

**TAIWAN INTERNATIONAL PORTS
CORPORATION, LTD.**

**Standalone Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

Taiwan International Ports Corporation, Ltd.

Opinion

We have audited the accompanying standalone financial statements of Taiwan International Ports Corporation, Ltd. (the Corporation), which comprise the standalone balance sheets as of December 31, 2018 and 2017, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2018 and 2017, and its standalone financial performance and its standalone cash flows for the years then ended in accordance 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 relevant to preparation of financial statements, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 3 to the standalone financial statements, the Corporation has applied International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2018.

As discussed in Notes 4 and 31 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, 2017 were restated to reflect adjustments requested by NAO based on their audits.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the Corporation's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the inspector, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2019

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, 2018		December 31, 2017 (Notes 4 and 31)		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017 (Notes 4 and 31)	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 13,324,035	11	\$ 11,635,265	10	Notes payable and accounts payable (Note 29)	\$ 18,624	-	\$ 32,342	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,439	-	-	-	Other payables (Note 19)	9,360,319	8	13,669,460	11
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	807	-	-	-	Other payables - related parties (Notes 19 and 29)	155,124	-	156,892	-
Financial assets at amortized cost - current (Notes 4 and 9)	1,875,717	1	-	-	Current tax liabilities (Note 24)	916,103	1	486,478	1
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	10,229	-	Contract liabilities (Note 22)	9,120	-	-	-
Held-to-maturity financial assets - current (Notes 4 and 11)	-	-	1,503,551	1	Refund liabilities	60,240	-	-	-
Notes receivable (Notes 4, 13 and 22)	50,458	-	15,630	-	Receipts in advance (Note 19)	744,249	-	970,545	1
Accounts receivable, net (Notes 4, 13, 22 and 29)	269,647	-	347,022	-	Other current liabilities	<u>352,075</u>	-	<u>292,752</u>	-
Other receivables (Note 13)	5,692,292	5	6,266,625	5					
Other receivables - related parties (Notes 13 and 29)	97,703	-	127,419	-	Total current liabilities	<u>11,615,854</u>	<u>9</u>	<u>15,608,469</u>	<u>13</u>
Inventories (Note 4)	3,529	-	3,133	-	NONCURRENT LIABILITIES				
Prepayments (Note 14)	2,177,382	2	369,131	-	Net defined benefit liabilities (Notes 4, 5 and 20)	349,332	-	369,173	-
Other financial assets - current (Note 16)	6,872,790	6	9,170,790	8	Deferred tax liabilities (Note 24)	131	-	33	-
Other current assets	<u>81,284</u>	-	<u>84,919</u>	-	Deferred revenue - noncurrent	9,085,582	7	9,981,464	8
					Guarantee deposits received	854,726	1	879,198	1
Total current assets	<u>30,447,083</u>	<u>25</u>	<u>29,533,714</u>	<u>24</u>	Other noncurrent liabilities	<u>2,961,478</u>	<u>3</u>	<u>2,974,095</u>	<u>3</u>
NONCURRENT ASSETS									
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,535,544	1	1,956,532	2	Total noncurrent liabilities	<u>13,251,249</u>	<u>11</u>	<u>14,203,963</u>	<u>12</u>
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	1,051,729	1	-	-	Total liabilities	<u>24,867,103</u>	<u>20</u>	<u>29,812,432</u>	<u>25</u>
Available-for-sale financial assets - noncurrent (Notes 4 and 10)	-	-	1,393,620	1	EQUITY (Note 21)				
Held-to-maturity financial assets - noncurrent (Notes 4 and 11)	-	-	13,920,114	12	Share capital				
Financial assets at amortized cost - noncurrent (Notes 4 and 9)	13,633,126	11	-	-	Ordinary share capital	65,000,000	53	65,000,000	53
Investments accounted for using equity method (Notes 4 and 15)	2,935,174	3	2,374,360	2	Advance received for shares	<u>500,000</u>	-	-	-
Debt investment with no active market - noncurrent (Notes 4 and 12)	-	-	400,000	-	Total share capital	<u>65,500,000</u>	<u>53</u>	<u>65,000,000</u>	<u>53</u>
Property, plant and equipment (Notes 4 and 17)	46,296,325	38	43,332,199	36	Capital surplus	<u>19,266,262</u>	<u>16</u>	<u>19,266,262</u>	<u>16</u>
Investment properties (Notes 4 and 18)	25,634,706	21	27,207,533	23	Retained earnings				
Intangible assets (Note 4)	409,104	-	382,545	-	Legal reserve	3,223,780	3	3,223,780	3
Deferred tax assets (Notes 4 and 24)	353,475	-	268,208	-	Special reserve	3,952,104	3	3,952,104	3
Refundable deposits	131,363	-	531	-	Unappropriated earnings	<u>6,058,210</u>	<u>5</u>	-	-
Long-term receivables (Note 13)	-	-	75,349	-	Total retained earnings	<u>13,234,094</u>	<u>11</u>	<u>7,175,884</u>	<u>6</u>
Other noncurrent assets (Note 13)	<u>57,821</u>	-	<u>349,107</u>	-	Other equity	<u>(382,009)</u>	-	<u>(60,766)</u>	-
Total noncurrent assets	<u>92,038,367</u>	<u>75</u>	<u>91,660,098</u>	<u>76</u>	Total equity	<u>97,618,347</u>	<u>80</u>	<u>91,381,380</u>	<u>75</u>
TOTAL	<u>\$ 122,485,450</u>	<u>100</u>	<u>\$ 121,193,812</u>	<u>100</u>	TOTAL	<u>\$ 122,485,450</u>	<u>100</u>	<u>\$ 121,193,812</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 8, 2019)

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			
	2018		2017 (Notes 4 and 31)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 29)	\$ 18,026,278	100	\$ 17,558,615	100
OPERATING COSTS (Notes 23 and 29)	<u>8,665,456</u>	<u>48</u>	<u>8,517,236</u>	<u>48</u>
GROSS PROFIT	<u>9,360,822</u>	<u>52</u>	<u>9,041,379</u>	<u>52</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	1,419,411	8	1,435,502	8
General and administrative expenses	1,158,137	7	1,106,422	7
Research and development expenses	32,199	-	24,100	-
Expected credit loss	<u>3,862</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,613,609</u>	<u>15</u>	<u>2,566,024</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>6,747,213</u>	<u>37</u>	<u>6,475,355</u>	<u>37</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	594,283	3	625,938	4
Other gains and losses (Note 23)	56,264	1	205,443	1
Share of the profit of subsidiaries and associates	<u>409,302</u>	<u>2</u>	<u>361,966</u>	<u>2</u>
Total non-operating income and expenses	<u>1,059,849</u>	<u>6</u>	<u>1,193,347</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	7,807,062	43	7,668,702	44
INCOME TAX EXPENSE (Notes 4 and 24)	<u>1,540,439</u>	<u>8</u>	<u>1,179,165</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>6,266,623</u>	<u>35</u>	<u>6,489,537</u>	<u>37</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 20)	(289,388)	(2)	(416,731)	(2)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 21)	(322,776)	(2)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	81,984	1	70,844	-

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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			
	2018		2017 (Notes 4 and 31)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Note 21)	\$ 655	-	\$ -	-
Unrealized gains (losses) on available-for-sale financial assets (Note 21)	-	-	(60,618)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24)	<u>(131)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(529,656)</u>	<u>(3)</u>	<u>(406,538)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,736,967</u>	<u>32</u>	<u>\$ 6,082,999</u>	<u>35</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.96</u>		<u>\$ 1.00</u>	

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

(With Deloitte & Touche audit report dated March 8, 2019)

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TAIWAN INTERNATIONAL PORTS CORPORATION, LTD.

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

	Share Capital			Retained Earnings			Other Equity				
	Ordinary Share Capital	Advance Received for Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Other Equity	Total Equity
BALANCE AT JANUARY 1, 2017	\$ 65,000,000	\$ -	\$ 19,266,262	\$ 2,609,415	\$ 3,122,711	\$ -	\$ -	\$ -	\$ (115)	\$ (115)	\$ 89,998,273
Net profit for the year ended December 31, 2017	-	-	-	-	-	6,489,537	-	-	-	-	6,489,537
Other comprehensive income for the year ended December 31, 2017, net of tax	-	-	-	-	-	(345,887)	-	-	(60,651)	(60,651)	(406,538)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	6,143,650	-	-	(60,651)	(60,651)	6,082,999
Appropriation of earnings											
Legal reserve	-	-	-	614,365	-	(614,365)	-	-	-	-	-
Special reserve	-	-	-	-	829,393	(829,393)	-	-	-	-	-
Appropriation to central government	-	-	-	-	-	(2,045,835)	-	-	-	-	(2,045,835)
Appropriation to local government	-	-	-	-	-	(995,271)	-	-	-	-	(995,271)
Appropriation to Port Construction Fund	-	-	-	-	-	(1,658,786)	-	-	-	-	(1,658,786)
	-	-	-	614,365	829,393	(6,143,650)	-	-	-	-	(4,699,892)
BALANCE AT DECEMBER 31, 2017 (Notes 4 and 31)	65,000,000	-	19,266,262	3,223,780	3,952,104	-	-	-	(60,766)	(60,766)	91,381,380
Effect of retrospective application (Note 3)	-	-	-	-	-	(1,009)	(59,757)	-	60,766	1,009	-
BALANCE AT JANUARY 1, 2018	65,000,000	-	19,266,262	3,223,780	3,952,104	(1,009)	(59,757)	-	-	(59,757)	91,381,380
Net profit for the year ended December 31, 2018	-	-	-	-	-	6,266,623	-	-	-	-	6,266,623
Other comprehensive income for the year ended December 31, 2018, net of tax	-	-	-	-	-	(207,404)	(322,776)	524	-	(322,252)	(529,656)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	6,059,219	(322,776)	524	-	(322,252)	5,736,967
Issuance of ordinary shares for cash	-	500,000	-	-	-	-	-	-	-	-	500,000
BALANCE AT DECEMBER 31, 2018	\$ 65,000,000	\$ 500,000	\$ 19,266,262	\$ 3,223,780	\$ 3,952,104	\$ 6,058,210	\$ (382,533)	\$ 524	\$ -	\$ (382,009)	\$ 97,618,347

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

(With Deloitte & Touche audit report dated March 8, 2019)

TAIWAN INTERNATIONAL PORTS CORPORATION, LTD.

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

	For the Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 7,807,062	\$ 7,668,702
Adjustments for:		
Depreciation	2,915,739	2,949,373
Amortization	35,063	29,971
Reversal of expected credit loss	(6,662)	-
Impairment loss on doubtful accounts	-	33,956
Loss (gain) on financial assets at fair value through profit or loss	421,689	(379,636)
Interest income	(594,204)	(625,938)
Dividend income	(79)	-
Share of the profit of subsidiaries and associates	(409,302)	(361,966)
Loss on disposal of property, plant and equipment	133,798	131,793
Loss on disposal of investment properties	4,488	5,000
Loss on disposal of investment	1,624	828
Transfer of deferred revenue to rental revenue	(895,882)	(944,927)
Others	(15,664)	97,275
Changes in operating assets and liabilities		
Notes receivable	(34,828)	31,247
Accounts receivable	96,411	647,895
Other receivables (including related parties)	286,071	(1,072,284)
Inventories	(396)	1,925
Prepayments	77,455	19,916
Other current assets	3,635	(84,615)
Notes payable and accounts payable (including related parties)	(13,718)	(154,738)
Other payables (including related parties)	(401,973)	470,926
Refund liabilities	41,693	-
Contract liabilities	8,453	-
Receipts in advance	(225,629)	231,734
Net defined benefit liabilities	(309,229)	(1,674,944)
Other current liabilities	59,323	(817,371)
Cash generated from operations	8,984,938	6,204,122
Income taxes paid	(1,114,130)	(1,166,962)
Net cash generated from operating activities	<u>7,870,808</u>	<u>5,037,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	27,994	-
Acquisition of financial assets at fair value through other comprehensive income	(893)	-
Acquisition of available-for-sale financial assets	-	(1,458,904)
Proceeds from disposal of available-for-sale financial assets	-	5,117
Acquisition of debt investments with no active market	-	(200,000)
Acquisition of financial assets at amortized cost	(962,651)	-

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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	
	2018	2017
Proceeds from disposal of financial assets at amortized cost	\$ 1,269,587	\$ -
Acquisition of held-to-maturity financial assets	-	(1,191,815)
Proceeds from disposal of held-to-maturity financial assets	-	950,000
Decrease in other financial assets	2,298,000	4,611,252
Acquisition of investments accounted for using equity method	(150,857)	(51,000)
Increase in prepayments for long-term investment	-	(39,200)
Acquisition of property, plant and equipment	(5,733,750)	(4,903,889)
Proceeds from disposal of property, plant and equipment	102,286	29,369
Acquisition of investment properties	(76,552)	(306,293)
Proceeds from disposal of investment properties	189,496	-
Acquisition of intangible assets	(61,622)	(43,427)
Decrease (increase) in refundable deposits	(130,832)	56,858
Increase in other receivables	-	(1,999,673)
Decrease (increase) in other noncurrent assets	290,185	(299,239)
Decrease in long-term receivables	179,115	179,600
Dividends received from subsidiaries	249,330	278,217
Other dividends received	79	-
Interest received	<u>564,020</u>	<u>604,143</u>
Net cash used in investing activities	<u>(1,947,065)</u>	<u>(3,778,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance received for shares	500,000	-
Increase (decrease) in guarantee deposits received	(24,472)	424,548
Dividends paid	(4,716,431)	(4,149,867)
Increase in other noncurrent liabilities	<u>5,930</u>	<u>356,362</u>
Net cash used in financing activities	<u>(4,234,973)</u>	<u>(3,368,957)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,688,770	(2,110,681)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,635,265</u>	<u>13,745,946</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,324,035</u>	<u>\$ 11,635,265</u>

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

(With Deloitte & Touche audit report dated March 8, 2019)

(Concluded)