

# Far Eastern New Century Corporation(FENC)

## 2020 Annual General Shareholders' Meeting (Translation)

**Date:** Tuesday, 30 June 2020

**Time:** 9:00 a.m. Taipei time

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

**Shareholders present:**

**Total number of outstanding shares:** 5,352,095,854 shares (excluding 779,373 shares owned by FENC's subsidiaries)

**Total shares represented by shareholders present:** 4,670,923,489 shares

**Percentage of shares held by shareholders:** 87.273%

**Directors:** Mr. Douglas Tong Hsu, Mr. Johnny Hsi, Mr. Peter Hsu, Mr. Shaw Y. Wang, Ms. Alice Hsu, Mr. Richard Yang, Mr. Champion Lee, Mr. Bing Shen (Video Conference), Mr. Johnsee Lee and Mr. Raymond R.M. Tai.

**Chairman:** Mr. Douglas Tong Hsu, Chairman of the Board of Directors



**Recorder:** Ms. Grace Yang



**Meeting called to order**

(The aggregate shares of the shareholders present in person or by proxy constituted a quorum.)

**Chairman's address** (Omitted)

## **Reporting items**

1. 2019 business operations (Omitted)
2. 2019 financial statements (See Attachment I)
3. The Audit Committee's review report of 2019 business operations and financial statements  
(See Attachment II)
4. 2019 employees' compensation and Directors' remuneration (Omitted)
5. Information of the corporate bonds issued in 2019 (Omitted)
6. Amendments of "Best Practice Principles of Ethical Corporate Management for Far Eastern New Century Corporation" (Omitted)

## Approval items

### 1. To accept 2019 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2019 business report and financial statements.

Explanatory Notes:

- i. FENC's 2019 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 2019 business report, independent auditors' reports, Audit Committee's report, and the aforesaid financial statements are attached as Attachments I and II.
- iii. Please accept the aforesaid business report and financial statements.

**Voting Results: 4,670,923,489 shares were represented at the time of voting (including e-voting); 4,406,152,183 shares voted for the proposal, representing 94.33% of the total represented shares, 299,450 shares voted against the proposal, while 264,471,856 shares voted abstention the proposal.**

**RESOLVED, that the 2019 business report and financial statements be and hereby were accepted as submitted.**

### 2. To approve the proposal for distribution of 2019 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2019 profits.

Explanatory Notes:

- i. Cash dividends to common shareholders: NT\$8,029,312,841. (NT\$ 1.5/share)
- ii. This profit distribution will be distributed first from the earnings available for distribution in 2019 and then from the unappropriated earnings between 1998 and 2018 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 2019 profit allocation proposal

(Unit: NT\$)

<b>1. Net income of 2019</b>	<b>10,732,669,354</b>
2. Legal reserve	1,073,266,935
3. Adjustments due to changes in investees' equity in equity-method investments	56,155,618
4. Effect of retrospective application and retrospective restatement	331,351,910
5. Adjustments due to changes in other comprehensive income	823,074,561
6. Special reserve	1,839,195,662
7. Reversal of special reserve	28,591,024
8. Unappropriated earnings of previous years	6,069,973,449
<b>Earnings available for distribution as of 31 December 2019</b>	<b>14,466,649,499</b>
(1-2+3-4+5-6+7+8)	
<b>Distribution item:</b>	
1. Shareholders' dividend (NT\$ 1.5/share in cash)	8,029,312,841
<b>Total distribution</b>	<b>8,029,312,841</b>
<b>Unappropriated earnings</b>	<b>6,437,336,658</b>

v. Please approve the aforesaid proposal for the distribution of 2019 profits.

**Voting Results: 4,670,923,489 shares were represented at the time of voting (including e-voting); 4,416,868,616 shares voted for the proposal, representing 94.56% of the total represented shares, 574,573 shares voted against the proposal, while 253,480,300 shares voted abstention the proposal.**

**RESOLVED, the proposal for distribution of 2019 profits be and hereby was accepted as proposed.**

## Proposed resolution

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

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

Explanatory Notes:

- i. In accordance with the MoEA Letter No. 10802432410 issued by the Ministry of Economic Affairs on 9 January 2020, which is to state the base of legal reserve classification, it is proposed to amend Article 27 of “Articles of Incorporation of Far Eastern New Century Corporation” and it will be applied for the proposal for distribution of 2020 profits.
- ii. The overview table for the “Articles of Incorporation of Far Eastern New Century Corporation” Before and After amendments is as follows.

Section	Proposed Changes	Current Articles
Article 27	<p>Apart from paying all its income taxes in the case where there are profits for the current year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of “<u>net profit after tax for the current year</u>” plus “<u>gains other than net profit after tax for the current year, which must be added to the current year’s undistributed surplus</u>” shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders’ dividend. However in the case of increase in the Company’s share capital, the shareholders’ dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders’ meeting.</p> <p>The distribution of shareholders’ dividend shall take into consideration the changes in the outlook for the Company’s businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders’ dividend shall be distributed aimed at maintaining the stability of shareholders’ dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders’ dividend, 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.</p>	<p>Apart from paying all its income taxes in the case where there are profits for the current year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of <u>which</u> shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholder as shareholders’ dividend. However in the case of increase in the Company’s share capital, the shareholders’ dividend to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders’ meeting.</p> <p>The distribution of shareholders’ dividend shall take into consideration the changes in the outlook for the Company’s businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders’ dividend shall be distributed aimed at maintaining the stability of shareholders’ dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders’ dividend, 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.</p>

Section	Proposed Changes	Current Articles
Article 29	These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings. <u>Sixty-eighth amendment on June 30, 2020</u>	These Articles of Incorporation were drafted on December 15, 1952, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the shareholders' meetings. <u>Sixty-seventh amendment on June 29, 2018</u>

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

**Voting Results: 4,670,923,489 shares were represented at the time of voting (including e-voting); 4,412,151,359 shares voted for the proposal, representing 94.46% of the total represented shares, 337,077 shares voted against the proposal, while 258,435,053 shares voted abstention the proposal.**

**RESOLVED, the proposal for the amendments to the “Articles of Incorporation of Far Eastern New Century Corporation” be and hereby was accepted as proposed.**

## 2. To approve amending the company bylaw of “Meeting Rules of Stockholders for Far Eastern New Century Corporation”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of Meeting Rules of Stockholders.

Explanatory Notes:

- i. In accordance with the Company’s practice and the reference of “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings” on the Taiwan Stock Exchange, it is proposed to amend Article 10, 11 & 13 of “Meeting Rules of Stockholders for Far Eastern New Century Corporation” accordingly.
- ii. The overview table for the “Meeting Rules of Stockholders for Far Eastern New Century Corporation” Before and After amendments is as follows.

Section	Proposed Changes	Current Articles
Article 10	<p>For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.</p> <p>No discussion or voting shall proceed for matters unrelated to the proposal.</p> <p>The personnel responsible for overseeing and counting of the votes for resolutions shall be <u>appointed by the chairperson</u>. The person responsible for vote overseeing shall be of the stockholder status.</p>	<p>For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.</p> <p>No discussion or voting shall proceed for matters unrelated to the proposal.</p> <p>The personnel responsible for overseeing and counting of the votes for resolutions shall be <u>appointed by the chairperson with the consent of the stockholders (or proxies)</u>. The person responsible for vote overseeing shall be of the stockholder status.</p>
Article 11	<p>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.</p> <p><u>All proposals shall be put to vote and 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</u></p> <p>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</p>	<p>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.</p> <p><u>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.</u></p> <p><u>Should objection of a proposal be expressed,</u> 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</p> <p>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</p>

Section	Proposed Changes	Current Articles
	spot and kept for records.	spot and kept for records.
Article 13	<u>If encountering force majeure during the meeting, the chairperson may suspend the meeting and will announce the time to resume the meeting.</u>	<u>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.</u>

iii. Please approve the proposal for the amendments to “Meeting Rules of Stockholders for Far Eastern New Century Corporation”.

**Voting Results: 4,670,923,489 shares were represented at the time of voting (including e-voting); 4,412,138,359 shares voted for the proposal, representing 94.46% of the total represented shares, 351,772 shares voted against the proposal, while 258,433,358 shares voted abstention the proposal.**

**RESOLVED, the proposal for the amendments to “Meeting Rules of Stockholders for Far Eastern New Century Corporation” be and hereby was accepted as proposed.**

**Extemporaneous motion: None**

**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.*

## Attachment I

### 2019 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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.

Key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follows:

##### Fair Value Evaluation of Investment Property

As of December 31, 2019, the total of the Group's investment property was NT\$127,633,553 thousand, which represented 22.16% of the consolidated total assets. In 2019, the gain on change in fair value of investment property was NT\$1,882,995 thousand, which represented 9.84% of the consolidated income before income tax. The items mentioned above are considered significant to the consolidated financial statements as a whole. The Group's investment properties are 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) to the consolidated financial statements. For more information about the Group's investment property, refer to Note 17 to 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; we evaluated the risk of possible impairment of the valuer's independence and determined that 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 on Property, Plant and Equipment and Right-of-use Assets and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract in Telecommunications Department

The Group's telecommunications segment operates in a highly competitive market with rapid change in the sector. 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 are used for the evaluation of such assets' impairment. Thus, the evaluation of impairment of property, plant and equipment and right-of-use assets and intangible assets (including goodwill) and the incremental costs of obtaining a contract in the telecommunications department is considered as a key audit matter.

For the estimates and judgments related to property, plant and equipment and right-of-use assets 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) to the consolidated financial statements. For other related disclosures, refer to Notes 15, 16, 18 and 19 to the consolidated financial statements.

For the evaluation of impairment loss related to property, plant and equipment and right-of-use assets 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 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 of Revenue Derived from Mobile Telecommunications Service

The mobile telecommunications service revenue is the main revenue source of the Group's telecommunications segment. 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 as a key audit matter.

For the accounting policies related to mobile telecommunications service revenue, refer to Note 4 (s) to 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 obtained from 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 and confirmed the accuracy of the amounts.

In addition, we evaluated manual journal entries posted to revenue accounts, by testing samples 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 the Company for the years ended December 31, 2019 and 2018 on which we have issued unmodified opinion.

#### **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 IFRS, IAS, IFRIC, and 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, 2019 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 24, 2020

#### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 38,924,588	7	\$ 35,342,560	6
Financial assets at fair value through profit or loss - current	5,053,716	1	6,075,604	1
Financial assets at fair value through other comprehensive income - current	80,853	-	75,346	-
Financial assets at amortized cost - current	1,792,168	-	2,090,355	-
Financial assets for hedging - current	-	-	1,868	-
Contact assets - current	6,398,973	1	5,828,641	1
Notes and accounts receivable, net	26,932,881	5	29,347,392	5
Other receivables	4,209,711	1	2,507,639	1
Current tax assets	34,616	-	25,338	-
Inventories	27,117,492	5	34,072,652	6
Prepayments	1,957,909	-	5,082,995	1
Other financial assets - current	3,079,224	-	5,746,927	1
Refundable deposits - current	105,305	-	65,377	-
Other current assets	<u>3,352,947</u>	<u>1</u>	<u>2,926,177</u>	<u>1</u>
Total current assets	<u>119,040,383</u>	<u>21</u>	<u>129,188,871</u>	<u>23</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current	2,076,085	-	2,014,802	1
Financial assets at amortized cost - non-current	519,921	-	431,290	-
Financial assets for hedging - non-current	-	-	65,356	-
Investments accounted for using the equity method	71,266,263	13	66,378,437	12
Contract assets - non-current	2,333,037	-	1,535,757	-
Property, plant and equipment	163,017,162	28	164,557,019	29
Right-of-use assets	18,692,472	3	-	-
Investment properties	127,633,553	22	124,816,527	22
Concessions	38,069,295	7	41,136,801	7
Goodwill	12,290,228	2	11,862,742	2
Other intangible assets	4,926,629	1	4,997,476	1
Deferred tax assets	3,117,532	1	3,318,140	1
Prepayments for equipment	2,150,572	-	1,406,581	-
Refundable deposits - non-current	1,478,369	-	1,130,010	-
Long-term other receivables	100,125	-	524,861	-
Incremental costs of obtaining a contract - non-current	3,398,107	1	1,802,163	-
Net defined benefit assets - non-current	487,009	-	52,927	-
Other financial assets - non-current	3,882,293	1	2,718,063	1
Long-term prepayments for lease	-	-	7,247,623	1
Other non-current assets	<u>1,600,664</u>	<u>-</u>	<u>403,974</u>	<u>-</u>
Total non-current assets	<u>457,039,316</u>	<u>79</u>	<u>436,400,549</u>	<u>77</u>
<b>TOTAL</b>	<u>\$ 576,079,699</u>	<u>100</u>	<u>\$ 565,589,420</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 35,429,586	6	\$ 47,833,445	8
Short-term bills payable	8,125,603	1	6,717,712	1
Financial liabilities at fair value through profit or loss - current	1,861	-	6,848	-
Contract liabilities - current	4,535,792	1	4,647,210	1
Notes and accounts payable	17,704,125	3	16,805,506	3
Notes and accounts payable to related parties	336,261	-	365,517	-
Payables to suppliers of machinery and equipment	2,518,210	-	7,534,766	1
Lease liabilities - current	3,187,540	1	-	-
Other payables	14,844,133	3	16,752,125	3
Current tax liabilities	1,693,953	-	3,615,154	1
Provisions - current	250,396	-	293,364	-
Guarantee deposits received - current	233,022	-	230,984	-
Current portion of long-term liabilities	23,071,439	4	20,640,059	4
Other current liabilities	<u>2,988,273</u>	<u>1</u>	<u>3,437,413</u>	<u>1</u>
Total current liabilities	<u>114,920,194</u>	<u>20</u>	<u>128,880,103</u>	<u>23</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities for hedging - non-current	31,087	-	-	-
Contract liabilities - non-current	210,600	-	208,272	-
Lease liabilities - non-current	7,376,771	1	-	-
Bonds payable	83,398,393	15	78,903,315	14
Long-term borrowings	78,289,832	14	68,719,309	12
Provisions - non-current	961,398	-	911,333	-
Deferred tax liabilities	17,761,929	3	17,552,448	3
Net defined benefit liabilities - non-current	959,416	-	1,868,362	1
Guarantee deposits received - non-current	635,451	-	555,712	-
Deferred credit-gains on related-party transactions	122,526	-	123,081	-
Other non-current liabilities	<u>90,919</u>	<u>-</u>	<u>138,048</u>	<u>-</u>
Total non-current liabilities	<u>189,838,322</u>	<u>33</u>	<u>168,979,880</u>	<u>30</u>
Total liabilities	<u>304,758,516</u>	<u>53</u>	<u>297,859,983</u>	<u>53</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Common stock	<u>53,528,751</u>	<u>9</u>	<u>53,528,751</u>	<u>9</u>
Capital surplus	<u>3,270,355</u>	<u>1</u>	<u>2,908,631</u>	<u>1</u>
Retained earnings				
Legal reserve	17,955,250	3	16,752,421	3
Special reserve	115,505,874	20	114,443,170	20
Unappropriated earnings	<u>17,376,404</u>	<u>3</u>	<u>17,996,558</u>	<u>3</u>
Total retained earnings	<u>150,837,528</u>	<u>26</u>	<u>149,192,149</u>	<u>26</u>
Other equity	<u>(3,089,283)</u>	<u>(1)</u>	<u>(2,069,331)</u>	<u>-</u>
Treasury shares	<u>(25,063)</u>	<u>-</u>	<u>(25,063)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>204,522,288</u>	<u>35</u>	<u>203,535,137</u>	<u>36</u>
<b>NON-CONTROLLING INTERESTS</b>				
Total equity	<u>271,321,183</u>	<u>47</u>	<u>267,729,437</u>	<u>47</u>
<b>TOTAL</b>	<u>\$ 576,079,699</u>	<u>100</u>	<u>\$ 565,589,420</u>	<u>100</u>

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
<b>OPERATING REVENUE</b>				
Net sales	\$181,946,076	73	\$159,436,994	70
Telecommunications service revenue	47,518,690	19	50,580,903	22
Gain on disposal of investments, net	31,400	-	-	-
Construction revenue	6,868,908	3	6,358,851	3
Other operating revenue	<u>13,781,516</u>	<u>5</u>	<u>12,285,185</u>	<u>5</u>
Total operating revenue	<u>250,146,590</u>	<u>100</u>	<u>228,661,933</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Cost of goods sold	168,419,192	67	146,690,946	64
Cost of telecommunications services	24,651,774	10	26,148,722	12
Loss on disposal of investments, net	-	-	16,319	-
Construction costs	6,608,826	3	6,135,849	3
Other operating costs	<u>5,716,868</u>	<u>2</u>	<u>5,269,985</u>	<u>2</u>
Total operating costs	<u>205,396,660</u>	<u>82</u>	<u>184,261,821</u>	<u>81</u>
<b>GROSS PROFIT</b>	<u>44,749,930</u>	<u>18</u>	<u>44,400,112</u>	<u>19</u>
<b>REALIZED CONSTRUCTION INCOME</b>	<u>555</u>	<u>-</u>	<u>556</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Selling and marketing	18,810,722	8	16,793,326	7
General and administrative	10,809,934	4	11,778,207	5
Research and development	1,061,969	-	836,704	1
Expected credit loss	<u>304,866</u>	<u>-</u>	<u>208,489</u>	<u>-</u>
Total operating expenses	<u>30,987,491</u>	<u>12</u>	<u>29,616,726</u>	<u>13</u>
<b>OPERATING INCOME</b>	<u>13,762,994</u>	<u>6</u>	<u>14,783,942</u>	<u>6</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>				
Share of the profit or loss of associates	6,464,485	2	6,224,158	3
Interest income	354,718	-	301,957	-
Other income - other	1,235,713	-	1,428,288	-
(Loss) gain on disposal of investment properties	(262)	-	12,619	-
Gain on modification of lease	1,101	-	-	-
Exchange gain, net	127,790	-	566,309	-
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	386,597	-	(247,749)	-

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
Gain on change in fair value of investment properties	1,882,995	1	646,390	-
Interest expense	(3,220,315)	(1)	(2,689,232)	(1)
Other expenses	(879,055)	-	(959,360)	-
(Loss) gain on disposal of property, plant and equipment	(816,751)	-	1,547,167	1
Loss on disposal of concessions	(1,467)	-	-	-
Gain (loss) on disposal of intangible assets	1,465	-	(4,774)	-
Net loss on derecognition of financial assets at amortized cost	(2,800)	-	-	-
Impairment loss	<u>(166,953)</u>	<u>-</u>	<u>(554,585)</u>	<u>-</u>
Total non-operating income and expenses	<u>5,367,261</u>	<u>2</u>	<u>6,271,188</u>	<u>3</u>
INCOME BEFORE INCOME TAX	19,130,255	8	21,055,130	9
INCOME TAX EXPENSE	<u>(2,695,092)</u>	<u>(1)</u>	<u>(2,663,528)</u>	<u>(1)</u>
NET INCOME	<u>16,435,163</u>	<u>7</u>	<u>18,391,602</u>	<u>8</u>
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	831,265	-	328,504	-
Gain on property revaluation	337,927	-	-	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	70,739	-	34,423	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	1,855,646	1	1,049,676	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(169,991)</u>	<u>-</u>	<u>71,214</u>	<u>-</u>
	<u>2,925,586</u>	<u>1</u>	<u>1,483,817</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(2,536,536)	(1)	(625,668)	-
(Loss) Gain on hedging instruments	(96,443)	-	29,812	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>(747,976)</u>	<u>-</u>	<u>17,908</u>	<u>-</u>

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
	<u>(3,380,955)</u>	<u>(1)</u>	<u>(577,948)</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>(455,369)</u>	<u>-</u>	<u>905,869</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 15,979,794</u>	<u>7</u>	<u>\$ 19,297,471</u>	<u>8</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 10,732,669	5	\$ 12,028,294	5
Non-controlling interests	<u>5,702,494</u>	<u>2</u>	<u>6,363,308</u>	<u>3</u>
	<u>\$ 16,435,163</u>	<u>7</u>	<u>\$ 18,391,602</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 10,546,569	5	\$ 12,883,387	5
Non-controlling interests	<u>5,433,225</u>	<u>2</u>	<u>6,414,084</u>	<u>3</u>
	<u>\$ 15,979,794</u>	<u>7</u>	<u>\$ 19,297,471</u>	<u>8</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 2.15</u>		<u>\$ 2.41</u>	
Diluted	<u>\$ 2.14</u>		<u>\$ 2.40</u>	

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(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	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	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 Hedges	Gain on Hedging Instruments	Unrealized Revaluation Increments	Treasury Shares			
BALANCE AT JANUARY 1, 2018	\$ 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
Effect of retrospective application and retrospective restatement	-	-	-	-	(331,352)	-	-	-	-	-	-	-	(331,352)	(94,653)	(426,005)
BALANCE AT JANUARY 1, 2019, AS RESTATED	53,528,751	2,908,631	16,752,421	114,443,170	17,665,206	(3,589,901)	-	771,912	-	45,880	702,778	(25,063)	203,203,785	64,099,647	267,303,432
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	1,202,829	-	(1,202,829)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,088,579	(1,088,579)	-	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	-	(9,635,175)	-	-	-	-	-	-	-	(9,635,175)	-	(9,635,175)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,758,030)	(7,758,030)
Net income for the year ended December 31, 2019	-	-	-	-	10,732,669	-	-	-	-	-	-	-	10,732,669	5,702,494	16,435,163
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	823,075	(2,955,805)	-	1,678,830	-	(34,180)	301,980	-	(186,100)	(269,269)	(455,369)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,555,744	(2,955,805)	-	1,678,830	-	(34,180)	301,980	-	10,546,569	5,433,225	15,979,794
Change in associates accounted for using the equity method	-	14,084	-	6	45,095	-	-	-	-	-	-	-	59,185	409	59,594
Disposal of investments accounted for using the equity method	-	(212)	-	-	528	-	-	(244)	-	-	-	-	72	-	72
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,276)	(11,276)
Change in ownership interest of subsidiaries	-	346,449	-	-	-	-	-	-	-	-	-	-	346,449	3,088,551	3,435,000
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,783,277	1,783,277
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	1,403	-	-	-	-	-	-	-	-	-	-	1,403	-	1,403
Associate disposed the investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	10,533	-	-	(10,533)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(25,881)	25,881	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	163,092	163,092
BALANCE AT DECEMBER 31, 2019	\$ 53,528,751	\$ 3,270,355	\$ 17,955,250	\$ 115,505,674	\$ 17,376,404	\$ (6,545,706)	\$ -	\$ 2,439,965	\$ -	\$ 11,700	\$ 1,004,758	\$ (25,063)	\$ 204,522,288	\$ 66,798,895	\$ 271,321,183

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 19,130,255	\$ 21,055,130
Adjustments for:		
Expected credit loss	304,866	208,489
Depreciation	21,689,323	16,283,336
Amortization	4,372,487	4,820,588
Interest expense	3,220,315	2,689,232
Net loss on disposal of financial assets at amortized cost	2,800	-
Interest income	(354,718)	(301,957)
Dividend income	(70,241)	(44,694)
Share of the profit of associates	(6,464,485)	(6,224,158)
Loss (gain) on disposal of property, plant and equipment	816,751	(1,547,167)
Loss (gain) on disposal of investment properties	262	(12,619)
(Gain) loss on disposal of intangible assets	(1,465)	4,774
Loss on disposal of concessions	1,467	-
Gain on disposal of investments	(39,053)	-
Impairment loss	166,953	554,585
(Reversal) write-down of inventories	(57,622)	634,862
Realized gain on the transactions with associates	(555)	(556)
Gain on change in fair value of investment properties	(1,882,995)	(646,390)
Gain on modifications of lease	(1,101)	-
Loss on disposal of subsidiaries	773	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,021,888	(1,619,878)
Financial instruments for hedging	1,868	(168)
Contract assets	(1,367,612)	528,662
Notes and accounts receivable	2,347,777	(4,128,134)
Other receivables	(127,491)	(53,510)
Inventories	6,889,155	(8,338,426)
Prepayments	2,538,599	(1,646,548)
Other current assets	(407,029)	(1,238,302)
Incremental cost of obtaining a contract	(1,595,944)	(235,973)
Financial liabilities at fair value through profit or loss	(4,987)	(6,139)
Contract liabilities	(158,586)	(146,239)
Notes and accounts payable	638,431	(2,377,897)
Notes and accounts payable to related parties	(29,256)	25,799
Other payables	(2,630,602)	2,287,719
Provisions	7,097	8,611
Other current liabilities	(416,220)	930,803
Net defined benefit assets and liabilities	(511,763)	(408,121)
Cash generated from operations	47,029,342	21,055,714
Interest received	362,404	271,495
Dividends received	4,204,534	2,993,151
Interest paid	(3,281,446)	(2,585,514)
Income tax paid	(4,365,548)	(2,934,173)
		(Continued)

# FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	<b>2019</b>	<b>2018</b>
Net cash generated from operating activities	<u>43,949,286</u>	<u>18,800,673</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in prepayments for investments	(100,000)	-
Decrease (increase) in financial assets at amortized cost	189,356	(477,492)
Acquisition of financial assets at fair value through other comprehensive income	(5,207)	(536,697)
Cash received by reduction of capital of financial assets at fair value through other comprehensive income	-	61,500
Acquisition of investments accounted for using the equity method	(1,855,556)	(277,332)
Proceeds from the disposal of investments accounted for using the equity method	162,010	-
Acquisition of property, plant, equipment and prepayments for equipment	(24,629,959)	(24,539,384)
Proceeds from the disposal of property, plant and equipment	106,912	3,085,355
Increase in refundable deposits	(386,900)	(303,104)
(Increase) decrease in other receivables	(2,591,284)	2,770,350
Acquisition of intangible assets	(897,241)	(2,117,155)
Proceeds on the disposal of intangible assets	9,282	72
Acquisition of investment properties	(12,441)	(17,204)
Proceeds from the disposal of investment properties	1,440,000	199,227
Increase in prepayments for leases	-	(713,405)
Acquisition of right-of-use assets	(927,705)	-
Increase in concessions	(107,419)	(113,684)
Proceeds from disposal of concessions	375	-
Decrease (increase) in other financial assets	1,477,887	(1,084,657)
Net cash outflow on acquisition of subsidiaries	(436,659)	-
Net cash outflow on disposal of subsidiaries	(39,803)	-
(Increase) decrease in other non-current assets	<u>(1,089,954)</u>	<u>103,905</u>
Net cash used in investing activities	<u>(29,694,306)</u>	<u>(23,959,705)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(12,403,859)	16,888,858
Increase (decrease) in short-term bills payables	1,409,000	(926,000)
Proceeds from issue of bonds	25,100,000	25,000,000
Repayments of bonds payables	(17,800,000)	(13,500,000)
Proceeds from long-term borrowings	300,343,176	202,493,083
Repayments of long-term borrowings	(291,083,741)	(200,696,643)
Repayment of the principal portion of lease liability	(3,852,159)	-
Increase (decrease) in guarantee deposits received	80,600	(11,469)
Increase (decrease) in other non-current liabilities	131	(15,604)
Cash dividends paid	(9,633,772)	(6,422,726)

(Continued)

## FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

---

	2019	2018
Cash capital increase by subsidiaries	5,218,277	577,375
Cash capital reduction by subsidiaries	-	(360)
Partial acquisition of interests in subsidiaries from non-controlling interests	-	(171,658)
Dividends paid to non-controlling interests	<u>(7,758,030)</u>	<u>(7,760,337)</u>
Net cash (used in) generated from financing activities	<u>(10,380,377)</u>	<u>15,454,519</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(292,575)</u>	<u>(417,150)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,582,028	9,878,337
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>35,342,560</u>	<u>25,464,223</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 38,924,588</u>	<u>\$ 35,342,560</u>

(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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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.

Key audit matters of the financial statements for the year ended December 31, 2019 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 to the accompanying financial statements. For more information about the Company's investment properties, refer to Note 14 to 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 we evaluated the risk of possible impairment of the valuer's independence and determined that 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 on Property, Plant and Equipment and Right-of-use Assets 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.

Economic trends, market competition, and technological development influence the operations of the Far EasTone and 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. As a result, the evaluation of impairment loss of property, plant and equipment and right-of-use assets and intangible assets (including goodwill) and the incremental costs of obtaining a contract from the Company's subsidiaries' equity-method investee is considered as a key audit matter.

For the evaluation of impairment loss related to property, plant and equipment and right-of-use assets 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 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 Revenue Derived from Mobile Telecommunications Service Generated by the Company's Subsidiaries' Equity-Method Investee

The Company's subsidiaries' equity-method investee, Far EasTone, is a material component. The mobile telecommunications service revenue is the main revenue source 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 product and service mixes which make the calculation of revenue more complex and directly affect the accuracy and timing of revenue recognition. The recognition of mobile telecommunications service revenue impacts the share of profit or loss of subsidiaries and associates. As the result, the recognition of mobile telecommunications service revenue is considered as 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 obtained from 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 that there was no 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 and confirmed the accuracy of the amounts.

In addition, we evaluated manual journal entries posted to revenue accounts, by sample testing 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, 2019 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 24, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 20,592,925	6	\$ 16,250,323	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	7,703	-	-	-
Financial assets at amortized cost - current (Notes 4 and 8)	-	-	700,000	1
Notes and accounts receivable, net (Notes 4, 9 and 26)	5,323,584	2	7,003,949	2
Other receivables (Note 26)	306,089	-	334,852	-
Current tax assets	18,193	-	5,978	-
Inventories (Notes 4 and 10)	5,170,448	2	6,672,500	2
Prepayments	78,100	-	64,024	-
Refundable deposits - current	18,044	-	18,463	-
Other current assets	308,802	-	373,003	-
<b>Total current assets</b>	<b>31,823,888</b>	<b>10</b>	<b>31,423,092</b>	<b>10</b>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4, 11 and 27)	268,034,222	82	259,259,165	82
Property, plant and equipment (Notes 4, 12 and 27)	25,325,644	8	24,507,928	8
Right-of-use assets (Notes 4 and 13)	890,813	-	-	-
Investment properties (Notes 4, 5, 14 and 27)	978,404	-	1,515,753	-
Other intangible assets (Notes 4 and 15)	18,948	-	17,087	-
Deferred tax assets (Notes 4 and 22)	48,070	-	75,842	-
Prepayments for equipment (Note 12)	143,402	-	59,851	-
Refundable deposits - non-current (Note 26)	93,874	-	75,720	-
Net defined benefit assets - non-current (Note 18)	417,428	-	-	-
Other financial assets - non-current (Note 27)	1,300,373	-	38,000	-
Other non-current assets	46,537	-	57,716	-
<b>Total non-current assets</b>	<b>297,297,715</b>	<b>90</b>	<b>285,607,062</b>	<b>90</b>
<b>TOTAL</b>	<b>\$ 329,121,603</b>	<b>100</b>	<b>\$ 317,030,154</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 2,400,415	1	\$ 2,743,834	1
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	-	-	6,832	-
Contract liabilities - current (Note 20)	144,678	-	99,447	-
Notes and accounts payable	1,307,574	1	1,616,507	1
Notes and accounts payable to related parties (Note 26)	1,286,190	-	1,492,186	-
Payables to suppliers of machinery and equipment	967	-	305,866	-
Lease liabilities - current (Note 4 and 13)	230,906	-	-	-
Other payables	4,124,706	1	4,186,374	1
Current portion of long-term liabilities (Notes 16 and 17)	13,695,421	4	12,095,836	4
Other current liabilities	816,369	-	792,789	-
<b>Total current liabilities</b>	<b>24,007,226</b>	<b>7</b>	<b>23,339,671</b>	<b>7</b>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 13)	668,299	-	-	-
Bonds payable (Note 17)	44,741,032	14	44,443,342	14
Long-term borrowings (Notes 16 and 26)	52,752,032	16	42,773,582	14
Deferred tax liabilities (Notes 4 and 22)	2,381,837	1	2,214,224	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	-	-	673,497	-
Guarantee deposits received- non-current	1,623	-	2,515	-
Deferred credit-gains on related-party transactions (Note 26)	47,266	-	48,186	-
<b>Total non-current liabilities</b>	<b>100,592,089</b>	<b>31</b>	<b>90,155,346</b>	<b>29</b>
<b>Total liabilities</b>	<b>124,599,315</b>	<b>38</b>	<b>113,495,017</b>	<b>36</b>
<b>EQUITY (Note 18)</b>				
Share capital				
Common stock	53,528,751	16	53,528,751	17
Capital surplus	3,270,355	1	2,908,631	1
Retained earnings				
Legal reserve	17,955,250	5	16,752,421	5
Special reserve	115,505,874	36	114,443,170	36
Unappropriated earnings	17,376,404	5	17,996,558	6
Total retained earnings	150,837,528	46	149,192,149	47
Other equity	(3,089,283)	(1)	(2,069,331)	(1)
Treasury shares	(25,063)	-	(25,063)	-
<b>Total equity</b>	<b>204,522,288</b>	<b>62</b>	<b>203,535,137</b>	<b>64</b>
<b>TOTAL</b>	<b>\$ 329,121,603</b>	<b>100</b>	<b>\$ 317,030,154</b>	<b>100</b>

# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Net sales	\$46,477,960	100	\$54,040,105	100
Other operating revenue	<u>-</u>	<u>-</u>	<u>23,696</u>	<u>-</u>
Total operating revenue	<u>46,477,960</u>	<u>100</u>	<u>54,063,801</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	41,524,817	89	48,837,045	90
Other operating costs	<u>-</u>	<u>-</u>	<u>29,703</u>	<u>-</u>
Total operating costs	<u>41,524,817</u>	<u>89</u>	<u>48,866,748</u>	<u>90</u>
GROSS PROFIT	<u>4,953,143</u>	<u>11</u>	<u>5,197,053</u>	<u>10</u>
OPERATING EXPENSES				
Selling and marketing	2,634,540	6	2,738,685	5
General and administrative	1,326,964	3	1,384,860	2
Research and development	859,202	2	813,551	2
Reversal of expected credit loss	<u>(4,639)</u>	<u>-</u>	<u>(306)</u>	<u>-</u>
Total operating expenses	<u>4,816,067</u>	<u>11</u>	<u>4,936,790</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>137,076</u>	<u>-</u>	<u>260,263</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Share of the profit or loss of subsidiaries and associates	11,434,524	25	13,154,244	24
Interest income	22,394	-	29,366	-
Other income	325,767	1	288,739	1
Gain on disposal of property, plant and equipment	40,448	-	22,259	-
Gain on disposal of investment properties	-	-	12,619	-
Gain on disposal of investments	85	-	85	-
Exchange gain, net	12,241	-	351,635	1
Gain (loss) on financial assets (liabilities) at fair value through profit or loss	24,749	-	(155,529)	-
Gain on change in fair value of investment properties	8,535	-	107,359	-
Interest expense	(988,839)	(2)	(910,495)	(2)
Other expenses	(259,136)	(1)	(281,418)	(1)
Impairment loss	<u>(13,818)</u>	<u>-</u>	<u>(160,550)</u>	<u>-</u>
Total non-operating income and expenses	<u>10,606,950</u>	<u>23</u>	<u>12,458,314</u>	<u>23</u>

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$10,744,026	23	\$12,718,577	24
INCOME TAX EXPENSE (Notes 4, 5 and 21)	<u>(11,357)</u>	<u>-</u>	<u>(690,283)</u>	<u>(1)</u>
NET INCOME	<u>10,732,669</u>	<u>23</u>	<u>12,028,294</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	828,568	2	295,140	1
Gains on property revaluations	331,557	1	-	-
Share of other comprehensive loss of subsidiaries and associates	1,721,330	4	992,493	2
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(168,335)</u>	<u>(1)</u>	<u>69,752</u>	<u>-</u>
	<u>2,713,120</u>	<u>6</u>	<u>1,357,385</u>	<u>3</u>
Share of other comprehensive loss of subsidiaries and associates	<u>(2,899,220)</u>	<u>(6)</u>	<u>(502,292)</u>	<u>(1)</u>
Total other comprehensive income (loss)	<u>(186,100)</u>	<u>-</u>	<u>855,093</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$10,546,569</u>	<u>23</u>	<u>\$12,883,387</u>	<u>25</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	<u>\$ 2.15</u>		<u>\$ 2.41</u>	
Diluted	<u>\$ 2.14</u>		<u>\$ 2.40</u>	

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION**

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars; Except Dividend Per Share)

	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity				Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedge	Gain on Hedging Instruments	Unrealized Property Revaluation Increments		
BALANCE AT JANUARY 1, 2018	\$ 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 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
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	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
Effect of retrospective application and retrospective restatement	-	-	-	-	(331,352)	-	-	-	-	-	-	-	(331,352)
BALANCE AT JANUARY 1, 2019, AS RESTATED	53,528,751	2,908,631	16,752,421	114,443,170	17,665,206	(3,589,901)	-	771,912	-	45,880	702,778	(25,063)	203,203,785
Appropriation of the 2018 earnings													
Legal reserve	-	-	1,202,829	-	(1,202,829)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,088,579	(1,088,579)	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	-	(9,635,175)	-	-	-	-	-	-	-	(9,635,175)
Net income for the year ended December 31, 2019	-	-	-	-	10,732,669	-	-	-	-	-	-	-	10,732,669
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	823,075	(2,955,805)	-	1,678,830	-	(34,180)	301,980	-	(186,100)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,555,744	(2,955,805)	-	1,678,830	-	(34,180)	301,980	-	10,546,569
Change in associates accounted for using the equity method	-	360,321	-	6	39,964	-	-	5,415	-	-	-	-	405,706
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	1,403	-	-	-	-	-	-	-	-	-	-	1,403
Associate disposed the investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	16,192	-	-	(16,192)	-	-	-	-	-
Reversal of special reserve	-	-	-	(25,881)	25,881	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2019	\$ 53,528,751	\$ 3,270,355	\$ 17,955,250	\$115,505,874	\$ 17,376,404	\$ (6,545,706)	\$ -	\$ 2,439,965	\$ -	\$ 11,700	\$ 1,004,758	\$ (25,063)	\$204,522,288

# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 10,744,026	\$ 12,718,577
Adjustments for:		
Reversal of expected credit loss	(4,639)	(306)
Depreciation	2,444,494	1,973,976
Amortization	9,358	10,553
Interest expense	988,839	910,495
Interest income	(22,394)	(29,366)
Share of the profit of subsidiaries and associates	(11,434,524)	(13,154,244)
Gain on disposal of property, plant and equipment	(40,448)	(22,259)
Gain on disposal of investment properties	-	(12,619)
Gain on disposal of investments	(85)	(85)
Impairment loss	13,818	160,550
Reversal of inventories	(106,178)	(100,378)
Gain on change in fair value of investment properties	(8,535)	(107,359)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(7,703)	21,211
Notes and accounts receivable	1,685,004	93,094
Other receivables	(76,287)	(60,500)
Inventories	1,608,230	(437,368)
Prepayments	(14,679)	73,150
Other current assets	64,201	(100,167)
Contract liabilities	45,231	(282,667)
Notes and accounts payable	(308,933)	(467,166)
Notes and accounts payable to related parties	(205,996)	421,960
Other payables	(64,417)	456,606
Financial liabilities at fair value through profit or loss	(6,832)	1,937
Other current liabilities	23,580	(18,586)
Net defined benefit liabilities - non-current	<u>(262,357)</u>	<u>(325,770)</u>
Cash generated from operations	5,062,774	1,723,269
Interest received	22,444	29,316
Dividends received	10,015,403	8,247,267
Interest paid	(1,011,388)	(809,727)
Income tax received	<u>3,478</u>	<u>5,640</u>
Net cash generated from operating activities	<u>14,092,711</u>	<u>9,195,765</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (Increase) in financial assets at amortized cost	700,000	(700,000)
Acquisition of investments accounted for using the equity method	(8,452,235)	(14,885,430)
Acquisition of property, plant, equipment and prepayments for equipment	(2,583,491)	(2,055,292)
Proceeds from disposal of property, plant and equipment	65,322	32,777
(Increase) Decrease in refundable deposits	(17,735)	2,712
Decrease (Increase) in other receivables	105,000	(105,000)

(Continued)

# FAR EASTERN NEW CENTURY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Acquisition of intangible assets	(11,219)	(7,213)
Acquisition of investment properties	(1,456)	-
Proceeds from disposal of investment properties	-	19,227
(Increase) Decrease in other financial assets	(1,262,373)	3,174
Decrease in other non-current assets	<u>17,915</u>	<u>206,700</u>
Net cash used in investing activities	<u>(11,440,272)</u>	<u>(17,488,345)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(343,419)	643,156
Proceeds from issue of bonds	14,000,000	17,000,000
Repayments of bonds payable	(10,600,000)	(5,500,000)
Proceeds from long-term borrowings	245,578,252	147,370,768
Repayments of long-term borrowings	(237,077,229)	(138,307,023)
Repayment of the principal portion of lease liabilities	(231,374)	-
Decrease (increase) in guarantee deposits received	(892)	20
Dividends paid	<u>(9,635,175)</u>	<u>(6,423,661)</u>
Net cash generated from financing activities	<u>1,690,163</u>	<u>14,783,260</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,342,602	6,490,680
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>16,250,323</u>	<u>9,759,643</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 20,592,925</u>	<u>\$ 16,250,323</u>

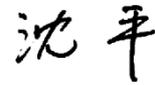
(Concluded)

## Attachment II

### The Audit Committee's Review Report

To the 2020 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 2019 which had been audited by Deloitte & Touche, and found them in order.



The Convener of the Audit Committee: Bing Shen

12 May 2020