Taiwan Navigation Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Navigation Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Navigation Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, as of March 31, 2019 and 2018, investments accounted for using the equity method were NT$110,998 thousand and NT$97,900 thousand, respectively, and for the three months ended March 31, 2019 and 2018, net comprehensive loss recognized from these equity-method investments was NT$4,003 thousand and NT$4,531 thousand, respectively, which was calculated on the basis of financial statements that have not been reviewed.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the aforementioned investees and the relevant information disclosed been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. The engagement partners on the reviews resulting in this independent auditors' review report are Hui-Min Huang and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 15, 2019

<u>*Notice to Readers*</u>

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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 auditors' review report and consolidated financial statements shall prevail.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6)	$ 590,644	4	$ 478,550	3	$ 267,817	2
Financial assets at fair value through profit or loss (Notes 7 and 23)	75,609	-	76,777	1	-	-
Financial assets at fair value through other comprehensive income (Notes 8 and 23)	114,265	1	116,247	1	139,365	1
Accounts receivable, net (Notes 9)	91,771	1	69,249	-	82,535	1
Trade receivables from related parties (Notes 23)	33,130	-	59,043	-	62,810	-
Prepayments (Note 23)	115,421	1	117,382	1	122,176	1
Other financial assets (Notes 10)	217,652	1	319,880	2	161,769	1
Other current assets	21,492	-	18,611	-	13,983	-
Total current assets	1,259,984	8	1,255,739	8	850,455	6
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Notes 7 and 23)	-	-	-	-	95,742	1
Financial assets at fair value through other comprehensive income (Notes 8 and 23)	236,683	1	241,601	2	238,351	1
Investments accounted for using the equity method (Notes 11)	110,998	1	115,001	1	97,900	1
Property, plant and equipment (Notes 12 and 24)	11,721,781	77	11,863,484	78	12,067,747	81
Investment properties (Notes 13)	1,097,032	7	1,097,370	7	1,098,384	7
Prepayments for equipment (Note 25)	556,823	4	306,899	2	147,589	1
Other non-current assets (Note 24)	256,561	2	255,807	2	247,667	2
Total non-current assets	13,979,878	92	13,880,162	92	13,993,380	94
TOTAL	$ 15,239,862	100	$ 15,135,901	100	$ 14,843,835	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 14)	$ 520,709	3	$ 557,322	4	$ 370,688	3
Contract liabilities (Note 17)	41,390	-	45,905	-	60,967	-
Notes and accounts payable	121,737	1	137,399	1	145,483	1
Trade payables to related parties (Note 23)	12,403	-	26,430	-	37,898	-
Other payables	118,185	1	144,933	1	96,121	1
Current tax liabilities (Notes 4)	23,753	-	4,011	-	9,313	-
Other current liabilities	24,569	-	23,806	-	11,485	-
Total current liabilities	862,746	5	939,806	6	731,955	5
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 14 and 24)	3,399,587	22	3,388,005	22	4,213,961	28
Deferred tax liabilities (Note 4)	288,679	2	303,556	2	289,046	2
Net defined benefit liabilities (Note 4)	67,354	1	68,813	1	60,158	1
Other non-current liabilities	15,829	-	15,729	-	17,055	-
Total non-current liabilities	3,771,449	25	3,776,103	25	4,580,220	31
Total liabilities	4,634,195	30	4,715,909	31	5,312,175	36
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 16)						
Ordinary shares	4,172,945	28	4,172,945	28	4,172,945	28
Capital surplus	334,382	2	334,382	2	334,382	2
Retained earnings						
Legal reserve	1,664,599	11	1,664,599	11	1,617,952	11
Special reserve	242,486	1	242,486	1	-	-
Unappropriated earnings	4,207,538	28	4,040,448	27	3,818,685	26
Total retained earnings	6,114,623	40	5,947,533	39	5,436,637	37
Other equity	(16,283)	-	(34,868)	-	(412,304)	(3)
Total equity attributable to owners of the Corporation	10,605,667	70	10,419,992	69	9,531,660	64
Total equity	10,605,667	70	10,419,992	69	9,531,660	64
TOTAL	$ 15,239,862	100	$ 15,135,901	100	$ 14,843,835	100

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

(With Deloitte & Touche auditors' review report dated May 15, 2019)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 13,17 and 23)	$ 748,799	100	$ 797,254	100
OPERATING COSTS (Notes 4,12,13,15 and 23)	547,600	73	604,864	76
GROSS PROFIT	201,199	27	192,390	24
OPERATING EXPENSES (Notes 12 and 15)	33,089	5	28,751	4
PROFIT FROM OPERATIONS	168,110	22	163,639	20
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,227	1	2,484	-
Other income (Note 23)	27,039	4	14,643	2
Net gain (loss) on foreign currency exchange	54	-	(4,622)	(1)
Interest expense (Notes 12)	(27,797)	(4)	(27,252)	(3)
Other expenses	(1,375)	-	(1,391)	-
Net loss on financial assets at fair value through profit or loss	(1,168)	-	(2,078)	-
Total non-operating income and expenses	3,980	1	(18,216)	(2)
INCOME BEFORE INCOME TAX	172,090	23	145,423	18
INCOME TAX EXPENSE (Notes 4 and 18)	5,000	1	932	-
NET INCOME FOR THE PERIOD	167,090	22	144,491	18
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	($ 6,900)	(1)	($ 56,351)	(7)
Share of other comprehensive loss of associates accounted for using the equity method (Note 11)	(4,011)	-	(4,513)	(1)
	(10,911)	(1)	(60,864)	(8)

(Continued)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	29,496	4	(168,880)	(21)
Other comprehensive income (loss) for the period, net of income tax	18,585	3	(229,744)	(29)
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD	$ 185,675	25	($ 85,253)	(11)
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 167,090	22	$ 144,491	18
Non-controlling interests	-	-	-	-
	$ 167,090	22	$ 144,491	18
TOTAL COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 185,675	25	($ 85,253)	(11)
Non-controlling interests	-	-	-	-
	$ 185,675	25	($ 85,253)	(11)
EARNINGS PER SHARE (Note 19)				
Basic	$ 0.40		$ 0.35	
Diluted	$ 0.40		$ 0.35	

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

(With Deloitte & Touche auditors' review report dated May 15, 2019) (Concluded)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Ordinary Shares			Retained Earnings			Other Equity			
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2018	417,294	$ 4,172,945	$ 334,382	$ 1,617,952	$ -	$ 3,674,194	($ 131,037)	$ -	($ 111,449)	$ 9,556,987
Effect of retrospective application	-	-	-	-	-	-	-	(51,523)	111,449	59,926
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	417,294	4,172,945	334,382	1,617,952	-	3,674,194	(131,037)	(51,523)	-	9,616,913
Net income for the three months ended March 31, 2018	-	-	-	-	-	144,491	-	-	-	144,491
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	(168,880)	(60,864)	-	(229,744)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	144,491	(168,880)	(60,864)	-	(85,253)
BALANCE AT MARCH 31, 2018	417,294	$ 4,172,945	$ 334,382	$ 1,617,952	-	$ 3,818,685	($ 299,917)	($ 112,387)	$ -	$ 9,531,660
BALANCE AT JANUARY 1, 2019	417,294	$ 4,172,945	$ 334,382	$ 1,664,599	$ 242,486	$ 4,040,448	$ 126,590	($ 161,458)	$	$ 10,419,992
Net income for the three months ended March 31, 2019	-	-	-	-	-	167,090	-	-	-	167,090
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	29,496	(10,911)	-	18,585
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	167,090	29,496	(10,911)	-	185,675
BALANCE AT MARCH 31, 2019	417,294	$ 4,172,945	$ 334,382	$ 1,664,599	$ 242,486	$ 4,207,538	$ 156,086	($ 172,369)	$ -	$ 10,605,667

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

(With Deloitte & Touche auditors' review report dated May 15, 2019)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 172,090	$ 145,423
Adjustments for:		
Depreciation and amortization	181,351	195,571
Net loss on fair value change of financial instruments at fair value through profit or loss	1,168	2,078
Interest expense	27,797	27,252
Interest income	(7,227)	(2,484)
Share of loss (profit) of associates accounted for using the equity method	(8)	18
Unrealized loss on foreign currency exchange	99	60
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	32,014
Accounts receivable	(22,570)	(15,462)
Trade receivables from related parties	25,863	(26,698)
Prepayments	2,232	1,637
Other current assets	(2,097)	1,406
Other financial assets	(34,991)	(26,842)
Contract liabilities	(4,622)	10,874
Notes and accounts payable	(16,116)	15,044
Trade payables to related parties	(14,060)	3,976
Other payables	(27,222)	(18,406)
Other current liabilities	747	(3,041)
Net defined benefit liabilities	(1,459)	(17,828)
Cash generated from operations	280,975	324,592
Income tax paid	(152)	-
Net cash generated from operating activities	280,823	324,592
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(257)
Decrease in other financial assets	138,681	40,633
Increase in other non-current assets	-	(7,846)
Increase in prepayments of equipment	(250,327)	(6,893)
Interest received	6,485	1,507
Net cash generated from (used in) investing activities	(105,161)	27,144

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TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease)in short-term borrowings	($ 37,144)	$ 529
Repayments of long-term borrowings	-	(436,231)
Increase in other non-current liabilities	100	894
Interest paid	(27,485)	(26,817)
Net cash used in financing activities	(64,529)	(461,625)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	961	(5,105)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,094	(114,994)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	478,550	382,811
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 590,644	$ 267,817

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

(With Deloitte & Touche auditors' review report dated May 15, 2019) (Concluded)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Taiwan Navigation Co., Ltd. (the “Corporation”), whose shares are listed on the Taiwan Stock Exchange, was originally majority-owned by the Taiwan Provincial Government but was privatized on June 20, 1998. The Corporation mainly engages in passenger and freight transport via water, port warehousing, aquatic sand mining, and navigation channel dredging and also acts as a shipping agency, provides tugboats, and acts as a land owner in agreements with construction companies for the use of its land for the construction of residential and commercial buildings for sale and rental.

Tai Shing Maritime Co., S.A. (Tai Shing) was established in the Republic of Panama, and Shin Wang Maritime Inc. (Shin Wang) was established in Liberia. The Corporation holds a respective 100% interest in Tai Shing and Shin Wang. Tai Shing and Shin Wang mainly engage in the general management, purchasing, sale, charter, and operation of sea navigation routes and in other maritime operations of ships.

The consolidated financial statements of the Corporation and its subsidiaries, collectively referred to as the “Group”, are presented in New Taiwan dollars, the functional currency of the Corporation.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on May 15, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

   IFRS 16 “Leases”

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for related accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The initial application of IFRS 16 has no material impact on the Group’s assets, liabilities and equity as of January 1, 2019. The difference of the operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 43,260
Less: Recognition exemption for short-term leases	(43,260)
Undiscounted amounts on January 1, 2019	$ -

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosed information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs on an asset or liability.

c. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation.

2) Subsidiaries included in the consolidated financial statements

The Group holds 100% of the interest of the subsidiaries which are included in the consolidated financial statements. The subsidiaries are Tai Shing and Shin Wang, which are mainly engaged in marine freight transportation services.

d. Other significant accounting policies

Except for the policies related to leases and the policies explained as follows, please refer to the summary of significant accounting policies of 2018 Consolidated Financial Statements.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

(1)The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

(2)The Group as lessee

The Group recognizes short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses and cost on a straight-line basis over the lease terms.

2018

All the leases are classified as operating leases.

(1)The Group as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.
(2)The Group as lessee
Operating lease payments are recognized as cost on a straight-line basis over the lease term.

2) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 262	$ 262	$ 262
Checking accounts and demand deposits	32,108	37,128	37,218
Cash equivalents			
Time deposits with original maturities of less than 3 months	558,274	441,160	230,337
	$ 590,644	$ 478,550	$ 267,817

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Bank balance	0.01%-2.82%	0.01%-3.30%	0.01%-2.22%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL - current			
Mandatory convertible bonds	$ 75,609	$ 76,777	$ -
Financial assets mandatorily classified as at FVTPL - non-current			
Mandatory convertible bonds	$ -	$ -	$ 95,742

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
Current			
Domestic investments			
Listed shares			
Yang Ming Marine Transport Corporation	$ 114,265	$ 116,247	$ 139,365
Non-current			
Domestic investments			
Private placement listed shares			
Yang Ming Marine Transport Corporation	$ 148,084	$ 145,794	$ 162,778
Unlisted shares			
Chunghwa Investment Co., Ltd.	42,307	49,943	75,573
	190,391	195,737	238,351
Foreign investments			
Unlisted shares			
Taiwan Foundation International Pte. Ltd.	46,292	45,864	-
	$ 236,683	$ 241,601	$ 238,351

The Group’s investments in the ordinary shares mentioned above are expected to earn profit through dividend income. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes.

9. ACCOUNTS RECEIVABLE, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable			
At amortized cost			
Gross carrying amount	$ 94,371	$ 71,849	$ 85,135
Less: Allowance for impairment loss	2,600	2,600	2,600
	$ 91,771	$ 69,249	$ 82,535

The Group applies the approach, which permits the use of a lifetime expected credit losses allowance for all accounts receivable. The expected credit losses on accounts receivables are estimated by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance, which is based on the past due status of receivables, is not further distinguished according to the different segments of the Group's customer base.

The Group writes off an account receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For accounts receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables is as follows:

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Up to 60 days	$ 79,007	$ 64,546	$ 76,712
61-90 days	8,738	4,015	8,408
More than 90 days	6,626	3,288	15
Gross carrying amount	94,371	71,849	85,135
Loss allowance (lifetime ECLs)	(2,600)	(2,600)	(2,600)
Amortized cost	$ 91,771	$ 69,249	$ 82,535

The above aging schedule was based on the number of days past due days from the invoice date.

As of March 31, 2019,December 31, 2018 and March 31, 2018, the amounts of the allowances for impairment loss assessed for were $2,600 thousand.

10. OTHER FINANCIAL ASSETS

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Time deposits with original maturities of more than 3 months	$ 139,337	$ 276,589	$ 104,778
Others	78,315	43,291	56,991
	$ 217,652	$ 319,880	$ 161,769

The market rate intervals of time deposits with original maturities of more than 3 months at the end of the reporting period were as follows:

March 31, 2019	**December 31, 2018**	**March 31, 2018**
2.75%-3.10%	2.56%-3.15%	1.90%-2.30%

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in associates			
Associates that are not individually material			
Yunn Wang Investment Co., Ltd.	$ 110,998	$ 115,001	$ 97,900

At the end of the reporting period, the Group holds 49.75% interest in Yunn Wang Investment Co., Ltd. (Yunn Wang).

Refer to Table 5 "Information on Investees" (following these Notes to Consolidated Financial Statements) for the nature of activities, principal place of business and country of incorporation of Yunn Wang.

The share of profit or loss and other comprehensive income of Yunn Wang were calculated based on the financial statements that have not been reviewed.

The aggregate information of associates is as follows:

	For the Three Months Ended March 31	
	2019	2018
The Group's share of:		
Net profit (loss) for the period	$ 8	$ (18)
Other comprehensive income (loss)	(4,011)	(4,513)
Total comprehensive income (loss) for the period	$ (4,003)	$ (4,531)

12. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2019
Assets used by the Group	$ 674,555
Assets leased under operating leases	11,047,226
	$ 11,721,781

a. Assets used by the Group - 2019

	Freehold Land	Buildings	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2019	$ 191,103	$ 82,555	$ 1,553,872	$ 3,737	$ 1,831,267
Disposals	-	-	-	(181)	(181)
Balance at March 31, 2019	$ 191,103	$ 82,555	$ 1,553,872	$ 3,556	$ 1,831,086
Accumulated depreciation					
Balance at January 1, 2019		$ 36,350	$ 1,107,481	$ 2,824	$ 1,146,655
Disposals		-	-	(181)	(181)
Depreciation expenses		428	9,544	85	10,057
Balance at March 31, 2019		$ 36,778	$ 1,117,025	$ 2,728	$ 1,156,531
Carrying amounts at December 31, 2018 and January 1, 2019	$ 191,103	$ 46,205	$ 446,391	$ 913	$ 684,612
Carrying amounts at March 31, 2019	$ 191,103	$ 45,777	$ 436,847	$ 828	$ 674,555

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	48-60 years
Renovation work	8 years
Transportation equipment	
Vessels	25 years
Drydock	2 years
Vehicles and motorcycles	3-8 years
Other equipment	3-10 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 24.

b. Assets leased under operating leases - 2019

	Transportation Equipment	Other Equipment	Total
Cost			
Balance at January 1, 2019	$ 15,724,581	$ 22,859	$ 15,747,440
Effects of foreign currency exchange differences	53,754	79	53,833
Balance at March 31, 2019	$ 15,778,335	$ 22,938	$ 15,801,273
Accumulated depreciation			
Balance at January 1, 2019	$ 4,565,273	$ 3,295	$ 4,568,568
Depreciation expenses	169,917	936	170,853
Effects of foreign currency exchange differences	14,620	6	14,626
Balance at March 31, 2019	$ 4,749,810	$ 4,237	$ 4,754,047
Carrying amounts at December 31, 2018 and January 1, 2019	$ 11,159,308	$ 19,564	$ 11,178,872
Carrying amounts at March 31, 2019	$ 11,028,525	$ 18,701	$ 11,047,226

The group of operating leases relate to leases of bulk vessel base on the change of index or the fixed payment , and there is an option to extend for another years during lease period. Parts of operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	March 31, 2019
Year 1	$ 1,270,015
Year 2	309,440
	$ 1,579,455

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Transportation equipment	
Vessels	20-25 years
Drydock	2.5 years
Other equipment	5-20 years

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 24.

c. 2018

	Freehold Land	Buildings	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2018	$ 191,103	$ 82,555	$ 18,582,208	$ 12,381	$ 18,868,247
Disposals	-	-	-	257	257
Effects of foreign currency exchange differences	-	-	(374,795)	(213)	(375,008)
Balance at March 31, 2018	$ 191,103	$ 82,555	$ 18,207,413	$ 12,425	$ 18,493,496
Accumulated depreciation					
Balance at January 1, 2018		$ 34,638	$ 6,308,132	$ 5,738	$ 6,348,508
Depreciation expenses		428	194,381	262	195,071
Effects of foreign currency exchange differences		-	(117,757)	(73)	(117,830)
Balance at March 31, 2018		$ 35,066	$ 6,384,756	$ 5,927	$ 6,425,749
Carrying amounts at March 31, 2018	$ 191,103	$ 47,489	$ 11,822,657	$ 6,498	$ 12,067,747

The group leases bulk vessel as operating leases, and there is an option to extend for another years during lease period. Parts of operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31, 2018	March 31, 2018
Not later than 1 year	$ 1,227,345	$ 1,372,555
Later than 1 year and not later than 5 years	185,348	331,371
	$ 1,412,693	$ 1,703,926

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	48-60 years
Renovation work	8 years
Transportation equipment	
Vessels	20-25 years
Drydock	2-3 years
Vehicles and motorcycles	3-8 years
Other equipment	4-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 24.

Information about capitalized interest is as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Capitalized interest	$ 3,557	$ 898
Range of capitalization rate	3.03%-3.57%	2.10%-3.02%

Depreciation expenses related to property, plant and equipment and investment properties were as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Operating costs	$ 180,741	$ 194,970
Operating expenses	507	439
	$ 181,248	$ 195,409

Amortization expenses related to other non-current assets were as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Operating expenses	$ 103	$ 162

13. INVESTMENT PROPERTIES

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Cost			
Land	$ 1,055,678	$ 1,055,678	$ 1,055,678
Buildings	120,895	120,895	121,072
	1,176,573	1,176,573	1,176,750
Less: Accumulated depreciation - buildings	79,541	79,203	78,366
	$ 1,097,032	$ 1,097,370	$ 1,098,384

The abovementioned investment properties were leased out for 1 to 18 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2019 was as follows:

	March 31, 2019
Year 1	$ 51,033
Year 2	40,419
Year 3	23,650
Year 4	12,485
Year 5	12,505
Year 6 onwards	170,183
	$ 310,275

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31 and March 31, 2018 were as follows:

	December 31, 2018	March 31, 2018
Not later than 1 year	$ 47,355	$ 51,491
Later than 1 year and not later than 5 years	79,833	98,833
Later than 5 years	173,325	181,627
	$ 300,513	$ 331,951

Except for depreciation, the Group did not recognize material additions, disposals, or impairment loss of investment properties during the three months ended March 31, 2019 and 2018.

Investment properties were depreciated using the straight-line method over their estimated useful lives of 60 years.

The fair values of the investment properties were $3,555,321 thousand and $3,505,306 thousand as of December 31, 2018 and 2017, respectively. Management of the Group had assessed and determined that there was no significant change in the fair value during the three months ended March 31, 2018 and 2017, respectively.

Rental income and operating expenses directly related to investment properties are as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Rental income related to investment properties	$ 12,990	$ 12,569
Operating expenses directly related to investment properties		
Direct operating expenses from investment properties generating rental income	$ 4,097	$ 4,003
Direct operating expenses from investment properties not generating rental income	99	109
	$ 4,196	$ 4,112

14. BORROWINGS

a. Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured borrowings			
Line of credit borrowings	$ 520,709	$ 557,322	$ 370,688
Interest rate range	0.95%-3.04%	0.95%-3.25%	0.95%-2.48%

b. Long-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Secured borrowings(1)	$ 3,214,667	$ 3,203,715	$ 4,213,961
credit borrowings(2)	184,920	184,290	-
	$ 3,399,587	$ 3,388,005	$ 4,213,961
Interest rate range	3.26%-3.55%	3.16%-3.57%	2.44%-3.02%

(1) Secured borrowings include bank loans of the Corporation and project loans for the construction of ships of Tai Shing, whose freehold ships are provided as collateral (refer to Note 24), which have principal and interest amortized on a monthly, quarterly and semi-annual basis and which are expected to be paid off in October 2027. Tai Shing paid off a portion of the principal due in July 2022 as of March 31, 2019.

(2) Interest on line of credit borrowings is paid on a monthly basis. The principal will be repaid on a quarterly basis from September 2020 and expected to be paid off in September 2023.

15. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2018 and 2017, the employee benefits expense in respect of the Group's defined retirement benefit plans were calculated using the respective actuarially determined annual pension cost discount rate as of December 31, 2018 and 2017.

The details of employee benefits expense were as follow:

	For the Three Months Ended March 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 2,830	$ 2,458
Defined benefit plans	657	811
	3,487	3,269
Other employee benefits	179,476	178,785
	$ 182,963	$ 182,054
An analysis of employee benefits expense by function		
Operating costs	$ 158,726	$ 162,203
Operating expenses	24,237	19,851
	$ 182,963	$ 182,054

Employee's compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation at the rates of no less than 0.5% and remuneration of directors and supervisors at rates of no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	1%	1%
Remuneration of directors and supervisors	1%	1%

Amount

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	$ 1,480	$ 976
Remuneration of directors and supervisors	$ 1,480	$ 976

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriation of employees' compensation and remuneration of directors and supervisors for 2018 and 2017, which were resolved by the board of directors in March 2019 and 2018, was as follows:

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$10,088	$ 4,970
Remuneration of directors and supervisors	10,088	4,970

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018.

The actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2017 differed from the amounts recognized in the consolidated financial statements for the year ended December 31, 2017. The differences were adjusted to profit and loss for the year ended December 31, 2018.

	For the Year Ended December 31, 2017	
	Employees' Compensation	**Remuneration of Directors and Supervisors**
Amounts approved in the board of directors' meeting	$ 4,970	$ 4,970
Amounts recognized in the annual consolidated financial statements	$ 4,975	$ 4,974

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

16. EQUITY

a. Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	480,000	480,000	480,000
Value of shares authorized	$ 4,800,000	$ 4,800,000	$ 4,800,000
Number of shares issued and fully paid (in thousands)	417,294	417,294	417,294
Value of shares issued	$ 4,172,945	$ 4,172,945	$ 4,172,945

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
Treasury share transactions	$ 334,352	$ 334,352	$ 334,352
Donations	30	30	30
	$ 334,382	$ 334,382	$ 334,382

Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set out in the Corporation's Articles of Incorporation, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit or until the legal reserve equals the Corporation's paid-in capital, and setting aside or reversing a special reserve in accordance with the laws and regulations. Then, any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to Note 15.

The Articles of Incorporation also stipulate a dividends policy whereby the payment of cash dividends takes precedence over the issuance of share dividends. In principle, cash dividends shall not be less than 50% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to a special reserve by the Corporation.

The appropriations of earnings for 2018 and 2017 that were proposed by the board of directors in May 2019 and approved in the shareholders' meetings in June 2018 , respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 95,763	$ 46,647		
Reversal of Special reserve	(207,618)	242,486		
Cash dividends	542,483	292,106	$1.3	$0.7

The appropriation of earnings for 2018 is subject to resolution in shareholders' general meeting to be held in June 2019.

17. REVENUE

	For the Three Months Ended March 31	
	2019	2018
Revenue from contracts with customers		
Revenue from transportation	$ 727,144	$ 782,642
Rental income		
Rental income from investment properties (Note 13)	12,990	12,569
Other operating revenue		
Other revenue	8,665	2,043
	$ 748,799	$ 797,254

Contract balances

	March 31, 2019	December 31, 2018	March 31, 2018	January 1, 2018
Contract liabilities	$ 41,390	$ 45,905	$ 60,967	$ 50,833

The change in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

18. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current period	$ 19,895	$ -
Deferred tax		
In respect of the current period	(14,895)	32
Adjustments to deferred tax attributable to changes in tax rates and laws	-	900
Income tax expense recognized in profit or loss	$ 5,000	$ 932

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in the tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

The income tax returns of the Corporation through 2017 have been assessed by the tax authorities. The income tax returns of Tai Shing through 2016 have been assessed by the tax authorities.

19. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share	$ 0.40	$ 0.35
Diluted earnings per share	$ 0.40	$ 0.35

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended March 31	
	2019	2018
Earnings used in the computation of basic earnings per share	$ 167,090	$ 144,491

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	417,294	417,294
Effect of potentially dilutive ordinary shares:		
Bonuses issued to employees	619	355
Weighted average number of ordinary shares used in the computation of diluted earnings per share	417,913	417,649

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. CASH FLOWS INFORMATION FROM FINANCING ACTIVITIES

For the Three Months Ended March 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes: Foreign Exchange Movement	Closing Balance
Short-term borrowings	$ 557,322	($ 37,144)	$ 531	$ 520,709
Long-term borrowings	3,388,005	-	11,582	3,399,587
	$ 3,945,327	($ 37,144)	$ 12,113	$ 3,920,296

For the Three Months Ended March 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes: Foreign Exchange Movement	Closing Balance
Short-term borrowings	$ 372,754	$ 529	($ 2,595)	$ 370,688
Long-term borrowings	4,748,871	(436,231)	(98,679)	4,213,961
	$ 5,121,625	($ 435,702)	($ 101,274)	$ 4,584,649

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the future.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, or the existing debt redeemed.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Group's management believes that the carrying amount of financial assets and liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 75,609	$ -	$ 75,609
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 114,265	$ 148,084	$ -	$ 262,349
Unlisted shares - ROC	-	-	42,307	42,307
Unlisted shares - foreign	-	-	46,292	46,292
	$ 114,265	$ 148,084	$ 88,599	$ 350,948

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 76,777	$ -	$ 76,777
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 116,247	$ 145,794	$ -	$ 262,041
Unlisted shares - ROC	-	-	49,943	49,943
Unlisted shares - foreign	-	-	45,864	45,864
	$ 116,247	$ 145,794	$ 95,807	$ 357,848

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 95,742	$ -	$ 95,742
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 139,365	$ 162,778	$ -	$ 302,143
Unlisted shares - ROC	-	-	75,573	75,573
	$ 139,365	$ 162,778	$ 75,573	$ 377,716

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

a) Derivative financial assets with no market price available for reference of their fair values have their fair values estimated using the mandatory convertible bonds' evaluation model. The estimations and assumptions used by the Group for the evaluation method are consistent with those used by market participants in the pricing of financial instruments.

b) Domestic listed private shares with no market price available for reference of their fair values have their fair values estimated using the evaluation method. The estimations and assumptions used by the Group for the evaluation method are consistent with those used by market participants in the pricing of financial instruments. The relevant information used in the evaluation was obtainable by the Corporation.

The evaluation method used by the Group for estimating fair value is the Black-Scholes model.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Unlisted equity securities - ROC held by the Corporation are mainly investment in domestic listed shares. Besides, the asset of unlisted shares - foreign held by the Corporation were mainly bank deposits as of March 31, 2019, December 31, 2018, and March 31, 2018. Thus, the aforementioned unlisted equity securities were evaluated using the asset-based approach. Separate assets and liabilities of the underlying investments were respectively regarded as individual evaluation targets and were evaluated according to their nature to reflect their overall fair value. Unobservable inputs used by the Group were an 89.75% discount rate for lack of marketability as of March 31, 2019, December 31, 2018, and March 31, 2018. If the discount rate for lack of marketability were to increase/decrease by 1% and all other variables were held constant, the fair value would decrease/increase by $4,129, $4,875 and $7,376 thousand.

c. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Financial assets at FVTPL			
Mandatorily at FVTPL	$ 75,609	$ 76,777	$ 95,742
Financial assets at amortized cost (Note 1)	933,197	926,722	574,931
Financial assets at FVTOCI			
Equity instruments	350,948	357,848	377,716
Financial liabilities			
Financial liabilities at amortized cost (Note 2)	4,172,621	4,254,089	4,864,151

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, trade receivables from related parties, and other financial assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, trade payables to related parties, dividends payable, other payables, and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payables, and borrowings. The Group's corporate treasury function is responsible for monitoring and managing the financial risks related to the operations of the Group. These risks include market risk, credit risk, and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency risk, interest rate risk and other price risk.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar (USD).

The following table details the Group's sensitivity to a 2% increase and decrease in New Taiwan dollars against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 2%. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 2% change in foreign currency rates. The table below indicates an increase (a decrease) in pre-tax profit associated with the New Taiwan dollar strengthening 2% against the U.S. dollar.

	USD Impact on NTD	
	For the Three Months Ended March 31	
	2019	2018
Loss	$ (5,502)	$ (3,624)

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period are as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
Financial assets	$ 773,220	$ 794,526	$ 430,857
Cash flow interest rate risk			
Financial assets	18,202	26,135	23,132
Financial liabilities	3,920,296	3,945,327	4,584,649

Sensitivity analysis

The following sensitivity analysis was based on the Group's exposure to changes in interest rates for non-derivative instruments at the end of the reporting period. For variable interest rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity rate of 1% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The financial assets and liabilities held by the Group with variable interest rates will change according to the effective interest rates, which vary with market interest rates, and will result in fluctuations of the future cash flows.

For the financial assets held by the Group with variable interest rates on March 31, 2019 and 2018, if the market interest rates had been 1% higher, the cash inflow from variable interest rate financial assets would have been $46 thousand and $58 thousand, respectively. If the market interest rates had been 1% lower, there would be an equal and opposite impact on variable interest rate financial assets, and the amount would be negative.

For the financial liabilities held by the Group with variable interest rates on March 31, 2019 and 2018, if the market interest rates had been 1% higher, the cash outflow from variable interest rate financial liabilities would have been $9,801 thousand and $11,462 thousand, respectively. If the market interest rates had been 1% lower, there would be an equal and opposite impact on variable interest rate financial liabilities, and the amount would be negative.

c) Other price risk

The Group was exposed to equity price risk on its investments in common stocks and corporate bonds.

Sensitivity analysis

The Group assessed the risk of the financial assets with variances in exposure to prices. Sensitivity analyses were used for evaluating the exposure to equity price risks.

If investments prices had been 5% higher/lower, the pre-tax profit for the three months ended March 31, 2019 and 2018 would have increased/decreased by $3,780 and $4,787 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2019 and 2018 would have increased/decreased by $17,548 and $18,886 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

There is no significant concentration of credit risk for the Group. Credit risk is from cash and cash equivalent deposits in banks and accounts receivable from customers.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient letters of bank guarantees and security deposits, where appropriate, as a means of mitigating the risk of financial loss from defaults. To reduce credit risk, the Group has established internal monitoring procedures to monitor credit risk exposure and the credit condition of counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks, financial institutions and incorporations with high credit-ratings assigned by international credit-rating agencies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2019, December 31, 2018, and March 31, 2018, the Group had available unutilized short-term bank loan facilities of $212,860 thousand, $222,545 thousand, and $399,200 thousand, respectively.

The following table details the Group’s remaining contractual maturity of its non-derivative financial liabilities with variable interest rates and agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

March 31, 2019

	On Demand or Less than 1 Year	**1-3 Years**	**3-5 Years**	**5+ Years**
Variable interest rate liabilities	$ 526,815	$ 488,959	$ 1,472,937	$ 2,030,174

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years
Variable interest rate liabilities	$ 564,653	$ 317,810	$ 1,475,211	$ 2,171,977

March 31, 2018

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years
Variable interest rate liabilities	$ 375,827	$ 714,093	$ 1,567,070	$ 2,492,478

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

a. Names and categories of the related parties

Related Party Name	Related Party Category
Yang Ming Marine Transport Corporation (Yang Ming)	Government - related parties
Hong Ming Terminal & Stevedoring Corp.	Subsidiary of government - related parties
Yunn Wang Investment Co., Ltd.	Associates

b. Operating transactions

	For the Three Months Ended March 31	
	2019	2018
Operating revenue		
Government - related parties		
Yang Ming	$ 47,317	$ 63,664
Associates		
Others	6	29
	$ 47,323	$ 63,693
Operating costs		
Government and its subsidiaries - related parties		
Yang Ming	$ 46,349	$ 65,642
Others	358	270
	$ 46,707	$ 65,912

Transactions with related parties were based on agreements. Lease contracts with associates were based on market conditions.

At the end of reporting period, trade receivables from related parties were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Government - related parties			
Yang Ming	$ 33,130	$ 59,043	$ 62,810

At the end of reporting period, prepayments from related parties (included in prepayments) were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Government - related parties			
Others	$ 4,774	$ 6,479	$ 1,407

At the end of reporting period, trade payables to related parties were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Government - related parties			
Yang Ming	$ 12,310	$ 26,092	$ 37,898
Others	93	338	-
	$ 12,403	$ 26,430	$ 37,898

The Group did not recognize allowance for doubtful accounts and did not receive guarantees during the three months ended March 31, 2019 and 2018. In addition, the outstanding payables to related parties had no guarantees.

c. Other transactions with government - related parties

The Ministry of Transportation and Communication of the Executive Yuan of the ROC holds a 26.46% interest in the Corporation. In June 2012, the Corporation purchased seven-year, privately placed, secured mandatory convertible bonds (classified as at FVTPL) issued by Yang Ming (of which the Ministry of Transportation and Communication of the Executive Yuan of the ROC holds a 35.51% interest) for $200,000 thousand. The bonds, with a coupon rate of 3% per annum, are due in June 2019 and were transferrable starting from three months after issuance. The bonds shall only be converted into Yang Ming’s ordinary shares at the prevailing conversion price on the last day of the seven-year maturity.

In February 2017, the Corporation purchased 19,083 thousand shares of privately placed ordinary shares issued by Yang Ming for $199,990 thousand (classified as at FVTOCI - non-current), and the rights and obligations of the privately placed ordinary shares are the same as those of the ordinary shares issued by Yang Ming. However, the private shares are subject to the restrictions on transfer by the Securities Exchange Act., which say that privately placed shares may not be transferred within 3 years of the delivery date. After 3 full years have elapsed since the delivery date of the privately placed ordinary shares, Yang Ming may apply for registration of the retroactive handling of public issuance and listing with the FSC, if Yang Ming complies with the relevant laws and regulations.

In November 2017, the Company paid $158,519 thousand in cash to acquire an additional 13,210 thousand shares issued by Yang Ming. However, the Group's investment in Yang Ming was still classified as at FVTOCI - current, as the Group did not have any significant influence over Yang Ming.

d. Other transactions with related parties (included in non-operating income - other income)

	For the Three Months Ended March 31	
	2019	**2018**
Associates (management service revenue)		
Others	$ 29	$ 29

e. Compensation of key management personnel

The compensation of directors, supervisors and other key management personnel were as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Short-term employee benefits	$ 6,308	$ 5,099
Post-employment benefits	255	250
	$ 6,563	$ 5,349

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term borrowings and transactions:

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Property, plant and equipment	$ 8,080,993	$ 8,138,906	$ 9,234,574
Pledged deposits (included in other non-current assets)	251,717	250,878	242,964
	$ 8,332,710	$ 8,389,784	$ 9,477,538

25. SIGNIFICANT UNRECOGNIZED COMMITMENTS

a. Significant unrecognized commitments of the Group as of March 31, 2019 were as follows:

1) Aggregate information of the Group entering into ship management agreements with other entities is stated below:

Ship	Date of Agreement	Calculation and Fee Collection Method
CPC Corporation, Taiwan		
YUN AN I. II. III. V. VI	2015.05.16-2020.05.15	Basic fees of ship management were $1,400 thousand per month with additional bonuses and with collection on a monthly basis.
TAI CHIN 201, 202, 203 and 205	2007.02.10-2032.12.31	The fee was $350 thousand per day, calculated by day, with collection on a monthly basis..
HONG YUN and SHENH YUN	2017.01.05-2023.01.24	Basic fees of ship management were $112 thousand for each ship per day, calculated by day, with collection on a monthly basis.
HUA YUN, TONG YUN and DER YUN	2017.04.07-2022.10.29	Basic fees of ship management were $96-$104 thousand for each ship per day, calculated by day, with collection on a monthly basis.

2) In May 2017, the board of directors of the subsidiary Tai Shing resolved to build two 62,000-ton bulk carriers with Oshima Shipbuilding Co., Ltd.; each bulk carrier's cost was US$25,500 thousand. In addition, in December 2018, the board of directors resolved to upgrade two 62,000-ton bulk carriers to two 64,000-ton bulk carriers with the installation of SOx scrubber. As a result, each bulk carrier's cost was US$26,390 thousand and the total cost of the upgrade was US$890 thousand. As of the date on which these consolidated financial statements were reviewed, the unpaid amount was US$41,996 thousand. The parent company is Tai Shing's guarantor.

3) In December 2018, the board of directors of the subsidiary Tai Shing resolved to build 80,000-ton bulk carriers with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd., and the total number of bulk carriers shall be not more than four bulk carriers with a total cost of less than US$136,000 thousand. In March and April 2019, Tai Shing has entered into contracts with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd.; each bulk carrier's cost was US$33,980 thousand, US$33,980 thousand, US$32,320 thousand, and US$33,900 thousand, respectively with a total amount of US$134,180 thousand. As of the date on which these consolidated financial statements were reviewed, the unpaid amount was US$120,762 thousand. The parent company is Tai Shing's guarantor.

b. Significant unrecognized commitments and contingencies of the Group as of December 31, 2018 were as follows:

1) Aggregate information of the Group entering into ship management agreements with other entities is stated below:

Ship	Date of Agreement	Calculation and Fee Collection Method
CPC Corporation, Taiwan		
YUN AN I. II. III. V. VI	2015.05.16-2020.05.15	Basic fees of ship management were $1,400 thousand per month with additional bonuses and with collection on a monthly basis.
TAI CHIN 201, 202, 203 and 205	2007.02.10-2032.12.31	The fee was $350 thousand per day, calculated by day, with collection on a monthly basis..
HONG YUN and SHENH YUN	2017.01.05-2023.01.24	Basic fees of ship management were $112 thousand for each ship per day, calculated by day, with collection on a monthly basis.
HUA YUN, TONG YUN and DER YUN	2017.04.07-2022.10.29	Basic fees of ship management were $96-104 thousand for each ship per day, calculated by day, with collection on a monthly basis.

2) In May 2017, the board of directors of the subsidiary Tai Shing resolved to build two 62,000-ton bulk carriers with Oshima Shipbuilding Co., Ltd.; each bulk carrier's cost was US$25,500 thousand. In addition, in December 2018, the board of directors resolved to upgrade two 62,000-ton bulk carriers to two 64,000-ton bulk carriers with the installation of SOx scrubber. As a result, each bulk carrier's cost was US$26,390 thousand and the total cost of the upgrade was US$890 thousand. As of the date of the independent auditors' report to the consolidated financial statements for the year ended December 31, 2018, the unpaid amount was US$41,996 thousand. The parent company is Tai Shing's guarantor.

3) In December 2018, the board of directors of the subsidiary Tai Shing resolved to build 80,000-ton bulk carriers with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd., and the total number of bulk carriers shall be not more than four bulk carriers with a total cost of less than US$136,000 thousand. In March 2018, Tai Shing has entered into a contract with Namura Shipbuilding Co., Ltd. to build two bulk carriers; each bulk carrier's cost was US$33,980 thousand, with a total amount of US$67,960 thousand. As of the date of the independent auditors' report to the consolidated financial statements for the year ended December 31, 2018, the unpaid amount was US$61,164 thousand.

c. Significant unrecognized commitments of the Group as of March 31, 2018 were as follows:

1) Aggregate information of the Group entering into ship management agreements with other entities is stated below:

Ship	Date of Agreement	Calculation and Fee Collection Method
CPC Corporation, Taiwan		
YUN AN I. II. III. V. VI	2015.05.16-2020.05.15	Basic fees of ship management were $1,400 thousand per month with additional bonuses and with collection on a monthly basis.
TAI CHIN 201, 202, 203 and 205	2007.02.10-2032.12.31	The fee was $349 thousand per day , calculated by day, with collection on a monthly basis..
HONG YUN and SHENH YUN	2017.01.05-2023.01.24	Basic fees of ship management were $112 thousand for each ship per day, calculated by day, with collection on a monthly basis.
HUA YUN, TONG YUN and DER YUN	2017.04.07-2022.10.29	Basic fees of ship management were $96-104 thousand for each ship per day, calculated by day, with collection on a monthly basis.

2) In May 2017, the board of directors of the subsidiary Tai Shing resolved to build two 62,000-ton bulk carriers with Oshima Shipbuilding Co., Ltd., each of which cost US$25,500 thousand. As of the date on which the consolidated financial statements for the three months ended March 31, 2018 were reviewed, the unpaid amount was US$43,290 thousand. The parent company is Tai Shing's guarantor.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by foreign currencies other than functional currencies of the group entities, and the exchange rates between foreign currencies and the respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,119	30.82 (USD:NTD)	$ 311,864
Financial liabilities			
Monetary items			
USD	$ 1,194	30.82 (USD:NTD)	$ 36,787

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,413	30.715 (USD:NTD)	$ 258,418
Financial liabilities			
Monetary items			
USD	$ 1,444	30.715 (USD:NTD)	$ 44,341

March 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,267	29.105 (USD:NTD)	$ 240,612
Financial liabilities			
Monetary items			
USD	$ 2,040	29.105 (USD:NTD)	$ 59,387

For the three months ended March 31, 2019 and 2018, net foreign exchange profits(losses) were $54 thousand and $(4,622) thousand, respectively, resulting from the fluctuation of the USD.

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (Table 2)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

9) Trading in derivative instruments (Note 7)

10) Intercompany relationships and significant intercompany transactions (Table 4)

11) Information on investees (Table 5)

b. Information on investments in mainland China (None)

28. SEGMENT INFORMATION

The Group managed its organization and allocated resources by reference to a single operating segment, and its operating activities are related to the business of passenger and freight transportation and acting as a shipping agency.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars/U.S. Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (Note 2)	Amount Endorsed/ Guaranteed by Collaterals (Note 2)	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 1 and 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiary	Endorsement/ Guarantee Given by Subsidiary on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Company in Mainland China	Note
		Name	Relationship											
0	Taiwan Navigation	Tai Shing	Subsidiary	$ 8,345,890	$ 6,888,411 (US$ 223,505)	$ 6,888,411 (US$ 223,505)	$ 4,641,016 (US$ 150,585)	-	65.0	$ 8,345,890	Yes	-	-	-
1	Tai Shing	Taiwan Navigation	Parent	7,235,677 (US$ 234,772)	249,488 (US$ 8,095)	249,488 (US$ 8,095)	246,252 (US$ 7,990)	246,252 (US$ 7,990)	2.8	7,235,677 (US$ 234,772)	-	Yes	-	-

Note 1: Not more than twice the endorser's/guarantor's paid-in capital.

Note 2: Translated at the exchange rate on March 31, 2019, US$1=NT$30.82.

TABLE 2

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Navigation Co., Ltd.	Mandatorily convertible bonds							
	Yang Ming	More than half of directors assigned by the Ministry of Transportation and Communications	Financial assets at FVTPL - current	-	$ 75,609	-	$ 75,609	
	Shares							
	Chunghwa Investment Co., Ltd.	-	Financial assets at FVTOCI - non-current	4,590	42,307	6.00	42,307	
	Taiwan Foundation International Pte. Ltd.	Corporate director	Financial assets at FVTOCI - non-current	1,500	46,292	15.00	46,292	
	Private placement listed shares							
	Yang Ming	More than half of directors assigned by the Ministry of Transportation and Communications	Financial assets at FVTOCI - non-current	19,083	148,084	0.82	148,084	
	Listed shares							
	Yang Ming	More than half of directors assigned by the Ministry of Transportation and Communications	Financial assets at FVTPL - current	13,210	114,265	0.57	114,265	

Note: See Table 5 for the information on investments in subsidiaries and associates.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 1)	
Tai Shing	Shin Wang	The same parent company	Rental revenue	$ (253,012)	(50)	By negotiations	$ -	-	$ 93,490	86	(Note 2)
Shin Wang	Tai Shing	The same parent company	Rental expense	253,012	97	By negotiations	-	-	(93,490)	(100)	(Note 2)

Note 1: The proportion of the individual related party's total receivables (payables).

Note 2: Eliminated upon consolidation.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
1	Tai Shing	Taiwan Navigation Co., Ltd.	Parent	Operating revenue - rental	$ 39,618	The rental of 2 ships in total was calculated for each ship at $2-14 thousand per day and was collected on a monthly basis.	5
				Trade receivables from related parties	15,299	The payment terms were based on agreements	-
		Shin Wang	The same parent company	Operating revenue - rental	253,012	The rental of 10 ships in total was calculated for each ship at $2-15 thousand per day and was collected on a monthly basis.	34
				Trade receivables from related parties	93,490	The payment terms were based on agreements	1

Note: Eliminated upon consolidation.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Products	Investment Amount		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	March 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount			
Taiwan Navigation Co., Ltd.	Tai Shing	Panama City, Panama	Rental and sale of ships	$ 3,921,447	$ 3,921,447	-	100.00	$ 8,829,547	$ 149,676	$ 149,676	Note
	Shin Wang	Monrovia City, Liberia	Rental and sale of ships	32,500	32,500	-	100.00	31,562	13	13	Note
	Yunn Wang	Taipei	Investment	41,861	41,861	5,211	49.75	110,998	17	8	

Note: Eliminated upon consolidation.