



FAR EASTERN NEW CENTURY

Handbook for 2018 Annual Shareholders' Meeting



Recycled PET



TopGreen Ocean



Retail



DynaFeed



Telecommunications

創新升級 轉型再造



Global Views Monthly Excellence Award in CSR Annual Survey Award



TCSA Best Report of the Year



台北遠東 通訊園區
Taipei Far Eastern Telecom Park



Property Development

CONTENTS

REPORTING ITEMS	2
1. TO REPORT 2017 BUSINESS OPERATIONS	2
2. TO REPORT 2017 FINANCIAL STATEMENTS	2
3. TO REPORT THE AUDIT COMMITTEE'S REVIEW REPORT OF 2017 BUSINESS OPERATIONS AND FINANCIAL STATEMENTS	2
4. TO REPORT 2017 EMPLOYEES' COMPENSATION AND DIRECTORS' REMUNERATION	2
5. TO REPORT THE INFORMATION OF THE CORPORATE BONDS ISSUED IN 2017	2
6. TO REPORT THE INFORMATION OF THE SHARE EXCHANGE WITH FU KWOK KNITTING & GARMENT Co., LTD.(FKK&G).....	3
APPROVAL ITEMS	4
1. TO ACCEPT 2017 BUSINESS REPORT AND FINANCIAL STATEMENTS	4
2. TO APPROVE THE PROPOSAL FOR DISTRIBUTION OF 2017 PROFITS	4
PROPOSED RESOLUTIONS AND ELECTIONS OF DIRECTORS	6
1. TO APPROVE THE REVISIONS TO THE "ARTICLES OF INCORPORATION OF FAR EASTERN NEW CENTURY CORPORATION"	6
2. TO ELECT DIRECTORS (INCLUDING INDEPENDENT DIRECTORS) OF FAR EASTERN NEW CENTURY CORPORATION.....	7
3. TO APPROVE THE RELEASE OF THE RELEVANT DIRECTORS FROM THE NON-COMPETITION RESTRICTION UNDER ARTICLE 209 OF THE COMPANY ACT.	11
EXTEMPORARY MOTION	12
ATTACHMENT I 2017 BUSINESS REPORT	13
ATTACHMENT II 2017 INDEPENDENT AUDITORS' REPORT	19
ATTACHMENT III THE AUDIT COMMITTEE'S REVIEW REPORT	43
ATTACHMENT IV INFORMATION OF THE CORPORATE BONDS ISSUED IN YEAR 2017.....	44
ATTACHMENT V CURRENT SHAREHOLDING OF DIRECTORS	45
ATTACHMENT VI IMPACT OF THE STOCK DIVIDEND DISTRIBUTION ON OPERATING RESULTS, EARNINGS PER SHARE AND SHAREHOLDERS' RETURN ON INVESTMENT	46
GENERAL INFORMATION	47
I. ARTICLES OF INCORPORATION OF FAR EASTERN NEW CENTURY CORPORATION	47
II. MEETING RULES OF STOCKHOLDERS FOR FAR EASTERN NEW CENTURY CORPORATION	53
III. ELECTION PROCEDURES OF DIRECTORS FOR FAR EASTERN NEW CENTURY CORPORATION	56

The meeting handbook, including meeting notice, agenda, and proposed resolutions, for the upcoming 2018 annual general shareholders' meeting is available at <http://investor.fenc.com/report.aspx?lang=en&id=81> on 29 May 2018.

If you would like to obtain a hard copy of the meeting handbook, please email to ir@fenc.com , or write to

Attn: IR team

Far Eastern New Century Corporation

34F, No. 207, Tun-Hwa South Road, Section 2, Taipei 106, Taiwan

(+886-2-2733-8000 ext. 8537/8470/8492)

Far Eastern New Century Corporation(FENC)

2018 Annual General Shareholders' Meeting (Translation)

Date: Friday, 29 June 2018

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House, No. 20, Changsha Street, Section 1, Taipei, Taiwan

Meeting Agenda

Call the meeting to order

Chairperson takes chair

Chairperson remarks

Reporting items:

1. 2017 business operations
2. 2017 financial statements
3. The Audit Committee's review report of 2017 business operations and financial statements
4. 2017 employees' compensation and Directors' remuneration
5. Information of the corporate bonds issued in 2017
6. Information of the share exchange with Fu Kwok Knitting & Garment Co., Ltd.

Approval items:

1. To accept 2017 business report and financial statements
2. To approve the proposal for distribution of 2017 profits

Proposed resolutions and elections of Directors:

1. To approve the revisions to the "Articles of Incorporation of Far Eastern New Century Corporation"
2. To elect Directors (including Independent Directors) of Far Eastern New Century Corporation
3. To approve the release of the relevant Directors from the non-competition restriction under Article 209 of the Company Act

Extemporary motion

Meeting adjourned

The English version is the translation of the Chinese version and if there is any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

Reporting items

1. To report 2017 business operations

The 2017 business report is attached as Attachment I.

2. To report 2017 financial statements

The 2017 independent auditors' reports and financial statements by Deloitte & Touche are attached as Attachment II. (The 2017 financial report can be downloaded at <http://mops.twse.com.tw>)

3. To report the Audit Committee's review report of 2017 business operations and financial statements

The Audit Committee's review report is attached as Attachment III.

4. To report 2017 employees' compensation and Directors' remuneration

- i. Regarding expensing employees' compensation under the Business Entity Accounting Act which has been aligned with the international standards, the Article 235-1 of the Company Act was therefore amended on 20 May 2015 requiring each company to determine that either a fixed amount or a ratio of profit of the current year distributable as employees' compensation shall be definitely specified in the Articles of Incorporation. Besides, the MoEA Letter No.10402427800 issued by Ministry of Economic Affairs on 15 Oct 2015 specifies the ratio distributable as Directors' remuneration in the Articles of Incorporation shall be limited using upper limit only. In accordance with the related regulations abovementioned, FENC has resolved to amend the Article 26 of the "Articles of Incorporation of Far Eastern New Century Corporation" in 2016 Annual General Shareholders' meeting as there are profits for the current year, with the Company's accumulated losses have been covered, a range of the percentage of profit of the current year should be distributed as employees' compensation and an upper limit of profit of the current year should be distributed as Directors' remuneration. The aforesaid profit of the current year shall be audited by the independent auditors of the Company.
- ii. 2017 Directors' remuneration and employees' compensation were calculated as NT\$151,590,789 and NT\$276,277,440, respectively. The aforesaid items will be paid in cash.
- iii. The 22nd term Board of Directors approved 2017 employees' compensation and Directors' remuneration in the 12th Board meeting.

5. To report the information of the corporate bonds issued in 2017

Two corporate bonds were issued in year 2017. Pursuant to Article 246 of Company Act, the information about the issuance of such corporate bonds is disclosed as Attachment IV.

6. To report the information of the share exchange with Fu Kwok Knitting & Garment Co., Ltd.(FKK&G)

- i. The Company held 99.97% shares of FKK&G. To align with long-term strategic development and to integrate overall resources among textiles business, the Company, in accordance with the Article 30 of Business Mergers and Acquisitions Act, exchanged shares with FKK&G and then consolidated FKK&G as a wholly owned subsidiary. The operational synergy, such as sharing the brand client portfolio, is expected to be increased after the share exchange. The proposal for share exchange was transferred in cash of NT\$88 per share to the minority shareholders of FKK&G.
- ii. The 22nd term Board of Directors approved the share exchange with FKK&G in the 11th Board meeting.

Approval items

1. To accept 2017 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2017 business report and financial statements.

Explanatory Notes:

- i. FENC's 2017 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Mr. Shih Jing-Bin and Mr. Kuo Cheng-Hung of Deloitte & Touche, and have been examined by and determined to be correct and accurate by the Audit Committee of FENC. We thereby submit this report.
- ii. The 2017 business report, independent auditors' reports, Audit Committee's report, and the aforesaid financial statements are attached as Attachments I, II, and III.
- iii. Please accept the aforesaid business report and financial statements.

2. To approve the proposal for distribution of 2017 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2017 profits.

Explanatory Notes:

- i. Cash dividends to common shareholders: NT\$6,423,450,272. (NT\$ 1.2/share)
- ii. After being approved at the Annual General Shareholders' Meeting, the cash dividends to common shareholders will be distributed on a record date to be determined by the Board of Directors. Should FENC subsequently repurchase its common shares or issue new common shares according to the relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FENC be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

iii. Please refer to the following table for the 2017 profit allocation proposal

(Unit: NT\$)

1. Net income of 2017	8,066,135,789
2. Legal reserve	806,613,579
3. Adjustments due to changes in investees' equity in equity-method investments	52,460,932
4. Adjustments due to changes in other comprehensive income	568,641,137
5. Special reserve	1,523,136,282
6. Reversal of special reserve	29,187,181
7. Unappropriated earnings of previous years	4,210,378,747
Earnings available for distribution as of 31 December 2017 (1-2-3+4-5+6+7)	10,492,132,061
Distribution item:	
1. Shareholders' dividend (NT\$ 1.2/share in cash)	6,423,450,272
Total distribution	6,423,450,272
Unappropriated earnings	4,068,681,789

iv. Please approve the aforesaid proposal for the distribution of 2017 profits.

Proposed resolutions and elections of Directors

1. To approve the revisions to the “Articles of Incorporation of Far Eastern New Century Corporation”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the Articles of Incorporation.

Explanatory Notes:

- i. In accordance with the Company’s practice, it is proposed to specify the dividend policy by amending Article 27 & 29 of “Articles of Incorporation of Far Eastern New Century Corporation” accordingly.
- ii. The overview table for the “Articles of Incorporation of Far Eastern New Century Corporation” Before and After amendments is as follows.

Section	Proposed Changes	Current Articles	Reason
Article 27	<p>Apart from paying all its income taxes in the case where there are profits for the current year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders’ dividend. However in the case of increase in the Company’s share capital, the shareholders’ dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders’ meeting.</p> <p>The distribution of shareholders’ dividend shall take into consideration the changes in the outlook for the Company’s businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders’ dividend shall be distributed aimed at maintaining the stability of shareholders’ dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders’ dividend, <u>which is not less than 50% of the final surplus of after-tax profit in same year to withhold</u></p>	<p>Apart from paying all its income taxes in the case where there are profits for the current year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders’ dividend. However in the case of increase in the Company’s share capital, the shareholders’ dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders’ meeting.</p> <p>The distribution of shareholders’ dividend shall take into consideration the changes in the outlook for the Company’s businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders’ dividend shall be distributed aimed at maintaining the stability of shareholders’ dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders’ dividend, the cash dividend is not less than 10% of the shareholders’ dividend distributed in</p>	<p>To determine specifically the dividend policy of the Company</p>

Section	Proposed Changes	Current Articles	Reason
	<u>accumulated losses, legal reserve and special reserve</u> , the cash dividend is not less than 10% of the shareholders' dividend distributed in the same year.	the same year.	
Article 29	These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings. <u>Sixty-seventh amendment on June 29, 2018</u>	These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings. <u>Sixty-sixth amendment on June 23, 2016</u>	To record the latest amendment.

- iii. Please approve the proposal for the amendments to “Articles of Incorporation of Far Eastern New Century Corporation”.

2. To elect Directors (including Independent Directors) of Far Eastern New Century Corporation

The Board of Directors proposes and recommends that each shareholder to elect thirteen Directors (including three Independent Directors).

Explanatory Notes:

- i. The 22nd term Directors were elected and appointed at the 2015 Annual General Shareholders' Meeting, serving a term of three years and the tenure will expire. The Board of Directors resolved that Directors be elected at this Annual General Shareholders' Meeting.
- ii. According to Article 16 and 17 of the “Articles of Incorporation of Far Eastern New Century Corporation”, thirteen Directors (including three Independent Directors) shall be elected, and each Director will serve a three year term beginning from the date being elected and appointed at the Annual General Shareholders' Meeting.
- iii. Director and Independent Director candidates shall be nominated by the candidate nomination system. The Board of Directors or any shareholder with 1% shareholding or more may nominate candidates. The period for candidate nomination of Directors and Independent Directors to be elected in this coming Shareholders' Meeting is from 21 April 2018 to 30 April 2018. During this period, the Board of Directors has received the nomination of ten Director and three Independent Director candidates from shareholder Asia Cement Corporation. The Board has resolved all the candidates met requirements and qualifications of Directors and Independent Directors in the 13th Board meeting of the 22nd term dated 11 May 2018. Please refer to the following table for the candidate list.
- iv. Please elect.

List of Director (including Independent Director) Candidates

No.	Type	Candidate	Education	Major Experiences	Current position	No. of shares held	Name of Institutional Shareholders
1	Director	Douglas Tong Hsu	<ul style="list-style-type: none"> National Chiao Tung University, Taiwan, Honor Ph.D in Management University of Notre Dame, USA, MA Columbia University, USA 	<ul style="list-style-type: none"> Chairman, Far Eastern New Century Corp. Chairman, Asia Cement Corp. Chairman, Far Eastern Department Stores Ltd. Chairman, Far EasTone Telecommunications Co. Ltd. Chairman, Oriental Union Chemical Corp. Chairman, U-Ming Marine Transport Corp. Vice Chairman, Far Eastern International Bank 	<ul style="list-style-type: none"> Chairman, Far Eastern New Century Corp. Chairman, Asia Cement Corp. Chairman, Far Eastern Department Stores Ltd. Chairman, Far EasTone Telecommunications Co. Ltd. Chairman, Oriental Union Chemical Corp. Chairman, U-Ming Marine Transport Corp. Vice Chairman, Far Eastern International Bank Director, Everest Textile Co., Ltd. 	91,748,698	-
2	Director	Johnny Hsi	<ul style="list-style-type: none"> Columbia University, USA, Master in Computer Science 	<ul style="list-style-type: none"> Vice Chairman, Far Eastern New Century Corp. Director, Asia Cement Corp. Vice Chairman, Oriental Union Chemical Corp. Chairman, Everest Textile Co., Ltd. Director, Far EasTone Telecommunications Co. Ltd. 	<ul style="list-style-type: none"> Vice Chairman, Far Eastern New Century Corp. Director, Asia Cement Corp. Vice Chairman, Oriental Union Chemical Corp. Chairman, Everest Textile Co., Ltd. Director, CTCI Corp. 	1,272,277,085	Asia Cement Corp.
3	Director	Peter Hsu	<ul style="list-style-type: none"> Stanford University, USA, Master in Operation Research 	<ul style="list-style-type: none"> Senior Executive Vice President, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Vice Chairman, Far Eastern New Century Corp. Director, Asia Cement Corp. Managing Director, Far EasTone Telecommunications Co. Ltd. Supervisor, U-Ming Marine 	1,272,277,085	Asia Cement Corp.

No.	Type	Candidate	Education	Major Experiences	Current position	No. of shares held	Name of Institutional Shareholders
					Transport Corp.		
4	Director	Shaw Y. Wang	<ul style="list-style-type: none"> National Chung Hsing University, Taiwan, Business Administration Department National Taiwan University, Taiwan, the Executive Program in Business Administration 	<ul style="list-style-type: none"> First Senior Executive Vice President, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Executive Director, Group Foundation Director, Far Eastern International Bank 	1,272,277,085	Asia Cement Corp.
5	Director	Raymond Hsu	<ul style="list-style-type: none"> Australian Mining and Metallurgy College, Australia 	<ul style="list-style-type: none"> Chief Auditor, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Chief Auditor, Far Eastern New Century Corp. 	1,272,277,085	Asia Cement Corp.
6	Director	Richard Yang	<ul style="list-style-type: none"> American Graduate School of International Management 	<ul style="list-style-type: none"> Managing Director, Surfview Capital Ltd. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Managing Director, Surfview Capital Ltd. 	19,964,370	Far Eastern Department Stores Ltd.
7	Director	Tonia Katherine Hsu	<ul style="list-style-type: none"> Sarah Lawrence College, New York, USA , BA 	<ul style="list-style-type: none"> Specialist, Sotheby's, New York, USA (Arts Administration, Asian Liaison) 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. 	19,964,370	Far Eastern Department Stores Ltd.
8	Director	Kwan-Tao Li	<ul style="list-style-type: none"> Kellogg-HKUST, MBA 	<ul style="list-style-type: none"> Chief Senior Counselor, Lee and Li, Attorney-at-law 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Director, Asia Cement Corp. Chief Senior Counselor, Lee and Li, Attorney-at-law 	31,181,470	U-Ming Marine Transport Corp.
9	Director	Alice Hsu	<ul style="list-style-type: none"> Sheridan College, Retail Management 	<ul style="list-style-type: none"> President, Far Eastern Department Stores Ltd. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. 	31,181,470	U-Ming Marine Transport Corp.
10	Director	Champion Lee	<ul style="list-style-type: none"> Texas A&I University, USA, Master in Business Administration 	<ul style="list-style-type: none"> Senior Executive Vice President, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Director, Asia Cement Corp. Director, Far EastOne Telecommunications Co. Ltd. Director, U-Ming Marine Transport Corp. 	20,963,781	Yue Ding Investment Co., Ltd.

No.	Type	Candidate	Education	Major Experiences	Current position	No. of shares held	Name of Institutional Shareholders
11	Independent Director	Bing Shen	<ul style="list-style-type: none"> Harvard University, USA, MBA 	<ul style="list-style-type: none"> Vice President & Executive Director, Morgan Stanley Executive Vice President, China Development Industrial Bank (CDIB) President, CDIB & Partners Investment Holding 	<ul style="list-style-type: none"> Independent Director, Far Eastern New Century Corp. Independent Director, Far Eastern International Bank Independent Director, Elite Material Co., Ltd. Director, CTCI Corp. 	0	-
12	Independent Director	Johnsee Lee	<ul style="list-style-type: none"> Illinois Institute of Technology, USA, Ph.D. 	<ul style="list-style-type: none"> Chairman, Development Center for Biotechnology President and General Director, Industrial Technology Research Institute. Senior Scientist and Project Leader, Johnson Matthey Inc., West Deptford, NJ Principal Investigator, Chem. Technology Div., Argonne National Laboratory, Argonne, IL 	<ul style="list-style-type: none"> Independent Director, Far Eastern New Century Corp. Independent Director, Zhen Ding Technology Holding Limited Independent Director, San Fu Chemical Co., Ltd. Independent Director, Everlight Electronics Co., Ltd. Director, Taiwan HOPAX Chemical MFG. Co., Ltd. 	0	-
13	Independent Director	Sheng-Cheng Hu	<ul style="list-style-type: none"> University of Rochester, USA , Ph.D. in Economics 	<ul style="list-style-type: none"> Minister, Financial Supervisory Commission, R.O.C. Minister Without Portfolio, Executive Yuan Director, Institute of Economics, Academia Sinica Minister, Council for Economic Planning And Development, Executive Yuan 	<ul style="list-style-type: none"> Independent Director, Far Eastern New Century Corp. President, Chung-Hua Institution for Economic Research Corresponding Research Fellow, Institute of Economics, Academia Sinica Executive Director, Central Bank of the Republic of China (Taiwan) 	0	-

3. To approve the release of the relevant Directors from the non-competition restriction under Article 209 of the Company Act.

The Board of Directors proposes and recommends that each shareholder vote FOR the release of the relevant Directors from the non-competition restriction under Article 209 of the Company Act.

Explanatory Notes:

- i. This is processed in accordance with Paragraph 1 of Article 209 of the Company Act: “A director who acts for himself or on behalf of another person in a manner that is within the scope of the company’s business shall explain to the shareholders’ meeting the essential contents of such act and obtain the approval from shareholders’ meeting”.
- ii. The new Directors of the Company are investing in or managing other companies and also acting as directors of such companies which are in the same or similar business as FENC (please refer to the following table). It is proposed to seek approval at the Shareholders’ Meeting to release new Directors and their representatives from the non-competition restriction.

Title	Name	Serve as Director/President at other companies in the industry
Director	Douglas Tong Hsu	<ul style="list-style-type: none"> • Director, Everest Textile Co., Ltd. • Vice Chairman, Freudenberg Far Eastern Spunweb Co., Ltd.
Director	Asia Cement Corp. Representative: Johnny Hsi	<ul style="list-style-type: none"> • Chairman, Everest Textile Co., Ltd. • Director, Freudenberg Far Eastern Spunweb Co., Ltd. • Director, CTCI Corp.
Director	U-Ming Marine Transport Corp. Representative: Kwan-Tao Li	<ul style="list-style-type: none"> • Director, Tai Yuen Textile Co., Ltd.
Independent Director	Bing Shen	<ul style="list-style-type: none"> • Independent Director, Elite Material Co., Ltd. • Director, CTCI Corp.
Independent Director	Johnsee Lee	<ul style="list-style-type: none"> • Independent Director, San Fu Chemical Co., Ltd. • Director, Taiwan HOPAX Chemical MFG. Co., Ltd.

- iii. Please approve the above proposal.

Extemporary motion

Meeting adjourned

Attachment I

2017 Business Report

I. Preface

Digital innovation and Industry 4.0 continue to represent the challenges facing enterprises globally as artificial intelligence, IoT and Big Data change our way of life and create a highly volatile business environment. Throughout our 68-year history we have striven to adapt rapidly to the contemporary business climate and in these turbulent times Far Eastern New Century Corporation (FENC) has embraced innovation, transformation and restructuring in order to maintain our position ahead of the curve and remain poised to grasp every opportunity for future growth.

In this increasingly interconnected world, a single political, economic or environmental event that takes place in one country may have an exaggerated global impact. On the political front, the U.S. President Trump has embraced protectionism and is pursuing “America First” agenda. The Trump’s administration officially withdrew from the Trans-Pacific Partnership and the Paris Climate Agreement as well as planning to renegotiate the free trade agreement with South Korea and the North American Free Trade Agreement. In addition, the country’s tax reforms, change in energy policy and immigration ban will undoubtedly affect the rest of the world. In Europe, national leaders are also faced with political challenges. The new French President Macron’s political views and policies on launching initiatives aimed at modernizing France frequently draw global attention, while the German Chancellor Merkel’s policy dilemma between domestic affairs and EU shake-ups caused her political clout to decline. The United Kingdom is still negotiating its exit from the European Union while Italy continues to suffer from political gridlock, regional division, and a worsening relationship with Europe. In Asia, geopolitical tensions are high. Although the PyeongChang 2018 Winter Olympics and the Inter-Korean Summit seemed to defuse the tensions on the Korean Peninsula, the future of the peninsula remains unpredictable. The 19th National Congress of the Communist Party of China was held last October, electing new committee members and then in 2018 presidential limits were eliminated, consolidating President Xi’s position as national leader for the foreseeable future. Last year, China also played a leading role in regional economic alliances and international conferences, including the G20 summit and the Belt and Road Summit.

On the economic front, the four major economies, namely, the United States, the European Union, China and Japan, have enjoyed economic growth, while emerging economies have also been recovering, but the strength of their growth is subject to their respective industries. In the United States, the Federal Reserve has announced plans to reduce its balance-sheet assets and raise interest rates. Across the pond, there are still uncertainties surrounding the future of the European Union after Brexit. In Asia, Japan will continue its accommodative monetary policy, while China will keep opening up to the world’s financial markets, expanding its influence on the global economy.

In addition to political and economic changes, a multitude of factors also present challenges to businesses worldwide. For example, energy and commodity prices are on the rise. The oil producers’ agreement to cut back production, the geopolitical tensions in the Middle East, the increased shale gas production in the United States, the rise of renewable energy and the growing sales of electric vehicles are all driving fluctuations in raw material prices. Climate is also playing an increasing role in business decisions as environmental regulations become more stringent as a result of heightened awareness of climate change. Technological advancement is paving the way for the rapid development of artificial intelligence and the rise of the innovative economy is sure to rewrite the rules of business. In Taiwan, despite the promising economic prospects, there are numerous obstacles to overcome, such as its stagnant integration into regional economy, limited participation in world trade and the cross strait relationship. Local enterprises are further challenged by the new labor regulations, power and water shortages and the pressures of rapid industrial transformation.

Staying agile and flexible at all times in response to the challenges ahead, FENC has been nominated by Forbes as one of the world's top 500 best employers and is a constituent of the MSCI ESG Leaders Indexes (MSCI ESG Rating - Industrial Conglomerates: A). The Company has also received recognition for its achievements, such as Excellence in Corporate Social Responsibility from CommonWealth Magazine and Corporate Social Responsibility Award from Global Views Magazine. It was also the winner of a number of Taiwan Corporate Sustainability Awards (TCSA), including TOP 50 Sustainable Corporates Award, Social Inclusion Award, Growth through Innovation Award, Sustainable Water Management Awards, Circular Economy Leadership Award and Best CSR Report of the Year in 2017. These honors speak volumes about the high standards FENC has reached in such areas as economic growth, environmental sustainability and social inclusion.

II. Operating Results

We have been proactively expanding our production businesses, creating maximum value for our land assets and branching out by making diverse investments in order to improve our return on assets (ROA) and return on equity (ROE). Our consolidated revenue and net income reached NT\$217.8 billion and NT\$14.201 billion, respectively. The net income attributable to shareholders of the Company is NT\$8.066 billion, translating into a basic EPS of NT\$1.61 based on the IFRS rule. The 22nd term Board of Directors has proposed a cash dividend of NT\$1.2 per share. Operating results by business segments are outlined below:

Production business: From an Asian to a global producer

1. Expanding capacity and upgrading equipment

The Company is expanding in major locations around the world. In Taiwan, China and Vietnam, we have vertically integrated our businesses and streamlined the process from production to sale. With this advantage, we are able to provide fast and innovative services to our clients and strategically partner with global brands. In recent years, the Company has sped up major strategic investments overseas. For example, in Vietnam where our business enjoys tariff-free access to the ASEAN, the European Union and Japan, we have introduced the latest technology and advanced smart equipment to vertically integrate our businesses. Phase I of the expansion of our Vietnam Dyeing & Finishing Plant is complete and has begun production. Now we are building the PET production lines that can output 400,000 tons per year more cost-effectively and continuing with the phase II expansion of Vietnam Dyeing & Finishing Plant. Also noteworthy is that the Company has made a bold strategic move by expanding its production from Asia to North America in order to utilize the complete supply chain of upstream feedstock and other favorable conditions for operations in the United States. These include a better investment climate as a result of the passed tax reform bills, lower energy costs and the States large domestic market. FENC acquired Mossi & Ghisolfi's (M&G) assets in West Virginia as our first production site in the USA with a PET capacity of 360,000 tons per year. Additionally, the Company has agreed to form a joint venture with the other two international producers to acquire M&G's integrated PTA/PET assets currently under construction, with annual capacity of PTA 1.3 million tons and PET 1.1 million tons, in Corpus Christi, Texas, USA. The closing is subject to the related authorities' approval. Currently, with the upstream PTA market gradually bottoming out, Oriental Petrochemical Taiwan Corporation has replaced old production facilities in Taiwan with state-of-the-art technology producing 1.52 million tons annually. After the replacement, the new PTA linewill produce more cost efficiency products and secure downstream polyester feedstock in the future. FENC is the bellwether in the polyester industry in terms of production capacity. Specifically, our PET is among the top five in the world. Our recycled PET (R-PET) ranks first in the world. Our nonwoven polyester staple fiber (PSF) ranks second in the world. Our PET sheet and nylon 6,6 filament are second to none in Asia.

2. Focusing on the Company's Strength and Developing New Markets

FENC has expanded into green products, hygiene products and high-end vehicle materials and developed ingenious and unique products. The increased percentage of high-value added (HVA) products has driven profits for the Company.

Green Products

Green products account for a quarter of our production business revenue. FENC is the world's top R-PET supplier and our eco-friendly and toxin-free products play a leading role in the global market. We have been incorporating environmental conservation into every aspect of our businesses, including investments, technology and management, with the aim of promoting green industry. We have not only created "TopGreen Ocean" filament by using recycled ocean waste PET bottles but succeeded in turning high-quality yarns into green products for Adidas and Parley (a Non-Governmental Organization for marine environmental protection). The sales of such "TopGreen Ocean" made products have grown exponentially and are expected to double in 2018. In addition, we have expanded a granulation production line for recycled nylon 6,6, which has received the Global Recycled Standard certifications. Regarding our R-PET products, in order to meet the requirement for food-grade packaging materials and being recognized by well-known beverage brands, we have also developed tracer technology to identify the source of our recycled feedstock and kept reducing water consumption.

Hygiene Products

As a world-leading supplier of nonwoven PSF for hygiene products, FENC has collaborated with an increasing number of global brands, including Kimberley Clark, Unicharm, P&G, Johnson & Johnson and Hengan Group China, which all have designated our fibers as the materials for their products. To meet the growing global demand, the Company has been building plants to ramp up capacity in Taiwan, China and Vietnam.

High-end Vehicle Materials

Having identified the growth potential of vehicle materials, Oriental Industries (Suzhou) has begun to produce HVA nylon 6,6 industrial yarn, which can be widely used in safety airbags, tire cords and seatbelts. The quality of our nylon 6,6 products meets our clients' standards, making the Company a leader in this niche market.

3. Continuing R&D and Innovation to Drive Growth

Our R&D team always stay on top of new trends, introduces new concepts and seeks to innovate new products with businesses from other industries. Our green products have received multiple awards at home and abroad. For example, we have created the world's first 100% bio-PET shirt and produce "TopGreen Ocean" filament using recycled ocean waste PET bottles. These are just two of our pioneering products that use cutting-edge technologies. Another noteworthy product is DynaFeed[®], an integrated smart apparel solution that connects Sports, Therapy and Health series. With the rise of the healthcare IoT, the technology used in DynaFeed[®] will play a vital role in such areas as smart textiles, smart apparel and wearable devices. We have signed MOUs with L. L. Bean and Valmed for collaboration in these areas.

Diversified Investments: Branching Out to Drive Profit Growth

FENC has continuously branched out by investing in a wide array of businesses. The majority of the Company's investments are listed companies with proven track records. As a result of sound management and operation of these companies, we achieved outstanding return on investments. Established 20 years ago, Far EastOne Telecommunications Corporation Limited (FET), a pioneering ICT and digital application service provider, has begun to develop 5G technology. Not only is it the first telecom operator to have NB-IoT in commercial operation, FET has passed the National Communications Commission's review to become the first company to obtain approval for 3 million IoT gateway numbers. It will continue to introduce and develop 5G applications and bring in substantial returns for the Company. Asia Cement Corporation (ACC) enjoyed a huge growth in profits. Asia Cement (China) Holdings Corporation, in particular, was strong quarter by quarter and became one of the top ten cement companies in China. In response to the changes in the retail industry, Far Eastern Department Stores Limited (FEDS) has taken the lead in further integrating online and offline sales channels, thereby taking better advantage of opportunities associated with e-commerce. The construction of Chubei New Century Shopping Mall has commenced and the mall is slated to open in 2020. Located in the hub of the Hsinyi District, Taipei, FEDS A13 has planned an omni-channel smart mall, which is scheduled to begin operations in 2019. Oriental Union Chemical Corporation (OUCC) also had a significant growth in revenue last year. As a major supplier of the highly competitive MEG, the key feedstock for producing polyester, Far Eastern Union Petrochemical (Yangzhou), OUCC's subsidiary, has adopted cutting-edge chemical and biochemical technologies in pursuit of higher profits. With a unique vision for investments, we believe the returns on investments account for greater profits for the Company.

Land Assets: Developing Properties to Generate Greater Value

Over the years, the management team has focused on the Company's development goals and proactively monetized our land holdings. Our priority is the development of the Taipei Far Eastern Telecom Park (Tpark), which has been built to promote urban transformation and industrial development. The 7,000-ping green ecological park has a theme of environmental sustainability. Both ecological conservation and technological planning have been taken into account during its construction. Going forward, Tpark will join forces with New Taipei City government and Amazon Web Services (AWS) to create a joint innovation center. Now we have entered the second phase of the Tpark's construction. The IDC building and the second R&D building broke ground last June and are expected to effectively increase our asset value and bring in substantial rental income. While the phase II of California Dream, the residential project close to Far Eastern Hospital MRT Station, is nearly sold out, Far Eastern Construction's premium residential project located in Tpark is about to enter the sales stage. The aforementioned project has a gross floor area of 7,000 pings for sale, which is expected to generate substantial income. As the tallest skyscraper in New Taipei City, Mega Tower is now a landmark in the area. Consisting of shopping malls and restaurants with views from the highest floors, Mega Tower is creating local prosperity and boosting land values. In addition, we own land of 17,000 pings in Wugu and 14,000 pings in Kuanyin. Flexible development of these land resources will enable us to raise the value of our assets.

III. Business Goals and Prospects

While FENC adopts practical and innovative approaches to developing the Company sustainably, we believe it is equally important to give back to society and help the neighborhood develop in the positive direction.

A. Accelerating Global Expansion and Pursuing Innovative Growth

The Company will take prudent steps to seek high-quality investment targets, extend the value chain, and upgrade the Company as a whole. We will not only carry out restructuring plans in Taiwan, China, Vietnam, Japan and the United States, but proactively strive for more business opportunities around the world. One of our future focuses is increasing investment in such HVA products as R-PET and nylon 6,6 to pursue profit growth.

B. Developing Green Products to Tap into Boundless Business Opportunities

In order to capitalize on green opportunities, the Company has not only obtained many high-standard green certifications but also will mobilize more resources for R&D to improve eco-friendly and innovative technologies. In response to increasingly stringent environmental laws and regulations worldwide, we will add special budgets, e.g. NT\$1 billion for the environmental conservation project and another NT\$1 billion for the energy saving project, organize a task force for the environmental conservation project and develop multiple plans to invest in eco-friendly production processes. More importantly, we have issued our first green bond verified by a third party. The funds will be used in four green projects: R-PET, new batch polymer, waterless dyeing machines and green buildings.

C. Building Smart Factories to Pursue Industrial Upgrades

When it comes to building smart factories, the Company is ahead of the field in introducing a variety of smart equipment and manufacturing processes. We will endeavor to build a smart manufacturing supply chain, expand the application of collaborative mechanical arms, deploy cloud platforms and Big Data systems, establish an RFID automatic data collection system, utilize an automatic guided vehicles (AGV) system for apparel production and add production lines that enable robots to sew clothes. The concept of industry 4.0 is fully implemented in the Vietnam expansion of our Dyeing & Finishing Plant. At this critical juncture when companies worldwide are pursuing digital transformation, we will budget NT\$1 billion for investment in artificial intelligence, which we believe will help create better opportunities down the road.

D. *Realizing Smart Management and Managing Risks Effectively*

In order to capitalize on virtual management and achieve a mobile office, Corporate Management has created an information-sharing platform, develop a mobile management app, consolidate market and operation information, improve financial and accounting, human resources, procurement, official document and inventory management systems as well as develop real-time mobile management tools for senior managers to realize mobile and smart management. To achieve a synergistic affect, we have introduced a risk alert system, set leading indicators to prevent risks, carry out risk assessments in all plants and commission external experts to conduct damage prevention investigations at all plants in Taiwan and overseas. In this way, we will be able to better monitor operating risks and establish highly effective risk control mechanisms.

E. Strengthening R&D Capabilities to Enhance Competitiveness

The Company has a large-scale, state-of-the-art research center in Asia, housing over 200 R&D experts, to continue launching groundbreaking products for the market. We have achieved substantial results in the development of new products and technologies and obtained 236 patents, making us the leader in the industry. The functional textiles that we have recently developed, such as TopDry[®], TopDry[®] Non-woven and Wind Guard 3D were selected among the top 10 at ISPO Textrends. The world's first 100% Bio-PET Shirt that we developed won the Growth through Innovation Award organized by TCSA and Textile R&D Innovation Award organized by Textile Research and Development Association International. In addition, we have launched world-leading product projects, including FENC[®] PFC-Free solutions with TopClean (Soil Release Filament), TopDry[®] Zero (Durable Water Repellency Filament) and DynaFeed[®] that seamlessly fuses IoT and healthcare. Such pioneering projects are leading other businesses in Taiwan to explore new fields for development.

F. Advancing Public Interest as a Corporate Role Model

In addition to improving the performance of our businesses, the Company has been giving back to society and advancing public interest. Our efforts are focused primarily on healthcare, education, technology as well as culture and environmental conservation. So far, we have established four foundations, three schools and two medical facilities. Over the years, the numbers of our hospitals and clinics' outpatients have been growing. Far Eastern Memorial Hospital has continued to develop new medical technologies and established the first joint care center for people with dementia in New Taipei City. In order to provide patients with high-quality medical services, the hospital has been proactively developing innovative medical programs and seeking international medical collaboration. Moreover, the educational system supports almost 20,000 students as a talent pool in order to establish an elite and sustainable learning center. Our foundations organize awards to honor outstanding individuals. The Y. Z. Hsu Scientific Award, for example, has been established to reward achievements in five emerging technological fields, namely, communication technology, optoelectronics technology, nano science and technology, bio-medical technology and green technology. The Company has also spared no efforts to promote health, environmental conservation and social care. We organized FENC Classic Marathon with nearly 7,000 people signing up for the event. The jerseys that the athletes wore were made of ocean waste PET bottles. Over the past 60 years, the Company has never stopped fulfilling our corporate social responsibility and contributing to the country.

For nearly 70 years, we have valued sincerity, diligence, thrift, prudence and innovation as the overarching principles that guide our business operations. FENC will continue to keep abreast of the times, stay on top of global trends, develop cutting-edge technologies, focus on new markets and seek new business opportunities. We will pursue innovation as well as upgrade and transform our businesses so as to create greater value for clients, employees and shareholders.

Chairman



President



Chief Accountant



Attachment II

2017 Independent Auditors' Report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Shareholders
Far Eastern New Century Corporation

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern New Century Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the consolidated financial statements for the year ended in December 31, 2017 are as follows:

Fair Value Evaluation of Investment Property

As of December 31, 2017, the Group's total investment property was NT\$124,148,885 thousand, which represented 24% of the consolidated total assets. In 2017, the gain from adjusting the fair value of investment property was NT\$1,040,128 thousand, which represented 6% of the consolidated income before income tax. The items mentioned above are considered to be significant for consolidated financial statements as a whole. The Group's investment properties were subsequently measured

using the fair value model. The fair value evaluation involved significant accounting estimation and judgment. As a result, the fair value evaluation of investment property is considered to be a key audit matter.

For the accounting policies, significant accounting judgment, evaluation, and assumptions on the main source of uncertainty related to investment property, refer to Notes 4 (j) and 5 (c) of the consolidated financial statements. For more information about the Group's investment property, refer to Note 18 of the consolidated financial statements.

For the fair value evaluation of investment property, we performed the corresponding audit procedures as follows:

1. We assessed the competencies and independence of the external valuer engaged by the management and discussed with the management the valuer's work scope and process of engagement acceptance to evaluate the risk of the possible impairment of the valuer's independence and evaluated whether the valuer's work scope was free from limiting factors.
2. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.
3. We audited items from management's supporting documentation, including data which was used in the valuation process by the valuer.

Evaluation of Impairment Loss of Related Assets in Telecommunication Department

The Group's telecommunications department faces a highly competitive market condition and a rapidly changing environment. Economic trends and technology development influence the management's evaluation and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which assets belong, which in turn is used for the evaluation of the assets' impairment. Thus, the evaluation of impairment loss of the related assets in the telecommunications department is considered to be a key audit matter.

For the accounting policies, significant accounting judgment, evaluation, and assumptions on the main source of uncertainty related to the impairment of assets, refer to Notes 4 (k and m) and 5 (a and b) of the consolidated financial statements. For other related disclosures, refer to Notes 17 and 19 of the consolidated financial statements.

For the evaluation of impairment loss of the related assets in the telecommunications department, we performed the corresponding audit procedures as follows:

1. We obtained an understanding of the Group's asset impairment evaluation processes and of the design and implementation of the related controls.
2. We obtained the Group's asset impairment evaluation reports for each cash-generating unit.
3. We evaluated the reasonableness of the Group's identification of the assets which were considered impaired and the assumptions and sensitivity used in the asset impairment assessments, including the appropriateness of the classification of the cash-generating units, cash flow forecasts and discount rates used.

Recognition of Telecommunications Service Revenue

The telecommunications service revenue is the main source of revenue of the Group's telecommunications department. The calculation of telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Group often launches different combinations of products and services which make the calculation of revenue more complex and

directly affects the accuracy and timing of revenue recognition. Therefore, the recognition of telecommunications service revenue is considered to be a key audit matter.

For the accounting policies related to telecommunications service revenue, refer to Note 4 (q) of the consolidated financial statements.

For recognition of telecommunications service revenue, our corresponding audit procedures were as follows:

1. We obtained an understanding of the Group's recognition of telecommunications service revenue and the design and implementation of the related controls.
2. We reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the accounting system.
3. We performed dialing tests to verify the accuracy and completeness of the traffic and information in the switch equipment.
4. We tested the accuracy of the billing calculation.
5. We tested the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.
6. We tested the completeness and accuracy of the calculation and billing of value-added service fees.

For the revenue recognition of billed and unbilled amounts, we conducted the following tests:

1. For the billed amounts, we checked whether there was any difference between the reports generated from the accounting system and the billing system.
2. For the unbilled amounts, we recalculated the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy.

Other Matter

We have also audited the parent company only financial statements of Far Eastern New Century Corporation for the years ended December 31, 2017 and 2016 on which we have issued unmodified opinions.

Responsibilities of Management and Those Charged with Governance for 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Pin Shih and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 25,464,223	5	\$ 35,675,422	7
Financial assets at fair value through profit or loss - current	4,209,638	1	3,835,959	1
Available-for-sale financial assets - current	331,362	-	656,773	-
Derivative financial assets for hedging - current	1,700	-	2,073	-
Debt investments with no active market - current	2,044,153	-	1,797,697	-
Notes and accounts receivable, net	25,709,039	5	24,830,649	5
Amounts due from customers for construction contracts	1,591,619	-	1,202,624	-
Other receivables	4,585,596	1	7,811,376	2
Current tax assets	63,544	-	60,895	-
Inventories	26,582,952	5	22,103,308	4
Prepayments	3,420,983	1	3,399,270	1
Other financial assets - current	4,329,504	1	4,402,953	1
Refundable deposits - current	31,009	-	37,643	-
Other current assets	1,687,875	-	1,722,674	-
Total current assets	100,053,197	19	107,539,316	21
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	339,122	-	4,245,668	1
Derivative financial assets for hedging - non-current	35,544	-	-	-
Financial assets measured at cost - non-current	1,178,179	-	1,135,148	-
Investments accounted for using the equity method	61,532,483	12	53,421,270	11
Property, plant and equipment	152,732,987	30	148,316,398	29
Investment properties, net	124,148,885	24	124,758,539	24
Concessions	44,561,464	9	41,422,996	8
Goodwill	11,865,515	2	11,865,515	2
Other intangible assets	3,884,685	1	3,676,776	1
Deferred tax assets	2,204,959	1	2,361,276	1
Prepayments for equipment	1,632,368	-	1,612,960	-
Refundable deposits - non-current	861,274	-	806,289	-
Long-term other receivables	1,312,111	-	1,440,000	-
Other financial assets - non-current	3,050,829	1	3,783,584	1
Long-term prepayments for leases	6,830,254	1	6,716,440	1
Other non-current assets	542,424	-	357,983	-
Total non-current assets	416,713,083	81	405,920,842	79
TOTAL	\$516,766,280	100	\$513,460,158	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 30,944,587	6	\$ 35,131,547	7
Short-term bills payable	7,643,775	2	9,278,381	2
Financial liabilities at fair value through profit or loss - current	12,987	-	3,421	-
Derivative financial liabilities for hedging - current	-	-	47,767	-
Notes and accounts payable	19,913,510	4	15,910,920	3
Notes and accounts payable to related parties	339,718	-	418,751	-
Amounts due to customers for construction contracts	63,549	-	1,428	-
Payables to suppliers of machinery and equipment	2,212,726	-	2,615,378	1
Other payables	14,363,744	3	14,451,394	3
Current tax liabilities	2,202,099	-	2,393,096	-
Provisions - current	282,035	-	270,831	-
Guarantee deposits received - current	291,998	-	298,281	-
Receipts in advance	1,201,255	-	1,174,563	-
Unearned revenue	2,972,547	1	2,585,723	1
Current portion of long-term liabilities	16,689,480	3	20,057,220	4
Other current liabilities	2,506,610	1	2,544,731	-
Total current liabilities	101,640,620	20	107,183,432	21
NON-CURRENT LIABILITIES				
Derivative financial liabilities for hedging - non-current	-	-	171,366	-
Bonds payable	71,711,418	14	62,518,046	12
Long-term borrowings	66,540,553	13	68,837,916	14
Provisions - non-current	887,441	-	859,586	-
Deferred tax liabilities	16,874,470	3	17,014,677	3
Net defined benefit liabilities - non-current	2,603,463	1	3,610,061	1
Guarantee deposits received	506,167	-	607,007	-
Deferred credit - gains on related party transactions	123,637	-	124,192	-
Other non-current liabilities	339,418	-	341,223	-
Total non-current liabilities	159,586,567	31	154,084,074	30
Total liabilities	261,227,187	51	261,267,506	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	53,528,751	10	53,528,751	10
Capital surplus	2,859,569	1	2,859,588	1
Retained earnings				
Legal reserve	15,945,807	3	15,315,028	3
Special reserve	112,928,355	22	110,292,892	22
Unappropriated earnings	12,819,238	2	11,785,464	2
Total retained earnings	141,693,400	27	137,393,384	27
Other equity	(3,696,270)	(1)	(2,870,205)	(1)
Treasury shares	(25,063)	-	(25,063)	-
Total equity attributable to owners of the Company	194,360,387	37	190,886,455	37
NON-CONTROLLING INTERESTS	61,178,706	12	61,306,197	12
Total equity	255,539,093	49	252,192,652	49
TOTAL	\$516,766,280	100	\$513,460,158	100

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Net sales	\$136,468,217	63	\$132,422,673	61
Telecommunications service revenue	63,590,599	29	67,315,200	31
Gain on disposal of investments, net	1,647,132	1	33,462	-
Construction revenue	4,976,080	2	5,178,983	3
Other operating revenue	<u>11,164,920</u>	<u>5</u>	<u>10,905,603</u>	<u>5</u>
Total operating revenue	<u>217,846,948</u>	<u>100</u>	<u>215,855,921</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	130,959,088	60	127,872,750	59
Cost of telecommunications services	26,310,617	12	26,134,094	12
Construction cost	4,761,021	2	4,975,804	2
Other operating cost	<u>6,118,017</u>	<u>3</u>	<u>5,702,151</u>	<u>3</u>
Total operating costs	<u>168,148,743</u>	<u>77</u>	<u>164,684,799</u>	<u>76</u>
GROSS PROFIT	<u>49,698,205</u>	<u>23</u>	<u>51,171,122</u>	<u>24</u>
REALIZED CONSTRUCTION INCOME	<u>555</u>	<u>-</u>	<u>555</u>	<u>-</u>
OPERATING EXPENSES				
Selling and marketing	22,326,374	10	24,244,348	11
General and administrative	11,124,854	5	11,521,573	5
Research and development	<u>813,263</u>	<u>1</u>	<u>868,947</u>	<u>1</u>
Total operating expenses	<u>34,264,491</u>	<u>16</u>	<u>36,634,868</u>	<u>17</u>
OPERATING INCOME	<u>15,434,269</u>	<u>7</u>	<u>14,536,809</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of associates	4,114,335	2	1,873,936	1
Interest income	486,339	-	440,904	-
Other income - other	1,377,315	1	1,304,074	-
Gain on disposal of investment properties	2,605	-	313,100	-
Exchange loss, net	(185,372)	-	(792,420)	-
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	167,143	-	(62,755)	-
Valuation gain on investment properties	1,040,128	-	3,269,052	1
Interest expense	(2,605,876)	(1)	(2,486,885)	(1)
Other expenses	(882,744)	(1)	(1,021,408)	(1)

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Loss on disposal of property, plant and equipment	(756,824)	-	(746,006)	-
Gain (loss) on disposal of concessions	5	-	(108)	-
Loss on disposal of intangible assets	(64)	-	(10,085)	-
Impairment loss	<u>(1,298,968)</u>	<u>(1)</u>	<u>(658,098)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,458,022</u>	<u>-</u>	<u>1,423,301</u>	<u>-</u>
INCOME BEFORE INCOME TAX	16,892,291	7	15,960,110	7
INCOME TAX EXPENSE	<u>(2,690,954)</u>	<u>(1)</u>	<u>(3,257,420)</u>	<u>(1)</u>
NET INCOME	<u>14,201,337</u>	<u>6</u>	<u>12,702,690</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	577,628	-	(443,067)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	6,828	-	(82,222)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(8,987)</u>	<u>-</u>	<u>17,732</u>	<u>-</u>
	<u>575,469</u>	<u>-</u>	<u>(507,557)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,071,916)	(1)	(3,287,569)	(2)
Unrealized loss on available-for-sale financial assets	(1,018,683)	-	(289,788)	-
Cash flow hedges	231,609	-	149,385	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>1,185,860</u>	<u>1</u>	<u>(4,006,347)</u>	<u>(2)</u>
	<u>(673,130)</u>	<u>-</u>	<u>(7,434,319)</u>	<u>(4)</u>
Total other comprehensive loss, net	<u>(97,661)</u>	<u>-</u>	<u>(7,941,876)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 14,103,676</u>	<u>6</u>	<u>\$ 4,760,814</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 8,066,136	3	\$ 6,307,786	3
Non-controlling interests	<u>6,135,201</u>	<u>3</u>	<u>6,394,904</u>	<u>3</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2017</u>		<u>2016</u>	
	Amount	%	Amount	%
	<u>\$ 14,201,337</u>	<u>6</u>	<u>\$ 12,702,690</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,808,712	3	\$ (1,049,835)	(1)
Non-controlling interests	<u>6,294,964</u>	<u>3</u>	<u>5,810,649</u>	<u>3</u>
	<u>\$ 14,103,676</u>	<u>6</u>	<u>\$ 4,760,814</u>	<u>2</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ 1.61</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 1.61</u>		<u>\$ 1.26</u>	

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars; Except Dividends Per Share)

	Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity
	Equity Attributable to Owners of the Company					Other Equity					Total Equity Attributable to Owners of the Company		
	Common Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Gains on Property Revaluation	Treasury Shares			
		Legal Reserve	Special Reserve										
BALANCE AT JANUARY 1, 2016	\$ 53,528,751	\$ 2,807,683	\$ 14,511,559	\$108,721,550	\$ 13,706,389	\$ 2,274,683	\$ 1,119,927	\$ (95,944)	\$ 702,030	\$ (25,063)	\$197,251,565	\$ 63,145,438	\$260,397,003
Appropriation of the 2015 earnings													
Legal reserve	-	-	803,469	-	(803,469)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,165,513	(2,165,513)	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	(5,352,875)	-	-	-	-	-	(5,352,875)	-	(5,352,875)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(7,710,107)	(7,710,107)
Net income for the year ended December 31, 2016	-	-	-	-	6,307,786	-	-	-	-	-	6,307,786	6,394,904	12,702,690
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(486,720)	(3,852,495)	(3,067,584)	48,430	748	-	(7,357,621)	(584,255)	(7,941,876)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	5,821,066	(3,852,495)	(3,067,584)	48,430	748	-	(1,049,835)	5,810,649	4,760,814
Change in associates accounted for using the equity method	-	9,432	-	(2)	(1,116)	-	-	-	-	-	8,314	(1,109)	7,205
Disposal of investments in associates	-	-	-	(1,194)	(795)	-	-	-	-	-	(1,989)	-	(1,989)
Partial acquisition (disposal) of interests in subsidiaries	-	41,694	-	-	(11,198)	-	-	-	-	-	30,496	61,341	91,837
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	779	-	-	-	-	-	-	-	-	779	-	779
Reversal of special reserve	-	-	-	(592,975)	592,975	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2016	53,528,751	2,859,588	15,315,028	110,292,892	11,785,464	(1,577,812)	(1,947,657)	(47,514)	702,778	(25,063)	190,886,455	61,306,197	252,192,652
Appropriation of the 2016 earnings													
Legal reserve	-	-	630,779	-	(630,779)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,662,006	(2,662,006)	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.8 per share	-	-	-	-	(4,282,300)	-	-	-	-	-	(4,282,300)	-	(4,282,300)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(7,783,681)	(7,783,681)
Net income for the year ended December 31, 2017	-	-	-	-	8,066,136	-	-	-	-	-	8,066,136	6,135,201	14,201,337
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	568,641	(1,499,559)	590,338	83,156	-	-	(257,424)	159,763	(97,661)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	8,634,777	(1,499,559)	590,338	83,156	-	-	7,808,712	6,294,964	14,103,676
Change in associates accounted for using the equity method	-	(650)	-	-	(22,116)	-	-	-	-	-	(22,766)	(233)	(22,999)
Disposal of investments in associates	-	-	-	-	(2,367)	-	-	-	-	-	(2,367)	(1)	(2,368)
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(6,899)	-	-	-	-	-	(6,899)	(13,129)	(20,028)
Change in ownership interest of subsidiaries	-	8	-	-	(21,079)	-	-	-	-	-	(21,071)	158,817	137,746
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,215,787	1,215,787
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	623	-	-	-	-	-	-	-	-	623	-	623
Reversal of special reserve	-	-	-	(26,543)	26,543	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	\$ 53,528,751	\$ 2,859,569	\$ 15,945,807	\$112,928,355	\$ 12,819,238	\$ (3,077,371)	\$ (1,357,319)	\$ 35,642	\$ 702,778	\$ (25,063)	\$194,360,387	\$ 61,178,706	\$255,539,093

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 16,892,291	\$ 15,960,110
Adjustments for:		
Depreciation	15,851,009	15,301,556
Amortization	4,661,631	4,036,836
Allowance for doubtful accounts	487,155	700,454
Interest expenses	2,605,876	2,486,885
Interest income	(486,339)	(440,904)
Dividend income	(259,126)	(202,531)
Share of the profit of associates	(4,114,335)	(1,873,936)
Loss on disposal of property, plant and equipment	756,824	746,006
Gain on disposal of investment properties	(2,605)	(313,100)
Loss on disposal of intangible assets	64	10,085
(Gain) loss on disposal of concessions	(5)	108
Gain on disposal of investments	(1,654,107)	(39,781)
Impairment loss	1,298,968	658,098
Write-down of inventory	124,714	25,958
Realized gain on the transactions with associates	(555)	(555)
Gain on change in fair value of investment properties	(1,040,128)	(3,269,052)
Deferred loss on derivative assets for hedging	30,605	23,424
Net changes in operating assets and liabilities		
Financial assets held for trading - current	(373,679)	161,936
Notes and accounts receivable	(1,418,981)	(2,156,165)
Amounts due from customers for construction contracts	(388,995)	(228,736)
Other receivables	285,408	(351,646)
Inventories	(4,604,358)	4,204,741
Prepayments	(9,264)	(43,606)
Other current assets	34,799	371,730
Financial liabilities held for trading	9,566	3,421
Notes and accounts payable	4,002,590	288,018
Notes and accounts payable to related parties	(79,033)	37,368
Amounts due to customers for construction contracts	62,121	(119,268)
Other payables	(160,333)	72,386
Provisions	39,059	60,685
Receipts in advance	26,692	127,337
Other current liabilities	(38,121)	551,819
Net defined benefit liabilities	(429,429)	(776,415)
Unearned revenue	<u>386,824</u>	<u>4,546</u>
Cash generated from operations	32,496,803	36,017,812
Interest received	460,911	439,835
Dividends received	2,236,100	3,137,207
Interest paid	(2,527,267)	(2,456,047)
Income tax paid	<u>(2,877,477)</u>	<u>(2,566,581)</u>
Net cash generated from operating activities	<u>29,789,070</u>	<u>34,572,226</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,029,197)	(12,285)
Proceeds from the disposal of available-for-sale financial assets	653,919	202,059
(Increase) decrease in debt investments with no active market	(246,456)	1,553,293
Acquisition of financial assets measured at cost	(54,897)	-
Proceeds from the disposal of financial assets measured at cost	945	-
Return on the capital reduction of financial assets measured at cost	3,505	-
Acquisition of investments accounted for using the equity method	(83,138)	(183,357)
Proceeds from disposed of investments accounted for using the equity method	383,778	111,959
Acquisition of property, plant, equipment and prepayments for equipment	(23,129,609)	(19,516,098)
Proceeds from the disposal of property, plant and equipment	1,090,591	99,148
(Increase) decrease in refundable deposits	(48,351)	28,862
Decrease (increase) in other receivables	1,826,870	(250,270)
Acquisition for intangible assets	(1,115,283)	(1,099,920)
Proceeds from the disposal of intangible assets	33,003	-
Acquisition for investment properties	(1,895)	(1,723)
Proceeds from the disposal of investment properties	1,330,530	-
Increase in long-term prepayments for leases	(450,769)	(489,429)
Payments for concessions	(6,515,000)	(8,526,330)
Proceeds from disposal of concessions	5	450,384
Decrease (increase) in other financial assets	806,204	(898,591)
Increase in other non-current assets	<u>(190,267)</u>	<u>(102,628)</u>
Net cash used in investing activities	<u>(26,735,512)</u>	<u>(28,634,926)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(4,186,960)	10,443,920
(Decrease) increase in short-term bills payables	(1,635,000)	2,678,000
Proceeds from issue of bonds	22,700,000	15,600,000
Repayments of bond payables	(16,450,000)	(21,029,500)
Proceeds from long-term borrowings	155,645,199	160,375,278
Repayments of long-term borrowings	(158,304,697)	(166,031,854)
Decrease in guarantee deposits received	(107,123)	(77,887)
Decrease in other non-current liabilities	(1,805)	(52,108)
Cash dividends paid	(4,281,644)	(5,352,875)
Cash capital increase by subsidiaries	1,353,533	91,837
Cash capital reduction by subsidiaries	(15)	(15)
Partial acquisition of interests in subsidiaries from non-controlling interests	(20,028)	-
Dividends paid to non-controlling interests	<u>(7,783,681)</u>	<u>(7,710,107)</u>
Net cash used in financing activities	<u>(13,072,221)</u>	<u>(11,065,311)</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
EFFECTS OF EXCHANGE RATE CHANGES	<u>(192,536)</u>	<u>(75,381)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,211,199)	(5,203,392)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>35,675,422</u>	<u>40,878,814</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 25,464,223</u>	<u>\$ 35,675,422</u>

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

Independent auditors' report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and the Shareholders
Far Eastern New Century Corporation

Opinion

We have audited the financial statements of Far Eastern New Century Corporation (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the financial statements for the year ended in December 31, 2017 are as follows:

Fair Value Evaluation of Investment Properties (Including Investment Properties Held by Subsidiaries Which Are accounted for Using the Equity Method)

The Company's investment properties (including the investment properties held by subsidiaries which are accounted for by using the equity method) are subsequently measured using the fair value model. The fair value evaluation involves significant accounting estimations and judgment, and the recognition of fair value fluctuations significantly impacts the gains or losses on the changes in fair value of investment properties and the share of profit or loss of subsidiaries and associates. As a result, the fair value evaluation of investment properties (including the investment properties held by subsidiaries which are accounted for by using the equity method) is considered a key audit matter.

For the accounting policies, significant accounting judgment, evaluation, and assumptions of the main sources of uncertainty related to investment properties, refer to Notes 4(i) and 5 of the accompanying financial statements. For more information about the Company's investment properties, refer to Note 13 of the financial statements.

For the fair value evaluation of investment properties, our corresponding audit procedures were as follows:

1. We assessed the competencies and independence of the external valuer engaged by the management and discussed with the management the valuer's work scope and process of engagement acceptance to evaluate the risk of the possible impairment of the valuer's independence and evaluate whether the valuer's work scope was free from limiting factors.
2. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.
3. We audited items from management's supporting documentation, including data which was used in the valuation process by the valuer.

Evaluation of Impairment Loss of Related Assets from the Company's Subsidiaries' Equity-Method Investee

The Company's subsidiaries' equity-method investee, Far EasTone Telecommunications Corporation ("Far EasTone") is a material component. Far EasTone is in the telecommunications industry which is a highly competitive industry with a rapidly changing environment. Economic trends and technology development influence the management's evaluation and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which the assets belong, which in return is used for the evaluation of the assets' impairment. The management's evaluation and judgment of related assets' impairment would impact the share of profit or loss of subsidiaries and associates. As a result, the evaluation of impairment loss of related assets from the Company's subsidiaries' equity-method investee is considered a key audit matter.

For the evaluation of impairment loss of related assets from the Company's subsidiaries' equity-method investee, our corresponding audit procedures were as follows:

1. We obtained an understanding of the Company's asset impairment evaluation processes and of the design and implementation of the related controls.
2. We obtained the Company's asset impairment evaluation reports for each cash-generating unit.
3. We evaluated the reasonableness of the Company's identification of the assets which were considered impaired and the assumptions and sensitivity used in the asset impairment assessments, including the appropriateness of the classification of the cash-generating units, cash flow forecasts and the discount rates used.

Recognition of Telecommunications Service Revenue from the Company's Subsidiaries' Equity-Method Investee

The Company's subsidiaries' equity-method investee, Far EasTone Telecommunications Corporation ("Far EasTone") is a material component. The telecommunications service revenue is the main source

of the revenue of Far EastOne. The calculation of the telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Company often launches different combinations of products and services which make the calculation of revenue more complex and directly affects the accuracy and timing of revenue recognition. The recognition of telecommunications service revenue impacts the share of the profit or loss of subsidiaries and associates. As the result, the recognition of telecommunications service revenue is considered a key audit matter.

For recognition of telecommunications service revenue, our corresponding audit procedures were as follows:

1. We obtained an understanding of the Company's recognition of telecommunications service revenue and the design and implementation of the related controls.
2. We reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the accounting system.
3. We performed dialing tests to verify the accuracy and completeness of the traffic data and information in the switch equipment.
4. We tested the accuracy of the billing calculation.
5. We tested the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.
6. We tested the completeness and accuracy of the calculation and billing of value-added service fees.

For the revenue recognition of billed and unbilled amounts, we conducted the following tests:

1. For the billed amounts, we checked whether there was any difference between the reports generated from the accounting system and the billing system.
2. For the unbilled amounts, we recalculated the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Pin Shih and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

Notice to Readers

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

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

FAR EASTERN NEW CENTURY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 9,759,643	3	\$ 13,932,650	5
Financial assets at fair value through profit or loss - current	21,211	-	49,525	-
Notes and accounts receivable, net	7,097,632	3	6,960,762	3
Other receivables	169,302	-	307,556	-
Current tax assets	11,618	-	12,005	-
Inventories	6,134,754	2	6,231,657	2
Prepayments	137,174	-	68,168	-
Other current assets	291,299	-	265,424	-
Total current assets	<u>23,622,633</u>	<u>8</u>	<u>27,827,747</u>	<u>10</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	-	-	740,500	-
Investments accounted for using equity method	236,260,849	83	230,569,651	81
Property, plant and equipment	24,216,996	8	24,509,217	9
Investment properties	1,487,664	1	1,456,014	-
Other intangible assets	20,427	-	24,499	-
Deferred tax assets	65,170	-	138,658	-
Prepayment for equipment	79,380	-	308,692	-
Refundable deposits	78,432	-	91,479	-
Other financial assets - non-current	41,174	-	41,174	-
Other non-current assets	247,559	-	62,317	-
Total non-current assets	<u>262,497,651</u>	<u>92</u>	<u>257,942,201</u>	<u>90</u>
TOTAL	<u>\$286,120,284</u>	<u>100</u>	<u>\$285,769,948</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 2,100,678	1	\$ 2,033,578	1
Financial liabilities at fair value through profit or loss - current	4,895	-	3,166	-
Notes and accounts payable	2,083,673	1	2,008,267	1
Notes and accounts payable to related parties	1,070,226	-	1,208,687	1
Payables to suppliers of machinery and equipment	516	-	4,960	-
Other payable	3,610,049	1	3,735,929	1
Receipts in advance	382,114	-	285,380	-
Current portion of long-term liabilities	5,497,408	2	9,696,741	3
Other current liabilities	811,375	-	864,260	-
Total current liabilities	<u>15,560,934</u>	<u>5</u>	<u>19,840,968</u>	<u>7</u>
NON-CURRENT LIABILITIES				
Bonds payable	38,054,514	13	38,545,506	13
Long-term borrowings	35,216,255	12	32,578,264	11
Deferred tax liabilities	1,583,021	1	1,596,464	1
Net defined benefit liabilities - non-current	1,294,407	1	2,259,559	1
Guarantee deposits received	2,495	-	3,144	-
Deferred credit - gain on related party transactions	48,271	-	35,828	-
Other non-current liabilities	-	-	23,760	-
Total non-current liabilities	<u>76,198,963</u>	<u>27</u>	<u>75,042,525</u>	<u>26</u>
Total liabilities	<u>91,759,897</u>	<u>32</u>	<u>94,883,493</u>	<u>33</u>
EQUITY				
Share capital				
Common shares	53,528,751	19	53,528,751	19
Capital surplus	2,859,569	1	2,859,588	1
Retained earnings				
Legal reserve	15,945,807	6	15,315,028	5
Special reserve	112,928,355	39	110,292,892	39
Unappropriated earnings	12,819,238	4	11,785,464	4
Total retained earnings	141,693,400	49	137,393,384	48
Other equity	(3,696,270)	(1)	(2,870,205)	(1)
Treasury shares	(25,063)	-	(25,063)	-
Total equity	<u>194,360,387</u>	<u>68</u>	<u>190,886,455</u>	<u>67</u>
TOTAL	<u>\$286,120,284</u>	<u>100</u>	<u>\$285,769,948</u>	<u>100</u>

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

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Net sales	\$45,197,934	100	\$44,735,795	100
Other operating revenue	<u>18,489</u>	-	<u>13,642</u>	-
Total operating revenue	<u>45,216,423</u>	<u>100</u>	<u>44,749,437</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	41,487,365	92	40,620,551	91
Other operating cost	<u>23,034</u>	-	<u>15,284</u>	-
Total operating costs	<u>41,510,399</u>	<u>92</u>	<u>40,635,835</u>	<u>91</u>
GROSS PROFIT	<u>3,706,024</u>	<u>8</u>	<u>4,113,602</u>	<u>9</u>
OPERATING EXPENSES				
Selling and marketing	2,843,092	6	3,007,620	7
General and administrative	1,330,894	3	1,123,249	2
Research and development	<u>790,937</u>	<u>2</u>	<u>849,096</u>	<u>2</u>
Total operating expenses	<u>4,964,923</u>	<u>11</u>	<u>4,979,965</u>	<u>11</u>
OPERATING LOSS	<u>(1,258,899)</u>	<u>(3)</u>	<u>(866,363)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Share of the profit or loss of subsidiaries and associates	10,112,333	22	8,318,840	19
Interest income	18,278	-	65,030	-
Rental income	16,351	-	23,284	-
Dividend income	34,177	-	31,911	-
Other income	279,626	1	241,453	1
Gain on disposal of property, plant and equipment	69,640	-	3,237	-
Gain on disposal of investments	302,557	1	85	-
Net exchange loss	(256,735)	-	(271,978)	(1)
(Loss) gain on financial assets (liabilities) at fair value through profit or loss	44,076	-	(222,598)	(1)
Gain on change in fair value of investment properties	31,650	-	9,523	-
Interest expense	(812,036)	(2)	(962,019)	(2)
Other expenses	(174,572)	-	(207,516)	(1)
Impairment loss	<u>(289,685)</u>	<u>(1)</u>	<u>(171,055)</u>	<u>-</u>
Total non-operating income and expenses	<u>9,375,660</u>	<u>21</u>	<u>6,858,197</u>	<u>15</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	8,116,761	18	5,991,834	13
INCOME TAX (EXPENSE) BENEFIT	<u>(50,625)</u>	<u>-</u>	<u>315,952</u>	<u>1</u>
NET INCOME	<u>8,066,136</u>	<u>18</u>	<u>6,307,786</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	584,825	1	(404,822)	(1)
Share of other comprehensive loss of subsidiaries and associates	(6,764)	-	(89,970)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(9,420)</u>	<u>-</u>	<u>8,820</u>	<u>-</u>
	<u>568,641</u>	<u>1</u>	<u>(485,972)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	(237,374)	(1)	(40,527)	-
Share of other comprehensive loss of subsidiaries and associates	<u>(588,691)</u>	<u>(1)</u>	<u>(6,831,122)</u>	<u>(15)</u>
	<u>(826,065)</u>	<u>(2)</u>	<u>(6,871,649)</u>	<u>(15)</u>
Total other comprehensive loss	<u>(257,424)</u>	<u>(1)</u>	<u>(7,357,621)</u>	<u>(16)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 7,808,712</u>	<u>17</u>	<u>\$ (1,049,835)</u>	<u>(2)</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.61</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 1.61</u>		<u>\$ 1.26</u>	

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

(Concluded)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars; Except Dividend Per Share)

	Common Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity			Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Gain on Property Revaluation		
BALANCE AT JANUARY 1, 2016	\$ 53,528,751	\$ 2,807,683	\$ 14,511,559	\$108,721,550	\$ 13,706,389	\$ 2,274,683	\$ 1,119,927	\$ (95,944)	\$ 702,030	\$ (25,063)	\$197,251,565
Appropriation of the 2015 earnings											
Legal reserve	-	-	803,469	-	(803,469)	-	-	-	-	-	-
Special reserve	-	-	-	2,165,513	(2,165,513)	-	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	(5,352,875)	-	-	-	-	-	(5,352,875)
Net income for the year ended December 31, 2016	-	-	-	-	6,307,786	-	-	-	-	-	6,307,786
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(486,720)	(3,852,495)	(3,067,584)	48,430	748	-	(7,357,621)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	5,821,066	(3,852,495)	(3,067,584)	48,430	748	-	(1,049,835)
Change in associates accounted for using the equity method	-	51,126	-	(1,196)	(13,109)	-	-	-	-	-	36,821
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	779	-	-	-	-	-	-	-	-	779
Reversal of special reserve	-	-	-	(592,975)	592,975	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2016	53,528,751	2,859,588	15,315,028	110,292,892	11,785,464	(1,577,812)	(1,947,657)	(47,514)	702,778	(25,063)	190,886,455
Appropriation of the 2016 earnings											
Legal reserve	-	-	630,779	-	(630,779)	-	-	-	-	-	-
Special reserve	-	-	-	2,662,006	(2,662,006)	-	-	-	-	-	-
Cash dividends - NT\$0.8 per share	-	-	-	-	(4,282,300)	-	-	-	-	-	(4,282,300)
Net income for the year ended December 31, 2017	-	-	-	-	8,066,136	-	-	-	-	-	8,066,136
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	568,641	(1,499,559)	590,338	83,156	-	-	(257,424)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	8,634,777	(1,499,559)	590,338	83,156	-	-	7,808,712
Change in associates accounted for using the equity method	-	(642)	-	-	(52,438)	-	-	-	-	-	(53,080)
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(23)	-	-	-	-	-	(23)
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	623	-	-	-	-	-	-	-	-	623
Reversal of special reserve	-	-	-	(26,543)	26,543	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2017	\$ 53,528,751	\$ 2,859,569	\$ 15,945,807	\$112,928,355	\$ 12,819,238	\$ (3,077,371)	\$ (1,357,319)	\$ 35,642	\$ 702,778	\$ (25,063)	\$194,360,387

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

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,116,761	\$ 5,991,834
Adjustments for:		
Depreciation	2,072,945	2,085,962
Amortization	10,500	10,391
Allowance for doubtful accounts	-	237,515
Interest expenses	812,036	962,019
Interest income	(18,278)	(65,030)
Dividend income	(34,177)	(31,911)
Share of the profit of subsidiaries and associates	(10,112,333)	(8,318,840)
Gain on disposal of property, plant and equipment	(69,640)	(3,237)
Gain on disposal of investments	(302,557)	(85)
Impairment loss	289,685	171,055
(Reversal of) Write-down of inventories	116,004	(60,861)
Gain on change in fair value of investment properties	(31,650)	(9,523)
Net changes in operating assets and liabilities		
Financial assets held for trading	28,314	49,600
Notes and accounts receivable	(136,870)	(5,208)
Other receivables	158,220	(192,867)
Inventories	(19,101)	178,340
Prepayments	(69,006)	44,898
Other current assets	(25,875)	(15,376)
Financial liabilities held for trading	1,729	3,166
Notes and accounts payable	75,406	(125,662)
Notes and accounts payable to related parties	(138,461)	571,308
Other payables	(121,817)	357,845
Provisions	-	(1,461)
Receipts in advance	96,734	(73,608)
Other current liabilities	(52,885)	88,470
Net defined benefit liabilities - non-current	<u>(380,327)</u>	<u>(504,439)</u>
Cash generated from operations	265,357	1,344,295
Interest received	18,278	154,034
Dividends received	6,915,354	7,361,053
Interest paid	(794,877)	(986,009)
Income tax received	<u>387</u>	<u>2,651</u>
Net cash generated from operating activities	<u>6,404,499</u>	<u>7,876,024</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity-method	(2,326,139)	(705,923)
Payments for property, plant, equipment and prepayments for equipment	(2,514,552)	(2,504,427)
Proceeds from disposal of property, plant and equipment	737,498	10,443
Decrease (increase) in refundable deposits	13,047	(37,703)
Decrease in other receivables	-	3,957,500

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Acquisition of intangible assets	(6,428)	(14,268)
Decrease in other financial assets	-	7,031
Increase in other non-current assets	<u>(191,527)</u>	<u>(4,351)</u>
Net cash (used in) generated from investing activities	<u>(4,288,101)</u>	<u>708,302</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	67,100	1,993,212
Proceeds from issue of bonds	5,000,000	11,800,000
Repayments of bonds payable	(9,700,000)	(13,679,500)
Proceeds from long-term borrowings	121,677,289	138,643,485
Repayment of long-term borrowings	(119,050,878)	(142,269,865)
(Decrease) increase in guarantee deposits received	(649)	101
Dividends paid	<u>(4,282,267)</u>	<u>(5,352,875)</u>
Net cash used in financing activities	<u>(6,289,405)</u>	<u>(8,865,442)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,173,007)	(281,116)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>13,932,650</u>	<u>14,213,766</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 9,759,643</u>	<u>\$ 13,932,650</u>

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

(Concluded)

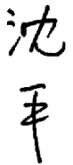
Attachment III

The Audit Committee's Review Report

To the 2018 General Shareholders' Meeting of Far Eastern New Century Corporation,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by the Board of Directors for the year ending 2017 which had been audited by Deloitte & Touche, and found them in order.

The Convener of the Audit Committee: Bing Shen

Handwritten signature in Chinese characters, reading "沈平" (Shen Ping).

11 May 2018

Attachment IV

Information of the Corporate Bonds Issued in Year 2017

Offering Type		Domestic unsecured bonds (1 st of Year 2017)	Domestic unsecured bonds (2 nd of Year 2017)
Total Amount		NT\$ 5.0 billion	NT\$ 3.0 billion
Maturity		5 years	5 years
Coupon rate		1.15% p.a.	0.95 % p.a.
Repayment		50% of the face value of the bond is repayable at the end of the 4 th and 5 th years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.	These bonds are repayable in lump sum on maturity. The interest is calculated and paid annually on the outstanding amount of the bond.
Guarantor		None	None
Approval authority	Agency	Taipei Exchange (TPEX)	Taipei Exchange (TPEX)
	Date	8 May 2017	29 December 2017
	Letter No.	Securities-TPEX-Bond -10600114761	Securities-TPEX-Bond -10600350701
Use of proceeds		To payback short-term borrowings or current portion of long-term liabilities and improve the financial structure	For the CAPEX of the Company and its subsidiaries on PET recycling, energy saving or green product related projects
Remark		To be issued at par value on 17 May 2017	To be issued at par value on 8 January 2018

Attachment V

Current Shareholding of Directors

The list of the 22nd term of Board of Directors of Far Eastern New Century Corporation

Book closure date: 30 April 2018

Title	Name of persons or companies	Representatives appointed	Number of shares held	Percentage of shares held
Chairman	Douglas Tong Hsu	-	91,748,698	1.71%
Director	Asia Cement Corporation	Johnny Hsi	1,272,277,085	23.77%
		Peter Hsu		
		Raymond Hsu		
		Shaw Y. Wang		
	Far Eastern Department Stores Ltd.	Richard Yang	19,964,370	0.37%
		Tonia Katherine Hsu		
	U-Ming Marine Transport Corporation	Kwan-Tao Li	31,181,470	0.58%
Alice Hsu				
Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation Representative	Champion Lee	13,732,237	0.26%	
Independent Director	Bing Shen	-	-	-
	Johnsee Lee	-	-	-
	Sheng-Cheng Hu	-	-	-
The combined shareholding of all Directors			1,428,903,860	26.69%
The minimum required combined shareholding of all Directors by law			85,646,004	1.60%

Note: The holdings of individual representatives are excluded from total shareholding calculations.

Attachment VI

Impact of the Stock Dividend Distribution on Operating Results, Earnings per Share and Shareholders' Return on Investment

Not applicable.

General information

I. Articles of Incorporation of Far Eastern New Century Corporation

Chapter 1 General Provisions

Article 1 The Company is duly incorporated under the provisions of the Company Act of the Republic of China, and shall be called: Far Eastern New Century Corporation

Article 2 The Company's businesses are as follows :

1. C301010 Yarn spinning mills
2. C302010 Knit fabric mills
3. C303010 Non woven fabric mills
4. C305010 Printing dyeing and finishing mills
5. C306010 Outerwear knitting mills
6. C307010 Apparel, clothing accessories and other textile product manufacturing
7. C399990 Other textile products
8. C801120 Manmade fiber manufacturing
9. C801990 Other chemical material manufacturing
10. F104110 Wholesale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products
11. F105050 Wholesale of furniture, bedclothes, kitchen equipment and fixtures
12. F106020 Wholesale of articles for daily use
13. F107990 Wholesale of other chemical products
14. F204110 Retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products
15. F205040 Retail sale of furniture, bedclothes, kitchen equipment and fixtures
16. F206020 Retail sale of articles for daily use
17. F207990 Retail sale of other chemical products
18. F301010 Department stores
19. F401010 International trade
20. F501060 Restaurants
21. J701020 Amusement parks
22. J801030 Athletics and recreational sport stadium
23. H701010 Residence and buildings lease construction and development
24. H701020 Industrial factory buildings lease construction and development
25. H701040 Specialized field construction and development
26. H701050 Public works construction and investment
27. G202010 Parking garage business
28. G801010 Warehousing and storage
29. IZ06010 Cargos packaging
30. C802120 Industrial catalyst manufacturing
31. F102040 Wholesale of nonalcoholic beverages
32. F107030 Wholesale of cleaning preparations

33. F113070 Wholesale of telecom instruments
34. F213060 Retail sale of telecom instruments
35. CC01080 Electronic part and component manufacturing
36. CF01011 Medical materials and equipment manufacturing
37. F108031 Wholesale of drugs and medical goods
38. F208031 Retail sale of medical equipments
39. C803990 Other Petroleum and Charcoal Manufacturing
40. F112020 Wholesale of Coal and Products
41. ZZ99999 Except where permits are required, to run operations not forbidden or limited by laws and regulations

Article 3 The Company may provide guarantees for third parties in accordance with the Company bylaw of "Procedures for Endorsements and Guarantees".

Article 4 Where the Company invests in other companies and becomes a shareholder with limited liability; its total investment may exceed 40% of its paid-up capital as stipulated under Article 13 of the Company Act, subject to approval of the Board of Directors.

Article 5 The Company is incorporated in Taipei, the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.

Chapter 2 Share Capital

Article 6 The Company's total capital shall be Sixty Billion New Taiwan Dollar (NT\$60,000,000,000) divided into 6,000,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches.

Out of the above total capital amount, One Hundred Million New Taiwan Dollar (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.

Article 7 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the Securities Central Depository Enterprises.

The Company can issue special stock.

In the event of the Company merging with another company, matters relating to the merger need not be approved by way of a resolution of the special shareholders meeting.

Article 8 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.

Article 9 Registration of share transfer shall be closed within 60 days prior to General Shareholders' Meeting, or with 30 days prior to Extraordinary Shareholders' Meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

Chapter 3 Shareholders' Meeting

Article 10 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings:
General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.

Extraordinary Shareholders' Meeting shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

Article 11 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice 30 days before the General Shareholders' Meeting and 15 days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.

Article 12 Unless otherwise stipulated by the Company Act, a quorum shall be present at the

shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance and resolutions at the said assembly shall be passed if approved by a majority of the shareholders in attendance.

Article 13 Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.

Unless otherwise stipulated by the Company Act, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

Article 14 Unless otherwise stipulated by the Company Act and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.

Article 15 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairman of the meeting. The said minutes and resolutions shall specify the date and place of the shareholders' meeting, number of shares represented by the shareholders (or proxies) present at the meeting; number of voting rights represented; name of the chairman of the shareholders' meeting; resolutions and the manner in which they are passed. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

Chapter 4 Directors and Managers

Article 16 There shall be 10 to 15 Directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

3 Independent Directors shall be elected from the list of persons with legal capacity.

Directors shall be elected by adopting candidate nomination system in accordance with the Article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates. The election of Independent and non-Independent Directors should be held together. Moreover, in order to ensure the election of at least two Independent Directors of each election, the Independent and non-Independent Directors elected should be calculated separately.

Article 16-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of Independent Directors, is responsible of executing powers relegated to supervisors by the Company Act, Securities and Exchange Act and other laws and regulations.

The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.

Article 17 The respective appointments of Directors are for a period of 3 years. They may be reappointed following their re-election.

Article 18 The Board of Directors of the Company shall comprise the Directors. A Chairman and a Vice Chairman shall be elected from among the Directors to represent the Company. Where the Chairman has taken leave or is unable to perform his duties for any reasons, the Vice Chairman shall act in his place. Where the Vice Chairman is also unavailable, the Chairman shall appoint a Director to act on his behalf, failing which the Board of Directors shall nominate from among them a person to act on behalf of the Chairman of the Company.

Article 19 Meetings of the Board of Directors, which shall be held quarterly, shall be convened by the Chairman. Unless otherwise stipulated by the Company Act, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may when urgent matters occur convene meetings of the Board at any time.

When a Director is unable to personally attend the meeting of the Board of Directors, he may entrust another Director to represent him in accordance with law.

A notice to convene a Board meeting shall be sent to all Directors via postal mail, email or fax.

Article 20 (deleted)

Article 21 (deleted)

Article 22 The Company shall have a number of General Managers, Chief Operating Officers and Deputy General Managers, Executive Vice Presidents Managers and Factory Managers, a Chief Auditor and a Deputy Chief Auditor.

The appointment and dismissal of the above staff shall be by way of a majority at the meetings of the Board of Directors, subject to more than half of the Directors are in attendance of the said meetings.

Article 23 The Chairman, the Vice Chairman and the General Manager shall handle the daily affairs of the Company in compliance with the resolution of the Board of the Directors.

Article 23-1 The Company shall take out liability insurance for Directors and officers with respect to their liabilities resulting from exercising their duties during their terms of occupancy.

Chapter 5 Accounting

Article 24 The Company's fiscal year shall commence on the First of January of each year, and ends on the Thirty-first of December of the same year. The final accounts are settled at the end of the Company's fiscal year.

Article 25 The Board of Directors shall in accordance with law furnish various documents and statements and submit for approval at the General Shareholders' Meeting.

The appointment, dismissal and remuneration of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.

Article 26 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as Directors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as employees' compensation; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The actual ratio and amount of the profit distributable as Directors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.

Article 27 Apart from paying all its income taxes in the case where there are profits for the current year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders' dividend. However in the case of increase in the Company's share capital, the shareholders' dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.

The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the cash dividend is not less than 10% of the shareholders' dividend distributed in the same year.

Article 28 All matters not covered herein shall be undertaken in accordance with the Company Act of the Republic of China and the other relevant law and regulations.

Article 29 These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings.

First amendment on July 1, 1953;

Second amendment on January 22, 1954;

Third amendment on September 1, 1956;

Fourth amendment on January 15, 1957;

Fifth amendment on June 13, 1959;

Sixth amendment on August 25, 1959;

Seventh amendment on March 31, 1960;

Eighth amendment on October 26, 1960;

Ninth amendment on February 25, 1961;

Tenth amendment on May 25, 1961;

Eleventh amendment on May 2, 1962;

Twelfth amendment on August 7, 1964;

Thirteenth amendment on December 19, 1964;

Fourteenth amendment on January 20, 1966;

Fifteenth amendment on June 22, 1966;

Sixteenth amendment on June 24, 1967;

Seventeenth amendment on December 23, 1967;

Eighteenth amendment on June 8, 1968;

Nineteenth amendment on May 31, 1969;

Twentieth amendment on June 17, 1970;

Twenty-first amendment on January 25, 1972;

Twenty-second amendment on June 20, 1972;

Twenty-third amendment on April 30, 1973;

Twenty-fourth amendment on October 17, 1973;

Twenty-fifth amendment on May 8, 1974;

Twenty-sixth amendment on May 19, 1975;

Twenty-seventh amendment on April 14, 1976;

Twenty-eighth amendment on September 15, 1976;

Twenty-ninth amendment on April 6, 1977;

Thirtieth amendment on April 18, 1978;

Thirty-first amendment on February 9, 1979;

Thirty-second amendment on April 14, 1979;

Thirty-third amendment on April 28, 1980;

Thirty-fourth amendment on April 15, 1981;

Thirty-fifth amendment on April 21, 1982;
Thirty-sixth amendment on April 21, 1982;
Thirty-seventh amendment on May 5, 1983;
Thirty-eighth amendment on May 2, 1984;
Thirty-ninth amendment on May 10, 1985;
Fortieth amendment on April 23, 1987;
Forty-first amendment on April 20, 1988;
Forty-second amendment on April 20, 1989;
Forty-third amendment on April 23, 1990;
Forty-fourth amendment on April 26, 1991;
Forty-fifth amendment on May 12, 1992;
Forty-sixth amendment on May 14, 1993;
Forty-seventh amendment on May 9, 1994;
Forty-eighth amendment on May 4, 1995;
Forty-ninth amendment on May 27, 1996;
Fiftieth amendment on May 23, 1997;
Fifty-first amendment on May 22, 1998;
Fifty-second amendment on May 21, 1999;
Fifty-third amendment on May 15, 2000;
Fifty-fourth amendment on May 18, 2001;
Fifty-fifth amendment on June 12, 2002;
Fifty-sixth amendment on June 9, 2003;
Fifty-seventh amendment on June 4, 2004;
Fifty-eighth amendment on June 14, 2005;
Fifty-ninth amendment on June 13, 2006;
Sixtieth amendment on October 13, 2009.
Sixty-first amendment on June 22, 2010
Sixty-second amendment on June 24, 2011
Sixty-third amendment on June 25, 2013
Sixty-fourth amendment on June 26, 2014
Sixty-fifth amendment on June 26, 2015
Sixty-sixth amendment on June 23, 2016

II. Meeting Rules of Stockholders for Far Eastern New Century Corporation

The latest amendment on June 25, 2013

Article 1 The stockholders' meeting of the Company shall be held according to the rules herein.

Article 2 The location for stockholders' meeting shall be the Company's place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.

The meeting notice of the shareholders' meeting shall state the registration time, location and other important information. The aforesaid registration time shall start at least thirty minutes before the beginning of the meeting. The registration desk shall be featured with clear instructions and competent staffs.

When convening stockholders' meeting, the Company shall incorporate electronic vote casting as one of the alternative ways to cast the vote, and the procedure of electronic casting shall be written in the notice of stockholders' meeting. Shareholders who vote via electronic casting is deemed as presented in person. With respect to extemporary motions, amendments of the original proposals, and substitute proposals raised in the stockholders' meeting, those who vote via electronic casting shall be considered as abstain.

Shareholders (or by proxies) attending the meeting shall have attendance card, sign-in card or other certificate of attendance issued by the Company. The proxy solicitor shall provide ID document for verification purpose. The stockholders (or by proxies) when attending the meeting shall hand in signed attendance form.

Number of stockholders in attendance shall be calculated based on the number of attending shares, which equals to the sum of number of shares shown on the signed attended forms and the number of voting shares via electronic casting.

The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

For a stockholders' meeting convened by the Board of Directors, the chairman of the Board of Directors shall preside at the meeting. If the chairman of the Board of Directors is on leave or unable to exert the rights, the vice-chairman of the Board of Directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights, the chairman of the Board of Directors shall designate a Director to preside at the meeting. If no Director is so designated, the chairman of the meeting shall be elected by the Board of Directors from among themselves. If a Director presides at the meeting including the representative of an institutional director, shall be appointed at least 6 months and familiar with the financial performance and operations of the Company. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by the Company for a minimum period of at least one year. If a shareholder files lawsuit pursuant to Article 189 of the Company Act, the video and audio records shall be retained until the conclusion of the litigation.

Article 3 The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present.

After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.

Article 4 If the stockholders' meeting is convened by the Board of Directors, the agenda shall be designated by the Board of Directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions.

If the meeting is convened by person, other than the Board of Directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis.

Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting.

When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.

Article 5 The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session.

No statement will be considered to have been made if the stockholder (or proxies) merely completes the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.

Article 6 Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.

Article 7 The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission.

The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson. Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.

Article 8 For the same proposal, each person shall not speak more than 2 times.

When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting.

If more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.

Article 9 After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply.

Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.

Article 10 For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.

No discussion or voting shall proceed for matters unrelated to the proposal.

The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson with the consent of the stockholders (or proxies). The person responsible for vote overseeing shall be of the stockholder status.

Article 11 In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.

The proposal for a resolution shall be deemed approved if no objection expressed by stockholders casting their votes via electronic casting, and if the chairperson inquires and receives no objection from stockholders in attendance in person. The validity of such approval has the same effect as if the resolution has been put to vote.

Should objection of a proposal be expressed, such proposal shall be put to vote. All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately. Whichever way of the voting procedures shall be decided by the chairperson.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other shall be deemed rejected without requirement to put it to vote.

The results of voting and election shall be announced after the vote calculation on the spot and kept for records.

Article 12 During the meeting, the chairperson may at his/her discretion declare time for break.

Article 13 The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.

Article 14 The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.

Article 15 The stockholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.

Article 16 For matters not governed by the rules specified herein, shall be governed according to Company Act, Stock Exchange Law and the other related laws and regulations.

Article 17 The rules herein take effect after approval at the stockholders' meeting, the same apply for any amendments.

III. Election Procedures of Directors for Far Eastern New Century Corporation

The latest amendment on June 26, 2015

- 1) The election of Directors shall be pursued in accordance with the procedures herein.
- 2) The election of Directors adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the Board of Directors, numbered according to the attendance card numbers and noted with share number represented for voting.
- 3) The election of Directors and Independent Directors shall be pursued according to the number of position required and shall be held together; provided, however, that the Independent and non-Independent Directors elected shall be calculated separately. The candidates that obtain more number of votes shall be elected. If there are more than two candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst the two candidates to determine. The chairperson shall conduct the drawing for the candidate who is absent.

Directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of Company Act. Moreover, the professional qualifications, the assessment of independence and other matters of the Independent Directors shall be in compliance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or other relevant regulations of ROC.

- 4) In the beginning of the election, the chairperson shall assign two personnel for vote overseeing and vote counting respectively. The personnel for vote overseeing shall be of the stockholder status.
- 5) The responsibility of the vote-overseeing personnel's responsibility shall be as follows:
 - Check and seal the ballot box in public before ballot casting.
 - Maintain the order and check for any negligence and illegality for voting.
 - Unseal the ballot box and check the ballot number after ballot casting.
 - Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.
 - Oversee the vote-counting personnel recording the ballot numbers received by each candidate.
- 6) If the candidate is a natural person with the stockholder status, the voters shall fill out the ballot with the name and stockholder number of the candidate. If the candidate is not of the stockholder status, the ballot shall be filled out with the name and the number of identity document of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be filled out with the number, the name of government or juristic person and the representative name. If there are more than one representative, all the representative names shall be listed.
- 7) The ballot shall be considered invalid in any of the following situations:
 - Not the ballot provided under the rules herein
 - One ballot with more than two candidate names listed
 - Blank ballot
 - Ballot not filled out according to article 6 or ballot with unrelated writing to this election
 - Written characters blurred and not legible
 - Incorrect candidate information on the ballot

- 8) The ballot box is prepared by the Company, and examined publicly by the scrutineers before voting.
- 9) When all the ballots are cast in the box, the personnel of vote overseeing and counting shall simultaneously unseal the ballot boxes.
- 10) The vote-overseeing personnel shall be present for vote counting.
- 11) If there is any question about the ballot, the vote-overseeing personnel shall check whether it is invalid. The invalid ballots shall be collected and kept separately. The vote-overseeing personnel shall designate them as the invalid with signature and seal after ballot counting.
- 12) For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected.
- 13) The elected Directors shall be given the election notification by the Board of Directors.
- 14) The rules herein take effect after approval at the stockholders' meeting. The same apply for any amendments.



FAR EASTERN NEW CENTURY

36F, Taipei Metro Tower 207, Tun Hwa South Rd., Sec.2, Taipei, Taiwan, R.O.C
Tel +886 2 2733-8000