Taiwan Navigation Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2021 and 2020 and Independent Auditors' 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, 2021 and 2020, and the related consolidated statements of comprehensive income, the consolidated statements of 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 Standards 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, 2021 and 2020, investments accounted for using the equity method were NT$150,681 thousand and NT$88,091 thousand, respectively, and for the three months ended March 31, 2021 and 2020, net comprehensive income (loss) recognized from these equity-method investments was NT$17,718 thousand, NT$(21,340) thousand, respectively; such investments and related comprehensive income (loss) were calculated on the basis of financial statements that have not been reviewed.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements and related disclosures of the aforementioned investees 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, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 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 Shu-Chuan Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 10, 2021

<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, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 24)	$ 894,176	5	$ 325,354	2	$ 798,253	5
Financial assets at fair value through other comprehensive income (Notes 7 and 24)	498,014	3	386,391	2	67,107	1
Accounts receivable, net (Notes 8 and 17)	67,575	-	43,747	-	61,997	-
Trade receivables from related parties (Notes 8, 17, and 24)	35,060	-	67,337	-	56,747	-
Prepayments (Note 24)	93,060	1	98,680	1	100,212	1
Other financial assets (Notes 9 and 24)	765,400	4	1,113,266	7	708,185	5
Other current assets	8,526	-	7,493	-	26,933	-
Total current assets	2,361,811	13	2,042,268	12	1,819,434	12
NON-CURRENT ASSETS						
Financial assets at amortized cost (Note 10)	904,734	5	1,310,080	8	-	-
Financial assets at fair value through other comprehensive income (Notes 7 and 24)	914,126	5	768,985	5	243,465	2
Investments accounted for using the equity method (Note 11)	150,681	1	132,962	1	88,091	-
Property, plant and equipment (Notes 12 and 25)	10,310,141	58	9,447,859	56	10,528,632	69
Investment properties (Note 13)	1,172,653	7	1,189,531	7	1,227,650	8
Deferred tax assets	13,005	-	18,414	-	1,263	-
Prepayments for equipment (Note 26)	1,944,955	11	1,758,881	11	1,080,521	7
Other non-current assets (Notes 24 and 25)	6,280	-	56,384	-	251,735	2
Total non-current assets	15,416,575	87	14,683,096	88	13,421,357	88
TOTAL	$ 17,778,386	100	$ 16,725,364	100	$ 15,240,791	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 14 and 24)	$ 700,000	4	$ 900,000	5	$ -	-
Notes and accounts payable	94,815	1	80,486	-	125,744	1
Trade payables to related parties (Note 24)	10,438	-	16,825	-	7,839	-
Other payables	93,691	-	110,561	1	104,421	1
Current tax liabilities (Note 4)	91,403	-	91,403	1	167,466	1
Current portion of long-term borrowings (Notes 14, 21, 24, and 25)	221,097	1	76,370	-	581,850	4
Other current liabilities (Notes 13, 24 and 27)	99,515	1	92,391	1	100,285	-
Total current liabilities	1,310,959	7	1,368,036	8	1,087,605	7
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 14, 21, 24 and 25)	4,690,648	27	4,028,923	24	3,292,105	22
Deferred tax liabilities (Note 4)	366,124	2	353,658	2	309,216	2
Net defined benefit liabilities (Note 4)	55,591	-	62,516	1	67,279	-
Other non-current liabilities (Note 13)	127,218	1	128,996	1	134,660	1
Total non-current liabilities	5,239,581	30	4,574,093	28	3,803,260	25
Total liabilities	6,550,540	37	5,942,129	36	4,890,865	32
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 16)						
Ordinary shares	4,172,945	23	4,172,945	25	4,172,945	27
Capital surplus	334,382	2	334,382	2	334,382	2
Retained earnings						
Legal reserve	1,820,386	10	1,820,386	11	1,760,362	12
Special reserve	271,375	2	271,375	2	34,868	-
Unappropriated earnings	4,254,510	24	4,098,748	24	4,373,684	29
Total retained earnings	6,346,271	36	6,190,509	37	6,168,914	41
Other equity	374,248	2	85,399	-	(326,315)	(2)
Total equity attributable to owners of the Corporation	11,227,846	63	10,783,235	64	10,349,926	68
Total equity	11,227,846	63	10,783,235	64	10,349,926	68
TOTAL	$ 17,778,386	100	$ 16,725,364	100	$ 15,240,791	100

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

(With Deloitte & Touche auditors' review report dated May 10, 2021)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 13,17 and 24)	$ 654,558	100	$ 629,948	100
OPERATING COSTS (Notes 18, 24 and 27)	462,606	71	499,209	79
GROSS PROFIT	191,952	29	130,739	21
OPERATING EXPENSES (Note 18)	28,872	4	32,113	5
PROFIT FROM OPERATIONS	163,080	25	98,626	16
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,955	-	7,744	1
Other income (Notes 18 and 24)	1,748	-	26,027	4
Gain on disposal of property, plant and equipment (Note 12)	-	-	65,505	11
Gain on disposal of investment properties (Note 4)	26,315	4	-	-
Net gain on foreign currency exchange (Note 28)	(4,163)	(1)	942	-
Interest expense (Notes 18 and 24)	(9,168)	(1)	(17,017)	(3)
Other expenses	(1,327)	-	(1,271)	-
Share of profit of associates accounted for using the equity method (Notes 4 and 11)	(99)	-	(29)	-
Total non-operating income and expenses	15,261	2	81,901	13
PROFIT BEFORE INCOME TAX	178,341	27	180,527	29
INCOME TAX EXPENSE (Notes 4 and 19)	22,579	3	16,890	3
NET PROFIT FOR THE PERIOD	155,762	24	163,637	26
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	256,765	39	(106,461)	(17)
Share of other comprehensive income (loss) of associates accounted for using the equity method	17,817	3	(21,311)	(3)
	274,582	42	(127,772)	(20)

(Continued)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	14,267	2	72,832	11
Other comprehensive income (loss) for the period, net of income tax	288,849	44	(54,940)	(9)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 444,611	68	$ 108,697	17
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 155,762	24	$ 163,637	26
Non-controlling interests	-	-	-	-
	$ 155,762	24	$ 163,637	26
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 444,611	68	$ 108,697	17
Non-controlling interests	-	-	-	-
	$ 444,611	68	$ 108,697	17
EARNINGS PER SHARE (Note 20)				
Basic	$ 0.37		$ 0.39	
Diluted	$ 0.37		$ 0.39	

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

(With Deloitte & Touche auditors' review report dated May 10, 2021) (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 Translation of the Financial Statements of Foreign Operations	Unrealized Income (Loss) on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2020	417,294	$ 4,172,945	$ 334,382	$ 1,760,362	$ 34,868	$ 4,210,047	$ (97,252)	$ (174,123)	$ 10,241,229
Net profit for the three months ended March 31, 2020	-	-	-	-	-	163,637	-	-	163,637
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	72,832	(127,772)	(54,940)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	163,637	72,832	(127,772)	108,697
BALANCE AT MARCH 31, 2020	417,294	$ 4,172,945	$ 334,382	$ 1,760,362	$ 34,868	$ 4,373,684	$ (24,420)	$ (301,895)	$ 10,349,926
BALANCE AT JANUARY 1, 2021	417,294	$ 4,172,945	$ 334,382	$ 1,820,386	$ 271,375	$ 4,098,748	$ (501,518)	$ 586,917	$ 10,783,235
Net profit for the three months ended March 31, 2021	-	-	-	-	-	155,762	-	-	155,762
Other comprehensive income for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	14,267	274,582	288,849
Total comprehensive income for the three months ended March 31 , 2021	-	-	-	-	-	155,762	14,267	274,582	444,611
BALANCE AT MARCH 31, 2021	417,294	$ 4,172,945	$ 334,382	$ 1,820,386	$ 271,375	$ 4,254,510	$ (487,251)	$ 861,499	$ 11,227,846

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' review report dated May 10, 2021)

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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 178,341	$ 180,527
Adjustments for:		
Depreciation and amortization	139,844	150,878
Expected credit gain reversed on trade receivables	(2,383)	-
Interest expense	9,168	17,017
Interest income	(1,955)	(7,744)
Share of profit of associates accounted for using the equity method	99	29
Gain on disposal of property, plant and equipment	-	(65,505)
Gain on disposal of investment properties	(26,315)	-
Unrealized loss (gain) on foreign currency exchange	(24,823)	361
Changes in operating assets and liabilities		
Accounts receivable	(21,231)	(21,166)
Trade receivables from related parties	32,898	174
Prepayments	5,748	(9,994)
Other current assets	(1,056)	(906)
Other financial assets	4,460	(64,371)
Notes and accounts payable	14,173	(5,260)
Trade payables to related parties	(6,635)	(5,269)
Other payables	(17,546)	(18,792)
Other current liabilities	7,047	27,695
Net defined benefit liabilities	(6,925)	(271)
Cash generated from operations	282,909	177,403
Income tax paid	(4,798)	(26)
Net cash generated from operating activities	278,111	177,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at amortized cost	428,817	-
Payments for property, plant and equipment	(680,829)	-
Proceeds from disposal of property, plant and equipment	-	177,752
Proceeds from disposal of investment properties	41,507	-
Decrease in other financial assets	345,388	238,875
Decrease in other non-current assets	49,999	-
Increase in prepayments of equipment	(484,409)	(216,526)
Interest received	2,079	6,769
Net cash generated from (used in) investing activities	(297,448)	206,870
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(200,000)	-
Proceeds from long-term borrowings	847,730	30,000

(Continued)

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	
	2021	**2020**
Repayments of long-term borrowings	$ (50,000)	$ (10,000)
Increase (decrease) in other non-current liabilities	(1,778)	164
Interest paid	(8,550)	(17,342)
Net cash generated from financing activities	587,402	2,822
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	757	2,968
NET INCREASE IN CASH AND CASH EQUIVALENTS	568,822	390,037
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	325,354	408,216
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 894,176	$ 798,253

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

(With Deloitte & Touche auditors' review report dated May 10, 2021) (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(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 landowner in agreements with construction companies for the use of its land in 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 100% interest in both 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 10, 2021.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) did not have material impact on the Group's accounting policies.

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)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 8)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts–Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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 disclosure 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 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 for 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 consolidated financial statements included the Corporation and its 100% owned subsidiaries. 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 following, refer to the consolidated financial statements for the year ended December 31, 2020.

1) 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.

2) 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.

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 Group considers the economic implications of the COVID-19 when making its critical accounting 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

After the evaluation of management, the Group has no critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	$ 258	$ 258	$ 258
Checking accounts and demand deposits	61,837	56,529	29,071
Cash equivalents			
Time deposits with original maturities of 3 months or less	446,858	268,567	768,924
Repurchase agreements collateralized by notes with original maturities of 3 months or less	385,223	-	-
	$ 894,176	$ 325,354	$ 798,253

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

	March 31, 2021	December 31, 2020	March 31, 2020
Bank balance and cash equivalents	0.03%~0.35%	0.01%~0.40%	0.01%~2.20%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
Current			
Domestic investments			
Listed shares			
Yang Ming Marine Transport Corporation	$ 498,014	$ 386,391	$ 67,107
Non-current			
Domestic investments			
Private placement listed shares			
Yang Ming Marine Transport Corporation	$ 805,906	$ 656,770	$ 130,780
Unlisted shares			
Chunghwa Investment Co., Ltd.	79,940	68,883	66,619
	885,846	725,653	197,399
Foreign investments			
Unlisted shared			
Taiwan Foundation International Pte. Ltd.	28,280	43,332	46,066
	$ 914,126	$ 768,985	$ 243,465

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 will not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	March 31, 2021	December 31, 2020	March 31, 2020
At amortized cost			
Gross carrying amount	$ 68,383	$ 46,937	$ 64,597
Less: Allowance for impairment loss	808	3,190	2,600
	$ 67,575	$ 43,747	$ 61,997
Trade receivables from related parties	$ 35,060	$ 67,337	$ 56,747

The Group measures loss allowance of trade receivables (including related parties) at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated by reference to past default experience of the 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 based on past due status is not further distinguished according to the Group's different customer base.

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

The aging of receivables (including related parties) is as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
1-60 days	$ 83,873	$ 94,023	$ 98,192
61-90 days	11,062	11,855	13,884
More than 90 days	8,508	8,396	9,268
Gross carrying amount	103,443	114,274	121,344
Loss allowance (lifetime ECLs)	(808)	(3,190)	(2,600)
Amortized cost	$ 102,635	$ 111,084	$ 118,744

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

The movements of the loss allowance of accounts receivable (including related parties) were as follows:

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	$ 3,190	$ 2,600
Less: Net remeasurement of loss allowance	(2,383)	-
Foreign exchange losses	1	-
Balance at March 31	$ 808	$ 2,600

9. OTHER FINANCIAL ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits with original maturities of more than 3 months	$ 652,339	$ 597,140	$ 601,478
Repurchase agreements collateralized by notes with original maturities of more than 3 months	42,803	441,440	-
Others	70,258	74,686	106,707
	$ 765,400	$1,113,266	$ 708,185

The market rate intervals of time deposits and repurchase agreements collateralized by notes with original maturities of more than 3 months at the end of the reporting period are as follows

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits	0.23%~1.1%	0.26%~1.55%	1.89%~1.95%
Repurchase agreements collateralized by notes	0.40%	0.40%~0.42%	-

10. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
Non-current			
Restricted segregated foreign exchange deposit account for offshore funds	$ 904,734	$ 1,310,080	$ -

The National Taxation Bureau of Taipei, Ministry of Finance approved the repatriation of $1,471,450 thousand (US$50,000 thousand) of funds in accordance with "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" in August 2020. The funds after tax (US$46,000 thousand) were deposited into a segregated foreign exchange deposit account. The deposit was restricted under the Act except the part of funds which can be withdrawn and be freely utilized or engaged in financial investments or substantive investments. The funds can be withdrawn, over a period of three years, five years after the date of depositing them into the segregated foreign exchange deposit account, as the end of March 31, 2021, it has been used one after another. The rates of offshore funds ranged from 0.05%~0.30% and 0.26%~0.30% per annum as of March 31, 2021 and December 31, 2020, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in associates			
Associates that are not individually material			
Yunn Wang Investment Co., Ltd.	$ 150,681	$ 132,962	$ 88,091

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" 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 or loss of Yunn Wang were calculated based on the financial statements that have not been reviewed.

12. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2021	December 31, 2020	March 31, 2020
Assets used by the Group	$ 620,389	$ 630,856	$ 660,520
Assets leased under operating leases	9,689,752	8,817,003	9,868,112
	$ 10,310,141	$ 9,447,859	$ 10,528,632

a. Assets used by the Group

	Freehold Land	Buildings	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2021	$ 191,103	$ 89,223	$ 1,554,946	$ 4,425	$ 1,839,697
Additions	-	-	-	138	138
Balance at March 31, 2021	$ 191,103	$ 89,223	$ 1,554,946	$ 4,563	$ 1,839,835
Accumulated depreciation					
Balance at January 1, 2021		$ 39,925	$ 1,165,972	$ 2,944	$ 1,208,841
Depreciation expense		497	9,917	191	10,605
Balance at March 31, 2021		$ 40,422	$ 1,175,889	$ 3,135	$ 1,219,446
Carrying amount at March 31, 2021	$ 191,103	$ 48,801	$ 379,057	$ 1,428	$ 620,389
Carrying amount at December 31, 2020 and January 1, 2021	$ 191,103	$ 49,298	$ 388,974	$ 1,481	$ 630,856
Cost					
Balance at January 1 and March 31, 2020	$ 191,103	$ 89,223	$ 1,554,637	$ 4,425	$ 1,839,388
Accumulated depreciation					
Balance at January 1, 2020		$ 37,935	$ 1,128,185	$ 2,182	$ 1,168,302
Depreciation expense		497	9,878	191	10,566
Balance at March 31, 2020		$ 38,432	$ 1,138,063	$ 2,373	$ 1,178,868
Carrying amount at March 31, 2020	$ 191,103	$ 50,791	$ 416,574	$ 2,052	$ 660,520

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 25.

b. Assets leased under operating leases

	Transportation Equipment	Other Equipment	Total
Cost			
Balance at January 1, 2021	$ 12,345,269	$ 20,216	$ 12,365,485
Additions	982,120	-	982,120
Effects of foreign currency exchange differences	25,047	39	25,086
Balance at March 31, 2021	$ 13,352,436	$ 20,255	$ 13,372,691

	Transportation Equipment	Other Equipment	Total
Accumulated depreciation			
Balance at January 1, 2021	$ 3,543,694	$ 4,788	$ 3,548,482
Depreciation expense	126,787	661	127,448
Effects of foreign currency exchange differences	6,999	10	7,009
Balance at March 31, 2021	$ 3,677,480	$ 5,459	$ 3,682,939
Carrying amount at March 31, 2021	$ 9,674,956	$ 14,796	$ 9,689,752
Carrying amount at December 31, 2020 and January 1, 2021	$ 8,801,575	$ 15,428	$ 8,817,003
Cost			
Balance at January 1, 2020	$ 14,238,155	$ 37,292	$ 14,275,447
Disposals	(627,501)	(8,208)	(635,709)
Effects of foreign currency exchange differences	115,174	290	115,464
Balance at March 31, 2020	$ 13,725,828	$ 29,374	$ 13,755,202
Accumulated depreciation			
Balance at January 1, 2020	$ 4,186,423	$ 6,926	$ 4,193,349
Disposals	(476,033)	(2,328)	(478,361)
Depreciation expense	137,434	1,039	138,473
Effects of foreign currency exchange differences	33,575	54	33,629
Balance at March 31, 2020	$ 3,881,399	$ 5,691	$ 3,887,090
Carrying amount at March 31, 2020	$ 9,844,429	$ 23,683	$ 9,868,112

The Group entered into sale contract of bulk carriers in June 2019, and the bulk carriers were delivered in January 2020. The total amount of proceeds from disposal was $222,853 thousand (the deposit of 45,101 thousand has been collected in advance in June 2019) and the recognized gain on disposal was $65,505 thousand.

The Group leases bulk carriers on fixed lease payments or index-based variable payments, and the lease includes the option to extend the lease period. A portion of the operating lease contract contains market review clauses in the event that lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease period.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Year 1	$ 1,671,188	$ 1,220,489	$ 1,036,740
Year 2	664,431	566,581	27,866
Year 3	411,403	369,030	-
Year 4	98,200	182,460	-
	$ 2,845,222	$ 2,338,560	$ 1,064,606

The above items of property, plant and equipment 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	5-8 years

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 25.

13. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost			
Balance at January 1, 2021	$ 1,024,268	$ 255,340	$ 1,279,608
Disposals	(15,192)	(6,869)	(22,061)
Balance at March 31, 2021	$ 1,009,076	$ 248,471	$ 1,257,547
Accumulated depreciation			
Balance at January 1, 2021		$ 90,077	$ 90,077
Disposals		(6,869)	(6,869)
Depreciation expense		1,686	1,686
Balance at March 31, 2021		$ 84,894	$ 84,894
Carrying amount at March 31, 2021	$ 1,009,076	$ 163,577	$ 1,172,653
Cost			
Balance at January 1, 2020 and March 31, 2020	$ 1,057,328	$ 255,710	$ 1,313,038
Accumulated depreciation			
Balance at January 1, 2020		$ 83,701	$ 83,701
Depreciation expense		1,687	1,687
Balance at March 31, 2020		$ 85,388	$ 85,388
Carrying amount at March 31, 2020	$ 1,057,328	$ 170,322	$ 1,227,650

In 2017, the Group entered into a land lease agreement with a lease term of 20 years and agreed that the lessee construct a building in the name of the Corporation, which is both an applicant of the construction and a proprietor of the building, on the land. In addition, the lessee afforded the cost of building to exchange the right-of-use building during the lease period. In 2019, the construction of building was completed and delivered to the Group. The cost of the construction was $132,512 thousand, which was classified as prepaid rent. The Group recognized the rental income in installments during the lease period. The rental income was $1,866 thousand for the three months ended March 31, 2021 and March 31, 2020, respectively. As of March 31, 2021, December 31, 2020 and March 31, 2020, the balance of unamortized prepaid rent were $118,825 thousand ($7,465 thousand and $111,360 thousand were included in other current liability and other non-current liabilities, respectively) , $120,691 thousand ($7,465 thousand and $113,226 thousand were included in other current liability and other non-current liabilities, respectively) and $126,291 thousand ($7,465 thousand and $118,826 thousand were included in other current liability and other non-current liabilities, respectively).

The investment properties are leased out for 1 to 20 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.

Because of the market conditions were severely affected by COVID-19 in 2020, the Group agreed to provide unconditional 20%~50% rent reduction for some leases from March 2020 to September 2020.

Investment properties are depreciated using the straight-line method over their estimated useful lives of 25 to 60 years.

The fair value of investment properties were not appraised by independent valuers. The management of the Group used the valuation model that market participants use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	March 31, 2021	**December 31, 2020**	**March 31, 2020**
Fair value	$3,576,739	$3,603,864	$3,656,913

Lease commitments (the Group as a lessor) with lease terms commencing after the balance sheet dates are as follows:

	March 31, 2021	**December 31, 2020**	**March 31, 2020**
Lease commitments of investment properties	$ 14,100	$ 2,056	$ 34,440

14. BORROWINGS

a. Short-term borrowings

	March 31, 2021	**December 31, 2020**	**March 31, 2020**
Unsecured borrowings			
Line of credit borrowings	$ 700,000	$ 900,000	$ -
Interest rate range	0.85%-0.98%	0.85%-0.98%	-

b. Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Secured borrowings (1)	$ 4,666,385	$ 3,980,136	$ 3,152,605
credit borrowings (2)	245,360	125,157	721,350
	4,911,745	4,105,293	3,873,955
Less: Current portions	221,097	76,370	581,850
	$ 4,690,648	$ 4,028,923	$ 3,292,105
Interest rate range	0.85%~0.99%	0.88%~1.01%	0.97%~2.80%

1) Secured borrowings are project loans for the construction of ships of Tai Shing, whose freehold ships are provided as collateral (refer to Note 25), and the Corporation provide endorsement/guarantee loans whose the principal and interest are amortized on a monthly, quarterly and semi-annual basis, expected to be fully paid by February, 2031. As of March 31, 2021, Tai Shing paid in advance a portion of the principal which will be due in July 2022.

2) The interest on credit borrowings is paid on a monthly basis. The principal will be either paid in full by June 2022 or paid on a quarterly basis from September 2020 and is expected to be fully paid by September 2023.

15. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2021 and 2020, 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, 2020 and 2019. The amounts were $603 thousand and $1,395 thousand, respectively.

16. EQUITY

a. Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
Shares authorized (in thousands)	480,000	480,000	480,000
Capital authorized	$ 4,800,000	$ 4,800,000	$ 4,800,000
Shares issued and fully paid (in thousands)	417,294	417,294	417,294
Capital issued	$ 4,172,945	$ 4,172,945	$ 4,172,945

A holder of issued ordinary shares with NT$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
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 legal reserve 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 shall be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 18.f.

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 deficit. 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 and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" shall be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2020 and 2019 that were proposed by the board of directors in May 2021 and approved in the shareholders' meetings in June 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	$ 51,907	$ 60,024		
Appropriation (reversal) of special reserve	(271,375)	236,507		
Cash dividends	375,565	333,836	$ 0.9	$ 0.8

The appropriation of earnings for 2020 is subject to resolution in shareholders' general meeting to be held in June 2021.

17. REVENUE

	For the Three Months Ended March 31	
	2021	2020
Revenue from transportation	$ 639,450	$ 615,136
Rental income from investment properties	14,467	12,796
Other revenue	641	2,016
	$ 654,558	$ 629,948

Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Accounts receivable (Note 8)	$ 67,575	$ 43,747	$ 61,997	$ 40,971
Trade receivables from related parties (Notes 8 and 24)	$ 35,060	$ 67,337	$ 56,747	$ 57,389

18. NET PROFIT

a. Other income

	For the Three Months Ended March 31	
	2021	2020
Insurance claims	$ -	$ 23,042
Others	1,748	2,985
	$ 1,748	$ 26,027

b. Interest expense

	For the Three Months Ended March 31	
	2021	2020
Bank borrowing interest	$ 12,371	$ 23,089
Less: Capitalized interest amount	3,203	6,072
	$ 9,168	$ 17,017
Range of capitalization rate	0.84%~1.01%	2.45%~2.80%

c. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	$ 138,852	$ 149,839
Operating expenses	887	887
	$ 139,739	$ 150,726
An analysis of amortization by function		
Operating expenses	$ 105	$ 152

d. Operating expenses directly related to investment properties

	For the Three Months Ended March 31	
	2021	2020
Direct operating expenses from investment properties generating rental income	$ 7,858	$ 6,136
Direct operating expenses from investment properties not generating rental income	96	99
	$ 7,954	$ 6,235

e. Employee benefits expense are as follow:

	For the Three Months Ended March 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	$ 2,552	$ 2,828
Defined benefit plans	603	1,395
	3,155	4,223
Other employee benefits	156,630	160,535
	$ 159,785	$ 164,758
An analysis of employee benefits expense by function		
Operating costs	$ 136,513	$ 141,506
Operating expenses	23,272	23,252
	$ 159,785	$ 164,758

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued compensation of employees at the rates of no less than 0.5% and remuneration of directors at rates of no higher than 1.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months ended March 31, 2021 and 2020, the compensation of employees and the remuneration of directors are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2021	2020
Compensation of employees	1%	1%
Remuneration of directors	1%	1%

Amount

	For the Three Months Ended March 31	
	2021	**2020**
	Cash	**Cash**
Compensation of employees	$ 1,118	$ 1,223
Remuneration of directors	1,118	1,223

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 compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Corporation's board of directors on March 2021 and 2020, respectively, are as follows:

Amount

	For the Year Ended December 31	
	2020	**2019**
	Cash	**Cash**
Compensation of employees	$ 7,269	$ 7,816
Remuneration of directors	7,269	7,515

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31	
	2021	**2020**
Current tax		
In respect of the current period	$ -	$ 71,571
Land value increment tax of land disposal	50	-
	50	71,571
Deferred tax		
In respect of the current period	22,529	(54,681)
Income tax expense recognized in profit or loss	$ 22,529	$ 16,890

b. Income tax assessments

The income tax returns of the Corporation and Tai Shing through 2018 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2021	**2020**
Basic earnings per share	$ 0.37	$ 0.39
Diluted earnings per share	$ 0.37	$ 0.39

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2021	**2020**
Earnings used in the computation of basic earnings per share	$ 155,762	$ 163,637

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

	For the Three Months Ended March 31	
	2021	**2020**
Weighted average number of ordinary shares used in the computation of basic earnings per share	417,294	417,294
Effects of potentially dilutive ordinary shares		
Compensation of employees	326	574
Weighted average number of ordinary shares used in the computation of diluted earnings per share	417,620	417,868

The Corporation may settle compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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.

21. CASH FLOWS INFORMATION FROM FINANCING ACTIVITIES

For the three months ended March 31, 2021

			Non-cash Changes	
	Opening Balance	**Cash Flows**	**Foreign Exchange Movement**	**Closing Balance**
Long-term borrowings (including current portions)	$ 4,105,293	$ 797,730	$ 8,722	$ 4,911,745

For the three months ended March 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes Foreign Exchange Movement	Closing Balance
Long-term borrowings (including current portions)	$ 3,826,931	$ 20,000	$ 27,024	$ 3,873,955

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern 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.

The 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.

23. 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, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 498,014	$ 805,906	$ -	$1,303,920
Unlisted shares - ROC	-	-	79,940	79,940
Unlisted shares - foreign	-	-	28,280	28,280
	$ 498,014	$ 805,906	$ 108,220	$1,412,140

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 386,390	$ 656,770	$ -	$ 1,043,160
Unlisted shares - ROC	-	-	68,883	68,883
Unlisted shares - foreign	-	-	43,332	43,332
	$ 386,390	$ 656,770	$ 112,215	$ 1,155,375

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 67,107	$ 130,780	$ -	$ 197,887
Unlisted shares - ROC	-	-	66,619	66,619
Unlisted shares - foreign	-	-	46,066	46,066
	$ 67,107	$ 130,780	$ 112,685	$ 310,572

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

Domestic listed private shares and ordinary shares converted from mandatory convertible bonds 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 Group.

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

As of March 31, 2021, the unlisted equity securities - ROC held by the Group are mainly investments in domestic listed shares. Thus, the aforementioned unlisted equity securities were determined using the asset-based approach. Separate assets and liabilities of the underlying investments were 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 89.75% discount rate for lack of marketability. Besides, the assets of unlisted shares - foreign held by the Group were determined using the market-based approach based on the listed companies engaged in the same or similar business. The trading price of its shares in the active market is converted into a value multiplier and then matched with the financial status of the target corporation to determine the value of the evaluation targets. Separate assets and liabilities of the underlying investments were regarded as individual evaluation targets and were evaluated according to their nature to reflect their overall fair value, same as the asset-based approach. Unobservable inputs used by the Group were 16.86% discount rate for lack of marketability. If the discount rate for lack of marketability had increased/decreased by 1% and all other variables were held constant, the fair value would have decreased/increased by $8,142 thousand.

As of December 31, 2020 and March 31, 2019, the unlisted equity securities - ROC held by the Group are mainly investment in domestic listed shares. Besides, the assets of unlisted shares - foreign held by the Group were mainly bank deposits and new purchase investment properties. Thus, the aforementioned unlisted equity securities were determined using the asset-based approach. Separate assets and liabilities of the underlying investments were 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 89.75% discount rate for lack of marketability as of December 31, 2020 and March 31, 2020. If the discount rate for lack of marketability had increased/decreased by 1% and all other variables were held constant, the fair value would have decreased/increased by $6,723 thousand and $6,502 thousand, respectively.

c. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets			
Financial assets at amortized cost (Note 1)	$ 2,666,945	$ 2,859,784	$ 1,625,182
Financial assets at FVTOCI			
Equity instruments	1,412,140	1,155,375	310,572
Financial liabilities			
Financial liabilities at amortized cost (Note 2)	5,810,689	5,213,165	4,111,959

Note 1: The balances include financial assets 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, notes and accounts payable, trade payables to related parties, other payables, and long-term borrowings (including current portions).

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 upon consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Group is 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 USD.

	USD Impact on NTD	
	For the Three Months Ended March 31	
	2021	**2020**
Loss	$ (20,446)	$ (8,808)

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, 2021	**December 31, 2020**	**March 31, 2020**
Fair value interest rate risk			
Financial assets	$ 2,403,246	$ 2,588,747	$ 1,370,402
Cash flow interest rate risk			
Financial assets	71,098	63,766	25,588
Financial liabilities	5,611,745	5,005,293	3,873,955

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, 2021 and 2020, if the market interest rates had been 1% higher, the cash inflow from variable interest rate financial assets would have been $178 thousand and $64 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, 2021 and 2020, if the market interest rates had been 1% higher, the cash outflow from variable interest rate financial liabilities would have been $14,029 thousand and $9,685 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 domestic listed (unlisted) shares.

Sensitivity analysis

The equity price risk for the flexible-priced financial assets held by the Group was assessed using sensitivity analysis.

If equity prices had been 5% higher/lower and the pre-tax other comprehensive income for the three months ended March 31, 2021 and 2020 would have increased/decreased by $70,607 and $15,529 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, 2021, December 31, 2020, and March 31, 2020, the Group had available unutilized short-term bank loan facilities (including overdraft and guarantee) of $633,355 thousand, $433,190 thousand and $306,075 thousand, respectively.

The following table details the Group's remaining contractual maturity of its non-derivative financial liabilities with variable interest rates and agreed upon 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. The maturity date for other non-derivative financial liabilities were based on the agreed upon repayment dates.

March 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-3 Year	3-5 Years	5+ Years
Non-interest bearing	$ 6,365	$ 13,905	$ 178,674	$ -	$ -	$ -
Variable interest rate liabilities	400,088	300,357	222,657	2,614,556	1,231,433	995,025
	$ 406,453	$ 314,262	$ 401,331	$ 2,614,556	$ 1,231,433	$ 995,025

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-3 Year	3-5 Years	5+ Years
Non-interest bearing	$ 5,989	$ 21,015	$ 180,868	$ -	$ -	$ -
Variable interest rate liabilities	-	300,645	679,070	2,419,202	1,071,562	661,587
	$ 5,989	$ 321,660	$ 859,937	$ 2,419,202	$ 1,071,562	$ 661,587

March 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-3 Year	3-5 Years	5+ Years
Non-interest bearing	$ 4,927	$ 11,017	$ 222,060	$ -	$ -	$ -
Variable interest rate liabilities	-	300,455	284,690	1,120,173	1,284,245	1,230,307
	$ 4,927	$ 311,472	$ 506,750	$ 1,120,173	$ 1,284,245	$ 1,230,307

24. 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. The Ministry of Transportation and Communications, ROC has significant influence over the Group. Besides, the nature and amounts of transactions, individually and collectively insignificant, with the government - related party have not been disclosed, and information disclosed, elsewhere in the other notes and 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 party
Hong Ming Terminal & Stevedoring Corp.	Subsidiary of government - related party
Yunn Wang Investment Co., Ltd.	Associate
CPC Corporation	Government - related party
Land Bank of Taiwan	Government - related party
Bank of Taiwan	Government - related party
Mega International Commercial Bank	Government - related party
First Commercial Bank	Government - related party

(Continued)

Related Party Name	Related Party Category
Chang Hwa Bank	Government - related party
Chunghwa Post Co., Ltd.	Government - related party

(Concluded)

b. Operating transactions

	For the Three Months Ended March 31	
	2021	2020
Operating revenue		
Government - related party		
CPC Corporation	$ 79,663	$ 88,397
Yang Ming	31,102	40,917
Associates		
Others	29	29
	$ 110,794	$ 129,343
Operating costs		
Government and its subsidiaries - related parties		
Yang Ming	$ 25,840	$ 36,165
CPC Corporation	8,438	11,630
Others	582	450
	$ 34,860	$ 48,245

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

c. Bank Balances

Bank Balances (including other financial assets, repurchase agreements collateralized by notes with original maturities of more than 3 months, financial assets at amortized cost and pledged deposits)

	March 31, 2021	December 31, 2020	March 31, 2020
Government - related party			
Land Bank of Taiwan	$ 974,627	$ 1,360,285	$ 252,246
Mega International Commercial Bank	433,834	442,954	-
First Commercial Bank	325,647	531,251	782,188
Bank of Taiwan	50,351	63,990	117,583
Others	1,411	56	7,382
	$ 1,785,870	$ 2,398,536	$ 1,159,399

d. Trade receivables from related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Trade receivables			
Government - related parties			
CPC Corporation	$ 28,095	$ 28,095	$ 30,621
Yang Ming	6,965	39,242	26,126
	$ 35,060	$ 67,337	$ 56,747

e. Advance in cash (included in other financial assets)

	March 31, 2021	December 31, 2020	March 31, 2020
Government - related parties			
CPC Corporation	$ 53,261	$ 56,130	$ 27,958

f. Prepayments from related parties (included in prepayments)

	March 31, 2021	December 31, 2020	March 31, 2020
Government - related parties			
Others	$ -	$ 2,167	$ 2,669

g. Borrowings from related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Government - related party			
Land Bank of Taiwan	$ 3,414,366	$ 2,731,109	$ 1,407,112
Bank of Taiwan	1,552,019	1,549,027	1,745,494
Mega International Commercial Bank	205,360	205,157	181,350
	$ 5,171,745	$ 4,485,293	$ 3,333,956

Interest expense

	For the Three Months Ended March 31	
	2021	2020
Land Bank of Taiwan	$ 7,189	$ 9,280
Bank of Taiwan	3,714	11,277
Others	456	1,187
	$ 11,359	$ 21,744

The borrowing interest rate of the group borrowings from the related party is equivalent to the market interest rate.

h. Trade payables to related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Government and its subsidiaries - related parties			
Yang Ming	$ 9,972	$ 16,704	$ 7,547
Others	466	121	292
	$ 10,438	$ 16,825	$ 7,839

i. Advance receipts from related parties (included in other current liabilities)

	March 31, 2021	December 31, 2020	March 31, 2020
Associates			
Others	$ 171	$ -	$ 171

The Group did not recognize allowance for doubtful accounts and did not receive guarantees during the three months ended March 31, 2021 and 2020. In addition, the outstanding payables to related parties had no guarantees.

j. 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 Group. In June 2012, the Group purchased seven-year, privately placed, secured mandatory convertible bonds (included in FVTOCI -current) 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, matured in June 2019 and were converted into 9,597 thousands shares of private placement ordinary shares. The aforementioned private shares can be applied for registration of the retroactive handling of public issuance and listing shares with the FSC if Yang Ming complies with the regulations of the retroactive handling of public issuance. The Group held the aforementioned investments, which were classified as financial assets at FVTOCI - non-current, for strategic purposes.

In February 2017, the Group purchased 19,083 thousand shares of private placement ordinary shares issued by Yang Ming for $199,990 thousand (classified as financial assets at FVTOCI - non-current), and the rights and obligations of the private placement 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 private 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 Group 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 since the Group did not have any significant influence over Yang Ming.

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

	For the Three Months Ended March 31	
	2021	2020
Associates (management service revenue)		
Others	$ 29	$ 29

l. Compensation of key management personnel

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

	For the Three Months Ended March 31	
	2021	2020
Short-term employee benefits	$ 6,206	$ 6,634
Post-employment benefits	297	284
	$ 6,503	$ 6,918

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2021	December 31, 2020	March 31, 2020
Property, plant and equipment	$ 7,977,877	$ 7,064,751	$ 7,614,501
Pledged deposits (included in other non-current assets)	2,165	2,165	246,963
	$ 7,980,042	$ 7,066,916	$ 7,861,464

26. SIGNIFICANT UNRECOGNIZED COMMITMENTS AND CONTINGENCIES

a. Significant unrecognized commitments and contingencies of the Group as of March 31, 2021 were as follows:

1) The aggregate information of the Group entering into ship management agreements with CPC Corporation, is stated below:

Ship	Date of Agreement	Calculation and Fee Collection Method
CPC Corporation		
TAI CHIN 201, 202, 203 and 205	2007.02.10-2032.12.31	The fee was $353 thousand per day, which was calculated per day, and collected on a monthly basis.
HONG YUN and SHENH YUN	2017.01.05-2023.01.24	Basic fee of ship management was $112 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.
HUA YUN, TONG YUN and DER YUN	2017.04.07-2022.10.29	Basic fee of ship management was $96-$104 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.

As of March 31, 2021, the Corporation entrusted the Bank of Taiwan to issued letter of guarantee to CPC Corporation with amount of $245,250 thousand.

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, with the parent company as Tai Shing's guarantor. As of the date of the independent auditors' review report to the consolidated financial statements for the three months ended March 31, 2021, the unpaid amount was US$18,593 thousand (the paid amount was included in prepayments for equipment). It is proposed to apply to the Land Bank of Taiwan for a long-term ship mortgage loan of US$16,009 thousand, which was approved by the Corporation's board of directors in March 2021, with the Corporation 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 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 of the independent auditors review report to the consolidated financial statements for the three months ended March 31, 2021, the unpaid amount was US$46,354 thousand (the paid amount was included in prepayments for equipment). The Corporation is Tai Shing's guarantor for Oshima shipbuilding Co., Ltd.

4) In October 2019, the board of directors of the subsidiary Tai Shing resolved to build 84,000-ton and 64,000-ton bulk carriers with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd., respectively, with a total cost of less than US$64,100 thousand. In December 2019 and May 2020, Tai Shing entered into a contract with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd.; each bulk carrier's cost was US$34,900 thousand and US$28,550 thousand, respectively. In addition, in March 2020 and August 2020, the cost of 84,000-ton and 64,000-ton bulk carriers resulted from adjusting bulk carrier's parts decreased to US$34,280 thousand and US$28,050 thousand, respectively. As of the date of the independent auditors review report to the consolidated financial statements for the three months ended March 31, 2021, the unpaid amount was US$49,241 thousand. The Corporation is Tai Shing's guarantor of Oshima shipbuilding Co., Ltd.

5) The Group received the tender offer for "Kuan-Tang Industrial Port's Long-term harbor tug Service" with a 25-year term from CPC Corporation, and the performance bond issued by the bank amounted to $357,000 thousand. In December 2020, the Corporation's board of directors approved the proposal of procuring 5 vessels of tugboat from PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) in the amount of no higher than US$45,500 thousand and the proposal of procuring 2 vessels of mooring boats from San Yang Shipbuilding Co., Ltd in the amount of no higher than $68,250 thousand. In January 2021, the Corporation's board of directors approved that the total procurement amount of 5 tugboats will be increased to no higher than US$46,530 thousand due to the rising shipbuilding cost, and the subsidiary Tai Shing has provided the related performance guarantee. In addition, the Group has entered into contracts with PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) to build 3 vessels of 60-ton VSP tugboat and 2 vessels of 60-ton SRP tugboat at the individual price of US$10,560 thousand and US$7,200 thousand, respectively. The total procurement amount was US$46,080 thousand. In February 2021, the Group has entered into contracts with San Yang Shipbuilding Co., Ltd to build 2 vessels of mooring boats at the individual price of $31,300 thousand. The total procurement amount was $62,600 thousand (pre-tax). As of the date of the independent auditors review report to the consolidated financial statements for the three months ended March 31, 2021, the unpaid amount was US$32,256 thousand and US$50,080 thousand (the paid amount was included in prepayments for equipment).

b. Significant unrecognized commitments and contingencies of the Group as of December 31, 2020 were as follows:

1) The aggregate information of the Group entering into ship management agreements with CPC Corporation, is stated below:

Ship	**Date of Agreement**	**Calculation and Fee Collection Method**
CPC Corporation		
TAI CHIN 201, 202, 203 and 205	2007.02.10-2032.12.31	The fee was $353 thousand per day, which was calculated per day, and collected on a monthly basis.
HONG YUN and SHENH YUN	2017.01.05-2023.01.24	Basic fee of ship management was $112 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.
HUA YUN, TONG YUN and DER YUN	2017.04.07-2022.10.29	Basic fee of ship management was $96-104 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.

As of December 31, 2020, the Corporation entrusted the Bank of Taiwan to issued letter of guarantee to CPC Corporation with amount of $245,250 thousand.

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, with the parent company as Tai Shing's guarantor. As of the date of the independent auditors' report to the consolidated financial statements for the year ended December 31, 2020, the unpaid amount was US$34,587 thousand (the paid amount was included in prepayments for equipment). It is proposed to apply to the Land Bank of Taiwan for a long-term ship mortgage loan of US$31,988 thousand, which was approved by the Corporation's board of directors in March 2021, with the parent company as 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 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 of the independent auditors report to the consolidated financial statements for the year ended December 31, 2020, the unpaid amount was US$76,762 thousand (the paid amount was included in prepayments for equipment). The parent company is Tai Shing's guarantor for Oshima shipbuilding Co., Ltd.

4) In October 2019, the board of directors of the subsidiary Tai Shing resolved to build 84,000-ton and 64,000-ton bulk carriers with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd., respectively, with a total cost of less than US$64,100 thousand. In December 2019 and May 2020, Tai Shing entered into a contracts with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd.; each bulk carrier's cost was US$34,900 thousand and US$28,550 thousand, respectively. In addition, in March 2020 and August 2020, the cost of 84,000-ton and 64,000-ton bulk carriers resulted from adjusting bulk carrier's parts decreased to US$34,280 thousand and US$28,050 thousand, respectively. As of the date of the independent auditor's report to the consolidated financial statements for the year ended December 31, 2020, the unpaid amount was US$52,669 thousand. The Corporation is Tai Shing's guarantor of Oshima shipbuilding Co., Ltd.

5) The Group received the tender offer for "Kuan-Tang Industrial Port's Long-term harbor tug Service" with a 25-year term from CPC Corporation, and the performance bond issued by the bank amounted to $357,000 thousand. In December 2020, the Corporation's board of directors approved the proposal of procuring 5 vessels of tugboat from PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) in the amount of no higher than US$45,500 thousand and the proposal of procuring 2 vessels of mooring boats from San Yang Shipbuilding Co., Ltd in the amount of no higher than $68,250 thousand. In January 2021, the Corporation's board of directors approved that the total procurement of 5 tugboats will be increased to no higher than US$46,530 thousand due to the increase in shipbuilding cost, and the subsidiary Tai Shing has provided the related performance guarantee. In addition, the Group has entered into contract with PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) to build 3 vessels of 60-ton VSP tugboat and 2 vessels of 60-ton SRP tugboat at the individual price of US$10,560 thousand and US$7,200 thousand, respectively. The total procurement amount was US$46,080 thousand. In February 2021, the Group has entered into contracts with San Yang Shipbuilding Co., Ltd to build 2 vessels of mooring boats at the individual price of $31,300 thousand. The total procurement amount was $62,600 thousand (pre-tax).

c. Significant unrecognized commitments and contingencies of the Group as of March 31, 2020 were as follows:

1) The aggregate information of the Group entering into ship management agreements with CPC Corporation, is stated below:

Ship	Date of Agreement	Calculation and Fee Collection Method
CPC Corporation		
YUN AN I. II. III. V. VI	2015.05.16-2020.05.15	Basic fee of ship management was $1,400 thousand per month with additional bonus and collected on a monthly basis.
TAI CHIN 201, 202, 203 and 205	2007.02.10-2032.12.31	The fee was $352 thousand per day, which was calculated per day, and collected on a monthly basis.

Ship	Date of Agreement	Calculation and Fee Collection Method
HONG YUN and SHENH YUN	2017.01.05-2023.01.24	Basic fee of ship management was $112 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.
HUA YUN, TONG YUN and DER YUN	2017.04.07-2022.10.29	Basic fee of ship management was $96-104 thousand for each ship per day, which was calculated per day, and collected 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 review report to the consolidated financial statements for the three months ended March 31, 2020, the unpaid amount was US$41,996 thousand (the paid amount was included in prepayments for equipment). The Corporation 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 2019 and April 2019, Tai Shing 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 of the independent auditors review report to the consolidated financial statements for the three months ended March 31, 2020, the unpaid amount was US$107,344 thousand (the paid amount was included in prepayments for equipment). The Corporation is Tai Shing's guarantor for Oshima shipbuilding Co., Ltd.

4) In October 2019, the board of directors of the subsidiary Tai Shing resolved to build 84,000-ton and 64,000-ton bulk carriers with Namura Shipbuilding Co., Ltd. and Oshima Shipbuilding Co., Ltd., respectively, with a total cost of less than US$64,100 thousand. In December 2019, Tai Shing entered into a contract with Namura Shipbuilding Co., Ltd. to build one bulk carrier with an amount of US$34,900 thousand. In addition, in March 2020, the bulk carrier's parts were adjusted and the cost decreased to US$34,280 thousand. As of the date of the independent auditors review report to the consolidated financial statements for the three months ended March 31, 2020, the unpaid amount was US$30,852 thousand (the paid amount was included in prepayments for equipment). The Corporation is Tai Shing's guarantor for Oshima shipbuilding Co., Ltd.

27. OTHER ITEMS

Due to the impacted of the COVID-19 pandemic, there is a decline in overall coastal route passenger transportation/freight shipping demand. As a result, the coastal route revenue of the Group decreased from January 2021 to March 2021. As the pandemic is expected to slow down and policy to loosen, the Group expects that operations will gradually return to normal.

In response to the impact of the pandemic, the Group has successively applied to the government for various subsidies such as salary, working capital, equipment repairs, etc. As of March 31, 2021, the Group has received $44,972 thousand (including deduction of the operating costs of $11,267 thousand and other current liabilities of $33,705 thousand).

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies are as follows:

March 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 36,330	28.535 (USD:NTD)	$ 1,036,687
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 261,229	28.535 (USD:NTD)	$ 7,454,169
Financial liabilities			
Monetary items			
USD	$ 503	28.535 (USD:NTD)	$ 14,363

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 64,966	28.48 (USD:NTD)	$ 1,850,233
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 256,245	28.48 (USD:NTD)	$ 7,297,861
Financial liabilities			
Monetary items			
USD	$ 830	28.48 (USD:NTD)	$ 23,638

March 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 15,234	30.225 (USD:NTD)	$ 460,452
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 290,996	30.225 (USD:NTD)	$ 8,795,368
Financial liabilities			
Monetary items			
USD	$ 663	30.225 (USD:NTD)	$ 20,038

For the three months ended March 31, 2021 and 2020, net foreign exchange gain (loss) was $(4,163) thousand and $942 thousand, respectively, resulting from the fluctuation of the USD.

29. 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 (None)

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

b. Information on investments (Table 5)

c. Information on investments in mainland China (None)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

30. 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.

TABLE 1

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1, 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Year (Note 3)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collaterals (Note 3)	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 1, 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Company in Mainland China	Note
		Name	Relationship											
0	Taiwan Navigation Co., Ltd.	Tai Shing	Subsidiary	$ 22,455,692	$ 9,858,223 (US$ 345,478)	$ 9,858,223 (US$ 345,478)	$ 7,895,928 (US$ 276,710)	$ -	88	$ 22,455,692	Yes	-	-	-
1	Tai Shing	Taiwan Navigation Co., Ltd.	Parent	6,699,219 (US$ 234,772)	920,425 (US$ 32,256)	920,425 (US$ 32,256)	920,425 (US$ 32,256)	- -	13	6,699,219 (US$ 234,772)	-	Yes	-	-

Note 1: Not more than twice the net equity in the latest financial statement of Taiwan Navigation Co., Ltd.

Note 2: Not more than twice of Tai Shing’s paid in capital.

Note 3: Translated at the exchange rate on March 31, 2021, US$1=NT$28.535.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name/Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Navigation Co., Ltd.	Shares							
	Chunghwa Investment Co., Ltd.	-	Financial assets at FVTOCI - non-current	4,590	$ 79,940	6.00	$ 79,940	
	Taiwan Foundation International Pte. Ltd.	Corporate director	Financial assets at FVTOCI - non-current	1,500	28,280	15.00	28,280	
	Private placement listed shares							
	Yang Ming	Significantly influenced by the Government	Financial assets at FVTOCI - non-current	28,680	805,906	0.91	805,906	
	Listed shares							
	Yang Ming	Significantly influenced by the Government	Financial assets at FVTOCI - current	13,210	498,014	0.42	498,014	

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, 2021
(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	(184,261)	(50)	By negotiations	-	-	79,841	100	**(Note 2)**
Shin Wang	Tai Shing	The same parent company	Rental expense	184,261	93	By negotiations	-	-	(79,841)	(100)	**(Note 2)**

Note 1: The proportion of 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, 2021
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Tai Shing	Shin Wang	The same parent company	Operating revenue - rental	184,261	The rental of 9 ships in total was calculated for each ship at $2-15 thousand per day and was collected on a monthly basis.	28
				Trade receivables from related parties	79,841	Collected based on agreements	-

Note 1: Eliminated upon consolidation.

Note 2: This table disclosure transaction of at least $10,000 thousand.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Products	Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	March 31, 2021	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	100.00	$ 6,995,773	$ 56,437	$ 56,437	
	Shin Wang	Monrovia City, Liberia	Rental and sale of ships	32,500	32,500	1	100.00	458,396	85,603	85,603	
	Yunn Wang	Taipei	Investment	41,861	41,861	5,211,474	49.75	150,681	(198)	(99)	

Note: Eliminated upon consolidation.

TABLE 6

TAIWAN NAVIGATION CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ministry of Transportation and Communications, ROC	110,436,379	26.46
Yang Ming Maritime Transport Corp.	70,758,243	16.95

Note: The major shareholder information in this table is submitted by TDCC on the last business day at the end of the period and calculated the data of the shareholder which hold non-physical of ordinary shares for more than 5%. The share capital recorded in the Corporation's consolidated financial report and the actual number of shares delivered without physical registration may be same or different.