



Far Eastern New Century Corporation(FENC)

2019 Annual General Shareholders' Meeting (Translation)

Date: Friday, 28 June 2019

Time: 9:00 a.m. Taipei time

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

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: 4,917,338,750 shares

Percentage of shares held by shareholders: 91.877%

Directors: Mr. Douglas Tong Hsu, Mr. Johnny Hsi, Mr. Peter Hsu, Mr. Shaw Y. Wang, Ms. Alice Hsu, Mr. Champion Lee, Mr. Bing Shen (Independent Director) and Mr. Johnsee Lee (Independent Director)

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

Approval items

1. To accept 2018 business report and financial statements

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

Explanatory Notes:

- i. FENC's 2018 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Mr. Shih Jing-Bin and Mr. Kuo Cheng-Hung of Deloitte & Touche, and have been examined by and determined to be correct and accurate by the Audit Committee of FENC. We thereby submit this report.
- ii. The 2018 business report, independent auditors' reports, Audit Committee's report, and the aforesaid financial statements are attached as Attachments I and II.
- iii. Please accept the aforesaid business report and financial statements.

Voting Results: 4,917,338,750 shares were represented at the time of voting (including e-voting); 4,566,964,582 shares voted for the proposal, representing 92.88% of the total represented shares, 98,739 shares voted against the proposal, while 350,275,429 shares voted abstention the proposal.

RESOLVED, that the 2018 business report and financial statements be and hereby were accepted as submitted.

2. To approve the proposal for distribution of 2018 profits

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

Explanatory Notes:

- i. Cash dividends to common shareholders: NT\$9,635,175,409. (NT\$ 1.8/share)
- ii. This profit distribution will be distributed first from the earnings available for distribution in 2018 and then from the unappropriated earnings between 1998 and 2017 when there is a shortfall; furthermore, if there is still a deficit, the unappropriated earnings prior to the end of 1997 will be employed.
- iii. After being approved at the Annual General Shareholders' Meeting, the cash dividends to common shareholders will be distributed on a record date to be determined by the Chairman granted full authority from the Board of Directors. Should FENC subsequently repurchase its common shares or issue new common shares according to the relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FENC be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

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

(Unit: NT\$)

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

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

Voting Results: 4,917,338,750 shares were represented at the time of voting (including e-voting); 4,580,810,608 shares voted for the proposal, representing 93.16% of the total represented shares, 112,822 shares voted against the proposal, while 336,415,320 shares voted abstention the proposal.

RESOLVED, the proposal for distribution of 2018 profits be and hereby was accepted as proposed.

Proposed resolution

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

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

Explanatory Notes:

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

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

Section	Proposed Changes	Current Articles	Description
	<p>shares are 100%-owned, directly or indirectly, by the Company, or the lending of capital lent by aforesaid overseas companies to the Company, if it could be defined as Seeking Short-Term Financing, shall not be limited by "the total amount of loans extended by the lender shall not exceed the forty percent (40%) of lender's Net Worth" and "one (1) year period". Provided that, the total amount of loan, the amount of any individual loan and loan period shall comply with the lender's procedures for lending of capital to others.</p> <p>The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, the separate and total amount of loans of funds to the Company seeking need short-term financing, shall comply with the lender's procedures for lending of capital to others.</p> <p>The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
Article 8	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the 	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the 	<p>Since the nature of lending capital cannot be defined as a transaction, therefore amend paragraph 5 of this Article in accordance with paragraph 2, Article 7 of the Regulation.</p>

Section	Proposed Changes	Current Articles	Description
	<p>Company's Latest Net Worth.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>loans</u>, whichever date is earlier.</p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>Company's Latest Net Worth.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	

- iii. Please approve the proposal for the amendments to "Procedures for Lending of Capital to Others of Far Eastern New Century Corporation".

Voting Results: 4,917,338,750 shares were represented at the time of voting (including e-voting); 4,577,866,834 shares voted for the proposal, representing 93.10% of the total represented shares, 119,914 shares voted against the proposal, while 339,352,002 shares voted abstention the proposal.

RESOLVED, the proposal for the amendments to "Procedures for Lending of Capital to Others of Far Eastern New Century Corporation" be and hereby was accepted as proposed.

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

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

Explanatory Notes:

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

Section	Proposed Changes	Current Articles	Description
Article 8	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence:</p> <p>1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's Latest Net Worth; or</p> <p>2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's Latest Net Worth; or</p> <p>3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, <u>the booking value of any investment accounted for using equity method</u>, and balance of loans to, such company has reached 30% of the</p>	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence:</p> <p>1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's Latest Net Worth; or</p> <p>2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's Latest Net Worth; or</p> <p>3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, any investment <u>of a long-term nature in</u>, and balance of loans to, such company has reached 30% of the Company's Latest Net Worth; or</p>	<p>Considering item 3, paragraph 1 of Article 25 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (the “Regulation”) specifically defined the long-term investment, therefore amend item 3, paragraph 2 of this Article.</p> <p>Since the nature of endorsements and guarantees cannot be defined as transaction, therefore amend paragraph 4 of this Article in accordance with paragraph 2, Article 7 of the Regulation.</p>

Section	Proposed Changes	Current Articles	Description
	<p>Company's Latest Net Worth; or</p> <p>4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's Latest Net Worth.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>endorsements/guarantees</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's Latest Net Worth.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	

iii. Please approve the proposal for the amendments to "Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation".

Voting Results: 4,917,338,750 shares were represented at the time of voting (including e-voting); 4,577,866,790 shares voted for the proposal, representing 93.10% of the total represented shares, 119,867 shares voted against the proposal, while 339,352,093 shares voted abstention the proposal.

RESOLVED, the proposal for the amendments to "Procedures for Endorsements and Guarantees of Far Eastern New Century Corporation" be and hereby was accepted as proposed.

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

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

Explanatory Notes:

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

Section	Proposed Changes	Current Articles	Description
Article 2	<p>Assets in these Procedures include:</p> <ol style="list-style-type: none"> 1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments. 2) Real estate (including land, houses and buildings, investment properties) and equipment; 3) Club memberships; 4) Patents, copyrights, trademarks, licenses and other intangible assets; 5) <u>Right-of-use asset</u>; 6) Derivative products; 7) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law; 8) Other key assets. 	<p>Assets in these Procedures include:</p> <ol style="list-style-type: none"> 1) Securities: stocks, government bonds, corporate bonds, bank debentures, beneficiary certificates of mutual funds, depository receipts, call/put warrants, beneficiary securities, asset-backed securities and other investments. 2) Real estate (including land, houses and buildings, investment properties, <u>right to use land</u>) and equipment; 3) Club memberships; 4) Patents, copyrights, trademarks, licenses and other intangible assets; 5) Derivative products; 6) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares in accordance with law; 7) Other key assets. 	<p>In order to match the regulation of IFRS 16 (Lease), adding the item 5 in accordance with Article 3 of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (the Regulations) to extend the scope of “right-of-use asset”.</p>
Article 3	<ol style="list-style-type: none"> 1) "Derivatives": Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from assets, <u>specific interest rates, price of financial instruments, products price</u>, foreign exchange 	<ol style="list-style-type: none"> 1) "Derivatives": Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and <u>compound contracts combining the above products</u> whose value is derived from <u>assets, interest rates</u>, foreign exchange rates, 	<ol style="list-style-type: none"> 1) Amend the scope of Derivatives described in item 1 in accordance with the item 1 of Article 4 of the Regulations to

Section	Proposed Changes	Current Articles	Description
	<p>rates, indexes of price or rates, indexes of credits or credits rating, or other varieties, or combination of above contracts, or compound contracts or structured products of embedded derivative. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2)"Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>3)"Related party or Subsidiary": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4)"Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</p> <p>5)"Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date</p>	<p>indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2)"Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.</p> <p>3)"Related party or Subsidiary": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4)"Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</p> <p>5)"Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date</p>	<p>match the regulation of IFRS 9 (Financial Instruments)</p> <p>2) Amend the quoted regulation in item 2 to match the Company Act revised on November 1, 2018.</p>

Section	Proposed Changes	Current Articles	Description
	<p>or the date of receipt of approval by the Competent Authorities shall apply;</p> <p>6)"Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>or the date of receipt of approval by the Competent Authorities shall apply;</p> <p>6)"Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	
Article 5	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real estate, equipment, <u>and their right-of-use asset</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real estate <u>and</u> equipment shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public accountants prior to its acquisition or disposition of assets.</p>	<p>Include the right-of – use assets of non-operational real estate and equipment in the calculation for limitation stipulated in the Procedures in accordance with Article 7, paragraph 1, item 5 of the Regulations to match the regulation of IFRS 16 (Lease).</p>
Article 7	<p>Acquisition or Disposition of Real Property, <u>Equipment, or their right-of-use assets</u></p> <p>1) Evaluation Process</p> <p>a) For investments in real property,</p>	<p>Acquisition or Disposition of Real Property <u>or</u> Equipment</p> <p>1) Evaluation Process</p> <p>a) For investments in real property</p>	<p>Amend this Article in accordance with the Article 9, paragraph 1 of the Regulation to match the regulation of IFRS 16 (Lease).</p>

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

Section	Proposed Changes	Current Articles	Description
	<p>Appendix 1 herein); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to</p>	<p>complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless the appraisal prices of acquired assets are higher than the transaction price, or the appraisal prices of assets being disposed are lower than the transaction price, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) Report made by the professional appraiser shall not be dated beyond three (3) months prior to</p>	

Section	Proposed Changes	Current Articles	Description
	<p>the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e)Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3)Process in Determining Authorized Investment Limit and Responsible Units</p> <p>Prior to the Company acquiring or disposing real property, equipment, <u>or their right-of-use assets</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e)Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3)Process in Determining Authorized Investment Limit and Responsible Units</p> <p>Prior to the Company acquiring or disposing real property <u>or</u> equipment, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	
Article 8	<p>Transactions of Real Property with Related Parties</p> <p>1)Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal</p>	<p>Transactions of Real Property with Related Parties</p> <p>1)Where the Company acquires or disposes real property from or to related parties, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal</p>	

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

Section	Proposed Changes	Current Articles	Description
	<p>herein, when acquiring real property <u>or its right-of-use asset</u> from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property <u>or its right-of-use asset</u> from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding"</p>	<p>herein, when acquiring real property from related parties;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Pursuant to the paragraph 1 of this Article, the appraisal reports made by the professional appraisers or accountants' opinions.</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding"</p>	<p>right-of-use asset for business operation purposes or real estate and its right-of-use asset for business operation purposes between aforesaid companies may be authorized by Chairman to proceed.</p> <p>2. In terms of acquiring right-of-use asset of real estate from related parties, successful leasing transactions by non-related parties of the neighboring areas within the past one (1) year are allowed to consider as a reference for estimation and calculation for fairness of the transaction price in order to match the real estate leasing practice.</p>

Section	Proposed Changes	Current Articles	Description
	<p>shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased <u>or leased in toto</u>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property <u>or its right-of-use asset</u> from related parties, in addition to the appraisal of the costs of the said real property <u>or its right-of-use asset</u> in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p>	<p>shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where both the land and the buildings on it are purchased <i>in toto</i>, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p>	

Section	Proposed Changes	Current Articles	Description
	<p>d) Under any one of the following circumstances in which the Company acquires real property <u>or its right-of-use asset</u> from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property <u>or its right-of-use asset</u> by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property <u>or its right-of-use asset</u> and this transaction exceeds five (5) years; or</p> <p>iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>iv) <u>The acquisition of the right-of-use asset of real estate for business operation purposes between the Company and subsidiary, or between subsidiary companies, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company.</u></p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional</p>	<p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five (5) years; or</p> <p>iii) The Company obtaining the real property by way of joint-development contract entered with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional</p>	

Section	Proposed Changes	Current Articles	Description
	<p>appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase <u>or lease</u> of real property.</p>	<p>appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. <u>Successful</u> transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. <u>Successful rental cases by non-related parties involving other floors of the subject</u></p>	

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

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	<p>dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Independent Directors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium <u>or leased</u>, or they have been disposed of, <u>or lease agreement had been terminated</u>, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property <u>or its right-of-use asset</u> from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units</p> <p><u>In terms of the following transactions between the Company and its subsidiaries , or between the</u></p>	<p>investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Independent Directors shall undertake measures in compliance with Article 218 of the Company Act;</p> <p>iii) The shareholders' meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>4) Process in determining authorized investment limit and responsible units</p> <p><u>Prior to the Company acquiring or disposing equipments for operational purposes from or to its subsidiaries,</u></p>	

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	<p><u>subsidiaries, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p>a) <u>Acquisition or disposal of the equipment or its right-of-use asset for business operation purposes.</u></p> <p>b) <u>Acquisition or disposal of the right-of-use asset of real estate for business operation purposes.</u></p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. When the dollar amount of the said transactions is below NT\$300 million; the Chairman shall have the authority to approve/disapprove the said transactions. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
Article 9	<p><u>Acquisition or Disposition of Intangible Assets or its Right-of-use Asset or Club Membership</u></p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting</p>	<p><u>Acquisition of Club Membership or Intangible Assets</u></p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting</p>	Amend this Article in accordance with Article 11 of the Regulation to match the regulation of IFRS 16 (Lease).

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

Section	Proposed Changes	Current Articles	Description
	<p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of intangible assets <u>or its right-of-use asset or club membership</u> after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of <u>club membership</u> or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	
Article 9-1	<p>The calculation of the dollar amount of the transactions referred to in the paragraph 1 of Article 6, Article 7, and Article 8, and transactions referred to in the Article 9 shall be done in accordance with Article 12, paragraph 1-(g) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a accountant' opinion has been obtained need not be counted toward the dollar amount of transactions.</p> <p>The calculation of the dollar amount of the transactions referred to in the paragraph 2 of Article 8 be made in accordance with Article 12, paragraph 1-(g) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and Board of Directors need not be counted toward the dollar amount of transactions.</p>	<p>The calculation of the dollar amount of the transactions referred to in the paragraph 1 of Article 6, Article 7, and Article 8, and transactions referred to in the Article 9 shall be done in accordance with Article 12, paragraph 1-(f) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a accountant' opinion has been obtained need not be counted toward the dollar amount of transactions.</p> <p>The calculation of the dollar amount of the transactions referred to in the paragraph 2 of Article 8 be made in accordance with Article 12, paragraph 1-(f) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and Board of Directors need not be counted toward the dollar amount of transactions.</p>	Amend the quoted regulation in this Article.
Article 12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p>	Amend paragraph 1 of this Article in accordance with Article 31 of the Regulation to match the regulation of

Section	Proposed Changes	Current Articles	Description
	<p>a) Acquisition or disposal of real property <u>or its right-of-use asset</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or its right-of-use asset</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises;</u></p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) <u>The acquisition or disposal of the equipments or its right-of-use asset</u> for business purposes and in which the counterparties are not related parties, and that the transaction amounts reach 1 billion</p> <p>e) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, <u>and in which the counterparties are not related parties,</u> where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p>f) Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where</p>	<p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises;</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) <u>The assets so acquired or disposed are equipments</u> for business purposes and in which the counterparties are not related parties, and that the transaction amounts reach 1 billion</p> <p>e) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction reaches NT\$500 million.</p> <p>f) Transactions relating to assets other than those stipulated hereinabove, or undertaking investments in Mainland, where</p>	<p>IFRS 16 (Lease).</p>

Section	Proposed Changes	Current Articles	Description
	<p>their transaction amounts reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of <u>domestic</u> government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>g) The calculation of transaction amount for g) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property <u>or its right-of-use asset</u> under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted</p>	<p>their transaction amounts reach twenty percent (20%) of the Company's paid-in capital or equal or greater than NT\$300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>g) The calculation of transaction amount for g) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>h) "Within one (1) year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted</p>	

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

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

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

iii. Please approve the proposal for the amendments to "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation".

Voting Results: 4,917,338,750 shares were represented at the time of voting (including e-voting); 4,577,915,614 shares voted for the proposal, representing 93.10% of the total represented shares, 122,958 shares voted against the proposal, while 339,300,178 shares voted abstention the proposal.

RESOLVED, the proposal for the amendments to "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation" be and hereby was accepted as proposed.

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

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

Explanatory Notes:

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

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

iv. Please elect.

Voting Results:

Newly elected Independent Director and votes received

	Name	Votes Received
Independent Director	Raymond R. M. Tai	3,988,634,215

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

2018 Independent Auditors' Report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Shareholders
Far Eastern New Century Corporation

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern New Century Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the consolidated financial statements for the year ended in December 31, 2018 are as follows:

Fair Value Evaluation of Investment Property

As of December 31, 2018, the Group's total investment property was NT\$124,816,527 thousand, which represented 22% of the consolidated total assets. In 2018, the gain on change in fair value of investment property was NT\$646,390 thousand, which represented 3% of the consolidated income before income tax. The items mentioned above are considered to be significant for consolidated financial statements as a whole. The Group's investment properties were subsequently measured

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

For the accounting policies, significant accounting judgment, evaluation, and assumptions on the main source of uncertainty related to investment property, refer to Notes 4 (k) and 5 (c) of the consolidated financial statements. For more information about the Group's investment property, refer to Note 21 of the consolidated financial statements.

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

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

Evaluation of Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract in Telecommunications Department

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

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

For the evaluation of impairment loss related to property, plant and equipment and intangible assets (including goodwill) as well as the incremental costs of obtaining a contract in the telecommunications department, we performed the corresponding audit procedures as follows:

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

Recognition Mobile of Telecommunications Service Revenue

The mobile telecommunications service revenue is the main source of revenue of the Group's telecommunications department. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission.

In order to meet market demands and remain competitive, the Group often launches different combinations of products and services which make the calculation of revenue more complex and directly affects the accuracy and timing of revenue recognition. Therefore, the recognition of mobile telecommunications service revenue is considered to be a key audit matter.

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

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

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

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

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

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

Other Matter

We have also audited the parent company only financial statements of Far Eastern New Century Corporation for the years ended December 31, 2018 and 2017 on which we have issued unmodified opinions.

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

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

statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

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

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars; Except Dividends Per Share)

	Equity Attributable to Owners of the Company												Noncontrolling Interests	Total Equity	
	Common Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity				Total Equity Attributable to Owners of the Company			
			Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Unrealized Revaluation Increments				Treasury Shares
BALANCE AT JANUARY 1, 2017	\$ 53,528,751	\$ 2,859,588	\$ 15,315,028	\$110,292,892	\$ 11,785,464	\$ (1,577,812)	\$ (1,947,657)	\$ -	\$ (47,514)	\$ -	\$ 702,778	\$ (25,063)	\$190,886,455	\$ 61,306,197	\$252,192,652
Appropriation of the 2016 earnings	-	-	630,779	-	(630,779)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,662,006	(2,662,006)	-	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.8 per share	-	-	-	-	(4,282,300)	-	-	-	-	-	-	-	(4,282,300)	-	(4,282,300)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,783,681)	(7,783,681)
Net income for the year ended December 31, 2017	-	-	-	-	8,066,136	-	-	-	-	-	-	-	8,066,136	6,135,201	14,201,337
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	568,641	(1,499,559)	590,338	-	83,156	-	-	-	(257,424)	159,763	(97,661)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	8,634,777	(1,499,559)	590,338	-	83,156	-	-	-	7,808,712	6,294,964	14,103,676
Change in associates accounted for using the equity method	-	(650)	-	-	(22,116)	-	-	-	-	-	-	-	(22,766)	(233)	(22,999)
Disposal of investments in associates	-	-	-	-	(2,367)	-	-	-	-	-	-	-	(2,367)	(1)	(2,368)
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(6,899)	-	-	-	-	-	-	-	(6,899)	(13,129)	(20,028)
Change in ownership interest of subsidiaries	-	8	-	-	(21,079)	-	-	-	-	-	-	-	(21,071)	158,817	137,746
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,215,787	1,215,787
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	623	-	-	-	-	-	-	-	-	-	-	623	-	623
Reversal of special reserve	-	-	-	(26,543)	26,543	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	53,528,751	2,859,569	15,945,807	112,928,355	12,819,238	(3,077,371)	(1,357,319)	-	35,642	-	702,778	(25,063)	194,360,387	61,178,706	255,539,093
Effect of retrospective application and retrospective restatement	-	-	-	-	3,067,233	-	1,357,319	(1,725,866)	(35,642)	35,642	-	-	2,698,686	3,926,063	6,624,749
BALANCE AT JANUARY 1, 2018, AS RESTATED	53,528,751	2,859,569	15,945,807	112,928,355	15,886,471	(3,077,371)	-	(1,725,866)	-	35,642	702,778	(25,063)	197,059,073	65,104,769	262,163,842
Appropriation of the 2017 earnings	-	-	806,614	-	(806,614)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,520,493	(1,520,493)	-	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(6,423,450)	-	-	-	-	-	-	-	(6,423,450)	-	(6,423,450)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,760,337)	(7,760,337)
Net income for the year ended December 31, 2018	-	-	-	-	12,028,294	-	-	-	-	-	-	-	12,028,294	6,363,308	18,391,602
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	418,985	(512,530)	-	938,400	-	10,238	-	-	855,093	50,776	905,869
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,447,279	(512,530)	-	938,400	-	10,238	-	-	12,883,387	6,414,084	19,297,471
Change in associates accounted for using the equity method	-	48,127	-	-	(2,541)	-	-	-	-	-	-	-	45,586	33	45,619
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(17,440)	-	-	-	-	-	-	-	(17,440)	(153,820)	(171,260)
Change in ownership interest of subsidiaries	-	-	-	-	(12,954)	-	-	-	-	-	-	-	(12,954)	12,556	(398)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	577,375	577,375
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	935	-	-	-	-	-	-	-	-	-	-	935	-	935
Associate disposed the investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,559,378)	-	-	1,559,378	-	-	-	-	-	-	-
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(360)	(360)
Reversal of special reserve	-	-	-	(5,678)	5,678	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 53,528,751	\$ 2,908,631	\$ 16,752,421	\$114,443,170	\$ 17,996,558	\$ (3,589,901)	\$ -	\$ 771,912	\$ -	\$ 45,880	\$ 702,778	\$ (25,063)	\$203,535,137	\$ 64,194,300	\$267,729,437

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

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

	2018	2017
Cash generated from operations	21,055,714	32,496,803
Interest received	271,495	460,911
Dividends received	2,993,151	2,236,100
Interest paid	(2,585,514)	(2,527,267)
Income tax paid	<u>(2,934,173)</u>	<u>(2,877,477)</u>
Net cash generated from operating activities	<u>18,800,673</u>	<u>29,789,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at amortized cost	(477,492)	-
Acquisition of financial assets at fair value through other comprehensive income	(536,697)	-
Acquisition of available-for-sale financial assets	-	(1,029,197)
Proceeds from the disposal of available-for-sale financial assets	-	653,919
Cash received by reduction of capital of financial assets at fair value through other comprehensive income	61,500	-
Increase in debt investments with no active market	-	(246,456)
Acquisition of financial assets measured at cost	-	(54,897)
Proceeds from the disposal of financial assets measured at cost	-	945
Return on the capital reduction of financial assets measured at cost	-	3,505
Acquisition of investments accounted for using the equity method	(277,332)	(83,138)
Proceeds from the disposal of investments accounted for using the equity method	-	383,778
Acquisition of property, plant, equipment and prepayments for equipment	(24,539,384)	(23,129,609)
Proceeds from the disposal of property, plant and equipment	3,085,355	1,090,591
Increase in refundable deposits	(303,104)	(48,351)
Decrease in other receivables	2,770,350	1,826,870
Acquisition of intangible assets	(2,117,155)	(1,115,283)
Proceeds on the disposal of intangible assets	72	33,003
Acquisition of investment properties	(17,204)	(1,895)
Proceeds from the disposal of investment properties	199,227	1,330,530
Increase in prepayments for leases	(713,405)	(450,769)
Increase in concessions	(113,684)	(6,515,000)
Proceeds from disposal of concessions	-	5
Decrease (increase) in other financial assets	(1,084,657)	806,204
Decrease (increase) in other non-current assets	<u>103,905</u>	<u>(190,267)</u>
Net cash used in investing activities	<u>(23,959,705)</u>	<u>(26,735,512)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	16,888,858	(4,186,960)
Decrease in short-term bills payables	(926,000)	(1,635,000)
Proceeds from issue of bonds	25,000,000	22,700,000
Repayments of bonds payables	(13,500,000)	(16,450,000)

(Continued)

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

	2018	2017
Proceeds from long-term borrowings	202,493,083	155,645,199
Repayments of long-term borrowings	(200,696,643)	(158,304,697)
Decrease in guarantee deposits received	(11,469)	(107,123)
Decrease in other non-current liabilities	(15,604)	(1,805)
Cash dividends paid	(6,422,726)	(4,281,644)
Cash capital increase by subsidiaries	577,375	1,353,533
Cash capital reduction by subsidiaries	(360)	(15)
Partial acquisition of interests in subsidiaries from non-controlling interests	(171,658)	(20,028)
Dividends paid to non-controlling interests	<u>(7,760,337)</u>	<u>(7,783,681)</u>
Net cash generated from (used in) financing activities	<u>15,454,519</u>	<u>(13,072,221)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(417,150)</u>	<u>(192,536)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,878,337	(10,211,199)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>25,464,223</u>	<u>35,675,422</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 35,342,560</u>	<u>\$ 25,464,223</u>

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

Independent auditors' report

(English Translation of a Report Originally Issued in Chinese)

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

Opinion

We have audited the financial statements of Far Eastern New Century Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the financial statements for the year ended in December 31, 2018 are as follows:

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

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

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

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

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

Evaluation of Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract from the Company's Subsidiaries' Equity-Method Investee

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

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

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

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

The Company's subsidiaries' equity-method investee, Far EasTone Telecommunications Corporation ("Far EasTone"), is a material component. The mobile telecommunications service revenue is the main source of the revenue of Far EasTone. The calculation of the mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Company often launches different combinations of products and services which make the calculation of revenue more complex and directly affects the accuracy and timing of revenue recognition. The recognition of mobile telecommunications service revenue impacts the share of the profit or loss of subsidiaries and associates. As the result, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

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

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

FAR EASTERN NEW CENTURY CORPORATION

BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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

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

FAR EASTERN NEW CENTURY CORPORATION

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
Total non-operating income and expenses	<u>12,458,314</u>	<u>23</u>	<u>9,375,660</u>	<u>21</u>
INCOME BEFORE INCOME TAX	12,718,577	24	8,116,761	18
INCOME TAX EXPENSE	<u>(690,283)</u>	<u>(1)</u>	<u>(50,625)</u>	<u>-</u>
NET INCOME	<u>12,028,294</u>	<u>23</u>	<u>8,066,136</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	295,140	1	584,825	1
Share of other comprehensive loss of subsidiaries and associates	992,493	2	(6,764)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>69,752</u>	<u>-</u>	<u>(9,420)</u>	<u>-</u>
	<u>1,357,385</u>	<u>3</u>	<u>568,641</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	-	-	(237,374)	(1)
Share of other comprehensive loss of subsidiaries and associates	<u>(502,292)</u>	<u>(1)</u>	<u>(588,691)</u>	<u>(1)</u>
	<u>(502,292)</u>	<u>(1)</u>	<u>(826,065)</u>	<u>(2)</u>
Total other comprehensive income (loss)	<u>855,093</u>	<u>2</u>	<u>(257,424)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$12,883,387</u>	<u>25</u>	<u>\$ 7,808,712</u>	<u>17</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 2.41</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 2.40</u>		<u>\$ 1.61</u>	

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

(Concluded)

FAR EASTERN NEW CENTURY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars; Except Dividend Per Share)

	Common Shares	Capital Surplus	Retained Earnings			Other Equity							Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedge	Gain (Loss) on Hedging Instruments	Unrealized Property Revaluation Increments	Treasury Shares	
BALANCE AT JANUARY 1, 2017	\$ 53,528,751	\$ 2,859,588	\$ 15,315,028	\$110,292,892	\$ 11,785,464	\$ (1,577,812)	\$ (1,947,657)	\$ -	\$ (47,514)	\$ -	\$ 702,778	\$ (25,063)	\$190,886,455
Appropriation of the 2016 earnings													
Legal reserve	-	-	630,779	-	(630,779)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,662,006	(2,662,006)	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.8 per share	-	-	-	-	(4,282,300)	-	-	-	-	-	-	-	(4,282,300)
Net income for the year ended December 31, 2017	-	-	-	-	8,066,136	-	-	-	-	-	-	-	8,066,136
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	568,641	(1,499,559)	590,338	-	83,156	-	-	-	(257,424)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	8,634,777	(1,499,559)	590,338	-	83,156	-	-	-	7,808,712
Change in associates accounted for using the equity method	-	(642)	-	-	(52,438)	-	-	-	-	-	-	-	(53,080)
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(23)	-	-	-	-	-	-	-	(23)
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	623	-	-	-	-	-	-	-	-	-	-	623
Reversal of special reserve	-	-	-	(26,543)	26,543	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2017	53,528,751	2,859,569	15,945,807	112,928,355	12,819,238	(3,077,371)	(1,357,319)	-	35,642	-	702,778	(25,063)	194,360,387
Effect of retrospective application and retrospective restatement	-	-	-	-	3,067,233	-	1,357,319	(1,725,866)	(35,642)	35,642	-	-	2,698,686
BALANCE AT JANUARY 1, 2018, RESTARTED	<u>53,528,751</u>	<u>2,859,569</u>	<u>15,945,807</u>	<u>112,928,355</u>	<u>15,886,471</u>	<u>(3,077,371)</u>	<u>-</u>	<u>(1,725,866)</u>	<u>-</u>	<u>35,642</u>	<u>702,778</u>	<u>(25,063)</u>	<u>197,059,073</u>
Appropriation of the 2017 earnings													
Legal reserve	-	-	806,614	-	(806,614)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,520,493	(1,520,493)	-	-	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	(6,423,450)	-	-	-	-	-	-	-	(6,423,450)
Net income for the year ended December 31, 2018	-	-	-	-	12,028,294	-	-	-	-	-	-	-	12,028,294
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	418,985	(512,530)	-	938,400	-	10,238	-	-	855,093
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,447,279	(512,530)	-	938,400	-	10,238	-	-	12,883,387
Change in associates accounted for using the equity method	-	48,127	-	-	(32,935)	-	-	-	-	-	-	-	15,192
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	935	-	-	-	-	-	-	-	-	-	-	935
Associate disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(1,559,378)	-	-	1,559,378	-	-	-	-	-
Reversal of special reserve	-	-	-	(5,678)	5,678	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2018	<u>\$ 53,528,751</u>	<u>\$ 2,908,631</u>	<u>\$ 16,752,421</u>	<u>\$114,443,170</u>	<u>\$ 17,996,558</u>	<u>\$ (3,589,901)</u>	<u>\$ -</u>	<u>\$ 771,912</u>	<u>\$ -</u>	<u>\$ 45,880</u>	<u>\$ 702,778</u>	<u>\$ (25,063)</u>	<u>\$203,535,137</u>

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

FAR EASTERN NEW CENTURY CORPORATION

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

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

(Continued)

FAR EASTERN NEW CENTURY CORPORATION

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

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

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

Attachment II

The Audit Committee's Review Report

To the 2019 General Shareholders' Meeting of Far Eastern New Century Corporation,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by the Board of Directors for the year ending 2018 which had been audited by Deloitte & Touche, and found them in order.

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The Convener of the Audit Committee: Bing Shen

10 May 2019