Taiwan Navigation Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2022 and 2021 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Navigation Co., Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine 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 September 30, 2022 and 2021, investments accounted for using the equity method were NT$167,101 thousand and NT$282,736 thousand, respectively, and for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, net comprehensive income (loss) recognized from these equity-method investments was NT$(13,313) thousand, NT$(116,860) thousand, NT$(62,171) thousand and NT$154,204 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 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 September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 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 Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 7, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 24)	$ 576,598	3	$ 330,993	1	$ 247,213	1
Financial assets at fair value through other comprehensive income (Notes 7 and 24)	2,293,388	10	4,550,786	20	1,195,111	5
Financial assets at amortized cost (Notes 8 and 24)	88,120	-	367,427	2	-	-
Accounts receivable, net (Notes 9 and 17)	52,018	-	29,469	-	22,790	-
Trade receivables from related parties (Notes 9, 17 and 24)	20,729	-	28,084	-	27,178	-
Other receivables	88,622	-	88,152	-	10	-
Prepayments	158,580	1	117,898	1	100,084	1
Other financial assets (Notes 10 and 24)	553,237	2	1,464,435	6	1,457,395	7
Other current assets	3,962	-	2,538	-	2,313	-
Total current assets	3,835,254	16	6,979,782	30	3,052,094	14
NON-CURRENT ASSETS						
Financial assets at amortized cost (Notes 8 and 24)	-	-	-	-	626,350	3
Financial assets at fair value through other comprehensive income (Notes 7 and 24)	66,555	-	90,018	-	2,929,618	13
Investments accounted for using the equity method (Note 11)	167,101	1	239,695	1	282,736	1
Property, plant and equipment (Notes 12 and 25)	16,291,618	68	12,977,548	56	12,225,062	55
Investment properties (Note 13)	1,148,512	5	1,168,079	5	1,189,499	6
Deferred tax assets (Note 4)	574	-	7,720	-	15,249	-
Prepayments for equipment (Note 26)	2,327,856	10	1,805,208	8	1,756,552	8
Other non-current assets (Notes 24 and 25)	19,887	-	13,474	-	6,027	-
Total non-current assets	20,022,103	84	16,301,742	70	19,031,093	86
TOTAL	$ 23,857,357	100	$ 23,281,524	100	$ 22,083,187	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 14 and 21)	$ 222,250	1	$ 918,760	4	$ 934,950	4
Notes and accounts payable	190,334	1	123,779	1	111,394	1
Other payables	210,873	1	157,029	1	125,365	1
Current tax liabilities (Note 4)	118,580	-	75,409	-	80,386	-
Current portion of long-term borrowings (Notes 14, 21, 24 and 25)	992,188	4	-	-	-	-
Other current liabilities (Notes 13, 24 and 28)	68,196	-	75,613	-	97,189	-
Total current liabilities	1,802,421	7	1,350,590	6	1,349,284	6
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 14, 21, 24 and 25)	5,861,261	25	5,531,970	24	5,194,166	24
Deferred tax liabilities (Note 4)	320,974	1	342,715	1	332,063	1
Net defined benefit liabilities (Note 4)	54,695	-	59,087	-	53,621	-
Other non-current liabilities (Note 13)	353,972	2	359,520	2	358,987	2
Total non-current liabilities	6,590,902	28	6,293,292	27	5,938,837	27
Total liabilities	8,393,323	35	7,643,882	33	7,288,121	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 16 and 24)						
Ordinary shares	4,172,945	18	4,172,945	18	4,172,945	19
Capital surplus	334,382	1	334,382	1	334,382	1
Retained earnings						
Legal reserve	2,054,827	9	1,872,293	8	1,872,293	9
Unappropriated earnings	6,526,207	27	5,767,994	25	5,348,523	24
Total retained earnings	8,581,034	36	7,640,287	33	7,220,816	33
Other equity	2,375,673	10	3,490,028	15	3,066,923	14
Total equity attributable to owners of the Corporation	15,464,034	65	15,637,642	67	14,795,066	67
Total equity	15,464,034	65	15,637,642	67	14,795,066	67
TOTAL	$ 23,857,357	100	$ 23,281,524	100	$ 22,083,187	100

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

(With Deloitte & Touche auditors' review report dated November 7, 2022)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 13, 17 and 24)	$ 972,151	100	$ 859,414	100	$ 2,792,497	100	$ 2,323,587	100
OPERATING COSTS (Notes 18, 24 and 28)	610,048	63	486,869	57	1,791,651	64	1,419,826	61
GROSS PROFIT	362,103	37	372,545	43	1,000,846	36	903,761	39
OPERATING EXPENSES (Note 18)	53,981	5	48,536	5	149,680	5	109,433	5
PROFIT FROM OPERATIONS	308,122	32	324,009	38	851,166	31	794,328	34
NON-OPERATING INCOME AND EXPENSES								
Interest income	7,634	1	1,328	-	13,353	-	4,793	-
Dividends income (Note 24)	2,516	-	-	-	748,333	27	7,095	1
Other income (Note 24)	4,589	-	2,413	-	29,314	1	12,663	1
Gain on disposal of property, plant and equipment (Note 12)	80	-	191,813	22	80	-	191,813	8
Gain on disposal of investment properties (Note 13)	-	-	-	-	22,055	1	26,315	1
Net gain (loss) on foreign currency exchange (Note 29)	47,723	5	386	-	139,734	5	(43,253)	(2)
Share of profit of associates accounted for using the equity method (Note 11)	11,510	1	5,279	1	11,923	-	5,051	-
Interest expense (Notes 18 and 24)	(46,830)	(5)	(8,941)	(1)	(85,713)	(3)	(29,961)	(1)
Other expenses	(1,267)	-	(1,160)	-	(3,863)	-	(3,171)	-
Total non-operating income and expenses	25,955	2	191,118	22	875,216	31	171,345	8
PROFIT BEFORE INCOME TAX	334,077	34	515,127	60	1,726,382	62	965,673	42
INCOME TAX EXPENSE (Notes 4 and 19)	21,700	2	34,500	4	109,600	4	65,500	3
NET PROFIT FOR THE PERIOD	312,377	32	480,627	56	1,616,782	58	900,173	39

(Continued)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	$ (776,101)	(80)	$ (1,588,279)	(185)	$ (2,108,854)	(75)	$ 3,503,160	151
Share of other comprehensive (loss) income of associates accounted for using the equity method	(24,823)	(2)	(122,139)	(14)	(74,094)	(3)	149,153	6
	(800,924)	(82)	(1,710,418)	(199)	(2,182,948)	(78)	3,652,313	157
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	626,033	64	(6,371)	(1)	1,227,147	44	(165,090)	(7)
Other comprehensive (loss) income for the period, net of income tax	(174,891)	(18)	(1,716,789)	(200)	(955,801)	(34)	3,487,223	150
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 137,486	14	$ (1,236,162)	(144)	$ 660,981	24	$ 4,387,396	189
NET INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 312,377	32	$ 480,627	56	$ 1,616,782	58	$ 900,173	39
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 312,377	32	$ 480,627	56	$ 1,616,782	58	$ 900,173	39
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	$ 137,486	14	$ (1,236,162)	(144)	$ 660,981	24	$ 4,387,396	189
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 137,486	14	$ (1,236,162)	(144)	$ 660,981	24	$ 4,387,396	189
EARNINGS PER SHARE (Note 20)								
Basic	$ 0.75		$ 1.15		$ 3.87		$ 2.16	
Diluted	$ 0.75		$ 1.15		$ 3.87		$ 2.16	

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

(With Deloitte & Touche auditors' review report dated November 7, 2022) (Concluded)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	Ordinary Shares			Retained Earnings			Other Equity		
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Income (Loss) on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
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
Appropriation of 2020 earnings									
Legal reserve	-	-	-	51,907	-	(51,907)	-	-	-
Reverse of special reserve	-	-	-	-	(271,375)	271,375	-	-	-
Cash dividends	-	-	-	-	-	(375,565)	-	-	(375,565)
Net income for the nine months ended September 30, 2021	-	-	-	-	-	900,173	-	-	900,173
Other comprehensive (loss) income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(165,090)	3,652,313	3,487,223
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	900,173	(165,090)	3,652,313	4,387,396
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	10,400	-	(10,400)	-
Disposal of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	495,299	-	(495,299)	-
BALANCE AT SEPTEMBER 30, 2021	417,294	$ 4,172,945	$ 334,382	$ 1,872,293	$ -	$ 5,348,523	$ (666,608)	$ 3,733,531	$ 14,795,066
BALANCE AT JANUARY 1, 2022	417,294	$ 4,172,945	$ 334,382	$ 1,872,293	$ -	$ 5,767,994	$ (717,224)	$ 4,207,252	$ 15,637,642
Appropriation of 2021 earnings									
Legal reserve	-	-	-	182,534	-	(182,534)	-	-	-
Cash dividends	-	-	-	-	-	(834,589)	-	-	(834,589)
Net income for the nine months ended September 30, 2022	-	-	-	-	-	1,616,782	-	-	1,616,782
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	1,227,147	(2,182,948)	(955,801)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	1,616,782	1,227,147	(2,182,948)	660,981
Disposal of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	158,554	-	(158,554)	-
BALANCE AT SEPTEMBER 30, 2022	417,294	$ 4,172,945	$ 334,382	$ 2,054,827	$ -	$ 6,526,207	$ 509,923	$ 1,865,750	$ 15,464,034

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

(With Deloitte & Touche auditors' review report dated November 7, 2022)

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,726,382	$ 965,673
Adjustments for:		
Depreciation and amortization	559,376	455,072
Expected credit loss (gain reversed) on trade receivables	1,935	(3,111)
Interest expense	85,713	29,961
Interest income	(13,353)	(4,793)
Dividend income	(748,333)	(7,095)
Share of profit of associates accounted for using the equity method	(11,923)	(5,051)
Gain on disposal of property, plant and equipment	(80)	(191,813)
Gain on disposal of investment properties	(22,055)	(26,315)
Unrealized gain on foreign currency exchange	(35,898)	(13,379)
Changes in operating assets and liabilities		
Accounts receivable	(20,368)	23,939
Trade receivables from related parties	7,355	40,771
Other receivables	2,452	17
Prepayments	(24,638)	(2,989)
Other current assets	(1,424)	1,694
Other financial assets	45,269	5,720
Notes and accounts payable	46,692	32,573
Trade payables to related parties	-	(17,207)
Other payables	36,741	15,250
Other current liabilities	(15,597)	5,556
Net defined benefit liabilities	(4,392)	(8,895)
Other non-current liabilities	(5,599)	231,230
Cash generated from operations	1,608,255	1,526,808
Income tax paid	(81,024)	(94,947)
Net cash generated from operating activities	1,527,231	1,431,861
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at amortized cost	315,210	705,297
Proceeds from disposal of financial assets at fair value through other comprehensive income	172,008	533,806
Payments for property, plant and equipment	(1,377,914)	(2,500,399)
Proceeds from disposal of property, plant and equipment	222	301,756
Payments for investment properties	-	(2,130)
Proceeds from disposal of investment properties	36,563	41,507
Decrease (increase) in other financial assets	907,555	(369,991)
(Increase) decrease in other non-current assets	(6,767)	50,040
Increase in prepayments of equipment	(971,579)	(1,108,511)

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TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2022	2021
Interest received	$ 10,544	$ 8,206
Dividends received	758,756	11,525
Net cash used in investing activities	(155,402)	(2,328,894)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(725,000)	36,863
Proceeds from long-term borrowings	1,255,414	2,406,324
Repayments of long-term borrowings	(785,401)	(1,215,310)
Increase (decrease) in other non-current liabilities	51	(1,239)
Cash dividends paid	(834,589)	(375,565)
Interest paid	(78,676)	(29,699)
Net cash (used in) generated from financing activities	(1,168,201)	821,374
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	41,977	(2,482)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	245,605	(78,141)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	330,993	325,354
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 576,598	$ 247,213

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

(With Deloitte & Touche auditors’ review report dated November 7, 2022) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 November 7, 2022.

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. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were 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 of the application of above standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17-Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of above standards and interpretations 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 Group.

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 mainly engage 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, 2021.

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 possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	$ 258	$ 258	$ 258
Checking accounts and demand deposits	132,157	76,910	73,171
Cash equivalents			
Time deposits with original maturities of 3 months or less	444,183	253,825	173,784
	$ 576,598	$ 330,993	$ 247,213

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

	September 30, 2022	December 31, 2021	September 30, 2021
Bank balance and cash equivalents	0.26%-3.95%	0.01%-0.29%	0.01%-0.25%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Domestic investments			
Listed shares			
Yang Ming Marine Transport Corporation	$ 2,293,388	$ 1,205,272	$ 1,195,111
Private placement listed shares (Note 24)			
Yang Ming Marine Transport Corporation	-	3,345,514	-
	$ 2,293,388	$ 4,550,786	$ 1,195,111

(Continued)

	September 30, 2022	December 31, 2021	September 30, 2021
Non-current			
Domestic investments			
Unlisted shares			
Chunghwa Investment Co., Ltd.	$ 37,779	$ 64,055	$ 61,119
Private placement listed shares			
Yang Ming Marine Transport Corporation	-	-	2,841,034
	37,779	64,055	2,902,153
Foreign investments			
Unlisted shared			
Taiwan Foundation International Pte. Ltd.	28,776	25,963	27,465
	$ 66,555	$ 90,018	$ 2,929,618

(Concluded)

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. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Restricted segregated foreign exchange deposit account for offshore funds	$ 88,120	$ 367,427	$ -
Non-current			
Restricted segregated foreign exchange deposit account for offshore funds	$ -	$ -	$ 626,350

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 September 30, 2022, it has been used investments progressively utilized. The rates of offshore funds ranged from 0.7%-2.89%, 0.03%-0.27% and 0.05%-0.19% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

9. ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	September 30, 2022	December 31, 2021	September 30, 2021
At amortized cost			
Gross carrying amount	$ 53,985	$ 29,501	$ 22,869
Less: Allowance for impairment loss	1,967	32	79
	$ 52,018	$ 29,469	$ 22,790
Trade receivables from related parties	$ 20,729	$ 28,084	$ 27,178

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 (including related parties) 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 (including related parties) 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:

	September 30, 2022	December 31, 2021	September 30, 2021
1-60 days	$ 52,760	$ 55,036	$ 48,084
61-90 days	10,128	1,399	341
More than 90 days	11,826	1,150	1,622
Gross carrying amount	74,714	57,585	50,047
Loss allowance (lifetime ECLs)	(1,967)	(32)	(79)
Amortized cost	$ 72,747	$ 57,553	$ 49,968

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 Nine Months Ended September 30	
	2022	2021
Balance at January 1	$ 32	$ 3,190
Add: Net remeasurement (reversed) of loss allowance	1,935	(3,111)
Balance at September 30	$ 1,967	$ 79

10. OTHER FINANCIAL ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits with original maturities of more than 3 months	$ 522,065	$ 1,389,261	$ 1,012,657
Repurchase agreements collateralized by notes with original maturities of more than 3 months	-	-	375,975
Others	31,172	75,174	68,763
	$ 553,237	$ 1,464,435	$ 1,457,395

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:

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits	2.66%-2.92%	0.24%-0.77%	0.16%-0.35%
Repurchase agreements collateralized by notes	-	-	0.30%-0.33%

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in associates			
Associates that are not individually material			
Yunn Wang Investment Co., Ltd.	$ 167,101	$ 239,695	$ 282,736

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, its consolidated net (loss) income from July 1 to September 30, 2022 and 2021, and from January 1 to September 30, 2022 and 2021 were $(13,313) thousand, $(116,860) thousand, $(62,171) thousand and $154,204 thousand, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2022	December 31, 2021	September 30, 2021
Assets used by the Group	$ 574,689	$ 604,562	$ 606,673
Assets leased under operating leases	15,716,929	12,372,986	11,618,389
	$ 16,291,618	$ 12,977,548	$ 12,225,062

a. Assets used by the Group

	Freehold Land	Buildings	Transportation Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2022	$ 191,103	$ 89,223	$ 1,555,518	$ 4,967	$ 1,840,811
Additions	-	-	1,951	200	2,151
Disposals	-	-	(2,717)	(847)	(3,564)
Balance at September 30, 2022	$ 191,103	$ 89,223	$ 1,554,752	$ 4,320	$ 1,839,398
Accumulated depreciation					
Balance at January 1, 2022	$ -	$ 41,915	$ 1,190,647	$ 3,687	$ 1,236,249
Disposals	-	-	(2,575)	(847)	(3,422)
Depreciation expense	-	1,493	29,897	492	31,882
Balance at September 30, 2022	$ -	$ 43,408	$ 1,217,969	$ 3,332	$ 1,264,709
Carrying amount at September 30, 2022	$ 191,103	$ 45,815	$ 336,783	$ 988	$ 574,689
Carrying amount at December 31, 2021 and January 1, 2022	$ 191,103	$ 47,308	$ 364,871	$ 1,280	$ 604,562
Cost					
Balance at January 1, 2021	$ 191,103	$ 89,223	$ 1,554,946	$ 4,425	$ 1,839,697
Additions	-	-	6,626	542	7,168
Disposals	-	-	(6,701)	-	(6,701)
Balance at September 30, 2021	$ 191,103	$ 89,223	$ 1,554,871	$ 4,967	$ 1,840,164
Accumulated depreciation					
Balance at January 1, 2021	$ -	$ 39,925	$ 1,165,972	$ 2,944	$ 1,208,841
Disposals	-	-	(6,701)	-	(6,701)
Depreciation expense	-	1,492	29,297	562	31,351
Balance at September 30, 2021	$ -	$ 41,417	$ 1,188,568	$ 3,506	$ 1,233,491
Carrying amount at September 30, 2021	$ 191,103	$ 47,806	$ 366,303	$ 1,461	$ 606,673

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, 2022	$ 15,930,887	$ 14,384	$ 15,945,271
Additions	1,914,781	17,718	1,932,499
Disposals	(53,739)	-	(53,739)
Effects of foreign currency exchange differences	2,493,138	3,549	2,496,687
Balance at September 30, 2022	$ 20,285,067	$ 35,651	$ 20,320,718
Accumulated depreciation			
Balance at January 1, 2022	$ 3,568,096	$ 4,189	$ 3,572,285
Disposals	(53,739)	-	(53,739)
Depreciation expense	520,544	1,517	522,061
Effects of foreign currency exchange differences	562,444	738	563,182
Balance at September 30, 2022	$ 4,597,345	$ 6,444	$ 4,603,789
Carrying amount at September 30, 2022	$ 15,687,722	$ 29,207	$ 15,716,929
Carrying amount at December 31, 2021 and January 1, 2022	$ 12,362,791	$ 10,195	$ 12,372,986
Cost			
Balance at January 1, 2021	$ 12,345,269	$ 20,216	$ 12,365,485
Additions	3,554,126	-	3,554,126
Disposals	(552,735)	(5,349)	(558,084)
Effects of foreign currency exchange differences	(302,260)	(395)	(302,655)
Balance at September 30, 2021	$ 15,044,400	$ 14,472	$ 15,058,872
Accumulated depreciation			
Balance at January 1, 2021	$ 3,543,694	$ 4,788	$ 3,548,482
Disposals	(445,309)	(2,832)	(448,141)
Depreciation expense	416,452	1,896	418,348
Effects of foreign currency exchange differences	(78,109)	(97)	(78,206)
Balance at September 30, 2021	$ 3,436,728	$ 3,755	$ 3,440,483
Carrying amount at September 30, 2021	$ 11,607,672	$ 10,717	$ 11,618,389

The Group entered into sale contract of bulk carriers with Jinhui Shipping and Transportation Ltd. in May 2021, the total amount of proceeds from disposal was $301,756 thousand and the bulk carriers was delivered in August 2021. The recognized gain on disposal was $191,813 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.

Because of the market conditions were severely affected by COVID-19 in 2020, the Group agreed to provide deferral of rentals for some leases from April to August 2020, and the rent shall be payable from March to July 2021.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	$ 3,501,716	$ 2,145,137	$ 2,923,462
Year 2	965,685	958,729	817,453
Year 3	62,252	370,126	462,150
Year 4	-	69,009	108,807
	$ 4,529,653	$ 3,543,001	$ 4,311,872

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	5-25 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, 2022	$ 1,009,561	$ 248,471	$ 1,258,032
Disposals	(14,508)	(42)	(14,550)
Balance at September 30, 2022	$ 995,053	$ 248,429	$ 1,243,482
Accumulated depreciation			
Balance at January 1, 2022		$ 89,953	$ 89,953
Depreciation expense		5,059	5,059
Disposals		(42)	(42)
Balance at September 30, 2022		$ 94,970	$ 94,970
Carrying amount at September 30, 2022	$ 995,053	$ 153,459	$ 1,148,512
Carrying amount at December 31, 2021 and January 1, 2022	$ 1,009,561	$ 158,518	$ 1,168,079

(Continued)

	Land	Buildings	Total
Cost			
Balance at January 1, 2021	$ 1,024,268	$ 255,340	$ 1,279,608
Additions	20,219	-	20,219
Disposals	(15,192)	(6,869)	(22,061)
Balance at September 30, 2021	$ 1,029,295	$ 248,471	$ 1,277,766
Accumulated depreciation			
Balance at January 1, 2021		$ 90,077	$ 90,077
Disposals		(6,869)	(6,869)
Depreciation expense		5,059	5,059
Balance at September 30, 2021		$ 88,267	$ 88,267
Carrying amount at September 30, 2021	$ 1,029,295	$ 160,204	$ 1,189,499

(Concluded)

The Corporation disposed of investment properties in April 2022. The total amount of proceeds from disposal was $36,563 thousand and recognized gain on disposal of investment properties was $22,055 thousand.

The Corporation disposed of investment properties in January 2021. The total amount of proceeds from disposal was $41,507 thousand and recognized gain on disposal of investment properties was $26,315 thousand.

In 2017, the Corporation 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 Group, 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 Corporation. The cost of the construction was $132,512 thousand, which was classified as prepaid rent. The Corporation recognized the rental income in installments during the lease period. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balances of unamortized prepaid rent were $107,627 thousand, $113,226 thousand and $115,092 thousand, which 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 for the nine months ended 2022 and 2021, the Group agreed to provide unconditional rent reduction by 50%-57% and 20%-50% for some leases from May 2022 to October 2022 and June 2021 to September 2021, respectively.

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.

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value	$ 3,859,506	$ 3,863,768	$ 3,573,898

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

	September 30, 2022	December 31, 2021	September 30, 2021
Lease commitments of investment properties	$ 2,424	$ 22,944	$ -

14. BORROWINGS

a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured borrowings			
Line of credit borrowings	$ 222,250	$ 918,760	$ 934,950
Interest rate range	2.96%	0.60%-0.90%	0.60%-0.84%

b. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Secured borrowings (1)	$ 6,853,449	$ 5,531,970	$ 5,168,459
credit borrowings (2)	-	-	25,707
	6,853,449	5,531,970	5,194,166
Less: Current portions	992,188	-	-
	$ 5,861,261	$ 5,531,970	$ 5,194,166
Interest rate range	3.05%-4.85%	0.81%-0.97%	0.77%-0.88%

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 loans endorsed by the Corporation the principal and interest are amortized on a monthly, quarterly and semi-annual basis. Tai Shing is, expected to settle the payment in full by May 2032. As of September 30, 2022, Tai Shing paid in advance a portion of the principal which will be due in June 2024.

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. The Group has paid in advance a portion of the principal.

15. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, 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, 2021 and 2020. The amounts were $608 thousand and $603 thousand, $1,824 thousand and $1,780 thousand, respectively.

16. EQUITY

a. Ordinary shares

	September 30, 2022	December 31, 2021	September 30, 2021
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

	September 30, 2022	December 31, 2021	September 30, 2021
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.e.

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 (Rule No. 1090150022 is applicable since the distribution of 2021 earnings) 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 2021 and 2020 that were approved by the shareholders’ meetings in June 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2021	**2020**	**2021**	**2020**
Legal reserve	$ 182,534	$ 51,907		
Reversal of special reserve	-	(271,375)		
Cash dividends	834,589	375,565	$ 2.0	$ 0.9

17. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Revenue from transportation	$ 957,180	$ 847,776	$ 2,746,840	$ 2,280,551
Rental income from investment properties	13,709	11,214	42,051	40,086
Other revenue	1,262	424	3,606	2,950
	$ 972,151	$ 859,414	$ 2,792,497	$ 2,323,587

Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Accounts receivable (Note 9)	$ 52,018	$ 29,469	$ 22,790	$ 43,747
Trade receivables from related parties (Notes 9 and 24)	$ 20,729	$ 28,084	$ 27,178	$ 67,337

18. NET PROFIT

a. Interest expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Bank borrowing interest	$ 52,675	$ 13,713	$ 97,838	$ 40,412
Deposit imputed interest	-	-	61	45
Less: Capitalized interest amount	(5,845)	4,772	(12,186)	10,496
	$ 46,830	$ 8,941	$ 85,713	$ 29,961
Range of capitalization rate	1.75%-4.85%	0.78%-0.94%	0.59%-4.85%	0.78%-1.01%

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
An analysis of depreciation by function				
Operating costs	$ 199,186	$ 162,816	$ 556,434	$ 452,108
Operating expenses	838	882	2,568	2,650
	$ 200,024	$ 163,698	$ 559,002	$ 454,758
An analysis of amortization by function				
Operating expenses	$ 127	$ 104	$ 374	$ 314

c. Operating expenses directly related to investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Direct operating expenses from investment properties generating rental income	$ 5,568	$ 5,251	$ 15,993	$ 29,147
Direct operating expenses from investment properties not generating rental income	95	95	287	287
	$ 5,663	$ 5,346	$ 16,280	$ 29,434

d. Employee benefits expense are as follow:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plans	$ 2,452	$ 2,680	$ 7,623	$ 7,899
Defined benefit plans	608	603	1,824	1,780
	3,060	3,283	9,447	9,679
Other employee benefits	266,909	202,979	789,666	528,682
	$ 269,969	$ 206,262	$ 799,113	$ 538,361
An analysis of employee benefits expense by function				
Operating costs	$ 230,273	$ 168,455	$ 681,858	$ 453,670
Operating expenses	39,696	37,807	117,255	84,691
	$ 269,969	$ 206,262	$ 799,113	$ 538,361

e. 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 nine months ended September 30, 2022 and 2021, the compensation of employees and the remuneration of directors are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2022	2021
Compensation of employees	1%	1%
Remuneration of directors	1%	1%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Compensation of employees	$ 4,647	$ 3,035	$ 18,854	$ 5,271
Remuneration of directors	$ 4,647	$ 3,035	$ 18,854	$ 5,271

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, 2021 and 2020, which were approved by the Corporation's board of directors on March 2022 and 2021, respectively, are as follows:

Amount

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Employees' compensation	$ 14,474	$ 7,269
Remuneration of directors	14,474	7,269

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, 2021 and 2020.

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 September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	$ 41,054	$ (8,969)	$ 78,733	$ 62,553
Income tax on unappropriated earnings	-	18,149	40,411	18,149
Land value increment tax of land disposal	-	-	5,668	4,705
Adjustments for the prior periods	(484)	-	(617)	(1,477)
	40,570	9,180	124,195	83,930
Deferred tax				
In respect of the current period	(18,870)	25,320	(14,595)	(18,430)
Income tax expense recognized in profit or loss	$ 21,700	$ 34,500	$ 109,600	$ 65,500

b. Income tax assessments

The income tax returns of the Corporation and Tai Shing through 2020 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Basic earnings per share	$ 0.75	$ 1.15	$ 3.87	$ 2.16
Diluted earnings per share	$ 0.75	$ 1.15	$ 3.87	$ 2.16

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 September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Earnings used in the computation of basic earnings per share	$ 312,377	$ 480,627	$ 1,616,782	$ 900,173

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Weighted average number of ordinary shares used in the computation of basic earnings per share	417,294	417,294	417,294	417,294
Effects of potentially dilutive ordinary shares:				
Compensation of employees	763	118	884	210
Weighted average number of ordinary shares used in the computation of diluted earnings per share	418,057	417,412	418,178	417,504

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 will be 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 nine months ended September 30, 2022

	Opening Balance	Cash Flows	Non-cash Changes Foreign Exchange Movement	Closing Balance
Short-term borrowings	$ 918,760	$ (725,000)	$ 28,490	$ 222,250
Long-term borrowings (including current portions)	5,531,970	470,013	851,466	6,853,449
	$ 6,450,730	$ (254,987)	$ 879,956	$ 7,075,699

For the nine months ended September 30, 2021

	Opening Balance	Cash Flows	Non-cash Changes Foreign Exchange Movement	Closing Balance
Short-term borrowings	$ 900,000	$ 36,863	$ (1,913)	$ 934,950
Long-term borrowings (including current portions)	4,105,293	1,191,014	(102,141)	5,194,166
	$ 5,005,293	$ 1,227,877	$ (104,054)	$ 6,129,116

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

September 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 2,293,388	$ -	$ -	$ 2,293,388
Unlisted shares - ROC	-	-	37,779	37,779
Unlisted shares - foreign	-	-	28,776	28,776
	$ 2,293,388	$ -	$ 66,555	$ 2,359,943

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 1,205,272	$ 3,345,514	$ -	$ 4,550,786
Unlisted shares - ROC	-	-	64,055	64,055
Unlisted shares - foreign	-	-	25,963	25,963
	$ 1,205,272	$ 3,345,514	$ 90,018	$ 4,640,804

September 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares - ROC	$ 1,195,111	$ 2,841,034	$ -	$ 4,036,145
Unlisted shares - ROC	-	-	61,119	61,119
Unlisted shares - foreign	-	-	27,465	27,465
	$ 1,195,111	$ 2,841,034	$ 88,584	$ 4,124,729

For the nine months ended September 30, 2022, private placement ordinary shares of Yang Ming held by the Group, after Yang Ming had applied the private placement ordinary shares for registration of the retroactive handling of public issuance and listing shares with the FSC and was approved, which has flexible price in the active market, there were transfers from Level 2 to Level 1.

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2021.

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

Domestic listed private shares with no market price available for reference of their fair values have their fair values estimated using the evaluation method. The estimations and assumptions used by the Group for the evaluation method are consistent with those used by market participants in the pricing of financial instruments. The relevant information used in the evaluation was obtainable by the 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 September 30, 2022, December 31, 2021 and September 30, 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. Material 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 company to determine the value of the evaluation targets. The same as 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 19.98%, 20.05% and 16.65% discount rate for lack of marketability, respectively. 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 $4,047 thousand, $6,577 thousand and $6,295 thousand, respectively.

c. Categories of financial instruments

	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Financial assets			
Financial assets at amortized cost (Note 1)	$ 1,379,324	$ 2,308,560	$ 2,380,926
Financial assets at FVTOCI			
Equity instruments	2,359,943	4,640,804	4,124,729
Financial liabilities			
Financial liabilities at amortized cost (Note 2)	7,476,906	6,731,538	6,365,875

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

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable, 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 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 29.

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 U.S. dollar (USD). 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 Nine Months Ended September 30	
	2022	**2021**
Loss	$ (12,278)	$ (21,526)

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:

	September 30, 2022	**December 31, 2021**	**September 30, 2021**
Fair value interest rate risk			
Financial assets	$ 1,054,100	$ 2,010,344	$ 2,108,387
Cash flow interest rate risk			
Financial assets	118,270	34,398	117,776
Financial liabilities	7,075,699	6,450,730	6,129,116

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 September 30, 2022 and 2021, if the market interest rates had been 1% higher, the cash inflow from variable interest rate financial assets would have been $887 thousand and $883 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 September 30, 2022 and 2021, if the market interest rates had been 1% higher, the cash outflow from variable interest rate financial liabilities would have been $53,068 thousand and $45,968 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 nine months ended September 30, 2022 and 2021 would have increased/decreased by $117,997 thousand and $206,236 thousand, respectively, 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 September 30, 2022, December 31, 2021 and September 30, 2021, the Group had available unutilized short-term bank loan facilities (including overdraft and guarantee) of $2,571,205 thousand, $1,589,590 thousand and $1,576,800 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.

September 30, 2022

	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	$ 14,769	$ 3,472	$ 382,966	$ -	$ -	$ -
Variable interest rate liabilities	-	-	1,248,496	1,649,685	2,214,098	3,005,389
	$ 14,769	$ 3,472	$ 1,631,462	$ 1,649,685	$ 2,214,098	$ 3,005,389

December 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	$ 6,281	$ 4,542	$ 269,985	$ -	$ -	$ -
Variable interest rate liabilities	-	400,818	520,377	1,297,201	1,943,583	2,520,209
	$ 6,281	$ 405,360	$ 790,362	$ 1,297,201	$ 1,943,583	$ 2,520,209

September 30, 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	$ 16,269	$ 3,280	$ 217,210	$ -	$ -	$ -
Variable interest rate liabilities	-	-	939,230	1,282,976	1,834,530	2,286,331
	$ 16,269	$ 3,280	$ 1,156,440	$ 1,282,976	$ 1,834,530	$ 2,286,331

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 (since July 12, 2021, it become directors of the Corporation and government - related party)
Hong Ming Terminal & Stevedoring Corp.	Subsidiary of government - related party (since July 12, 2021, it become directors of the Corporation and 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
Chang Hwa Bank	Government - related party
Chunghwa Post Co., Ltd.	Government - related party

b. Operating transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Operating revenue				
Government - related party				
CPC Corporation	$ 65,316	$ 80,936	$ 218,250	$ 241,630
Yang Ming	-	2	-	49,377
Associates				
Others	29	29	86	86
	$ 65,345	$ 80,967	$ 218,336	$ 291,093
Operating costs				
Government and its subsidiaries - related parties				
CPC Corporation	$ 20,271	$ 7,857	$ 46,756	$ 26,479
Yang Ming	-	(3,518)	-	39,628
Others	-	(25)	-	1,079
	$ 20,271	$ 4,314	$ 46,756	$ 67,186

Transactions with related parties were based on agreements. Lease contracts with associates and government - related party were based on market conditions.

c. Bank balances

Bank balances (including repurchase agreements collateralized by notes with original maturities of more than 3 months, financial assets at amortized cost and pledged deposits which are included on other financial assets) related to bank, government - related parties, are as follows:

Related Party Category/Name	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
Government - related party			
Bank of Taiwan	$ 116,833	$ 83,547	$ 84,413
Land Bank of Taiwan	95,233	397,355	655,684
Mega International Commercial Bank	1,226	1,364	377,523
First Commercial Bank	1,005	1,108	79,339
Others	9	850	372
	$ 214,306	$ 484,224	$ 1,197,331

d. Trade receivables from related parties

Related Party Category/Name	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
Trade receivables			
Government - related parties			
CPC Corporation	$ 20,729	$ 28,084	$ 27,178

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

Related Party Category/Name	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
Government - related party			
CPC Corporation	$ 6,041	$ 68,513	$ 56,983

f. Borrowings from related parties

Related Party Category/Name	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
Government - related parties			
Land Bank of Taiwan	$ 3,846,538	$ 3,855,149	$ 4,024,659
Bank of Taiwan	3,006,911	1,676,821	1,143,800
Mega International Commercial Bank	-	-	25,708
	$ 6,853,449	$ 5,531,970	$ 5,194,167

Interest expense (included capitalized interest amount)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Land Bank of Taiwan	$ 28,123	$ 9,283	$ 54,008	$ 25,629
Bank of Taiwan	22,448	2,872	38,053	10,063
Others	-	116	-	898
	$ 50,571	$ 12,271	$ 92,061	$ 36,590

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

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

Related Party Category/Name	September 30, 2022	December 31, 2021	September 30, 2021
Associates			
Others	$ 57	$ -	$ 57

The Group did not recognize allowance for doubtful accounts and did not receive guarantees during the nine months ended September 30, 2022 and 2021. In addition, the outstanding payables to related parties had no guarantees.

h. 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 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 thousand shares of private placement ordinary shares. In January 2022, the private placement ordinary shares had been applied for registration of the retroactive handling of public issuance and listing shares with the FSC by Yang Ming and had been approved. According to liquidity the Group classified the aforementioned investments, as financial assets at FVTOCI 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, 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 January 2022, Yang Ming had applied the private placement ordinary shares for registration of the retroactive handling of public issuance and listing shares with the FSC and was approved. According to liquidity, the Group classified the aforementioned investments as financial assets at FVTOCI - current for strategic purposes.

In November 2017, the Group paid $158,519 thousand in cash to acquire an additional 13,210 thousand shares issued by Yang Ming. For the nine months ended September 30 2022, and 2021 the Group disposed 1,350 thousand and 3,209 thousand shares of Yang Ming, respectively and recognized gain on disposal of $158,554 thousand and $495,299 thousand, respectively, which were transferred directly to retained earnings.

i. Other transactions with related parties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Dividends income				
Government and its subsidiaries - related parties				
Yang Ming	$ -	$ -	$ 745,817	$ -
Government and its subsidiaries - related parties				
Yang Ming	$ -	$ -	$ 10,000	$ 7,231
Associates				
Others	29	30	118	115
	$ 29	$ 30	$ 10,118	$ 7,346

j. Compensation of key management personnel

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	$ 16,984	$ 12,230	$ 40,208	$ 24,513
Post-employment benefits	368	297	969	891
	$ 17,352	$ 12,527	$ 41,177	$ 25,404

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:

	September 30, 2022	December 31, 2021	September 30, 2021
Property, plant and equipment	$ 14,138,110	$ 10,950,529	$ 10,142,312
Pledged deposits (included in other non-current assets)	2,165	2,165	2,165
	$ 14,140,275	$ 10,952,694	$ 10,144,477

26. SIGNIFICANT UNRECOGNIZED COMMITMENTS AND CONTINGENCIES

a. Significant unrecognized commitments and contingencies of the Group as of September 30, 2022 were as follows:

1) The aggregate information of the Corporation 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 SHENG 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.
	2023.01.04-2028.01.23	Basic fee of ship management was $137 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.
DER YUN	2018.07.29-2022.10.28	Basic fee of ship management was $96 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.
	2022.10.28-2027.10.27	Basic fee of ship management was $122 thousand for each ship per day, which was calculated per day, and collected on a monthly basis.
TAI CHIN 301, 302, 303, 305, 306, 307 and 308	Effective date of the contracts - 2047.12.31	The fee was $664 thousand per day, which was calculated per day, and collected on a monthly basis.

As of September 30, 2022, the Corporation entrusted the Bank of Taiwan to issue the amount of $291,545 thousand of letter of guarantee to CPC Corporation.

2) The subsidiary Tai Shing entered into a contract with Oshima Shipbuilding Co., Ltd. to build three bulk carriers. As of the date of the independent auditors’ review report to the consolidated financial statements for, the nine months ended September 30, 2022, one of the bulk carriers was delivered in October 2022. The amount of the other 2 bulk carriers of US$6,770 thousand, has been paid and included in prepayments for equipment. The remaining unpaid amount was US$60,930 thousand. The Corporation is Tai Shing’s guarantor of Oshima shipbuilding Co., Ltd.

3) The subsidiary Tai Shing entered into a contract with Namura Shipbuilding Co., Ltd. to build two bulk carriers. As of the date of the independent auditors’ review report to the consolidated financial statements for the nine months ended September 30, 2022, the amount of US$6,460 thousand has been paid and included in prepayments for equipment. The remaining unpaid amount was US$58,140 thousand.

4) The Corporation 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 Land Bank of Taiwan amounted to $357,000 thousand. The Corporation entered into a contract with PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) to build five vessels of tugboat and the subsidiary Tai Shing had provided the related performance guarantee. The Corporation also entered into a contract with San Yang Shipbuilding Co., Ltd to build two vessels of mooring boat. As of the date of the independent auditors' review report to the consolidated financial statements for the nine months ended September 30, 2022, the amounts of US$41,472 thousand and $50,080 thousand have been paid, respectively, and included in prepayments for equipment. The remaining unpaid amount was US$4,608 thousand and $12,520 thousand, respectively.

5) In May 2021, the Corporation obtained the 20-year contract of Maritime and Port Bureau, MOTC for "Long-term of Kaohsiung Ma-Gong Passenger Liner Service". The operation of the passenger and freight transportation services on the Kaohsiung-Magong route is expected to continue in August 2023, and the Corporation entrusted Shin Kong Commercial Bank Co., Ltd. to issue the amount of $284,670 thousand of letter of guarantee. The Corporation entered into a contract with Naikai Zosen Corporation to build one passenger and freight transportation ship. As of the date of the independent auditors' review report to the consolidated financial statements for the nine months ended September 30, 2022, the amount of US$10,396 thousand has been paid amount and included in prepayments for equipment. The remaining unpaid amount was US$41,584 thousand.

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

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

Ship	**Date of Agreement**	**Calculation and Fee Collection Method**
CPC Corporation, Taiwan		
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 SHENG 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	2017.04.07-2022.10.28	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.
TAI CHIN 301, 302, 303, 305, 306, 307 and 308	Effective date of the contracts - 2047.12.31	The fee was $664 thousand per day, which was calculated per day, and collected on a monthly basis.

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

2) The subsidiary Tai Shing entered into a contract with Oshima Shipbuilding Co., Ltd. to build five bulk carriers, As of the date of the independent auditors' report to the consolidated financial statements for the year ended December 31, 2021, the amount of US$35,051 thousand has been paid and included in prepayments for equipment. The remaining unpaid amount was US$126,919 thousand, The Corporation is Tai Shing's guarantor of Oshima shipbuilding Co., Ltd.

3) The Corporation 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 Land Bank of Taiwan amounted to $357,000 thousand. The Corporation entered into a contract with PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) to build five vessels of tugboat and the subsidiary, Tai Shing, has provided the related performance guarantee. The Corporation also entered into a contract with San Yang Shipbuilding Co., Ltd. to build two vessels of mooring boat. As of the date of the independent auditors’ report to the consolidated financial statements for the year ended December 31, 2021, the amounts of US$32,256 thousand and $25,040 thousand have been paid, respectively, and included in prepayments for equipment. The remaining unpaid amount was US$13,824 thousand and $37,560 thousand, respectively.

4) In May 2021, the Corporation obtained the 20-year contract of Maritime and Port Bureau, MOTC for “Long-term of Kaohsiung Ma-Gong Passenger Liner Service”. The operation of the passenger and freight transportation services on the Kaohsiung-Magong route is expected to continue in August 2023, and the Corporation entrusted Shin Kong Commercial Bank Co., Ltd. to issue the amount of $284,670 thousand of letter of guarantee. The Corporation entered into a contract with Naikai Zosen Corporation to build one passenger and freight transportation ship. As of the date of the independent auditors’ report to the consolidated financial statements for the year ended December 31, 2021, the amount of US$2,599 thousand has been paid and included in prepayments for equipment. The remaining unpaid amount was US$49,381 thousand.

c. Significant unrecognized commitments and contingencies of the Group as of September 30, 2021 were as follows:

1) The aggregate information of the Corporation entering into ship management agreements with CPC Corporation and TIPC Marine Corporation, Ltd. is stated below:

Ship	Date of Agreement	Calculation and Fee Collection Method
CPC Corporation, Taiwan		
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 SHENG 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	2017.04.07-2022.10.28	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.
TAI CHIN 301, 302, 303, 305, 306, 307 and 308	Effective date of the contracts - 2047.12.31	The fee was $664 thousand per day, which was calculated per day, and collected on a monthly basis.

As of September 30, 2021, the Corporation entrusted the bank to issue the amount of $245,250 thousand of letter of guarantee to CPC Corporation.

2) The subsidiary Tai Shing entered into a contract with Oshima Shipbuilding Co., Ltd. to build three bulk carriers, with a total cost of US$94,270 thousand. As of the date of the independent auditors’ review report to the consolidated financial statements for the nine months ended September 30, 2021, the unpaid amount was US$65,989 thousand (the paid amount was included in prepayments for equipment). The Corporation is Tai Shing’s guarantor of Oshima shipbuilding Co., Ltd.

3) The subsidiary Tai Shing entered into a contract with Namura Shipbuilding Co., Ltd. to build a bulk carrier with a total cost of US$34,280 thousand and was delivered in October 2021. It is proposed to apply to the Bank of Taiwan for a long-term ship mortgage loan of US$23,949 thousand, which was approved by the Corporation's board of directors in September 2021, and the Corporation is Tai Shing's guarantor.

4) The Corporation 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 Land Bank of Taiwan amounted to $357,000 thousand. The Corporation entered into a contract with PT. Graha Trisaka Industri (a shipyard owned by PaxOcean in Indonesia) to build five vessels of tugboat and the subsidiary Tai Shing has provided the related performance guarantee, with a total cost of US$46,080 thousand and entered into a contract with San Yang Shipbuilding Co., Ltd to build two vessels of mooring boat, with a total cost of $62,600 thousand (pre-tax). As of the date of the independent auditors' review report to the consolidated financial statements for the nine months ended September 30, 2021, the unpaid amounts were US$13,824 thousand and $50,080 thousand (the paid amount was included in prepayments for equipment), respectively.

5) In May 2021, the Corporation obtained the 20-year contract of Maritime and Port Bureau, MOTC for "Long-term of Kaohsiung Ma-Gong Passenger Liner Service". The operation of the passenger and freight transportation services on the Kaohsiung-Magong route is expected to continue in August 2023, and the Corporation entrusted Shin Kong Commercial Bank Co., Ltd. to issue the amount of $284,670 thousand of letter of guarantee. The Corporation entered into a contract with Naikai Zosen Corporation to build one passenger and freight transportation ship with a total cost of US$51,980 thousand. As of the date of the independent auditors' review report to the consolidated financial statements for the nine months ended September 30, 2021, the unpaid amount was US$49,381 thousand (the paid amount was included in prepayments for equipment).

27. SIGNIFICANT SUBSEQUENT EVENT

The Group entered into a contract with an unrelated party for the sale of one bulk carrier, which is expected to be delivered in the fourth quarter of 2022.

28. OTHER ITEMS

Regarding the impact assessment of the COVID-19, with the gradual slowdown impact of the pandemic, demand. for both coastal route passenger transportation/freight shipping and ocean routes have gradually returned to normal. Therefore, the Group assesses that the overall business and financial aspects have not been significantly affected by the pandemic.

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 September 30, 2021,the Group has received $52,005 thousand (including deduction of the operating costs of $18,300 thousand and other current liabilities of $33,705 thousand).

29. 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:

September 30, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 19,336	31.75 (USD:NTD)	$ 613,924
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 307,156	31.75 (USD:NTD)	$ 9,752,193

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 43,321	27.68 (USD:NTD)	$ 1,199,136
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 289,648	27.68 (USD:NTD)	$ 8,017,447

September 30, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 38,646	27.85 (USD:NTD)	$ 1,076,296
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 278,689	27.85 (USD:NTD)	$ 7,761,485

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, net foreign exchange gain (loss) was $47,723 thousand, $386 thousand, $139,734 thousand and $(43,253) thousand, respectively, resulting from the fluctuation of the USD.

30. 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)

31. SEGMENT INFORMATION

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

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(New Taiwan Dollars/U.S. Dollars in Thousands)

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 3)	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	$ 30,928,068	$ 14,290,256 (US$ 450,087)	$ 12,833,244 (US$ 404,197)	$ 9,763,654 (US$ 307,517)	$ -	83	$ 30,928,068	Yes	-	-	-
1	Tai Shing	Taiwan Navigation Co., Ltd.	Parent	7,454,015 (US$ 234,772)	438,912 (US$ 13,824)	146,304 (US$ 4,608)	146,304 (US$ 4,608)	-	2	7,454,015 (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 September 30, 2022, US$1=NT$31.75.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name/Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				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	4,590,000	$ 37,779	6.00	$ 37,779	
	Taiwan Foundation International Pte. Ltd.	Corporate director	Financial assets at FVTOCI - non-current	1,500,000	28,776	15.00	28,776	
	Listed shares							
	Yang Ming	Significantly influenced by the Government	Financial assets at FVTOCI - current	37,290,858	2,293,388	1.07	2,293,388	

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 NINE MONTHS ENDED SEPTEMBER 30, 2022
(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 2)	
Taiwan Navigation Co., Ltd.	CPC Corporation, Taiwan	(Note 1)	Ship management service and port service revenue	$ (218,250)	(66)	By negotiations	$ -	-	$ 20,729	83	
Tai Shing	Shin Wang	The same parent company	Rental revenue	(697,257)	(33)	By negotiations	-	-	64,158	100	(Note 3)
Shin Wang	Tai Shing	The same parent company	Rental expense	697,257	91	By negotiations	-	-	(64,158)	(100)	(Note 3)

Note 1: Significantly influenced by the government.

Note 2: The proportion of total receivables (payables).

Note 3: Eliminated upon consolidation.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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	Rental revenue	$ 697,257	The rental of 8 ships in total was calculated for each ship at US$2-US$20 thousand per day and was collected on a monthly basis.	25
				Trade receivables from related parties	64,158	Collected based on agreements	-

Note: Eliminated upon consolidation.

TAIWAN NAVIGATION CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	September 30, 2022	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	$ 9,431,398	$ 602,057	$ 602,057	Note
	Shin Wang	Monrovia City, Liberia	Rental and sale of ships	32,500	32,500	1	100.00	320,795	264,641	264,641	Note
	Yunn Wang	Taipei	Investment	41,861	41,861	5,211,474	49.75	167,101	23,966	11,923	

Note: Eliminated upon consolidation.

TABLE 6

TAIWAN NAVIGATION CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2022

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.	70,793,243	16.96

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.