



FAR EASTERN NEW CENTURY

Handbook for 2019 Annual Shareholders' Meeting

**Transform in
Dynamic Era to
Embrace
New Economy**
加速轉型 開創新經濟



TCSA
CSR Report of the Year



GCSA
Reporting



Global Views Monthly
Winner at Manufacturing
Industry Award



Telecommunications



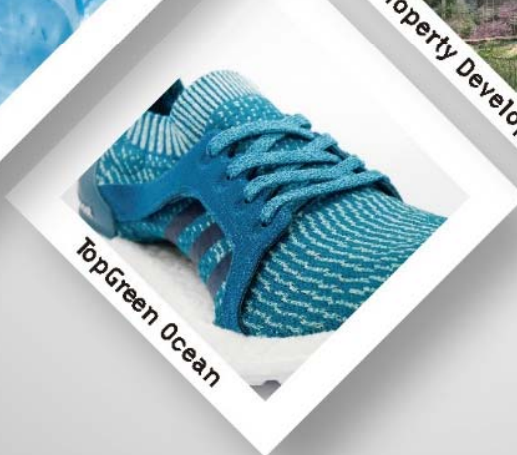
Recycled PET



Property Development



Retail



TopGreen Ocean



Garment



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The meeting handbook, including meeting notice, agenda, and proposed resolutions, for the upcoming 2019 annual general shareholders' meeting is available at <http://investor.fenc.com/report.aspx?lang=en&id=81> on 28 May 2019.

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

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Far Eastern New Century Corporation(FENC)

2019 Annual General Shareholders' Meeting (Translation)

Date: Friday, 28 June 2019

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. 2018 business operations
2. 2018 financial statements
3. The Audit Committee's review report of 2018 business operations and financial statements
4. 2018 employees' compensation and Directors' remuneration
5. Information of the corporate bonds issued in 2018

Approval items:

1. To accept 2018 business report and financial statements
2. To approve the proposal for distribution of 2018 profits

Proposed resolutions and election of a Director:

1. To approve amending the company bylaw of "Procedures for Lending of Capital to Others of Far Eastern New Century Corporation"
2. To approve amending the company bylaw of "Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation"
3. To approve amending the company bylaw of "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation"
4. To elect an Independent Director for Far Eastern New Century Corporation

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 2018 business operations

The 2018 business report is attached as Attachment I.

2. To report 2018 financial statements

The 2018 independent auditors' reports and financial statements by Deloitte & Touche are attached as Attachment II. (The 2018 financial report can be downloaded at <http://mops.twse.com.tw>)

3. To report the Audit Committee's review report of 2018 business operations and financial statements

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

4. To report 2018 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. 2018 Directors' remuneration and employees' compensation were calculated as NT\$225,812,120 and NT\$414,416,161, respectively. The aforesaid items will be paid in cash.
- iii. The 23rd term Board of Directors approved 2018 employees' compensation and Directors' remuneration in the 4th Board meeting.

5. To report the information of the corporate bonds issued in 2018

Two corporate bonds were issued in year 2018. Pursuant to Article 246 of Company Act, the information about the issuance of such corporate bonds is disclosed as Attachment IV.

Approval items

1. To accept 2018 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2018 business report and financial statements.

Explanatory Notes:

- i. FENC's 2018 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 2018 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 2018 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2018 profits.

Explanatory Notes:

- i. Cash dividends to common shareholders: NT\$9,635,175,409. (NT\$ 1.8/share)
- ii. This profit distribution will be distributed first from the earnings available for distribution in 2018 and then from the unappropriated earnings between 1998 and 2017 when there is a shortfall; furthermore, if there is still a deficit, the unappropriated earnings prior to the end of 1997 will be employed.
- iii. 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 Chairman granted full authority from 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.

iv. Please refer to the following table for the 2018 profit allocation proposal

(Unit: NT\$)

1. Net income of 2018	12,028,294,102
2. Legal reserve	1,202,829,410
3. Adjustments due to changes in investees' equity in equity-method investments	1,592,313,731
4. Effect of retrospective application and retrospective restatement	3,067,232,687
5. Adjustments due to changes in other comprehensive income	418,984,687
6. Special reserve	1,089,437,013
7. Reversal of special reserve	6,535,747
8. Unappropriated earnings of previous years	4,068,681,789
Earnings available for distribution as of 31 December 2018 (1-2-3+4+5-6+7+8)	15,705,148,858
Distribution item:	
1. Shareholders' dividend (NT\$ 1.8/share in cash)	9,635,175,409
Total distribution	9,635,175,409
Unappropriated earnings	6,069,973,449

v. Please approve the aforesaid proposal for the distribution of 2018 profits.

Proposed resolutions and election of a Director

1. To approve amending the company bylaw of “Procedures for Lending of Capital to Others of Far Eastern New Century Corporation”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of Procedures for Lending of Capital to Others.

Explanatory Notes:

- i. In accordance with the Letter No. FSC 1080304826 issued by the Financial Supervisory Commission on 7 March 2019, which is to amend some articles of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, it is proposed to amend Article 2 and 8 of “Procedures for Lending of Capital to Others of Far Eastern New Century Corporation”.
- ii. The overview table for the “Procedures for Lending of Capital to Others of Far Eastern New Century Corporation” Before and After amendments is attached as Attachment V.
- iii. Please approve the proposal for the amendments to “Procedures for Lending of Capital to Others of Far Eastern New Century Corporation”.

2. To approve amending the company bylaw of “Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of Procedures for Endorsements and Guarantees.

Explanatory Notes:

- i. In accordance with the Letter No. FSC 1080304826 issued by the Financial Supervisory Commission on 7 March 2019, which is to amend some articles of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, it is proposed to amend Article 8 of “Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation”.
- ii. The overview table for the “Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation” Before and After amendments is attached as Attachment VI.
- iii. Please approve the proposal for the amendments to “Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation”.

3. To approve amending the company bylaw of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of Procedures for Acquisition and Disposition of Assets.

Explanatory Notes:

- i. In accordance with the Letter No. FSC 1070341072 issued by the Financial Supervisory Commission on 26 November 2018, which is to amend some articles of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, it is proposed to amend Article 2, 3, 5, 7, 8, 9, 9-1, 12 and 14 of “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”.
- ii. The overview table for the “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation” Before and After amendments is attached as Attachment VII.
- iii. Please approve the proposal for the amendments to “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”.

4. To elect an Independent Director of Far Eastern New Century Corporation

The Board of Directors proposes and recommends that each shareholder elect an Independent Director.

Explanatory Notes:

- i. The Board of Directors resolved that an Independent Director to be elected at this Annual General Shareholders’ Meeting due to fill the vacancy of the Independent Directors of the Company.
- ii. In accordance with Article 16 of the “Articles of Incorporation of Far Eastern New Century Corporation”, one Independent Director shall be elected with a term beginning from the date being elected until 28 June 2021.
- iii. The candidate will be nominated by the candidate nomination system. The Board of Directors or any shareholder with 1% shareholding or more are entitled to nominate a candidate. The period for candidate nomination of an Independent Director to be elected in this coming Shareholders’ Meeting is from 20 April 2019 to 29 April 2019. During this period, the 23rd term Board of Directors has received the nomination of an Independent Director candidate from shareholder Asia Cement Corporation Limited. The Board has resolved the candidate met requirements and qualifications of Independent Directors in the 5th Board meeting on 10 May 2019. Please refer to the following table for the candidate.

No.	Type	Candidate	Education	Major Experiences	Current position	No. of shares held	Name of Institutional Shareholders
1	Independent Director	Raymond R. M. Tai	<ul style="list-style-type: none"> •Bachelor, Department of Foreign Languages and Literatures of National Taiwan University •Master, Department of American Studies, University of Hawaii, USA •Honor Ph.D. in School of Law, Fu Jen Catholic University, Taiwan 	<ul style="list-style-type: none"> •Deputy Director, Department of North America, Ministry of Foreign Affairs, R.O.C.(Taiwan) •Adjunct Instructor, Department of Foreign Languages and Literatures, National Taiwan University •Third Secretary, Permanent Representative of the R.O.C. to the United Nations •Second Secretary, Taipei Economic and Cultural Representative Office in the United States •Director-General, Government Information Office, Executive Yuan, R.O.C. Taiwan •Deputy Director, National affairs, Executive Yuan, R.O.C. Taiwan •Adjunct Professor, Department of Journalism, Chinese Culture University •Consultant, Department of North America, Ministry of Foreign Affairs •Representative, Taipei Economic and Cultural Office in United Kingdom •Deputy Secretary-General to the President and Spokesperson, Office of the President R.O.C.(Taiwan) •Executive Secretary, The National Unification Council, Office of the President R.O.C.(Taiwan) •Senior Advisor and Convener, The National Unification Council, Office of the President R.O.C.(Taiwan) •Ambassador Extraordinary and Plenipotentiary, Embassy of the R.O.C.(Taiwan) to the Holy See 	<ul style="list-style-type: none"> •Director, Professor Lilian Chao Culture & Education Foundation •Executive Director , Universal Peace Federation, Taiwan •Independent Director, Far Eastern Department Stores Ltd •Managing Supervisor, Chinese Confucius And Mencius Association 	0	-

iv. Please elect.

Extemporary motion

Meeting adjourned

Attachment I

2018 Business Report

I. Preface

As Far Eastern New Century (FENC) prepares to usher in its 70th anniversary during a dazzling age of digital innovation, artificial intelligence, green technology and rapid business metamorphosis, FENC will continue its transformation during this dynamic era, embracing the new economy as a forward-looking, agile and creative enterprise, whilst still adhering to its overarching principles of sincerity, diligence, thrift, prudence and innovation. As an auspicious prelude to its 70th anniversary, FENC steadfastly rose above political and economic turmoil around the world in 2018, and will continue to stride ahead with no slacking in its ambition towards a vision ultimately realized by its centennial celebrations, achieving multiple milestones in sustainable development and innovative business practice along the way.

In 2018, the global economy was dominated by the United States, the European Union, China and Japan with the US standing out among these four with relatively strong growth. The EU experienced only lukewarm recovery, the Chinese economy cooled despite attempts to stabilize it and Japan witnessed a mild economic upturn. Motivated by the unilateralism of President Trump's America First stance, the US successively withdrew from several international organizations and agreements, including the Trans-Pacific Partnership, the Paris Climate Accord, the Iran Nuclear Deal, and the UN Human Rights Council, and renegotiated the North American Free Trade Agreement. The US also adopted strategies to thwart China's manufacturing ambitions—"Made in China 2025," imposing a ban on sales of high-tech products to China. The US-Sino trade disputes on various fronts, such as intellectual property protection, tariffs and exchange rates, have had an enormous impact on the world's economic growth. Europe meanwhile is faced with its own political and economic challenges with its prospects expected to be fraught with uncertainties as the post-Merkel era begins in Germany. In France, President Emmanuel Macron has been losing his public appeal, and the yellow-vest demonstrations, the largest in scale of the past fifty years, have swept through the country. The British economy, and its politics remain embroiled in continued Brexit uncertainty as the government endeavors to follow through on 2016's referendum result.

While China continues to accelerate technological development at home, expand its global reach by promoting the Asian Infrastructure Investment Bank as well as the Belt and Road Initiative and dominate negotiations on the Regional Comprehensive Economic Partnership trade deal, it also has both external and internal challenges to grapple with, ranging from ever-increasing debts to the impending contraction of investment and consumption. In order to stabilize its economic and financial situation, it has made the centerpiece of its economic policy "six stabilities"—in the areas of employment, finance, foreign trade, foreign investment, domestic investment, and development targets, and pledged a strategy to expand imports but, notwithstanding these efforts, a full-blown trade war and economic downturn loom large on the horizon.

2019 is set to unfold with a myriad of challenges. Rising populist protectionism runs counter to globalization and geopolitical power struggles persist. America's dividing partisanship and fiscal deficit and Federal Reserve policy decisions are giving rise to market concerns and developments in trade tensions between the United States and China will continue to impact the rest of the world. Implications of the summit between the American and North Korean leaders remain tantalizingly unclear. The UK's Brexit talks with the EU are mired in frustration and unpredictability. International oil prices are bound to fluctuate due to a multitude of factors including the deal reached among OPEC member states and their partners to reduce oil production, increased risks of geopolitical conflicts, growth in the electric vehicle sector and advances in green energy. All of these developments and trends contributing to the uncertainty of the global economy are compounded by continuing concerns about the ability of

governments around the world to cope with the burgeoning incidence of extreme weather conditions triggered by global warming.

Taiwan has also been braving adversity, ranging from shifts in diplomatic recognition, marginalization in international trade, to cross-strait tensions. As it strives to transform and upgrade its economy, it is faced with a multiplicity of challenges, including scarcity of natural resources, antagonism between political parties, social discord, exclusion from regional economic integration, reductions in energy reliability and increases in production costs, which are negatively impacting the private sector's decisions to invest and threatening to blunt its competitive edge.

Changes and challenges abound in global politics and the economy as well as in the natural world. Business models evolve rapidly while supply chains are migrating against the backdrop of trade conflicts. Digital technologies are driving the world economy forward. FENC, capitalizing on its 70 years of experience and expertise, is highly responsive and adaptive to these environmental changes and is poised to write a new chapter of success in its illustrious history.

II. Operating Results

FENC invests prudently whilst seeking opportunities and remaining agile and flexible in business operations, maintaining our ability to expand and thrive in the global landscape. Outstanding performances were seen across business segments in 2018. Our consolidated revenue and net income reached NT\$228.7 billion and NT\$18.392 billion, respectively. The net income attributable to shareholders of the Company came to NT\$12.028 billion, a growth of 49% from the previous year, translating into a basic EPS of NT\$2.41 based on the IFRS rule. The 23rd term Board of Directors has proposed a cash dividend of NT\$1.8 per share in the 4th Board meeting.

Production Business: Deploying across the Globe with an Ever-Broadening Vision

1. Business foothold—growing deeper roots in Asia and branching out to the rest of the world

The Company executes strategic investments in a timely manner to fulfill its global vision and business operations located in Taiwan, China, Vietnam, the United States, Japan and Southeast Asia have been vertically integrated into a streamlined system from production to sale. The synergy created by this global deployment has enabled FENC to maintain its leadership position in the industry. Aware of the global wave of protectionism, the Company has reacted proactively with investments in Vietnam, establishing a production capacity of 400,000 tons of PET and in other plants has streamlined the apparel production process from weaving and dyeing to finishing. This latter project has entered phase II expansion, including the second-stage construction of the Dyeing & Finishing Plant, the Polyester Filament and Staple Plant and the 3rd Apparel Plant. These investments have not only enabled us to harness Vietnam's competitive trading advantages, thanks to its inclusion in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and Free Trade Agreement with the European Union, but have also reduced the threat of competing integrations of regional economies around the world and avoided collateral damage in the ongoing trade war between the United States and China. In addition, the bottle-grade PET resin plant with an annual capacity of 360,000 tons in West Virginia U.S.A., acquired in 2018 from Mossi & Ghisolfi (M&G), together with their research and development center in Ohio State, has been integrated into APG Polytech, LLC and commenced production, which affords us advantages in raw material and energy costs and allows the Company to overcome trade barriers and directly supply the American domestic market. In addition, the joint bid with two other international partners for the acquisition and further construction of a production facility in Corpus Christi, Texas has been approved by the US Federal Trade Commission. After the project is completed, these integrated PTA/PET assets will be amongst the world's largest, with a PTA capacity of 1.3 million tons and PET capacity of 1.1 million tons per annum. In addition, Taiwan's new 1.5-million-ton PTA plant is

up and running, allowing us to phase out old facilities. Not only does this project upgrade the competitiveness of our products, but it also guarantees a secure supply of feedstocks to the manufacturing base in Vietnam. All segments across the board have been exerting themselves to the utmost to realize growth and demonstrate their vigor on the global stage.

2. Industry positioning—standing tall amongst out peers, leading the way to excellence

The Company is a world leader in the polyester industry and a bellwether globally. Its output of PET resin ranks third globally, recycled PET second in the world, and polyester sheet number one in Asia. Our products of premium quality remain competitive throughout the world with ever-growing sales volumes.

3. Green economy—upgrading and setting trends

The Company's green polyester enjoys leadership in the global market, green products certified by rigorous tests and audits both at home and abroad and thereby well-acknowledged by its customer base around the world. We have committed tremendous effort to research and development of assorted recycling technologies and applications, including "Bottle-to-Bottle" recycled polyester chips, "Bottle to Fiber" recycled polyester filaments, and "Bottle to Other Packaging" recycled packaging solutions. In furthering its strategic cooperation with brand-name companies, FENC has a deal with Adidas as its only supplier of "TopGreen Ocean" filament, which is made from recycled polyester fibers from ocean waste PET bottles. We also secured, for the fourth time, orders for functional jerseys made of recycled polyester fibers for several World Cup national teams, won the contract to supply NBA uniforms, and integrated ColorDry, a technology jointly developed with Nike and DyeCoo which substitutes supercritical carbon dioxide for water in the dyeing process, into the production of environmental-friendly fabrics and apparel. New milestones have been achieved in the research and development of green products, with application extended from polyester to nylon fabrics.

4. Dynamic Innovation—driving the business forward with state-of-the-art technologies

The vertical integration that starts from research and development and goes all the way down to production is complete and well-connected. At the "Far Eastern Group R&D Center," there are four R&D departments and twelve divisions, all staffed with brilliant and creative minds. The Center has established strategic alliances with international brand-name companies, developing highly profitable and exclusive products. It also collaborates closely with downstream partners and brand owners in product design to initiate trends in the market. We have been awarded 248 patents, reinforcing our leadership in both industry and branding. Our newly-developed functional fabrics have won a "TOP 10" and four "SELECTION" awards at 2019 ISPO Textrends. Tapping into the trend for environmentally-friendly products, we have introduced a sustainable waterproof breathable polyester film made of recycled polyester fibers. Several other R&D projects have spearheaded the industry's exploration into new domains. Our impressive results in R&D of both products and technologies have truly put Taiwan front and center on the world map of innovation.

5. CSR model enterprise—striving for excellence and thriving on sustainability

The Company sees itself as a world-class enterprise that provides happiness and well-being. Our efforts and achievements have been well-acknowledged by 2018 Global Corporate Sustainability Awards (GCSA) and Taiwan Corporate Sustainability Awards (TCSA). We have been honored with the *Most Prestigious Sustainability Awards-Top Ten Domestic Corporates*, the *2018 CSR Report of the Year* for the third consecutive year by the TCSA, and the *Reporting Awards* by GCSA. Moreover, we have received a record-breaking number of awards, including the *Climate Leadership Award*, *Growth through Innovation Award*, *Circular Economy Leadership Award*, *People Development Award*, and *English Reportage Award*. The Company was also recognized in 2018 by Taiwan's CommonWealth Magazine for its *Excellence in Corporate Social Responsibility*, selected as an "A-Level" constituent of the MSCI ESG Leaders Indexes, included in the FTSE4Good Emerging Index, TWSE Corporate Governance 100 Index, and Taiwan Sustainability Index. In 2018, FENC was not only honored to accept the *CSR Winner* for the second time from Global Views Monthly, but also nominated as one of the *World's Best Employers* for the second straight year by Forbes with a global ranking of 149, the highest among only four Taiwanese companies to make the list and thereby a role model for corporate Taiwan.

Diversified Investments: Expanding our Scope to Realize Consistent Income

FENC has continued to expand its scope of investments across ten different sectors, which encompasses Far EastOne Telecommunications Corporation Limited (FET), Asia Cement Corporation (ACC), Far Eastern Department Stores Limited (FEDS), Oriental Union Chemical Corporation (OUCC), and Far Eastern International Bank (FEIB). Investments in these listed companies, which are all top performers in their own right, generate consistent incomes for FENC. The innovation-minded FET is ready to reposition itself from telecom operator to digital service provider in the era of 5G, and will increase the proportion of value-added services to compete on value rather than price. It will also aim for growth in cloud, security and energy management, and materialize business opportunities by focusing on the applications of the IoT and smart city. FENC has seen an impressive return on investment in ACC. The significant growth in earnings results mainly from its remarkable performance in China. It has managed to strengthen its foothold in the industry by both growing organically and expanding via acquisition, thereby extending its reach from central China to north China and making it to the Top 5 in China. In the retail segment, the Company is actively pursuing transformation, introducing shopping centers of new concepts to consumers. Its three shopping malls of the City series boosted the Group's market share in the sector of department stores. It has also managed to capitalize on the trend of "Online to Offline" as e-commerce continues to develop towards full bloom. Two more shopping malls, respectively located in Taipei's Xinyi A13 and Chubei, are expected to further broaden its retail landscape when they open. OUCC experienced a growth in revenue in 2018 mainly as a combined effect of an increase in both the sales volume of its staple product—MEG and its selling price. FEIB, with its digital capabilities kept up to date for financial services, also performed relatively well in revenue and earnings. Overall, the optimal returns on investment across the board have proven a valuable contribution to the Company's huge increase in profits.

Land Development—Flexible Land Strategies to Maximize Returns

The Company has up to 570,000 pings (1,884,306 m²) of land throughout Taiwan. In order to formulate strategies for land development, Far Eastern Resources Development Corporation (FERD) was set up to take charge of revitalizing the Company's existing properties, with the hope that agile, flexible strategies in land management can maximize the benefits of real estate operation. Most of its properties are located in premium areas across the north of Taiwan, including Taipei Far Eastern Telecom Park (Tpark), Taipei Far Eastern Plaza, Mega Tower—the tallest skyscraper in New Taipei City, the lots of 170,000 pings (561,986 m²) in Wugu and 140,000 pings (462,812 m²) in Kuanyin. These valuable assets, if utilized with agility and forward thinking strategy, are certain to generate even far greater economic benefits. Phase I construction of Tpark, located in New Taipei City's Banqiao district, is complete and operating. It now hosts the NTPC-AWS Joint Innovation Center, a development partnership between New Taipei City government and Amazon Web Services (AWS). This iconic project has raised the park's international profile and the park is in turn primed to be a telecom park of sustainable development complete with office buildings, shopping centers, residential complexes, a library, a medical center, a hypermarket and schools. In addition, the tech giant Google, in an agreement with Tpark, will unveil a research and development office complex in the park in 2020 to promote its Intelligent Taiwan project, which will align the resources for neighboring startups and the cloud industry and even galvanize the establishment of an AI R&D center creating a growing demand for high-tech talent which will ripple out to the rest of the economy. As the Company has successfully attracted multinational tech heavyweights to deploy their R&D investments in Tpark, New Taipei City's ICT industry will unequivocally be invigorated and subsequently give rise to an overall industrial upgrade. These developments will refine New Taipei City's image in the international community and boost local economic prosperity, creating even more business opportunities and niches. Phase II construction is also underway with the main structures of FET's IDC building and second R&D building both completed in February 2019 and the rest of the construction to be completed by the end of the year. Once inaugurated, these two assets will yield a substantial rental income. The upscale residential project jointly developed with Far Eastern Construction in Tpark, currently under construction and expected to be completed by 2020, will enter the sales stage. The construction of the hot-spring hotel in Yilan's Jiaoxi Township (on Taiwan's northeast coast) is scheduled to begin after receiving the building permit in 2019. Our FERD management team remains committed to creating advantages for our assets and enhancing their value-growing potential.

III. Business Goals and Prospects

Capitalizing on its solid foundations of industrial management, FENC operates its business in an agile and strategic manner. We will continue to stride toward our strategic goals as an intelligent enterprise that excels at cutting-edge technologies, innovative R&D and elite management.

A. Building Global Presence to Optimize Sales Performance and Service Quality

As the Company pursues growth opportunities ardently to achieve sustainable operation, we will forge ahead with overseas expansion and increase investments around the world to mitigate the effects of trade barriers. The investment project in Vietnam has moved onto Phase II, ranging from polyester staple and filament, dyeing to apparel factories. The exports are mainly bound for countries that grant tariff concessions to Vietnam, such as the EU and ASEAN member states. The newly-acquired capacities in the United States will successively join the production line. The joint venture in PTA production in Yangzhou, China has been reviewed for reactivation. The Company has also been keenly building its global presence to cushion the impact of any particular market or abrupt economic change.

Its deployment in diverse geographic locations around the world affords it not only agility in business operation but also acute responsiveness to customer needs. It is also believed that the proximity to our most valued clients will foster mutual growth and prosperity. We will take a prudent approach to the markets and continuously enhance our competitive advantages.

B. Leveraging Artificial Intelligence to Capture Business Opportunities Derived from Successful Transformation

The Company is fully committed to introducing smart equipment and manufacturing processes. Specific funds have been earmarked to support AI initiatives and build a smart manufacturing supply chain. We have built Asia's first smart factory of industry 4.0 in Vietnam, integrating ERP and MES with the automated warehousing system in alignment with automated production, connecting the factory with our clients via IoT, and thereby greatly improving production efficiency. Our petrochemical factory is taking a bold lead in Taiwan by installing the first smart P&ID platform which integrates the virtual data with the physical working environment. Our polyester and textile factories are embracing smart manufacturing in various aspects, including big data management, introduction of AI, cyber-physical integration, robot-assisted development and application, which all aim to maximize the operational efficiency of an intelligent supply chain. The Company is increasingly dedicated to completing our intelligent transformation in the era of industry 4.0 in order to create new business opportunities.

C. Focusing on Green Products to Uphold Brand Values

Going green is a prevailing global trend. The Company has been a leader in the development of eco-friendly products and manufacturing processes for well more than three decades. We serve brand customers with the most advanced technologies and profit from the green opportunities by supplying massive multinationals with high-quality products that meet the requirements for food-grade packaging materials set by the U.S. Food and Drug Administration, European Food Safety Authority and Japan's Administration of Food Safety. In assisting our brand customers to fulfill their green missions and future goals, we have also planned to add new production lines in Japan, Southeast Asia and the U.S. to mitigate risks associated with the feedstock's places of origin and to respond to customers' needs in a timely fashion from a closer geographic location. FIGP in Japan has been expanding its second line and will continuously increase its capacity to capture new business opportunities brought about by green trends.

D. Initiating Smart Management Practices to Sustain Competitive Edge

To fast-track transformation and ultimately achieve synergy, a global management team has been put in charge of expansion around the world to coordinate the initiatives of smart management and consolidate resources in various geographic locations. Virtual/digital management has been initiated across the board in tandem with the establishment of a mobile office environment. Corporate financial strategy and policies are governed by the principles of stability and agility to buttress investments and increase asset values. A customer contribution system has been installed to enhance the efficiency of business operation, and a risk alert system to manage risks in a preemptive and holistic manner. FENC has also not only urged each business segment to reinforce the management of its own supply chain, but remains committed to the cultivation of new talent for its ever-expanding global presence and cooperation with academic institutes both enables recruitment of the brightest and best and bolsters its R&D capabilities. We will continue to strive for advances in corporate governance, environmental sustainability and energy efficiency to align ourselves with international best practices in business management and build a distinguished corporate image.

E. Reinforcing R&D Capabilities to Harness Advanced Technologies

Innovation lies at the core of the Company's value system, and thus as we develop its R&D capabilities to the fullest, we also make sure that our projects in various fields, ranging from environmental protection, AI to IoT, are all infused with new concepts, new technologies, and new economic mindsets, which genuinely carve out lucrative and exclusive competitive niches in the market. Our R&D functionality keeps scaling up and the resultant innovative power permeates through the whole organization in our various locations around the world. In the United States, the resources of Sharon Center will be restructured for the establishment of a PET R&D Center. In Suzhou, China, a Modernization Manufacturing Center has been jointly built with NIKE. In Taiwan, COLAB operates to develop new materials and technologies with our brand customers. The Company leverages its world-class competency in R&D and innovative technologies on collaborative projects with multinational companies, which exemplifies our R&D strengths and turns out heartening opportunities and promising possibilities.

F. Committing to Philanthropy to Create a Ripple Effect in the Corporate World

Not only does the Company concern itself with industrial progress, but it also engages in a variety of endeavors, including philanthropy, education, healthcare and environmental sustainability. To advance public interests, its effort spans four different areas—healthcare, education, research and development of science and technology, and cultural creation and environmental protection. It has established three schools, two medical institutes and four philanthropic foundations. Regular events are held by the Far Eastern Medical Foundation, Far Eastern Memorial Foundation, and Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation to promote a positive mentality and foster hope in society. We take concrete action to pursue corporate sustainable development in concurrence with the UN SDGs. In 2018, for example, Far Eastern Memorial Foundation co-published with universities two white paper books on long-term care policy, entitled respectively Rights of Migrant Caregivers in Taiwan and Prospects of Smart Technology Application to Senior Caregiving, which received favorable reviews in a variety of circles upon publication and were applauded for their insightful contribution to policy suggestion. The foundations also hold the Far Eastern Architecture Award and Top Talent for New Life Cooking Competition to promote the humanities. In addition, the Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation hosts the Y. Z. Hsu Science Award, and presents in three categories, namely Y. Z. Hsu Science Chair Professor, Y. Z. Hsu Science Paper Award, and Y. Z. Hsu Technology Invention Award, to promote science and technology innovation and simultaneously enhancing Taiwan's future competitiveness. Since the inception of the Y. Z. Hsu Science Award, nearly 300 Taiwanese scholars have been recognized with total prizes of around NT\$140 million. At the forefront of healthcare, the Far Eastern Memorial Hospital has completed its expansion, and can therefore allow medical professionals to delve into even more advanced and sophisticated clinical research that will benefit even more patients. In the field of education, Yuan Ze University has spared no efforts in upgrading itself with digital innovation and expects to join the ranks of world-class universities. The Company remains dedicated to advancing public wellbeing and is preparing itself to contribute even more to the country in the future.

Over the 70 years since its establishment, FENC has witnessed numerous changes in the socio-economic climate. We are ready to thrive in an era of fast-evolving business models by harnessing technological innovations, including IoT, mobile technology, AI, block chain, cloud computing and big data. As touched on in the theme of the 2018 Far Eastern Group Annual Strategy Meeting—Transformation in a Dynamic Era to Embrace the New Economy, we will undertake this transformation with new thinking, pursue growth with innovation and perseverance, inject renewed life into all our business operations across various sectors from Taiwan to Asia, and globally, and stride on towards centennial prosperity.

Chairman



President



Chief Accountant



Attachment II

2018 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 are as follows:

Fair Value Evaluation of Investment Property

As of December 31, 2018, the Group's total investment property was NT\$124,816,527 thousand, which represented 22% of the consolidated total assets. In 2018, the gain on change in fair value of investment property was NT\$646,390 thousand, which represented 3% 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 (k) and 5 (c) of the consolidated financial statements. For more information about the Group's investment property, refer to Note 21 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 Property, Plant and Equipment and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract in Telecommunications Department

The Group's telecommunications department faces a highly competitive market condition and a rapidly changing environment. Economic trends, market competition, and technological development influence the management's evaluation of and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which the assets belong, which in turn is used for the evaluation of such assets' impairment. Thus, the evaluation of impairment of property, plant and equipment and intangible assets (including goodwill) and the incremental costs of obtaining a contract in the telecommunications department is considered to be a key audit matter.

For the estimates and judgments related to property, plant and equipment and intangible assets as well as the incremental costs of obtaining a contract, refer to Notes 4 (l and o) and 5 (a and b) of the consolidated financial statements. For other related disclosures, refer to Notes 20 and 22 of the consolidated financial statements.

For the evaluation of impairment loss related to property, plant and equipment and intangible assets (including goodwill) as well as the incremental costs of obtaining a contract 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 analysis 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 Mobile of Telecommunications Service Revenue

The mobile telecommunications service revenue is the main source of revenue of the Group's telecommunications department. The calculation of mobile 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 mobile telecommunications service revenue is considered to be a key audit matter.

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

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

1. We obtained an understanding of the Group's recognition of mobile 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 billing 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 of the amounts.

In addition, we evaluated manual journal entries posted to revenue accounts, by sampling test of entries with specific risk, and compared details of these journal entries with the relevant underlying documentation to evaluate the reasonableness and accuracy of these selected entries.

Other Matter

We have also audited the parent company only financial statements of Far Eastern New Century Corporation for the years ended December 31, 2018 and 2017 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, 2018 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, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 35,342,560	6	\$ 25,464,223	5
Financial assets at fair value through profit or loss - current	6,075,604	1	4,209,638	1
Financial assets at fair value through other comprehensive income - current	75,346	-	-	-
Available-for-sale financial assets - current	-	-	331,362	-
Derivative financial assets for hedging - current	-	-	1,700	-
Financial assets at amortized cost - current	2,090,355	-	-	-
Financial assets for hedging - current	1,868	-	-	-
Contact assets - current	5,828,641	1	-	-
Debt investments with no active market - current	-	-	2,044,153	-
Notes and accounts receivable, net	29,347,392	5	25,709,039	5
Amounts due from customers for construction contracts	-	-	1,591,619	-
Other receivables	2,507,639	1	4,585,596	1
Current tax assets	25,338	-	63,544	-
Inventories	34,072,652	6	26,582,952	5
Prepayments	5,082,995	1	3,420,983	1
Other financial assets - current	5,746,927	1	4,329,504	1
Refundable deposits - current	65,377	-	31,009	-
Other current assets	<u>2,926,177</u>	<u>1</u>	<u>1,687,875</u>	<u>-</u>
Total current assets	<u>129,188,871</u>	<u>23</u>	<u>100,053,197</u>	<u>19</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	2,014,802	-	-	-
Available-for-sale financial assets - non-current	-	-	339,122	-
Derivative financial assets for hedging - non-current	-	-	35,544	-
Financial assets measured at cost - non-current	-	-	1,178,179	-
Financial assets at amortized cost - non-current	431,290	-	-	-
Financial assets for hedging - non-current	65,356	-	-	-
Investments accounted for using the equity method	66,378,437	12	61,532,483	12
Contract assets - non-current	1,535,757	-	-	-
Property, plant and equipment	164,557,019	29	152,732,987	30
Investment properties	124,816,527	22	124,148,885	24
Concessions	41,136,801	7	44,561,464	9
Goodwill	11,862,742	2	11,865,515	2
Other intangible assets	4,997,476	1	3,884,685	1
Deferred tax assets	3,318,140	1	2,204,959	1
Prepayments for equipment	1,406,581	-	1,632,368	-
Refundable deposits - non-current	1,130,010	-	861,274	-
Long-term other receivables	524,861	-	1,312,111	-
Incremental costs of obtaining a contract - non-current	1,802,163	1	-	-
Other financial assets - non-current	2,718,063	1	3,050,829	1
Long-term prepayments for lease	7,247,623	1	6,830,254	1
Other non-current assets	<u>456,901</u>	<u>-</u>	<u>542,424</u>	<u>-</u>
Total non-current assets	<u>436,400,549</u>	<u>77</u>	<u>416,713,083</u>	<u>81</u>
TOTAL	<u>\$565,589,420</u>	<u>100</u>	<u>\$516,766,280</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 47,833,445	8	\$ 30,944,587	6
Short-term bills payable	6,717,712	1	7,643,775	2
Financial liabilities at fair value through profit or loss - current	6,848	-	12,987	-
Contract liabilities - current	4,647,210	1	-	-
Notes and accounts payable	16,805,506	3	19,913,510	4
Notes and accounts payable to related parties	365,517	-	339,718	-
Amounts due to customers for construction contracts	-	-	63,549	-
Payables to suppliers of machinery and equipment	7,534,766	1	2,212,726	-
Other payables	16,752,125	3	14,363,744	3
Current tax liabilities	3,615,154	1	2,202,099	-
Provisions - current	293,364	-	282,035	-
Guarantee deposits received - current	230,984	-	291,998	-
Receipts in advance	-	-	1,201,255	-
Unearned revenue	-	-	2,972,547	1
Current portion of long-term liabilities	20,640,059	4	16,689,480	3
Other current liabilities	<u>3,437,413</u>	<u>1</u>	<u>2,506,610</u>	<u>1</u>
Total current liabilities	<u>128,880,103</u>	<u>23</u>	<u>101,640,620</u>	<u>20</u>
NON-CURRENT LIABILITIES				
Contract liabilities - non-current	208,272	-	-	-
Bonds payable	78,903,315	14	71,711,418	14
Long-term borrowings	68,719,309	12	66,540,553	13
Provisions - non-current	911,333	-	887,441	-
Deferred tax liabilities	17,552,448	3	16,874,470	3
Net defined benefit liabilities - non-current	1,868,362	1	2,603,463	1
Guarantee deposits received - non-current	555,712	-	506,167	-
Deferred credit-gains on related-party transactions	123,081	-	123,637	-
Other non-current liabilities	<u>138,048</u>	<u>-</u>	<u>339,418</u>	<u>-</u>
Total non-current liabilities	<u>168,979,880</u>	<u>30</u>	<u>159,586,567</u>	<u>31</u>
Total liabilities	<u>297,859,983</u>	<u>53</u>	<u>261,227,187</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	<u>53,528,751</u>	<u>9</u>	<u>53,528,751</u>	<u>10</u>
Capital surplus	<u>2,908,631</u>	<u>1</u>	<u>2,859,569</u>	<u>1</u>
Retained earnings				
Legal reserve	16,752,421	3	15,945,807	3
Special reserve	114,443,170	20	112,928,355	22
Unappropriated earnings	<u>17,996,558</u>	<u>3</u>	<u>12,819,238</u>	<u>2</u>
Total retained earnings	<u>149,192,149</u>	<u>26</u>	<u>141,693,400</u>	<u>27</u>
Other equity	<u>(2,069,331)</u>	<u>-</u>	<u>(3,696,270)</u>	<u>(1)</u>
Treasury shares	<u>(25,063)</u>	<u>-</u>	<u>(25,063)</u>	<u>-</u>
Total equity attributable to owners of the Company	203,535,137	36	194,360,387	37
NON-CONTROLLING INTERESTS	<u>64,194,300</u>	<u>11</u>	<u>61,178,706</u>	<u>12</u>
Total equity	<u>267,729,437</u>	<u>47</u>	<u>255,539,093</u>	<u>49</u>
TOTAL	<u>\$565,589,420</u>	<u>100</u>	<u>\$516,766,280</u>	<u>100</u>

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, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Net sales	\$159,436,994	70	\$136,468,217	63
Telecommunications service revenue	50,580,903	22	63,590,599	29
Gain on disposal of investments, net	-	-	1,647,132	1
Construction revenue	6,358,851	3	4,976,080	2
Other operating revenue	<u>12,285,185</u>	<u>5</u>	<u>11,164,920</u>	<u>5</u>
Total operating revenue	<u>228,661,933</u>	<u>100</u>	<u>217,846,948</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	146,690,946	64	130,959,088	60
Cost of telecommunications services	26,148,722	12	26,310,617	12
Loss on disposal of investments, net	16,319	-	-	-
Construction costs	6,135,849	3	4,761,021	2
Other operating costs	<u>5,269,985</u>	<u>2</u>	<u>6,118,017</u>	<u>3</u>
Total operating costs	<u>184,261,821</u>	<u>81</u>	<u>168,148,743</u>	<u>77</u>
GROSS PROFIT	<u>44,400,112</u>	<u>19</u>	<u>49,698,205</u>	<u>23</u>
REALIZED CONSTRUCTION INCOME	<u>556</u>	<u>-</u>	<u>555</u>	<u>-</u>
OPERATING EXPENSES				
Selling and marketing	16,793,326	7	22,326,374	10
General and administrative	11,778,207	5	11,124,854	5
Research and development	836,704	1	813,263	1
Expected credit loss	<u>208,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>29,616,726</u>	<u>13</u>	<u>34,264,491</u>	<u>16</u>
OPERATING INCOME	<u>14,783,942</u>	<u>6</u>	<u>15,434,269</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Share of the profit or loss of associates	6,224,158	3	4,114,335	2
Interest income	301,957	-	486,339	-
Other income - other	1,428,288	-	1,377,315	1
Gain on disposal of investment properties	12,619	-	2,605	-
Exchange gain (loss), net	566,309	-	(185,372)	-
(Loss) gain on financial (liabilities) assets at fair value through profit or loss, net	(247,749)	-	167,143	-
Gain on change in fair value of investment properties	646,390	-	1,040,128	-

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Interest expense	(2,689,232)	-	(2,605,876)	(1)
Other expenses	(959,360)	(1)	(882,744)	(1)
Gain (loss) on disposal of property, plant and equipment	1,547,167	1	(756,824)	-
Gain on disposal of concessions	-	-	5	-
Loss on disposal of intangible assets	(4,774)	-	(64)	-
Impairment loss	<u>(554,585)</u>	<u>-</u>	<u>(1,298,968)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>6,271,188</u>	<u>3</u>	<u>1,458,022</u>	<u>-</u>
INCOME BEFORE INCOME TAX	21,055,130	9	16,892,291	7
INCOME TAX EXPENSE	<u>(2,663,528)</u>	<u>(1)</u>	<u>(2,690,954)</u>	<u>(1)</u>
NET INCOME	<u>18,391,602</u>	<u>8</u>	<u>14,201,337</u>	<u>6</u>
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	328,504	-	577,628	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	34,423	-	-	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	1,049,676	-	6,828	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>71,214</u>	<u>-</u>	<u>(8,987)</u>	<u>-</u>
	<u>1,483,817</u>	<u>-</u>	<u>575,469</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(625,668)	-	(1,071,916)	(1)
Unrealized loss on available-for-sale financial assets	-	-	(1,018,683)	-
Cash flow hedges	-	-	231,609	-
Gain on hedging instruments	29,812	-	-	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>17,908</u>	<u>-</u>	<u>1,185,860</u>	<u>1</u>
	<u>(577,948)</u>	<u>-</u>	<u>(673,130)</u>	<u>-</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Other comprehensive income (loss), net of income tax	<u>905,869</u>	<u>-</u>	<u>(97,661)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 19,297,471</u>	<u>8</u>	<u>\$ 14,103,676</u>	<u>6</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 12,028,294	5	\$ 8,066,136	4
Non-controlling interests	<u>6,363,308</u>	<u>3</u>	<u>6,135,201</u>	<u>3</u>
	<u>\$ 18,391,602</u>	<u>8</u>	<u>\$ 14,201,337</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 12,883,387	5	\$ 7,808,712	3
Non-controlling interests	<u>6,414,084</u>	<u>3</u>	<u>6,294,964</u>	<u>3</u>
	<u>\$ 19,297,471</u>	<u>8</u>	<u>\$ 14,103,676</u>	<u>6</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	\$ 2.41		\$ 1.61	
Diluted	<u>\$ 2.40</u>		<u>\$ 1.61</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars; Except Dividends Per Share)

	Equity Attributable to Owners of the Company					Other Equity							Total Equity Attributable to Owners of the Company	Noncontrolling Interests	Total Equity
	Common Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Unrealized Revaluation Increments	Treasury Shares			
			Legal Reserve	Special Reserve											
BALANCE AT JANUARY 1, 2017	\$ 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
Effect of retrospective application and retrospective restatement	-	-	-	-	3,067,233	-	1,357,319	(1,725,866)	(35,642)	35,642	-	-	2,698,686	3,926,063	6,624,749
BALANCE AT JANUARY 1, 2018, AS RESTATED	53,528,751	2,859,569	15,945,807	112,928,355	15,886,471	(3,077,371)	-	(1,725,866)	-	35,642	702,778	(25,063)	197,059,073	65,104,769	262,163,842
Appropriation of the 2017 earnings															
Legal reserve	-	-	806,614	-	(806,614)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,520,493	(1,520,493)	-	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(6,423,450)	-	-	-	-	-	-	-	(6,423,450)	-	(6,423,450)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,760,337)	(7,760,337)
Net income for the year ended December 31, 2018	-	-	-	-	12,028,294	-	-	-	-	-	-	-	12,028,294	6,363,308	18,391,602
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	418,985	(512,530)	-	938,400	-	10,238	-	-	855,093	50,776	905,869
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,447,279	(512,530)	-	938,400	-	10,238	-	-	12,883,387	6,414,084	19,297,471
Change in associates accounted for using the equity method	-	48,127	-	-	(2,541)	-	-	-	-	-	-	-	45,586	33	45,619
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(17,440)	-	-	-	-	-	-	-	(17,440)	(153,820)	(171,260)
Change in ownership interest of subsidiaries	-	-	-	-	(12,954)	-	-	-	-	-	-	-	(12,954)	12,556	(398)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	577,375	577,375
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	935	-	-	-	-	-	-	-	-	-	-	935	-	935
Associate disposed the investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,559,378)	-	-	1,559,378	-	-	-	-	-	-	-
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(360)	(360)
Reversal of special reserve	-	-	-	(5,678)	5,678	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 53,528,751	\$ 2,908,631	\$ 16,752,421	\$114,443,170	\$ 17,996,558	\$ (3,589,901)	\$ -	\$ 771,912	\$ -	\$ 45,880	\$ 702,778	\$ (25,063)	\$203,535,137	\$ 64,194,300	\$267,729,437

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 21,055,130	\$ 16,892,291
Adjustments for:		
Expected credit loss	208,489	-
Allowance for doubtful accounts	-	487,155
Depreciation	16,283,336	15,851,009
Amortization	4,820,588	4,661,631
Interest expense	2,689,232	2,605,876
Interest income	(301,957)	(486,339)
Dividend income	(44,694)	(259,126)
Share of the profit of associates	(6,224,158)	(4,114,335)
(Gain) loss on disposal of property, plant and equipment	(1,547,167)	756,824
Gain on disposal of investment properties	(12,619)	(2,605)
Loss on disposal of intangible assets	4,774	64
Gain on disposal of concessions	-	(5)
Gain on disposal of investments	-	(1,654,107)
Impairment loss	554,585	1,298,968
Write-down of inventories	634,862	124,714
Realized gain on the transactions with associates	(556)	(555)
Gain on change in fair value of investment properties	(646,390)	(1,040,128)
Deferred loss on derivative assets for hedging	-	30,605
Net changes in operating assets and liabilities		
Financial assets held for trading - current	-	(373,679)
Financial assets at fair value through profit or loss	(1,619,878)	-
Financial assets for hedging	(168)	-
Contract assets	528,662	-
Notes and accounts receivable	(4,128,134)	(1,418,981)
Amounts due from customers for construction contracts	-	(388,995)
Other receivables	(53,510)	285,408
Inventories	(8,338,426)	(4,604,358)
Prepayments	(1,646,548)	(9,264)
Other current assets	(1,238,302)	34,799
Incremental cost of obtaining a contract	(235,973)	-
Financial liabilities held for trading	-	9,566
Financial liabilities at fair value through profit or loss	(6,139)	-
Contract liabilities	(146,239)	-
Notes and accounts payable	(2,377,897)	4,002,590
Notes and accounts payable to related parties	25,799	(79,033)
Amounts due to customers for construction contracts	-	62,121
Other payables	2,287,719	(160,333)
Provisions	8,611	39,059
Receipts in advance	-	26,692
Other current liabilities	930,803	(38,121)
Net defined benefit liabilities	(408,121)	(429,429)
Unearned revenue	-	386,824
	-	386,824
		(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Cash generated from operations	21,055,714	32,496,803
Interest received	271,495	460,911
Dividends received	2,993,151	2,236,100
Interest paid	(2,585,514)	(2,527,267)
Income tax paid	<u>(2,934,173)</u>	<u>(2,877,477)</u>
Net cash generated from operating activities	<u>18,800,673</u>	<u>29,789,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at amortized cost	(477,492)	-
Acquisition of financial assets at fair value through other comprehensive income	(536,697)	-
Acquisition of available-for-sale financial assets	-	(1,029,197)
Proceeds from the disposal of available-for-sale financial assets	-	653,919
Cash received by reduction of capital of financial assets at fair value through other comprehensive income	61,500	-
Increase in debt investments with no active market	-	(246,456)
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	(277,332)	(83,138)
Proceeds from the disposal of investments accounted for using the equity method	-	383,778
Acquisition of property, plant, equipment and prepayments for equipment	(24,539,384)	(23,129,609)
Proceeds from the disposal of property, plant and equipment	3,085,355	1,090,591
Increase in refundable deposits	(303,104)	(48,351)
Decrease in other receivables	2,770,350	1,826,870
Acquisition of intangible assets	(2,117,155)	(1,115,283)
Proceeds on the disposal of intangible assets	72	33,003
Acquisition of investment properties	(17,204)	(1,895)
Proceeds from the disposal of investment properties	199,227	1,330,530
Increase in prepayments for leases	(713,405)	(450,769)
Increase in concessions	(113,684)	(6,515,000)
Proceeds from disposal of concessions	-	5
Decrease (increase) in other financial assets	(1,084,657)	806,204
Decrease (increase) in other non-current assets	<u>103,905</u>	<u>(190,267)</u>
Net cash used in investing activities	<u>(23,959,705)</u>	<u>(26,735,512)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	16,888,858	(4,186,960)
Decrease in short-term bills payables	(926,000)	(1,635,000)
Proceeds from issue of bonds	25,000,000	22,700,000
Repayments of bonds payables	(13,500,000)	(16,450,000)

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds from long-term borrowings	202,493,083	155,645,199
Repayments of long-term borrowings	(200,696,643)	(158,304,697)
Decrease in guarantee deposits received	(11,469)	(107,123)
Decrease in other non-current liabilities	(15,604)	(1,805)
Cash dividends paid	(6,422,726)	(4,281,644)
Cash capital increase by subsidiaries	577,375	1,353,533
Cash capital reduction by subsidiaries	(360)	(15)
Partial acquisition of interests in subsidiaries from non-controlling interests	(171,658)	(20,028)
Dividends paid to non-controlling interests	<u>(7,760,337)</u>	<u>(7,783,681)</u>
Net cash generated from (used in) financing activities	<u>15,454,519</u>	<u>(13,072,221)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(417,150)</u>	<u>(192,536)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,878,337	(10,211,199)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>25,464,223</u>	<u>35,675,422</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 35,342,560</u>	<u>\$ 25,464,223</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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 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, estimations, 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 Property, Plant and Equipment and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract 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, market competition, and technological development influence the management's evaluation of and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which the assets belong, which in turn is used for the evaluation of such 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 property, plant and equipment and intangible assets (including goodwill) and the incremental costs of obtaining a contract from the Company's subsidiaries' equity-method investee is considered a key audit matter.

For the evaluation of impairment loss related to property, plant and equipment and intangible assets as well as the incremental costs of obtaining a contract from the Company's subsidiaries' equity-method investee, our corresponding audit procedures were as follows:

1. We obtained an understanding of the asset impairment evaluation processes and of the design and implementation of the related controls.
2. We obtained the asset impairment evaluation reports for each cash-generating unit.
3. We evaluated the reasonableness of the identification of the assets which were considered impaired and the assumptions and sensitivity analysis 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 Mobile 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 mobile telecommunications service revenue is the main source of the revenue of Far EasTone. The calculation of the mobile 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 mobile telecommunications service revenue impacts the share of the profit or loss of subsidiaries and associates. As the result, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

1. We obtained an understanding of the recognition of mobile 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 billing 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 of the amounts.

In addition, we evaluated manual journal entries posted to revenue accounts, by sampling test of entries with specific risk, and compared details of these journal entries with the relevant underlying documentation to evaluate the reasonableness and accuracy of these selected entries.

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, 2018 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, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 16,250,323	5	\$ 9,759,643	3
Financial assets at fair value through profit or loss - current	-	-	21,211	-
Financial assets at amortized cost - current	700,000	2	-	-
Notes and accounts receivable, net	7,003,949	2	7,097,632	3
Other receivables	334,852	-	169,302	-
Current tax assets	5,978	-	11,618	-
Inventories	6,672,500	2	6,134,754	2
Prepayments	64,024	-	137,174	-
Other current assets	391,466	-	291,299	-
Total current assets	<u>31,423,092</u>	<u>9</u>	<u>23,622,633</u>	<u>8</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method	259,259,165	82	236,260,849	83
Property, plant and equipment	24,507,928	8	24,216,996	8
Investment properties	1,515,753	1	1,487,664	1
Other intangible assets	17,087	-	20,427	-
Deferred tax assets	75,842	-	65,170	-
Prepayments for equipment	59,851	-	79,380	-
Refundable deposits - non-current	75,720	-	78,432	-
Other financial assets - non-current	38,000	-	41,174	-
Other non-current assets	57,716	-	247,559	-
Total non-current assets	<u>285,607,062</u>	<u>91</u>	<u>262,497,651</u>	<u>92</u>
TOTAL	<u>\$317,030,154</u>	<u>100</u>	<u>\$286,120,284</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 2,743,834	1	\$ 2,100,678	1
Financial liabilities at fair value through profit or loss - current	6,832	-	4,895	-
Contract liabilities - current	99,447	-	-	-
Notes and accounts payable	1,616,507	1	2,083,673	1
Notes and accounts payable to related parties	1,492,186	-	1,070,226	-
Payables to suppliers of machinery and equipment	305,866	-	516	-
Other payables	4,186,374	1	3,610,049	1
Receipts in advance	-	-	382,114	-
Current portion of long-term liabilities	12,095,836	4	5,497,408	2
Other current liabilities	792,789	-	811,375	-
Total current liabilities	<u>23,339,671</u>	<u>7</u>	<u>15,560,934</u>	<u>5</u>
NON-CURRENT LIABILITIES				
Bonds payable	44,443,342	14	38,054,514	13
Long-term borrowings	42,773,582	14	35,216,255	12
Deferred tax liabilities	2,214,224	1	1,583,021	1
Net defined benefit liabilities - non-current	673,497	-	1,294,407	1
Guarantee deposits received- non-current	2,515	-	2,495	-
Deferred credit-gains on related-party transactions	48,186	-	48,271	-
Total non-current liabilities	<u>90,155,346</u>	<u>29</u>	<u>76,198,963</u>	<u>27</u>
Total liabilities	<u>113,495,017</u>	<u>36</u>	<u>91,759,897</u>	<u>32</u>
EQUITY				
Share capital				
Common shares	53,528,751	17	53,528,751	19
Capital surplus	2,908,631	1	2,859,569	1
Retained earnings				
Legal reserve	16,752,421	5	15,945,807	6
Special reserve	114,443,170	36	112,928,355	39
Unappropriated earnings	17,996,558	6	12,819,238	4
Total retained earnings	<u>149,192,149</u>	<u>47</u>	<u>141,693,400</u>	<u>49</u>
Other equity	(2,069,331)	(1)	(3,696,270)	(1)
Treasury shares	(25,063)	-	(25,063)	-
Total equity	<u>203,535,137</u>	<u>64</u>	<u>194,360,387</u>	<u>68</u>
TOTAL	<u>\$317,030,154</u>	<u>100</u>	<u>\$286,120,284</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Net sales	\$54,040,105	100	\$45,197,934	100
Other operating revenue	<u>23,696</u>	<u>-</u>	<u>18,489</u>	<u>-</u>
Total operating revenue	<u>54,063,801</u>	<u>100</u>	<u>45,216,423</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	48,837,045	90	41,487,365	92
Other operating costs	<u>29,703</u>	<u>-</u>	<u>23,034</u>	<u>-</u>
Total operating costs	<u>48,866,748</u>	<u>90</u>	<u>41,510,399</u>	<u>92</u>
GROSS PROFIT	<u>5,197,053</u>	<u>10</u>	<u>3,706,024</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing	2,738,685	5	2,843,092	6
General and administrative	1,384,860	2	1,330,894	3
Research and development	813,551	2	790,937	2
Reversal of expected credit loss	<u>(306)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>4,936,790</u>	<u>9</u>	<u>4,964,923</u>	<u>11</u>
OPERATING LOSS	<u>260,263</u>	<u>1</u>	<u>(1,258,899)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES				
Share of the profit or loss of subsidiaries and associates	13,154,244	24	10,112,333	22
Interest income	29,366	-	18,278	-
Rental income	24,008	-	16,351	-
Dividend income	-	-	34,177	-
Other income	264,731	1	279,626	1
Gain on disposal of property, plant and equipment	22,259	-	69,640	-
Gain on disposal of investment properties	12,619	-	-	-
Gain on disposal of investments	85	-	302,557	1
Exchange gain (loss), net	351,635	1	(256,735)	-
(Loss) gain on financial assets (liabilities) at fair value through profit or loss	(155,529)	-	44,076	-
Gain on change in fair value of investment properties	107,359	-	31,650	-
Interest expense	(910,495)	(2)	(812,036)	(2)
Other expenses	(281,418)	(1)	(174,572)	-
Impairment loss	<u>(160,550)</u>	<u>-</u>	<u>(289,685)</u>	<u>(1)</u>

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Total non-operating income and expenses	<u>12,458,314</u>	<u>23</u>	<u>9,375,660</u>	<u>21</u>
INCOME BEFORE INCOME TAX	12,718,577	24	8,116,761	18
INCOME TAX EXPENSE	<u>(690,283)</u>	<u>(1)</u>	<u>(50,625)</u>	<u>-</u>
NET INCOME	<u>12,028,294</u>	<u>23</u>	<u>8,066,136</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	295,140	1	584,825	1
Share of other comprehensive loss of subsidiaries and associates	992,493	2	(6,764)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>69,752</u>	<u>-</u>	<u>(9,420)</u>	<u>-</u>
	<u>1,357,385</u>	<u>3</u>	<u>568,641</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)
Share of other comprehensive loss of subsidiaries and associates	<u>(502,292)</u>	<u>(1)</u>	<u>(588,691)</u>	<u>(1)</u>
	<u>(502,292)</u>	<u>(1)</u>	<u>(826,065)</u>	<u>(2)</u>
Total other comprehensive income (loss)	<u>855,093</u>	<u>2</u>	<u>(257,424)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$12,883,387</u>	<u>25</u>	<u>\$ 7,808,712</u>	<u>17</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 2.41</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 2.40</u>		<u>\$ 1.61</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars; Except Dividend Per Share)

	Common Shares	Capital Surplus	Retained Earnings			Other Equity							Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedge	Gain (Loss) on Hedging Instruments	Unrealized Property Revaluation Increments	Treasury Shares	
BALANCE AT JANUARY 1, 2017	\$ 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
Effect of retrospective application and retrospective restatement	-	-	-	-	3,067,233	-	1,357,319	(1,725,866)	(35,642)	35,642	-	-	2,698,686
BALANCE AT JANUARY 1, 2018, RESTARTED	<u>53,528,751</u>	<u>2,859,569</u>	<u>15,945,807</u>	<u>112,928,355</u>	<u>15,886,471</u>	<u>(3,077,371)</u>	<u>-</u>	<u>(1,725,866)</u>	<u>-</u>	<u>35,642</u>	<u>702,778</u>	<u>(25,063)</u>	<u>197,059,073</u>
Appropriation of the 2017 earnings													
Legal reserve	-	-	806,614	-	(806,614)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,520,493	(1,520,493)	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(6,423,450)	-	-	-	-	-	-	-	(6,423,450)
Net income for the year ended December 31, 2018	-	-	-	-	12,028,294	-	-	-	-	-	-	-	12,028,294
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	418,985	(512,530)	-	938,400	-	10,238	-	-	855,093
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,447,279	(512,530)	-	938,400	-	10,238	-	-	12,883,387
Change in associates accounted for using the equity method	-	48,127	-	-	(32,935)	-	-	-	-	-	-	-	15,192
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	935	-	-	-	-	-	-	-	-	-	-	935
Associate disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,559,378)	-	-	1,559,378	-	-	-	-	-
Reversal of special reserve	-	-	-	(5,678)	5,678	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2018	<u>\$ 53,528,751</u>	<u>\$ 2,908,631</u>	<u>\$ 16,752,421</u>	<u>\$114,443,170</u>	<u>\$ 17,996,558</u>	<u>\$ (3,589,901)</u>	<u>\$ -</u>	<u>\$ 771,912</u>	<u>\$ -</u>	<u>\$ 45,880</u>	<u>\$ 702,778</u>	<u>\$ (25,063)</u>	<u>\$203,535,137</u>

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 12,718,577	\$ 8,116,761
Adjustments for:		
Reversal of expected credit loss	(306)	-
Depreciation	1,973,976	2,072,945
Amortization	10,553	10,500
Interest expense	910,495	812,036
Interest income	(29,366)	(18,278)
Dividend income	-	(34,177)
Share of the profit of subsidiaries and associates	(13,154,244)	(10,112,333)
Gain on disposal of property, plant and equipment	(22,259)	(69,640)
Gain on disposal of investment properties	(12,619)	-
Gain on disposal of investments	(85)	(302,557)
Impairment loss	160,550	289,685
(Reversal) write-down of inventories	(100,378)	116,004
Gain on change in fair value of investment properties	(107,359)	(31,650)
Net changes in operating assets and liabilities		
Financial assets held for trading	-	28,314
Financial assets at fair value through profit or loss	21,211	-
Notes and accounts receivable	93,094	(136,870)
Other receivables	(60,500)	158,220
Inventories	(437,368)	(19,101)
Prepayments	73,150	(69,006)
Other current assets	(100,167)	(25,875)
Financial liabilities held for trading	-	1,729
Contract liabilities	(282,667)	-
Notes and accounts payable	(467,166)	75,406
Notes and accounts payable to related parties	421,960	(138,461)
Other payables	456,606	(121,817)
Receipts in advance	-	96,734
Financial liabilities at fair value through profit or loss	1,937	-
Other current liabilities	(18,586)	(52,885)
Net defined benefit liabilities - non-current	<u>(325,770)</u>	<u>(380,327)</u>
Cash generated from operations	1,723,269	265,357
Interest received	29,316	18,278
Dividends received	8,247,267	6,915,354
Interest paid	(809,727)	(794,877)
Income tax received	<u>5,640</u>	<u>387</u>
Net cash generated from operating activities	<u>9,195,765</u>	<u>6,404,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at amortized cost	(700,000)	-
Acquisition of investments accounted for using the equity method	(14,885,430)	(2,326,139)

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of property, plant, equipment and prepayments for equipment	(2,055,292)	(2,514,552)
Proceeds from disposal of property, plant and equipment	32,777	737,498
Decrease in refundable deposits	2,712	13,047
Increase in other receivables	(105,000)	-
Acquisition of intangible assets	(7,213)	(6,428)
Proceeds from disposal of investment properties	19,227	-
Decrease in other financial assets	3,174	-
Decrease (increase) in other non-current assets	<u>206,700</u>	<u>(191,527)</u>
Net cash used in investing activities	<u>(17,488,345)</u>	<u>(4,288,101)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	643,156	67,100
Proceeds from issue of bonds	17,000,000	5,000,000
Repayments of bonds payable	(5,500,000)	(9,700,000)
Proceeds from long-term borrowings	147,370,768	121,677,289
Repayments of long-term borrowings	(138,307,023)	(119,050,878)
Increase (decrease) in guarantee deposits received	20	(649)
Dividends paid	<u>(6,423,661)</u>	<u>(4,282,267)</u>
Net cash generated from (used in) financing activities	<u>14,783,260</u>	<u>(6,289,405)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,490,680	(4,173,007)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>9,759,643</u>	<u>13,932,650</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 16,250,323</u>	<u>\$ 9,759,643</u>

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

(Concluded)

Attachment III

The Audit Committee's Review Report

To the 2019 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 2018 which had been audited by Deloitte & Touche, and found them in order.

沈平

The Convener of the Audit Committee: Bing Shen

10 May 2019

Attachment IV

Information of the Corporate Bonds Issued in Year 2018

Offering Type		Domestic unsecured bonds (1 st of Year 2018)	Domestic unsecured bonds (2 nd of Year 2018)
Total Amount		NT\$ 6.0 billion	NT\$ 8.0 billion
Maturity		5 years	5 years
Coupon rate		0.92% p.a.	0.90 % 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.	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.
Guarantor		None	None
Approval authority	Agency	Taipei Exchange (TPEX)	Taipei Exchange (TPEX)
	Date	9 May 2018	9 July 2018
	Letter No.	Securities-TPEX-Bond -10700112031	Securities-TPEX-Bond -10700183651
Use of proceeds		To payback short-term borrowings or current portion of long-term liabilities and improve the financial structure	To payback short-term borrowings or current portion of long-term liabilities and improve the financial structure
Remark		To be issued at par value on 18 May 2018	To be issued at par value on 18 July 2018

Attachment V

Amendments to “Procedures for Lending of Capital to Others of Far Eastern New Century Corporation”

Section	Proposed Changes	Current Articles	Description
Article 2	<p>(Limits on the Total Amount of Lending and Respective Subjects)</p> <p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth").</p> <p>The total amount of loans extended by the Company to the Business Partners shall not exceed the thirty-five percent (35%) of the Company's Latest Net Worth; the separate amount shall not exceed the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed fifteen percent (15%) of the Company's Latest Net Worth. The amount of any individual loan hereunder shall not exceed five percent (5%) of the Company's Latest Net Worth.</p> <p><u>The lending of capital between the overseas companies, whose voting shares are 100%-owned, directly or indirectly, by the Company, or the lending of capital lent by aforesaid overseas companies to the Company, if it could be defined as Seeking Short-Term Financing, shall not be limited by "the total amount of loans extended by the lender shall not exceed the forty percent (40%) of lender's Net Worth" and "one (1) year period". Provided</u></p>	<p>(Limits on the Total Amount of Lending and Respective Subjects)</p> <p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth").</p> <p>The total amount of loans extended by the Company to the Business Partners shall not exceed the thirty-five percent (35%) of the Company's Latest Net Worth; the separate amount shall not exceed the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed fifteen percent (15%) of the Company's Latest Net Worth. The amount of any individual loan hereunder shall not exceed five percent (5%) of the Company's Latest Net Worth.</p> <p><u>The accumulated balance of short-term loan of funds provided by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, the separate and total amount of loans of funds to the Company seeking need short-term financing, shall comply with the lender's procedures for lending of capital to others.</u></p>	<p>Considering the fact that the paragraph 4, Article 3 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the Regulation) allows overseas companies, whose voting shares are 100%-owned, directly or indirectly, by the Company, to lend capital to the Company without the restriction of "40% of the Company's net worth" and "1 year period", therefore amend paragraph 4 of this Article.</p>

Section	Proposed Changes	Current Articles	Description
	<p><u>that, the total amount of loan, the amount of any individual loan and loan period shall comply with the lender's procedures for lending of capital to others.</u></p> <p>The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
Article 8	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the Company's Latest Net Worth. <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.</p>	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the Company's Latest Net Worth. <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.</p>	<p>Since the nature of lending capital cannot be defined as a transaction, therefore amend paragraph 5 of this Article in accordance with paragraph 2, Article 7 of the Regulation.</p>

Section	Proposed Changes	Current Articles	Description
	<p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>loans</u>, whichever date is earlier.</p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	

Attachment VI

Amendments to “Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation”

Section	Proposed Changes	Current Articles	Description
Article 8	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's Latest Net Worth; or 2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's Latest Net Worth; or 3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, <u>the booking value of any investment accounted for using equity method</u>, and balance of loans to, such company has reached 30% of the Company's Latest Net Worth; or 4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's Latest Net Worth. 	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's Latest Net Worth; or 2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's Latest Net Worth; or 3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, <u>any investment of a long-term nature in</u>, and balance of loans to, such company has reached 30% of the Company's Latest Net Worth; or 4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's Latest Net Worth. 	<p>Considering item 3, paragraph 1 of Article 25 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (the “Regulation”) specifically defined the long-term investment, therefore amend item 3, paragraph 2 of this Article.</p> <p>Since the nature of endorsements and guarantees cannot be defined as transaction, therefore amend paragraph 4 of this Article in accordance with paragraph 2, Article 7 of the Regulation.</p>

Section	Proposed Changes	Current Articles	Description
	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>endorsements/guarantees</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	

Attachment VII

Amendments to “Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation”

Section	Proposed Changes	Current Articles	Description
Article 2	<p>Assets in these Procedures include:</p> <ol style="list-style-type: none"> 1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments. 2) Real estate (including land, houses and buildings, investment properties) and equipment; 3) Club memberships; 4) Patents, copyrights, trademarks, licenses and other intangible assets; 5) <u>Right-of-use asset</u>; 6) Derivative products; 7) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law; 8) Other key assets. 	<p>Assets in these Procedures include:</p> <ol style="list-style-type: none"> 1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments. 2) Real estate (including land, houses and buildings, investment properties, <u>right to use land</u>) and equipment; 3) Club memberships; 4) Patents, copyrights, trademarks, licenses and other intangible assets; 5) Derivative products; 6) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law; 7) Other key assets. 	<p>In order to match the regulation of IFRS 16 (Lease), adding the item 5 in accordance with Article 3 of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (the Regulations) to extend the scope of “right-of-use asset”.</p>
Article 3	<p>1) “Derivatives”: Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from assets, <u>specific interest rates, price of financial instruments, products price</u>, foreign exchange rates, indexes <u>of price or rates, indexes of credits or credits rating</u>, or other <u>varieties, or combination of above contracts, or compound contracts or structured products of embedded derivative</u>. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing</p>	<p>1) “Derivatives”: Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and <u>compound contracts combining the above products</u> whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests</u>. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p>1) Amend the scope of Derivatives described in item 1 in accordance with the item 1 of Article 4 of the Regulations to match the regulation of IFRS 9 (Financial Instruments)</p>

Section	Proposed Changes	Current Articles	Description
	<p>contracts, or long-term purchase (sales) agreements.</p> <p>2)"Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156_3 of the Company Act.</p> <p>3)"Related party or Subsidiary": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4)"Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</p> <p>5)"Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</p> <p>6)"Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations</p>	<p>2)"Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.</p> <p>3)"Related party or Subsidiary": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4)"Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</p> <p>5)"Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</p> <p>6)"Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations</p>	<p>2) Amend the quoted regulation in item 2 to match the Company Act revised on November 1, 2018.</p>

Section	Proposed Changes	Current Articles	Description
	Governing Permission for Investment or Technical Cooperation in the Mainland Area.	Governing Permission for Investment or Technical Cooperation in the Mainland Area.	
Article 5	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real estate, equipment, <u>and their right-of-use asset</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real estate <u>and</u> equipment shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	<p>Include the right-of – use assets of non-operational real estate and equipment in the calculation for limitation stipulated in the Procedures in accordance with Article 7, paragraph 1, item 5 of the Regulations to match the regulation of IFRS 16 (Lease).</p>
Article 7	<p>Acquisition or Disposition of Real Property, <u>Equipment, or their right-of-use assets</u></p> <p>1) Evaluation Process</p> <p>a) For investments in real property, <u>equipment, or their right-of-use assets</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p>	<p>Acquisition or Disposition of Real Property <u>or</u> Equipment</p> <p>1) Evaluation Process</p> <p>a) For investments in real property <u>and</u> equipment, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p>	<p>Amend this Article in accordance with the Article 9, paragraph 1 of the Regulation to match the regulation of IFRS 16 (Lease).</p>

Section	Proposed Changes	Current Articles	Description
	<p>b) The proposed acquisition or disposition of real property, <u>or its right-of-use asset</u> shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of equipment <u>or its right-of-use asset</u> shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation Reports</p> <p>In the case of real property, <u>equipment, or their right-of-use assets</u> acquired or disposed by the Company other than as a result of transactions with the <u>domestic</u> government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments <u>or its right-of-use asset</u> for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board</p>	<p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of equipment shall be carried out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation Reports <u>for Real Property or Equipment</u></p> <p>In the case of real property <u>or</u> equipment acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall, prior to the date of the transaction occurred, require professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board</p>	

Section	Proposed Changes	Current Articles	Description
	<p>of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions,</p>	<p>of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions,</p>	

Section	Proposed Changes	Current Articles	Description
	<p>documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in Determining Authorized Investment Limit and Responsible Units</p> <p>Prior to the Company acquiring or disposing real property, equipment, <u>or their right-of-use assets</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in Determining Authorized Investment Limit and Responsible Units</p> <p>Prior to the Company acquiring or disposing real property <u>or</u> equipment, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	
Article 8	<p>Transactions of Real Property with Related Parties</p> <p>1) Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants' opinions when the transaction amount is ten per cent (10%) of the total assets of the Company or more. In deciding whether the other party to the transaction is a related party, in</p>	<p>Transactions of Real Property with Related Parties</p> <p>1) Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc., and shall pursuant to the provisions of this Article obtain appraisal reports made by professional appraisers or accountants' opinions when the transaction amount is ten per cent (10%) of the total assets of the Company or more. In deciding whether the other party to the transaction is a related party, in</p>	

Section	Proposed Changes	Current Articles	Description
	<p>addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company shall, if it acquires or disposes real property <u>or its right-of-use asset</u> from or to related parties, or if it acquires or disposes other assets except real property <u>or its right-of-use asset</u> from or to related parties and the said transaction amount is twenty per cent (20%) of the paid-in capital of the Company, or ten per cent (10%) of the total assets of the Company, or NT\$300 million or more, except in trading of <u>domestic government bonds</u> or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, submit to the Audit Committee and the Board of Directors for approval of the following information prior to the signing of the transaction contract and making payments:</p> <p>a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein, when acquiring real property <u>or its right-of-use asset</u> from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of</p>	<p>addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company shall, if it acquires or disposes real property from or to related parties, or if it acquires or disposes other assets except real property from or to related parties and the said transaction amount is twenty per cent (20%) of the paid-in capital of the Company, or ten per cent (10%) of the total assets of the Company, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, submit to the Audit Committee and the Board of Directors for approval of the following information prior to the signing of the transaction contract and making payments:</p> <p>a) Purpose of acquiring or disposing the said assets, its necessity and projected benefits;</p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein, when acquiring real property from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of</p>	<p>Amend paragraph 2 and paragraph 3 of this Article in accordance with Article 15 to Article 18 of the Regulation to match the regulation of IFRS 16 (Lease) :</p> <p>1. Whereas the transactions between the Company and its subsidiary company or subsidiary company whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company, are lower-risk transaction, therefore such transactions are exempted from evaluating the fairness of Transaction cost. In addition, allowing the acquisition or disposal of equipments and its right-of-use asset for business operation purposes or real estate and its right-of-use asset for business operation purposes between aforesaid companies may be authorized by</p>

Section	Proposed Changes	Current Articles	Description
	<p>the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property <u>or its right-of-use asset</u> from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p>	<p>the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p>	<p>Chairman to proceed.</p> <p>2. In terms of acquiring right-of-use asset of real estate from related parties, successful leasing transactions by non-related parties of the neighboring areas within the past one (1) year are allowed to consider as a reference for estimation and calculation for fairness of the transaction price in order to match the real estate leasing practice.</p>

Section	Proposed Changes	Current Articles	Description
	<p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased <u>or leased in toto</u>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property <u>or its right-of-use asset</u> from related parties, in addition to the appraisal of the costs of the said real property <u>or its right-of-use asset</u> in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property <u>or its right-of-use asset</u> from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p>	<p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased <i>in toto</i>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p>	

Section	Proposed Changes	Current Articles	Description
	<p>i) The related party having obtained the real property <u>or its right-of-use asset</u> by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property <u>or its right-of-use asset</u> and this transaction exceeds five (5) years; or</p> <p>iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p><u>iv) The acquisition of the right-of-use asset of real estate for business operation purposes between the Company and subsidiary, or between subsidiary companies, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company.</u></p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p>	<p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p>iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p>	

Section	Proposed Changes	Current Articles	Description
	<p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase <u>or lease</u> of real property.</p> <p>ii) The Company providing evidence that the transaction</p>	<p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. <u>Successful</u> transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. <u>Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</u></p> <p>ii) The Company providing evidence that the transaction</p>	

Section	Proposed Changes	Current Articles	Description
	<p>conditions of its purchase of real property <u>or its lease of right-of-use asset of real property</u> from related party are comparable with those cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space.</p> <p>"Cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar.</p> <p>"Approximately similar space" shall in principle include the spaces of those cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property <u>or its right-of-use asset</u> and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Act, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Independent Directors shall undertake measures in compliance with Article 218 of</p>	<p>conditions of its purchase of real property from related party are comparable with those <u>successful</u> cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space.</p> <p>"<u>Successful</u> cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those <u>transacted</u> cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Act, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Independent Directors shall undertake measures in compliance with Article 218 of</p>	

Section	Proposed Changes	Current Articles	Description
	<p>the Company Act; iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium <u>or leased</u>, or they have been disposed of, <u>or lease agreement had been terminated</u>, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property <u>or its right-of-use asset</u> from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units</p> <p><u>In terms of the following transactions between the Company and its subsidiaries , or between the subsidiaries, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company,</u> the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the</p>	<p>the Company Act; iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units</p> <p><u>Prior to the Company acquiring or disposing equipments for operational purposes from or to its subsidiaries,</u> the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the</p>	

Section	Proposed Changes	Current Articles	Description
	<p>authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p>a) <u>Acquisition or disposal of the equipment or its right-of-use asset for business operation purposes.</u></p> <p>b) <u>Acquisition or disposal of the right-of-use asset of real estate for business operation purposes.</u></p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>immediate following meeting of the Board of Directors for ratification.</p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
Article 9	<p><u>Acquisition or Disposition of Intangible Assets or its Right-of-use Asset or Club Membership</u></p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) <u>Acquisition or disposition of intangible assets or its right-of-use asset</u> shall be by way of suggestions in respect of</p>	<p><u>Acquisition of Club Membership or Intangible Assets</u></p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices,</p>	<p>Amend this Article in accordance with Article 11 of the Regulation to match the regulation of IFRS 16 (Lease).</p>

Section	Proposed Changes	Current Articles	Description
	<p>transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>2) Expert's Valuation Report</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets <u>or its right-of-use asset or club membership</u>.</p> <p>b) Where the transaction amount for acquisition or disposition of <u>intangible assets or its right-of-use asset or club membership</u> exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with <u>domestic</u> government agency, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p>	<p>taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>2) Expert's Valuation Report <u>on Club Membership or Intangible Assets</u></p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of <u>club membership or intangible assets</u> exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with government agency, accountants shall be engaged, prior to the date of occurrence, to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p>	

Section	Proposed Changes	Current Articles	Description
	<p>The Company may only proceed with the acquisition or disposition of intangible assets <u>or its right-of-use asset or club membership</u> after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>The Company may only proceed with the acquisition or disposition of <u>club membership</u> or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	
Article 9-1	<p>The calculation of the dollar amount of the transactions referred to in the paragraph 1 of Article 6, Article 7, and Article 8, and transactions referred to in the Article 9 shall be done in accordance with Article 12, paragraph 1-(g) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a accountant' opinion has been obtained need not be counted toward the dollar amount of transactions.</p> <p>The calculation of the dollar amount of the transactions referred to in the paragraph 2 of Article 8 be made in accordance with Article 12, paragraph 1-(g) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and Board of Directors need not be counted toward the dollar amount of transactions.</p>	<p>The calculation of the dollar amount of the transactions referred to in the paragraph 1 of Article 6, Article 7, and Article 8, and transactions referred to in the Article 9 shall be done in accordance with Article 12, paragraph 1-(f) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a accountant' opinion has been obtained need not be counted toward the dollar amount of transactions.</p> <p>The calculation of the dollar amount of the transactions referred to in the paragraph 2 of Article 8 be made in accordance with Article 12, paragraph 1-(f) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and Board of Directors need not be counted toward the dollar amount of transactions.</p>	Amend the quoted regulation in this Article.
Article 12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property <u>or its right-of-use asset</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or its right-of-use asset</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or</p>	Amend paragraph 1 of this Article in accordance with Article 31 of the Regulation to match the regulation of IFRS 16 (Lease).

Section	Proposed Changes	Current Articles	Description
	<p>or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises;</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) <u>The acquisition or disposal of the equipments or its right-of-use asset</u> for business purposes and in which the counterparties are not related parties, and that the transaction amounts reach 1 billion</p> <p>e) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, <u>and in which the counterparties are not related parties</u>, where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p>f) Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where their transaction amounts reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of <u>domestic</u> government bonds;</p>	<p>NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises;</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) <u>The assets so acquired or disposed are equipments</u> for business purposes and in which the counterparties are not related parties, and that the transaction amounts reach 1 billion</p> <p>e) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p>f) Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where their transaction amounts reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p>	

Section	Proposed Changes	Current Articles	Description
	<p>ii) Sale and purchase of bonds with call or put options, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>g) The calculation of transaction amount for g) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property <u>or its right-of-use asset</u> under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports</p> <p>Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to f) above shall be undertaken within two</p>	<p>ii) Sale and purchase of bonds with call or put options, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>g) The calculation of transaction amount for g) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports</p> <p>Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to f) above shall be undertaken within two</p>	

Section	Proposed Changes	Current Articles	Description
	<p>(2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published within two days after becoming aware of these errors and omission;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p>	<p>(2) days of the occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published within two days after becoming aware of these errors and omission;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days, commencing immediately from the date of the occurrence of the said events, undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p>	

Section	Proposed Changes	Current Articles	Description
	<p>iii) Change to the originally publicly announced and reported information</p> <p>4) Format of Public Announcement</p> <p>The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>	<p>iii) Change to the originally publicly announced and reported information</p> <p>4) Format of Public Announcement</p> <p>The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>	
Article 14	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition and Disposition of Assets by Public Companies", after the approval of their respective Board of Directors and shareholders' meeting, a copy of the said procedures shall be submitted to the accounting department of the Company for supervision. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property <u>or its right-of-use asset</u> that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition and Disposition of Assets by Public Companies", after the approval of their respective Board of Directors and shareholders' meeting, a copy of the said procedures shall be submitted to the accounting department of the Company for supervision. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p>	<p>1. Amend item 2 of this Article in accordance with item 5, paragraph 1, Article 7 of the Regulation to match the regulation of IFRS 16 (Lease).</p>

Section	Proposed Changes	Current Articles	Description
	<p>4) For public announcement and reports of subsidiaries, "<u>paid-in capital or total asset</u>" shall mean the paid-in capital and the total assets of the Company.</p> <p>5) Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to Acquisition and Disposition of Assets are in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and whether acquisition and disposition of assets are in compliance with their procedures. The Company's internal audit department shall review the self-evaluation reports of the said subsidiaries.</p>	<p>4) For public announcement and reports of subsidiaries, "<u>twenty per cent (20%) of the companies' paid-in capital, or ten per cent (10%) of the total assets</u>" shall mean the paid-in capital and the total assets of the Company.</p> <p>5) Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to Acquisition and Disposition of Assets are in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and whether acquisition and disposition of assets are in compliance with their procedures. The Company's internal audit department shall review the self-evaluation reports of the said subsidiaries.</p>	<p>2. Amend item 4 of this Article in accordance with Article 34 of the Regulation.</p>

Attachment VIII

Current Shareholding of Directors

The list of the 23rd term of Board of Directors of Far Eastern New Century Corporation

Book closure date: 29 April 2019

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		
Yue Ding Investment Co., Ltd.	Champion Lee	22,243,781	0.42%	
Independent Director	Bing Shen	-	-	-
	Johnsee Lee	-	-	-
The combined shareholding of all Directors			1,437,415,404	26.85%
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 IX

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, which is not less than 50% of the final surplus of after-tax profit in same year to withhold accumulated losses, legal reserve and special reserve, 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
Sixty-seventh amendment on June 29, 2018

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

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