

**2018 Annual General Shareholders' Meeting
(Translation)**

Date: Friday, 29 June 2018

Time: 9:00 a.m. Taipei time

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

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: 4,838,368,122 shares

Percentage of shares held by shareholders: 90.401%

Directors: Mr. Douglas Tong Hsu, Mr. Johnny Hsi, Mr. Peter Hsu, Mr. Shaw Y. Wang, Ms. Alice Hsu, Mr. Richard Yang, and Mr. Johnsee Lee (Independent Director and was appointed with the proxy by Mr. Bing Shen, the Convener of Audit Committee to attend the annual general shareholders' meeting)



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

Approval items

1. To accept 2017 business report and financial statements

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

Explanatory Notes:

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

Voting Results: 4,838,368,122 shares were represented at the time of voting (including e-voting); 4,541,404,933 shares voted for the proposal, representing 93.86% of the total represented shares, 216,387 shares voted against the proposal, while 296,746,802 shares voted abstention the proposal.

RESOLVED, that the 2017 business report and financial statements be and hereby were accepted as submitted.

2. To approve the proposal for distribution of 2017 profits

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

Explanatory Notes:

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

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

(Unit: NT\$)

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

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

Voting Results: 4,838,368,122 shares were represented at the time of voting (including e-voting); 4,554,810,243 shares voted for the proposal, representing 94.14% of the total represented shares, 256,095 shares voted against the proposal, while 283,301,784 shares voted abstention the proposal.

RESOLVED, the proposal for distribution of 2017 profits be and hereby was accepted as proposed.

Proposed resolution

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

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

Explanatory Notes:

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

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

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

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

Voting Results: 4,838,368,122 shares were represented at the time of voting (including e-voting); 4,554,730,635 shares voted for the proposal, representing 94.14% of the total represented shares, 331,961 shares voted against the proposal, while 283,305,526 shares voted abstention the proposal.

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

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

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

Explanatory Notes:

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

List of Director (including Independent Director) Candidates

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

No.	Type	Candidate	Education	Major Experiences	Current position	No. of shares held	Name of Institutional Shareholders
					Corp.		
4	Director	Shaw Y. Wang	<ul style="list-style-type: none"> National Chung Hsing University, Taiwan, Business Administration Department National Taiwan University, Taiwan, the Executive Program in Business Administration 	<ul style="list-style-type: none"> First Senior Executive Vice President, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Executive Director, Group Foundation Director, Far Eastern International Bank 	1,272,277,085	Asia Cement Corp.
5	Director	Raymond Hsu	<ul style="list-style-type: none"> Australian Mining and Metallurgy College, Australia 	<ul style="list-style-type: none"> Chief Auditor, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Chief Auditor, Far Eastern New Century Corp. 	1,272,277,085	Asia Cement Corp.
6	Director	Richard Yang	<ul style="list-style-type: none"> American Graduate School of International Management 	<ul style="list-style-type: none"> Managing Director, Surfview Capital Ltd. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Managing Director, Surfview Capital Ltd. 	19,964,370	Far Eastern Department Stores Ltd.
7	Director	Tonia Katherine Hsu	<ul style="list-style-type: none"> Sarah Lawrence College, New York, USA , BA 	<ul style="list-style-type: none"> Specialist, Sotheby's, New York, USA (Arts Administration, Asian Liaison) 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. 	19,964,370	Far Eastern Department Stores Ltd.
8	Director	Kwan-Tao Li	<ul style="list-style-type: none"> Kellogg-HKUST, MBA 	<ul style="list-style-type: none"> Chief Senior Counselor, Lee and Li, Attorney-at-law 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Director, Asia Cement Corp. Chief Senior Counselor, Lee and Li, Attorney-at-law 	31,181,470	U-Ming Marine Transport Corp.
9	Director	Alice Hsu	<ul style="list-style-type: none"> Sheridan College, Retail Management 	<ul style="list-style-type: none"> President, Far Eastern Department Stores Ltd. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. 	31,181,470	U-Ming Marine Transport Corp.
10	Director	Champion Lee	<ul style="list-style-type: none"> Texas A&I University, USA, Master in Business Administration 	<ul style="list-style-type: none"> Senior Executive Vice President, Far Eastern New Century Corp. 	<ul style="list-style-type: none"> Director, Far Eastern New Century Corp. Director, Asia Cement Corp. Director, Far Eastone Telecommunications Co. Ltd. Director, U-Ming Marine Transport Corp. 	20,963,781	Yue Ding Industry Co., Ltd.
11	Independent	Bing Shen	<ul style="list-style-type: none"> Harvard University, USA, MBA 	<ul style="list-style-type: none"> Vice President & Executive 	<ul style="list-style-type: none"> Independent Director, Far Eastern 	0	-

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

Voting Results:**Newly elected Directors (including Independent Directors) list and votes received**

	Name	Votes Received
Directors	Douglas Tong Hsu	5,489,218,745
	Asia Cement Corp. Representative: Johnny Hsi	4,874,302,259
	Asia Cement Corp. Representative: Peter Hsu	4,544,952,088
	Asia Cement Corp. Representative: Shaw Y. Wang	4,225,355,444
	Asia Cement Corp. Representative: Raymond Hsu	3,955,681,297
	Far Eastern Department Stores Ltd. Representative: Richard Yang	3,784,412,739
	Far Eastern Department Stores Ltd. Representative: Tonia Katherine Hsu	3,685,093,681
	U-Ming Marine Transport Corp. Representative: Kwan-Tao Li	3,561,922,317
	U-Ming Marine Transport Corp. Representative: Alice Hsu	3,333,559,111
	Yue Ding Industry Co., Ltd. Representative: Champion Lee	3,262,667,169
Independent Directors	Bing Shen	3,143,069,854
	Sheng-Cheng Hu	2,851,735,095
	Johnsee Lee	2,606,059,037

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

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

Explanatory Notes:

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

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

- iii. Please approve the above proposal.

Voting Results: 4,838,368,122 shares were represented at the time of voting (including e-voting); 4,419,468,253 shares voted for the proposal, representing 91.34% of the total represented shares, 3,773,608 shares voted against the proposal, while 415,126,261 shares voted abstention the proposal.

RESOLVED, the proposal for the release of the relevant Directors from the non-competition restriction under Article 209 of the Company Act 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

2017 Independent Auditors' Report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Shareholders
Far Eastern New Century Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Fair Value Evaluation of Investment Property

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

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

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

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

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

Evaluation of Impairment Loss of Related Assets in Telecommunication Department

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

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

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

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

Recognition of Telecommunications Service Revenue

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

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

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

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

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

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

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

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

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

Independent auditors' report

(English Translation of a Report Originally Issued in Chinese)

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

FAR EASTERN NEW CENTURY CORPORATION

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

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

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

FAR EASTERN NEW CENTURY CORPORATION

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

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

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

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

(Concluded)

FAR EASTERN NEW CENTURY CORPORATION

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

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

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

FAR EASTERN NEW CENTURY CORPORATION

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

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

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

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

Attachment II

The Audit Committee's Review Report

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

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

The Convener of the Audit Committee: Bing Shen

Handwritten signature in Chinese characters, consisting of the characters '沈' (Shen) and '平' (Ping) stacked vertically.

11 May 2018