from (used in) investing activities	<u>(3,847,757)</u>	<u>8,391,779</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	424,548	64,388
Increase (decrease) in other noncurrent liabilities	356,362	(471,055)
Dividends paid	<u>(4,149,867)</u>	<u>(3,786,792)</u>
Net cash used in financing activities	<u>(3,368,957)</u>	<u>(4,193,459)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,110,681)	8,327,009
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,745,946</u>	<u>5,418,937</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,635,265</u>	<u>\$ 13,745,946</u>

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

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

(Concluded)