



Recycled PET



TopGreen Ocean



Retail



DynaFeed



Telecommunications

## 創新升級 轉型再造



Global Views Monthly  
Excellence Award in  
CSR Annual Survey Award



TCSA  
Best Report of the Year



Property Development

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## I. Letter to Shareholders

Dear Shareholders,

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

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

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

In addition to political and economic changes, a multitude of factors also present challenges to businesses worldwide. For example, energy and commodity prices are on the rise. The oil producers’ agreement to cut back production, the geopolitical tensions in the Middle East, the increased shale gas production in the United States, the rise of renewable energy and the growing sales of electric vehicles are all driving fluctuations in raw material prices. Climate is also playing an increasing role in business decisions as environmental regulations become more stringent as a result of heightened awareness of

## Letter to Shareholders

climate change. Technological advancement is paving the way for the rapid development of artificial intelligence and the rise of the innovative economy is sure to rewrite the rules of business. In Taiwan, despite the promising economic prospects, there are numerous obstacles to overcome, such as its stagnant integration into regional economy, limited participation in world trade and the cross strait relationship. Local enterprises are further challenged by the new labor regulations, power and water shortages and the pressures of rapid industrial transformation.

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

## Operating Results

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

## **Production business: From an Asian to a global producer**

### ***1. Expanding capacity and upgrading equipment***

The Company is expanding in major locations around the world. In Taiwan, China and Vietnam, we have vertically integrated our businesses and streamlined the process from production to sale. With this advantage, we are able to provide fast and innovative services to our clients and strategically partner with global brands. In recent years, the Company has sped up major strategic investments overseas. For example, in Vietnam where our business enjoys tariff-free access to the ASEAN, the European Union and Japan, we have introduced the latest technology and advanced smart equipment to vertically integrate our businesses. Phase I of the expansion of our Vietnam Dyeing & Finishing Plant is complete and has begun production. Now we are building the PET production lines that can output 400,000 tons per year more cost-effectively and continuing with the phase II expansion of Vietnam Dyeing & Finishing Plant. Also noteworthy is that the Company has made a bold strategic move by expanding its production from Asia to North America in order to utilize the complete supply chain of upstream feedstock and other favorable conditions for operations in the United States. These include a better investment climate as a result of the passed tax reform bills, lower energy costs and the States large domestic market. FENC

acquired Mossi & Ghisolfi's (M&G) assets in West Virginia as our first production site in the USA with a PET capacity of 360,000 tons per year. Additionally, the Company has agreed to form a joint venture with the other two international producers to acquire M&G's integrated PTA/PET assets currently under construction, with annual capacity of PTA 1.3 million tons and PET 1.1 million tons, in Corpus Christi, Texas, USA. The closing is subject to the related authorities' approval. Currently, with the upstream PTA market gradually bottoming out, Oriental Petrochemical Taiwan Corporation has replaced old production facilities in Taiwan with state-of-the-art technology producing 1.52 million tons annually. After the replacement, the new PTA line will produce more cost efficiency products and secure downstream polyester feedstock in the future. FENC is the bellwether in the polyester industry in terms of production capacity. Specifically, our PET is among the top five in the world. Our recycled PET (R-PET) ranks first in the world. Our nonwoven polyester staple fiber (PSF) ranks second in the world. Our PET sheet and nylon 6,6 filament are second to none in Asia.

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

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

### **Green Products**

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

### **Hygiene Products**

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

### **High-end Vehicle Materials**

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

## Letter to Shareholders

### **3. Continuing R&D and Innovation to Drive Growth**

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

### **Diversified Investments: Branching Out to Drive Profit Growth**

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

### **Land Assets: Developing Properties to Generate Greater Value**

Over the years, the management team has focused on the Company's development goals and proactively monetized our land holdings. Our priority is the development of the Taipei Far Eastern Telecom Park (Tpark), which has been built to promote urban transformation and industrial development. The 7,000-ping green ecological park has a theme of environmental sustainability. Both ecological conservation and technological planning have been taken into account during its construction. Going forward, Tpark will join forces with New Taipei City government and Amazon Web Services (AWS) to create a joint innovation center. Now we have entered the second phase of the Tpark's construction. The IDC building and the second R&D building broke ground last June and are expected to effectively increase our asset value and bring in substantial rental income. While the phase II of California Dream, the residential project close to Far Eastern Hospital MRT Station, is nearly sold out, Far Eastern Construction's premium residential project located in Tpark is about to enter the sales stage. The



aforementioned project has a gross floor area of 7,000 pings for sale, which is expected to generate substantial income. As the tallest skyscraper in New Taipei City, Mega Tower is now a landmark in the area. Consisting of shopping malls and restaurants with views from the highest floors, Mega Tower is creating local prosperity and boosting land values. In addition, we own land of 17,000 pings in Wugu and 14,000 pings in Kuanyin. Flexible development of these land resources will enable us to raise the value of our assets.

## **Business Goals and Prospects**

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

### ***A. Accelerating Global Expansion and Pursuing Innovative Growth***

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

### ***B. Developing Green Products to Tap into Boundless Business Opportunities***

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

### ***C. Building Smart Factories to Pursue Industrial Upgrades***

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

## **Letter to Shareholders**

### ***D. Realizing Smart Management and Managing Risks Effectively***

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

### ***E. Strengthening R&D Capabilities to Enhance Competitiveness***

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

### ***F. Advancing Public Interest as a Corporate Role Model***

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

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

Chairman  
Douglas Tong Hsu

徐旭東



# II. Company Profile

## 1. Date of Incorporation

13 January 1954

## 2. Company History

- 1942** • Yu-Ziang Hsu founded Far Eastern Knitting Factory Co., Ltd. in Shanghai to produce "Skyscraper"-brand underwear for sale throughout China.
- 1949** • The company was relocated to Taiwan, and installed its knitting factory in Banqiao, the outskirts of the Taipei City, where it continued producing and marketing knitted fabrics.
- 1953** • The name of the Company was changed to Far Eastern Knitting Co., Ltd.; meanwhile, the Taiwan Far Eastern Textile Co., Ltd. was founded in Banqiao for the purpose of establishing a weaving mill.
- 1954** • Far Eastern Knitting and Taiwan Far Eastern Textile were merged to form Far Eastern Textile Ltd. (FETL), which was located on Yungshui Rd. in Taipei.
- 1955** • Shirt production equipment was added, and the Company was the first one in the Republic of China to receive an order for the cotton yarn export.
- 1960** • An advanced apparel plant was established.
- 1963** • Cotton and chemical fiber facilities were installed for the rising demand of the Taiwan society and the synthetic fiber industry.
- 1965** • The third synthetic fiber textile plant was established, completing the vertical integration of FETL's processes from spinning to weaving, dyeing and finishing, and apparel production.
- 1966** • The head office was moved to Paoching Rd. in Taipei in July.
- 1967** • Permission for FETL shares listed on the Taiwan Stock Exchange was received in April.
- 1969** • A new garment factory was constructed at Hsinpu.
- 1970** • A new spinning plant was built at Hsinpu to produce yarns from polyester and acrylic fibers.
- 1972** • The Banqiao textile factory of Taiwan Textile and the Neili textile plant of Yunghsing Industries were procured and converted to FETL's Banqiao and Neili textile plants.
- 1974** • The Yilan apparel plant was built.
- 1978** • The Chungchou Textile Plant at Kuanyin in Taoyuan County was purchased and renamed as Kuanyin Textile Factory.
  - Permission was received to acquire and merge Orient Chemical Fiber and establish a chemical fiber plant.
- 1982** • Permission was received to merge Eastern Manmade Fiber into FETL and established the Eastman Division, which in July of the next year was merged into the Textile Division.
- 1987** • The Hukou production site was established, and later yarn and fabric plants were constructed there.
  - Ground-breaking took place in August for the Taipei Metro Tower; a multiple-purpose twin towers with 41 stories above ground and five below, containing offices, a shopping center, and a tourist hotel.
- 1988** • To create new applications for polyester filament, a joint investment was made together with Hong Ho Precision Textile Co. in the establishment of Everest Textile Co. to produce fine woven fabrics as a means of adding value to FETL products.
- 1993** • The Hsinpu Synthetic Fiber Plant of the Fiber Division received ISO-9001 certification from the D.N.V. company, being the first chemical fiber plant in Taiwan to be accredited with such certification.
  - Construction of the Taipei Metro Tower completed in October and the head offices of FETL as well as of Asia Cement and other affiliated companies moved into the complex on Oct. 16 and 17, making this the headquarters of the Far Eastern Group.
- 1994** • The Yilan and Banqiao plants of the Apparel Division, and the Neili and Hukou plants of the Textile Division, were accredited with ISO-9002 certification.
- 1995** • DuPont-Far Eastern Co., Ltd. (renamed as Far Eastern Fibertech Co., Ltd.) was established in cooperation with DuPont of the United States for the production of high-tech nylon 66.
  - A contract was signed with ICI for the establishment of ICI Far Eastern Ltd. (renamed as Oriental Petrochemical Corporation now) to construct a PTA plant at Kuanyin in Taoyuan County.
- 1996** • Permission was received in July from the Investment Commission, Ministry of Economic Affairs for a joint investment by FETL and its wholly-owned subsidiary Yuan Ding Investment Corp. in the establishment of Far Eastern Industries (Shanghai) Ltd. for the production and sale of polyester staple, polyester filament, and other products.
- 1997** • In January, Far EasTone Telecommunications Co., Ltd. (Far EasTone), which is 62.4% owned by FETL's subsidiary Yuan Ding Investment Corp., obtained island-wide DCS and northern-region GSM mobile phone licenses from the Directorate General of Telecommunications.
- 1998** • The FETL-invested Far Eastern Textile Industrial (Shanghai) Co., Ltd. began trial production in September.

- 2000** • Mr. Y. Z. Hsu, Far Eastern Group founder, passed away at the age of 90 in December and left behind the most valuable and cherished founding spirit of "Sincerity, Diligence, Thrift, and Diligence" as the Company's motto.
- 2001** • In March, FETL-invested NCIC launched its voice and data services with "Sparq" as the brand name.
- 2002** • In May, FETL started the installation of the ERP system with PricewaterhouseCoopers. This project helped promoting internal processing re-engineering, cost reduction and management of financial information.
  - In October, a joint investment by FETL's subsidiaries and Far Eastern Department Stores ("FEDS") was formed to acquire the controlling interests of the SOGO Department Stores.
- 2003** • In September, FETL spun off its holdings of land and transferred such holdings as paid-in capital of the 100%-owned Far Eastern Resources Development Co., Ltd. ("FERD"), which became a vehicle specializing in developing and monetizing the existing land resources.
- 2004** • In April, FETL-invested company "Far Eastern Electronic Toll Collection Co., Ltd." has signed BOT contract with National Freeway Bureau.
- 2005** • In April, Far EasTone was approved by Taiwan Stock Exchange Corporation to become as a publicly listed company.
- 2006** • In February, the public highway electronic toll collection system was officially activated. This system was built by FETL-invested company "Far Eastern Electronic Toll Collection Co., Ltd."
  - In March, Oriental Petrochemical (Shanghai) Corporation invested by FETL commenced production, with a PTA production capacity of 650,000 tons/year to support the synthetic fiber business under Far Eastern group and other producers.
- 2007** • In January, FERD, fully owned by FETL, proposed to the government a change on the urban development plan, converting its Banqiao factory from production factory into a telecommunication-related specialized zone. The government had approved such proposal after a three-year evaluation and this land re-zoning plan was officially announced on 23 January 2007.
- 2008** • In March, Sino-Belgium Beer (Suzhou) Ltd. was established and invested by FETL. The factory was completed in April. In October, a beer "Martens 1758", manufactured for Belgium Martens beer company, was launched in the Shanghai market.
  - In October, FETL obtained all shares of "Invista Far Eastern Petrochemicals Ltd." & "Far Eastern Invista Ltd." and renamed them "Oriental Petrochemical (Taiwan) Co. Ltd." & "Far Eastern Fibertech Co., Ltd.", respectively.
- 2009** • In October, in the Company's Extraordinary Shareholders' Meeting, shareholders presented had resolved and approved the renaming of the Company, from Far Eastern Textile Limited (FETL) to Far Eastern New Century Corporation (FENC), effective on the same date.
- 2010** • In January, new shares of FENC were listed on the Taiwan Stock Exchange.
- 2011** • In March, FENC constructed, operated and sponsored "FE EcoARK", a pavilion made of 100% recycled PET bottles, at the Taipei International Flora Expo. This architecture was the first of its kind in the world.
  - In December, a wholly owned subsidiary of FENC has entered a joint venture with Sinopec Yizheng Chemical Fibre Company Limited to establish Far Eastern Yihua Petrochemical (Yanzhou) Corporation to conduct purified terephthalic acid (PTA) production.
- 2012** • In May, FENC founded Far Eastern Industries (Yangzhou) Ltd. and Far Eastern Union Petrochemical (Yangzhou) Ltd., via indirect investments and plans to build a new production site for polyester and ethylene glycol.
- 2013** • In April, FENC, through its subsidiary "Far Eastern Polychem Industries Ltd.", has entered into a joint venture with Ishizuka Glass Co., Ltd. ("IGC"), to establish Far Eastern Ishizuka Green PET Corporation in Japan to conduct R-PET production and distribution business
  - In May, 1<sup>st</sup> Global Sustainable Procurement (GSP) supplier awards was launched by Coca-Cola and FENC was awarded "2013 Supplier of the Year" out of 900 suppliers.
  - In May, FENC issued Formosa and Yen bonds in the Taipei Exchange, successfully being the first manufacturing company in Taiwan to issue bonds denominated in both RMB and Yen.
  - In May, Far Eastern New Century (China) Investment Co., Ltd., the subsidiary of Far Eastern New Century, obtained the right to the use of land through public auction for RMB 978 million (equivalent to NT\$ 4.67 billion). The land is located at plot A09B – 02, World Expo Zone, Pudong New Area, Shanghai.
- 2014** • In April, FENC was awarded the "10<sup>th</sup> Annual Corporate Social Responsibility Awards - Global Views Excellent Service Awards" for the project "The Greenest Bottle, starts with a Genuine Heart"
- 2015** • In April, FENC was awarded the highest "A++" ranking in the 12<sup>th</sup> Annual Information Disclosure and Transparency Rankings Evaluation among Listed Companies.
  - In June, FENC, through its subsidiary "Far Eastern Investment (H) Ltd.", has established Far Eastern Polytex (Vietnam) Ltd. for a new vertically integrated polyester and textiles production base.
  - In November, FENC won a Gold Award from Taiwan Institute for Sustainable Energy (TAISE) in "Taiwan Top 50 Corporate Sustainability Report Awards," ranking first in the Traditional Manufacturing category and also received the "Growth Through Innovation Award" in "Corporate Sustainable Performances" category for developing the world's first 100% bio-based PET bottle.

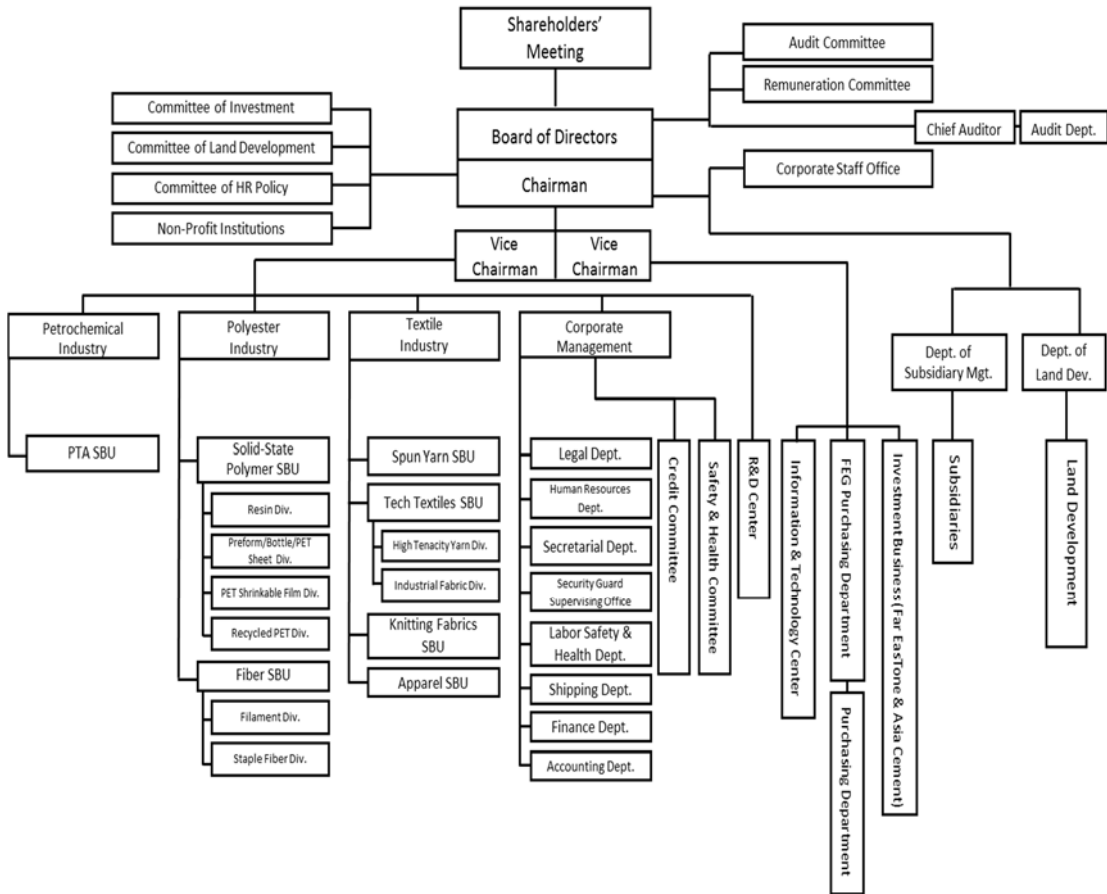
## Company Profile

- 2016**
  - In February, DynaFeed, a FENC revolutionary smart garment system with bio-sensing technology and IoT platform, was awarded the ISPO Asian Gold Award at the globally prestigious ISPO Textrends Exhibition.
  - In May, FENC won the “Corporate Social Responsibility Award”, ranking first in the manufacturing industry category from Global View Magazine due to conserving energy and protecting the environment.
  - In June, FENC won Enterprise Asia’s “2016 Asia Responsible Entrepreneurship Award” in the category of green leadership for developing the world’s first Bio-PET bottle.
  - In November, FENC received three “2016 Taiwan Corporate Sustainability Awards”, held by Taiwan Institute for Sustainable Energy, including the “CSR Report of the Year”, “Corporate Sustainability Award” as well as “Growth through Innovation Award”(for the smart clothing in remote health care project)
  - In December, FENC earned the 13<sup>th</sup> “National Innovation Award” in Taiwan in developing the 100% bio-PET polyester shirt. The 100% bio-PET polyester shirt made entirely from plant-based material, which reduces the carbon footprints by 30% compared to the petrochemical based one, was developed by FE Group R&D Center.
- 2017**
  - In April, FENC was in the top 5% of the listed companies in the third “Corporate Governance Evaluation” conducted by Taiwan Stock Exchange
  - In May, FENC won the “CSR Annual Survey – Excellence Award in the Traditional Industrial Group” of the 13<sup>th</sup> Annual Corporate Social Responsibility Award by Global Views Magazine.
  - In November, FENC was included as a constituent of the MSCI ESG Leaders Indexes and assessed of MSCI ESG Rating – Industrial Conglomerates: A.
- 2018**
  - In February, FENC, through its subsidiary “Far Eastern Investment (H) Ltd.” acquired Mossi & Ghisolfi’s (M&G) assets of PET plant in West Virginia and R&D center in Ohio, USA.
  - In May, FENC won the “CSR Annual Survey – Grand Prize in the Traditional Industrial Group” of the 14<sup>th</sup> Annual Corporate Social Responsibility Award by Global Views Magazine.

### III. Corporate Governance Report

#### 1. Organization

##### 1.1 Organization Chart



## Corporate Governance Report

### 1.2 Affairs in Charge for Each Major Department

Department	Affairs in charge
Audit Department	Internal auditing
Petrochemical Industry	Production and sales of PTA
Polyester Industry	Production and sales of polyester chips, polyester staple fibers, polyester filaments, PET films, PET sheets, PET bottle preforms and Nylon filaments
Textile Industry	Printing, dyeing and finishing of yarns, fabrics and cloths; production and sales of miscellaneous natural, man-made, synthetic fiber yarns and fabrics, blended yarns and fabrics, and woven finished clothing and knitted finished clothing; production and sales of industrial yarns and industrial fabrics
Corporate Management	Arrange the planning and enforcement of the company's legal, human resources, general administration, shipping, security, labor safety and health, finance and accounting related matters
R&D Center	Research and development



## 2. Directors and Management Team

### 2.1 Directors

Book closure date: 30 April 2018

Title	Nationality or Record of Birth	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minor children		Curriculum vitae Δ Other positions in FENC and/or other companies	Executives or Directors who are spouses or within two degrees of kinship		
							Share	%	Share	%	Share	%		Title	Name	Relation
Chairman	R.O.C	Douglas Tong Hsu	Male	26 Jun 2015	3	23 Dec 1967	60,537,940	1.15	91,748,698	1.71	-	-	National Chiao Tung University, Taiwan, Honor Ph.D in Management University of Notre Dame, USA, MA Columbia University, USA Δ Chairman of Asia Cement Corp.(ACC), Oriental Union Chemical Corp.(OUCC), U-Ming Marine Transport Corp.(U-Ming), Far Eastern Department Stores Ltd. (FEDS), Far EastTone(FET), and Vice Chairman of Far Eastern International Bank (FEIB)	Vice Chairman Vice Chairman Director Director Director	Johnny Hsi Peter Hsu Raymond Hsu Tonia Katherine Hsu Alice Hsu	Brother-in-law Brother Brother Daughter Sister
Vice Chairman	R.O.C	Johnny Hsi Representative of Asia Cement Corporation	Male	26 Jun 2015	3	9 Feb 1979	1,247,330,476 *2,287,458	23.77 0.04	1,272,277,085 *1,672,207	23.77 0.03	- 19,641,122	- 0.37	Columbia University, USA, Master in Computer Science Δ Chairman of Everest Textile, Vice Chairman of OUCC, Director of ACC and CTCI Corporation	Chairman Vice Chairman Director Director	Douglas Tong Hsu Peter Hsu Raymond Hsu Alice Hsu	Brother-in-law Brother-in-law Brother-in-law Sister-in-law
	R.O.C	Peter Hsu Representative of Asia Cement Corporation	Male	26 Jun 2015	3	14 Apr 1976	1,247,330,476 *30,852,167	23.77 0.59	1,272,277,085 *48,269,210	23.77 0.90	- 637	-	Stanford University, USA, Master in Operation Research - Δ Managing Director of FET, Director of ACC, Supervisor of U-Ming	Chairman Vice Chairman Director Director	Douglas Tong Hsu Johnny Hsi Raymond Hsu Alice Hsu	Brother Brother-in-law Brother Sister
Director	R.O.C	Raymond Hsu Representative of Asia Cement Corporation	Male	26 Jun 2015	3	14 Apr 1976	1,247,330,476 *23,301,921	23.77 0.44	1,272,277,085 *33,967,959	23.77 0.63	-	-	Australian Mining and Metallurgy College, Australia Δ Chief auditor of FENC	Chairman Vice Chairman Vice Chairman Director	Douglas Tong Hsu Johnny Hsi Peter Hsu Alice Hsu	Brother Brother-in-law Brother Sister
	R.O.C	Shaw Y. Wang Representative of Asia Cement Corporation	Male	26 Jun 2015	3	10 May 1985	1,247,330,476 *387,614	23.77 0.01	1,272,277,085 *395,366	23.77 0.01	-	-	National Chung Hsing University, Taiwan, Business Administration Department National Taiwan University, Taiwan, the Executive Program in Business Administration Δ Executive Director of Group Foundation, Director of FEIB	-	-	-
	R.O.C	Richard Yang Representative of Far Eastern Department Stores Ltd.	Male	26 Jun 2015	3	13 Jun 2006	19,572,912 *1,277,793	0.37 0.02	19,964,370 *1,379,348	0.37 0.03	-	-	American Graduate School of International Management, USA Δ Managing Director of Surfview Capital Ltd.	-	-	-
	U.S.A	Tonia Katherine Hsu Representative of Far Eastern Department Stores Ltd.	Female	26 Jun 2015	3	13 Jun 2006	19,572,912 -	0.37 -	19,964,370 -	0.37 -	-	-	Sarah Lawrence College, USA Δ -	Chairman	Douglas Tong Hsu	Father
	R.O.C	Kwan-Tao Li Representative of U-Ming Marine Transport Corp.	Male	26 Jun 2015	3	13 Jun 2006	30,570,069 -	0.58 -	31,181,470 -	0.58 -	-	-	Kellogg-HKUST, MBA Δ Chief Senior Counselor, Lee and Li, Attorney-at-law, Director of ACC	-	-	-

Title	Nationality or Record of Birth	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minor children		Curriculum vitae Δ Other positions in FENC and/or other companies	Executives or Directors who are spouses or within two degrees of kinship		
							Share	%	Share	%	Share	%		Title	Name	Relation
Director	R.O.C	Alice Hsu Representative of U-Ming Marine Transport Corp.	Female	26 Jun 2015	3	20 Apr 1988	30,570,069 *24,130,108	0.58 0.46	31,181,470 *24,072,710	0.58 0.45	-	-	Sheridan College, Retail Management Δ -	Chairman Vice Chairman Vice Chairman Director	Douglas Tong Hsu Johnny Hsi Peter Hsu Raymond Hsu	Brother Brother-in-Law Brother Brother
	R.O.C	Champion Lee Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation	Male	26 Jun 2015	3	20 Apr 1988	8,326,703 *605,942	0.16 0.01	13,732,237 *618,060	0.26 0.01	-	-	Texas A&I University, USA, Master in Business Administration Δ Director of ACC, FET & U-Ming	-	-	-
Independent Director	R.O.C	Bing Shen	Male	26 Jun 2015	3	28 Jun 2012	-	-	-	-	-	-	Harvard University, USA, Master in Business Administration Δ Independent Director of FEIB and Elite Material Co. Ltd., Director of CTCI Corporation	-	-	-
	R.O.C	Johnsee Lee	Male	26 Jun 2015	3	28 Jun 2012	-	-	-	-	-	-	Illinois Institute of Technology, USA, Ph.D. in Chemical Engineering Δ Director of Taiwan HOPAX Chemical MFG. Co. Ltd., Independent Director of Zhen Ding Technology Holding Limited, San Fu Chemical Co., Ltd. & Everlight Electronics Co., Ltd.	-	-	-
	R.O.C	Sheng-Cheng Hu	Male	23 June 2016	2	23 June 2016	-	-	-	-	-	-	University of Rochester, USA, Ph.D. in Economics Δ Chairman of Chung-Hua Institution for Economic Research, Executive Director of the Central Bank of the Republic of China (Taiwan)	-	-	-

\* represents the number of company shares owned by the individual representative.

Note 1: No Director holds company shares via accounts under others' names.

Note 2: For Directors are company entities, the company registry is R.O.C.

## 2.1.1 Major Shareholders of FENC's Directors are Institutional Shareholders

Book closure date: 30 April 2018

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders (%)
Asia Cement Corporation	Far Eastern New Century Corp. (22.33); Fubon Life Insurance Co., Ltd. (6.31); Far Eastern Medical Foundation (5.40); China Life Insurance Co., Ltd. (1.52); Labor Pension Fund Committee of Far Eastern New Century Corp. (1.51); Shinkong Life Insurance Co., Ltd. (1.50); Far Eastern Department Stores Ltd. (1.49); Yuan Ze University (1.41); Far Eastern Memorial Foundation (1.31); Yu Yuan Investment Co., Ltd. (1.29)
Far Eastern Department Stores Ltd.	Far Eastern New Century Corp. (17.06); Asia Cement Corp. (5.65); Yuan Ze University (4.75); Yuan Tong Investment Co., Ltd. (2.80); Yu Yuan Investment Co., Ltd. (2.06); Norges Bank account in custody of Citibank (Taiwan) (1.98); Labor Pension Fund Committee of Far Eastern Department Stores Ltd. (1.97); Far Eastern Memorial Foundation (1.71); Yuan Ding Investment Co., Ltd. (1.61); Tranguil Enterprise Ltd. (1.50)
U-Ming Marine Transport Corp.	Asia Cement Corp. (39.25); Cathay Life Insurance Co., Ltd. (4.70); Fubon Life Insurance Co., Ltd. (2.33); Management Board of the Public Service Pension Fund (2.03); Nan Shan Life Insurance Co., Ltd. (2.02); Yuan Ding Investment Co., Ltd. (1.05); Vanguard Emerging Markets Stock Index Fund account in the custody of Standard Chartered Bank (1.04); Yu Yuan Investment Co., Ltd. (0.94); Asia Investment Co., Ltd. (0.92); Ding Shen Investment Co., Ltd. (0.85)

## 2.1.2 Major Shareholders of the Major Shareholders that are Juridical Persons

Book closure date: 30 April 2018

Name of Juridical Persons	Major Shareholders of the Juridical Persons (%)
Far Eastern New Century Corp.	Please refer to page 56.
Yue Yuan Investment Co., Ltd.	Asia Cement Corp. (29.92); Yuan-Ding Co., Ltd. (25.02); Yuan Ding Investment Co., Ltd. (18.96); U-Ming Marine Transport Corp. (17.66); Ding Shen Investment Co., Ltd. (6.50); Yue Tung Investment Co., Ltd. (1.84); Yue Ding Investment Co., Ltd. (0.10)
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd. (100.00)
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corp. (99.40); An Ho Garment Co., Ltd. (0.30); Da Ju Fiber Co., Ltd.(0.30)
Asia Investment Co., Ltd.	Asia Cement Corp. (100.00)
Nan Shan Life Insurance Co., Ltd.	Ruenchen Investment Holding Company account in the custody of First Bank (75.14); Ruenchen Investment Holding Co., Ltd. (15.48); Yin-zong Tu (3.25); Ruenhwa Dyeing and Fabricating Co., Ltd. (0.28); Ruentex Industries Ltd. (0.15); Wen-der Kuo (0.11); Gping Investment Co., Ltd. (0.11); Pouchi Investment Co., Ltd. (0.05); Pouyi Investment Co., Ltd. (0.05); Pouhuei Investment Co., Ltd. (0.05); Pouhwan Investment Co., Ltd. (0.05)
Shinkong Life Insurance Co., Ltd.	Shinkong Financial Holding Co., Ltd. (100.00)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100.00)
China Life Insurance Co., Ltd.	China Development Finance Holding Corp. (25.33); KGI Securities Co., Ltd. (9.63); Videoland Inc. (2.35); Saudi Arabian Monetary Agency account in custody of J.P. Morgan Chase Bank (1.67); New Labor Pension Fund (1.63); Government of Singapore account in custody of Citibank (Taiwan) (1.53); Cathay Life Insurance Co., Ltd. (1.31); Lin-Lang Chan (1.27); Norges Bank account in custody of Citibank (Taiwan) (1.19); Vanguard Emerging Markets Stock Index Fund account in custody of J.P. Morgan Chase Bank (1.13)
Yuan Tong Investment Co., Ltd.	Far Eastern New Century Corp. (100.00)
Tranguil Enterprise Ltd.	Douglas Tong Hsu (85.40); Hui-Yi Xu (10.00); Raymond Hsu (2.00); Peter Hsu (2.00); Shaw Y. Wang (0.20); Morton Mate Huang (0.20); Jia-Cong Wang (0.20)
Ding Shen Investment Co., Ltd.	Yuan Tong Investment Co., Ltd. (18.00); Asia Investment Co., Ltd. (18.00); Bai Ding Investment Co., Ltd. (18.00); Dong Fu Investment Co., Ltd. (18.00); Yue Tung Investment Co., Ltd. (18.00); Yue Ding Investment Co., Ltd. (5.00); Da Ju Fiber Co., Ltd. (5.00)

## 2.1.3 Directors

Name	Item	Meet One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Douglas Tong Hsu				√					√			√	√	None	
Johnny Hsi				√		√			√			√			
Peter Hsu				√					√			√			
Raymond Hsu				√					√			√			
Shaw Y. Wang				√		√	√		√		√	√			
Richard Yang				√	√	√	√	√	√	√	√	√			
Tonia Katherine Hsu				√	√	√		√	√			√			
Kwan-Tao Li		√		√	√	√	√				√	√			
Alice Hsu				√	√			√	√			√			
Champion Lee				√		√	√		√		√	√			
Bing Shen				√	√	√	√	√	√	√	√	√	√	2	
Johnsee Lee				√	√	√	√	√	√	√	√	√	√	3	
Sheng-Cheng Hu		√		√	√	√	√	√	√	√	√	√	√	None	

Note 1 : Please tick the corresponding boxes if Directors have been any of the following during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company's affiliates. (Unless the person is an independent director of the company, its' parent company or its subsidiaries of which are required to set up independent director according to "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local law.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. Unless a member of the Remuneration Committee who has exercised Article 7 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Act.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2 : The Company re-elected its directors on 26 June, 2015.

## 2.2 President, Executive Vice President, Senior Vice President, and Managers of Departments and Branches

Book closure date: 30 April 2018

Title	Nationality	Name	Gender	Date effective	Shareholding		Shareholding of spouse & minor children		Curriculum vitae ΔPositions in other companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%		Title	Name	Relation
President Petrochemical Industry	R.O.C	K.S. Wu	Male	1 Jul 11	1,380	0.00	10	0.00	Chinese Culture University, Taiwan, Chemical Department Δ Director of OUCC, Everest Textile & Oriental Petrochemical (Taiwan) Co., Ltd.(OPTC)	-	-	-
President Polyester Industry	R.O.C	Y.H. Tseng	Male	1 Jul 11	151,177	0.00	0	0.00	Tung Hai University, Taiwan, Chemical Engineering Department Δ Director of Oriental Petrochemical (Shanghai) Corp.(OPSC). & Far Eastern Polytex (Vietnam) Ltd.	-	-	-
President Textile Industry	R.O.C	Eric Hu	Male	1 Jul 11	277	0.00	0	0.00	Tung Hai University, Taiwan, Industrial Engineering Department Δ Director of Everest Textile & Far Eastern Apparel	-	-	-
President Corporate Management	R.O.C	Humphrey Cheng	Male	1 Jul 11	0	0.00	0	0.00	National Taiwan University, Taiwan, International Business, EMBA Δ Director of OUCC & FEIB	-	-	-
Chief Operating Officer Polyester Industry	R.O.C	Donald Fan	Male	1 Jul 12	90,791	0.00	3,747	0.00	Feng Chia University, Taiwan, Textile Engineering Department Δ Chairman of Wuhan Far Eastern New Material Ltd.; Director of Far Eastern Industries (Shanghai)	-	-	-
Chief Operating Officer Polyester Industry	R.O.C	C.Y. Dai	Male	1 Jul 12	6,058	0.00	0	0.00	Tamkang University, Taiwan, International Business Department Δ Director of Far Eastern Industries (Shanghai), & Wuhan Far Eastern New Material Ltd.	-	-	-
Chief Auditor Chairman Office	R.O.C	Raymond Hsu	Male	1 Mar 96	33,967,959	0.63	0	0.00	Australian Mining and Metallurgy College, Australia Δ Please refer to page 13.	-	-	-
Chief Auditor Group Auditing Department	R.O.C	Chun Min Ho	Female	1 Aug 12	0	0.00	10,752	0.00	National Cheng Kung University, Taiwan, Accounting and Statistics Department Δ -	-	-	-
Chief Auditor Group Auditing Department	R.O.C	Y.C. Yuan	Female	12 Aug 14	0	0.00	0	0.00	Yuan Ze University, Taiwan, Postgraduate Diploma in Management Administration Δ -	-	-	-
Chief Financial Officer Corporate Management	R.O.C	David Wang	Male	1 Jul 12	7,113	0.00	67	0.00	Mississippi State University, USA, MBA Δ Chairman of Yuan Tong Investment; Director of Kai Yuan International Investment	-	-	-
General Plant Manager Polyester Industry	R.O.C	B.C. Chang	Male	1 Sep 16	453	0.00	0	0.00	Yuan Ze University, Taiwan, Master in Industry Engineering Δ Director of Far Eastern Fibertech Co. Ltd.(FEFC)	-	-	-
Executive Vice President Corporate Management	R.O.C	Alan Tsai	Male	1 Jul 12	0	0.00	0	0.00	National Chengchi University, Taiwan, Master in Operation Management & Master of Laws Program for Executives Δ Chairman of Ding Yuan International Investment Co., Ltd.; Director of Yuan Ding Investment Co., Ltd.	-	-	-
Executive Vice President Corporate Management	R.O.C	Emily Wu	Female	1 Jul 12	0	0.00	0	0.00	University of Texas at Arlington, USA, Master in Accounting Δ Director of Yuan Cheng Human Resource Consultant ; Supervisor of Yuan Faun Co., Ltd.	-	-	-
Executive Vice President R&D Center	R.O.C	Ru-yu Wu	Male	1 Jan 05	219	0.00	0	0.00	University of Monash, Australia, Ph.D. Δ Director of OUCC & Oriental Resources Development Co., Ltd.	-	-	-
Executive Vice President Textile Industry	R.O.C	Judy Lee	Female	1 Dec 15	0	0.00	26	0.00	National Taiwan University, Taiwan, Department of Business Δ Director of Far Eastern Apparel (Suzhou) & Far Eastern Apparel (Vietnam) Ltd.	-	-	-
Executive Vice President Textile Industry	R.O.C	M.J. Wu	Male	1 Oct 13	17,759	0.00	515	0.00	Feng Chia University, Taiwan, Textile Engineering Department Δ Director of Oriental Industries (Suzhou) & Far Eastern Industries (Suzhou) Ltd.	-	-	-
Executive Vice President Textile Industry	R.O.C	Mingo A. Chen	Male	1 Sep 15	1,051	0.00	693	0.00	Feng Chia University, Taiwan, Textile Engineering Department Δ Director of Far Eastern Industries (Wuxi) & Far Eastern Polytex (Vietnam) Ltd.	-	-	-

Title	Nationality	Name	Gender	Date effective	Shareholding		Shareholding of spouse & minor children		Curriculum vitae Δ Positions in other companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%		Title	Name	Relation
Senior Vice President Corporate Staff Office	R.O.C	Jackson Wu	Male	1 Oct 07	50,545	0.00	0	0.00	Chung Yuan Christian University, Taiwan, Master in Mechanical Engineering Δ Supervisor of Far Eastern General Contractor	-	-	-
Senior Vice President Corporate Staff Office	R.O.C	Allen Sha	Male	1 Apr 15	1,166	0.00	0	0.00	Tamkang University, Taiwan, Master in Department of Banking and Finance Δ Director of Yuan Tong Investment & Kai Yuan International Investment	-	-	-
Senior Vice President Corporate Staff Office	R.O.C	Y.L. Chen	Male	1 Apr 15	11,879	0.00	18,432	0.00	Tamkang University, Taiwan, Master in Business Administration Δ -	-	-	-
Senior Vice President Corporate Staff Office	R.O.C	Y.S. Yang	Male	1 Apr 15	0	0.00	0	0.00	National Chiao Tung University, Taiwan, PhD in Business & Management Δ Chairman of YDT Technology International Co., Ltd.	-	-	-
Vice Chief Auditor Audit Department	R.O.C	Mark Lu	Male	11 Jan 91	43,165	0.00	8,458	0.00	University of Georgia, USA, Master in Accounting Δ Supervisor of Yuan Ding Investment	-	-	-
Vice Chief Auditor Group Auditing Department	R.O.C	Rebecca Huang	Female	1 Aug 12	6,149	0.00	0	0.00	National Chengchi University, Taiwan, EMBA In Accounting Δ -	-	-	-
Senior Vice President Accounting Department	R.O.C	Davis Dai	Male	1 Oct 15	0	0.00	0	0.00	Fu Jen Catholic University, Taiwan, Master in Accounting Δ Supervisor of Far Eastern Apparel (Vietnam) Ltd.	-	-	-
Senior Vice President Finance Department	R.O.C	Mike Wu	Male	1 Sep 06	1,238	0.00	0	0.00	University of Oklahoma, USA, MBA Δ Director of Worldwide Polychem (HK) Ltd.; Supervisor of Far Eastern Industries (Wuxi)	-	-	-
Senior Vice President Finance Department	R.O.C	Jenny Ho	Female	1 Jul 15	913	0.00	0	0.00	University of Reading, UK, Master in International Securities, Investment and Banking Δ Director of Far Eastern Apparel & Fu Kwok Knitting & Garment Co., Ltd.	-	-	-
Senior Vice President Legal Department	R.O.C	Li-Chi Chen	Male	1 Oct 07	0	0.00	0	0.00	National Taiwan University, Taiwan, College of Law Δ Director of Far Eastern Apparel; Supervisor of Arcoa Communication	-	-	-
Senior Vice President Secretarial Department	R.O.C	Hans Kuo	Male	1 Jul 12	0	0.00	0	0.00	Chinese Culture University, Taiwan, Department of Law Δ -	-	-	-
Senior Vice President Human Resource Department	R.O.C	C.Y. Lin	Male	1 Jun 09	0	0.00	0	0.00	National Chengchi University, Taiwan, Master in Labor Research Δ Director of Yuan Cheng Human Resource Consultant	-	-	-
Senior Vice President R&D Center	R.O.C	Ken Chang	Male	1 Aug 12	0	0.00	0	0.00	National Tsing Hua University, Taiwan, PhD in Chemical Engineering Δ -	-	-	-
Senior Vice President R&D Center	R.O.C	Y.T. Chang	Male	1 Jul 13	0	0.00	0	0.00	Yuan Ze University, Taiwan, Master in Chemical Engineering Δ -	-	-	-
Senior Vice President R&D Center	R.O.C	Fanny Liao	Female	1 Jun 14	0	0.00	0	0.00	The State University of New York, Stony Brook University, USA, PhD in Chemistry Δ Director of Oriental Resources Development Co., Ltd. & Martens Beer (Shanghai) Ltd.	-	-	-
Senior Vice President R&D Center	R.O.C	David Liu	Male	9 Sep 16	307	0.00	0	0.00	Yuan Tzu University, Taiwan, Master in Chemical Engineering Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	David Shih	Male	1 Nov 06	349	0.00	0	0.00	National Taiwan University of Science and Technology, Taiwan, Industrial Management Department Δ Director of OPTC	-	-	-
Senior Vice President Polyester Industry	R.O.C	Arthur Lee	Male	15 Feb 07	5,964	0.00	0	0.00	Oklahoma City University, USA, MBA Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	C.T. Peng	Male	1 Aug 10	0	0.00	0	0.00	National Tsing Hua University, Taiwan, Master in Chemical Engineering Δ Director of Oriental Resources Development Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date effective	Shareholding		Shareholding of spouse & minor children		Curriculum vitae ΔPositions in other companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%		Title	Name	Relation
Senior Vice President Polyester Industry	R.O.C	C.T. Chen	Male	1 Nov 10	0	0.00	0	0.00	Yuan Ze University, Taiwan, Masters in Industrial Engineering Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	C.T. Chang	Male	1 Jan 11	30,783	0.00	140	0.00	Yuan Ze University, Taiwan, Master in Chemical Engineering Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	Eric Huang	Male	1 Jul 12	0	0.00	0	0.00	National Taiwan University of Science and Technology, Taiwan, PhD in Chemical Engineering Δ Director of FEFC & Oriental Industries (Suzhou)	-	-	-
Senior Vice President Polyester Industry	R.O.C	J.K. Tsai	Male	1 Jul 12	37,187	0.00	11,257	0.00	National Open University, Taiwan, Sociology Department Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	S.Y. Lai	Male	1 Oct 13	1,040	0.00	0	0.00	Yuan Ze University, Taiwan, Postgraduate Diploma in Management Administration Δ Director of Wuhan Far Eastern New Material Ltd. & Martens Beer (Shanghai) Ltd.	-	-	-
Senior Vice President Polyester Industry	R.O.C	M.L. Tsai	Male	1 Sep 13	0	0.00	383	0.00	Feng Chia University, Taiwan, Master in Textile Engineering Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	K.S. Tsai	Male	1 Jun 13	0	0.00	0	0.00	Yuan Ze University, Taiwan, Postgraduate Diploma in Management Administration Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	Roder Chang	Male	1 Dec 14	1,555	0.00	0	0.00	Feng Chia University, Taiwan, Master in Textile Engineering Department Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	K.B. Louy	Male	15 Mar 16	35	0.00	0	0.00	Feng Chia University, Taiwan, Textile Engineering Department Δ -	-	-	-
Senior Vice President Polyester Industry	R.O.C	Nico Peng	Male	1 Nov 17	0	0.00	0	0.00	Yuan Ze University, Taiwan, Postgraduate Diploma in Management Administration Δ -	-	-	-
Senior Vice President Textile Industry	R.O.C	S.C. Lo	Male	15 Mar 16	0	0.00	17	0.00	Feng Chia University, Taiwan, Master in Textile Engineering Δ -	-	-	-
Senior Vice President Textile Industry	R.O.C	Y.J. Lou	Male	1 Sep 16	35,046	0.00	27,388	0.00	Tatung University, Taiwan, Chemical Engineering Department Δ Director of Worldwide Polychem (HK) Ltd. & Far Eastern Apparel	-	-	-
Senior Vice President Textile Industry	R.O.C	S.N. Chan	Male	1 Dec 17	134	0.00	0	0.00	National Tsing Hua University, Taiwan, Master in Industrial Engineering Δ Director of Far Eastern New Apparel (Vietnam) Ltd.	-	-	-
Senior Vice President Purchasing Department	R.O.C	Ryan Wu	Male	1 May 11	0	0.00	0	0.00	Da-Yeh University, Taiwan, Master in Food Industry Δ -	-	-	-

Note 1: Managers mentioned in table above do not hold the Company shares via accounts in others' names.

Note 2: There is no share warrant and share option issued by the Company to employees for purchasing shares.





Bracket	Name of Directors			
	Total of (I+II+III+IV)		Total of (I+II+III+IV+V+VI+VII)	
	The Company	Companies in the consolidated financial statement	The Company	Companies in the consolidated financial statement
Under NT\$2,000,000	0	0	0	0
NT\$2,000,000 – NT\$4,999,999	Bing Shen, Johnsee Lee, Sheng-Cheng Hu	Bing Shen, Johnsee Lee, Sheng-Cheng Hu	Bing Shen, Johnsee Lee, Sheng-Cheng Hu	Bing Shen, Johnsee Lee, Sheng-Cheng Hu
NT\$5,000,000 – NT\$9,999,999	0	0	0	0
NT\$10,000,000 – NT\$14,999,999	Representative of Far Eastern Department Stores Ltd.: Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transport Corp.: Alice Hsu, Kwan-Tao Li Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation: Champion Lee	Representative of Far Eastern Department Stores Ltd.: Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transport Corp.: Alice Hsu, Kwan-Tao Li Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation: Champion Lee	Representative of Far Eastern Department Stores Ltd.: Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transport Corp.: Alice Hsu, Kwan-Tao Li Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation: Champion Lee	Representative of Far Eastern Department Stores Ltd.: Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transport Corp.: Alice Hsu, Kwan-Tao Li Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation: Champion Lee
NT\$15,000,000 – NT\$29,999,999	Douglas Tong Hsu Representative of Asia Cement Corporation: Johnny Hsi, Raymond Hsu, Peter Hsu, Shaw Y. Wang,	Douglas Tong Hsu Representative of Asia Cement Corporation: Johnny Hsi, Raymond Hsu, Peter Hsu, Shaw Y. Wang,	Representative of Asia Cement Corporation: Johnny Hsi, Raymond Hsu, Peter Hsu, Shaw Y. Wang,	0
NT\$30,000,000 – NT\$49,999,999	0	0	Douglas Tong Hsu	Representative of Asia Cement Corporation: Johnny Hsi, Raymond Hsu, Peter Hsu, Shaw Y. Wang,
NT\$50,000,000 – NT\$99,999,999	0	0	0	0
NT\$100,000,000 and over	0	0	0	Douglas Tong Hsu
Total	13	13	13	13

## 2.3.2 Compensation Paid to Presidents and Executive Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary (I)		Severance Pay and Pension (II)		Compensation and Allowances (III)		Employees' compensation from distribution of earnings (IV)				Ratio of total remuneration (I+II+III+IV) to net income (%)		Compensation paid to the President and Executive Vice President from an invested company other than the Company's subsidiary
		A	B	A	B	A	B	A		B		A	B	
								Cash	Stock	Cash	Stock			
President	K.S. Wu	48,636	54,805	0	0	60,972	60,972	2,381	0	2,381	0	1.39%	1.46%	14,860
	Y.H. Tseng													
	Eric Hu													
	Humphrey Cheng													
Chief Operating Officer	Donald Fan													
	C.Y. Dai													
Chief Auditor	Raymond Hsu													
	Chun Min Ho													
	Y.C. Yuan													
Chief Financial Officer	David Wang													
General Plant Manager	B.C. Chang													
Executive Vice President	Alan Tsai													
	Emily Wu													
	Ru-yu Wu													
	Judy Lee													
	M.J. Wu													
	Mingo A. Chen													

Note:

1. Column A represents the Company; Column B represents all companies in the consolidated financial statement.
2. The Company and all companies in the consolidated financial statement neither issue shares nor issue warrants and options for purchasing common shares to employees as bonus.
3. A company car is assigned to all Presidents and Executive Vice Presidents for business purposes. The total rental for the said car is NT\$372,000 per year.

Bracket	Name of Presidents and Executive Vice Presidents	
	The Company	Companies in the consolidated financial statement
Under NT\$2,000,000	0	0
NT\$2,000,000 ~ NT\$4,999,999	0	0
NT\$5,000,000 ~ NT\$9,999,999	K.S. Wu, Y.H. Tseng, Eric Hu, Humphrey Cheng, Donald Fan, C.Y. Dai, Raymond Hsu, Chun Min Ho, Y.C. Yuan, David Wang, B.C. Chang, Alan Tsai, Emily Wu, Ru-yu Wu, Judy Lee, M.J. Wu, Mingo A. Chen	K.S. Wu, Y.H. Tseng, Eric Hu, Humphrey Cheng, Donald Fan, C.Y. Dai, Raymond Hsu, Chun Min Ho, Y.C. Yuan, David Wang, B.C. Chang, Alan Tsai, Emily Wu, Ru-yu Wu, Judy Lee, M.J. Wu, Mingo A. Chen
NT\$10,000,000 ~ NT\$14,999,999	0	0
NT\$15,000,000 ~ NT\$29,999,999	0	0
NT\$30,000,000 ~ NT\$49,999,999	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0
NT\$100,000,000 and over	0	0
Total	17	17

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### 2.3.3 Compensation Paid to Managers

Unit:NT\$ thousands

Title	Name	Employee Compensation- in Cash	Ratio of Total Amount to Net Income(%)
President, Petrochemical Industry	K.S. Wu	7,114	0.11%
President, Polyester Industry	Y.H. Tseng		
President, Textile Industry	Eric Hu		
President, Corporate Management	Humphrey Cheng		
Chief Operating Officer, Polyester Industry	Donald Fan		
Chief Operating Officer, Polyester Industry	C.Y. Dai		
Chief Auditor, Chairman Office	Raymond Hsu		
Chief Auditor, Group Auditing Department	Chun Min Ho		
Chief Auditor, Group Auditing Department	Y.C. Yuan		
Chief Financial Officer, Corporate Management	David Wang		
General Plant Manager, Polyester Industry	B.C. Chang		
Executive Vice President, Corporate Management	Alan Tsai		
Executive Vice President, Corporate Management	Emily Wu		
Executive Vice President, R&D Center	Ru-yu Wu		
Executive Vice President, Textile Industry	Judy Lee		
Executive Vice President, Textile Industry	M.J. Wu		
Executive Vice President, Textile Industry	Mingo A. Chen		
Senior Vice President, Corporate Staff Office	Jackson Wu		
Senior Vice President, Corporate Staff Office	Allen Sha		
Senior Vice President, Corporate Staff Office	Y.L. Chen		
Senior Vice President, Corporate Staff Office	Y.S. Yang		
Vice Chief Auditor, Audit Department	Mark Lu		
Vice Chief Auditor, Group Auditing Department	Rebecca Huang		
Senior Vice President, Accounting Department	Davis Dai		
Senior Vice President, Finance Department	Mike Wu		
Senior Vice President, Finance Department	Jenny Ho		
Senior Vice President, Legal Department	Li-Chi Chen		
Senior Vice President, Secretarial Department	Hans Kuo		
Senior Vice President, Human Resource Department	C.Y. Lin		
Senior Vice President, R&D Center	Ken Chang		
Senior Vice President, R&D Center	Y.T. Chang		
Senior Vice President, R&D Center	Fanny Liao		
Senior Vice President, R&D Center	David Liu		
Senior Vice President, Polyester Industry	David Shih		
Senior Vice President, Polyester Industry	Arthur Lee		
Senior Vice President, Polyester Industry	C.T. Peng		
Senior Vice President, Polyester Industry	C.T. Chen		
Senior Vice President, Polyester Industry	C.T. Chang		
Senior Vice President, Polyester Industry	Eric Huang		
Senior Vice President, Polyester Industry	J.K. Tsai		
Senior Vice President, Polyester Industry	S.Y. Lai		
Senior Vice President, Polyester Industry	M.L. Tsai		
Senior Vice President, Polyester Industry	K.S. Tsai		
Senior Vice President, Polyester Industry	Roder Chang		
Senior Vice President, Polyester Industry	K.B. Louy		
Senior Vice President, Polyester Industry	Nico Peng		
Senior Vice President, Textile Industry	S.C. Lo		
Senior Vice President, Textile Industry	Y.J. Lou		
Senior Vice President, Textile Industry	S.N. Chan		
Senior Vice President, Purchasing Department	Ryan Wu		

Note : There are no shares being issued by the Company to pay for employee bonuses.

## 2.4 Remuneration Paid to Directors, Compensation Paid to Presidents and Executive Vice Presidents

### 2.4.1 The Ratio of Total Remuneration Paid by the Company and by All Companies Included in the Consolidated Financial Statements for the Two Latest Fiscal Years to Directors, Presidents and Executive Vice Presidents of the Company over Net Income:

Year	The Ratio of Total Paid Remuneration over Net Income	
	The Company	Companies in the consolidated financial statement
2017	3.62%	4.76%
2016	4.18%	5.57%

### 2.4.2 The Policies, Standards, Structures for the Payments of Remuneration, the Procedures for Determining Remuneration, and the Correlations with Business Performance:

Pursuant to Company Act and the Article 26 of the "Articles of Incorporation of Far Eastern New Century Corporation", 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as Directors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by Board of Directors to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as employees' compensation; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The actual ratio and amount of the profit distributable as Directors' remuneration shall also be determined by Board of Directors in accordance with the "Board Performance Evaluation Rule", and a report of such distribution shall be submitted to the shareholders' meeting. The remuneration of Directors, Presidents, and Executive Vice Presidents was paid according to not only the peer standards but also the correlations with the personal assessment, operational performance, and future risks. The remaining compensation is determined based on the business results of the whole company and each department; meanwhile, results of market survey on the general salary level of TWSE-listed companies and reports by professional consulting companies will also be referenced.

## 3. Corporate Governance

### 3.1 Board of Directors

Total four meetings were convened by the Board of Directors in 2017. Attendance of each Director is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks	
Chairman	Douglas Tong Hsu	4	0	100		
Director	Asia Cement Corp.	Johnny Hsi	4	0	100	
		Peter Hsu	4	0	100	
		Raymond Hsu	4	0	100	
		Shaw Y. Wang	4	0	100	
	Far Eastern Department Stores Ltd.	Richard Yang	4	0	100	
		Tonia Katherine Hsu	4	0	100	
	U-Ming Marine Transport Corp.	Kwan-Tao Li	4	0	100	
		Alice Hsu	4	0	100	
	Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation	Champion Lee	4	0	100	
	Independent Directors	Bing Shen	4	0	100	
		Johnsee Lee	4	0	100	
		Sheng-Cheng Hu	4	0	100	
Other required disclosure:						
(1) Should any circumstance occurred on board practices, the dates and sessions of the said board meetings, the contents of the said resolutions, opinions of all independent directors, and measures the Company had in responding to such opinions shall be specified:						
1. Any circumstance described in Article 14-3 of the Securities and Exchange Act: Please refer to page 51 to 52 "Major resolutions by Board of Directors"						
2. Any resolution on which an independent director had a dissenting or qualified opinion occurred in board meetings: None						

## Corporate Governance Report

- (2) Should there be any director neither joining discussion nor exercising the voting rights in board meetings for the resolution which he/she has personal interests, the name of such director, the contents of the said resolution, the reasons such director has personal interests, and the voting results shall be specified: None
- (3) Targets and measures of this and previous years established to improve the functionality of the Board of Directors and their execution results (for instance, the establishment of the audit committee, the improvement of information disclosure, and so forth): The Company announces the resolutions of every Board of Director's meeting on its website, and purchases liability insurance for its Directors as to improve the Company's operational transparency and protect the shareholders' rights. The Audit Committee established in accordance with regulations.
- (4) The attendance status of Independent Directors in 2017 until 15 May, 2018:

	2017/03/23	2017/05/11	2017/08/10	2017/11/09	2018/03/22	2018/05/11
Bing Shen	✓	✓	✓	✓	✓	✓
Johnsee Lee	✓	✓	✓	✓	✓	✓
Sheng-Cheng Hu	✓	✓	✓	✓	✓	✓

Note: ✓: Attendance in person

### 3.2 Audit Committee:

Total four meetings were convened by the Audit Committee in 2017. Attendance of each Independent Director is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Bing Shen	4	0	100	-
Committee member	Johnsee Lee	3	1	75	
Committee member	Sheng-Cheng Hu	4	0	100	

Other required disclosure:

(1)

1. Any circumstance described in Article 14-5 of the Securities and Exchange Act:

Meeting Date (Term)	Resolutions	Circumstances described in Article 14-5 of the Securities and Exchange Act	The Company's response to Audit Committee's opinions
2017.03.17 (7 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	1. Circumstances for acquisition and disposition of assets during Oct. 2016 to Feb. 2017	✓	All presented committee members have approved and submitted to the Board of Directors. All Directors present consented to the Declaration, and no dissenting opinion was expressed.
	2. The outstanding balance & actual borrowing amounts of endorsements and guarantees at the end of Jan. 2017	✓	
	3. Transactions for FX hedging as of 23 Feb. 2017	✓	
	4. 2016 financial reports (including consolidated & stand-alone)	✓	
	5. The proposal for distribution of 2016 profits	✓	
	6. Approved amending the Company bylaw of "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation"	✓	
	7. Approved to sell polyester machinery & equipment to Far Eastern Polytex (Vietnam) Ltd.	✓	
	8. 2016Q4 internal audit report	✓	
	9. The results of the voluntary reviews of the internal control systems in 2016, which was presented by supervisory committee including the list of executive team members	✓	
2017.05.11 (8 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	1. 2017Q1 consolidated financial report		
	2. Circumstances for acquisition and disposition of assets during Mar. 2017	✓	
	3. The outstanding balance & actual borrowing amounts of endorsements and guarantees at the end of Mar. 2017	✓	

Meeting Date (Term)	Resolutions	Circumstances described in Article 14-5 of the Securities and Exchange Act	The Company's response to Audit Committee's opinions
	4. Transactions for FX hedging as of 14 Apr. 2017	√	All presented committee members have approved and submitted to the Board of Directors. All Directors present consented to the Declaration, and no dissenting opinion was expressed.
	5. Approved amending the Company bylaw of "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation"	√	
	6. Approved 2016 business report	√	
	7. Approved the acquisition of new common shares of Oriental Petrochemical (Taiwan) Co., Ltd.	√	
	8. 2017Q1 internal audit report	√	
2017.08.09 (9 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	1. Circumstances for acquisition and disposition of assets during Apr. to Jun. 2017	√	
	2. Transactions for FX hedging as of 14 Jul. 2017	√	
	3. Approved the guarantees of Yuan Ding Investment Co., Ltd. to the Company's subsidiary	√	
	4. 2017H1 consolidated financial report	√	
	5. Approved the acquisition of new common shares of Oriental Petrochemical (Shanghai) Corporation through PET Far Eastern (Holding) Limited, the subsidiary of Far Eastern New Century Corporation	√	
	6. Approved amending the Company bylaw of "Internal Control System" and "Internal Audit Implementation Rules"	√	
	7. 2017Q2 internal audit report	√	
2017.11.02 (10 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	1. 2017Q1-3 consolidated financial report		
	2. Circumstances for acquisition and disposition of assets during Jul. to Sep. 2017	√	
	3. Transactions for FX hedging as of 12 Oct. 2017	√	
	4. Approved short-term financing loans extended to Far Eastern Resources Development Co., Ltd.	√	
	5. Approved the guarantees of Yuan Ding Investment Co., Ltd. to the Company's subsidiary	√	
	6. 2017Q3 internal audit report	√	
	7. The 2017 Audit Plan review and the 2018 Audit Plan	√	
	8. Approved amending the Company bylaw of "Internal Audit Implementation Rules"	√	
	9. Approved the share exchange with Fu Kwok Knitting & Garment Co., Ltd. in accordance with Business Mergers and Acquisitions Act	√	

2. Any resolution on which the Audit Committee had a dissenting or qualified opinion occur with the approval of two thirds or more of the entire Board of Directors: None

(2) Should there be any independent director neither joining discussion nor exercising the voting rights in board meetings for the resolution which he/she has personal interests, the name of such independent director, the contents of the said resolution, the reasons such independent director has personal interests, and the voting results shall be specified: None

(3) Communications between Independent Directors and the chief internal auditor and CPA of the Company (including the ways and topics that the aforesaid parties discuss on the financial and business situations of the Company, and the conclusions of their discussions):

1. Audit Committee meetings are held by Independent Directors quarterly. Meeting minutes will be recorded and submitted to notify the President and top management of the Company of important discussions and resolutions. In the meetings, the internal audit officer reports the execution of internal audit work, significant internal audit findings, and provides the status of the follow-up matters instructed by Independent Director from previous meeting. The Independent Directors represented no counter advices or qualified opinions.

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2. The CPA of the Company attends the Audit Committee meetings and communicates the audited (or reviewed) financial reports and any important matters required by law to Independent Directors in the quarterly Audit Committee meetings. The Independent Directors represented no counter advices or qualified opinions.

Meeting Date	Communications with the internal audit officer	Communications with the CPA of the Company
<b>2017.03.17</b> (7 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	<ul style="list-style-type: none"> <li>• 2016Q4 internal audit report</li> <li>• The results of the voluntary reviews of the internal control systems in 2016, which was presented by supervisory committee including the list of executive team members</li> </ul>	<ul style="list-style-type: none"> <li>• 2016 financial reports (including consolidated &amp; stand-alone)</li> </ul>
<b>2017.05.11</b> (8 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	<ul style="list-style-type: none"> <li>• 2017Q1 internal audit report</li> </ul>	<ul style="list-style-type: none"> <li>• 2017Q1 consolidated financial report</li> </ul>
<b>2017.08.09</b> (9 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	<ul style="list-style-type: none"> <li>• 2017Q2 internal audit report</li> </ul>	<ul style="list-style-type: none"> <li>• 20171H consolidated financial report</li> </ul>
<b>2017.11.02</b> (10 <sup>th</sup> Meeting of the 1 <sup>st</sup> Term)	<ul style="list-style-type: none"> <li>• 2017Q3 internal audit report</li> <li>• Reviewed 2017 audit result and proposed 2018 audit plan</li> </ul>	<ul style="list-style-type: none"> <li>• 2017Q1-3 consolidated financial report</li> <li>• Communication and explanation upon key audit matters for the new independent auditors' report</li> </ul>

### 3.3 Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and
	Yes	No	Summary	
<b>(1) Has the Company formulated and disclosed its own corporate governance best-practice principles in accordance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”?</b>	V		The Company has formulated “Corporate Governance Principles” and disclosed them through the company website and the Market Observatory Post System (MOPS).	
<b>(2) Shareholding Structure &amp; Shareholders’ Rights</b>				
a. Has the Company established internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation-related issues, and practically implemented such procedures?	V		The Company has established communication channel (e.g. the Audit Committee and Audit Department email addresses) for its shareholders and stakeholders. The Company has handled shareholder proposals, doubts, disputes, and litigation-related issues in accordance with “Procedures for the Audit Committee’s Email Management” and “Audit Department Misconduct Reporting and Resolution Procedures on Handling Employees or Stakeholders”	None
b. Has the Company kept a list of major shareholders and a list of ultimate owners of these major shareholders?	V		The Company, at all time, keeps updated information of major shareholders and the ultimate owners of these major shareholders. If change in ownership occurs, the Company follows the relevant regulations to disclose related information.	



Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and
	Yes	No	Summary	
c. Has the Company established and operated a risk management mechanism and "firewall" between the Company and its affiliates?	V		The Company has assigned risk control of accounts receivable to the Credit Committee. To manage the potential risk and establish a "firewall" between the Company and its affiliates, the Company and its affiliates have already established and implemented "Procedures for Acquisition and Disposition of Assets", "Procedures for Lending of Capital to Others", and "Procedures for Endorsements and Guarantees".	None
d. Has the Company established internal rules to prohibit company insiders from trading securities using information not disclosed to the market?	V		The Company has established the "Procedures for Handling Material Inside Information", the "Code of Ethics" and the "Best Practice Principles of Ethical Corporate Management" to prohibit company insiders from trading securities using information not disclosed to the market, and has advocated the following: A. New managers be given a copy of the "Procedures for Handling Material Inside Information" when they sign the declaration statement. B. The Company promotes the "Procedures for Handling Material Inside Information" to its managers on an intermittent basis and prohibits company insiders from trading securities using information not disclosed to the market or to disclose information prohibited by insider trading-related laws. C. The Company advocates the "Procedures for Handling Material Inside Information" to managers and employees when they sign the confidentiality agreement during initial hiring.	
<b>(3) Composition and Responsibilities of the Board of Directors</b> a. Have members of the Board of Directors formulated diverse policies and implemented them accordingly?	V		The Company has adopted the Board of Directors member nomination and selection system which complies with the "Election Procedures of Director" and the "Corporate Governance Principles", and annually conduct performance assessment to ensure that competency, diversity and independent stakeholder opinions have been taken into consideration. The 22 <sup>nd</sup> board members, including two female directors, are well-experienced in management and leadership decision making and have in-depth industrial knowledge. Some of the members have backgrounds in law, finance, economics, sales, etc. The implementation status of diverse policies can be referred to Note 1.	

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Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and
	Yes	No	Summary	
b. In addition to establishing a Remuneration Committee and an Audit Committee, has the Company voluntarily established other types of functional committees?	V		<p>A. "Credit Committee": Audits credit ratings of domestic sales and export customers, and approves credits granted. Implements control of customer credits and account receivables in order to achieve the "Zero Bad Debt" management target for the year.</p> <p>B. "The Supervisory Committee of Information Safety": In charge of promotions and coordination of information security matters.</p> <p>C. "Safety and Health Committee": Practically implements occupational safety and health control matters.</p>	
c. Has the Company established a Board performance assessment method, and have performance evaluations been conducted annually?	V		<p>The Company has formulated the "Board Performance Evaluation Rule", which was resolved by BOD on 11 August 2016 in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Every year, the Board members and the divisions in charge of organizing meetings conducted a self-evaluation of the Board's performance on five areas, namely, involvement in the Company's operations, improvement in the Board's decision making, the Board's structure and organization, the selection and further training of the Board members as well as internal control. Last year, the performance of the Board was evaluated as "above par", which indicates the improvement in the Board's effectiveness. The performance assessment was reported in Remuneration Committee on 20 March 2018.</p>	None
d. Has the Company evaluated the independence of CPAs on a regular basis?	V		<p>At FENC and its subsidiary FarEasTone, an annual assessment is conducted on the independence and competence of CPAs and the results are reported to the Board. On March 22, 2018, the Board made a final review on the CPAs' independence and competence over 2017 and confirmed that they were free of conflicts of interest relationships and maintained objectivity and impartiality when discharging their professional responsibilities. The Company also received the "letter of independence from auditors of Deloitte and Touche" in accordance with the regulations of independence and competence. The assessment results can be referred to Note 2.</p>	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and
	Yes	No	Summary	
(4) Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?	V		<p>The Corporate Staff Office, Accounting Department, Finance Department, Human Resource Department, Legal Department and Secretarial Department established the Corporate Governance Working Group in a joint effort to handle governance related affairs under the supervision of the President of the Corporate Management. The working group deals with corporate integrity, corporate social responsibilities, legal compliance, meetings, public disclosure, and risk management etc.</p> <p>2017 Corporate Governance related routines:</p> <ul style="list-style-type: none"> <li>A. Conducted meetings of BOD and Audit Committee: four times respectively, totaling eight times</li> <li>B. Conducted Annual General Meeting and prepared AGM meeting minutes: one time</li> <li>C. Conducted meetings of Remuneration Committee: two times</li> <li>D. Conducted Directors' training: 13 participants, totaling 87 hours</li> <li>E. Conducted investor related services, i.e. attending investor conferences/forums: five times</li> <li>F. Conducted corporate governance evaluation and published CSR report</li> </ul>	None
(5) Has the company established a stakeholder (including, but not limited to, shareholders, employees, clients and suppliers, etc.) communication channel, a company website dedicated to stakeholders, and appropriately responded to the main social responsibility issues which are critical to stakeholders?	V		<p>The Company has established a "Stakeholder's Contact Information" list as well as a communication channel for shareholders, stakeholders, and the relevant company units on its company website. We have designated appropriate departments to communicate with stakeholders, at any time, on a case by case basis.</p>	
(6) Has the Company commissioned professional stock services agents to handle shareholder affairs?	V		<p>The Company and its subsidiary, Far EasTone have commissioned Oriental Securities Corporation to be the professional stock services agent in assisting and handling shareholder-related matters.</p>	
(7) Information Disclosure a. Has the Company set up a corporate website to disclose information on financial, business and its corporate governance?	V		<p>The Company and its subsidiary Far EasTone have set up multiple-language (traditional Chinese/simplified Chinese/English) websites: <a href="http://www.fenc.com">www.fenc.com</a> &amp; <a href="http://www.fareastone.com.tw">www.fareastone.com.tw</a>, respectively. Both corporate websites disclose the most updated information on financial, business and corporate governance.</p>	

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Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and
	Yes	No	Summary	
b. Has the Company adopted other information disclosure channels (i.e. English website; designated appropriate personnel to be in charge of Company information collection and disclosure, implemented the spokesperson system, uploaded the investor conference presentations on the Company's website, etc.)?	V		The Company and its subsidiary Far EasTone have established a spokesperson system, including a spokesperson and a deputy spokesperson. Both managers undertake their deeds precisely based on the Company's requirements. The Company's website is set up in multiple-language (traditional Chinese/simplified Chinese/English), and has designated appropriate persons to collect the Company's information. Investor conferences are held as needed, and the relevant information is disclosed on the Company's website and the M.O.P.S. website operated by the Taiwan Stock Exchange.	
<b>(8) Does the Company have other critical information which can help others to understand the implementation of corporate governance (including, but not limited to, employee welfare, staff care, investor relations, supplier relations, stakeholder rights, Director and Supervisor training status, risk management policies and risk measurement standard implementation progress, customer policy implementation progress, and the Company's purchase of liability insurance for Directors and Supervisors?)</b>	V		Please refer to page 46 Section Eight: "Others" in regard to critical information that can help others to understand the implementation of corporate governance from the Company and its subsidiaries.	
<b>(9) Base on the result of "Corporate Governance Evaluation" announced by TWSE ( Taiwan Stock Exchange Corporation) in a recent year to illustrate the status of matters have been already improved and priority measures to reinforce matters haven't been improved.</b>	V		The Company ranked among the top 6~20% in the "Corporate Governance Evaluation" of 2017. The areas that require improvement are described below: To determine specifically the dividend policy in Articles of Incorporation, to strengthen the functions of functional committees, to assess that whether more than half of the members of the Company's Remuneration Committee are Independent Directors, as a means to strengthen corporate governance.	

Note 1 : Assessment table of expertise and eligibility of members of the Board of Directors

Diverse Key Items Name	Gender	1	2	3	4	5	6	7	8
		Operational judgement	Operational management	Finance & accounting	Business & economy	Risk management	Industrial know-how	International prospectives	Leadership & decision-making
Douglas Tong Hsu	Male	✓	✓	✓	✓	✓	✓	✓	✓
Johnny Hsi	Male	✓	✓	✓	✓	✓	✓	✓	✓
Peter Hsu	Male	✓	✓	✓	✓	✓	✓	✓	✓
Raymond Hsu	Male	✓	✓	✓	✓	✓	✓	✓	✓
Shaw Y. Wang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Richard Yang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Tonia Katherine Hsu	Female	✓	✓	✓	✓	✓	✓	✓	✓
Kwan-Tao Li	Male	✓	✓	✓	✓	✓	✓	✓	✓
Alice Hsu	Female	✓	✓	✓	✓	✓	✓	✓	✓
Champion Lee	Male	✓	✓	✓	✓	✓	✓	✓	✓
Bing Shen	Male	✓	✓	✓	✓	✓	✓	✓	✓
Johnsee Lee	Male	✓	✓	✓	✓	✓	✓	✓	✓
Sheng-Cheng Hu	Male	✓	✓	✓	✓	✓	✓	✓	✓

Note 2 : Assessment table of independence of Certified Public Accountant

Assessment table	Result	Independence? Y/N
1. Whether Certified Public Accountant has direct or significant indirect financial interests with the Company.	No	Y
2. Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company.	No	Y
3. Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.	No	Y
4. Whether Certified Public Accountant or members of their audit team had any positions in the Company as directors, managers or significant influence on the audit in recent two years.	No	Y
5. Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work.	No	Y
6. Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company.	No	Y
7. Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties.	No	Y
8. Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work	No	Y

### 3.4 The Composition of the Remuneration Committee

#### a. Information of the Remuneration Committee Members

Role	Condition	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as Remuneration Committee Member	Remarks	
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary company business	1	2	3	4	5	6	7	8			
Independent Director	Bing Shen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Others	Min-The Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
	J. W. Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note 1: ✓ indicates qualified members during the two years before being elected or during the term of the appointment.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. This is not restrictive on any person who is an independent director of the Company, or its parent company which established based on this law or local law.
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the Company or ranks among the top five corporate shareholders in term of share volume held.
- (6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the Company.

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- (7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to any affiliates of the Company.
- (8) Not has any of the circumstance in the subparagraphs of Article 30 of the Company Act.

### b. Executive Status of the Remuneration Committee:

The Company has established the Remuneration Committee on August 19, 2011 and the number of the committee members is three. The tenure of current 3<sup>rd</sup> term Remuneration Committee is from June 26, 2015 to June 25, 2018. In recent year, the Remuneration Committee held 3 times (A) and the attendance status of members is disclosed as follows:

Title	Name	Times of Attendance (B)	Times of Attendance by Proxy	Percentage of Attendance (%) (B/A)	Remark
Convener	Bing Shen	3	0	100%	The 3 <sup>rd</sup> term Remuneration Committee
Committee member	Min-Teh Yu	3	0	100%	
	J. W. Huang	3	0	100%	

Other required disclosure:

- If the Board does not adopt or amend the suggestions of the Remuneration Committee, date and term of the meeting, the agenda item, the resolution and the Company's disposition of the suggestions shall be specified. (If the remuneration passed by the board exceeds that proposed by the committee, the discrepancy and the reason therefor shall be specified.): None
- If any of the Board members has expressed opposition or reservations to the resolution, which have been recorded or put in writing, the date and term of the meeting, the resolution, the view of each member and the disposition thereof shall be specified: None

## 3.5 Measures the Company Takes to Fulfill Corporate Social Responsibilities and Their Execution Results:

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
<b>a. Implementation of Corporate Governance</b>				
(a) Has the Company established a CSR (corporate social responsibility) policy and assessed the effectiveness of its implementation?	V		In order to fulfill their corporate social responsibilities, the Company and its subsidiary, Far EasTone, have formulated CSR policies with an aim of developing the economy, society and the environment in a balanced and sustainable manner. Since the policies were approved by the Board, all departments have performed related tasks based on their function under the supervision of the Corporate Staff Office.	None
(b) Does the Company hold CSR training on an ongoing basis?	V		The Company's Human Resources Development Center organizes routine educational training on corporate governance, legal compliance and safety and health for the Directors, managers and employees. In coherence of members of CSR committee's sustainable mindset and the latest CSR trend, the Company conducted five workshops in 2017 of "CSR trend and sustainability blueprint". The Company's subsidiary, Far EasTone, recruits CSR experts on an annual basis to share current trends during CSR Committee meetings and at senior-level management meetings.	
(c) Has the Company established a dedicated (or non-dedicated) unit to promote CSR, which is authorized to handle senior-management level affairs by the Board of Directors, and sends feedback on its handling to the Board?	V		The Company instituted a functional CSR Committee in 2012. The committee is composed of four units, which mirror Company's four businesses, with unit members from different departments and divisions. There are three dedicated officers from the Corporate Staff Office who plan and promote CSR projects.	

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			whilst the committee members execute the projects, report on sustainability performance and communicate with stakeholders. There are 154 CSR committee members including a cross-unit Energy Task Force. The Company's subsidiary, Far EastTone, has established "FET CSR Committee". The Company and its subsidiaries periodically report on CSR implementations and results to the Board of Directors, totaling four times in 2017 in order to incorporate CSR as one of the Company's core values.	None
(d) Has the Company established a reasonable remuneration policy, which incorporates ethical conduct into the performance evaluation system of employees, and clearly carries out an effective reward and discipline system?	V		The Company and its subsidiaries have set clear-cut standards for employee performance evaluation, educational training, as well as rewards and discipline. A remuneration committee is in place to assist the Board in stipulating performance evaluation and reward policies, systems, standards and structures for Directors and managers. Related performance evaluations, salaries, bonuses, profit sharing plan, and reward payment methods for Directors and employees are regularly evaluated by the "Remuneration Committee" and their suggestions are submitted for discussion at the board meetings.	
<b>b. Sustainability Managements</b> (a) Is the Company committed to enhancing the effectiveness of utilizing various resources and consuming recycled materials as feedstock to minimize the adverse impact on the environment?	V		Specific efforts that the Company and its subsidiaries make to conserve the environment include, but are not limited to, consuming recycled materials as feedstock, e.g. recycled PET bottles; re-utilizing the residuals from the production process as raw materials; collecting the residual fuel and the emission of heat and steam to reduce the consumption of energy; reclaiming water usage; and optimizing the production processes. As part of its commitment to enhancing the effectiveness of utilizing various resources, and to minimize energy wastage.	
(b) Has the Company established an appropriate environmental management system according to its industry characteristics?	V		In 2010, the Company and its subsidiaries set up a crossed subsidiaries and inter-departmental "Energy Task Force". The responsibilities include examining energy-related topics from the parent company's governance perspective. The team sets up an energy-saving project team and assesses the feasibility of energy-saving measures; and it steers corporate strategy towards energy-saving implementations that facilitate and promote appropriate measures in response to government policies. All these efforts are geared toward mitigating the effects of global climate change, reducing greenhouse gas emissions, and fulfilling the Company's social responsibility of protecting our world's environment.	

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Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(c) Has the Company paid attention to the impact from climate changes on its business operations, carried out assessments on greenhouse gases, and set up corporate strategies to save energy and to reduce the emission of carbon and greenhouse gas?	V		<p>1. The subsidiaries of FENC and its production facilities have set up appropriate management mechanisms that are in line with different local government requirements for greenhouse gas management (e.g., the carbon trading mechanism in Shanghai). Members of the Energy Task Force discuss, implement, and carry out management policies on-site and review their performance with related departments. For instance, monthly meetings are held to discuss the conditions of energy consumption, energy-saving targets, and the practical implementation of measures designed to save energy and to reduce the emission of carbon, etc.</p> <p>2. In order to support the development of Taiwan's renewable energy, FENC has begun to purchase green power since 2015. Until 2017, we purchased 800,000 kwh of power. In addition, solar panels were installed in three of our production sites in China and began operations in August, 2016. In order to cut our use of energy and mitigate the impact of climate change, the Company continued to adopt various energy-saving and carbon-cutting measures. Throughout 2017, a total of 101 campaigns were underway to conserve energy and prevent the emission of 153,751 tons of CO<sub>2</sub>e.</p> <p>3. The Company has developed a comprehensive inventory of greenhouse gas emissions and performed verification tasks. Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant have taken the initiatives to comply with the government's greenhouse gas reduction policies by signing a 5-year plan with the Industry Development Bureau to make voluntary efforts to reduce 50,000 tons of CO<sub>2</sub> emissions from 2016 to 2020. Far EasTone has established an energy management committee and related policies to promote energy preservation.</p> <p>4. The greenhouse gas (GHG) emissions of the FENC's subsidiaries and production facilities, totaling 16 production lines, were 1,898 kt-CO<sub>2</sub>e and 1,884 kt-CO<sub>2</sub>e in 2016 and 2017, respectively. In 2017, the Company's (Taiwan) total GHG emissions was 743 kt-CO<sub>2</sub>e.</p>	None



Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			<p>5. Production sites which have completed of ISO 14064-1, etc. standards for GHG inventories in 2016 included: Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai).</p> <p>6. Production sites which have completed of ISO 14064-1, etc. standards for GHG inventories in 2017 included: Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Kuanyin Dyeing &amp; Finishing Plant, Oriental Petrochemical (Shanghai), Far Eastern Industries (Shanghai), Far Eastern Industries (Wuxi), Oriental Industries (Suzhou), Far Eastern Dyeing &amp; Finishing (Suzhou), Far Eastern Apparel (Suzhou), and Far Eastern Apparel (Vietnam).</p>	
<p><b>c. Promote Common Goods and Public Welfare</b></p> <p>(a) Has the Company set up management policies and procedures according to related laws and regulations as well as the International Bill of Human Rights?</p>	V		<p>The Company and its subsidiaries comply with all pertinent labor regulations and the International Bill of Human Rights, and have established and adjusted internal management systems accordingly. We ensure that our recruitment policy does not discriminate based on gender, ethnicity, age, marital status, and family conditions, and our practices ensure the equality of salaries, recruitment conditions, trainings, and career advancement opportunities. Furthermore, we will continue to follow the current stipulations of the law so as to ensure the legal rights of our employees.</p>	None
<p>(b) Has the Company established employee grievance mechanisms and channels, and handled these grievances appropriately?</p>	V		<p>The websites of the Company and its subsidiaries all contain email contact details which are channeled to our Audit Committee, Audit Department and Legal compliance; all such emails are handled by dedicated personnel.</p>	
<p>(c) Has the Company offered a safe and healthy work environment and routinely implements safety and health education for its employees?</p>	V		<p>In order to construct a safe working environment that benefits both sides of the industrial relationship, the Company has undertaken several measures: Maintaining safe working conditions: requiring stringent safety and health standards starting from the purchasing of machinery, tools, and materials, as well</p>	

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Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			<p>as stringent supervision during the installation of machinery and tools; periodic inspection of various production environments according to the law, and any condition that does not meet the standard will be immediately excluded or modified; appropriate protective equipment will be set up depending on the risk factors associated with the workplace;</p> <p>Maintaining the health of employees: in addition to conducting health checkups to prevent workplace hazards in accordance with the government regulations, the Company also routinely arranges health checkups for its employees and collaborates with the Group's hospital to undertake healthcare management depending on the results of the checkups. Each plant is equipped with the required medication, healthcare materials and simple medical supplies; some plants have also contracted doctors and medical personnel to provide routine services.</p>	
(d) Has the Company established a routine communications mechanism of the employees, and provides notice of operational changes that may pose a significant impact on its employees in a fair and appropriate manner?	V		<p>The Company and its subsidiaries host routine Labor-management meetings to promote company policies and to undertake two-way communications with staff members in order to maintain harmonious relations with employees. In addition to the routinely-scheduled meetings, the Company provides emails for submitting suggestions; designated personnel handle suggestions and comments from staff members. The Company's electronic documentation system is comprehensive, and announcements of significant events are made through this system so that all company personnel will be aware of the events in the shortest time possible.</p>	None
(e) Has the Company established an effective career developmental plan for its employees?	V		<p>The Company and its subsidiaries value the educational training and career development of its employees. In addition to offering managerial capability training to its employees, such as corporate management and factory management courses, the Company has also planned systematic and on-going basis programs to facilitate employees in pursuing further education that enhance their competencies and strengthen individual and corporate competitiveness.</p>	

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(f) Has the Company established consumer rights protection policies and complaint-filing procedures in terms of R&D, purchasing, manufacturing, operations, and customer service?	V		The Company and its subsidiaries ensure that products and service quality are in compliance with government regulations and industry standards. The Company has implemented "Customer Quality Complaint Handling Standards," and handles written complaints from clients or via electronic means. The corporate website also offers a newsletter, and an email facility is in place to receive feedback. These measures allow customers to quickly grasp significant information on the Company and to immediately provide feedback should there be problems.	None
(g) For the marketing and labels on products and services, does the Company comply with related laws, regulations, and international standards?	V		The Company and its subsidiaries' product information is disclosed and proactively communicated in detail through the corporate websites, storefronts, and other channels. In addition, the marketing and labels for products and services are all processed according to related regulations and international standards.	
(h) Prior to conducting business with suppliers, has the Company evaluated whether such suppliers have had past records where they made an impact on the environment and on society at large?	V		The Company and its subsidiaries have in place "Code of Ethics", "Supplier Code of Conduct" and "Supplier CSR Commitment Statement," which specifically sets forth principles and expectations regarding ethics, compliance, health, safety and security. Suppliers' evaluation records are used as a reference in supplier selection process.	
(i) Do the Company's contracts with its primary suppliers contain any immediate termination or cancellation clauses when suppliers violate their corporate social responsibility policies, and pose a significant impact on the environment and society?	V		Upon signing contracts with suppliers, the Company and its subsidiaries have listed clauses relating to compliance with the labor laws and included reference to repercussions for environmental damages caused. We stipulate that our suppliers endeavor to maintain corporate social responsibility.	
<b>d. Improvement in Information Disclosure</b> Does the Company include the disclosure of corporate social responsibility related information with significance and reliability on the corporate website and the M.O.P.S. website operated by the Taiwan Stock Exchange?	V		The Company's news and the latest information regarding the Company's corporate social responsibilities have been disclosed on the Company's website. In addition, relevant information is conveyed to interested parties via investors' conferences, shareholders' meetings, and services provided by investor relationship personnel.	

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Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			<p>The Company has published its corporate social responsibility report, disclosed the implementation of corporate social responsibility, and make public related information on its website. The stakeholders can download our Company's corporate social responsibility report in order to understand our commitment and action on sustainable governance and social responsibilities, as well as our effort and persistence on various CSR topics.</p>	
<p><b>e. If the company has set up the principles based on "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies", please illustrate the implementation progress and any difference:</b></p> <p>To develop the economy, society and environment in a balanced and sustainable manner, the Company and its subsidiary, Far EasTone, have implemented the CSR policies with the Board's approval. The Company endeavors to fulfill its social responsibilities through research and development in eco-friendly products, participating in philanthropic activities and pursuing environmental certification. In addition, the Company mobilizes its resources to strengthen corporate governance, promote environmental protection and give back to society. Information about the efforts is available on the Company's website and the M.O.P.S website operated by the Taiwan Stock Exchange.</p>				
<p><b>f. Please state any other important information that would facilitate better understanding of the Company's status in fulfilling corporate social responsibilities:</b></p> <p>(a) Working environment and employee safety precautions (Please refer to page 82-83)</p> <p>(b) Environment protection regulations, measures, and compliance</p> <p>(1) Sustainability policy</p> <ol style="list-style-type: none"> <li>i. Compliance with related laws and regulations</li> <li>ii. Continuing improving manufacturing process to prevent and control pollution</li> <li>iii. Reducing industrial waste to increase energy and resource efficiency.</li> <li>iv. Conducting training to raise employees' environmental awareness and help them improve skills to protect the environment</li> <li>v. Continuing recycling and raising the public's environmental awareness</li> <li>vi. Communicating our environmental achievement to stakeholders properly</li> </ol> <p>(2) The Company is dedicated in conserving the global environment through the following ways:</p> <ol style="list-style-type: none"> <li>i. <u>Reduce</u>: Minimize the resourced used during the manufacturing process and make our products lighter</li> <li>ii. <u>Recycle</u>: Develop and refine recycling technologies, increase the scale of recycling and use recycled materials in our products to protect the environment</li> <li>iii. <u>Replace</u>: Use non-food crops and waste as materials to develop our products so as to reduce our reliance on fossil fuels.</li> </ol> <p>As the leader in green polyester in the industry, FENC has continued to invest in resources to develop forward-looking and sustainable green products, promote recycling and develop green solution to reduce energy consumption. In 2016, the Company developed the eco-friendly yarn by using ocean plastic waste as materials, attracting local and foreign media's attention and raising the public concerns on oceanic ecology. In 2017, we were the first in the industry to launch various PFC-free products in the hope of raising people's life quality while promoting environmental sustainability at the same time.</p> <p>(3) Material results</p> <ol style="list-style-type: none"> <li>i. We have incorporated the prevailing concept of "earthwork balance" in the ongoing construction of Tpark and recycled water resources at the park to protect the ecology. In order to be more eco-friendly, green space is added to this high-tech park.</li> </ol>				

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
				<p>ii. In order to conserve energy comprehensively, the Company has implemented various projects to reduce the use of fuel oil, electricity, natural gas and coal water mixture. In 2017, the Company implemented a total of 101 projects to reduce 1,422,042 GJ of energy and 153,751 t-CO<sub>2</sub>e of emissions, which saved a total of NT\$110 million/ year.</p> <p>(c) Community welfare, social services, and social welfare: The Company contributes to society through participation in Environmental Protection, Art &amp; Culture, Technology, Education, and Athletics. They are described as follows:</p> <p>(1) <b>Art &amp; Culture:</b> We organize Far Eastern Architectural Design Awards annually, which is composed of several awards, including Far Eastern Excellent Architectural Design Award, Far Eastern Group Architectural Renovation Award, Far Eastern Architectural Young Talent Award as well as events such as the Exhibition of Far Eastern Architectural Young Talent and Far Eastern International Architecture Seminar and events.</p> <p>(2) <b>Technology:</b> We organize Y. Z. Hsu Scientific Award annually to reward people who have achieved technological innovation.</p> <p>(3) <b>Education:</b> We organize Y. Z. Hsu Competition – Taiwan Young Student Physicists' Tournament annually. The winners of this competition will participate in the International Young Physicists' Tournament on behalf of Taiwan. Since 2015, the Company has collaborated with Beitou Refuse Incinerator Plant in a joint effort to promote environmental education. In 2018, we participate in the "Resource Cycle Education Promotion Program" held by Environmental Protection Department of New Taipei City Government, which is aimed at raising the public's awareness of recycling and encouraging them to buy eco-friendly products, in order to improve Taiwan's green image.</p> <p>(4) <b>Athletics:</b> Hsinpu Chemical Fiber Plant holds the annual FENC Classic Marathon, which incorporates a lot of local cultural elements and invites local people from Hsinchu to participate in the event. Every year, thousands of runners sign up for this marathon, which has become one of the most important events to runners in the country. In addition, FENC sponsors large athletic events to support Taiwan's athletic development. For example, in April 2017, the Company sponsored the National Intercollegiate Athletic Games, organized by National Taiwan University. In October 2017, we sponsored the National Games, "See Taiwan, See Yilan", organized by Yilan County Government to support Taiwan's athletic talent.</p>
				<p><b>g. If the Company's reports of corporate social responsibility have been accredited by relevant accreditation institutions, please elaborate:</b></p> <p>The "2017 Corporate Social Responsibility Report" published by the Company was written in accordance with the AA1000 standards and the requirements of the Global Reporting Initiative (GRI) Standard Comprehensive Option. This report has been assured by the third party SGS Taiwan at a Type 1, Moderate level assurance.</p>

## Corporate Governance Report

### 3.6 Implementation of the Code of Business Conduct

Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
<p><b>a. Establishment of Business Conduct Policy and Plans</b></p> <p>(a) Does the Company demonstrate business conduct policy and practice in the corporate guidelines and external documents? Have the Board of Directors and management committed to actively implement such policy?</p>	V		The Company and its subsidiary, Far EasTone, have established "Code of Ethics" & "Best Practice Principles of Ethical Corporate Management". In order to promote awareness, the policies are available for access through channels such as intranet, company publications, facility labels and various meetings, etc. All employees are required and trained to comply with our "Code of Ethics" & "Best Practice Principles of Ethical Corporate Management" throughout daily operations.	None
<p>(b) Has the Company established and implemented an unethical conduct prevention plan, which stipulates operational processes, provides guidelines for conduct, discipline for violations of rules, and an appeal system in each case?</p>	V		To establish an ethical corporate culture and to prevent unethical conduct, the Company hosts education/training seminars aperiodically for its employees and to remind the stakeholders of the Company to follow and respect the moral and ethical standards of the Company. Related procedures and standards are disclosed on the Company's website ( <a href="http://www.fenc.com">www.fenc.com</a> ).	
<p>(c) Has the Company taken any precautionary measures to prevent corruption or high-risk illegal business activities, based on Paragraph 2 in Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"?</p>	V		<p>The procedures and guidelines of the Company and its subsidiaries should at least contain the following matters:</p> <ol style="list-style-type: none"> <li>(1) Standards for determining if improper benefits have been offered or accepted.</li> <li>(2) Procedures for offering legitimate political donations.</li> <li>(3) Procedures and the standard amounts for offering charitable donations or sponsorship.</li> <li>(4) Rules for avoiding work-related conflicts of interests, and how such conflicts be reported and handled.</li> <li>(5) Rules for preserving confidentiality of trade secrets and business sensitive information obtained in the ordinary course of business.</li> <li>(6) Regulations and procedures for dealing with vendors, clients, and business transaction counterparties suspected of Misconducts.</li> <li>(7) Operational procedures for violations of "Best Practice Principles of Ethical Corporate Management".</li> <li>(8) Disciplinary measures for offenders.</li> </ol>	

Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
<p><b>b. Implementation of the Code of Business Conduct</b></p> <p>(a) Does the Company evaluate the ethical conduct records of its counterparties and specify "Ethical clauses" in business contracts?</p>	V		<p>1. The Company and its subsidiaries require that suppliers provide the assurance to comply with its rules regarding social activities, such as entertainment and the offering of gifts. If such rules are violated, all rights and cooperation with the supplier will be terminated.</p> <p>2. The Company's subsidiary, Far EasTone, also requires suppliers to sign "Code of Conduct for Far EasTone Supplier Chain Social Responsibility" within the commercial document data sheet provided to suppliers as a way of encouraging all stakeholders to comply and respect with Far EasTone's "Ethical Corporate Management Best Practice Principles".</p>	None
<p>(b) Has the Company established dedicated units under the supervision of the Board of Directors to promote corporate ethical management and which regularly report to the Board on their implementation status?</p>	V		<p>1. The Company's human resources department has set up "Code of Ethics" &amp; "Best Practice Principles of Ethical Corporate Management" and incorporated them into employment guidelines. With oversight from the Legal Department, the "Legal Compliance Team" is established to conduct corporate ethical management, including "Business Corruption Self-Assessments", during quarterly compliance reviews. The implementation status is subsequently reported to the Board of Directors.</p> <p>2. The Business Control Department of the Company's subsidiary, Far EasTone, is the unit responsible for encouraging ethical management and regularly reports the status of its implementation to the Board of Directors.</p>	
<p>(c) Does the Company promulgate policies to prevent conflicts of interests and offer appropriate channels for reporting conflicts of benefits?</p>	V		<p>1. The Company abides by the principle of zero-tolerance for malpractices. If an employee of the Company takes advantage of his/her position in the Company to advance his/her or a third party's interests, and such actions lead the Company to incur losses by any means, the employee not only will be discharged from the Company, but also will be required to unconditionally compensate the Company for any losses caused.</p> <p>2. Any of the Company employees found to be in violation of the ethical management rules shall be disciplined in accordance with the reward and disciplinary rules of the Company, subject to the severity of the case. Once discharged from the Company, such a person is not allowed to ever be re-employed by the Company or by any of its affiliates.</p>	

## Corporate Governance Report

Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
			3. The Company has an appeal system in place to provide those who violate the rules with a channel to appeal for remedy, subject to the related rules.	
(d) Does the Company establish an effective operation of the accounting and internal control systems, and periodically conduct internal audits by internal auditors, or audit by CPA?	V		The Company has set up rigorous accounting systems and dedicated department. Financial statements are audited (or reviewed) by CPA and announced in compliance with legal requirement to ensure the accuracy and transparency of the financial information. At the Company, apart from establishing the Audit Department and related internal audit systems, we review and revise these systems periodically to ensure their effectiveness, so as to enforce the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and "Best Practice Principles of Ethical Corporate Management". Internal auditors of the Company shall also periodically examine the results of compliance with the foregoing, and quarterly prepare audit reports submitted to the Board of Directors and the Audit Committee.	
(e) Does the Company periodically conduct internal and external training on ethical management?	V		1. To instill an ethical corporate culture and prevent misconduct behaviors, our Company undertakes educational trainings for the employees, totaling 12 sessions in 2017. To our stakeholders, we put in effort to promote compliance with ethical and integrity standards. The relevant regulations, guidelines and operational procedures are publicly-disclosed on the Company's website (www.fenc.com). 2. Our subsidiary, Far EastOne, makes use of e-Paper to conduct educational training on "The Code of Ethics" & "The Code of Business Conduct".	None
<b>c. Establishment of Reporting Channels for Violations of the Code Of Business Conduct.</b> (a) Has the Company established a specific complaints and rewards system through convenient channels for lodging complaints? And does the Company assign dedicated personnel to attend to the matter?	V		1. FENC has multiple communication channels for stakeholders to report instances of misconduct, such as bribery and corruption. There are measures are in place to conduct independent investigation into the alleged misconduct and escalate the matter to higher levels of authority. The company's suppliers, clients and stakeholders can file a complaint via email to the Supplier Team of the FEG Purchasing Department, the contact of each division or the Audit Committee and Audit Department. More contact information is provided in the stakeholders' section on the Company's website (www.fenc.com).	



Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
			2. For complaints that do not specify the details of procurement malpractices, FENC will audit the scope of the matter that is related to the complaint. If internal control defects and management issues are found, a remedy will be proposed immediately. At the same time, disciplinary action for those responsible for the misconduct will be proposed.	None
(b) Has the Company established standard operating procedures for investigating and handling complaints in a confidential manner?	V		For any violation of the ethical management rules being found, employees of our Company and its subsidiaries shall proactively report to the Audit Committee, the management, head of internal auditor, human resources department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.	
(c) Does the Company adopt measures to protect whistle-blowers from reprisals for having filed the complaint report?	V		The Company ensures that the whistle-blower's identity and the contents of the complaint are kept confidential in order to protect the whistle-blower from retaliation for having filed the complaint.	
<b>d. Improvements in Information Disclosure</b> Does the Company disclose the principle and the practice of business conduct related information on the corporate website and M.O.P.S. website operated by the Taiwan Stock Exchange?	V		The Company and its subsidiary, Far EasTone, have set up multiple-language (traditional Chinese/simplified Chinese/English) websites to disclose the related information on "Best Practice Principles of Ethical Corporate Management".	
<b>e. If the Company has established its own guidelines for the "Code of Business Conduct" according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy:</b> None				
<b>f. Other important information revealing the Company's ethical operations (e.g. review and revision of the Company's code of business conduct):</b> The Code of Procurement is added to the FENC's procurement system to provide important information, such as the Company's prohibition of child labor, bribery and corruption as well as laws and regulations related to environmental protection, in order to ensure compliance from suppliers. The Company also provides suppliers with an avenue to lodge a complaint if any of their rights and interests is harmed in the procurement process. Both the Company's employees and the Company's suppliers are observed in high-standard code of ethics. Suppliers bribing the Company's employees or the Company's employees asking bribes from suppliers shall be referred to a court of law.				

## Corporate Governance Report

### 3.7 Methods for Searching the Rules and Relevant Regulations of Corporate Governance

The Company's website: [www.fenc.com](http://www.fenc.com), subsidiary Far EasTone's website: [www.fetnet.net](http://www.fetnet.net), and the Market Operation Observe System by the Taiwan Stock Exchange: <http://mops.twse.com.tw/>

### 3.8 Others

3.8.1 Directors of the Company shall exercise a high degree of self-discipline. A director may present his/her opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company. The Company's appointed personnel will review and revise accounting and internal audit systems periodically to ensure their effectiveness and prepare audit reports to be submitted to the Board of Directors. "Sincerity, Diligence, Thrift, Prudence and Innovation" is the motto of the Company, and also the code of conducts for each employee of the Company.

3.8.2 Employee Rights and Interests, Employee Care: (Please refer to page 80)

3.8.3 Investor Relations, Vendor Relations and Rights of Interest-conflicting Parties: To operate in accordance with the related policies or guidelines.

3.8.4 Risk Management Policies and Risk Measurement Standard Implementation Progress: (Please refer to page 121)

a. Company's risk management organization: (Please refer to page 11)

(a) Established the "Credit Committee": the committee is in charge of the review of the credit situation of domestic and foreign customers, and decides the credit ratings and credit allowances for such customers based on the review results. The committee is also in charge of the continual monitor and control of each credit account and account receivables, in order to achieve the target of "zero bad debt".

(b) Established the "The Supervisory Committee of Information Safety": the committee is in charge of preventing business information from being misappropriated or being released to irrelevant parties.

b. The Company has obtained the approval of the "Procedures for Handling Material Inside Information" in the 5<sup>th</sup> Board Meeting of the 20<sup>th</sup> term on Dec. 21, 2009 and proceeded to promote as follows:

(a) Provide "Procedures for Handling Material Inside Information" to new managers upon signing the security agreement.

(b) The Company promotes the "Procedures for Handling Material Inside Information", and the "Insider Trading" related information posted on TWSE website to remind managers upon the declaration of shareholding variation.

(c) The Company's employees and managers have to sign a security agreement upon coming on board and be aware of the Company's "Procedures for Handling Material Inside Information".

3.8.5 Customer Policy Implementation Progress: To operate in accordance with related policies or guidelines.

3.8.6 The Company's purchase of liability insurance for Directors: the Company purchases liability insurance for the Company's directors, in order to reduce their risk of legal and financial liabilities that may arise during day to day operations. (The related report has been submitted to the Board meeting on 22 Mar 2018)

3.8.7 Professional licenses granted to those who are responsible for the financial information transparency of the Company and its subsidiaries by regulatory authorities:

<b>Category</b>	<b>Licenses</b>	<b>Department</b>	<b>The Company</b>	<b>Subsidiaries</b>
Accounting / Taxation	CPA ROC		21	10
	CPA China		1	1
	CIA		7	7
	CPB		15	2
Finance	CFA		2	-
	Securities Investment Analyst		4	1
	Senior Securities Specialist		18	3
	Futures Specialist		4	4
	Foreign Exchange Trading Personnel		2	1
	Trust Specialist		11	6
	Financial Planning Personnel		10	3
Real Estate	Realtor		1	3
	Land Administration Agent		1	3
Insurance	Non-Life Insurance Broker		-	2
	Non-Life Insurance Salesman		5	4
Labor Safety	CISA		-	2

## Corporate Governance Report

### 3.8.8 Training for Board of Directors, Presidents, and Executive Vice Presidents:

Title	Name	Study Date		Sponsoring Organization	Name of the Course	Study hours
		From	To			
Chairman	Douglas Tong Hsu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
Directors	Johnny Hsi	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Shaw Y. Wang	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Raymond Hsu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Peter Hsu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		28 Jul 17	28 Jul 17	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3
		4 May 17	4 May 17	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Company Act in Taiwan	3
		7 Apr 17	7 Apr 17	Securities & Futures Institute	2017 Inside Trading and CSR Conference	3
	Tonia Katherine Hsu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		28 Jul 17	28 Jul 17	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Richard Yang	9 Feb 17	9 Feb 17	Securities & Futures Institute	Directors and Supervisors (Including Independent) on Board Practices Forum	3
		8 Feb 17	8 Feb 17	Securities & Futures Institute	The Impact and Strategy for Business Operation under newly amended Labor Standards Act	3
	Kwan-Tao Li	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Alice Hsu	24 Feb 17	24 Feb 17	Taiwan Corporate Governance Association	How to Conduct Business Risk & Crisis Management for Directors and Supervisors to Reinforce Corporate Governance?	3
22 Feb 17		22 Feb 17	Taiwan Academy of Banking and Finance	Corporate Governance Series Forum	3	
Champion Lee	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3	
	13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3	

Title	Name	Study Date		Sponsoring Organization	Name of the Course	Study hours
		From	To			
Independent Directors	Bing Shen	11 Aug 17	11 Aug 17	Taiwan Corporate Governance Association	The Key Tasks for Board of Directors to Apply Innovative Technologies on Risk Management	3
		12 May 17	12 May 17	Taiwan Corporate Governance Association	Big Data and Corporate Fraud Detection	3
	Johnsee Lee	13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		17 Mar 17	17 Mar 17	Taiwan Corporate Governance Association	How to Communicate with the Market? Information Disclosure	3
	Sheng-Cheng Hu	24 Nov 17	24 Nov 17	Taiwan Corporate Governance Association	How to Conduct Internal Control for Directors and Supervisors to Reinforce Corporate Governance?	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
President	Eric Hu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Y.H. Tseng	22 Dec 14	22 Dec 14	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3
		22 Dec 14	22 Dec 14	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3
	K.S. Wu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Humphrey Cheng	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		28 Sep 17	28 Sep 17	Taiwan Stock Exchange	2017 Mr. Y. D. Sheu Memorial Economic and Financial Forum	3
Chief Operating Officer	C.Y. Dai	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
Executive Vice President	Alan Tsai	3 Oct 17	3 Oct 17	Accounting Research and Development Foundation	The Practice of IFRS 9 Financial Instruments	3
		2 Oct 17	2 Oct 17	Accounting Research and Development Foundation	The Practice of IFRS 16 Leases	3
	Emily Wu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
	Ru-yu Wu	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
		13 Jul 17	13 Jul 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3
Mingo A. Chen	26 Dec 17	26 Dec 17	Taiwan Academy of Banking and Finance	Corporate Governance – the Practice of Board of Directors & Supervisors	3	

### 3.9 In Recent Years until the Annual Report Being Published, Violation of Internal Control Policies by Employees: None

## Corporate Governance Report

### 3.10 Internal Control System Execution Status

#### 3.10.1 Internal Control Report

#### Far Eastern New Century Corporation The Declaration of Internal Control System

Date: 22 March 2018

Based on the self-examination results of the internal control system for the year of 2017, Far Eastern New Century Corporation (the Company) therefore declares the following:

1. Board of Directors and the management of the Company understand that it is their responsibility to establish, implement, and maintain an internal control system, and such a system has been established. The purpose to establish the aforesaid system is to reasonably assure 1) the operating results and operating efficiencies (including profit, performance, and the safeguard of assets); 2) the reliability, instantaneity and transparency of the financial reports, and 3) the compliance of the relevant laws and regulations.
2. An internal control system, regardless how perfectly the system is being designed, can have its defects. A system that can reasonably assure the achievements of the three purposes mentioned in the preceding paragraph is considered as effective and useful. In addition, changes in the business environment and situation may, as a result, hinder the effectiveness of an adequate system. However, the internal control system of the Company has included a self-examination mechanism; the Company will make immediate corrections considering the materiality when material errors are detected.
3. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to exam the following five items during the internal control process: 1) Control Environment, 2) Risk Evaluation and Management, 3) Control Activities, 4) Information and Communication, and 5) Monitoring processes. Details of each area being examined can be found in the Guidelines.
4. Based on the items mentioned in the preceding paragraph, the Company has evaluated the design of the internal control system and the effectiveness of the implementation of the aforesaid system.
5. The Company management declares that the internal control system (including Subsidiary Governance) as of 31 Dec 2017 has effectively assured that the following objectives have been reasonably achieved during the assessment period:
  - (1) The effectiveness and efficiency of business operations;
  - (2) The reliability, timeliness, transparency, and regulatory compliance of the financial reports;
  - (3) The compliance of the relevant laws/regulations.
6. This Declaration is a significant content in the annual report and prospectus of the Company, and it is available to the general public. If it contains false information or conceals any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Securities and Exchange Act.
7. The Board of Directors has approved the Declaration of Internal Control System in the board meeting held on 22 March 2018. All of 12 Directors present consented to the Declaration, and no dissenting opinion was expressed.

Far Eastern New Century Corporation

Chairman: Douglas Tong Hsu

Corporate Management President: Humphrey Cheng



3.10.2 The investigative report of Entrusting CPA to examine the internal control system: None.

**3.11 In Recent Years until the Annual Report Being Published, Major Resolutions of Shareholders' Meeting and Board Meetings:**

**3.11.1 Shareholders' Meeting**

	Date	Resolutions of Shareholders' Meeting	Execution
2017 Annual General Shareholders' Meeting	June 28, 2017	<b>Reporting items:</b> ·2016 business operations ·2016 financial statements ·The Audit Committee's review report of 2016 business operations and financial statements ·2016 employees' compensation and Directors' remuneration ·Information of the corporate bonds issued in 2016	Not applicable
		<b>Approval items:</b> ·To accept 2016 business report and financial statements ·To approve the proposal for distribution of 2016 profits	28 July 2017 was settled as the ex-dividend date, and cash dividend was distributed on 18 August 2017.
		<b>Proposed item:</b> ·To approve the Company Bylaw of "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation"	In accordance with the amended procedures

**3.11.2 Board Meetings**

Term	Date	Important Resolutions	Items under Article 14-3 of Securities and Exchange Act	Independent Directors' Opinions and the Company's reaction
8 <sup>th</sup> Board Meeting of the 22 <sup>nd</sup> term	March 23, 2017	1. Approved 2016 employees' compensation and Directors' remuneration.	V	All presented Independent Directors approved
		2. Approved 2016 financial statements (including consolidated & stand-alone).	V	
		3. Approved the proposal for distribution of 2016 profits.	V	
		4. Approved amending the Company bylaw of "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation".	V	
		5. Approved the proposal of convening 2017 Annual General Shareholders' Meeting.		
		6. Approved the proposal for 2017 operating budget and capital expenditure budget.		
		7. Approved the issuance of unsecured corporate bonds in year 2017.		
		8. Approved to sell polyester machinery & equipment to Far Eastern Polytex (Vietnam) Ltd.	V	
		9. Approved amending the Company bylaw of "Corporate Governance Principles".		
		10. Approved amending the Company bylaw of "Procedures for Halt and Resumption Applications".		
9 <sup>th</sup> Board Meeting of the 22 <sup>nd</sup> term	May 11, 2017	1. Approved amending the Company bylaw of "Procedures for Acquisition and Disposition of Assets of Far Eastern New Century Corporation".	V	All presented Independent Directors approved
		2. Approved 2016 business operations.	V	
10 <sup>th</sup> Board Meeting of the 22 <sup>nd</sup> term	August 10, 2017	3. Approved the acquisition of new common shares of Oriental Petrochemical (Taiwan) Co., Ltd.	V	All presented Independent Directors approved
		1. Approved the acquisition of new common shares of Oriental Petrochemical (Shanghai) Corporation through PET Far Eastern (Holding) Limited, the subsidiary of Far Eastern New Century Corporation	V	
		2. Approved amending the Company bylaw of "Meeting Rules of Board of Directors for Far Eastern New Century Corporation" and "Audit Committee Charter of Far Eastern New Century Corporation"	V	
		3. Approved amending the Company bylaw of "Procedures for Handling Material Inside Information of Far Eastern New Century Corporation"	V	
		4. Approved amending the Company bylaw of "Internal Control System" and "Internal Audit Implementation Rules"	V	
11 <sup>th</sup> Board Meeting of the 22 <sup>nd</sup> term	November 9, 2017	1. Approved the share exchange with Fu Kwok Knitting & Garment Co., Ltd. in accordance with Business Mergers and Acquisitions Act.	V	All presented Independent Directors approved
		2. Approved short-term financing loans extended to Far Eastern Resources Development Co., Ltd.	V	
		3. Approved the guarantees of Yuan Ding Investment Co., Ltd. to the Company's subsidiary	V	
		4. Approved the 2017 Audit Plan review and the 2018 Audit Plan	V	
		5. Approved amending the Company bylaw of "Internal Audit Implementation Rules"	V	

## Corporate Governance Report

Term	Date	Important Resolutions	Items under Article 14-3 of Securities and Exchange Act	Independent Directors' Opinions and the Company's reaction
12 <sup>th</sup> Board Meeting of the 22 <sup>nd</sup> term	March 22, 2018	1. Approved 2017 employees' compensation and Directors' remuneration.	V	All presented Independent Directors approved
		2. Approved 2017 financial statements (including consolidated & stand-alone).	V	
		3. Approved the proposal for distribution of 2017 profits.	V	
		4. To elect Directors (including Independent Directors) of Far Eastern New Century Corporation	V	
		5. Approved the revisions to the "Articles of Incorporation of Far Eastern New Century Corporation"	V	
		6. Approved the proposal of convening 2018 Annual General Shareholders' Meeting.	V	
		7. Approved to form a joint venture through Far Eastern Investment (Holding) Ltd. to acquire PTA and PET plants in Texas, USA	V	
		8. Approved the proposal for 2018 operating budget and capital expenditure budget.	V	
		9. Approved amending the Company bylaw of "Accounting Policy of Far Eastern New Century Corporation"	V	
		10. Approved amending the Company bylaw of "Internal Control System" and "Internal Audit Implementation Rules"	V	
		11. Approved the issuance of unsecured corporate bonds in year 2018.	V	
		12. Approved the guarantees of Yuan Ding Investment Co., Ltd. to the Company's subsidiary	V	
		13. Approved the declaration of internal control system of Far Eastern New Century Corporation	V	
13 <sup>th</sup> Board Meeting of the 22 <sup>nd</sup> term	May 11, 2018	1. Approved the candidate list of the Company's Director (including Independent Director) nominees.	V	
		2. Approved the release of the relevant Directors from the non-competition restriction.	V	
		3. Approved 2017 business operations.	V	
		4. Approved the issuance of unsecured corporate bonds in year 2018.	V	
		5. Approved the guarantees of Yuan Ding Investment Co., Ltd. to the Company's subsidiary	V	
		6. Approved the acquisition of new common shares of Oriental Petrochemical (Taiwan) Co., Ltd.	V	
		7. Approved the acquisition of new common shares of Far Eastern Investment (Holding) Ltd.	V	

**3.12 In recent years until the annual report being published, Dissenting Comments on Major BOD Resolutions from Directors and Supervisors: None**

**3.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports: None**

## 4. Audit Fees

### 4.1 Information of Audit Fees

#### 4.1.1 Information of CPAs

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Jing-Bin Shih	Cheng-Hung Kuo	1 Jan 2017 –31 Dec 2017	None

#### 4.1.2 Audit Fees

Amount (NT\$)		Item	Audit Fee	Non-audit Fee	Total
1	Under 1,999,999			V	
2	2,000,000 ~ 3,999,999				
3	4,000,000 ~ 5,999,999				
4	6,000,000 ~ 7,999,999				
5	8,000,000 ~ 9,999,999		V		V
6	10,000,000 and over				



Unit: NT\$ thousands

Accounting Firm	Name of CPA		Audit Fee	Non-audit Fee					Audit period
				System Design	Registration	Human Resource	Other (Note)	Total	
Deloitte & Touche	Jing-Bin Shih	Cheng-Hung Kuo	8,450	-	-	-	843	843	1 Jan 2017 – 31 Dec 2017

Note: Service fees for corporate bonds issuance, business tax of dual-status business entities applying the direct deduction method, Director training programs, master file, capital verification reports for subsidiaries, disbursement fee, etc.

**4.2 In the Event that the CPA Firm is Changed and the Audit Fees Paid in the Year When the CPA Firm is Less than that Paid in the Preceding Year, Reduction of the Audit Fees, Percentage and Causes:** None

**4.3 In the Event that the Audit Fees Reduced by 15% Compared with that was Charged in the Preceding Year, Reduction of Audit Fees, Percentage and Causes:** None

## 5. Information for Change of CPA

None

## 6. The Company's Chairman, Presidents, and Managers Responsible for Finance or Accounting Who Have Held A Position in the CPA Office or its Affiliates Within the Latest Year

None

## 7. Shareholding Transferred or Pledged by Directors, Management, and Major Shareholders Who Holds 10% of the Company Shares or More

### 7.1 Shareholding Variation

Unit: Shares

Title	Name	2017		From Jan 1 2018 to Apr 30 2018	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Tong Hsu	-	-	-	-
Vice Chairman	Johnny Hsi	-	-	-	-
Vice Chairman	Peter Hsu	(12,000,000)	-	-	-
Director	Asia Cement Corporation	-	130,000,000	-	-
	Shaw Y. Wang	-	-	-	-
	Raymond Hsu	-	-	-	-
	Far Eastern Department Stores Ltd.	-	-	-	-
	Richard Yang	-	-	-	-
	Tonia Katherine Hsu	-	-	-	-
	U-Ming Marine Transport Corporation	-	-	-	-
	Kwan-Tao Li	-	-	-	-
	Alice Hsu	(315,000)	-	-	-
	Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation	1,590,000	-	-	-
	Champion Lee	-	-	-	-
	Bing Shen	-	-	-	-
	Johnsee Lee	-	-	-	-
Sheng-Cheng Hu	-	-	-	-	

## Corporate Governance Report

Title	Name	2017		From Jan 1 2018 to Apr 30 2018	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Manager	Y. H. Tseng	-	-	-	-
	Eric Hu	-	-	-	-
	K.S. Wu	-	-	-	-
	Humphrey Cheng	-	-	-	-
	Donald Fan	-	-	-	-
	C.Y. Dai	-	-	-	-
	Raymond Hsu	-	-	-	-
	Chum Min Ho	-	-	-	-
	Y.C. Yuan	-	-	-	-
	David Wang	-	-	-	-
	B.C. Chang	-	-	-	-
	Alan Tsai	-	-	-	-
	Emily Wu	-	-	-	-
	Ru-yu Wu	-	-	-	-
	Judy Lee	-	-	-	-
	M.J. Wu	-	-	-	-
	Mingo A. Chen	-	-	-	-
	Jackson Wu	-	-	-	-
	Allen Sha	-	-	-	-
	Y.L. Chen	-	-	-	-
	Y.S. Yang	-	-	-	-
	Mark Lu	-	-	-	-
	Rebecca Huang	-	-	-	-
	Davis Dai	-	-	-	-
	Mike Wu	-	-	-	-
	Jenny Ho	-	-	-	-
	Li Chi Chen	-	-	-	-
	Hans Kuo	-	-	-	-
	C.Y. Lin	-	-	-	-
	Ken Chang	-	-	-	-
	Y.T. Chang	-	-	-	-
	Fanny Liao	-	-	-	-
	David Liu	-	-	-	-
	David Shih	-	-	-	-
Arthur Lee	-	-	-	-	
C.T. Peng	-	-	-	-	
C.T. Chen	-	-	-	-	
C.T. Chang	-	-	-	-	
Eric Huang	-	-	-	-	
J.K. Tsai	-	-	-	-	
S.Y. Lai	-	-	-	-	
M.L. Tsai	-	-	-	-	
K.S. Tsai	-	-	-	-	
Roder Chang	-	-	-	-	
K.B. Louy	-	-	-	-	
Nico Peng	-	-	-	-	
S.C. Lo	-	-	-	-	
Y.J. Lou	-	-	-	-	
S.N. Chan	-	-	-	-	
Ryan Wu	-	-	-	-	

7.2 Shareholding Transferred (While the Counterparty is a Related Party): Not applicable

7.3 Shareholding Pledged: Not applicable

### 8. Relationship Between Top Ten Shareholders Defined as Related Parties, Spouse or a Relative within Two Degrees

Book closure date: 30 April 2018

Name	Current shareholding		Spouse & minor children's shareholding		Shareholding in name of others		Name, relationship of top ten shareholders are spouses of within 2 degrees of consanguinity to each other		Major institutional shareholders
	shares	%	shares	%	shares	%	Name	Relationship	
Asia Cement Corporation Representative: Douglas Tong Hsu	1,272,277,085	23.77%	0	0.00	0	0.00	Oriental Institute of Technology	The same Chairman	See page 15 for details.
							Far Eastern Medical Foundation		
							Yuan Ze University		
							Far Eastern Memorial Foundation	Chairman is the Director of the Foundation	
							Douglas Tong Hsu	The Chairman	
Oriental Institute of Technology Representative: Douglas Tong Hsu	257,651,603	4.81%	0	0.00	0	0.00	Asia Cement Corp.	The same Chairman	N/A
							Far Eastern Medical Foundation		
							Yuan Ze University		
							Far Eastern Memorial Foundation	Chairman is the Director of the Foundation	
							Douglas Tong Hsu	The Chairman	
Far Eastern Medical Foundation Representative: Douglas Tong Hsu	193,310,445	3.61%	0	0.00	0	0.00	Asia Cement Corp.	The same Chairman	N/A
							Oriental Institute of Technology		
							Yuan Ze University		
							Far Eastern Memorial Foundation	Chairman is the Director of the Foundation	
							Douglas Tong Hsu	The Chairman	
Far Eastern Memorial Foundation Representative: Shu-Hsun Chu	183,141,383	3.42%	0	0.00	0	0.00	Asia Cement Corp.	Director of the Foundation is the Chairman of the aforesaid organizations.	N/A
							Oriental Institute of Technology		
							Yuan Ze University		
							Far Eastern Medical Foundation	The Chairman	
Douglas Tong Hsu									
Yuan Ze University Representative: Douglas Tong Hsu	146,570,213	2.74%	0	0.00	0	0.00	Asia Cement Corp.	The same Chairman	N/A
							Oriental Institute of Technology		
							Far Eastern Medical Foundation		
							Far Eastern Memorial Foundation	Chairman is the Director of the Foundation	
							Douglas Tong Hsu	The Chairman	

## Corporate Governance Report

Name	Current shareholding		Spouse & minor children's shareholding		Shareholding in name of others		Name, relationship of top ten shareholders being the related party as defined in statement of financial accounting standards No.6		Major institutional shareholders
	shares	%	shares	%	shares	%	Name	Relationship	
Fubon Life Insurance Corporation Representative: Richard M. Tsai	133,740,083	2.50%	0	0.00	0	0.00	None	None	See page 16 for details
Cathay Life Insurance Corporation Representative: Tiao-Kuei Huang	130,042,360	2.43%	0	0.00	0	0.00	None	None	See page 16 for details
Douglas Tong Hsu	91,748,698	1.71%	0	0.00	0	0.00	Asia Cement Corp. Oriental Institute of Technology Far Eastern Medical Foundation Yuan Ze University Far Eastern Memorial Foundation	The Chairman   The Director	N/A
Nan Shan Life Insurance Corporation Representative: Ying-Tzyong Du	89,303,953	1.67%	0	0.00	0	0.00	None	None	See page 16 for details
China Life Insurance Corporation Representative: Alan Wang	83,102,634	1.55%	0	0.00	0	0.00	None	None	See page 16 for details

## 9. Shareholding Proportion of FENC to Investees

Book closure date: 30 April 2018

Investees by equity method	The Company's Holdings		Direct and Indirect Holdings of Directors, and Managers of FENC		Total Holdings	
	Shares (Thousand)	%	Shares (Thousand)	%	Shares (Thousand)	%
Asia Cement Corp.	750,511	22.33	223,104	6.64	973,615	28.97
Far Eastern Department Stores Ltd.	241,770	17.06	175,242	12.37	417,012	29.43
Oriental Union Chemical Corp.	81,216	9.17	257,792	29.11	339,008	38.28
Far Eastern International Bank	83,245	2.62	607,651	19.09	690,896	21.71
Everest Textile Co., Ltd.	134	0.03	127,410	26.00	127,544	26.03
Yuan Ding Investment Co., Ltd.	1,822,822	99.40	5,502	0.30	1,828,324	99.70
Far Eastern Resources Development Co., Ltd.	667,242	100.00	-	0.00	667,242	100.00
Yuan Tong Investment Co., Ltd.	705,147	100.00	-	0.00	705,147	100.00
Far Eastern Investment (Holding) Ltd.	1,700	100.00	-	0.00	1,700	100.00

Investees by equity method	The Company's Holdings		Direct and Indirect Holdings of Directors, and Managers of FENC		Total Holdings	
	Shares (Thousand)	%	Shares (Thousand)	%	Shares (Thousand)	%
Far Eastern Polychem Industries Ltd.	830,815	73.04	306,644	26.96	1,137,459	100.00
Kai Yuan International Investment Co., Ltd.	302,843	100.00	-	0.00	302,843	100.00
Oriental Petrochemical (Taiwan) Co., Ltd.	1,334,427	75.56	113,615	6.43	1,448,042	81.99
Far Eastern Polytex (Holding) Ltd.	135	100.00	-	0.00	135	100.00
Yuan-Ding Co., Ltd.	186,929	37.13	243,474	48.37	430,403	85.50
Far Eastern Construction Co., Ltd.	198,791	65.11	2,769	0.91	201,560	66.02
Ding Yuan International Investment Co., Ltd.	205,000	100.00	-	0.00	205,000	100.00
Oriental Securities Co., Ltd.	140,278	19.65	470,094	65.87	610,372	85.52
PET Far Eastern (H) Ltd.	397	91.95	35	8.05	432	100.00
An Ho Garment Co., Ltd.	66,346	100.00	-	0.00	66,346	100.00
Pacific Liu Tung Investment Co., Ltd.	135,000	16.83	465,068	57.99	600,068	74.82
Fu Kwok Knitting & Garment Co., Ltd.	4,000	100.00	-	0.00	4,000	100.00
FEDP (H) Ltd.	244	50.43	240	49.57	484	100.00
Far Eastern Textile Limited	100	100.00	-	0.00	100	100.00
Ding Ding Hotel Co., Ltd.	769	0.74	103,065	99.06	103,834	99.80

## Capital Overview

### IV. Capital Overview

#### 1. Capital and Shares

##### 1.1 Issued Shares

Unit: NT\$ thousands, thousand shares

Month/ Year	Par value (NT\$/ Share)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increased by assets other than cash	Other
Sep 13	10	6,000,000	60,000,000	5,145,017	51,450,165	Capitalization of share dividends	-	-
Sep 14	10	6,000,000	60,000,000	5,247,916	52,479,169	Capitalization of share dividends	-	-
Sep 15	10	6,000,000	60,000,000	5,352,875	53,528,752	Capitalization of share dividends	-	-
Sep 16	10	6,000,000	60,000,000	5,352,875	53,528,752	Note 2	-	-
Sep 17	10	6,000,000	60,000,000	5,352,875	53,528,752	Note 2	-	-

Note 1 : Dates and letter numbers of capital increase approvals received from the regulatory authority in 5 years:

17 July 2013 Financial Supervisory Commission Ruling Ref. No.1020027941

28 July 2014 Financial Supervisory Commission Ruling Ref. No.1030028503

09 July 2015 Financial Supervisory Commission Ruling Ref. No.1040025880

Note 2: No capitalization of share dividends in 2016 and 2017.

Unit: thousand shares

Type of Stock	Authorized Share Capital							Note
	Outstanding issued shares			Unissued Shares	Shares convertible from corporate bonds	Shares convertible from stock warrants	Total	
	Listed	Non-Listed	Total					
Common Stock	5,352,875	-	5,352,875	487,125	150,000	10,000	6,000,000	-

##### 1.2 Shelf Registration: None

##### 1.3 Composition of Shareholders

Book closure date: 30 April 2018

Types Amounts	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Citizens	Security Trust Funds	Foreign Institutions & Foreign Persons	Total
Number	16	62	268	94,374	31	706	95,457
Number of shares owned	120,196,145	744,541,812	2,656,038,149	769,971,417	19,271,495	1,042,856,209	5,352,875,227
% holdings	2.25%	13.91%	49.62%	14.38%	0.36%	19.48%	100.00%

#### 1.4 Distribution Profile of Share Ownership

Book closure date: 30 April 2018

Shareholder Ownership	Number of shareholders	Number of shares owned	%
1 ~ 999	47,685	10,752,028	0.20%
1,000 ~ 5,000	31,429	69,116,110	1.30%
5,001 ~ 10,000	7,334	52,040,007	0.97%
10,001 ~ 15,000	3,064	36,667,017	0.68%
15,001 ~ 20,000	1,469	25,983,130	0.49%
20,001 ~ 30,000	1,413	34,379,458	0.64%
30,001 ~ 40,000	705	24,343,974	0.45%
40,001 ~ 50,000	426	19,206,290	0.36%
50,001 ~ 100,000	807	56,317,327	1.05%
100,001 ~ 200,000	451	63,447,149	1.19%
200,001 ~ 400,000	240	67,105,774	1.25%
400,001 ~ 600,000	97	47,276,850	0.88%
600,001 ~ 800,000	51	34,126,083	0.64%
800,001 ~ 1,000,000	28	25,646,389	0.48%
Over 1,000,001	258	4,786,467,641	89.42%
<b>Total</b>	<b>95,457</b>	<b>5,352,875,227</b>	<b>100.00%</b>

#### 1.5 Preferred Shares: None

#### 1.6 Major Shareholders

Book closure date: 30 April 2018

Shareholders	Total shares owned	Ownership %
Asia Cement Corporation	1,272,277,085	23.77%
Oriental Institute of Technology	257,651,603	4.81%
Far Eastern Medical Foundation	193,310,445	3.61%
Far Eastern Memorial Foundation	183,141,383	3.42%
Yuan Ze University	146,570,213	2.74%
Fubon Life Insurance Corporation	133,740,083	2.50%
Cathay Life Insurance Corporation	130,042,360	2.43%
Douglas Tong Hsu	91,748,698	1.71%
Nan Shan Life Insurance Corporation	89,303,953	1.67%
China Life Insurance Corporation	83,102,634	1.55%

## Capital Overview

### 1.7 Net Worth, Earnings, Dividends, and Market Price Per Common Share

Items	Year		2017	2016	From Jan 1 2018 to Mar 31 2018
Market price per share	Highest		28.10	28.50	27.60
	Lowest		23.60	21.90	23.85
	Average		25.28	24.27	26.09
Net worth per share	Before distribution		36.31	35.66	37.32
	After distribution		(Note 3)	34.86	(Note 3)
Earnings per share	Weighted average shares (thousand shares)		5,352,875	5,352,875	5,352,875
	Adjusted earnings per share (Note 1)		1.61	1.26	0.49
Dividends per share (Note 2)	Cash dividend		1.2	0.8	Not applicable
	Stock dividend	From retained earnings	-	-	
		From capital surplus	-	-	
	Accumulated undistributed dividend		-	-	
Return on Investment	Price / Earnings ratio (Note 4)		15.70	19.26	13.31
	Price / Dividend ratio (Note 5)		21.07	30.34	Not applicable
	Cash Dividend yield (Note 6)		4.75	3.30	

Note 1 : The adjusted EPS is calculated based on the number of shares held by associates are deducted as treasury stock.

Note 2 : Distribution of profit generated from the preceding year.

Note 3 : To be resolved by Year 2018 Shareholders' Meeting.

Note 4 : Price/Earnings ratio = Average closing share price of the period/ Earnings per share.

Note 5 : Price/Dividend ratio = Average closing share price of the period / Cash dividend per share.

Note 6 : Cash dividend yield = Cash dividend per share / average closing share price of that year.

### 1.8 Dividend Policy and its Execution Results

1.8.1 Dividend policy under the Articles of Incorporation: Apart from paying all its income taxes in the case where there are profits for the current year, making up for accumulated losses in past years, and deducting legal reserve and special reserve required by law, the Company may distribute to the shareholders the remainder together with undistributed profits from previous years. The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, which is not less than 50% of the final surplus of after-tax profit in same year to withhold accumulated losses, legal reserve and special reserve, and the cash dividend is not less than 10% of the shareholders' dividend distributed in the same year.

For example, the cash dividend payout ratios over the past three years are not less than 50% of the final surplus of after-tax profit in same year to withhold accumulated losses, legal reserve and special reserve and either not less than 10% of the shareholders' dividend distributed in the same year, which are in compliance with the Articles of Incorporation.

Unit: NT\$/share

Year	EPS after Income Tax	Cash Dividend from Retained Earnings(A)	Stock Dividend from Capital Surplus (B)	Total Dividend (A+B=C)
2015	1.61	1.0	-	1.0
2016	1.26	0.8	-	0.8
2017	1.61	1.2	-	1.2

Note: The Company paid all in cash dividend in recent 3 years



1.8.2 Proposed distribution of 2017 profits to be approved at the Shareholders' Meeting: Cash dividend of NT\$ 1.2 per share is proposed to be distributed.

1.9 Effects on Business Performance and EPS Resulting from Stock Dividend Distribution Proposed by 2018 Annual General Shareholders' Meeting: Not applicable.

#### 1.10 Employees' Compensation and Directors' Remuneration

1.10.1 Description regarding employees' compensation and Directors' remuneration in the Articles of Incorporation: According to the Company Act and the Article 26 in the Articles of Incorporation, 2% to 3.5% of profit of the current year should be distributed as employees' compensation and not more than 2.5% of profit of the current year should be distributed as Directors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors, to determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as employees' compensation; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The actual ratio and amount of the profit distributable as Directors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.

1.10.2 The discrepancy, if there is any, between the total amount of estimated employees' compensation, Directors' remuneration, stock dividends and total amount actually being paid: Treated as the changes at the accounting estimate, and such changes are adjusted in the year that annual general shareholders' meeting resolved.

1.10.3 Proposed employees' compensation and Directors' remuneration:

The 2017 employees' compensation and Directors' remuneration was resolved in the 12<sup>th</sup> meeting on 22 March 2018 by the 22<sup>nd</sup> term Board of Directors, and will be submitted to the 2018 shareholders' meeting. The amounts and forms are listed below:

- a. Employees' compensation: NT\$ 276,277,440 in cash
- b. Directors' remuneration: NT\$ 151,590,789 in cash
- c. Regarding the amount of employees' compensation and Directors' remuneration in cash or in shares, the discrepancy, if there is any, between the estimated amount and the amount being actually paid, and the reason for such discrepancy: None
- d. Proposed employees' compensation in shares as percentage of net income and total employees' compensation: Not applicable

1.10.4 The discrepancy, if there is any, between the total amount being actually paid as employees' compensation, remuneration for Directors and Supervisors for 2016 (including number of shares, dollar amount, and share price) and the amount of such compensation and remuneration being recognized should be stated, and the reason for such discrepancy:

- a. Employees' compensation: Resolved amount is NT\$ 184,184,954. The dollar amount actually being paid is NT\$ 184,184,954.
- b. Remuneration for Directors: Resolved amount is NT\$ 116,155,727. The dollar amount actually being paid is NT\$ 100,900,000.

The difference between the resolved amount and the amount actually being paid will be paid in the following years.

#### 1.11 Share Buyback by the Company:

The Company did not buy back share during year 2017 until 30 April 2018.

## Capital Overview

### 2. Corporate Bonds

Book closure date: 30 April 2018

Corporate Bond Type	3 <sup>rd</sup> Unsecured Bond 2013	1 <sup>st</sup> Unsecured Bond 2014	2 <sup>nd</sup> Unsecured Bond 2014	3 <sup>rd</sup> Unsecured Bond 2014
Issue Date	23 Dec 2013	21 Aug 2014	4 Dec 2014	6 Feb 2015
Face value	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000
Issuance and listing	OTC	OTC	OTC	OTC
Offering rate	Par	Par	Par	Par
Total amount	NT\$ 2,800,000,000	NT\$ 3,200,000,000	NT\$ 2,200,000,000	NT\$ 2,600,000,000
Coupon rate	1.45%	1.47%	1.47%	1.38%
Maturity	5 years Maturity date: 23 Dec 2018	5 years Maturity date: 21 Aug 2019	5 years Maturity date: 4 Dec 2019	5 years Maturity date: 6 Feb 2020
Guarantor	-	-	-	-
Trustee	Bank SinoPac	Bank SinoPac	Bank SinoPac	Bank SinoPac
Underwriter	-	-	-	-
Legal counsel	N.C. Liao	N.C. Liao	N.C. Liao	N.C. Liao
CPA	Ming Hsing Cho Shu Chieh Huang	Ming Hsing Cho Shu Chieh Huang	Ming Hsing Cho Shu Chieh Huang	Ming Hsing Cho Shu Chieh Huang
Repayment	These bonds are repayable in lump sum on maturity. The interest is calculated and paid annually on the outstanding amount of the bond.	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.
Outstanding amount	NT\$ 2,800,000,000	NT\$ 3,200,000,000	NT\$ 2,200,000,000	NT\$ 2,600,000,000
Redemption or early repayment clause	None	None	None	None
Covenant applicable	None	None	None	None
Credit rating	Taiwan Ratings Corp. Rating date: 26 Jun 2015 Rating: "twA+"	N.A.	N.A.	N.A.
Other rights of bond holders	None	None	None	None
	None	None	None	None
Dilution and other effects on existing shareholders	None	None	None	None
Custodian	None	None	None	None

Corporate Bond Type	1 <sup>st</sup> Unsecured Bond 2015	2 <sup>nd</sup> Unsecured Bond 2015	3 <sup>rd</sup> Unsecured Bond 2015	1 <sup>st</sup> Unsecured Bond 2016 (Tranche A)
Issue Date	25 May 2015	2 Oct 2015	16 Nov 2015	29 Apr 2016
Face value	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000
Issuance and listing	OTC	OTC	OTC	OTC
Offering rate	Par	Par	Par	Par
Total amount	NT\$ 8,000,000,000	NT\$ 5,200,000,000	NT\$ 2,800,000,000	NT\$ 6,000,000,000
Coupon rate	1.39%	1.28%	1.25%	0.88%
Maturity	5 years Maturity date: 25 May 2020	5 years Maturity date: 2 Oct 2020	5 years Maturity date: 16 Nov 2020	5 years Maturity date: 29 Apr 2021
Guarantor	-	-	-	-
Trustee	Bank SinoPac	Bank SinoPac	Bank SinoPac	Bank SinoPac
Underwriter	-	-	-	Masterlink Securities Corporation
Legal counsel	N.C. Liao	N.C. Liao	N.C. Liao	N.C. Liao
CPA	Jing-Bin Shih Shu-Chieh Huang	Jing-Bin Shih Shu-Chieh Huang	Jing-Bin Shih Shu-Chieh Huang	Jing-Bin Shih Cheng-Hung Kuo
Repayment	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.	These bonds are repayable in lump sum on maturity. The interest is calculated and paid annually on the outstanding amount of the bond.	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.
Outstanding amount	NT\$ 8,000,000,000	NT\$ 5,200,000,000	NT\$ 2,800,000,000	NT\$ 6,000,000,000
Redemption or early repayment clause	None	None	None	None
Covenant applicable	None	None	None	None
Credit rating	N.A.	N.A.	N.A.	N.A.
Other rights of bond holders	Amount converted in, exchanged, or subscribed to common shares, ADRs or other securities	None	None	None
	Conversion rights	None	None	None
Dilution and other effects on existing shareholders	None	None	None	None
Custodian	None	None	None	None

## Capital Overview

Corporate Bond Type	1 <sup>st</sup> Unsecured Bond 2016 (Tranche B)	2 <sup>nd</sup> Unsecured Bond 2016	1 <sup>st</sup> Unsecured Bond 2017	2 <sup>nd</sup> Unsecured Bond 2017
Issue Date	29 Apr 2016	20 Sep 2016	17 May 2017	8 Jan 2018
Face value	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000
Issuance and listing	OTC	OTC	OTC	OTC
Offering rate	Par	Par	Par	Par
Total amount	NT\$ 2,000,000,000	NT\$ 3,800,000,000	NT\$ 5,000,000,000	NT\$ 3,000,000,000
Coupon rate	0.00% (IRR: 0.95%)	0.72%	1.15%	0.95%
Maturity	5 years Maturity date: 29 Apr 2021	5 years Maturity date: 20 Sep 2021	5 years Maturity date: 17 May 2022	5 years Maturity date: 8 Jan 2023
Guarantor	-	-	-	-
Trustee	Bank SinoPac	Bank SinoPac	Bank SinoPac	Bank SinoPac
Underwriter	Masterlink Securities Corporation	KGI Securities Co. LTD.	Masterlink Securities Corporation	KGI Securities Co. LTD.
Legal counsel	N.C. Liao	N.C. Liao	N.C. Liao	N.C. Liao
CPA	Jing-Bin Shih Cheng-Hung Kuo	Jing-Bin Shih Cheng-Hung Kuo	Jing-Bin Shih Cheng-Hung Kuo	Jing-Bin Shih Cheng-Hung Kuo
Repayment	These bonds are repayable in lump sum on maturity. These bonds will be redeemed at 104.8411% of the face value on the maturity date.	These bonds are repayable in lump sum on maturity. The interest is calculated and paid annually on the outstanding amount of the bond.	50% of the face value of the bond is repayable at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> years respectively. The interest is calculated and paid annually on the outstanding amount of the bond.	These bonds are repayable in lump sum on maturity. The interest is calculated and paid annually on the outstanding amount of the bond.
Outstanding amount	NT\$ 2,000,000,000	NT\$ 3,800,000,000	NT\$ 5,000,000,000	NT\$ 3,000,000,000
Redemption or early repayment clause	None	None	None	None
Covenant applicable	None	None	None	None
Credit rating	N.A.	N.A.	N.A.	N.A.
Other rights of bond holders	Amount converted in, exchanged, or subscribed to common shares, ADRs or other securities	None	None	None
	Conversion rights	None	None	None
Dilution and other effects on existing shareholders	None	None	None	None
Custodian	None	None	None	None

### 3. Preferred Shares

None

### 4. Issuance of Overseas Depository Receipts

Book closure date: 30 April 2018

Item		Content	
Date of issuance		25 Oct 1999 & 19 Nov 1999	
Place of issuance		Listed in Luxembourg Stock Exchange Traded in Asia, Europe, and US.	
Total amount of issuance		US\$ 202,631,674	
Unit price of issuance		US\$ 14	
Total number of units issued		14,473,691 units	
Source of underlying securities		New shares of capital increase, and original shares owned by Asia Cement Corp. and Far Eastern Department Stores Ltd.	
Amount of securities		Common Stock 144,736,910 shares	
Rights and obligations of subscribers		Same as common stock shareholders	
Trustee		None	
Depository bank		The Bank of New York Mellon	
Custodian bank		Far Eastern International Bank	
Number of outstanding shares		100,650.90 Units	
Bearers of related charges incurred during issuance and holding period		Charges of GDR issuance shall be borne by sellers on a pro rata basis.	
Major terms of Depository Agreement and Custodian Agreement		Voting rights can be exercised only if the owners hold at least 51% of the depository receipts outstanding vote at the same manner in respect of one or more resolutions to be proposed at the Shareholders' Meeting.	
Unit market price		High	Average
2017	US\$15.71	US\$8.10	US\$12.52
30 April 2018	US\$8.10	US\$8.10	US\$8.10

### 5. Employee Stock Options

None

### 6. Employee Restricted Stock Options

None

### 7. Share Issued for Merger or Acquisition

None

### 8. Fund Utilization Plans and Status

Uncompleted bond issues, private placement of securities, completed bond issues or private placement of securities in recent 3 years whose return of investment has not emerged: None

## Operational Highlights

# V. Operational Highlights

## 1. Business Activities

### 1.1 Business Scope

Far Eastern New Century and its subsidiaries have diversified businesses ranging from petrochemical, polyester, textiles, telecommunication, property development, investments, & others. Please refer to page 1 of "Letter to Shareholders" for more business information.

#### 1.1.1 Sales Breakdown of Main Business Segments

Unit: NT\$ thousands

Business Segment	Year	2017		2016	
		Amount	% of sales	Amount	% of sales
Petrochemical		30,426,217	13	31,401,107	13
Polyester		61,969,712	26	59,462,561	25
Textiles		34,054,363	14	33,946,322	15
Telecommunication		92,069,681	39	94,344,266	40
Property		7,942,856	3	8,896,423	4
Investment & Others		11,039,050	5	6,935,207	3

#### 1.1.2 Current Products and Services Provided by the Company and Subsidiaries

- Pure Terephthalate Acid (PTA)
- Polyester chip, polyester staple fiber, polyester filament, solid-state polymer, drawn textured yarn, high denier industrial yarn, PET bottle preforms, PET bottles, PET sheets, and heat shrinkable PET films
- Cotton yarn, CVC yarn, polyester yarn, OE yarn and functional yarn
- Cotton fabrics, cotton blended fabrics, yarn-dyed fabrics, polyester fabrics, knitted fabrics and industrial fabrics
- Business suits from Hart Schaffner Mark(H.S.M), John Henry; shirts from Manhattan; beddings from Tonia Nicole, Charisma, La Mode; undergarments from FET, Active, Paul Simon, and men's undergarments from Punto Blanco
- Mobile service communication services, internet access services, fixed line services, smart home services, digital application services, NB-IoT application services, and smart city application services
- Shopping malls, residential buildings, public infrastructure, civil engineering and construction of roads, bridges, subways and electrical routing
- SavDerm wound care products, NuROs<sup>®</sup> bone graft substitutes, and Next Fill dental materials

#### 1.1.3 Products and Services Planned to be Developed and Launched by the Company and Subsidiaries

- Functional fibers, fabrics made of specialty materials, waterproof and moisture-permeable films, bio-degradable plastic materials, high gas barrier plastic materials, functional bio-medical wound dressing and environmental friendly heat shrinkable PET films.
- Internet of scooters/bikes, smart parking management, environmental monitoring, smart retail, and smart access management, on the NB-IoT network. friDay diversified mobile digital services, including mobile entertainment, mobile payment and mobile commerce.
- Construct high quality official building for lease and residential products for sale, mass rapid transit (MRT), and expressways.

## 1.2 Business Environment

### 1.2.1 Current Industry Situation and Prospects

#### Production business

##### 1.2.1.1 Petrochemical business - Pure Terephthalate Acid (PTA)

In 2017, the global PTA output was 63.18 million tons (Source: PCI), 3.55 million tons or 6% up from 2016. The output growth was 2 percentage points higher than the year before. In 2017, the global production capacity for PTA was 79.99 million tons, an increase of 1.87 million tons or 2% from the year before. In the PTA industry, there was limited new additional capacity. A lot of old equipment was nitrogen sealed for a long time. Industry consolidation took place. As such, the capacity utilization rate rose to 79% globally, 3 percentage points up from 2016, suggesting an improvement in the supply and demand ratio in the market.

China, India, South Korea, United States and Taiwan are among the top five PTA producing countries that generated a total of 52.21 million tons in 2017, accounting for 83% of the global market. In 2017, China's PTA output increased 9% to 36.5 million tons, making up 58% of the world's total. As the second largest PTA producer in the world, India's output grew 10% to 5.72 million tons, enjoying 2-digit increase for the third

consecutive year, while South Korea's output rose to 4.56 million tons, an addition of 0.1 million tons from 2016, and the United States saw an increase of 10,000 tons, making its total output 2.76 million tons. Taiwan was the only one that saw a decline in production with its PTA output being 2.67 million tons, a decrease of 80,000 tons or 3% from 2016. Taiwan's PTA capacity utilization rate was only 65%, 4 percentage point down from the year before, the lowest among the major PTA producing countries. This shows Taiwan's PTA plants are facing formidable challenges as a result of intense competition in the industry.

#### 1.2.1.2 Polyester business

In 2017, the global polyester output came to 73.18 million tons (Source: PCI) with an annual growth rate of 5%, one percentage point up from the year before. The top five polyester producing countries are China, India, the United States, South Korea and Taiwan, making up 80% of the global output. Accounting for 60% of the global output, China's polyester production increased 10% to 42.48 million tons in 2017, 5 percentage points up from the year before. Its capacity utilization rate was 86%, surpassing the previous peak in 2013. India's polyester output in 2017 rose 5% to 6.77 million tons, contributing to 10% of the global output.

Polyester is mostly used to produce PET and polyester fibers which include filaments and staple fibers. In 2017, PET accounted for approximately 30% and polyester fibers 70% of the global output.

##### ■ PET resins

In 2017, global PET production amounted to 21.84 million tons (Source: PCI), a small increase of 100,000 tons from 2016. The world's five leading PET producing countries are China, the United States, India, Taiwan and Mexico, making up approximately 60% of the global output. China's production increased 5% to 6.96 million tons, accounting for 32% of the whole, while the United States saw a slight reduction in output to 2.82 million tons from the year before. During the second half of 2017, the major PET companies such as M&G and JBF faced financial crisis. Their factories in the United States and Europe stopped operations. As a result, their clients turned to Asia for procurement, driving the output in Asia.

With diverse downstream applications, PET resins can generally be divided into food-grade and industrial-grade PET resins. Food-grade PET is primarily used to produce bottles. It can also be used to produce packaging for fresh food, frozen food and microwavable food. Industry-grade PET is chiefly used in various industries to produce seat belts, air bags, tire cord fabrics, conveyor belts, packaging for electronics, geotextiles, medical supplies, and fish nets.

##### ■ Polyester fibers

According to the statistics provided by Japan Chemical Fibers Association, the global output of fibers grew 6% to 93.71 million tons in 2017, with its growth rate being 2 percentage points higher than the year before. Whilst synthetic fibers accounted for approximately 70% of the global fiber production, natural fibers such as cotton, wool and silk made up roughly 30% of the total. In 2017, the output of synthetic fibers amounted to 66.94 million tons, an increase of 4%, whereas the output of natural fibers grew 10% to 26.78 million tons. Accounting for 95% of the natural fibers, the cotton output grew 11%, a new high in three years. Making up 80% of synthetic fibers, the output of polyester fibers amounted to 53.77 million tons in 2017, an increase of 4% from the year before. As the largest producer of polyester fibers in the world, China contributed to more than 70% of the global output.

Polyester fibers can be divided into filaments that account for around 70% and staple fibers that make up around 30%.

In 2017, the global output of filaments increased 5% to 37.17 million tons, with Asian countries contributing to 95% of the global output. The top three producing countries are China, India and Taiwan. Nearly 80% of the filament output was concentrated in China and around 10% from India. In 2017, both China and India enjoyed an output growth of 5%, coming to 28.96 million tons and 3.51 million tons respectively. Taiwan saw an output of decrease 9% from the year before to 0.79 million tons, resulting in its shrinking market share to 2% of the global market.

In 2017, the output of staple fibers grew 4% to 16.6 million tons. Accounting for roughly 60% of the total, China's output of staple fibers grew 5% to 10.26 million tons, followed by India's 1.33 million tons, a decrease of 6% from the year before. While South Korea's output increased 4% to 0.61 million tons, Taiwan's output was decreased by 2% to 0.54 million tons.

#### 1.2.1.3 Textiles business

##### ■ Cotton yarn and spinning business

In 2016/2017 crop year, the world's production of cotton is estimated at 23.25 million tons (Source: the U.S. Department of Agriculture), 2.31 million tons up from the previous year. An increase in production is evident in the three major cotton-producing countries, namely, India, China and the United States. As the largest cotton producer in the world, India's production increased 4% to 5.88 million tons. Although China's cotton-

## Operational Highlights

planted areas were smaller than the previous cotton year, its production grew 3% to 4.95 million tons, as a result of increased yield per planted area. As the third largest cotton producer and the top cotton exporter in the world, the United States' production stood at 3.74 million tons, 0.93 million tons more than the year before, because of the increase in planted areas.

In the same crop year, the global cotton consumption amounted to 25 million tons, 2% up from the year before. The consumption of cotton had been outstripping production for two consecutive years, reducing global cotton inventories to 19.09 million tons, lower than the previous bottom in the crop year 2012/2013. China, India, Pakistan, Bangladesh, Turkey and Vietnam are among the top cotton consumers in the world, accounting for nearly 80% of the global consumption. In terms of annual growth rate, the consumption in Vietnam grew more than 20% than the year before, making the country the top cotton growth momentum in the world.

### ■ Knitted fabrics and apparel

China is the largest exporter of textile and apparel in the world. In 2017, its export of textiles and apparel increased 2% to \$267 billion (Source: the U.S. Department of Agriculture). While its textile export saw a 4% growth after two years of decline, amounting to US\$109.8 billion, its export of apparel dropped US\$600 million from the previous year to US\$157.2 billion, a third straight year of decline, mainly due to the rising labor costs and tariff barriers in China where a lot of labor-intensive businesses such as garment companies relocated overseas to find cheaper labors and other economic advantages.

In addition, the Chinese government has stepped up efforts to carry out environmental audits. In 2017, the printing and dyeing industry was faced with remediation and elimination at a large scale. The uncompetitive enterprises were driven out of the market, causing the price of dyes to go up and adding pressure to the operations of the printing and dyeing businesses.

### 1.2.1.4 Telecommunication Business

#### ■ Consumer business

According to National Communication Commission (NCC) statistics, total mobile subscribers in Taiwan reached 28.66 million by the end of 2017 where 22.59 million are 4G subscribers and 6.07 million are 3G subscribers.

#### ■ Enterprise business

Affected by trends of ICT integration and digital convergence, the market of corporate sector has shifted from traditional telecommunications services to ICT integration, providing customers with applications which integrated telecommunication services, mobile commerce, cloud platform, big data analysis and IOT. We aim to build one-stop services and solutions that are more diverse, intelligent, flexible and in line with industrial features.

#### ■ Home segment business

With the popularity of home internet access, ADSL has been replaced by FTTx in recent years, FTTx has become the mainstream of home fixed broadband service. The quality of FTTx also evolved to be more stable and reliable, higher speed- 100Mbps to 1Gbps is market trend at present. Meanwhile, providing the combination of internet access and OTT service in one go will also become the main focus for ISP providers in the future. In addition, the Taiwan's 4G penetration rate has reached 92% and consumers are accustomed to high-speed Wi-Fi. At present, industry players in Taiwan have started on 5G technology development. Commercial operations are expected to begin within three years, providing more mobile applications and fulfilling customers' various demands concerning mobile internet.

In smart homes, various devices such as lighting, power switch, IPCam, smart appliances, smart utilities, sensors, etc., can be controlled by either a remote or a smartphone. At the same time, Voice Assistant is playing an ever increasing role in smart home services.

#### ■ Digital segment business

According to Taiwan Network Information Center, the proportion of Taiwan's mobile internet users surpasses that of home users for the first time in 2017, indicating the digital lifestyle has become the trend. The dependence on mobile phones (or mobile devices) for entertainment, shopping, living, information, etc. is growing. Meanwhile, competition among digital service providers turns fierce as the number of participants increases.



### 1.2.1.5 Property Business

In 2017, the investing activities of global property market scattered in world major cities and emerging countries in Southeast Asia. The effects of global quantitative easing(QE) policies is fading and the negative interest rate policy still play a key role in monetary system, though several phenomena suggest the slowly global economic upswing, e.g. the down-playing effects of soft Brexit of European, domestic economic recovery in favor with new government's tax reform in the United State and Europe, and the reinforce investment of infrastructure in Southeast Asia. In terms of domestic housing market, real estate transactions and prices remain relatively low due to the new integrated housing and land tax, gift tax reform, and new land registration system, which raise the operating expense and holding costs on both housing and commercial property.

### 1.2.1.6 Investment & Others Business

In 2017, Taiwan enjoyed moderate economic recovery. In order to stabilize the financial environment and facilitate economic growth, the Central Bank has begun to keep the discount rate as 1.375% since the second half of 2016. According to the report provided by the Directorate General of Budget, Accounting and Statistics in February, 2018, Taiwan's economy grew at the rate of 2.86% in 2017 with the CPI growth rate being 0.62%. The report estimates Taiwan's economic growth rate in 2018 at 2.42% and CPI growth rate as 1.21%. In 2018, the global economy will grow at a moderate pace. However, there is no consistent monetary policies across major countries. The United States trade and economic policies, the rise of trade protectionism and other political risks all add uncertainties to global economic prospect. Given the economic changes down the road and Taiwan's moderate growth and inflation, it is expected that Taiwan's Central Bank will continue to adopt expansionary monetary policy to facilitate economic growth. In the face of the ever-changing economic climate in the country and around the globe, the Company will assess and review our long-term investment equity and strengthen management of risks such as interest and exchange rates. More importantly, we will make diverse investments, seek joint ventures and explore new fields for investment in order to pursue best performance for the Company and create maximum value for our shareholders.

## 1.2.2 The Supply Chain Analysis

Originally, the textile industry serves the purpose of providing the necessities of daily life. Today, this industry serves a greater purpose by infusing fashion, technology, and art, to cater to demands beyond our basic clothing needs. In the upstream of the supply chain lies polyester polymers which consume chemicals derived from crude oil. Moving down to the mid-stream, there are spinning, weaving, fabricating, dyeing and finishing production processes. And further down are the apparel, and home furnishings end products. Please refer to pages 76-77 for a summary of the upstream, mid-stream, and downstream linkages of our company's industry.

### 1.2.3 Industry Trends and Competition

#### 1.2.3.1 Petrochemical business – PTA

In 2018, the global PTA demand is expected to grow 8% to 68.52 million tons (Source: PCI), with an addition of 5.34 million from the year before and the global PTA capacity is estimated to increase 5%, or 4.33 million tons. With the growth in demand greater than the increase in capacity, the overall PTA's supply and demand situation will improve.

Over the course of last year, China stepped up its efforts to reduce excessive PTA capacity against the backdrop of emerging industry consolidation. As a result, the PTA capacity utilization rate climbed steadily in the country. In addition, as China imposed the policy to ban the import of plastic waste, virgin polyester is expected to fill the void, driving demand for PTA. In 2018, China's PTA capacity unitization rate is expected to reach 83%, surpassing its previous peak in 2013. The future of the industry is promising.

#### 1.2.3.2 Polyester business

##### ■ PET resins

In 2018, the global PET output is estimated at 23.62 million tons (Source: PCI), 8% up from 2017, with the growth rate beating its previous peak in 2011. The additional output is mainly from China, Brazil, Mexico and India. In the same year, the global additional PET capacity is estimated at 2.94 million tons, over 80% of which is from China. The United States' PET capacity level in 2018 is expected to remain the same as the previous year, with the capacity utilization rate exceeding 90%, suggesting a sound supply and demand situation.

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As the downstream PET applications continue to expand, the food-grade and industry-grade PET will enjoy steady growth. To promote food-grade PET, the Company has not only launched lightweight or energy-saving PET products but also expanded into the field of eco-friendly PET materials. We are the leader in the industry to introduce recycled PET with an annual capacity over 200 K tons and will continue to expand our capacity to consolidate our position in the industry. As for industry-grade PET, we will accelerate the development of high value-added products, including seat belts, air bags, tire cord fabrics, geotextiles, industrial conveyor belts, knitted fabrics for medical purposes, in order to pursue maximum profits.

The Company's PET production sites include Taiwan, China and Japan. With the new capacity from Vietnam and the United States, our total PET capacity will exceed 2 million tons. We will leverage our production and sales networks across the globe and create competitive advantage in the industry.

### ■ Polyester fibers

In 2018, the global production of polyester is expected to reach 54.81 million tons (Source: PCI), an increase of 5% from 2017. The growth rate this year will be lower than last year. It is projected that the output of polyester filaments will increase by 6% to 37.82 million tons and polyester staple fibers will grow by 2% to 16.99 million tons.

As the second largest manufacturer of polyester staple fibers for non-textile purposes, FENC has launched high value-added products which can be widely applied in such areas as health care, sanitary materials, building materials, sports, vehicles and household goods. The Company services a great diversity of clients, with the majority of them being global brand name suppliers.

The Company is also one of Taiwan's major manufacturers of polyester filaments. Our products include POY and DTY, covering functional fibers that sustain cool feeling, moisture absorption generating heat, moisture absorption wicking sweat, flame-retardant and UV-Cut effect. In addition, our nylon 6,6 products lead in the Asia Pacific and can be used to produce outdoor wear, yoga clothes and women's underwear.

FENC has invested its resources in the development of green products. For example, TOPGREEN® uses recycled PET bottles as materials to reduce our reliance on fossil fuels. This premium product can help our brand clients to fulfill their commitment to environmental conservation. Since 2010, TOPGREEN® has been designated by Nike for three consecutive World Cup tournaments as the material to produce the national jerseys for the countries Nike sponsors in FIFA World Cup, thus drawing a lot of global attention. The Company also partnered with Adidas in a joint project to turn ocean plastic waste into eco-friendly yarn, which can be used as materials for shoes and clothes. Now as the Adidas' exclusive supplier, the output volume continues to increase in such eco-friendly materials.

The Company has established production sites for polyester filaments and staple fibers in Taiwan and China. With the new capacity in Vietnam, our competitiveness will be largely enhanced.

### 1.2.3.3 Textiles business

#### ■ Cotton yarn and spinning business

According to U.S. Department of Agriculture, in the 2017/2018 crop year, the global production of cotton was 26.55 million tons, an increase of 14% from the previous crop year because of the growing planted areas in India, China and the United States. In the 2017/2018 crop year, the global demand for cotton is estimated at 26.3 million tons with cotton inventories slightly increased to 19.34 million tons. China's cotton production is estimated at 5.99 million tons and demand for cotton at 8.71 million tons, while its cotton inventory has been reduced for the third consecutive year to 8.92 million tons. The country's cotton inventory has dropped to 46% of the global total, 9 percentage points down from the previous year.

With the Chinese government putting an end to its temporary cotton reserve policy and shifting to target price management, China's cotton prices gradually become determined by market. Since 2017, the target price has changed from fixed price every year to fixed price every three years. From 2017 to 2019, the price in Xinjiang will remain unchanged at RMB18,600 per ton, providing support to China's cotton prices.

The Company will continue to keep tabs on the cotton markets and make timely adjustment to our sources of cotton procurement. We will focus on providing our differentiated products to boost our competitiveness in the market.

#### ■ Knitted fabrics and apparel

The European Union and the United States are the Top 2 largest apparel consuming regions in the world. In 2017, the European Union's import reached €82 billion (Source: Eurostat & OTEXA), while the United

States import amounted to US\$80.3 billion. Driven by the economic growth of these two consumption markets, the global market of apparel will continue to expand. As the largest supplier to the European Union and the United States, China's export accounts for more than 30% of both market's import. As the second largest supplier to the United States and sixth largest supplier to the European Union, Vietnam has continued to export apparel to these two economies at the annual compound growth rate of over 10% from 2012 to 2017. The country's share in the clothing market is increasing.

To grasp the opportunities in the knitted fabrics and apparel market, the Company has been strategizing our business and focused on product transformation and technological upgrade. We will take advantage of our vertical integration to maximize profits.

#### 1.2.3.4 Telecommunication Business

##### ■ Consumer business

While gearing up for the next mobile era, FET has not only collaborated with the telecom-equipment giant, Ericsson, to establish the first 5G Lab in Taiwan, but has also completed several advanced 5G technology testing to drive the 5G and IoT development in Taiwan. We aim to provide the fastest network speed by employing the quad-band TDD and FDD technologies. Along with our innovative IoT applications and quality mobile services, we will be consumers' preferred partner in the digital life. Welcome to the future of 5G roll-out.

The telecom market in Taiwan continues to be dominated by three large and two small players. As the two small operators unceasingly offer competitive rate plans to acquire customers, competition intensifies.

##### ■ Enterprise business

According to the 2018 ICT industry trends predicted by MIC, ICT-related fields are expected to move in the four directions of intelligence, openness, service, and integration. In other words, the cross-sector trends include AI, software openness and network computing architecture, 5G emerging services, cross-border applications and cross-system integration.

In the enterprise user market, Chunghwa Telecom, with its fixed network services and economies of scale, continues to be our primary competitor and industry leader. In addition to continuously improving the 4G network development and investing in the 5G and IoT technology research, the Enterprise and Carrier BU takes on a more aggressive approach in developing intelligence applications and solutions to fulfill the needs of various industries and government departments. Those applications and solutions cover sectors of smart city, smart transportation/Internet of Vehicle, smart medical treatment/healthcare, smart manufacturing and smart retail. We aim to differentiate ourselves from competitors in the enterprise market with strong innovation skills and integration ability plus flexible services.

##### ■ Home segment business

As the popularity of high quality video increasing, the requirement of high speed broadband will continue growing, therefore, ADSL segment will keep shrinking; meanwhile the 4G mobile internet access will become more popular because some users choose to adopt it to replace home fixed internet access.

The advanced technology development has already enabled various devices to be connected and controlled by one device at smart homes. Voice assistant is also playing a catalyst role in market development.

Broadband access service is saturated. In contrast to the competitor who provides bundled products with fiber broadband network and its own media platforms (MOD and CTV) along with its "last-mile" advantage in resource to expand its market share, our subsidiary, we adopt a more flexible strategy by leveraging FET Fixed-Wireless Service with friDay services to provide more competitive products to our home broadband users.

Currently, major Smart Home business model is DIY, consumers need to overcome the obstacles of inter-connectivity among smart devices. Thus, open platform ecosystem offers better user experiences.

##### ■ Digital segment business

The intense competition in digital service drives the market to provide customized, personal services to satisfy consumers' personal needs. friDay leverages big data analysis to understand consumers' spending behaviors, interests and lifestyles, and utilizes the advantages of telecommunications industry to offer the most appropriate services and product prices.

As consumers form the habit of using digital services and the market matures, operators start to enter the market. Telecom operators offer bundled pricing and actively cultivate the digital service market. We leverage consumer behavior data to make friDay the best digital partner in areas including digital content, mobile payment and e-commerce.

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### 1.2.3.5 Property Business

By utilizing our group's synergies and resources, we will exploit new business opportunities to accelerate our land development plan and further diversify our existing businesses. Recently, our priority is to develop both the high technology oriented Banqiao Tpark and the leisure oriented Ilan Spa Resort projects. By doing so, we will gradually unlock the hidden land value.

### 1.2.3.6 Investment & Others Business

Leveraging the Company's resources, we have invested in other businesses, such as cement and retail markets. Asia Cement Corporation (ACC) is a world class cement producer with capacity across the Taiwan Straits. While maintaining its stable market share in Taiwan, ACC has seen remarkable revenue growth in the China market. ACC signed a strategic partnership agreement with Anhui Conch Cement, and is a top ten ranking among cement companies in China by taking advantage of China's urbanization policy. Far Eastern Department Stores Ltd. (FEDS), with the innovative transformation of their long-term strategy, has been transforming its business model from traditional department stores to new-style shopping malls, which have more restaurants, cinemas and other recreational facilities to offer customers a holistic leisure experience. In order to protect its leading position in the retail business, FEDS continues its strategic plans to open new stores in Greater China area, concurrently developing its online shopping by implementing an online-to-offline retail strategy. With this bright business outlook from our affiliates, we expect to generate consistent profits within this diversified investment portfolio.

## 1.3 Technology Innovation and R&D Overview

### 1.3.1 R&D Expense in Recent Years

R&D expenses in 2017 & 2016 were NT\$813.263 million and NT\$868.947 million, respectively.

### 1.3.2 Successful Technology or Products from the Development

#### 1.3.2.1 Production Business(Petrochemical, Polyester & Textiles Business)

Nucleating agents for CPET sheet; Low shrinkage force polyester shrinkable film; Flame retardant fiber; Gum dipping canvas for NBR conveyer belt with high-adhesion stability; High-adhesion canvas for inflatable boat; Collagen Wound Dressing; Silicone Scar-care Dressing; Printable PET sheet; High warping profile textile when wet; Anti-pilling & Anti-Snagging fabric; Flame retardant PET yarn; HRV monitoring garment; Ultra-thin windproof membrane; Long-lasting and stain resistant antibacterial PET yarn; Water repellent PP masterbatch; Skin protection & heat reflection yarn; Recycled PET base waterproof & breathable TPEE film; Staple fiber for blood desalination purpose of sanitary pad; Medical grade calcium phosphate; Porous bone graft substitutes.

#### 1.3.2.2 Telecommunication Business

friDay Video; friDay Music; friDay Wallet; friDay Shopping; Alley; FET 4G Mobile Video Conference; FET Cloud Email Service – upgrade version; FET G suite; Far EastOne Securities 4-in-1 Real time Exchange Platform; IPLC Submarine Cable Investment and Installation; Corporate Fleet Management System; FET Smart Patrol Inspection System; Smart Owner; FET O365; FET IoT Platform; Enterprise Application Cloud Management Service; Fixed Wireless Access; Smart Home

#### 1.3.2.3 Property Business

Implement the latest construction technology, which will reduce construction time, enhance construction quality, while reducing construction costs.

## 1.4 Long-term and Near-term Business Plans

### 1.4.1 Near-term Business Plan

#### 1.4.1.1 Expand Our Production Scale

With the rise of protectionism, there is an increasing number of anti-dumping investigations around the world. In order to strengthen our competitiveness and enlarge our global presence, the Company has identified the favorable trade and economic conditions in Vietnam and thus established the third production site there, following Taiwan and China, for vertical integration. In addition, we have also built petrochemical and polyester plants in the United States to circumvent the trade barriers imposed by the country and create competitive advantages for ourselves such as gaining easy access to feedstocks and supplying to the local market.

#### **1.4.1.2 Lowering Production Costs**

The Company has been proactively introducing the next generation of production technologies and energy-conserving equipment and phasing out uncompetitive production lines. Specifically, we have replaced the old production lines with new ones for petrochemical business and adopted the advanced manufacturing process and technology for Taiwan new production line with PTA capacity of 1.5 million tons, as a means to increase our advantage in cost. Hsinpu Chemical Fiber Plant plans to build a cogeneration plant to reduce the consumption of energy and enhance our competitiveness.

#### **1.4.1.3 Optimizing Product Structure**

In order to tap in the ample opportunities provided by vehicle materials and infrastructure, the Company increased our capacity for industrial yarn and tire cord fabrics in Oriental Industries (Suzhou). Such products have been recognized by our clients, hence increasing shipments. In addition, with our core strength in polyester, we have expanded into the shoe materials market and create new business opportunities. We also focus on deeply processed polyester products such as shrinkable films, which can be used in various shrink labels and packaging materials in place of the environmentally-unfriendly PVC. In 2016, we developed eco-friendly shrinkable film products, using recycled bottles as materials, to create circular value.

### **1.4.2 Long-term Business Plan**

#### **1.4.2.1 Build industry 4.0 Plants**

In order to pursue industrial upgrade, the Company has introduced various smart production equipment and manufacturing process. For example, the petrochemical business introduced the Smart Field Inspection System, lowering the cost of inspections conducted by people and prevent the risks of machine malfunction. In line with the government's energy conservation and carbon reduction policy, Hsinpu Chemical Fiber Plant built a smart electricity management system to effectively reduce electricity cost. In addition to introducing the automatic warehouse system and automated guided vehicle, the textile business developed automatic production equipment on its own to significantly improve efficiency and realize the goal of smart plants.

#### **1.4.2.2 Strengthen Research and Development**

In 2001, we founded Far Eastern Group R&D center to pool resources for innovation, research and development. Currently, the Center consists of four divisions, namely, Polyester Materials, Fibers & Textiles, New Materials as well as Biotech & Energy and houses a total of over 200 R&D experts. Not only did we develop the world's first 100% Bio-PET bottles and shirts, we also married textile technology with information technology to launch the DynaFeed® solution, paving the way for the diverse applications of smart textiles. In addition, the Company led the field in developing PFC-free products with the aim of eliminating PFC pollution without compromising the effectiveness of our products. These products are eco-friendly and help improve our standard of living. In the future, we will continue to invest in research and development to maintain our competitiveness for the long term.

#### **1.4.2.3 Developing Diverse Green Products**

As the industry is following the trend of environmental conservation, the Company is committed to developing green products that incorporate the concepts of recycle, replace, reduce and eco-friendly. Currently, the sales of green products account for more than 25% of the revenue of the production business. In the future, we will continue to expand the production of green products by increasing the capacity for recycled PET and building another waterless dyeing machine. By making more green products available to the public, we will be able to contribute to environmental sustainability.

## Operational Highlights

## 2. Overview of Market, Production, and Sales Market Analysis

### 2.1 Market Analysis

#### 2.1.1 Sales Regions of the Company's Main Products (Services)

The major sales regions and the percentage sales of petrochemical, polyester, and textiles: Asia (65%), America (20%), Europe (11%), and others (4%).

#### 2.1.2 Domestic Market Share of Major Products (KPI Value)

Items	Polyester Polymer		Polyester Staple Fiber		Polyester Filament	
	Production	Sales	Production	Sales	Production	Sales
FENC (tons)	874,397	31,084	232,636	231,897	57,102	38,079
Taiwan (tons)	3,060,260	1,267,769	532,133	518,191	822,075	553,267
Market Share(%)	28.6%	2.5%	43.7%	44.8%	6.9%	6.9%

Source: Department of Statistics, Ministry of Economic Affairs & FENC

Note: Polyester polymer manufactured by the Company is mainly for internal downstream usage.

2017 Market share of mobile subscribers by carriers: Chunghwa Telecom at 34.9%, Taiwan Mobile at 28.9%, Far EasTone at 27.9%, Taiwan Star Telecom (VIBO) and Asia Pacific Telecom, combined at 8.3%.

#### 2.1.3 Future Supply/Demand Situation and the Prospects of the Market

##### 2.1.3.1 Petrochemical, Polyester & Textiles Business

FENC's core production business is polyester business. The Company leverages vertical integration by integrating the materials from its upstream business and the applications of the downstream business, thereby consolidating its leading position in the industry. For our upstream petrochemical business, we have stable supply of key raw materials and our new production equipment keeps us cost competitive. Our polyester business, as the midstream business, is leading in the industry. In addition to ramping up sales of differentiated products, we also strive to enlarge our global presence and take advantage of our production sites. Our downstream textile business collaborates with global brands in a joint effort to develop high value-added products, such as the functional products that became famous in the world's major sports events.

In 2018, the global economic growth rate is estimated at 3.9% (Source: IMF), 0.2 percentage points up from the year before, surpassing its previous peak in 2012. The developed economies are estimated to enjoy a stable growth of 2.3%, while emerging economies are predicted to grow 4.9%, at an increasing rate for the third consecutive year. With global economy going strong, the polyester industry is expected to see growth. It is forecast that in 2018, the polyester's output will increase 8% (Source: PCI), 3 percentage points up from the year before, with its capacity utilization rate being 80%, which will surpass its previous peak in 2013. The prospect of the industry is promising.

In response to the ever-changing business environment, FENC has taken steady and prudent steps to achieve its goals. The Company will continue to develop differentiated, high value-added and eco-friendly products to ensure that we are competitive enough to grow sustainably.

##### 2.1.3.2 Telecommunication Business

As the market matures, operators usually place the focus on value-added services and heavy users. Take leading international mobile operator Vodafone for example – with market growth slowing, its focus shifts from general consumers to enterprise customers. FET proactively collaborates with enterprise application service providers of various industries to actively promote enterprise ICT integration services, cloud applications and IoT applications.

##### 2.1.3.3 Property Business

In 2018, the property market remains in consolidation period, which results prospective in affordable prices and rising volumes in transaction. The real estate market faces continual speculations from buyers due to several considerations, such as high ratio of house price to income, rise of possession property tax, etc. Nevertheless, the government has reformed housing transaction progressively, such as promote urban renewal with old building reconstruction, legislation of rental housing. Moreover, the government passed a special bill of forward-looking infrastructure to strengthen the economy and also to the rationality of land supply and development. These policies are expected to bring about benefits to the real estate industry. Prime real estate locations and locations surrounding transportation infrastructures are still resilient. The smart housing products with renewable energy and safety functions are still the trend of market differentiation.

**2.1.4 Competitive Advantages, Disadvantages, and the Company's Measures to Counteract Negative Factors**

**A. Competitive advantages**

- (1) Know-how acquired over a long period of time
- (2) Ability to adjust production and sales ratio globally
- (3) Vertical integration
- (4) Superior R&D capabilities

**B. Positive factors**

- (1) Strong global economic growth
- (2) Effects of China's reduction of excessive capacity
- (3) Heightened environmental awareness
- (4) Increasing applications of functional textiles

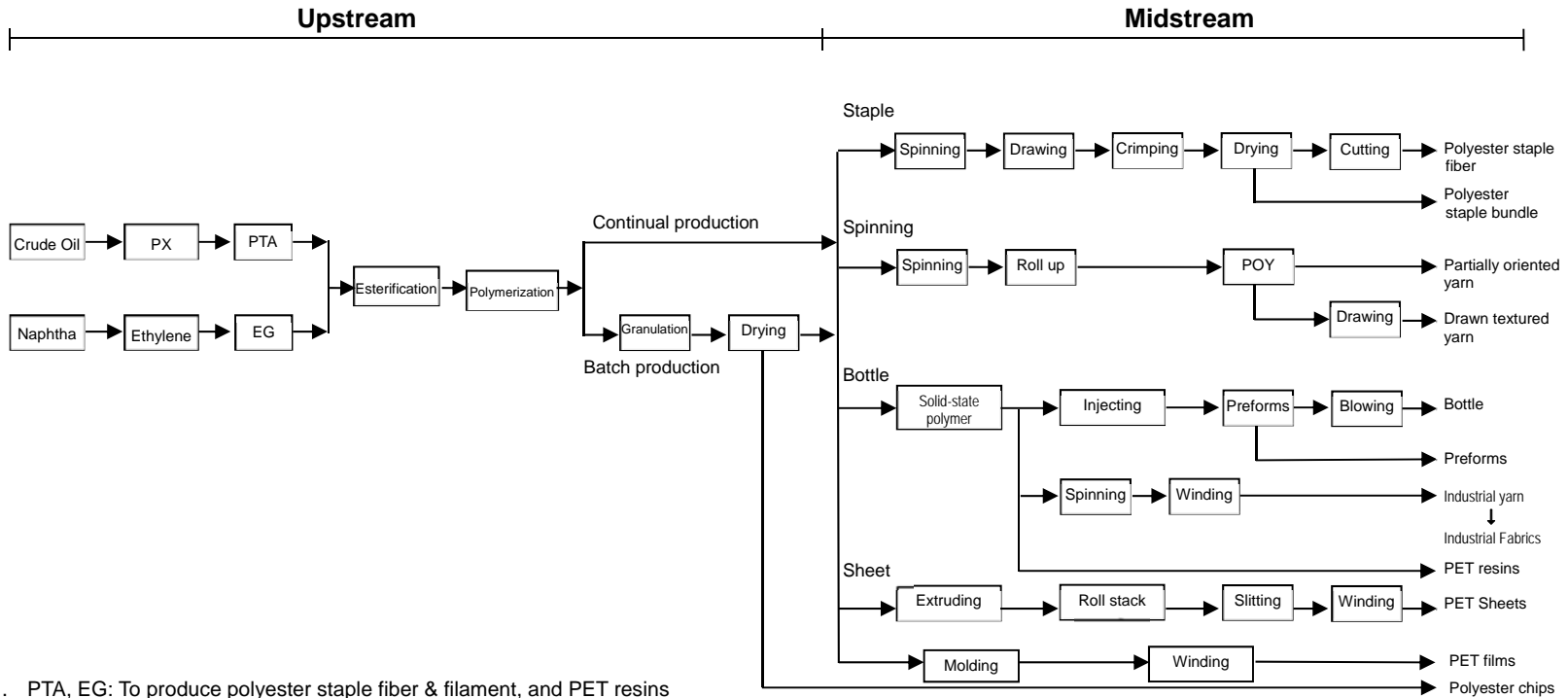
**C. Negative factors**

- (1) Free trade barriers
- (2) Rising Labor costs
- (3) Stricter environmental regulations
- (4) Geopolitical risks

**D. Company's measures to counteract negative factors**

- (1) Accelerating product transformation to prevent the competition with commodity products
- (2) Seizing green opportunities by ramping up the production of green products
- (3) Building smart factories to increase production efficiency
- (4) Taking orders that require our vertical integration and responding fast to market changes
- (5) Manufacturing products locally based on the needs of the market and circumventing trade barriers

## 2.2 Applications and Production Process of Major Products

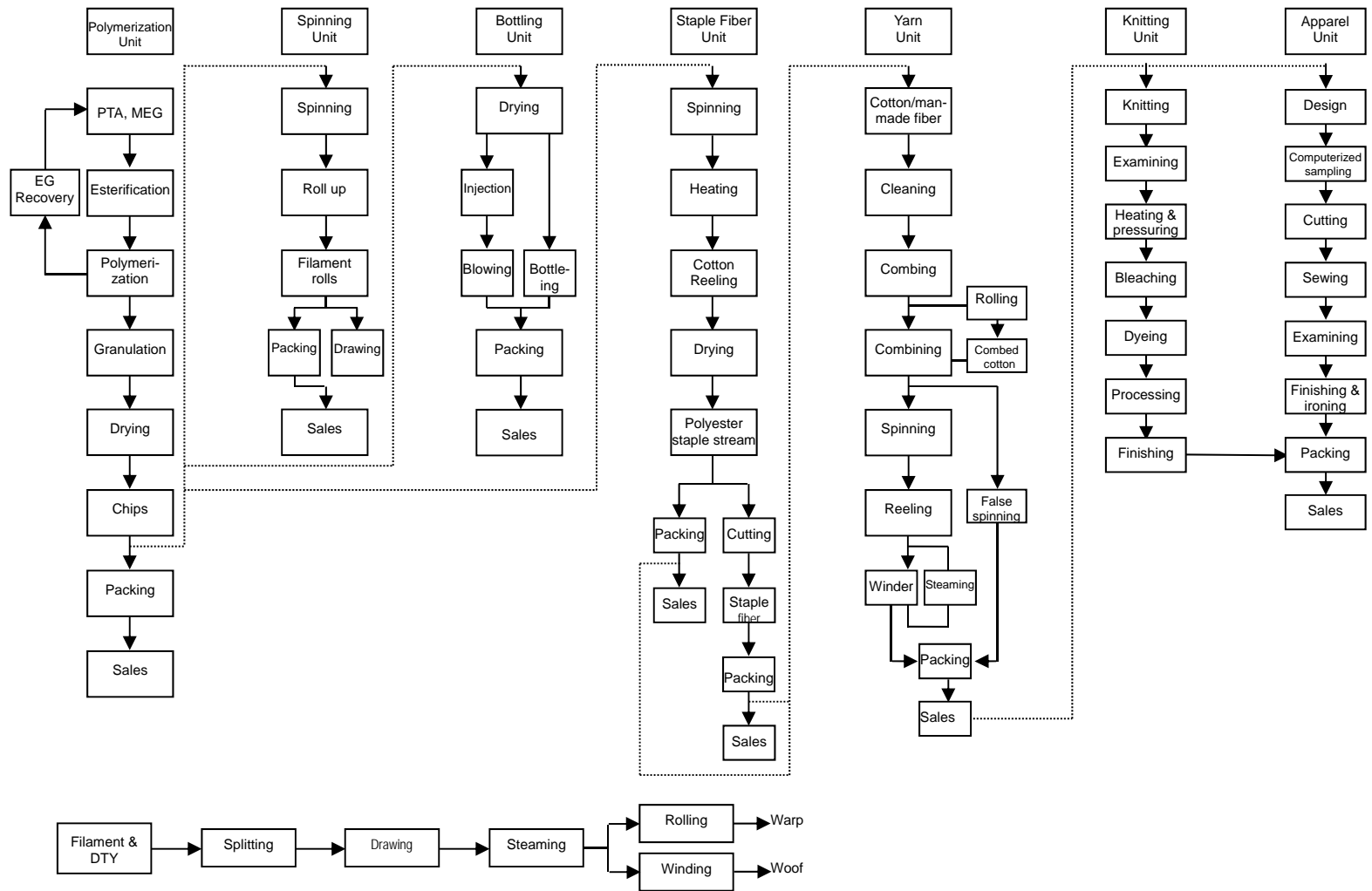


Operational Highlights

1. PTA, EG: To produce polyester staple fiber & filament, and PET resins
2. Polyester staple fiber: staple fiber yarn, blended yarn, conjugate yarn, non-woven yarn
3. Polyester filament: apparel, garment, upholstery and home furnishing textiles
4. Industrial yarn(Industrial fabrics): seat belt, conveyor belt, water-proof coated fabrics
5. Elastic Fiber: stretch apparel and tights
6. PET resins: PET bottle, PET sheet
7. PET bottle: packaging materials or containers of beverages and food
8. Polyester chip: polyester filament, polyester staple fiber
9. PET films: PET heat shrinkable bottle labels
10. Yarn: fabrics for clothing, industrial usage, or home furnishing purpose through weaving or knitting process
11. Fabrics : Finished fabrics for clothing, industrial usage, or home furnishing purpose after dyeing and finishing process
12. Knitted fabrics: apparel, garments, upholstery and home furnishing products
13. Apparel : Underwear, clothing, shirts, fashions, etc.



## Downstream



Note: Arrows represent the production sequence, and the dotted arrows represent the inter-unit transferring.

## Operational Highlights

### 2.3 Sources of Major Raw Materials

Item	PTA, EG	Cotton, Polyester Staple Fibers	Fabrics	Finished fabrics	Remarks
Major sources	Internally supplied, Saudi Arabia	The United States, internally supplied	Internally supplied	The United States, internally supplied	Supplies of major raw materials are stable and sufficient.

### 2.4 Major Suppliers or Customers Who Account for above 10% (inclusive) of Purchases /or Revenues in Recent Two Years

2.4.1 Suppliers Who Account for above 10% (Inclusive) of Purchases in Recent Two Years: None

2.4.2 Customers Who Account for above 10% (Inclusive) of Revenues in Recent Two Years: None

### 2.5 Volume and Value of the Production in Recent Two Years

Unit: NT\$ thousands

Main Products			2017			2016		
			Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Petro-chemical	PTA	MT	1,580,000	1,441,927	30,180,251	1,580,000	1,504,960	30,468,944
	Polyester							
	Polyester Chip	MT	2,071,600	1,592,938	46,717,349	1,970,800	1,591,933	43,718,547
	PET Resin(Note)	MT	1,360,400	1,201,003	35,599,256	1,360,400	1,149,462	32,029,894
	PET Bottle Preform	Thousand pieces	3,780,000	2,303,680	2,111,790	3,720,000	2,538,003	2,093,030
	PET Sheet	MT	132,480	102,262	3,841,160	130,800	93,287	3,374,014
	Polyester Staple Fiber	MT	494,400	338,891	13,415,242	489,600	346,637	12,996,770
	PET Film	MT	20,160	11,906	742,201	20,160	7,701	525,377
	Partially Oriented Yarn	MT	91,864	80,279	3,754,642	121,260	102,420	4,320,022
	Drawn Textured Yarn	MT	51,000	40,272	2,580,336	47,220	40,558	2,485,849
Textiles	Yarn	Bales	513,398	387,919	6,177,370	513,398	424,342	6,369,618
	Knitted Fabrics	MT	25,140	19,801	6,106,732	25,140	21,199	6,787,935
	Industrial Fabrics	MT	21,360	19,208	1,513,201	21,360	19,140	1,491,196
	Industrial Yarn	MT	123,600	109,246	5,969,787	101,600	91,709	4,412,449
	Apparel	Thousand dozens	6,015	5,897	6,453,825	5,208	4,565	5,806,401

Note: Including recycled PET

## 2.6 Sales Volume and Revenue in Recent Two Years

Unit: NT\$ thousands

Main Products			2017				2016			
			Domestic sales		Export sales		Domestic sales		Export sales	
			Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue
Petro-chemical	PTA	MT	1,383,509	27,976,271	21,501	442,829	1,479,720	29,065,348	31,037	672,776
Polyester	Polyester Chip (Note1)	MT	103,498	3,183,885	17,298	610,635	96,197	2,715,229	14,956	551,286
	PET Resin (Note2)	MT	321,651	9,770,594	669,918	22,158,648	295,418	8,122,151	701,593	22,438,970
	PET Bottle Preform	Thousand pieces	1,453,546	1,712,539	565,646	788,961	1,554,024	1,393,816	566,955	807,448
	PET Sheet	MT	62,915	2,539,259	39,347	1,726,466	62,496	2,389,510	31,422	1,360,950
	Polyester Staple Fiber	MT	122,030	5,842,810	214,009	10,094,121	123,569	5,334,337	230,865	9,513,400
	PET Film	MT	11,897	705,019	7,325	521,484	8,517	572,858	3,747	314,449
	Partially Oriented Yarn	MT	32,743	1,652,133	11,346	553,614	50,785	2,079,068	15,770	707,543
	Drawn Textured Yarn	MT	31,195	2,066,134	7,631	569,096	30,628	1,936,963	8,575	590,509
Textiles	Yarn	Bales	235,439	4,449,695	170,836	2,253,153	239,065	4,470,258	199,111	2,478,435
	Knitted Fabrics	MT	10,239	2,382,489	23,398	6,659,738	7,811	1,859,643	25,915	8,033,249
	Industrial Fabrics	MT	5,766	601,135	14,667	1,539,074	5,905	565,102	15,227	1,560,225
	Industrial Yarn	MT	25,879	1,329,933	62,065	3,450,449	23,354	1,115,141	47,823	2,773,152
	Apparel	Thousand dozens	400	894,807	5,363	7,159,316	233	587,341	3,734	6,605,269

Note1: Mainly due to internal consumption

Note2: Including recycled PET

## 3. Information about Employees

Year		2017	2016	Mar 31, 2018
Number of employees		31,670	31,422	32,089
Average age		35	34	35
Average years of service		6.8	6.7	6.8
Breakdown of educational level (Note)	Ph.D	0.1%	0.1%	0.1%
	Master	6.4%	6.4%	6.2%
	Bachelor	43.1%	42.6%	42.1%
	High school and below	50.4%	50.9%	51.6%

Note: Foreign Labors in Taiwan are not included in this statistics.

## Operational Highlights

### 4. Expenses on Environmental Protection

#### 4.1 Loss or Penalty Due to Pollution in Recent Two Years

Loss/Penalty \ Year	2017	2016	From Jan 1, 2018 to Apr 30, 2018
Pollution Event	Air pollution	Air pollution	None
Penalty or Regulatory Authority	Environmental Protection Administration	Environmental Protection Administration	None
Damage Claim or Other Claims	NT\$0.10 million	NT\$0.10 million	None
Other Losses	None	None	None

#### 4.2 Specific Measures to Conserve the Environment

##### 4.2.1 Planned Specific Measures

###### A. Contents of planed purchase for anti-pollution equipment or other expenses:

The Company has planned to invest NT\$15.05 million to improve the wastewater treatment equipment and dust collection facility

###### B. Expected improvement

- (1) The Company will be in compliance with the relevant regulations and reduce the emission of polluted waste, in order to achieve a goal of environmental conservation.
- (2) Complying with the ISO requirements, the Company will continuously make efforts to protect the environment and ensure the safety at the working environment.
- (3) Improve the efficiency of the equipment to reduce air pollution.
- (4) Upgrade equipment to lower the cost of waste water treatment.

###### C. Expected impact after the improvement

Enhance the image of the Company.

##### 4.2.2 Any Measures the Company is Able to Take but Unwilling to Take: None

### 5. Employees

#### 5.1 Current Agreements with Employee and Employee Welfare

##### 5.1.1 Employee Welfare Procedures

The Company has an employee welfare committee that, in compliance with laws and regulations, appropriates welfare funds, and manages various welfare activities for employees. The said activities include, but are not limited to, employee outings and hiking trips. The Company also organizes a volunteer club, a gymnastics club, a yoga club, a badminton club, a softball club, a bowling club, a table tennis club, a basketball club, all of which are held on regular basis. Additionally, the Company provides free health checkups, child education scholarships, holiday bonuses for birthdays, weddings, funerals, child births, and traditional festival holidays for its employees.

##### 5.1.2 Advanced Training:

Employee training has always been one of the top priorities in the Company's agenda. Since the Company relocated to Taiwan in 1949, it has been providing employees various educational training courses each year. In March 1973, the Company established an occupational training center, in advance of the promulgation of Occupational Training Act implemented by the central government. To enhance overall personnel quality, cultivate professional management talents and satisfy requirements of organizational operations, the education center was re-organized and expanded into the Human Resources Development Center in February 2008.

The establishment of the Human Resources Development Center (the Center) evidenced the company's emphasis on the cultivation of talents. In addition to providing management trainees with business administration and plant management related training courses at the initial stage, the Company later also proactively offers professional courses, and cultivates various professional talents as required to correspond with rapid business expansions in polyester fiber, textiles, printing and dyeing, as well as apparel divisions.

Confronted by a turbulent global economy, "lifelong learning" is the key to maintaining and reinforcing both individuals and Far Eastern Group's competitiveness. Besides continuously offering various professional courses, the Company provides long-term training development at all levels in line with the training requirements. The high-level management has to focus on "strategizing", whilst the focus for the mid-level managers is "planning" and that for the entry-level supervisors is "execution". Besides, innovation is the core competency expected by all employees and also the mutual mindset shared throughout the company. Furthermore, in order to reduce the communication gap with employees from various departments, in collaboration with Yuan Ze University, the Company has jointly developed 13 series of customized management competency courses, which incorporate the values of the Far Eastern Group. In 2014, the Center planned a total of 23 lessons on 13 series of competency courses and continuously makes progress with training assessment in order to build up a well competent institutional system.

To build an evolving talent pool to cultivate team leaders over the next five to ten years, head of each business segments selects candidates for the talent pool from managers (45 years of age or younger) with outstanding performance, potential for development, and strong willingness to learn. The President of each business segment makes recommendations once they have made in-depth assessments of candidates for their mode of thinking, ability to work with others, and resilience potential. A list of candidates is then presented to Far Eastern Talent Selection Committee for review, after which the committee then submits the list to the Vice Chairman or Chairman for approval.

This process best serves to provide the training and the experience required to handle a "Senior Vice President" position. To cover both theoretical and practical applications, the course uses a case-study method. The Center retains well-known university professors to teach theoretical foundations and applications, and invites industry experts to share their insightful practical experiences. The objectives are to cultivate supervisors' decision-making, problem-resolution, and thinking abilities, build a company talent echelon, and establish a talent pool in response to developmental needs in the future

In 2017, the Company conducted 100 training sessions with 2,208 participants, totaling hours of 15,478.

### 5.1.3 Pension and Retirement Plan:

The pension fund, and all other employee retirement related affairs, is managed in compliance with the Labor Standards Act. "The Supervisory Committee of Employees' Pension Fund" has been established to review and supervise the management of employee pensions. The pension fund is appropriated to the pension fund trust account in custody of Bank of Taiwan to assure the interest of current and retired employees. In addition, pension funds are appropriated monthly to individual pension accounts for those who are qualified or voluntarily choose the new pension fund system in accordance with the "Labor Pension Act".

We handle retirement issue according to related laws and regulations. In Taiwan, FENC established Employee Retirement Fund Committee in 1980 and allocate fund for retirement pension. We opened account for employee retirement fund at Central Trust in 1984 and established Supervisory Committee of Employees' Retirement Fund. The Committee which employees exceed half of its members meets quarterly. It supervises whether each company has abided by regulation to handle retirement issue and whether there is enough money in the fund. Tower Watson is in charge of retirement pension actuary and allocation. The Ministry of Labor launched new system for retirement pension in July 2005. FENC consulted all employees on transition of retirement system. For new recruits and those chose the new scheme, 6% of full salary will be allocated into employee's individual retirement pension account. For those opted old scheme, they will receive pension accumulated from years of working in the company at retirement. The retirement scheme covers 100% of permanent employees.

## Operational Highlights

### 5.1.4 The Agreement Between Labor and Management and Various Procedures Regarding Protection of Employees' Rights:

All regulations and procedures regarding labor and management relationship are implemented in good condition pursuant to related laws.

### 5.1.5 Working Environment and Employee Safety Protection Procedures:

In order to create a healthy and comfortable work environment and continue to reduce occupational hazards, the Company has formulated occupational safety and health policies as the highest guiding principle in safety and health management at FENC.

Safety at work is of paramount importance to the Company. Legal compliance, continued improvement, all-out participation, risk management and public disclosure are our commitments to safety and health at FENC. We have spared no efforts to strengthen our capabilities in this regard and incorporated safety and health into our corporate culture.

#### A. With labor and management participated to establish a safety and health working environment:

The key to the successful occupational safety and health management is to fully incorporate each employee well participated. Each of our operational sites has a committee that holds quarterly meetings, develops policies, coordinates efforts and oversee the management of safety and health at work. Additionally, through the operation of the Safety and Health Committee, Management and labor representatives participated in health and safety meeting to address the feasible alternatives to better facilitate a safety and health working environment.

#### B. Occupational safety and health management:

In order to strengthen the occupational safety and health management and to mitigate the risk of related operation, the Company has obtained Occupational Health and Safety Assessment Series (OHSAS 18001:2007) and Taiwan Occupational Safety and Health Management (TOSHMS) certifications among production sites. Each year the third party certification institution reviews and audits the production sites, thus validating the certifications.

#### C. Work environment sustainability:

In accordance with the procurement policies of Taiwan Occupational Safety and Health Management (TOSHMS), the Company's procurement of machinery, tools, equipment, material and feedstock met the related safety and health criteria on checking, discharging, delivery, storing and installing.

In addition, to better understand our employees' work environment and assess their exposure, the Company's commissions certified work environment monitoring institutes for different production bases to follow the monitoring plans. Based on the monitoring results, the Company has carried out construction improvement and adopted better management or control methods to ensure employees' health and safety at work.

#### D. Employee health sustainability:

In addition to the professional health and nursing staff stationed at all operational bases, the Company hired medical specialists to provide health guidance and hold a professional consultation across all production sites. The medical specialists also perform special examination on employees whose health may be impaired by specific chemical substances at work and provide analysis and recommendation based on the type and severity of the hazard.

#### E. Disaster response drills:

In order to respond to emergencies effectively, various drills are conducted annually in response to different types of disasters at all operational sites. The drills can better prepare our employees to handle contingencies and provide opportunities to examine their response and their familiarity with different

tools and equipment. Our goal is to prevent or reduce casualties, minimize property damage and environmental impact as well as protect employees in the plant areas and those who living in the neighborhood.

**F. Safety and health personnel training:**

In order to familiarize everyone with laws and regulations concerning occupational safety and health and the Company's related measures, FENC provides training courses on safety and health periodically. Additionally, in order to have contractors safely work on each production site, the Company conducted differentiated safety and health training regarding difference operational functions.

**5.2 Loss Occurs Due to Labor Issues in the Latest Years Till the Publishing Of This Annual Report: None**

**6. Important Contracts and Agreements**

Type	Company	Counter Party	Duration Period	Major Contents	Covenants
Technology Cooperation	FENC	Institute for Information Industry	2016.09~2019.08	The A+ Industrial Innovation R&D Program—Development of bio-polyester technology	None
			2017.04~2022.03	Development of Bio-polyester technology	
		Taiwan Textile Research Institute	2017.04~2019.03	The development of thermal drawing techniques for high-strength aramid fiber	
	DDIM	Far Eastern International Bank	2009.09~Present	FEDirect HGI IC card agreement	No marketing for HGI card holders without prior approval of the parties.
Citibank Taiwan		2010.04~2018.04	Co-Branded card agreement	Except FEIB, no cooperating with other financial institutions without prior approval of Citibank.	
Long-Term Supply Contract	FENC	SABIC	2011.01~Present	EG supply agreement	Automatically extended by one year when expiration
	OPTC	A to E (total five companies)	2013.01~Present	PX supply agreement	None
	Far Eastern Industries (Shanghai)	SABIC	2014.01~2018.12	EG supply agreement	
	Yuan Hsin Digital Payment	Kaohsiung Rapid Transit Corp.	2016.07~2037.01	HappyCash for open trading	
	Far EasTone	Ericsson Taiwan	1996.12.~Present	Purchase for 2G/3G/4G cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause
		XunWei Tech	2009.12~Present	Frame agreement For 3G & 3.5G RAN Acquisition and technical support	
		Apple Asia LLC	2010.01~Present 2010.09.30~Present	Procurement agreement for iPhone Wireless Service License for Apple's iPad Product	
		Taiwan International Standard Electronics	2014.08.01~Present	Procurement agreement for telecommunication equipment	
NCIC	Taiwan International Standard Electronics	2013.01~Present	Procurement agreement for network equipment, software, installation, system implementation and technical services		
Construction Agreement	Far Eastern General Contractor	Central District Project Office, Department of Rapid Transit System, Taipei City Government	2017.06~2020.09	iJG031 Taichung MRT-Wenxin Wuri Beitun Line (G03 station) and the construction of entrance and administration building in co-constructed area	None
		Freeway Bureau, MOTC	2017.12~2021.07	National Freeway No.4 Taichung Circle Line, Fengyuan Tamzi sub-section, C711 Fengshi and C714 Tamzi Interchange construction	
Long-Term Borrowing Contract	OPTC	Taiwan Cooperative Bank	2015.01~2020.01	Syndicated loan agreement	
		Mega International Commercial Bank	2017.07~2022.07	Syndicated loan agreement	
	Far Eastern Construction	Hua Nan Bank	2011.03~2031.04	Bank loan agreement	

## VI. Financial Information

### 1. Five-Year Financial Summary

#### 1.1. Condensed Balance Sheets & Statements of Comprehensive Income

##### 1.1.1 Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

Item	Year	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Mar 31, 2018
		(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Current assets		100,053,197	107,539,316	113,653,244	98,075,086	97,662,114	119,130,700
Property, plant and equipment		152,732,987	148,316,398	148,141,804	139,055,972	124,767,713	154,180,800
Intangible assets		60,311,664	56,965,287	50,482,700	53,017,159	53,847,039	59,754,440
Other assets		203,668,432	200,639,157	206,487,374	206,456,073	196,722,606	210,534,576
Total assets		516,766,280	513,460,158	518,765,122	496,604,290	472,999,472	543,600,516
Current liabilities	Before distribution	101,640,620	107,183,432	94,848,512	88,076,648	85,777,937	121,102,211
	After distribution	(Note 4)	111,465,732	100,201,387	95,423,731	93,495,462	(Note 4)
Non-current liabilities		159,586,567	154,084,074	163,519,607	145,043,331	127,584,318	156,074,954
Total liabilities	Before distribution	261,227,187	261,267,506	258,368,119	233,119,979	213,362,255	277,177,165
	After distribution	(Note 4)	265,549,806	263,720,994	240,467,062	221,079,780	(Note 4)
Common stock		53,528,751	53,528,751	53,528,751	52,479,168	51,450,165	53,528,751
Capital surplus	Before distribution	2,859,569	2,859,588	2,807,683	3,666,948	4,681,042	2,859,569
	After distribution				2,617,365	3,652,039	
Retained earnings	Before distribution	141,693,400	137,393,384	136,939,498	136,703,865	132,743,397	147,252,903
	After distribution	(Note 4)	133,111,084	131,586,623	130,406,365	126,054,875	(Note 4)
Other equity		(3,696,270)	(2,870,205)	4,000,696	6,841,068	4,653,726	(3,825,792)
Treasury stocks		(25,063)	(25,063)	(25,063)	(25,063)	(25,063)	(25,063)
Total equity attributable to owners of the Company	Before distribution	194,360,387	190,886,455	197,251,565	199,665,986	193,503,267	199,790,368
	After distribution	(Note 4)	186,604,155	191,898,690	192,318,903	185,785,742	(Note 4)
Non-controlling interests		61,178,706	61,306,197	63,145,438	63,818,325	66,133,950	66,632,983
Total equity	Before distribution	255,539,093	252,192,652	260,397,003	263,484,311	259,637,217	266,423,351
	After distribution	(Note 4)	247,910,352	255,044,128	256,137,228	251,919,692	(Note 4)

Note 1: Taiwan-IFRSs (2010 version) are adopted in 2013 financial statements. Taiwan-IFRSs (2013 version) are adopted in 2014 to 2017 financial statements.

Note 2: Due to the IFRS amendments, prior financial reports have been restated.

Note 3: The financial data of Mar 31, 2018 has been reviewed by the independent auditor.

Note 4: The distribution of 2017 earnings is subject to the approval at the upcoming 2018 Annual General Shareholders' Meeting.



## 1.1.2 Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousands, except earnings per share

Item	Year	2017	2016	2015	2014	2013	For the three months ended Mar 31, 2018
					(Note 2)	(Note 2)	(Note 3)
Operating revenues		217,846,948	215,855,921	217,948,202	235,506,639	238,840,657	51,457,884
Gross profit		49,698,205	51,171,122	50,483,282	47,732,093	46,603,271	10,766,051
Operating income		15,434,269	14,536,809	14,513,528	11,692,935	13,431,811	3,491,702
Nonoperating income (expenses)		1,458,022	1,423,301	5,187,145	9,724,794	10,445,504	1,136,241
Income before income tax		16,892,291	15,960,110	19,700,673	21,417,729	23,877,315	4,627,943
Net income		14,201,337	12,702,690	14,686,369	17,007,972	20,941,969	4,102,368
Other comprehensive income, net		(97,661)	(7,941,876)	(4,630,229)	2,395,139	2,342,262	310,058
Total comprehensive income		14,103,676	4,760,814	10,056,140	19,403,111	23,284,231	4,412,426
Net income attributable to owner of the Company		8,066,136	6,307,786	8,034,691	10,853,091	13,215,754	2,469,446
Net income attributable to non-controlling interests		6,135,201	6,394,904	6,651,678	6,154,881	7,726,215	1,632,922
Total comprehensive income attributable to owner of the Company		7,808,712	(1,049,835)	3,712,786	12,866,915	15,568,654	2,730,233
Total comprehensive income attributable to non-controlling interests		6,294,964	5,810,649	6,343,354	6,536,196	7,715,577	1,682,193
EPS (NT\$/share, Note 4)		1.61	1.26	1.61	2.17	2.64	0.49

Note 1: Taiwan-IFRSs (2010 version) are adopted in 2013 financial statements. Taiwan-IFRSs (2013 version) are adopted in 2014 to 2017 financial statements.

Note 2: Due to the IFRS amendments, prior financial reports have been restated.

Note 3: The financial data of Mar 31, 2018 has been reviewed by the independent auditor.

Note 4: The EPS is calculated based on the number of weighted average outstanding shares deducting treasury stocks holding by subsidiaries and after adjusting the retained earnings

## 1.1.3 Condensed Balance Sheets (Stand-alone)

Unit: NT\$ thousands

Item	Year	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
					(Note 2)	(Note 2)
Current assets		23,622,633	27,827,747	32,296,066	30,708,530	30,633,722
Property, plant and equipment		24,216,996	24,509,217	24,340,572	24,198,238	21,969,289
Intangible assets		20,427	24,499	20,622	21,607	16,392
Other assets		238,260,228	233,408,485	238,510,353	238,447,416	230,134,878
Total assets		286,120,284	285,769,948	295,167,613	293,375,791	282,754,281
Current liabilities	Before distribution	15,560,934	19,840,968	20,970,190	19,210,191	23,342,137
	After distribution	(Note 3)	24,123,268	26,323,065	26,557,274	31,059,662
Non-current liabilities		76,198,963	75,042,525	76,945,858	74,499,614	65,908,877
Total liabilities	Before distribution	91,759,897	94,883,493	97,916,048	93,709,805	89,251,014
	After distribution	(Note 3)	99,165,793	103,268,923	101,056,888	96,968,539
Common stock		53,528,751	53,528,751	53,528,751	52,479,168	51,450,165
Capital surplus	Before distribution	2,859,569	2,859,588	2,807,683	3,666,948	4,681,042
	After distribution	(Note 3)			2,617,365	3,652,039
Retained earnings	Before distribution	141,693,400	137,393,384	136,939,498	136,703,865	132,743,397
	After distribution	(Note 3)	133,111,084	131,586,623	130,406,365	126,054,875
Other equity		(3,696,270)	(2,870,205)	4,000,696	6,841,068	4,653,726
Treasury stocks		(25,063)	(25,063)	(25,063)	(25,063)	(25,063)
Total equity attributable to owners of the Company	Before distribution	194,360,387	190,886,455	197,251,565	199,665,986	193,503,267
	After distribution	(Note 3)	186,604,155	191,898,690	192,318,903	185,785,742

Note 1: Taiwan-IFRSs (2010 version) are adopted in 2013 financial statements. Taiwan-IFRSs (2013 version) are adopted in 2014 to 2017 financial statements.

Note 2: Due to the IFRS amendments, prior financial reports have been restated.

Note 3: The distribution of 2016 earnings is subject to the approval at the upcoming 2018 Annual General Shareholders' Meeting.

## Financial Information

### 1.1.4 Condensed Statements of Comprehensive Income (Stand-alone)

Unit: NT\$ thousands, except earnings per share

Item	Year	2017	2016	2015	2014 (Note 2)	2013 (Note 2)
Operating revenues		45,216,423	44,749,437	46,849,529	58,108,474	61,919,082
Gross profit		3,706,024	4,113,602	4,276,616	4,671,699	4,214,594
Loss from operations		(1,258,899)	(866,363)	(453,304)	(149,605)	(440,304)
Nonoperating income (expenses)		9,375,660	6,858,197	8,709,062	11,107,696	13,717,609
Income before income tax		8,116,761	5,991,834	8,255,758	10,958,091	13,277,305
Net income		8,066,136	6,307,786	8,034,691	10,853,091	13,215,754
Other comprehensive income, net		(257,424)	(7,357,621)	(4,321,905)	2,013,824	2,352,900
Total comprehensive income		7,808,712	(1,049,835)	3,712,786	12,866,915	15,568,654
EPS (NT\$/share, Note 3)		1.61	1.26	1.61	2.17	2.64

Note 1: Taiwan-IFRSs (2010 version) are adopted in 2013 financial statements. Taiwan-IFRSs (2013 version) are adopted in 2014 to 2017 financial statements.

Note 2: Due to the IFRS amendments, prior financial reports have been restated.

Note 3: The EPS is calculated based on the number of weighted average outstanding shares deducting treasury stocks holding by subsidiaries and after adjusting the retained earnings

### 1.2. Names and Opinions of Independent Auditors in Recent Five Years

Year	Name of CPA	Auditing Opinion	
		Consolidated	Stand-alone
2017	Jing-Bin Shih & Cheng-Hung Kuo	Unmodified unqualified opinion	Unmodified unqualified opinion
2016	Jing-Bin Shih & Cheng-Hung Kuo	Unmodified unqualified opinion	Unmodified unqualified opinion
2015	Jing-Bin Shih & Cheng-Hung Kuo	Modified unqualified opinion	Modified unqualified opinion
2014	Jing-Bin Shih & Shu-Chieh Huang	Modified unqualified opinion	Modified unqualified opinion
2013	Ming Hsing Cho & Shu-Chieh Huang	Unqualified opinion	Unqualified opinion

## 2. Financial Ratio Analysis for Recent Five Years

### 2.1 Financial Ratio Analysis

#### 2.1.1 Financial Ratio Analysis (Consolidated)

Item		Year						March 31 2018
		2017	2016	2015	2014	2013		
Financial structure	Ratio of liabilities to assets (%)	50.6	50.9	49.8	46.9	45.2	51.0	
	Ratio of long-term capital to property, plant and equipment (%)	231.7	232.6	243.5	247.9	257.4	230.8	
Liquidity analysis	Current ratio (%)	98.4	100.3	119.8	111.4	113.9	98.4	
	Quick ratio (%)	68.9	76.5	90.5	81.4	81.2	72.1	
	Interest coverage ratio (times)	7.5	7.4	9.0	12.1	17.7	8.5	
Operating ability	Receivables turnover(times)	8.6	9.0	8.5	8.5	8.5	7.6	
	Average collection period (days)	42.3	40.7	43.0	43.0	43.1	48.0	
	Inventory turnover (times)	6.9	7.1	7.2	8.1	8.4	6.2	
	Average sales days (days)	52.8	51.7	50.7	45.1	43.5	59.2	
	Payables turnover (times)	9.2	10.2	11.5	12.1	10.3	8.1	
	Property, plant and equipment turnover (times)	1.4	1.5	1.5	1.8	2.0	1.3	
	Total assets turnover (times)	0.4	0.4	0.4	0.5	0.5	0.4	
Profitability analysis	Return on total assets (%)	3.3	2.9	3.4	3.9	5.0	3.6	
	Return on equity attributable to owners of the Company (%)	4.2	3.3	4.0	5.5	7.0	5.0	
	Ratio to paid-in capital (%)	Operating profit	28.8	27.2	27.1	22.3	26.1	26.1
		Pre-tax income	31.6	29.8	36.8	40.8	46.4	34.6
	Ratio of net income to sales (%)	6.5	5.9	6.7	7.2	8.8	8.0	
EPS (NT\$/share) (Note)	1.61	1.26	1.61	2.17	2.64	0.49		
Cash flow	Cash flow ratio (%)	29.3	32.3	35.9	30.7	31.2	11.0	
	Cash flow adequacy ratio (%)	76.4	77.8	70.0	78.5	82.2	76.4	
	Cash reinvestment ratio (%)	8.3	10.4	8.5	5.7	6.1	0.6	
Leverage	Operating leverage	3.8	4.2	4.1	5.0	4.3	3.7	
	Financial leverage	1.2	1.2	1.2	1.2	1.1	1.2	

**Analysis of variations exceeding 20% of the numbers in previous year for 2016 and 2017:**

(1) Ratios of profitability analysis (e.g. Return on equity attributable to owners of the Company) increased: mainly due to the net income increased in 2017.

(2) Cash reinvestment ratio decreased: mainly due to the 2017 cash flows from operating activities decreased.

Note: The EPS is calculated based on the number of weighted average outstanding shares deducting treasury stocks holding by subsidiaries and after adjusting the retained earnings

## Financial Information

### 2.1.2 Financial Ratio Analysis (Stand-alone)

Item		Year					
		2017	2016	2015	2014	2013	
Financial structure	Ratio of liabilities to assets (%)	32.1	33.2	33.2	31.9	31.6	
	Ratio of long-term capital to property, plant and equipment (%)	1,177.2	1,085.0	1,126.5	1,133.0	1,180.8	
Liquidity analysis	Current ratio (%)	151.8	140.3	154.0	159.9	131.2	
	Quick ratio (%)	111.5	108.5	123.2	125.1	100.9	
	Interest coverage ratio (times)	11.0	7.2	9.1	12.8	16.4	
Operating ability	Receivables turnover(times)	6.4	6.3	5.9	6.6	6.7	
	Average collection period (days)	56.8	57.8	61.9	55.3	54.1	
	Inventory turnover (times)	6.7	6.5	6.6	8.2	8.9	
	Average sales days (days)	54.4	56.5	55.1	44.7	41.0	
	Payables turnover (times)	13.0	13.6	13.9	12.7	12.2	
	Property, plant and equipment turnover (times)	1.9	1.8	1.9	2.4	3.0	
	Total assets turnover (times)	0.2	0.2	0.2	0.2	0.2	
Profitability analysis	Return on total assets (%)	3.1	2.5	3.0	4.0	5.1	
	Return on shareholders' equity (%)	4.2	3.3	4.0	5.5	7.0	
	Ratio to paid-in capital (%)	Operating profit	(2.4)	(1.6)	(0.8)	(0.3)	(0.8)
		Pre-tax income	15.2	11.2	15.4	20.9	25.8
	Ratio of net income to sales (%)	17.8	14.1	17.1	18.7	21.3	
EPS (NT\$/share, Note)	1.61	1.26	1.61	2.17	2.64		
Cash flow	Cash flow ratio (%)	41.2	39.7	47.9	45.6	46.1	
	Cash flow adequacy ratio (%)	98.1	83.5	72.0	69.2	74.2	
	Cash reinvestment ratio (%)	0.8	1.0	1.3	0.1	0.4	
Leverage	Operating leverage	—	—	—	—	—	
	Financial leverage	—	—	—	—	—	
<b>Analysis of variations exceeding 20% of the numbers in previous year for 2016 and 2017:</b>							
(1) Interest coverage ratio increased: mainly due to the 2017 pre-tax income increased.							
(2) Ratios of profitability analysis increased (including return on total assets, Return on shareholders' equity, pre-tax income, ratio of net income to sales and EPS), decreased (operating profit): mainly due to the 2017 pre-tax income increased and operating profit decreased.							

Note: The EPS is calculated based on the number of weighted average outstanding shares deducting treasury stocks holding by subsidiaries and after adjusting the retained earnings

**The formula used for the calculation of numbers in the table:****1. Financial structure**

- (1) Liabilities to assets ratio = Total liabilities / Total assets
- (2) Long-term capital to fixed assets ratio = (Total shareholders' equity + Long-term liabilities) / Net fixed assets

**2. Liquidity analysis**

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Net income before income tax and interest expenses / Interest expenses

**3. Operating ability**

- (1) Receivables turnover(including accounts and notes receivable) = Net sales / Average accounts receivable (including accounts and notes receivable)
- (2) Average collection days = 365/ Accounts receivable turnover
- (3) Inventory turnover = Costs of goods sold / Average inventory
- (4) Average sales days = 365 / Inventory turnover
- (5) Payables turnover(including accounts and notes payable) = Costs of goods sold / Average accounts payable (including accounts and notes payable)
- (6) Fixed assets turnover ratio = Net sales / Net fixed assets
- (7) Total assets turnover ratio = Net sales / Total assets

**4. Profitability analysis**

- (1) Return on total assets =[Net income +Interest expenses×(1-Tax rate)] / Average total assets
- (2) Return on shareholders' equity =Net income / Average shareholders' equity
- (3) Net income to sales ratio = Net income / Net sales
- (4) Earnings per share = (Net income - Preferred stock dividend) / Weighted-average number of outstanding shares

**5. Cash flow**

- (1) Cash flow ratio = Cash flows from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increase in inventory + Cash dividends) for the past 5 years
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross fixed assets + Long-term Investment + Other assets + Working capital)

**6. Leverage**

- (1) Operating leverage = (Net sales - Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income-Interest expenses)

## Financial Information

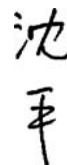
### 3. The Audit Committee's Review Report

#### The Audit Committee's Review Report

To the 2017 General Shareholders' Meeting of Far Eastern New Century Corporation,

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

The Convener of the Audit Committee: Bing Shen



11 May 2018

#### 4. Impact of the Financial Distress Occurred to the Company and Affiliates in Recent Years until the Annual Report Being Published

None

## **5. Financial Report (Consolidated)**

*(The full copy can be downloaded at <http://mops.twse.com.tw/>)*

### **2017 Independent Auditors' Report**

#### **(English Translation of a Report Originally Issued in Chinese)**

The Board of Directors and Shareholders  
Far Eastern New Century Corporation

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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

## Financial Information

### Fair Value Evaluation of Investment Property

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

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

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

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

### Evaluation of Impairment Loss of Related Assets in Telecommunication Department

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

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

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

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



### Recognition of Telecommunications Service Revenue

The telecommunications service revenue is the main source of revenue of the Group's telecommunications department. The calculation of telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Group often launches different combinations of products and services which make the calculation of revenue more complex and directly affects the accuracy and timing of revenue recognition. Therefore, the recognition of telecommunications service revenue is considered to be a key audit matter.

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

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

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

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

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

### **Other Matter**

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

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

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

## Financial Information

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 22, 2018

Notice to Readers

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

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

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 25,464,223	5	\$ 35,675,422	7
Financial assets at fair value through profit or loss - current	4,209,638	1	3,835,959	1
Available-for-sale financial assets - current	331,362	-	656,773	-
Derivative financial assets for hedging - current	1,700	-	2,073	-
Debt investments with no active market - current	2,044,153	-	1,797,697	-
Notes and accounts receivable, net	25,709,039	5	24,830,649	5
Amounts due from customers for construction contracts	1,591,619	-	1,202,624	-
Other receivables	4,585,596	1	7,811,376	2
Current tax assets	63,544	-	60,895	-
Inventories	26,582,952	5	22,103,308	4
Prepayments	3,420,983	1	3,399,270	1
Other financial assets - current	4,329,504	1	4,402,953	1
Refundable deposits - current	31,009	-	37,643	-
Other current assets	<u>1,687,875</u>	<u>-</u>	<u>1,722,674</u>	<u>-</u>
Total current assets	<u>100,053,197</u>	<u>19</u>	<u>107,539,316</u>	<u>21</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	339,122	-	4,245,668	1
Derivative financial assets for hedging - non-current	35,544	-	-	-
Financial assets measured at cost - non-current	1,178,179	-	1,135,148	-
Investments accounted for using the equity method	61,532,483	12	53,421,270	11
Property, plant and equipment	152,732,987	30	148,316,398	29
Investment properties, net	124,148,885	24	124,758,539	24
Concessions	44,561,464	9	41,422,996	8
Goodwill	11,865,515	2	11,865,515	2
Other intangible assets	3,884,685	1	3,676,776	1
Deferred tax assets	2,204,959	1	2,361,276	1
Prepayments for equipment	1,632,368	-	1,612,960	-
Refundable deposits - non-current	861,274	-	806,289	-
Long-term other receivables	1,312,111	-	1,440,000	-
Other financial assets - non-current	3,050,829	1	3,783,584	1
Long-term prepayments for leases	6,830,254	1	6,716,440	1
Other non-current assets	<u>542,424</u>	<u>-</u>	<u>357,983</u>	<u>-</u>
Total non-current assets	<u>416,713,083</u>	<u>81</u>	<u>405,920,842</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 516,766,280</u>	<u>100</u>	<u>\$ 513,460,158</u>	<u>100</u>

## FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 30,944,587	6	\$ 35,131,547	7
Short-term bills payable	7,643,775	2	9,278,381	2
Financial liabilities at fair value through profit or loss - current	12,987	-	3,421	-
Derivative financial liabilities for hedging - current	-	-	47,767	-
Notes and accounts payable	19,913,510	4	15,910,920	3
Notes and accounts payable to related parties	339,718	-	418,751	-
Amounts due to customers for construction contracts	63,549	-	1,428	-
Payables to suppliers of machinery and equipment	2,212,726	-	2,615,378	1
Other payables	14,363,744	3	14,451,394	3
Current tax liabilities	2,202,099	-	2,393,096	-
Provisions - current	282,035	-	270,831	-
Guarantee deposits received - current	291,998	-	298,281	-
Receipts in advance	1,201,255	-	1,174,563	-
Unearned revenue	2,972,547	1	2,585,723	1
Current portion of long-term liabilities	16,689,480	3	20,057,220	4
Other current liabilities	<u>2,506,610</u>	<u>1</u>	<u>2,544,731</u>	<u>-</u>
Total current liabilities	<u>101,640,620</u>	<u>20</u>	<u>107,183,432</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Derivative financial liabilities for hedging - non-current	-	-	171,366	-
Bonds payable	71,711,418	14	62,518,046	12
Long-term borrowings	66,540,553	13	68,837,916	14
Provisions - non-current	887,441	-	859,586	-
Deferred tax liabilities	16,874,470	3	17,014,677	3
Net defined benefit liabilities - non-current	2,603,463	1	3,610,061	1
Guarantee deposits received	506,167	-	607,007	-
Deferred credit - gains on related party transactions	123,637	-	124,192	-
Other non-current liabilities	<u>339,418</u>	<u>-</u>	<u>341,223</u>	<u>-</u>
Total non-current liabilities	<u>159,586,567</u>	<u>31</u>	<u>154,084,074</u>	<u>30</u>
Total liabilities	<u>261,227,187</u>	<u>51</u>	<u>261,267,506</u>	<u>51</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Common shares	<u>53,528,751</u>	<u>10</u>	<u>53,528,751</u>	<u>10</u>
Capital surplus	<u>2,859,569</u>	<u>1</u>	<u>2,859,588</u>	<u>1</u>
Retained earnings				
Legal reserve	15,945,807	3	15,315,028	3
Special reserve	112,928,355	22	110,292,892	22
Unappropriated earnings	<u>12,819,238</u>	<u>2</u>	<u>11,785,464</u>	<u>2</u>
Total retained earnings	<u>141,693,400</u>	<u>27</u>	<u>137,393,384</u>	<u>27</u>
Other equity	<u>(3,696,270)</u>	<u>(1)</u>	<u>(2,870,205)</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	194,360,387	37	190,886,455	37
<b>NON-CONTROLLING INTERESTS</b>	<u>61,178,706</u>	<u>12</u>	<u>61,306,197</u>	<u>12</u>
Total equity	<u>255,539,093</u>	<u>49</u>	<u>252,192,652</u>	<u>49</u>
<b>TOTAL</b>	<u>\$ 516,766,280</u>	<u>100</u>	<u>\$ 513,460,158</u>	<u>100</u>

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

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
<b>OPERATING REVENUE</b>				
Net sales	\$136,468,217	63	\$132,422,673	61
Telecommunications service revenue	63,590,599	29	67,315,200	31
Gain on disposal of investments, net	1,647,132	1	33,462	-
Construction revenue	4,976,080	2	5,178,983	3
Other operating revenue	<u>11,164,920</u>	<u>5</u>	<u>10,905,603</u>	<u>5</u>
Total operating revenue	<u>217,846,948</u>	<u>100</u>	<u>215,855,921</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Cost of goods sold	130,959,088	60	127,872,750	59
Cost of telecommunications services	26,310,617	12	26,134,094	12
Construction costs	4,761,021	2	4,975,804	2
Other operating costs	<u>6,118,017</u>	<u>3</u>	<u>5,702,151</u>	<u>3</u>
Total operating costs	<u>168,148,743</u>	<u>77</u>	<u>164,684,799</u>	<u>76</u>
GROSS PROFIT	<u>49,698,205</u>	<u>23</u>	<u>51,171,122</u>	<u>24</u>
REALIZED CONSTRUCTION INCOME	<u>555</u>	<u>-</u>	<u>555</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Selling and marketing	22,326,374	10	24,244,348	11
General and administrative	11,124,854	5	11,521,573	5
Research and development	<u>813,263</u>	<u>1</u>	<u>868,947</u>	<u>1</u>
Total operating expenses	<u>34,264,491</u>	<u>16</u>	<u>36,634,868</u>	<u>17</u>
OPERATING INCOME	<u>15,434,269</u>	<u>7</u>	<u>14,536,809</u>	<u>7</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>				
Share of profit or loss of associates	4,114,335	2	1,873,936	1
Interest income	486,339	-	440,904	-
Other income - other	1,377,315	1	1,304,074	-
Gain on disposal of investment properties	2,605	-	313,100	-
Exchange loss, net	(185,372)	-	(792,420)	-
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	167,143	-	(62,755)	-
Valuation gain on investment properties	1,040,128	-	3,269,052	1
Interest expense	(2,605,876)	(1)	(2,486,885)	(1)
Other expenses	(882,744)	(1)	(1,021,408)	(1)
Loss on disposal of property, plant and equipment	(756,824)	-	(746,006)	-
Gain (loss) on disposal of concessions	5	-	(108)	-
Loss on disposal of intangible assets	(64)	-	(10,085)	-
Impairment loss	<u>(1,298,968)</u>	<u>(1)</u>	<u>(658,098)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,458,022</u>	<u>-</u>	<u>1,423,301</u>	<u>-</u>

(Continued)

	2017		2016	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	16,892,291	7	15,960,110	7
INCOME TAX EXPENSE	<u>(2,690,954)</u>	<u>(1)</u>	<u>(3,257,420)</u>	<u>(1)</u>
NET INCOME	<u>14,201,337</u>	<u>6</u>	<u>12,702,690</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	577,628	-	(443,067)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	6,828	-	(82,222)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(8,987)</u>	<u>-</u>	<u>17,732</u>	<u>-</u>
	<u>575,469</u>	<u>-</u>	<u>(507,557)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,071,916)	(1)	(3,287,569)	(2)
Unrealized loss on available-for-sale financial assets	(1,018,683)	-	(289,788)	-
Cash flow hedges	231,609	-	149,385	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>1,185,860</u>	<u>1</u>	<u>(4,006,347)</u>	<u>(2)</u>
	<u>(673,130)</u>	<u>-</u>	<u>(7,434,319)</u>	<u>(4)</u>
Total other comprehensive loss, net	<u>(97,661)</u>	<u>-</u>	<u>(7,941,876)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 14,103,676</u>	<u>6</u>	<u>\$ 4,760,814</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 8,066,136	3	\$ 6,307,786	3
Non-controlling interests	<u>6,135,201</u>	<u>3</u>	<u>6,394,904</u>	<u>3</u>
	<u>\$ 14,201,337</u>	<u>6</u>	<u>\$ 12,702,690</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,808,712	3	\$ (1,049,835)	(1)
Non-controlling interests	<u>6,294,964</u>	<u>3</u>	<u>5,810,649</u>	<u>3</u>
	<u>\$ 14,103,676</u>	<u>6</u>	<u>\$ 4,760,814</u>	<u>2</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.61</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 1.61</u>		<u>\$ 1.26</u>	

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

(Concluded)

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to				
	Common Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings
			Legal Reserve	Special Reserve	
BALANCE AT JANUARY 1, 2016	\$ 53,528,751	\$ 2,807,683	\$ 14,511,559	\$ 108,721,550	\$ 13,706,389
Appropriation of the 2015 earnings					
Legal reserve	-	-	803,469	-	(803,469)
Special reserve	-	-	-	2,165,513	(2,165,513)
Cash dividends - NT\$1.0 per share	-	-	-	-	(5,352,875)
Cash dividends distributed by subsidiaries	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	6,307,786
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(486,720)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	5,821,066
Change in associates accounted for using the equity method	-	9,432	-	(2)	(1,116)
Disposal of investments in associates	-	-	-	(1,194)	(795)
Partial acquisition (disposal) of interests in subsidiaries	-	41,694	-	-	(11,198)
Cash capital reduction by subsidiaries	-	-	-	-	-
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	779	-	-	-
Reversal of special reserve	-	-	-	(592,975)	592,975
BALANCE AT DECEMBER 31, 2016	53,528,751	2,859,588	15,315,028	110,292,892	11,785,464
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)
Cash dividends distributed by subsidiaries	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	8,066,136
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	568,641
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	8,634,777
Change in associates accounted for using the equity method	-	(650)	-	-	(22,116)
Disposal of investments in associates	-	-	-	-	(2,367)
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-	(6,899)
Change in ownership interest of subsidiaries	-	8	-	-	(21,079)
Increase in non-controlling interests	-	-	-	-	-
Cash capital reduction by subsidiaries	-	-	-	-	-
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	623	-	-	-
Reversal of special reserve	-	-	-	(26,543)	26,543
BALANCE AT DECEMBER 31, 2017	<u>\$ 53,528,751</u>	<u>\$ 2,859,569</u>	<u>\$ 15,945,807</u>	<u>\$ 112,928,355</u>	<u>\$ 12,819,238</u>



Owners of the Company

Exchange Differences on Translating Foreign Operations	Other Equity				Treasury Shares	Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Gains on Property Revaluation					
\$ 2,274,683	\$ 1,119,927	\$ (95,944)	\$ 702,030	\$ (25,063)	\$ 197,251,565	\$ 63,145,438	\$ 260,397,003	
-	-	-	-	-	-	-	-	
-	-	-	-	-	(5,352,875)	-	(5,352,875)	
-	-	-	-	-	-	(7,710,107)	(7,710,107)	
-	-	-	-	-	6,307,786	6,394,904	12,702,690	
<u>(3,852,495)</u>	<u>(3,067,584)</u>	<u>48,430</u>	<u>748</u>	<u>-</u>	<u>(7,357,621)</u>	<u>(584,255)</u>	<u>(7,941,876)</u>	
<u>(3,852,495)</u>	<u>(3,067,584)</u>	<u>48,430</u>	<u>748</u>	<u>-</u>	<u>(1,049,835)</u>	<u>5,810,649</u>	<u>4,760,814</u>	
-	-	-	-	-	8,314	(1,109)	7,205	
-	-	-	-	-	(1,989)	-	(1,989)	
-	-	-	-	-	30,496	61,341	91,837	
-	-	-	-	-	-	(15)	(15)	
-	-	-	-	-	779	-	779	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>(1,577,812)</u>	<u>(1,947,657)</u>	<u>(47,514)</u>	<u>702,778</u>	<u>(25,063)</u>	<u>190,886,455</u>	<u>61,306,197</u>	<u>252,192,652</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	(4,282,300)	-	(4,282,300)	
-	-	-	-	-	-	(7,783,681)	(7,783,681)	
-	-	-	-	-	8,066,136	6,135,201	14,201,337	
<u>(1,499,559)</u>	<u>590,338</u>	<u>83,156</u>	<u>-</u>	<u>-</u>	<u>(257,424)</u>	<u>159,763</u>	<u>(97,661)</u>	
<u>(1,499,559)</u>	<u>590,338</u>	<u>83,156</u>	<u>-</u>	<u>-</u>	<u>7,808,712</u>	<u>6,294,964</u>	<u>14,103,676</u>	
-	-	-	-	-	(22,766)	(233)	(22,999)	
-	-	-	-	-	(2,367)	(1)	(2,368)	
-	-	-	-	-	(6,899)	(13,129)	(20,028)	
-	-	-	-	-	(21,071)	158,817	137,746	
-	-	-	-	-	-	1,215,787	1,215,787	
-	-	-	-	-	-	(15)	(15)	
-	-	-	-	-	623	-	623	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>\$ (3,077,371)</u>	<u>\$ (1,357,319)</u>	<u>\$ 35,642</u>	<u>\$ 702,778</u>	<u>\$ (25,063)</u>	<u>\$ 194,360,387</u>	<u>\$ 61,178,706</u>	<u>\$ 255,539,093</u>	

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

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

	<b>2017</b>	<b>2016</b>
Cash generated from operations	\$ 32,496,803	\$ 36,017,812
Interest received	460,911	439,835
Dividends received	2,236,100	3,137,207
Interest paid	(2,527,267)	(2,456,047)
Income tax paid	<u>(2,877,477)</u>	<u>(2,566,581)</u>
Net cash generated from operating activities	<u>29,789,070</u>	<u>34,572,226</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(1,029,197)	(12,285)
Proceeds from the disposal of available-for-sale financial assets	653,919	202,059
(Increase) decrease in debt investments with no active market	(246,456)	1,553,293
Acquisition of financial assets measured at cost	(54,897)	-
Proceeds from the disposal of financial assets measured at cost	945	-
Return on the capital reduction of financial assets measured at cost	3,505	-
Acquisition of investments accounted for using the equity method	(83,138)	(183,357)
Proceeds from disposed of investments accounted for using the equity method	383,778	111,959
Acquisition of property, plant, equipment and prepayments for equipment	(23,129,609)	(19,516,098)
Proceeds from the disposal of property, plant and equipment	1,090,591	99,148
(Increase) decrease in refundable deposits	(48,351)	28,862
Decrease (increase) in other receivables	1,826,870	(250,270)
Acquisition for intangible assets	(1,115,283)	(1,099,920)
Proceeds from the disposal of intangible assets	33,003	-
Acquisition for investment properties	(1,895)	(1,723)
Proceeds from the disposal of investment properties	1,330,530	-
Increase in long-term prepayments for leases	(450,769)	(489,429)
Payments for concessions	(6,515,000)	(8,526,330)
Proceeds from disposal of concessions	5	450,384
Decrease (increase) in other financial assets	806,204	(898,591)
Increase in other non-current assets	<u>(190,267)</u>	<u>(102,628)</u>
Net cash used in investing activities	<u>(26,735,512)</u>	<u>(28,634,926)</u>

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

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

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	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	\$ (4,186,960)	\$ 10,443,920
(Decrease) increase in short-term bills payables	(1,635,000)	2,678,000
Proceeds from issue of bonds	22,700,000	15,600,000
Repayments of bond payables	(16,450,000)	(21,029,500)
Proceeds from long-term borrowings	155,645,199	160,375,278
Repayments of long-term borrowings	(158,304,697)	(166,031,854)
Decrease in guarantee deposits received	(107,123)	(77,887)
Decrease in other non-current liabilities	(1,805)	(52,108)
Cash dividends paid	(4,281,644)	(5,352,875)
Cash capital increase by subsidiaries	1,353,533	91,837
Cash capital reduction by subsidiaries	(15)	(15)
Partial acquisition of interests in subsidiaries from non-controlling interests	(20,028)	-
Dividends paid to non-controlling interests	<u>(7,783,681)</u>	<u>(7,710,107)</u>
Net cash used in financing activities	<u>(13,072,221)</u>	<u>(11,065,311)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>\$ (192,536)</u>	<u>\$ (75,381)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,211,199)	(5,203,392)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>35,675,422</u>	<u>40,878,814</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 25,464,223</u>	<u>\$ 35,675,422</u>
The accompanying notes are an integral part of the consolidated financial statements.		(Concluded)

# **FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

Far Eastern New Century Corporation (FENC or the “Company”), which was incorporated in 1954, manufactures and sells polyester materials and semi-finished and finished textiles such as cotton, synthetic or blended fabrics, towels and bed sheets, and woven and knitted garments; PET (polyethylene terephthalate) bottles and sheets; and natural, synthetic or blended yarns and polyester textured yarns. It also does yarn, silk and cloth printing and dyeing.

On October 13, 2009, the shareholders resolved to change the Company’s name from its former name, Far Eastern Textile Ltd., to its current name, Far Eastern New Century Corporation; thus, the original ticker symbol of FETL was changed to FENC.

The consolidated financial statements of the Company and its subsidiaries, hereto forth collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar (NTD).

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors on March 22, 2018.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- 1) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues the related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time (such as the generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

## 2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combinations with acquisition dates on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

## 3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. The amendment should be applied prospectively starting from January 1, 2017.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and the application of both standards may be required to determine whether the investment property acquired is an acquisition of an asset or a business combination.

## 4) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 34 for the related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 3)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: The amendments to IFRS 9 are not yet endorsed by the FSC; however, the FSC permits that entities may elect to early adopt the amendments starting from 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.



### Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect an entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

The assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

#### 2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- a) Identify the contract with the customer;
- b) Identify the performance obligations in the contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contract; and
- e) Recognize revenue when the Group satisfies a performance obligation.

If the customer has retained a portion of payment to the Group in accordance with the terms of the contract in order to protect the customer from the contractor's possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Currently, any retention receivable under a construction contract is recognized as a receivable and is discounted to reflect the time value of money in accordance with IAS 39.

Under IFRS 15, the Group will allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Currently, the recognition of the revenue is based on the allocation of the total consideration received from customers using the relevant fair values, and the sales of goods are limited to the amount that the customers pay for.

Incremental costs of obtaining a contract will be recognized as an asset to the extent that the Group expects to recover those costs. Such an asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Currently, related costs are recognized as expenses immediately.

The Group provides a service-type warranty in addition to the assurance that the product complies with agreed-upon specifications. IFRS 15 requires such service to be considered as a performance obligation. The transaction price allocated to the service-type warranty will be recognized as revenue and the related costs will be recognized when the warranty service is performed. Currently, the transaction price of the aforementioned transaction is fully recognized as revenue when products are sold, and a corresponding provision is recognized for the expected warranty cost.

IFRS 15 and the related amendments require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

- a) The good or another asset that it then transfers to the customer.
- b) The right to a service to be performed by another party which gives the Group the ability to direct that party to provide the service to the customer on its behalf.
- c) A good or service from another party that it then combines with other goods or services in providing a specified good or service to the customer.

Indicators to support the Group's assessment of whether it controls a specified good or service include, but are not limited to, the following:

- a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- b) The Group has inventory risk before or after the specified good or service is transferred to the customer.
- c) The Group has discretion in establishing the price of the specified good or service.

Currently, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards in the transaction.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized for the contract under IAS 18.

The Group elects to recognize the cumulative effect of retrospectively applying IFRS 15 in the retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 9 and IFRS 15 as of January 1, 2018 is detailed below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<u>Current assets</u>			
<u>Anticipated impact from IFRS 9</u>			
Available-for-sale financial assets - current	\$ 331,362	\$ (331,362)	\$ -
Financial assets at fair value through profit or loss - current	4,209,638	246,088	4,455,726
Financial assets through other comprehensive income through profit or loss - current	-	85,274	85,274
Derivative financial assets for hedging - current	1,700	(1,700)	-
Financial assets for hedging - current	-	1,700	1,700
Financial assets at amortized cost - current	-	2,044,153	2,044,153
Debt investments with no active market - current	2,044,153	(2,044,153)	-
<u>Anticipated impact from IFRS 15</u>			
Amounts due from customers for construction contracts	1,591,619	(1,591,619)	-
Contract assets - current	-	6,031,158	6,031,158
<u>Notes and accounts receivable, net</u>			
Anticipated impact from IFRS 9		(10,671)	
Anticipated impact from IFRS 15		(406,259)	
	25,709,039	(416,930)	25,709,039
<u>Non-current assets</u>			
<u>Anticipated impact from IFRS 9</u>			
Financial assets measured at cost - non-current	1,178,179	(1,178,179)	-
Financial assets through other comprehensive income through profit or loss - non-current	-	1,490,803	1,490,803
Available-for-sale financial assets - non-current	339,122	(339,122)	-
Investments accounted for using the equity method	61,532,483	297,645	61,830,128
Derivative financial assets for hedging - non-current	35,544	(35,544)	-
Financial assets for hedging - non-current	-	35,544	35,544

(Continued)

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<u>Anticipated impact from IFRS 15</u>			
Contract assets - non-current	\$ -	\$ 1,997,827	\$ 1,997,827
Incremental costs of obtaining a contract - non-current	-	1,566,190	1,566,190
Total effect on assets	<u>\$ 516,766,280</u>	<u>\$ 7,857,773</u>	<u>\$ 524,624,053</u>
<u>Current liabilities</u>			
<u>Anticipated impact from IFRS 15</u>			
Contract liabilities - current	\$ -	\$ 4,815,955	\$ 4,815,955
Notes and accounts payable (including to related parties)	20,253,228	(730,107)	19,523,121
Amounts due to customers for construction contracts	63,549	(63,549)	-
Current tax liabilities	2,202,099	1,597,549	3,799,648
Receipts in advance	1,201,255	(1,201,255)	-
Unearned revenue	2,972,547	(2,972,547)	-
Provisions	-	26,610	26,610
Total effect on liabilities	<u>\$ 261,227,187</u>	<u>\$ 1,472,656</u>	<u>\$ 262,699,843</u>
<u>Equity</u>			
<u>Retained earnings</u>			
Anticipated impact from IFRS 9		\$ 622,371	
Anticipated impact from IFRS 15		<u>2,335,295</u>	
	\$ 141,693,400	2,957,666	\$ 144,651,066
<u>Anticipated impact from IFRS 9</u>			
Other equity	(3,696,270)	(350,351)	(4,046,621)
<u>Non-controlling interests</u>			
Anticipated impact from IFRS 9		(11,544)	
Anticipated impact from IFRS 15		<u>3,789,346</u>	
	61,178,706	3,777,802	64,956,508
Total effect on equity	<u>\$ 255,539,093</u>	<u>\$ 6,385,117</u>	<u>\$ 261,924,210</u>

3) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

## 2) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

## 3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

## 4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

##### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 15 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.



Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group's foreign operations (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods, work in progress, merchandise inventories, available-for-sale - buildings and land, available-for-construction - land and construction in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost, except for the inventory of construction industries are recorded at specific identification of cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

For a transfer from investment property to property, plant and equipment, the property's deemed cost for subsequent accounting is its fair value at the commencement of owner-occupation. For a transfer from investment property to inventories, the property's deemed cost for subsequent accounting is its fair value at the commencement of development with a view to sale.

For a transfer from property, plant and equipment to investment property at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

For a transfer from inventories to investment property at the commencement of an operating lease, any difference between the previous carrying amount of the property and its fair value at the transfer date is recognized in profit or loss.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 33.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, debt investments with no active market, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 34.

#### b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### 4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward exchange contracts, foreign exchange swap contracts, cross currency interest rate swap contract, interest rate swaps contracts, foreign exchange options and combined foreign exchange options.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

#### o. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss.



Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

p. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

1) Decommissioning, restoration and similar liabilities

The cost of an item of property, plant and equipment comprises:

- a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

2) Onerous contracts

Where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

3) Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Group of the expenditure required to settle the Group's obligation.

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the ownership of the materials.

Revenue from selling of properties in the course of ordinary activities is recognized when the construction is completed and the properties are transferred to buyers. Until such revenue is recognized, deposits received from sales of properties and installment payments are carried in the consolidated balance sheets under current liabilities.

Where the Group enters into transactions which involve both the service of air time bundled with products, revenue for service and product are recognized based on the allocation of the total consideration received from customers using the relative fair values and the sales of product are limited to the amount that customers pay for.

Services revenue and sales of goods that result in award credits for customers, under the Group's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services and inventories supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

## 2) Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- a) Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- b) Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- c) Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.
- d) Usage revenues from fixed network service, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenues are recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

3) Handling service revenue

The handling service revenue is the service charge recognized as revenue as car owners pass electronic toll collection ETC points and recognizes the service charge as revenue on the basis of specified ETC rates. ETC collects the toll from car owners in advance and recognizes the ETC payments as receipts under custody, which will be remitted to the Taiwan Area National Freeway Bureau (TANFB). In addition, the toll payments received in advance from enterprise users are recognized as accounts receivable received in advance, which are remitted to TANFB on the basis of real usage at specified toll rates.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

r. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. However, where reasonably reliable estimates cannot be made, the measurement of proportion of contract may not be made. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as receipts in advance. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under accounts receivable.

s. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Contingent rents are recognized as income in the period in which they are incurred.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the respective term.

Contingent rentals are recognized as expenses in the period in which they are incurred.

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with their classification of lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

t. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

u. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

v. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when the plan amendment or curtailment occurs and when the settlement occurs. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that rereasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

w. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in subsidiaries.

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Impairment of property, plant and equipment and intangible assets other than goodwill

For the impairment test of assets, the Group evaluates and decides on certain assets' independent cash flows, useful lives, and probable future profit or loss based on management's subjective judgment, an asset usage model and the telecommunications industry's characteristics. Any change in national and local economic conditions or the Group's strategy may cause significant impairment losses.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use calculation requires the Group's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to use in calculating the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Fair value measurements and valuation processes of investment properties

Where Level 1 inputs are not available, the Group or engaged valuers determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities, market prices or rates, and specific features of derivatives, existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If there are changes of the actual inputs in the future which differ from expectation, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 18.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash		
Cash on hand and petty cash	\$ 35,493	\$ 79,920
Demand and checking accounts	<u>22,316,975</u>	<u>18,810,198</u>
	<u>22,352,468</u>	<u>18,890,118</u>
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	1,167,395	1,841,027
Commercial paper and corporate bonds purchased under resale agreements	<u>1,856,129</u>	<u>14,831,983</u>
	<u>3,023,524</u>	<u>16,673,010</u>
Management discretionary accounts		
Demand accounts	<u>88,231</u>	<u>112,294</u>
	<u>\$ 25,464,323</u>	<u>\$ 35,675,422</u>

The Group's members individually contracted and fully authorized an "other related party", Oriental Securities Investment Advisory Co., Ltd. (OSIAC, trustee) to manage discretionary funds. Deposits that were entrusted to OSIAC's full management amounted to \$88,231 thousand and \$112,294 thousand as of December 31, 2017 and 2016, respectively.

The intervals of market rates for cash equivalents as of the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Time deposits	0.10%-3.65%	0.05%-8.30%
Commercial paper and corporate bonds purchased under resale agreements	0.28%-1.10%	0.28%-0.75%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets held for trading - current</u>		
Mutual funds - beneficial certificates	\$ 3,764,926	\$ 3,405,976
Marketable equity securities	418,496	355,122
Guarantee deposits cotton futures contracts	17,867	42,328
Guarantee deposits - PTA futures contracts	-	12,396
Forward exchange contracts	5,005	17,760
Combined foreign exchange options	<u>3,344</u>	<u>2,377</u>
	<u>\$ 4,209,638</u>	<u>\$ 3,835,959</u>
<u>Financial liabilities held for trading - current</u>		
Forward exchange contracts	\$ 12,987	\$ 255
Option contracts	<u>-</u>	<u>3,166</u>
	<u>\$ 12,987</u>	<u>\$ 3,421</u>

### a. Cotton futures contracts

The Group entered into cotton futures contracts mainly to hedge against the adverse fluctuation of cotton prices. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.

The Group had no outstanding cotton future contracts as of December 31, 2017 and 2016.

### b. PTA futures contracts

The Group entered into PTA futures contracts mainly to hedge against the adverse fluctuation to PTA prices. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.

The Group had no outstanding PTA futures contracts as of December 31, 2017 and 2016.

### c. Forward exchange contracts

The Group entered into forward exchange contracts to hedge against the exchange risks on foreign currency assets or liabilities. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.



As of December 31, 2017 and 2016, the Group had outstanding forward exchange contracts, as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (Thousands)</b>
<u>December 31, 2017</u>			
Buy	USD/TWD	2018.01.02-2018.02.26	USD48,750/TWD1,459,740
Sell	EUR/USD	2018.01.29-2018.02.26	EUR4,000/USD4,690
Buy	USD/JPY	2018.01.26-2018.02.26	USD6,000/JPY676,010
Buy	USD/RMB	2018.02.26	USD2,000/RMB13,240
Sell	USD/RMB	2018.01.24-2018.01.28	USD12,000/RMB79,623
Sell	USD/JPY	2018.01.26-2018.04.27	USD5,960/JPY665,211
Sell	USD/TWD	2018.01.18-2018.01.31	USD8,000/TWD237,716

December 31, 2016

Buy	USD/TWD	2017.01.03-2017.02.03	USD27,900/TWD887,939
Sell	EUR/USD	2017.02.24-2017.03.29	EUR7,000/USD7,406
Buy	USD/JPY	2017.03.29	USD7,000/JPY820,190
Buy	USD/RMB	2017.02.24-2017.03.29	USD12,000/RMB84,161

d. Option contracts

The Group sold option contracts to profit on royalties and the difference between exchange rate fluctuations.

The Group had no outstanding option contracts as of December 31, 2017.

As of December 31, 2016, the Group had outstanding forward exchange contracts, as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (Thousands)</b>
<u>December 31, 2016</u>			
Sell USD call options	USD/TWD	2017.01.05-2017.01.24	USD22,000/TWD719,580
Sell EUR call options	EUR/USD	2017.01.10-2017.01.19	EUR4,000/USD4,240

e. Combined foreign exchange options

The Group entered into combined foreign exchange options to hedge against the exchange risks on foreign currency assets or liabilities. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.

As of December 31, 2017 and 2016, the Group had outstanding combined foreign exchange options, as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (Thousands)</b>
<u>December 31, 2017</u>			
Sell USD call options	USD/TWD	2018.01.03-2018.02.13	USD175,000/TWD5,264,807
Buy USD put options	USD/TWD	2018.01.03-2018.02.13	USD87,500/TWD2,632,404

(Continued)

	Currency	Maturity	Contract Amount (Thousands)
<u>December 31, 2016</u>			
Sell EUR call options	EUR/USD	2017.02.13-2017.03.02	EUR18,000/USD19,489
Buy EUR put options	EUR/USD	2017.02.13-2017.03.02	EUR6,000/USD6,496
(Concluded)			

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2017	2016
<u>Equity investments</u>		
Marketable equity securities	\$ 424,396	\$ 4,198,219
Oversea mutual funds - beneficial certificates	246,688	598,132
Oversea shares	<u>-</u>	<u>106,090</u>
	<u>\$ 670,484</u>	<u>\$ 4,902,441</u>
Current	\$ 331,362	\$ 656,773
Non-current	<u>339,122</u>	<u>4,245,668</u>
	<u>\$ 670,484</u>	<u>\$ 4,902,441</u>

On August 18, 2017, the Group acquired 79,875 thousand shares of Far Eastern International Commercial Bank (FEIB) from associate with a total amount of \$791,550 thousand, representing a new total shareholding of 16.37% of the shares of FEIB, including 13.8% of the original shares held by the Group. The Group evaluated that it has significant influence over FEIB. Therefore, the Group reclassified the investments from available-for-sale financial assets to investments accounted for using the equity method at a fair value of \$5,041,614 thousand and recognized the gain on the sale of securities amounting to \$1,486,081 thousand.

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	2017	2016
<u>Derivative financial assets under hedge accounting - current</u>		
Fair value hedges - foreign exchange swap contracts	\$ 1,700	\$ -
Cash flow hedges - forward exchange contracts	<u>-</u>	<u>2,073</u>
	<u>\$ 1,700</u>	<u>\$ 2,073</u>
<u>Derivative financial assets under hedge accounting - non-current</u>		
Cash flow hedges - interest rate swaps	<u>\$ 35,544</u>	<u>\$ -</u>
(Continued)		

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Derivative financial liabilities under hedge accounting - current</u>		
Cash flow hedges - forward exchange contracts	\$ -	\$ 40,229
Cash flow hedges - foreign exchange swap contracts	<u>-</u>	<u>7,538</u>
	<u>\$ -</u>	<u>\$ 47,767</u>
<u>Derivative financial liabilities under hedge accounting - non-current</u>		
Cash flow hedges - interest rate swaps	<u>\$ -</u>	<u>\$ 171,366</u> (Concluded)

### **Fair Value Hedges**

The Group hedged exposure to changes in fair value by using foreign exchange swap contracts to minimize currency exposure to changes in the fair value of certain assets in foreign currencies. The terms for foreign exchange swap contracts were negotiated in accordance with the terms on the hedged items, and management believes the foreign exchange swap contracts are highly effective hedging instruments. The outstanding foreign exchange swap contracts of the Group at the end of the reporting period were as follows:

#### December 31, 2017

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (Thousands)</b>
Foreign exchange swap contracts	USD/TWD	2018.02.26	USD10,000

The foreign exchange swap contracts were 100% effective in hedging the exposure to currency rate movements. The gain related to foreign exchange swap contracts was \$1,700 thousand for the year ended December 31, 2017, and loss related to the hedge items due to the fluctuations of foreign currency exchange rates was \$1,700 thousand for the year ended December 31, 2017.

### **Cash Flow Hedges**

The Group used forward exchange contracts and foreign exchange swap contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets. These contracts were negotiated in accordance with the contracts on the hedged items. The outstanding forward exchange contracts and foreign exchange swap contracts at the end of the reporting period were as follows:

#### December 31, 2016

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (Thousands)</b>
Forward exchange contracts	TWD/EUR	2017.01.25-2017.10.25	EUR29,500
Foreign exchange swap contracts	USD/TWD	2017.01.11-2017.02.15	USD20,000

The Group invested in overseas mutual funds and used foreign exchange contracts to hedge against adverse cash flow fluctuations, and the foreign exchange agreements were designated as cash flow hedges. The Group also used forward exchange contracts to hedge against fluctuations of exchange rates for expected future purchases, and the forward exchange contracts were designated as cash flow hedges.

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	<u>For the Year Ended December 31</u>	
	2017	2016
Net gain or loss on disposal of investments	<u>\$ 19,325</u>	<u>\$ 41,589</u>

The Group entered into interest rate swaps to minimize the cash flow risk exposure of floating rate debt. The outstanding interest rate swaps at the end of the reporting period were as follows:

Hedged Items	Financial Instruments for Hedging	Notional amount	<u>For the Year Ended December 31</u>		Expected Cash Flow Period
			2017	2016	
Interest expense from long-term borrowings	Interest rate swaps		\$ 3,879,644	\$ 4,920,467	2012-2015

All interest rate swaps, which involved the exchange of floating interest amounts for fixed interest amounts, were designated as cash flow hedges to reduce the Group's cash flow exposure to adverse changes in interest rates on borrowings. The interest rate swaps and the interest payments on the respective loans were transacted simultaneously, and the amount accumulated in equity was reclassified to profit or loss over the period that the floating interest payments on debts affected profit or loss.

Profit or loss reclassified from equity was included in the following line item in the consolidated statements of comprehensive income:

	<u>For the Year Ended December 31</u>	
	2017	2016
Debited interest expense	<u>\$ 42,875</u>	<u>\$ 29,872</u>

## 10. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	2017	2016
<u>Noncurrent</u>		
Domestic unlisted common shares	\$ 931,400	\$ 882,424
Overseas unlisted common shares	<u>246,779</u>	<u>252,724</u>
	<u>\$ 1,178,179</u>	<u>\$ 1,135,148</u>
<u>Distinguished by the type of measurement</u>		
Available-for-sale	<u>\$ 1,178,179</u>	<u>\$ 1,135,148</u>

The Group's management believed that the fair value of the unlisted common shares above which were held by the Group cannot be reliably measured due to the range of reasonable fair value estimates being significant. Therefore, they were measured at cost less impairment at the end of reporting period.

Kaohsiung Rapid Transit Corporation, the entity in which the Group invested, is the BOT Concession Company under the BOT concession contract that it entered into with the Kaohsiung City Government. When the concession period expires (concession expires in October 2037), the assets shall be transferred to the Kaohsiung City Government and the BOT Concession Company will be eliminated. For the years ended December 31, 2017 and 2016, the amortization of \$2,415 thousand and \$2,055 thousand, respectively, was recognized as impairment loss.

#### 11. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ <u>2,044,153</u>	\$ <u>1,797,697</u>

The range of market interest rates of the time deposits with original maturities of more than 3 months were 0.07%-3.15% and 0.12%-1.30%, respectively, as of December 31, 2017 and 2016.

#### 12. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Notes and accounts receivable	\$ 27,124,528	\$ 26,173,376
Less: Allowance for doubtful accounts	(1,414,582)	(1,342,727)
Less: Unrealized interest income	<u>(907)</u>	<u>-</u>
	<u>\$ 25,709,039</u>	<u>\$ 24,830,649</u>

When deciding the recoverability of accounts receivable, the Group considers any changes in the credit quality from the date credit was initially granted up to the end of the reporting period. Allowance for doubtful accounts is recognized against accounts receivable on the basis of estimated irrecoverable amounts determined by reference to past defaults by the respective counterparties and an analysis of their current financial positions.

The concentration of credit risk is limited because the Group's customer base is wide and is not focused on certain customers; additionally, the companies involved are unrelated. The Group does not have accounts receivable that are past due but not impaired.

The aging of receivables was as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
1-90 days	\$ 23,362,829	\$ 22,399,146
91-180 days	1,893,096	1,996,949
181-365 days	120,965	138,193
More than 365 days	<u>332,149</u>	<u>296,361</u>
	<u>\$ 25,709,039</u>	<u>\$ 24,830,649</u>

The above aging schedule was based on the invoice date.

Movements of allowance for doubtful accounts were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 245,426	\$ 1,097,301	\$ 1,342,727
Add: Accounts recovered during the period	-	254,465	254,465
Add: (Reversal of) impairment losses/bad debts	(3,699)	490,854	487,155
Deduct: Amounts written off during the period as uncollectible	(597)	(667,121)	(667,718)
Effect of exchange rate differences	<u>-</u>	<u>(2,047)</u>	<u>(2,047)</u>
Balance at December 31, 2017	<u>\$ 241,130</u>	<u>\$ 1,173,452</u>	<u>\$ 1,414,582</u>
Balance at January 1, 2016	\$ 11,546	\$ 1,240,968	\$ 1,252,514
Add: Accounts recovered during the period	-	211,333	211,333
Add: Impairment losses/bad debts	239,786	460,668	700,454
Deduct: Amounts written off during the period as uncollectible	(5,906)	(811,236)	(817,142)
Effect of exchange rate differences	<u>-</u>	<u>(4,432)</u>	<u>(4,432)</u>
Balance at December 31, 2016	<u>\$ 245,426</u>	<u>\$ 1,097,301</u>	<u>\$ 1,342,727</u>

At the end of the reporting period, accounts receivables from sales with payment by installments of the Group were as follows:

	<u><b>December 31</b></u>	
	<b>2017</b>	<b>2016</b>
Gross amount of accounts receivable	\$ 64,068	\$ -
Unrealized interest income	<u>(3,373)</u>	<u>-</u>
	<u>\$ 60,695</u>	<u>\$ -</u>

Accounts receivable expected to be recovered in over one year are classified as non-current assets. The above accounts receivable are expected to be recovered before 2024.

#### **Sale of Overdue Accounts Receivable**

Under agreements on sales of accounts receivable signed during the years ended December 31, 2017 and 2016, the Group sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2017 and 2016, the Group was not under the risk of irrecoverable receivables.

Related information as of December 31, 2017 and 2016 is as follows:

	<b>Amounts of Accounts Receivable Sold</b>	<b>Proceeds of the Sale of Accounts Receivable</b>
<u>For the year ended December 31, 2017</u>		
E-Hao Management Consultant Co., Ltd.	\$ 1,499,625	\$ 97,143
<u>For the year ended December 31, 2016</u>		
E-Hao Management Consultant Co., Ltd.	\$ 1,226,233	\$ 67,735

### 13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	<u>December 31</u>	
	2017	2016
<u>Amount due from customers for construction contracts</u>		
Construction costs incurred plus recognized profit less recognized loss to date	\$ 22,571,407	\$ 18,074,224
Less: Progress billings	<u>20,979,788</u>	<u>16,871,600</u>
	<u>\$ 1,591,619</u>	<u>\$ 1,202,624</u>
<u>Amount due to customers for construction contracts</u>		
Progress billings	\$ 980,714	\$ 894,236
Less: Construction costs incurred plus recognized profit less recognized loss to date	<u>917,165</u>	<u>892,808</u>
	<u>\$ 63,549</u>	<u>\$ 1,428</u>
Retentions receivable	<u>\$ 406,259</u>	<u>\$ 281,193</u>
Retentions payable	<u>\$ 730,107</u>	<u>\$ 633,699</u>

Certain amounts due from (to) customers for construction contracts are accounted for as retentions receivable (payable) on construction contracts. Retentions receivable (payable) on construction contracts bear no interest and are expected to remain receivable (payable) until the satisfaction of conditions specified in each contract for the payment of such amounts during the retention periods, which are within the Group's normal operating cycle of usually more than 12 months after the reporting period.

## 14. INVENTORIES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Merchandise inventories	\$ 5,963,346	\$ 3,528,667
Finished goods	6,022,810	4,645,827
Work in progress	3,135,112	2,673,769
Raw materials	6,149,870	5,237,872
Supplies	723,989	728,798
Available-for-sale - buildings and land	1,996,228	2,764,531
Available-for-construction - land	208,384	2,523,844
Construction in progress	<u>2,383,213</u>	<u>-</u>
	<u>\$ 26,582,952</u>	<u>\$ 22,103,308</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was \$130,959,088 thousand and \$127,872,750 thousand, respectively.

The cost of goods sold included inventory write-downs \$124,714 thousand and \$25,958 thousand for the years ended December 2017 and 2016, respectively.

## 15. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2017	2016
Far Eastern New Century Corporation	Far EasTone Telecommunications Co., Ltd. (Far EasTone) (Note 1)	Telecommunications	38.29	38.29
	Yuan Ding Investment Co., Ltd.	Investment	99.70	99.70
	Far Eastern Resources Development Co., Ltd.	Real estate leasing and development services	100.00	100.00
	Yuan Tong Investment Co., Ltd.	Investment	100.00	100.00
	Far Eastern Polychem Industries Ltd. (FEPI)	Investment	100.00	100.00
	Oriental Petrochemical (Taiwan) Corporation	Petrochemical materials production	80.76	80.76
	Far Eastern Investment (Holding) Ltd.	Investment	100.00	100.00
	PET Far Eastern (Holding) Ltd. (PETH)	Investment	100.00	100.00
	Kai Yuan International Investment Co., Ltd.	Investment	100.00	100.00
	Far Eastern Polytex (Holding) Ltd.	Investment	100.00	100.00
	Yuan Ding Co., Ltd. (Note 2)	Real estate leasing and hotels	49.99	49.99
	Far Eastern Construction Co., Ltd.	Real estate construction and sale	65.11	65.11
	Ding Yuan International Investment Co., Ltd.	Investment	100.00	100.00
	An Ho Garment Co., Ltd.	Garment production and investment	100.00	100.00
	FEDP (Holding) Ltd. (FEDP)	Investment	100.00	100.00
	Fu Kwok Knitting & Garment Co., Ltd. (Note 7)	Garment production	100.00	99.99
	Far Eastern Textile Ltd.	Textile production	100.00	100.00
	Far Eastern Electronic Toll Collection Co., Ltd.	Electronic toll collection services	66.33	66.33
	Yuan Hsin Digital Payment Co., Ltd.	Digital payment	65.01	65.01
	Malaysia Garment Manufactures Pte. Ltd.	Clothing production and investment	50.92	50.92
Yuan Ding Investment Co., Ltd.	Oriental Textile (Holding) Ltd. (OTTI)	Investment	100.00	100.00
	Far Eastern Apparel (Holding) Ltd. (FEAH)	Investment	100.00	100.00
	Far Eastern Fibertech Co., Ltd.	Nylon production	100.00	100.00

(Continued)



Investor	Investee	Nature of Activities	Proportion of Ownership	
			(%)	
			December 31	
			2017	2016
	Far Eastern Apparel Co., Ltd.	Sale of textiles, garments, and clothing	100.00	100.00
	Oriental Resources Development Co., Ltd.	Production and wholesale of medical supplies; waste recycling and re-processing	70.00	70.00
Far Eastern Investment (Holding) Ltd. (FEIH)	Yuan Faun Co., Ltd.	Consulting	100.00	100.00
	FETG Investment Antilles N.V.	Investment	100.00	100.00
	PET Far Eastern (M) Sdn. Bhd.	Bottle production	100.00	100.00
	Far Eastern Apparel (Vietnam) Ltd.	Clothing production	100.00	100.00
	Worldwide Polychem (HK) Ltd. (WWPI)	Foreign trade	100.00	100.00
Far Eastern Polychem Industries Ltd. (FEPI)	Far Eastern Polytex (Vietnam) Ltd.	Chemical fiber and textile production	100.00	100.00
	Far Eastern New Apparel (Vietnam) Ltd.	Clothing production	100.00	100.00
	Magna View Sdn. Bhd.	Investment	100.00	100.00
	Far Eastern Industries (Shanghai) Ltd.	Chemical fiber production	100.00	100.00
	Far Eastern Industries (Yangzhou) Ltd.	Production and sales of polyester products	100.00	100.00
Far Eastern Construction Co., Ltd.	Far Eastern Ishizuka Green Pet Corporation (FEIGP)	Recycled PET production and sales	90.00	90.00
	Far Eastern General Contractor Inc.	Construction	99.95	99.95
Far Eastern Apparel (Holding) Ltd. (FEAH)	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Dyeing and finishing	100.00	100.00
FETG Investment Antilles N.V.	Waldorf Services B.V.	Investment	100.00	100.00
Yuan Faun Co., Ltd.	Yuan Cheng Human Resources Consultant Corporation	Personnel recruitment	55.19	55.19
Yuan Tong Investment Co., Ltd.	Sino Belgium (Holding) Ltd.	Investment	90.88	90.88
Far Eastern Electronic Toll Collection Co., Ltd.	FETC International Co., Ltd. (Note 4)	Human services and equipment procurement and product sales agency services	100%	-
Far Eastern Apparel (Suzhou) Co., Ltd.	Suzhou An Ho Apparel Ltd.	Garment production	100.00	100.00
PET Far Eastern (Holding) Ltd. (PETH)	Oriental Petrochemical (Shanghai) Corporation	PTA production and sale	61.35	61.35
Oriental Textile (Holding) Ltd. (OTTI)	Far Eastern Industries (Wuxi) Ltd.	Fiber and textile production	100.00	100.00
	Oriental Industries (Suzhou) Ltd.	Production and sales of polyester resins and industrial fabrics	100.00	100.00
FEDP (Holding) Ltd. (FEDP)	Far Eastern Industries (Suzhou) Ltd.	Production and sales of polyester products	100.00	100.00
Far Eastern Polytex (Holding) Ltd.	Wuhan Far Eastern New Material Ltd.	Production and sales of PET sheet, chip, filament, staple fibers, and apparel	100.00	100.00
	Far Eastern Apparel (Suzhou) Co., Ltd.	Garment production	100.00	100.00
	Far Eastern Yihua Petrochemical (Yangzhou) Corporation	PTA and by-product production and sale	60.00	60.00
	Far Eastern New Century (China) Investment Co., Ltd.	Investment	100.00	100.00
	Far Eastern New Century (China) Investment Co., Ltd.	Shanghai Yuan Zi Information Technology Co., Ltd.	Software development, equipment maintenance and consulting	100.00
Sino Belgium (Holding) Ltd.	Yuan Ding Enterprise (Shanghai) Limited	Chemical products; wholesale of machineries and lubricants; agency commission; importing, exporting of goods and other complimentary businesses	100.00	100.00
	Sino Belgium Beer (Suzhou) Ltd.	Beer brewing	100.00	100.00
	Martens Beers (Shanghai) Ltd.	Beer sale	100.00	100.00
Oriental Petrochemical (Shanghai) Corporation	Shanghai Far Eastern Petrochemical Logistic Corporation	Transportation	100.00	100.00
Yuan Ding Co., Ltd.	Ding Ding Hotel Co., Ltd. (Note 5)	Hotel	90.26	80.99
	YDT Technology International Co., Ltd.	Electronic materials and by-product sale	100.00	100.00

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership	
			(%)	
			December 31	
			2017	2016
	Far Eastern Technical Consultants Co., Ltd.	Real estate development business consulting and management	100.00	100.00
	FET Consulting Engineers Co., Ltd.	Corporate management consulting, pipe and cable installment and replacement	100.00	100.00
	Ding Ding Integrated Marketing Service Co., Ltd.	Market research and general advertisement	80.00	80.00
	Far Eastern Electronic Commerce Co., Ltd. (FEEC) (Note 6)	Online retail services	-	73.42
FET Consulting Engineers Co., Ltd.	DDIM (Virgin Islands) Ltd.	Investment	100.00	100.00
YDT Technology International Co., Ltd.	YDC (Virgin Islands) Ltd.	Investment	100.00	100.00
YDC (Virgin Islands) Ltd.	Speedy (Shanghai) digital Tech. Co., Ltd.	Intelligent control equipment and security monitoring products	100.00	100.00
DDIM (Virgin Islands) Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc.	Internet software development services	100.00	100.00
Malaysia Garment Manufactures Pte. Ltd.	PT Malaysia Garment Bintan (PTMG)	Clothing production	99.00	99.00
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Types I and II telecommunications services	100.00	100.00
	ARCOA Communication Co., Ltd.	Sales of communications products and office equipment	61.63	61.63
	KGEx.com Co., Ltd.	Type II telecommunications services	99.99	99.99
	Yuan Cing Co., Ltd.	Call center services	100.00	100.00
	Far Eastern Info Service (Holding) Ltd. (FEIS)	Investment	100.00	100.00
	O-music Co., Ltd.	Electronic information providing services	50.00	50.00
	Q-ware Communications Corporation	Type II telecommunications services	81.46	81.46
	Hiiir Digital Marketing Co., Ltd. (Note 6)	Electronic information providing services	-	89.54
	Yuanshi Digital Technology Co., Ltd. (former name is Hiiir Digital Marketing Co., Ltd.) (Note 6)	Electronic information providing services	93.62	-
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Sale of communications products	70.00	70.00
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Investment	100.00	100.00
	Information Security Service Digital United Inc.	Security and monitoring service via Internet	100.00	100.00
	Digital United (Cayman) Ltd.	Investment	100.00	100.00
	Simple InfoComm Co., Ltd. (Note 3)	Electronic information providing services	-	-
Digital United (Cayman) Ltd.	Digital United Information Technology (Shanghai) Ltd.	Design and research of computer systems	100.00	100.00
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Telecommunications services	100.00	100.00
	Far East New Diligent Company Ltd.	Investment	100.00	100.00
	New Diligent Hong Kong Co., Ltd.	Investment	100.00	-
Far East New Diligent Company Ltd.	Far Eastern Tech-Info Ltd. (Shanghai)	Computer software, data processing and network information providing services	100.00	100.00
	Far Eastern New Century Information Technology (Beijing) Limited (Note 8)	Electronic information providing services	90.52	90.52
DataExpress Infotech Co., Ltd.	Linkwell Tech. Co., Ltd.	Sale of communications products	100.00	100.00
	Home Master Technology Ltd.	Sale of communications products	100.00	100.00

(Concluded)

Note 1: Even though the Company and its subsidiaries' consolidated ownership of Far EasTone was not over 50%, over half of the board of directors of Far EasTone were appointed by the Group. Thus, Far EasTone is included in the consolidated financial statements.

Note 2: Even though the Company and its subsidiaries' consolidated ownership of Yuan Ding Company Ltd. was not over 50%, the president of Yuan Ding Company Ltd. was appointed by the Group. Thus, Yuan Ding Company Ltd. is included in the consolidated financial statements.

Note 3: The subsidiary was dissolved on December 19, 2015 and liquidated on April 6, 2016.

Note 4: This is a subsidiary of Far Eastern Electronic Toll Collection Co., Ltd., which is a newly established subsidiary of an overseas business borne from the resolution of the shareholders of Far Eastern Electronic Toll Collection Co., Ltd. on April 27, 2017 under the Enterprises Mergers and Acquisitions Act (the date of the partition was April 30, 2017).

Note 5: From the shareholders resolution on June 28, 2017, Ding Ding Hotel Co., Ltd. issued 100,000 thousand new common shares on October 13, 2017 at a par value of \$10. The Group subscribed for additional new shares at a different percentage from its existing ownership percentage, which increased its continuing interest from 80.99% to 99.26%.

Note 6: In order to integrate the Group's e-commerce businesses and resources and enhance its competitiveness, the board of directors of Hiiir Digital Marketing Co., Ltd. and Far Eastern Electronic Commerce Co., Ltd. (FEEC) both resolved to approve the merger on June 27, 2017 with Hiiir Digital Marketing Co., Ltd. as the surviving company. Upon the completion of the aforesaid merger, the surviving company will be renamed as Yuanshi Digital Technology Co., Ltd. The merger record date was set on August 1, 2017. Hiiir Digital Marketing Co., Ltd. will issue 9,167,468 new shares in exchange for FEEC's 14,253,321 shares.

Note 7: On December 30, 2017, the Group subscribed for additional new shares of Fu Kwok Knitting & Garment Co., Ltd., which increased its continuing interest from 99.99% to 100%.

Note 8: The subsidiary was dissolved on February 9, 2018 which approved by local government.

Some financial statements of immaterial subsidiaries, including those of Far Eastern Tech-Info Ltd. (Shanghai) and Far Eastern New Century Information Technology (Beijing) Corporation for the year ended December 31, 2017 and of Far Eastern New Century Information Technology (Beijing) Corporation for the year ended December 31, 2016, were not audited. The Group believes that the financial statements of those subsidiaries which had not been audited would have no material effect on the Group's consolidated financial statements.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests	
	2017	2016	2017	2016
	Far EasTone	<u>\$ 6,696,619</u>	<u>\$ 7,048,945</u>	<u>\$ 43,735,717</u>

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current assets	\$ 26,284,153	\$ 26,557,388
Non-current assets	106,422,202	106,249,934
Current liabilities	(30,391,974)	(30,980,704)
Non-current liabilities	<u>(31,868,168)</u>	<u>(30,104,017)</u>
Equity	<u>\$ 70,446,213</u>	<u>\$ 71,722,601</u>
Equity attributable to:		
Owners of the Group	\$ 26,710,496	\$ 27,188,204
Non-controlling interests of Far EasTone	43,047,916	43,817,814
Non-controlling interests of Far EasTone's subsidiaries	<u>687,801</u>	<u>716,583</u>
	<u>\$ 70,446,213</u>	<u>\$ 71,722,601</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Revenue	<u>\$ 92,069,681</u>	<u>\$ 94,344,266</u>
Net income for the year	\$ 10,853,643	\$ 11,410,675
Other comprehensive loss for the year	<u>171,098</u>	<u>(42,178)</u>
Total comprehensive income for the year	<u>\$ 11,024,741</u>	<u>\$ 11,368,497</u>
Net income (loss) attributable to:		
Owners of the Group	\$ 4,157,024	\$ 4,361,730
Non-controlling interests of Far EasTone	6,699,658	7,029,573
Non-controlling interests of Far EasTone's subsidiaries	<u>(3,039)</u>	<u>19,372</u>
	<u>\$ 10,853,643</u>	<u>\$ 11,410,675</u>
Total comprehensive income (loss) attributable to:		
Owners of the Group	\$ 4,222,360	\$ 4,345,096
Non-controlling interests of Far EasTone	6,804,959	7,002,764
Non-controlling interests of Far EasTone's subsidiaries	<u>(2,578)</u>	<u>20,637</u>
	<u>\$ 11,024,741</u>	<u>\$ 11,368,497</u>
Net cash flow from:		
Operating activities	\$ 24,849,266	\$ 27,074,691
Investing activities	(14,158,138)	(17,546,575)
Financing activities	(12,602,055)	(15,270,889)
Effect of exchange rate changes	<u>(512)</u>	<u>6,749</u>
Net cash outflow	<u>\$ (1,911,439)</u>	<u>\$ (5,736,024)</u>
Dividends paid to non-controlling interests		
Far EasTone	<u>\$ 7,542,998</u>	<u>\$ 7,543,336</u>
Far EasTone's subsidiaries	<u>\$ 62,228</u>	<u>\$ 83,507</u>

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

	December 31			
	2017		2016	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Associates that are individually material				
Listed companies				
Asia Cement Corporation	\$ 20,205,365	26	\$ 19,291,041	26
Associates that are not individually material				
Listed companies				
Far Eastern Department Stores Co., Ltd.	7,181,591	24	7,079,848	23
Oriental Union Chemical Corporation	6,027,848	31	5,903,309	32
Far Eastern International Bank (Note 8)	5,456,496	16	-	-
Everest Textile Corporation	<u>1,141,919</u>	26	<u>1,160,911</u>	26
	<u>19,807,854</u>		<u>14,144,068</u>	
Unlisted companies				
Oriental Securities Corporation	4,730,989	47	4,658,305	47
Pacific Liu Tong Investment Co., Ltd.	4,231,574	40	4,234,587	40
Far Eastern International Leasing Corporation	1,862,319	34	1,866,661	34
Liquid Air Far East Co., Ltd.	1,912,746	35	1,778,443	35
Da Ju Fiber Co., Ltd.	1,714,916	42	1,585,067	42
Far Eastern Union Petrochemical (Yangzhou) Corporation	2,028,774	50	1,515,620	50
Yu Yuan Investment Co., Ltd.	1,799,752	44	1,298,224	44
Tong Da Air Industry (Yangzhou) Co., Ltd.	1,083,569	50	969,375	50
Yu Ding Industry Co., Ltd.	728,273	31	636,473	31
Kowloon Cement Corporation	444,941	49	471,469	49
Yuan Ding Leasing Corporation	388,327	46	389,978	46
Freudenberg Far Eastern Spunweb Co., Ltd.	370,377	30	341,233	30
FEDS Asia Pacific Development Ltd.	131,033	5	129,763	5
Yue Ming Trading Corporation	62,743	47	62,062	47
Alliance Digital Technology Corporation	14,451	14	33,869	14
Com 2B	12,392	20	13,333	20
Opas Fund Segregated Portfolio Company	1,582	34	1,699	34
Catalyst_207 SPC	<u>506</u>	34	<u>-</u>	-
	<u>21,519,264</u>		<u>19,986,161</u>	
	<u>\$ 61,532,483</u>		<u>\$ 53,421,270</u>	

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	
			2017	2016
Asia Cement Corporation	Cement production	Taiwan	25.67%	25.62%

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

<b>Name of Associate</b>	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Asia Cement Corporation	<u>\$ 24,342,166</u>	<u>\$ 22,700,192</u>

Summarized financial information in respect of the Group's material associate is set out below.

The summarized financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Asia Cement Corporation

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current assets	\$ 50,262,702	\$ 42,148,568
Non-current assets	196,801,646	196,322,217
Current liabilities	(53,948,167)	(40,857,530)
Non-current liabilities	<u>(47,319,817)</u>	<u>(56,950,034)</u>
Equity	145,796,364	140,663,221
Non-controlling interests	<u>(18,360,799)</u>	<u>(18,000,144)</u>
	<u>\$ 127,435,565</u>	<u>\$ 122,663,077</u>
Proportion of the Group's ownership	25.67%	25.62%
Equity attributable to the Group	32,712,710	31,426,280
Cross shareholdings	<u>(12,507,345)</u>	<u>(12,135,239)</u>
Carrying amount	<u>\$ 20,205,365</u>	<u>\$ 19,291,041</u>

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating revenue	<u>\$ 64,899,248</u>	<u>\$ 60,946,190</u>
Net income for the year	\$ 6,665,541	\$ 4,683,297
Other comprehensive income (loss)	<u>2,119,539</u>	<u>(14,688,396)</u>
Total comprehensive income (loss) for the year	<u>\$ 8,785,080</u>	<u>\$ (10,005,099)</u>
Dividends received from Asia Cement Corporation	<u>\$ 776,878</u>	<u>\$ 946,080</u>

b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
The Group's share of:		
Net income for the year	\$ 3,166,691	\$ 1,228,198
Other comprehensive income (loss)	<u>471,776</u>	<u>(1,040,184)</u>
Total comprehensive income for the year	<u>\$ 3,638,467</u>	<u>\$ 188,014</u>

On August 18, 2017, the Group has significant influence on Far Eastern International Bank (Note 8). Therefore, starting from August 18, 2017, the investment in Far Eastern International Bank was recognized as investments accounted for using the equity method.

Investments in FEDS Asia Pacific Development Corporation and Alliance Digital Technology Corporation were accounted for using the equity method because the Group had significant influence over them even though the Group owned less than 20% of each investee's voting shares.

The calculation of the investments which were accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments were based on the associates' audited financial statements, except for those of Alliance Digital Technology Corporation and Catalyst\_207 SPC in 2017 and Alliance Digital Technology Corporation in 2016. Management believes that were the financial statements of the investees above to have been audited, they would have no material impact on the Group.

## 17. PROPERTY, PLANT, EQUIPMENT AND PREPAYMENTS FOR EQUIPMENT

	<b>December 31</b>								
	<b>2017</b>			<b>2016</b>					
<b>Carrying amounts</b>									
Property, plant and equipment				<b>\$ 152,732,987</b>			<b>\$ 148,316,398</b>		
Prepayments for equipment				<b>1,632,368</b>			<b>1,612,960</b>		
				<b><u>\$ 154,365,355</u></b>			<b><u>\$ 149,929,358</u></b>		
	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Telecommunications Equipment</b>	<b>Computer Equipment</b>	<b>Leasehold Improvements</b>	<b>Operating and Miscellaneous Equipment</b>	<b>Construction-in-progress and Prepayments for Equipment</b>	<b>Total</b>
<b>Cost</b>									
Balance at January 1, 2017	\$ 18,445,818	\$ 31,531,905	\$ 119,190,973	\$ 127,805,053	\$ 15,295,038	\$ 4,662,292	\$ 20,917,820	\$ 33,727,717	\$ 371,576,616
Additions	2,360	275,896	273,516	64,491	70,216	16,786	313,580	21,710,112	22,726,957
Disposals	(3,500)	(165,465)	(1,211,443)	(47,991,698)	(1,417,444)	(120,291)	(733,818)	(726,392)	(52,370,051)
Reclassification	1,683,853	1,124,603	2,178,318	5,392,410	959,624	112,633	710,009	(10,786,840)	1,374,610
Effect of exchange rate difference	(1,496)	(145,004)	(493,115)	(1)	(1,682)	(7)	(75,608)	(263,804)	(980,717)
Balance at December 31, 2017	<u>\$ 20,127,035</u>	<u>\$ 32,621,935</u>	<u>\$ 119,938,249</u>	<u>\$ 85,270,255</u>	<u>\$ 14,905,752</u>	<u>\$ 4,671,413</u>	<u>\$ 21,131,983</u>	<u>\$ 43,660,793</u>	<u>\$ 342,327,415</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2017	\$ (96,557)	\$ (14,181,156)	\$ (82,531,268)	\$ (93,211,884)	\$ (12,825,382)	\$ (3,575,769)	\$ (15,158,386)	\$ (66,856)	\$ (221,647,258)
Disposals	663	61,732	1,092,880	47,236,584	1,415,413	83,294	632,070	-	50,522,636
Impairment loss	-	(42,052)	(1,088,369)	-	-	-	(10,524)	(126,549)	(1,267,494)
Depreciation expense	-	(846,346)	(3,997,105)	(7,990,753)	(1,293,375)	(380,498)	(1,342,932)	-	(15,851,009)
Reclassification	-	(1,927)	41,312	(41,013)	29,440	9,128	(23,087)	-	13,853
Effect of exchange rate differences	-	39,348	193,748	2	159	7	33,948	-	267,212
Balance at December 31, 2017	<u>\$ (95,894)</u>	<u>\$ (14,970,401)</u>	<u>\$ (86,288,802)</u>	<u>\$ (54,007,064)</u>	<u>\$ (12,673,745)</u>	<u>\$ (3,863,838)</u>	<u>\$ (15,868,911)</u>	<u>\$ (193,405)</u>	<u>\$ (187,967,060)</u>
<b>Cost</b>									
Balance at January 1, 2016	\$ 18,464,710	\$ 31,111,961	\$ 120,064,405	\$ 130,687,381	\$ 14,974,029	\$ 4,760,258	\$ 19,901,501	\$ 29,934,984	\$ 369,899,229
Additions	26,432	125,155	310,315	83,612	48,823	28,504	362,312	18,160,050	19,145,203
Disposals	(96,277)	(96,277)	(1,315,189)	(10,072,475)	(430,470)	(312,871)	(337,406)	(77,595)	(12,642,283)
Reclassification	2,205	1,025,745	3,377,419	7,106,539	703,336	186,454	1,215,456	(13,694,672)	(79,518)
Effect of exchange rate difference	(47,529)	(634,672)	(3,245,977)	(4)	(680)	(53)	(222,043)	(595,050)	(4,746,015)
Balance at December 31, 2016	<u>\$ 18,445,818</u>	<u>\$ 31,531,905</u>	<u>\$ 119,190,973</u>	<u>\$ 127,805,053</u>	<u>\$ 15,295,038</u>	<u>\$ 4,662,292</u>	<u>\$ 20,917,820</u>	<u>\$ 33,727,717</u>	<u>\$ 371,576,616</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2016	\$ (96,557)	\$ (13,669,523)	\$ (81,147,180)	\$ (94,832,452)	\$ (12,028,807)	\$ (3,469,410)	\$ (14,233,316)	\$ -	\$ (219,477,245)
Disposals	-	93,209	1,238,475	9,412,351	427,879	299,432	325,783	-	11,797,129
Impairment loss	-	-	(271,425)	(313,563)	-	-	-	(66,856)	(651,844)
Depreciation expense	-	(830,968)	(3,981,778)	(7,478,222)	(1,216,417)	(405,838)	(1,388,333)	-	(15,301,556)
Reclassification	-	(2,305)	(13,582)	-	(8,520)	-	1,055	-	(23,352)
Effect of exchange rate differences	-	228,431	1,644,222	2	483	47	136,425	-	2,009,610
Balance at December 31, 2016	<u>\$ (96,557)</u>	<u>\$ (14,181,156)</u>	<u>\$ (82,531,268)</u>	<u>\$ (93,211,884)</u>	<u>\$ (12,825,382)</u>	<u>\$ (3,575,769)</u>	<u>\$ (15,158,386)</u>	<u>\$ (66,856)</u>	<u>\$ (221,647,258)</u>

The Group expects that future cash flows of the machinery equipment which produce certain products from the petrochemical department, the textile department and the chemical fiber department will decrease. As a result, the recoverable amount was less than the book value. The recoverable amount of the machinery equipment was based on the usable value. As of December 31, 2017 and 2016, the recoverable amounts were \$8,105,634 thousand and \$3,236,858 thousand, respectively, with the range of discount rates of 4.5648% to 8% and 3.9703% to 8%, respectively. The Group recognized the impairment loss amounting to \$1,267,494 thousand and \$338,281 thousand, respectively. The impairment loss was recognized in the comprehensive income statements under the impairment loss account.

The 2G license will expire in June 2017, and the related services will be terminated. Accordingly, the future cash inflows of 2G operating equipment are expected to decline, which results in the recoverable amount being less than the carrying amount. Therefore, the Group recognized an impairment loss of \$313,563 thousand for the year ended December 31, 2016.

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful lives:

Buildings	3-60 years
Telecommunications equipment	2-25 years
Computer equipment	3-10 years
Machinery and equipment	3-20 years
Leasehold improvements and operating and miscellaneous equipment	3-15 years

As of December 31, 2017 and 2016, farmland was reclassified to property, plant and equipment amounting to \$238,430 thousand for both dates and to investment properties amounting to \$36,095 thousand and \$34,956 thousand, respectively. The titles to the land are temporarily registered in the name of trustees who have either signed an agreement showing that the farmland belongs to the Group or have pledged the land to the Group.

## 18. INVESTMENT PROPERTIES

The fair value of investment properties was estimated using unobservable inputs (Level 3). The movements in the fair value were as follows:

	<b>Completed Investment Properties</b>
Balance at January 1, 2017	\$ 124,758,539
Additions	1,895
Disposals	(6,965)
Reclassification	(1,628,073)
Recognized in profit (gain arising from the change in fair value of investment property)	1,040,128
Recognized in other comprehensive income (exchange differences on translating foreign operations)	<u>(16,639)</u>
Balance at December 31, 2017	<u>\$ 124,148,885</u>

(Continued)



	<b>Completed Investment Properties</b>
Balance at January 1, 2016	\$ 124,190,706
Additions	1,723
Disposals	(827,860)
Reclassification	(1,813,249)
Recognized in profit (gain arising from the change in fair value of investment property)	3,239,649
Recognized in other comprehensive income (exchange differences on translating foreign operations)	<u>(32,430)</u>
Balance at December 31, 2016	<u>\$ 124,758,539</u> (Concluded)

The Group and Asia Cement Corporation (ACC) co-own land located on Dunhua South Road in Taipei. Under an agreement between the Group and ACC, Yuan Ding paid for the construction of a multifunctional building on this land and owned the 30-year right of superficies. According to the agreement, the 30-year right of superficies have started on November 15, 1993. However, the ownership of the building was registered in the name of the Group, ACC and Yuan Ding at 12%, 12% and 76%, respectively. Upon expiration of the agreement, the Group and ACC will equally acquire Yuan Ding's 76% ownership of the building based on the carrying amount of the building.

The construction of a building (Mega City) located in the Banqiao district, Xin Ban section was completed in 2011, and the building was leased to Far Eastern Department Stores Co., Ltd. (FEDS) as its department store space. A portion of the rental income generated from the operating lease was recognized over the lease term on a straight-line basis and the rest of the income was recognized as a percentage of FEDS's gross operating income. The lease of FEDS will expire in December 2026. The construction of Banqiao Zhong Ben commercial building (Mega Tower) was completed in the six months ended June 30, 2015 and recognized as inventories (available-for-sale - buildings and land). For the year ended December 31, 2016, a portion of the floors which had been rented out to others were reclassified from inventories to investment properties at their fair value of \$53,166 thousand and a gain on the transfers from inventories to investment properties amounting to \$29,403 thousand (recognized as gain on change in fair value of investment properties) was recognized, and a portion of the floors which had been rented out to the Group were reclassified from inventories to property, plant and equipment at their carrying amount of \$23,763 thousand.

The construction project - Taipei Far Eastern Telecom Park, investment property located in Banqiao, was in accordance with the enforcement rules of the Act for Promotion of Private Participation in Infrastructure Projects, and the market rentals were valued at between \$0.4 thousand and \$3.5 thousand per ping (i.e. 1 ping = 3.3 square meters).

The fair value of investment properties were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Independent valuation	<u>\$ 124,148,885</u>	<u>\$ 124,758,539</u>

The fair value of the investment properties as of December 31, 2017 and 2016 was based on the valuations carried out at February 23, 2017 and February 6, 2016, respectively, by independent qualified professional valuers Mr. Chia-ho Tsai and Ms. Chun-Chun Hu in 2017 and Mr. Chia-ho Tsai, Ms. Chun-Chun Hu and Mr. Ken Yuan Li in 2016 from Debenham Tie Leung Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

The fair value of investment properties, except for undeveloped land, was measured using the income approach. The significant assumptions of main contracts used were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Expected future cash inflows	\$ 58,854,858	\$ 59,070,894
Expected future cash outflows	<u>(2,260,679)</u>	<u>(2,208,126)</u>
Expected future cash inflows, net	<u>\$ 56,594,179</u>	<u>\$ 56,862,768</u>
Discount rate intervals	1.845%-2.36%	1.845%-2.22%

The expected future cash inflows/outflows disclosed above was based on parts of different types of investment properties located in Banqiao. The fair value of the Group's investment properties in Banqiao was calculated based on the expected future cash inflows/outflows of different types of investment properties to extrapolate the total area of the Group's investment properties in Banqiao.

Part of the investment properties had been leased out under operating leases. The rental income generated for the years ended December 31, 2017 and 2016 were \$1,050,359 thousand and \$1,020,481 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding too-high and too-low values, taking into account the annual rental growth rate. However, when the investment properties had a specific rental period, the rental income was extrapolated on that rental period with no more than 10 years. Loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment property included expenditures such as land value taxes, house taxes, insurance premium, maintenance costs, replacement allowance and depreciation. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the local same class product, a reasonable rental income level and the selling price of investment properties taking into consideration the liquidity, potential risk, appreciation and the complexity of management; in addition, the discount rate should not be lower than the interest rate for two-year time deposits of Chunghwa Post Corporation plus 0.75%.

The Group's undeveloped land was mainly located in Zhongli District and Taipei City. The fair value was measured using the land development analysis, because it was undeveloped and cannot be measured by the income approach. The significant assumptions used were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Estimated total sale price	<u>\$ 21,861,268</u>	<u>\$ 26,831,445</u>
Rate of return	15%	15%
Overall capital interest rate intervals	1.04%-2.41%	1.04%-2.20%

The estimated amount from Zhongli, Taoyuan which has been disclosed in the total sale price above is the sum of the amount from partial investment properties in Zhongli, Taoyuan. It is calculated by reference to any existing lease, local rentals, or market rentals for similar comparable subjects. The total fair value of investment properties in Zhongli, Taoyuan is calculated by extrapolating the fair value from its estimation of the sale price of partial investment properties in Zhongli, Taoyuan.

The total selling price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, domestic macroeconomic prospects, local land use, and market rates.

## 19. GOODWILL

**For the Year Ended December 31**  
**2017**                      **2016**

Cost

Beginning and ending balance	<u>\$ 11,865,515</u>	<u>\$ 11,865,515</u>
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If an investment's acquisition cost exceeds the fair value of the identifiable net assets acquired and the source of this excess cannot be identified, this excess should be recorded as goodwill. Goodwill mainly resulted from the mergers and acquisitions of Far EasTone, from which it had obtained a large percentage of companies with which it had merged.

Far EasTone was divided into four identifiable cash-generating units that enhance its operating effectiveness and integrate its telecommunications resources: The mobile telecommunications service business, telecommunications equipment business, WiFly business and integrated network business.

As of December 31, 2017 and 2016, the carrying amounts of the tangible and intangible assets used by the Group were \$102,343,078 thousand and \$102,308,029 thousand, respectively. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and, thus, based the cash flow forecasts with the following discount rates as of December 31, 2017 and 2016: Mobile telecommunications service business - 7.17% and 5.83%, respectively; telecommunications equipment business - 7.20% and 6.75%, respectively; integrated network business - 7.13% and 5.99%, and WiFly business - 6.96% and 5.83%, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Group's own business. The principal assumptions and the relevant measurement of the recoverable amounts of the Group are summarized as follows:

- a. Expected future growth rate of the telecommunications industry
  - 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, while the development trend of the market is taken into account.
  - 2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenues of previous years, while the demands and changes of the market are taken into account.
  - 3) Business of selling cellular phone units: The anticipated selling cellular phone is based on the historical sales revenues and quantities of previous years, while the trend of the market is taken into account.
  - 4) WiFly business: The anticipated WiFly is based on present operating experience and the demand of WiFly, while the trend of the industry is taken into account.
  - 5) Integrated network business (INB): The anticipated INB is measured based on the actual effective customer base and service revenues of previous years, while the trend of the market is taken into account.

- b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenue, while the possible influence of each source of revenue, cost and expense are taken into account.

## 20. CONCESSIONS AND OTHER INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Carrying amounts</u>		
Concessions	\$ 44,561,464	\$ 41,422,996
Other intangible assets		
Computer software	3,421,047	3,177,633
Others	463,638	499,143
	<u>3,884,685</u>	<u>3,676,776</u>
	<u>\$ 48,446,149</u>	<u>\$ 45,099,772</u>

	<b>Concessions</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2017	\$ 41,422,996	\$ 3,177,633	\$ 499,143	\$ 45,099,772
Additions	6,515,000	1,112,597	2,686	7,630,283
Amortization	(3,463,097)	(889,926)	(111,793)	(4,464,816)
Disposals	-	(33,067)	-	(33,067)
Recognized impairment loss	(22,774)	-	-	(22,774)
Reclassification	109,339	55,854	74,417	239,610
Effect of exchange rate differences	<u>-</u>	<u>(2,044)</u>	<u>(815)</u>	<u>(2,859)</u>
Balance at December 31, 2017	<u>\$ 44,561,464</u>	<u>\$ 3,421,047</u>	<u>\$ 463,638</u>	<u>\$ 48,446,149</u>
Balance at January 1, 2016	\$ 35,151,640	\$ 2,811,278	\$ 654,267	\$ 38,617,185
Additions	9,526,330	1,058,163	41,757	10,626,250
Amortization	(2,850,194)	(803,692)	(187,079)	(3,840,965)
Disposals	(450,492)	(3,793)	(6,292)	(460,577)
Reclassification	45,712	121,200	2,449	169,361
Effect of exchange rate differences	<u>-</u>	<u>(5,523)</u>	<u>(5,959)</u>	<u>(11,482)</u>
Balance at December 31, 2016	<u>\$ 41,422,996</u>	<u>\$ 3,177,633</u>	<u>\$ 499,143</u>	<u>\$ 45,099,772</u>

The above other intangible assets were depreciated on a straight-line basis up to the estimated useful lives of the assets as follows:

Concessions	17.75 years
Computer software	10 years
Others	16 years

## 21. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Bank credit loans	\$ 26,851,641	\$ 31,214,468
Secured and pledged bank loans	360,000	430,056
Loans from related parties	<u>3,732,946</u>	<u>3,487,023</u>
	<u>\$ 30,944,587</u>	<u>\$ 35,131,547</u>

- 1) The range of interest rates for bank loans were from 0.50% to 5.00% and from 0.53% to 8.90% as of December 31, 2017 and 2016, respectively.
- 2) Loans from related parties were the Group's repayments to related parties. Interest rates were all 0% as of December 31, 2017 and 2016.

### b. Short-term bills payable

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Commercial paper	\$ 7,647,000	\$ 9,282,000
Less: Unamortized discount on commercial paper	<u>3,225</u>	<u>3,619</u>
	<u>\$ 7,643,775</u>	<u>\$ 9,278,381</u>

The short-term bills payable outstanding were issued at interest rates ranging from 0.40% to 1.788% and 0.50% to 1.838% as of December 31, 2017 and 2016, respectively.

### c. Long-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Bank loans	\$ 61,980,785	\$ 67,564,299
Long-term commercial paper	7,762,000	4,900,000
Less: Unamortized discount on commercial paper	<u>8,281</u>	<u>13,237</u>
	<u>7,753,719</u>	<u>4,886,763</u>
	69,734,504	72,451,062
Less: Current portion	<u>3,193,951</u>	<u>3,613,146</u>
	<u>\$ 66,540,553</u>	<u>\$ 68,837,916</u>

The foregoing loans are repayable through a lump sum payment on maturity and payments of interest monthly; a lump sum of capital and interest on maturity; a lump sum of capital on maturity and prepaid interest which are in New Taiwan dollars, Japanese yen, Euros, RMB and U.S. dollars. Therefore, some of the loans are revolving credit loans, which can be revolved within the credit line limitation. The maturity dates of revolving credit loans are based on the maturity dates of the credit line limit contracts. The maturity dates and bank interest rates of the Group's borrowings were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Maturity	December 2018- April 2031	January 2017- April 2031
Bank interest rate intervals	0.60%-4.75%	0.63%-8.10%

On March 22, 2011, a FENC's subsidiary, FECC, entered into a credit agreement with Hua Nan Bank and update the credit agreement into \$5,600,000 thousand on January 3, 2017. FECC pledged its land and construction pertaining to the Zhong Ben project (Ban Qiao - New Section No. 8) and amounting to \$8,880,000 thousand as first mortgage to the creditor banks. Other agreement terms were as follows:

	<b>Credit Line</b>	<b>Maturity Period</b>	<b>Interest Rate</b>	<b>Repayment</b>
A	\$ 1,720,000 thousand	20 years after use of the credit	Hua Nan Bank's periodic savings interest rate plus 0.4% then divided by 0.946%	No revolving credit but batch employed available within 5 years; No repayment in the first 5 years; quarterly repayments of \$30,000 thousand quarterly from the sixth year and redemption of rest on maturity
B	\$ 1,000,000 thousand	5 years after approve of the credit (Note 2)	Reference interest rate plus 0.69544% (negotiated by each loan)	Revolving credit within the period; no longer than 6 months; lump sum repayment on maturity
D	\$ 2,760,000 thousand	7 years after draw down of the credit (Note 3)	Reference interest rate plus 0.804% (negotiated by each loan, but no less than 1.5%)	No revolving credit but batch employed available within 3 years; credit will be paid every 6 months from 3 years after each drawdown date. The first 8 installments should repay 5% of the loan, and the last installment should repay 60% of loan.
	<hr style="width: 100px; margin: 0 auto;"/> \$ 5,480,000 <u>thousand</u>			

Note 1: The reference interest rate is based on The Taipei Inter-bank 90 days' Offered Rate (TAIBOR).

Note 2: On January 3, 2017, FECC updated the content of the contract for reducing the amount of credit line A \$160,000 thousand, credit line B \$400,000 thousand and credit line D \$240,000 thousand, and the cancelation of credit line C.

On July 19, 2017, a FENC's subsidiary, Oriental Petrochemicals (Taiwan) Corporation (OPTC), got a five-year syndicated loan in a total amount of \$16,800,000 thousand from bank groups which Mega International Commercial Bank is the leading bank. During the contract period, OPTC needs to keep its liability ratio within a certain range calculated based on the recent audited non-consolidated financial statements. If OPTC fails to meet the requirement, it should readjusts the liability ratio to within the required range in 5 months from June 1 next year. Otherwise, starting from November 1, OPTC has to pay extra 0.125% interest of the outstanding amounts until the day before the liability ratio has met the range requirement. OPTC does not violate the contract above.

In 2012, a FENC subsidiary, Oriental Petrochemicals (Taiwan) Corporation (OPTC), got a five-year and seven-year syndicated loan in a total amount of \$11,000,000 thousand from bank groups which Mega International Commercial Bank is the leading bank. During the contract period, OPTC needs to keep its liability ratio within a certain range calculated based on the recent audited non-consolidated financial statements. If OPTC fails to meet the requirement, it should readjusts the liability ratio to within the required range in 5 months from June 1 next year. Otherwise, starting from November 1, OPTC has to pay extra 0.125% interest of the outstanding amounts until the day before the liability ratio has met the range requirement. OPTC does not violate the contract above. On July 19, 2017, OPTC got a new syndicated loan from bank groups which Mega International Commercial Bank is the leading bank, and terminated this syndicated loan in advance.

On April 23, 2012, in order to construct a freeway taximeter system infrastructure, an FENC subsidiary, Far Eastern Electronic Toll Collection Corporation (FETC), entered into a syndicated loan agreement amounting to \$6,420,000 thousand with Cathay United bank and three other financial institutions. The agreement terms are as follows:

The syndicated loan, which consisted of three different loans with different terms and lines of credit (A, B and C), was obtained to meet FETC's capital needs for operating and maintain the infrastructure for the electronic toll collection project ("ETC project"). Its amount, date, and are expected to move aside as the repayment period:

<b>Project</b>	<b>Credit</b>	<b>Fixed dial Date</b>	<b>Expected Repayment Period</b>
Syndicated loan borrowings			
A	\$ 2,906,000	2012.05.10	2014.11-2021.02
B	3,294,000	2012.05.10	2019.08-2025.11
C	220,000	2012.05.10	The first drawdown to 6 months after completing the transfer of assets by the borrower based on the building operation contract

Another requirement in the syndicated loan agreement was for FETC to open special bank accounts and to place appropriate payments to these bank accounts through deposits and time deposits. The bank accounts pertaining to the loan reserve and time deposits that had been pledged to Cathy United Bank were accounted for under other financial assets - non-current (Note 36). The terms of loans A and B further included a requirement for FETC to keep its loan capital and interest coverage ratio at more than 1.10 during the interest accrual period after November 10, 2014. In addition, FETC should get prior written consent from Cathy United Bank based on the schedule and amount of the ETC project shown in FETC's annual budget before FETC disposes of the pledged deposits and should replace these deposits with other operating assets as collateral. The value of the operating assets should be the lower of the value of newly built operating assets for ETC's operations or the value of other assets that had not been provided to Cathay United Bank as collateral. As of December 31, 2017 and December 31, 2016, the amount of operating assets with pledged rights was \$3,756,000 (refer to Note 35). ETC had already repaid the credit line A \$600,000 thousand in advance in December 2017 and are expected to change the repayment date of the credit amount from February 2021 to February 2019.

With FETC's long-term debts with floating rates, which may cause material cash flow risks, FETC started to use interest rate swaps on the first day it made a loan drawdown to hedge against adverse cash flow fluctuations on its liabilities under the syndicated loan agreement.

## 22. BONDS PAYABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Nonconvertible bonds	\$ 85,300,000	\$ 79,050,000
Discount of nonconvertible bonds	<u>(93,053)</u>	<u>(87,880)</u>
	85,206,947	78,962,120
Less: Current portion	<u>13,495,529</u>	<u>16,444,074</u>
	<u>\$ 71,711,418</u>	<u>\$ 62,518,046</u>

### Bonds

	Period	Maturity	Annual Rate (%)	Issued Amount	<u>December 31</u>		Repayment
					<u>2017</u>	<u>2016</u>	
					Outstanding	Outstanding	
					Balance	Balance	
<u>Company</u>							
Unsecured bonds							
100-3		2012.02.15-2017.02.15	1.36	6,000,000	-	3,000,000	(Note 1)
101-1		2012.06.07-2017.06.07	1.35	3,200,000	-	1,600,000	(Note 1)
101-2		2012.11.26-2017.11.26	1.30	4,200,000	-	2,100,000	(Note 1)
102-2		2013.08.28-2017.02.28	1.39	3,000,000	-	3,000,000	(Note 2)
102-3		2013.12.23-2018.12.23	1.45	2,800,000	2,800,000	2,800,000	(Note 2)
103-1		2014.08.21-2019.08.21	1.47	3,200,000	3,200,000	3,200,000	(Note 1)
103-2		2014.12.04-2019.12.04	1.47	2,200,000	2,200,000	2,200,000	(Note 1)
103-3		2015.02.06-2020.02.06	1.38	2,600,000	2,600,000	2,600,000	(Note 1)
104-1		2015.05.25-2020.05.25	1.39	8,000,000	8,000,000	8,000,000	(Note 1)
104-2		2015.10.02-2020.10.02	1.28	5,200,000	5,200,000	5,200,000	(Note 1)
104-3		2015.11.16-2020.11.16	1.25	2,800,000	2,800,000	2,800,000	(Note 2)
105-1-A		2016.04.29-2021.04.29	0.88	6,000,000	6,000,000	6,000,000	(Note 1)
105-1-B		2016.04.29-2021.04.29	-	2,000,000	2,000,000	2,000,000	(Note 4)
105-2		2016.09.20-2021.09.20	0.72	3,800,000	3,800,000	3,800,000	(Note 2)
106-1		2017.05.17-2022.05.17	1.15	5,000,000	5,000,000	-	(Note 1)
<u>Subsidiary Yuan</u>							
Ding Investment Co., Ltd.							
Unsecured bonds							
101-1-B		2012.08.06-2017.08.06	1.40	1,100,000	-	550,000	(Note 1)
103-1		2014.05.26-2019.05.26	1.35	3,000,000	3,000,000	3,000,000	(Note 1)
104-1		2015.07.10-2020.07.10	1.43	3,000,000	3,000,000	3,000,000	(Note 1)
104-2		2015.11.09-2020.11.09	1.28	2,000,000	2,000,000	2,000,000	(Note 1)
105-1		2016.05.30-2021.05.30	0.90	3,800,000	3,800,000	3,800,000	(Note 1)
106-1		2017.06.30-2022.06.30	1.15	3,000,000	3,000,000	-	(Note 2)
<u>Subsidiary Far</u>							
EasTone							
Unsecured bonds							
102-4		2013.06.27-2020.06.27	1.33	5,000,000	5,000,000	5,000,000	(Note 3)
102-5-A		2013.10.15-2017.10.15	1.46	1,000,000	-	1,000,000	(Note 2)
102-5-B		2013.10.15-2018.10.15	1.58	4,000,000	4,000,000	4,000,000	(Note 2)
102-6-B		2013.12.24-2017.12.24	1.27	5,200,000	-	5,200,000	(Note 2)
102-6-C		2013.12.24-2019.12.24	1.58	3,200,000	3,200,000	3,200,000	(Note 2)
105-1		2017.01.05-2022.01.05	1.17	5,200,000	5,200,000	-	(Note 2)
106-1		2017.04.26-2022.04.26	1.17	4,500,000	4,500,000	-	(Note 2)
106-2		2017.09.04-2023.09.04	1.17	2,000,000	2,000,000	-	(Note 2)

(Continued)



Period	Maturity	Annual Rate (%)	Issued Amount	December 31		Repayment
				2017	2016	
				Outstanding Balance	Outstanding Balance	
106-3-A	2017.12.20-2022.06.20	0.95	1,500,000	\$ 1,500,000	\$ -	(Note 2)
106-3-B	2017.12.20-2024.12.20	1.09	1,500,000	<u>1,500,000</u>	<u>-</u>	(Note 2)
Total outstanding balance				<u>\$ 85,300,000</u>	<u>\$ 79,050,000</u>	

(Concluded)

Note 1: These bonds are repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

Note 2: These bonds are repayable in lump sum on maturity. The interest is calculated by the floating interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

Note 3: These bonds are repayable at 50% and 50% of the total amount at the end of fifth and seventh years, respectively. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

Note 4: This bond is repayable in lump sum at the 104.8411% of total amount on maturity.

## 23. PROVISIONS

	December 31	
	2017	2016
Dismantling obligation	\$ 1,022,012	\$ 975,571
Warranties	<u>147,464</u>	<u>154,846</u>
	<u>\$ 1,169,476</u>	<u>\$ 1,130,417</u>
Current	\$ 282,035	\$ 270,831
Non-current	<u>887,441</u>	<u>859,586</u>
	<u>\$ 1,169,476</u>	<u>\$ 1,130,417</u>

	Dismantling Obligation	Warranties	Onerous Contracts	Total
Balance at January 1, 2017	\$ 975,571	\$ 154,846	\$ -	\$ 1,130,417
Additional provisions recognized	77,646	44,605	-	122,251
Reductions arising from payments	<u>(31,205)</u>	<u>(51,987)</u>	<u>-</u>	<u>(83,192)</u>
Balance at December 31, 2017	<u>\$ 1,022,012</u>	<u>\$ 147,464</u>	<u>\$ -</u>	<u>\$ 1,169,476</u>
Balance at January 1, 2016	\$ 926,125	\$ 142,146	\$ 1,461	\$ 1,069,732
Additional provisions recognized	74,665	60,847	-	135,512
Reductions arising from payments	<u>(25,219)</u>	<u>(48,147)</u>	<u>(1,461)</u>	<u>(74,827)</u>
Balance at December 31, 2016	<u>\$ 975,571</u>	<u>\$ 154,846</u>	<u>\$ -</u>	<u>\$ 1,130,417</u>

## 24. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company and its subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries. The subsidiaries which registered in mainland China made contributions at certain percentage of wages and salaries under local government's regulations.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to \$855,516 thousand and \$816,994 thousand for the years ended December 31, 2017 and 2016, respectively.

### b. Defined benefit plans

The defined benefit plan adopted by the Company and its subsidiaries established in Republic of China in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These companies contribute amounts corresponding to certain percentages of monthly salaries to their respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in the Bank of Taiwan. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Present value of defined benefit obligation	\$ 8,485,467	\$ 9,094,104
Fair value of plan assets	<u>(5,922,878)</u>	<u>(5,524,458)</u>
Deficit	2,562,589	3,569,646
Recognized in net defined benefit assets (recognized as other non-current assets)	<u>51,403</u>	<u>50,944</u>
Net defined benefit liabilities (Note)	<u>\$ 2,613,992</u>	<u>\$ 3,620,590</u>

Note: Far EasTone conducted a tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. (NCIC) in a premium price; therefore, the net defined benefit liabilities of \$10,529 thousand as of both December 31, 2017 and 2016 have been written off in the consolidated financial statements.

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2017	<u>\$ 9,094,104</u>	<u>\$ (5,524,458)</u>	<u>\$ 3,569,646</u>
Service cost			
Current service cost	109,937	-	109,937
Past service cost and loss on settlements	4,351	-	4,351
Interest expense (income)	<u>132,018</u>	<u>(82,117)</u>	<u>49,901</u>
Recognized in profit or loss (Note)	<u>246,306</u>	<u>(82,117)</u>	<u>164,189</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(327,914)	(327,914)
Actuarial (gain) loss - changes in demographic assumptions	2,972	-	2,972
Actuarial (gain) loss - changes in financial assumptions	123,345	-	123,345
Actuarial (gain) loss - experience adjustments	<u>(376,031)</u>	<u>-</u>	<u>(376,031)</u>
Recognized in other comprehensive income	<u>(249,714)</u>	<u>(327,914)</u>	<u>(577,628)</u>
Contributions from the employer	-	(538,844)	(538,844)
Benefits paid	(601,375)	547,936	(53,439)
Discharge or reduction	<u>(3,854)</u>	<u>2,519</u>	<u>(1,335)</u>
Balance at December 31, 2017	<u>\$ 8,485,467</u>	<u>\$ (5,922,878)</u>	<u>\$ 2,562,589</u>
Balance at January 1, 2016	<u>\$ 8,839,678</u>	<u>\$ (4,936,684)</u>	<u>\$ 3,902,994</u>
Service cost			
Current service cost	115,767	-	115,767
Past service cost and loss on settlements	77,749	-	77,749
Interest expense (income)	<u>151,906</u>	<u>(85,385)</u>	<u>66,521</u>
Recognized in profit or loss (Note)	<u>345,422</u>	<u>(85,385)</u>	<u>260,037</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	92,347	92,347
Actuarial (gain) loss - changes in demographic assumptions	3,678	-	3,678
Actuarial (gain) loss - changes in financial assumptions	133,187	-	133,187
Actuarial (gain) loss - experience adjustments	<u>213,855</u>	<u>-</u>	<u>213,855</u>
Recognized in other comprehensive income	<u>350,720</u>	<u>92,347</u>	<u>443,067</u>
Contributions from the employer	-	(1,018,312)	(1,018,312)
Benefits paid	<u>(441,716)</u>	<u>423,576</u>	<u>(18,140)</u>
Balance at December 31, 2016	<u>\$ 9,094,104</u>	<u>\$ (5,524,458)</u>	<u>\$ 3,569,646</u>

Note: The Group transferred defined benefit costs of \$875 thousand and \$836 thousand to related parties in 2017 and 2016, respectively. Defined benefit costs capitalized to property, plant and equipment were \$5,254 thousand in 2017 and \$4,099 thousand in 2016.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks. In addition, the Company has another pension fund which is separate from the above. This pension fund is invested in domestic listed companies' shares and time deposits. It is exposed to the risks of changes in market price and interest rates.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rate(s)	0.875%-1.63%	1.00%-1.50%
Expected rate(s) of salary increase	1.50%-4.00%	1.50%-4.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rate(s)		
0.50% increase	<u>\$ (381,155)</u>	<u>\$ (421,029)</u>
0.50% decrease	<u>\$ 403,198</u>	<u>\$ 446,259</u>
Expected rate(s) of salary increase		
0.50% increase	<u>\$ 398,933</u>	<u>\$ 442,239</u>
0.50% decrease	<u>\$ (373,971)</u>	<u>\$ (420,742)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
The expected contributions to the plan for the next year	<u>\$ 299,826</u>	<u>\$ 359,829</u>
The average duration of the defined benefit obligation	6-15.6 years	7-16.7 years

## 25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The contract-related assets and liabilities from Far Eastern Construction Co., Ltd. (FECC), and Far Eastern General Contractor Inc. (FEGC) are classified as current or noncurrent depending on the operating cycle. Amounts expected to be received or paid within one year or over one year were as follows:

	<b>December 31, 2017</b>		
	<b>Within One Year</b>	<b>Over One Year</b>	<b>Total</b>
<u>Assets</u>			
Notes and accounts receivable	\$ 438,890	\$ 332,149	\$ 771,039
Inventories - construction and real estate	1,996,228	2,591,597	4,587,825
Amounts due from customers for construction contracts	268,901	1,322,718	1,591,619
Other financial assets - current	212,112	1,076,509	1,288,621
Refundable deposits - current	-	12,861	12,861
<u>Liabilities</u>			
Notes and accounts payable	1,648,369	730,107	2,378,476
Notes and accounts payable to related parties	90,323	-	90,323
Amounts due to customers for construction contracts	454	63,095	63,549
Provisions - current	1,200	53,299	54,499
Advance real estate receipts	56,975	-	56,975
	<b>December 31, 2016</b>		
	<b>Within One Year</b>	<b>Over One Year</b>	<b>Total</b>
<u>Assets</u>			
Notes and accounts receivable	\$ 577,981	\$ 281,206	\$ 859,187
Inventories - construction and real estate	2,764,531	2,523,844	5,288,375
Amounts due from customers for construction contracts	1,050,825	151,799	1,202,624
Other financial assets - current	245,102	893,771	1,138,873
Refundable deposits - current	26	9,725	9,751
<u>Liabilities</u>			
Notes and accounts payable	1,500,463	633,699	2,134,162
Notes and accounts payable to related parties	131,766	-	131,766
Amounts due to customers for construction contracts	1,428	-	1,428
Provisions - current	1,250	49,659	50,909
Advance real estate receipts	63,219	-	63,219

## 26. EQUITY

### a. Share capital

#### 1) Common shares

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Numbers of shares authorized (in thousands)	<u>6,000,000</u>	<u>6,000,000</u>
Shares authorized	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>5,352,875</u>	<u>5,352,875</u>
Shares issued	<u>\$ 53,528,751</u>	<u>\$ 53,528,751</u>

The shares issued had a par value of \$10 and have the rights of voting and receiving dividends.

#### 2) Global depositary receipt

The Company issued global depositary receipts (GDRs), one GDRs unit represents 10 common shares of the Company. The GDRs were traded and listed on the Luxembourg Stock Exchange. As of December 31, 2017 and 2016, there are 101 thousand units and 33 thousand units outstanding, which were equal to 1,007 thousand and 328 thousand common shares of the Company.

### b. Capital surplus

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 2,654,932	\$ 2,654,932
<u>May be used to offset a deficit only (2)</u>		
Arising from changes in percentage of ownership interests in subsidiaries	148,783	148,775
Treasury share transactions	13,131	12,508
<u>May not be used for any purpose</u>		
Changes in equity-method associates' capital surplus	<u>42,723</u>	<u>43,373</u>
	<u>\$ 2,859,569</u>	<u>\$ 2,859,588</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 23, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' and directors' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used as the basis for proposing a distribution plan. After adding prior years' unappropriated earnings, the Company would retain a certain amount for expansion plans and then make the distribution of dividends evenly by all of the shares. When capital increase, the amount of dividend for new shares of that year would be according to resolution of the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, refer to Note 27, d. "Employees' compensation and remuneration of directors."

The Company's dividends should be appropriated at a percentage based on the Company's Articles of Incorporation to have a stable dividend distribution while taking into account the future economic condition, cash demands and taxation. The cash dividends should be at least 10% of total dividends declared, unless cash is required for investments, productivity expansion, any significant future capital expenditures or plans to improve financial structure.

Appropriation of earnings to legal reserve should be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate shares of the income tax paid by the Company.

The appropriations from the 2016 and 2015 earnings were approved in the shareholders' meetings on June 28, 2017 and June 23, 2016, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation and Earnings</b>		<b>Dividend Per Share</b>	
	<b>For the Years Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Years Ended</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Legal reserve	\$ 630,779	\$ 803,469		
Special reserve	2,662,006	2,165,513		
Cash dividends	4,282,300	5,352,875	\$ 0.8	\$ 1.0

The appropriation of earnings for 2017 were proposed by the Company's board of directors on March 22, 2018. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 806,614	
Special reserve	1,523,136	
Reversals of special reserve	(2,643)	
Cash dividends	6,423,450	\$1.2

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 29, 2018.

d. Special reserve

The Group's appropriated special reserve on the first-time adoption of IFRSs was \$22,287,929 thousand.

Information of special reserve above appropriated or reversed on elimination of the original need to appropriate a special reserve is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 21,565,171	\$ 21,860,117
Reversals on elimination of the original mandatorily appropriated special reserve		
Disposal of investment properties	(2,557)	(292,455)
Disposal of associates	(10,118)	(2,491)
Ending balance	<u>\$ 21,552,496</u>	<u>\$ 21,565,171</u>

On the initial application of fair value model to investment properties, the Company appropriated for a special reserve of \$80,462,245 thousand, the same amount as the net increase that arose from fair value measurement and was transferred to retained earnings.

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 85,554,383	\$ 83,686,899
Reversals on elimination of the original mandatorily appropriated special reserve		
Disposal of investment properties	(282)	(296,564)
Disposal of associates	(13,586)	(1,465)
Appropriation in respect of:		
Application of the fair value method to investment properties	<u>2,655,804</u>	<u>2,165,513</u>
Ending balance	<u>\$ 88,196,319</u>	<u>\$ 85,554,383</u>



e. Other equity items

The changes in other equity items were as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Cash Flow Hedges	Gains on Property Revaluation	Total
Balance at January 1, 2017	\$ (1,577,812)	\$ (1,947,657)	\$ (47,514)	\$ 702,778	\$ (2,870,205)
Exchange differences on translating foreign operations	(874,059)				(874,059)
Unrealized gain (loss) on available-for-sale financial assets	-	(1,054,251)			(1,054,251)
Gains on hedging instruments in cash flow hedges arising from fair value changes	-		80,713		80,713
Share of the other comprehensive income (loss) of associates	<u>(625,500)</u>	<u>1,644,589</u>	<u>2,443</u>	<u>-</u>	<u>1,021,532</u>
Balance at December 31, 2017	<u>\$ (3,077,371)</u>	<u>\$ (1,357,319)</u>	<u>\$ 35,642</u>	<u>\$ 702,778</u>	<u>\$ (3,696,270)</u>
Balance at January 1, 2016	\$ 2,274,683	\$ 1,119,927	\$ (95,944)	\$ 702,030	\$ 4,000,696
Exchange differences on translating foreign operations	(2,908,394)	-	-	-	(2,908,394)
Unrealized gain (loss) on available-for-sale financial assets	-	(248,260)	-	-	(248,260)
Gains on hedging instruments in cash flow hedges arising from fair value changes	-	-	50,849	-	50,849
Share of the other comprehensive income (loss) of associates	<u>(944,101)</u>	<u>(2,819,324)</u>	<u>(2,419)</u>	<u>748</u>	<u>(3,765,096)</u>
Balance at December 31, 2016	<u>\$ (1,577,812)</u>	<u>\$ (1,947,657)</u>	<u>\$ (47,514)</u>	<u>\$ 702,778</u>	<u>\$ (2,870,205)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 61,306,197	\$ 63,145,438
Attributable to non-controlling interests:		
Net income	6,135,201	6,394,904
Cash dividends distributed by subsidiaries	(7,783,681)	(7,710,107)
Remeasurement on defined benefit plans	6,562	(21,469)
Exchange differences on translating foreign operations	(197,857)	(379,175)
Unrealized gain (loss) on available-for-sale financial assets	35,568	(41,528)
Gain on hedging instruments in cash flow hedges arising from fair value changes	150,896	98,536
Share of other comprehensive (loss) income of associates accounted for using the equity method	164,594	(240,619)
Changes in capital surplus of associates accounted for using the equity method	(4)	63
Changes in special reserve of associates accounted for using the equity method	-	(12)
Changes in unappropriated earnings of associates accounted for using the equity method	(229)	(1,160)
(Acquisition) disposal of partial interests of subsidiaries	(13,129)	61,341
Effect on changes in percentage of ownership in subsidiaries	158,817	-
Non-controlling interests arising from subsidiaries' issuance of new share capital for cash	1,215,787	-
Disposal of the investments accounted for using the equity method	(1)	-
Remittance of cash due to the liquidation of subsidiaries	<u>(15)</u>	<u>(15)</u>
Ending balance	<u>\$ 61,178,706</u>	<u>\$ 61,306,197</u>

g. Treasury shares

The Company's shares held by its subsidiary, Yuan Ding Co., Ltd. (Yuan Ding), at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2017</u>			
Yuan Ding	779	<u>\$ 25,063</u>	<u>\$ 20,887</u>
<u>December 31, 2016</u>			
Yuan Ding	779	<u>\$ 25,063</u>	<u>\$ 18,861</u>

The Group consolidated its subsidiary Yuan Ding since December 28, 2011. As of December 31, 2011, the Group's shares held by Yuan Ding had a carrying amount of \$25,063 thousand.

The Group's shares held by the subsidiary are recognized as treasury shares. The subsidiaries which hold treasury shares can retain shareholders' rights except the rights to participate in any share issuance for cash and to vote.

## 27. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest expense

	<u>For the Year Ended December 31</u>	
	2017	2016
Capitalized interests on properties	\$ 414,115	\$ 314,132
Capitalization rates	0.26%-4.75%	0.71%-4.51%

b. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2017	2016
Property, plant and equipment	\$ 15,851,009	\$ 15,301,556
Intangible assets	4,464,816	3,840,965
Long-term prepayments for leases	<u>196,815</u>	<u>195,871</u>
	<u>\$ 20,512,640</u>	<u>\$ 19,338,392</u>
An analysis of deprecation by function		
Operating costs	\$ 14,021,791	\$ 13,486,134
Operating expenses	1,771,167	1,727,730
Other expense	<u>58,051</u>	<u>87,692</u>
	<u>\$ 15,851,009</u>	<u>\$ 15,301,556</u>

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
An analysis of amortization by function		
Operating costs	\$ 3,786,975	\$ 3,294,855
Operating expenses	<u>874,656</u>	<u>741,981</u>
	<u>\$ 4,661,631</u>	<u>\$ 4,036,836</u>
		(Concluded)

c. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Post-employment benefits		
Defined contribution plans	\$ 855,516	\$ 816,994
Defined benefit plans	158,060	255,102
Other employee benefits	<u>20,005,194</u>	<u>19,362,011</u>
Total employee benefits expense	<u>\$ 21,018,770</u>	<u>\$ 20,434,107</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 9,842,376	\$ 9,878,466
Operating expenses	<u>11,176,394</u>	<u>10,555,641</u>
	<u>\$ 21,018,770</u>	<u>\$ 20,434,107</u>

d. Employees' compensation and remuneration of directors

The amendments stipulate the distribution of employees' compensation and remuneration of directors at the rates of 2.0% to 3.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. However, the Company has to first offset losses from the previous years. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which were approved by the Company's board of directors on March 22, 2018 and March 23, 2017, respectively, were as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Employees' compensation	3.23%	2.93%
Remuneration of directors	1.77%	1.85%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Employees' compensation	\$ 276,277	\$ 184,185
Remuneration of directors	151,591	116,156

If there have changes in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual appropriated amounts of employees' compensation and remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015. The Company offered to settle employee's compensation in cash.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax		
In respect of the current year	\$ 2,652,058	\$ 2,914,193
Adjustments for prior years	<u>29,864</u>	<u>(4,715)</u>
	2,681,922	2,909,478
Deferred tax	<u>9,032</u>	<u>347,942</u>
Income tax expense recognized in profit or loss	<u>\$ 2,690,954</u>	<u>\$ 3,257,420</u>

A reconciliation of accounting profit and current income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit before tax from continuing operations	<u>\$ 16,892,291</u>	<u>\$ 15,960,110</u>
Income tax expense calculated at the statutory rate (17%)	\$ 2,871,689	\$ 2,713,219
Adjustment items effect of income tax	(148,020)	6,654
Income tax on unappropriated earnings	113	49,580
Adjustments for prior years' tax	29,864	(4,715)
Effect of different tax rate of group entities operating in other jurisdictions	<u>(71,724)</u>	<u>144,740</u>
Current tax	2,681,922	2,909,478
Deferred tax	<u>9,032</u>	<u>347,942</u>
Income tax expense recognized in profit or loss	<u>\$ 2,690,954</u>	<u>\$ 3,257,420</u>

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

**For the Year Ended December 31**  
**2017**                      **2016**

Deferred tax

In respect of the current year

Remeasurement on defined benefit plans	\$ <u>(8,987)</u>	\$ <u>17,732</u>
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c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Decrease Due to Disposal	Closing Balance
<u>Deferred tax assets</u>					
Investment credits	\$ -	\$ 18,671	\$ -	\$ -	\$ 18,671
Allowance for doubtful accounts	347,026	(6,394)	-	-	340,632
Inventory write-downs	87,081	6,110	-	-	93,191
Loss carryforwards	913,151	21,442	-	-	934,593
Defined benefit obligation	283,165	(43,997)	(8,987)	-	230,181
Impairment loss	148,342	31,705	-	-	180,047
Others	<u>582,511</u>	<u>(174,867)</u>	<u>-</u>	<u>-</u>	<u>407,644</u>
	<u>\$ 2,361,276</u>	<u>\$ (147,330)</u>	<u>\$ (8,987)</u>	<u>\$ -</u>	<u>\$ 2,204,959</u>
<u>Deferred tax liabilities</u>					
Share of profit of associates	\$ 531,194	\$ 72,985	\$ -	\$ -	\$ 604,179
Amortization of goodwill	1,479,175	134,470	-	-	1,613,645
Provision of land value incremental tax	14,298,248	(259,255)	-	(1,909)	14,037,084
Investment properties	652,236	(81,283)	-	-	570,953
Others	<u>53,824</u>	<u>(5,215)</u>	<u>-</u>	<u>-</u>	<u>48,609</u>
	<u>\$ 17,014,677</u>	<u>\$ (138,298)</u>	<u>\$ -</u>	<u>\$ (1,909)</u>	<u>\$ 16,874,470</u>

For the year ended December 31, 2016

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Decrease Due to Disposal</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Investment credits	\$ 3,372	\$ (3,372)	\$ -	\$ -	\$ -
Allowance for doubtful accounts	300,442	46,584	-	-	347,026
Inventory write-downs	79,827	7,254	-	-	87,081
Loss carryforwards	968,830	(55,679)	-	-	913,151
Defined benefit obligation	315,190	(49,757)	17,732	-	283,165
Impairment loss	144,797	3,545	-	-	148,342
Others	<u>504,688</u>	<u>77,823</u>	<u>-</u>	<u>-</u>	<u>582,511</u>
	<u>\$ 2,317,146</u>	<u>\$ 26,398</u>	<u>\$ 17,732</u>	<u>\$ -</u>	<u>\$ 2,361,276</u>
<u>Deferred tax liabilities</u>					
Share of profit of associates	\$ 548,200	\$ (17,006)	\$ -	\$ -	\$ 531,194
Amortization of goodwill	1,344,702	134,473	-	-	1,479,175
Provision of land value incremental tax	14,034,414	445,894	-	(182,060)	14,298,248
Investment properties	629,934	22,302	-	-	652,236
Others	<u>265,147</u>	<u>(211,323)</u>	<u>-</u>	<u>-</u>	<u>53,824</u>
	<u>\$ 16,822,397</u>	<u>\$ 374,340</u>	<u>\$ -</u>	<u>\$ (182,060)</u>	<u>\$ 17,014,677</u>

d. Items for which no deferred tax assets have been recognized

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Loss carryforwards	<u>\$ 21,881,433</u>	<u>\$ 21,180,541</u>
Expiry year	2018-2027	2017-2026
Investment credits		
Acquisition of initial share offering	<u>\$ 108,541</u>	<u>\$ 127,236</u>
Deductible temporary differences	<u>\$ 6,158,894</u>	<u>\$ 8,951,145</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
<u>\$ 28,148,867</u>	2018-2027

f. Information about unused investment credits

As of December 31, 2017, investment tax credits comprised:

Yuan Tong Investment Co., Ltd.

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Enforcement rule of act for promotion of private participation in infrastructure project	Acquisition of initial share offering	<u>\$ 42,852</u>	2020

Yuan Ding Co., Ltd.

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Enforcement rule of act for promotion of private participation in infrastructure project	Acquisition of initial share offering	<u>\$ 84,360</u>	2020

g. Integrated income tax

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Unappropriated earnings Generated before January 1, 1998	<u>\$ -</u> Note	<u>\$ 66,464</u>
Balance of imputation credits accounts (ICA)	<u>\$ -</u> Note	<u>\$ 775,088</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Expected)</b>	<b>(Actual)</b>
Creditable ratio for distribution of earnings	(Note)	6.62%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

h. Income tax assessments

	<b><u>Latest Year of Income Tax Return That Tax Authorities Had Examined and Cleared</u></b>
Far Eastern New Century Corporation	2012
Far Eastern Resources Development Co., Ltd.	2012
Oriental Petrochemical (Taiwan) Corporation	2015
Fu Kwok Knitting & Garment Co., Ltd.	2015
Yuan Tong Investment Co., Ltd.	2015
Kai Yuan International Investment Co., Ltd.	2015
Ding Yuan International Investment Co., Ltd.	2015
An Ho Garment Co., Ltd.	2015
Far Eastern Textile Ltd.	2015
Far Eastern Construction Co., Ltd.	2015
Far Eastern General Contractor Inc.	2015
Yuan Ding Investment Co., Ltd.	2015
Far Eastern Fibertech Co., Ltd.	2015
Oriental Resources Development Co., Ltd.	2015
Far Eastern Apparel Co., Ltd.	2015
Yuan Faun Co., Ltd.	2015
Yuan Cheng Human Resources Consultant Corporation	2015
Yuan Ding Co., Ltd.	2015
Far Eastern Technical Consultants Co., Ltd.	2015
YDT Technology International Corporation	2014
FET Consulting Engineers Co., Ltd.	2015
Ding Ding Integrated Marketing Service Co., Ltd.	2015
Far Eastern Electronic Commerce Co., Ltd.	2015
Ding Ding Hotel Co., Ltd.	2015
Far Eastern Electronic Toll Collection Co., Ltd.	2014
Yuan Hsin Digital Payment Co., Ltd.	2015
Far EasTone Telecommunications Co., Ltd.	2015
New Century InfoComm Tech Corporation	2014
ARCOA Communication Co., Ltd.	2014
Simple InfoComm Co., Ltd.	2015
Q-Ware Communication Corporation	2015
Information Security Service Digital United Corporation	2015
Linkwell Tech. Co., Ltd.	2015
Data Express Infotech Corporation	2015
Yuan Cing Co., Ltd.	2015
O-music Co., Ltd.	2015
New Diligent Co., Ltd.	2015
KGEx.com Co., Ltd.	2015
Home Master Technology Ltd.	2015
Yuanshi Corporation	2015

KG Telecom (merged with Far EasTone on January 1, 2010)

Income tax returns through 2010 of KG Telecom had been assessed by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2000 and 2004 returns and thus filed appeals for the reexamination of these returns. Nevertheless, Far EasTone accrued the related tax.



New Century InfoComm Tech Corporation

New Century InfoComm Tech Corporation disagreed with the tax authorities' assessment of its 2013 and 2014 return and thus applied for reexamination. Nevertheless, New Century InfoComm Tech Corporation accrued the related tax expense.

**29. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Basic earnings per share	<u>\$ 1.61</u>	<u>\$ 1.26</u>
Diluted earnings per share	<u>\$ 1.61</u>	<u>\$ 1.26</u>

The earnings and weighted average number of common shares outstanding that were used in the computation of earnings per share were as follows:

**Net Income for the Year**

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Net income for the period attributable to owners of the Company	<u>\$ 8,066,136</u>	<u>\$ 6,307,786</u>

**Weighted Average Number of Common Shares Outstanding**

**Unit: In Thousand Shares**

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Weighted average number of common shares used in the computation of basic earnings per share	4,998,785	4,999,727
Effect of potentially dilutive common shares:		
Employees' compensation	<u>12,037</u>	<u>9,808</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>5,010,822</u>	<u>5,009,535</u>

In calculating the weighted average number of share outstanding for consolidated EPS, the Company recognized the number of the shares held by associates as treasury shares and deducted the number of treasury shares from the weighted average number of outstanding shares in the current period.

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The Company calculated basic EPS with the weighted average number of actual outstanding shares in the current period. Based on the calculation, for the years ended December 31, 2017 and 2016, the Company's basic EPS were \$1.51 and \$1.18, respectively.

### 30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended December 31, 2017

On April 26, 2017, the Group subscribed for additional new shares of Far Eastern Electronic Commerce Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 73.42% to 75.35%.

	<b>Far Eastern Electronic Commerce Co., Ltd.</b>
Cash consideration paid	\$ (453,345)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>444,569</u>
Differences arising from equity transactions	<u>\$ (8,776)</u>
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (8,776)</u>

In June 2017, the Group subscribed for additional new shares of Hiiir Digital Marketing Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 89.54% to 93.28%.

In July 2017, the Group acquired 2.11% of Hiiir Digital Marketing Co., Ltd.'s common shares, and increased its interest from 93.28% to 95.39%.

	<b>June</b>	<b>July</b>
Cash consideration paid	\$ (348,909)	\$ (20,000)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>336,667</u>	<u>26,895</u>
Differences arising from equity transactions	<u>\$ (12,242)</u>	<u>\$ (6,895)</u>
<u>Line items adjusted for equity transactions</u>		
Unappropriated earnings	<u>\$ (12,242)</u>	<u>\$ (6,895)</u>

On December 30, 2017, the Group paid \$28 thousand to subscribe for additional new shares of Fu Kwok Knitting & Garment Co., Ltd., increasing its continuing interest from 99.99% to 100%.

The above transactions were recognized as equity transactions, and did not have effect on the Group's control over the subsidiary. Cash consideration paid and equity transactions were as follows:

	<b>Fu Kwok Knitting &amp; Garment Co., Ltd.</b>
Cash consideration paid	\$ (28)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>24</u>
Differences arising from equity transactions	<u>\$ (4)</u>
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (4)</u>

On October 5, 2017, the Group subscribed for additional new shares of Ding Ding Hotel Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 80.99% to 99.26%.

	<b>Ding Ding Hotel Co., Ltd.</b>
Cash consideration paid	\$ (1,000,000)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>999,939</u>
Differences arising from equity transactions	<u>\$ (61)</u>
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (61)</u>

For the year ended December 31, 2016

On March 31, 2016, the Group subscribed for additional new shares of Far Eastern Ishizuka Green Pet Corporation at a percentage different from its existing ownership percentage, increasing its continuing interest from 85.15% to 97.95%.

	<b>Far Eastern Ishizuka Green Pet Corporation</b>
Cash consideration paid	\$ (287,044)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>280,628</u>
Differences arising from equity transactions	<u>\$ (6,416)</u>
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (6,416)</u>

On June 30, 2016, the Group subscribed for additional new shares of Far Eastern Ishizuka Green Pet Corporation at a percentage different from its existing ownership percentage, reducing its continuing interest from 97.95% to 90.00%.

	<b>Far Eastern Ishizuka Green Pet Corporation</b>
Cash consideration paid	\$ (498,611)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>545,788</u>
Differences arising from equity transactions	<u>\$ 47,177</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - arising from changes in percentage of ownership interest in subsidiaries	<u>\$ 47,177</u>

In October 2016, the Group subscribed for additional new shares of Far Eastern New Century Information Technology (Beijing) Corporation at a percentage different from its existing ownership percentage, increasing its continuing interest from 79.04% to 90.52%.

	<b>Far Eastern New Century Information Technology (Beijing) Corporation</b>
Cash consideration paid	\$ 197,550
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>(207,815)</u>
Difference arising from equity transactions	<u>\$ (10,265)</u>
<u>Line items adjusted for equity transaction</u>	
Capital surplus - arising from changes in percentage of ownership interest in subsidiaries	<u>\$ (5,483)</u>
Unappropriated earnings	<u>\$ (4,782)</u>

### 31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The operating lease is mainly related to lease of land, buildings, cell sites and office space.

The future minimum lease payments for non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 3,515,281	\$ 3,431,884
Later than 1 year and not later than 5 years	5,967,168	5,737,926
Later than 5 years	<u>793,689</u>	<u>995,328</u>
	<u>\$ 10,276,138</u>	<u>\$ 10,165,138</u>

b. The Group as lessor

The operating lease is mainly related to lease of investment properties owned by the Group.

The future minimum lease payments for non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 852,719	\$ 715,608
Later than 1 year and not later than 5 years	2,797,637	2,321,036
Later than 5 years	<u>1,665,155</u>	<u>1,071,616</u>
	<u>\$ 5,315,511</u>	<u>\$ 4,108,260</u>

### 32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

### 33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

1) The financial assets and financial liabilities which have significant difference from their fair values

	<b>December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable	\$ 85,206,947	\$ 85,794,642	\$ 78,962,120	\$ 79,554,962

2) Fair value hierarchy

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 85,794,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,794,642</u>

December 31, 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 79,554,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,554,962</u>

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss (FVTPL)				
Open-end mutual funds - beneficial certificates	\$ 3,764,926	\$ -	\$ -	\$ 3,764,926
Marketable equity securities	418,496	-	-	418,496
Guarantee deposits - cotton futures contracts	-	-	17,867	17,867
Forward exchange contracts	-	-	5,005	5,005
Combined exchange options	-	-	3,344	3,344
	<u>\$ 4,183,422</u>	<u>\$ -</u>	<u>\$ 26,216</u>	<u>\$ 4,209,638</u>
Available-for-sale financial assets				
Marketable equity securities	\$ 424,396	\$ -	\$ -	\$ 424,396
Mutual funds - beneficial certificates	-	246,088	-	246,088
	<u>\$ 424,396</u>	<u>\$ 246,088</u>	<u>\$ -</u>	<u>\$ 670,484</u>
Hedging derivative financial assets				
Fair value hedges - foreign exchange swap contracts	\$ -	\$ -	\$ 1,700	\$ 1,700
Cash flow hedges - Interest rate swaps	-	-	35,544	35,544
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,244</u>	<u>\$ 37,244</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,987</u>	<u>\$ 12,987</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (FVTPL)				
Open-end mutual funds - beneficial certificates	\$ 3,405,976	\$ -	\$ -	\$ 3,405,976
Marketable equity securities	355,122	-	-	355,122
Guarantee deposits - cotton futures contracts	-	-	42,328	42,328
Forward exchange contracts	-	-	17,760	17,760
Guarantee deposits - PTA futures contracts	-	-	12,396	12,396
Combined exchange options	<u>-</u>	<u>-</u>	<u>2,377</u>	<u>2,377</u>
	<u>\$ 3,761,098</u>	<u>\$ -</u>	<u>\$ 74,861</u>	<u>\$ 3,835,959</u>
Available-for-sale financial assets				
Marketable equity securities	\$ 4,198,219	\$ -	\$ -	\$ 4,198,219
Mutual funds - beneficial certificates	-	598,132	-	598,132
Overseas equity securities	<u>106,090</u>	<u>-</u>	<u>-</u>	<u>106,090</u>
	<u>\$ 4,304,309</u>	<u>\$ 598,132</u>	<u>\$ -</u>	<u>\$ 4,902,441</u>
Hedging derivative financial assets				
Cash flow hedges - Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,073</u>	<u>\$ 2,073</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Option contracts	\$ -	\$ -	\$ 3,166	\$ 3,166
Forward exchange contracts	<u>-</u>	<u>-</u>	<u>255</u>	<u>255</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,421</u>	<u>\$ 3,421</u>
Hedging derivative financial liabilities				
Cash flow hedges - Forward exchange contracts	\$ -	\$ -	\$ 40,229	\$ 40,229
Cash flow hedges - Foreign exchange swap contracts	-	-	7,538	7,538
Cash flow hedges - Interest rate swaps	<u>-</u>	<u>-</u>	<u>171,366</u>	<u>171,366</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,133</u>	<u>\$ 219,133</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2017

	<b>Financial Instruments at Fair Value Through Profit or Loss - Held for Trading</b>	<b>Hedging Derivative Financial Instruments</b>	<b>Total</b>
Balance at January 1, 2017	\$ 71,440	\$ (217,060)	\$ (145,620)
Recognized in profit or loss			
Realized	(33,780)	(23,550)	(57,330)
Unrealized	13,229	-	13,229
Recognized in other comprehensive income	-	231,609	231,609
Settlements	<u>(37,660)</u>	<u>46,245</u>	<u>8,585</u>
Balance at December 31, 2017	<u>\$ 13,229</u>	<u>\$ 37,244</u>	<u>\$ (50,473)</u>

For the year ended December 31, 2016

	<b>Financial Instruments at Fair Value Through Profit or Loss - Held for Trading</b>	<b>Hedging Derivative Financial Instruments</b>	<b>Total</b>
Balance at January 1, 2016	\$ 120,572	\$ (343,021)	\$ (222,449)
Recognized in profit or loss			
Realized	(211,815)	(71,461)	(283,276)
Unrealized	71,440	-	71,440
Recognized in other comprehensive income	-	149,385	149,385
Settlements	<u>91,243</u>	<u>48,037</u>	<u>139,280</u>
Balance at December 31, 2016	<u>\$ 71,440</u>	<u>\$ (217,060)</u>	<u>\$ (145,620)</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Overseas mutual funds - beneficial certificates	Valuation based on the fair values of a portfolio of funds, calculated through each sub-fund by fair value net of the management and operating expenses for the sub-fund.



4) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Futures contracts	Futures contract pricing model.  The fair values of futures contracts are determined using futures contract pricing models where the significant unobservable inputs are historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value.
Forward exchange contracts, option contracts, combined exchange options, cross-currency swaps contracts, interests rate swaps and foreign exchange swap contracts	Discounted cash flow.  Future cash flows are estimated based on observable spot exchange rates at the end of the reporting period and contract rates and discounted at a rate that reflect the credit risk and value of the currency.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 4,209,638	\$ 3,835,959
Derivative instruments in designated hedge accounting relationships	37,244	2,073
Loans and receivables (Note 1)	67,387,738	80,585,613
Available-for-sale financial assets (Note 2)	1,848,663	6,037,589
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	12,987	3,421
Derivative instruments in designated hedge accounting relationships	-	219,133
Financial liabilities measured at amortized cost (Note 3)	232,327,152	231,255,258

Note 1: The balances included loans and receivables measured at amortized cost, which comprised cash and cash equivalents, debt investments with no active market, notes and accounts receivable (including those from related parties), other receivables (including those from related parties), other financial assets, long-term receivables from related parties and refundable deposits.

Note 2: The balances included the carrying amounts of available-for-sale financial assets and financial assets measured at cost.

Note 3: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, short-term bills payable, notes and accounts payable (including those to related parties), other payables (including those to related parties), payables to suppliers of machinery and equipment, provisions, bonds payable, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the nonoperating activities of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

The Corporate Treasury function is reviewed by the Group's board of directors in accordance with related rules and internal control system. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to exchange rate risk. Exchange rate exposures were managed within approved policy parameters through forward exchange contracts.

The carrying amounts of the Group's significant foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as Note 38.

Sensitivity analysis

The Group was mainly exposed to U.S. dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. The 5% sensitivity rate is used when foreign currency risk is reported internally to key management personnel and represents management's assessment of the reasonably possible changes in exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and the translation of these items at the end of the reporting period was adjusted for a 5% change in exchange rates. A positive number below indicates an increase in pretax profit and other equity associated with New Taiwan dollars that strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity, and the balances below would be negative.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
5% change in profit or loss		
USD	<u>\$ (179,280)</u>	<u>\$ (219,644)</u>

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. It managed the risk by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Fair value interest rate risk		
Financial assets	\$ 14,407,035	\$ 29,757,336
Financial liabilities	139,760,943	148,600,090
Cash flow interest rate risk		
Financial assets	13,086,498	11,389,344
Financial liabilities	50,035,924	43,907,363

Sensitivity analysis

The sensitivity analysis below was determined on the basis of the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. An increase or decrease of 0.25% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For the financial assets and financial liabilities with fixed interest rate, their fair value will change as the market interest rates change. For the financial assets and financial liabilities with floating interest rate, their effective interest rates will change as the market interest rates change.

For the years ended December 31, 2017 and 2016, had interest rates been 0.25% higher and all other variables been held constant, the fair value of the Group's financial assets with fixed interest rates would have decreased by \$35,928 thousand and \$74,208 thousand, respectively, and the cash flows on the Group's financial assets with floating interest rates would have increased by \$32,716 thousand and \$28,473 thousand, respectively.

For the years ended December 31, 2017 and 2016, had interest rates been 0.25% higher and all other variables been held constant, the fair value of the Group's financial liabilities with fixed interest rates would have decreased by \$348,531 thousand and \$370,574 thousand, respectively, and the cash flows on the Group's financial liabilities with floating interest rates would have decreased by \$125,090 thousand and \$109,768 thousand, respectively.

c) Other price risks

The Group was exposed to equity price risk because of its investments in domestic quoted shares and mutual funds.

Sensitivity analysis

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% lower, the fair value of held-for-trading and available-for-sale financial assets as of December 31, 2017 and 2016 would have decreased by \$242,695 thousand and \$433,177 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counter-parties will default on its contractual obligations, resulting in a financial loss to the Group. As of the end of a reporting period, the Group's maximum exposure to credit risk that will cause the Group a financial loss due to failure of counterparties to discharge on obligations and financial guarantees provided by the Group could arise from:

- a) The carrying amounts of the recognized financial assets as stated in the balance sheets; and
- b) The amounts of contingent liabilities in relation to financial guarantees issued by the Group.

The Group has a policy of dealing with only creditworthy counter-parties and obtaining sufficient collateral, where appropriate, to mitigate the risk of financial loss from defaults.

The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continually monitored.

Trade receivables refer to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is made to determine the financial condition of trade receivables.

## 3) Liquidity risk

The Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

The maturity dates of financial liabilities (except financial liabilities - current, i.e., with maturities of less than one year) are as follows:

	1-2 Years	2-3 Years	Over 3 Years	Total
<u>December 31, 2017</u>				
Long-term borrowings	\$ 40,605,608	\$ 6,186,000	\$ 19,748,945	\$ 66,540,553
Bonds payable	<u>17,800,000</u>	<u>20,600,000</u>	<u>33,400,000</u>	<u>71,800,000</u>
	<u>\$ 58,405,608</u>	<u>\$ 26,786,000</u>	<u>\$ 53,148,945</u>	<u>\$ 138,340,553</u>
<u>December 31, 2016</u>				
Long-term borrowings	\$ 44,247,884	\$ 16,929,793	\$ 7,660,239	\$ 68,837,916
Bonds payable	<u>13,500,000</u>	<u>17,800,000</u>	<u>31,300,000</u>	<u>62,600,000</u>
	<u>\$ 57,747,884</u>	<u>\$ 34,729,793</u>	<u>\$ 38,960,239</u>	<u>\$ 131,437,916</u>

## 34. TRANSACTIONS WITH RELATED PARTIES

The Group had significant transactions with related parties. Besides the transactions mentioned in the other notes, the transactions for the years ended December 31, 2017 and 2016 and the related balances as of the balance sheet dates are summarized in the accompanying Tables 2, 3 and 4.

### 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

In addition to those disclosed in the other notes, the following assets had been pledged or mortgaged as collaterals for short-term borrowings, short-term bills payable, tariff duties, and long-term borrowings; as construction warranties, guarantees for related parties, litigation, and as administrative tax remedies.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Financial assets at fair value through profit or loss (FVTPL) - current	\$ -	\$ 26,019
Other financial assets - current	3,466,376	3,083,562
Inventories - available for sale - buildings and land	-	1,354,474
Inventories - available-for-construction	200,654	693,157
Inventories - construction in progress	492,503	-
Property, plant and equipment, net	9,907,458	13,268,016
Investment properties	35,921,262	37,192,332
Available-for-sale financial assets - current and non-current	-	136,500
Investments accounted for using the equity method	2,829,731	2,662,804
Concessions - costs	3,756,000	3,756,000
Other financial assets - non-current	<u>2,997,088</u>	<u>3,766,697</u>
	<u>\$ 59,571,072</u>	<u>\$ 65,939,561</u>

As of December 31, 2017 and 2016, FENC and some of its subsidiaries had provided 87,520 thousand shares and 122,094 thousand shares, respectively, of the common shares of Far EasTone Telecommunications Co., Ltd. and 16,500 thousand common shares of Yuan Ding Co., Ltd. as of both dates as collateral for short-term borrowings, short-term bills payable and long-term borrowings.

### 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 were as follows:

- a. The Group issued unused letters of credit aggregated at approximately \$1,155,496 thousand and \$681,049 thousand as of December 31, 2017 and 2016, respectively.
- b. The Group (except for Far EasTone and its subsidiaries) had unpaid building construction and equipment installation contracts amounting to approximately \$6,037,104 thousand and \$6,354,694 thousand, as of December 31, 2017 and 2016, respectively.

In addition, Far EasTone and its subsidiaries had unpaid properties and cellular phone equipment which were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Acquisition of property, plant and equipment under contracts	\$ 7,841,219	\$ 5,762,054
Less: Payments for acquisition of property, plant and equipment	<u>2,809,176</u>	<u>1,666,888</u>
	<u>\$ 5,032,043</u>	<u>\$ 4,095,166</u>
Acquisition of cellular phone equipment under contracts	\$ 14,004,339	\$ 14,299,303
Less: Payments for acquisition of cellular phone equipment	<u>5,233,512</u>	<u>7,803,864</u>
	<u>\$ 8,770,827</u>	<u>\$ 6,495,439</u>

- c. The letters of bank guarantees issued for importing from manufacturers all amounted to \$100,000 thousand as of both December 31, 2017 and 2016.
- d. There were undelivered cotton contracts which were unable to be cancelled amounting to \$197,924 thousand and \$380,559 thousand as of December 31, 2017 and 2016, respectively.
- e. Project contracts' costs already signed by Far Eastern General Contractor Inc. (FEGC) amounted to \$38,255,654 thousand and \$27,813,089 thousand as of December 31, 2017 and 2016, respectively.
- f. Far Eastern Electronic Toll Collection Co., Ltd. (FETC) was entrusted by the Taiwan Area National Freeway Bureau (TANFB) to collect electronic tolls on freeways and had signed a third-party benefit trust contract with Far Eastern International Bank Corporation (FEIB) to manage the tolls collected. The trust property for this agreement amounted to \$3,776,739 thousand and \$4,010,732 thousand as of December 31, 2017 and 2016, respectively.
- g. Endorsements and guarantees provided to related parties are shown in Table 6 (attached).
- h. Ming-Chiung Chang filed an incidental civil suit, in connection with the criminal case of forgery, against Ming-chung Kuo (an FENC employee) and Hua-de Lin, Hung-Long Li and Yung-gi Lai (the fiduciaries of Pacific Liu Tung Investment Corporation or PLT, an equity-method investee of the Company). Chang claimed that Kuo and Hua-de Lin, Hung-Long Li and Yung-gi Lai colluded and used their positions to carry out transactions that resulted in his losses and asked the Taiwan High Court to declare that the ownership of PLT held by FEDS, FEDS's subsidiaries, the Company and its subsidiaries was just a fabrication, i.e., it never existed. In October 2009, Chang lost the suit and then appealed to the Taiwan High Court. Chang later raised an appeal to the Supreme Court, but the decision of the original criminal cases made by the Taiwan High Court was revoked by the Supreme Court on March 25, 2010. Under the Article 510 of The Code of Criminal Procedures, the Supreme Court remanded the criminal and the incidental civil suit to the Taiwan High Court. On December 15, 2016, the Taiwan High Court changed the lawsuit judgment No. 1 in 2010, and Ming-Chiung lost the lawsuit.
- i. A subsidiary of FENC, Far Eastern General Contractor Corporation (FEGC), contracted the Southern Taiwan Science Park (STSP) to do underground cable construction. During the construction period, material costs rose because of adverse economic factors and the rising prices of stainless steel and cable materials. Although the contract amount had been adjusted for price inflation, FEGC still incurred a great loss and got no indemnification. Thus, FEGC filed a lawsuit for indemnification with the Supreme Court. As of March 22, 2018, the result of the lawsuit was still being awaited.

In 2008, FEGC recognized a construction loss of \$119,949 thousand on its underground cable construction project.

- j. The Company's subsidiary, FECC, and Far Eastern Department Store Corporation (FEDS) had jointly developed Banqiao Zhong Ben (Construction License Number: Year 2010 Letter Chang No. 00135) in line with the Directions for the Urban Land Development Application (the "Directions"). Under the Directions, for the joint developers to be entitled to larger floor area and have a building occupancy permit, they should complete the construction within four years after passing an urban design review. If this deadline is unmet, the joint developers should either donate the building or remit a certain amount to the New Taipei City Government (NCTCG). Later, the NCTCG claimed that the construction was not completed on time, but the joint developers disagreed with the NCTCG's claim. Thus, a dispute on this issue arose. Steps have been taken to settle this dispute, and while the settlement is being negotiated, FECC had placed in the Far Eastern International Bank a negotiable certificate of deposit amounting to \$109,995 thousand as a pledge based on the NCTCG's requirement. Later, due to NCTCG confiscating the certificate of deposit, FECC filed an appeal against the NCTCG, and FECC has accrued related construction costs. The Ministry of the Interior dismissed the administrative appeal. FECC disagreed with the administrative appeal decision, and thus filed an administrative litigation with

the Taipei High Administrative Court. As of March 22, 2018, the lawsuit was pending before the Taipei High Administrative Court.

- k. A Company subsidiary, Far Eastern Electronic Toll Collection Co., Ltd. (FETC), has cooperated with government authorities to establish an electronic toll collection system based on the “Establishment and Operating Contract” with Taiwan Area National Freeway Bureau (TANFB). However, on the basis of the system usage rate and the manner of system implementation, TANFB claimed it had the right to penalize FETC for the latter’s failing to achieve the requirements for the electronic toll collection (ETC) system stated in the contract. However, FETC disagreed with the bureau’s interpretation of the contract terms and filed for arbitration with the Negotiation Committee. Nevertheless, both the FETC and TANFB did not agree with the Negotiation Committee’s arbitration. FETC filed a lawsuit against TANFB. The contract terms were as follow:

- 1) Usage rate

TANFB claimed that FETC had failed to reach the 45% designated ETC usage rate in the third year stated in the contract, thus violating the terms of the contract. TANFB and FETC reached a consensus that FETC should propose an improvement plan, which TANFB accepted, and set six inspection points to be used in determining if FETC’s improvement plan was effective. FETC successfully met the inspection requirements, as shown by TANFB’s confirmation of the plan results. Thus, FETC believed that its successful implementation of its improvement plan should be considered by TANFB as the FETC’s added investment in the ETC plan as well as the equivalent of FETC’s paying a penalty for not meeting the ETC usage rate requirement. Thus, FETC claimed TANFB should not impose a penalty on FETC anymore.

TANFB commented that FETC failed to reach the 70% designated usage rate of ETC in the sixth year of the contract and thus violated the contract, for which FETC was liable for a penalty amounting to \$427,500 thousand. Nevertheless, TANFB and ETC have reached a consensus to consider the implementation of the above improvement plan as making up for FETC’s not meeting the 70% usage rate requirement; there was no reason for TANFB to penalize FETC. In addition, FETC exceeded the 65% usage rate stated in the “Establishment and Operating Contract” for the taximeter phase, and the operation of the taximeter system infrastructure (TSI) was also on track. Thus, there was actually no physical evidence of FETC’s violating the contract. For these reasons, FETC said TANFB should not accuse FETC of breach of contract. To settle this matter, FETC applied for a conciliation with TANFB through the Negotiation Committee. The Negotiation Committee suggested TANFB decrease its penalty on FETC because (a) FETC could enter into the taximeter phase since the 65% ETC usage rate had been reached even though this rate was lower than the 70% usage rate stated in the contract; (b) the impact of usage rate to the interest of highway users was markedly diminished; and (c) the amounts which FETC invested in the improvement plan were more than the penalty TANFB claimed.

FETC, however, could not accept the negotiation result. In September 2013, FETC filed a lawsuit against TANFB, claiming it was not liable for the penalty imposed by TANFB. This case is pending before the Taipei District Court. FETC has accrued a proper provision.

- 2) Taximeter system infrastructure

TANFB stated FETC breached the contract when FETC was unable to complete the ETC driveway infrastructure by September 21, 2012 as required in the contract. But after FETC negotiated with TANFB through the Negotiation Committee, both the FETC and TANFB agreed to extend the construction period by four months until January 21, 2013. Thus, TANFB should reset the contract expiry date according to the agreement. However, TANFB has not reset the expiry date but instead set the date on which FETC had been informed of its violation of the contract on February 3, 2013 and obligated FETC to complete the ETC driveway infrastructure and taximeter system infrastructure by April 21, 2013. After FETC’s conciliation with TANFB through the Negotiation Committee in July 2013, the Negotiation Committee suggested that TANFB recheck

the construction results and determine if after four months after the original contract expiry date of September 21, 2012, FETC violated the contract. Nevertheless, TANFB did not agree with the Negotiation Committee's decision and filed a lawsuit against FETC and imposed a penalty of \$142,500 thousand on FETC. On May 20, 2016, the Taiwan Taipei District Court made a judgment that FETC should compensate TANFB with a penalty. FETC appealed against this judgment to the Taipei High Court on May 31, 2016. FETC had completed the ETC driveway infrastructure and taximeter system infrastructure as promised and accrued a proper provision.

### **37. SUBSEQUENT EVENTS AFTER REPORTING PERIOD**

- a. In order to fulfill the needs for long-term working capital or repay its borrowings, Far EastOne's board of directors resolved to issue domestic unsecured corporate bonds not exceeding \$5,000,000 thousand on February 23, 2018. The chairman or his appointed deputy is authorized to decide on all matters pertaining to the issuance of bonds or the requirements of government authorities and to amend or to improve the plan.
- b. For the purpose of operation, Far Eastern Investment (Holding) Ltd., a subsidiary of FENC, participated in a public auction in order to acquire real property, equipment and other assets from non-related parties, M&G Polymers USA, LLC and M&G USA Corporation, on January 31, 2018 under sale and bidding procedures. The total purchase price was US\$33,376 thousand, and the full payment will be completed by a newly established and wholly-owned subsidiary, FE Polytech, LLC.
- c. From the board of directors resolution on January 29, 2018, Far Eastern Resources Development Corporation, FENC's subsidiary, is going to sell land in the Sanlong Section of Shulin District to Oriental Institute of Technology for \$456,782 thousand and will recognize a gain on disposal of \$34,177 thousand.
- d. On March 21, 2018, Far Eastern Investment (Holding) Corporation, FENC's subsidiary, formed a joint venture, Corpus Christi Polymers LLC, with Indorama Ventures Holdings LP and Alpek, S.A.B. de C.V. in order to acquire M&G Chemicals' PTA and PET plants and other assets in Texas, USA. Each partner shall commit one third of the required capital. The closing shall be consummated subject to the bankruptcy court and regulatory approvals.
- e. On March 22, 2018, the board of directors of the Company resolved to issue unsecured corporate bonds. The bonds will be for up to 10 years, and the total amount issued will not exceed \$8,000,000 thousand with a par value of \$1,000 thousand or integral multiples of \$1,000 thousand.



### 38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NT\$)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 296,381	29.760 (USD:NTD)	\$ 8,820,299
USD	93,996	6.519 (USD:RMB)	2,797,321
USD	62,893	7.800 (USD:HKD)	1,871,696
USD	797	4.208 (USD:MYR)	<u>23,719</u>
			<u>\$ 13,513,035</u>
<u>Financial liabilities</u>			
Monetary items			
USD	187,567	29.760 (USD:NTD)	\$ 5,581,994
USD	106,984	6.519 (USD:RMB)	3,183,844
USD	32,800	7.800 (USD:HKD)	976,128
USD	6,232	4.208 (USD:MYR)	<u>185,464</u>
			<u>\$ 9,927,430</u>

December 31, 2016

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NT\$)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 287,963	32.250 (USD:NTD)	\$ 9,286,807
USD	96,093	6.985 (USD:RMB)	3,098,999
USD	37,020	7.800 (USD:HKD)	1,193,895
USD	1,700	4.671 (USD:MYR)	<u>54,825</u>
			<u>\$ 13,634,526</u>
<u>Financial liabilities</u>			
Monetary items			
USD	157,349	32.250 (USD:NTD)	\$ 5,074,505
USD	56,901	6.985 (USD:RMB)	1,835,057
USD	70,705	7.800 (USD:HKD)	2,280,236
USD	1,608	4.671 (USD:MYR)	<u>51,858</u>
			<u>\$ 9,241,656</u>

For the years ended December 31, 2017 and 2016, (realized and unrealized) net foreign exchange losses were \$185,372 thousand and \$792,420 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of functional currencies of the Group entities.

### **39. SEPARATELY DISCLOSED ITEMS**

#### **a. Information about significant transactions and investees**

- 1) Financing provided to others: Table 5 (attached)
- 2) Endorsements/guarantees provided: Table 6 (attached)
- 3) Marketable securities held: Table 7 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 8 (attached)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 9 (attached)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: Table 10 (attached)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 11 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 12 (attached)
- 9) Trading in derivative instruments: Notes 7 and 9
- 10) Intercompany relationships and significant intercompany transactions: Table 13 (attached)
- 11) Information on investees: Table 14 (attached)

#### **b. Information on investments in mainland China**

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Tables 15 and 15-1 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Tables 3, 4, 5, 6, 11, 12, 13 and 14 (attached)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

- c) The amount of property transactions and the amount of the resultant gains or losses.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

#### 40. SEGMENT INFORMATION

##### Industry Information

The information provided to the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on types of goods delivered or services provided. The Group defined its operating segments as follows: Petrochemical business, chemical fiber business, textile business, telecommunication services business, real estate business, investment and other business.

Segment operating income is the profit generated by each operating segment, which excludes other gain or loss such as interest revenue, revaluation gain on investment properties, gain or loss on disposal of properties and equipment, exchange gain or loss, interest expense and income tax expense. It is the measure reported to the chief operating decision maker to allocate resources to the segments and assess their performance.

##### a. Segments revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Petrochemical business			\$ (1,262,021)	\$ (1,274,521)
Revenue generated from external customers	\$ 16,557,547	\$ 15,724,474		
Intersegment revenue	<u>13,868,670</u>	<u>15,676,633</u>		
	<u>30,426,217</u>	<u>31,401,107</u>		
Chemical fiber business			1,006,696	692,771
Revenue generated from external customers	60,963,683	58,729,458		
Intersegment revenue	<u>1,006,029</u>	<u>733,103</u>		
	<u>61,969,712</u>	<u>59,462,561</u>		
Textile business			1,090,640	1,177,681
Revenue generated from external customers	33,967,442	33,838,264		
Intersegment revenue	<u>86,921</u>	<u>108,058</u>		
	<u>34,054,363</u>	<u>33,946,322</u>		
Telecommunication services business			14,216,298	15,024,350
Revenue generated from external customers	91,787,386	94,103,211		
Intersegment revenue	<u>282,295</u>	<u>241,055</u>		
	<u>92,069,681</u>	<u>94,344,266</u>		

(Continued)

	<b>Segment Revenue</b>		<b>Segment Profit</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Real estate development			\$ 759,959	\$ 1,009,097
Revenue generated from external customers	\$ 7,151,591	\$ 8,176,564		
Intersegment revenue	<u>791,265</u>	<u>719,859</u>		
	<u>7,942,856</u>	<u>8,896,423</u>		
Investment and other			3,808,839	158,105
Revenue generated from external customers	10,677,745	6,634,203		
Intersegment revenue	<u>361,305</u>	<u>301,004</u>		
	<u>11,039,050</u>	<u>6,935,207</u>		
Adjustment and elimination	<u>(15,281,470)</u>	<u>(17,053,498)</u>	187,319	(174,207)
	<u>\$ 222,220,409</u>	<u>\$ 217,932,388</u>	<u>19,807,730</u>	<u>16,613,276</u>
Interest revenue			486,339	440,904
Exchange loss			(185,372)	(792,420)
Interest expense			(2,605,876)	(2,486,885)
Other revenue and income (other expenses and losses)			<u>(610,530)</u>	<u>2,185,235</u>
Profit before tax			<u>\$ 16,892,291</u>	<u>\$ 15,960,110</u> (Concluded)

Note: For the years ended December 31, 2017 and 2016, the main differences between the total reportable segment revenue and consolidated operating revenue and those between the total reportable segment profit and consolidated operating income were due to the share of the associates' profit of \$4,114,335 thousand and \$1,873,936 thousand, respectively, and dividend income from associates, which amounted to \$259,126 thousand and \$202,531 thousand, respectively.

b. Segment total assets and liabilities

Segment total assets and liabilities was not disclosed due to this information was not reviewed by or regularly provided to the chief operating decision maker.

c. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and overseas.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Taiwan	\$ 158,141,451	\$ 157,981,927	\$ 296,320,491	\$ 293,132,939
China	34,664,367	32,038,740	38,953,753	39,513,805
Overseas	<u>25,041,130</u>	<u>25,835,254</u>	<u>10,872,934</u>	<u>6,029,919</u>
	<u>\$ 217,846,948</u>	<u>\$ 215,855,921</u>	<u>\$ 346,147,178</u>	<u>\$ 338,676,663</u>

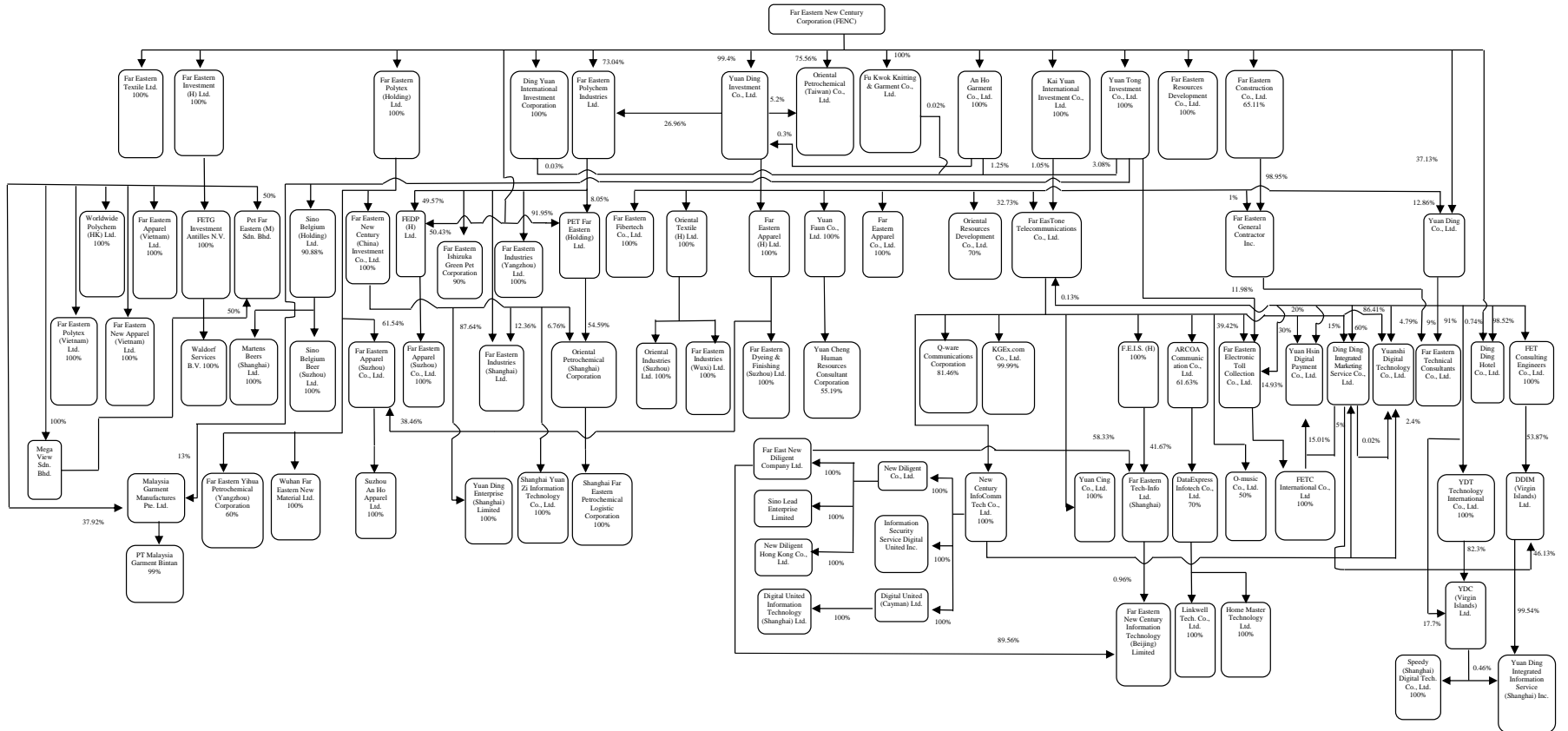
Non-current assets exclude non-current assets classified as held for sale, financial instruments, investments accounted for using the equity method, deferred tax assets, net defined benefit assets, and guarantee deposits.

d. Information about major customers

No single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND PERCENTAGES OF OWNERSHIP  
DECEMBER 31, 2017



**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

**RELATED PARTY NAMES AND CATEGORIES  
DECEMBER 31, 2017**

Related Party Names	Related Party Categories
Asia Cement Corporation	Associate
Far Eastern Department Stores Co., Ltd.	Associate
Oriental Union Chemical Corporation	Associate
Everest Textile Corporation	Associate
Oriental Securities Corporation	Associate
Yu Yuan Investment Co., Ltd.	Associate
Yuan Ding Leasing Corporation	Associate
Far Eastern International Leasing Corporation	Associate
Liquid Air Far East Co., Ltd.	Associate
Da Ju Fiber Co., Ltd.	Associate
Far Eastern Union Petrochemical (Yangzhou) Corporation	Associate
Tong Da Air Industry (Yangzhou) Co., Ltd.	Associate
Yu Ding Industry Co., Ltd.	Associate
Freudenberg Far Eastern Spunweb Co., Ltd.	Associate
Yue Ming Corporation	Associate
Far Eastern International Bank	Other related party (the vice chairman of investee is the chairman of FENC; associate since 8/18/2017; more details in Note 8)
Everest Textile USA, LLC	Other related party (the subsidiary of FENC's associate)
Pacific Petrochemical (holding) Ltd. (PPL)	Other related party (the subsidiary of FENC's associate)
Shanghai Pacific Department Store Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Pacific Dept Stores (Dalian) Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Pacific SOGO Department Stores Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chengdu Beicheng FEDS Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chengdu Quanxing Masion Pacific Department Store Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Pacific (China) Investment Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Bai-Ding Investment Corporation	Other related party (the subsidiary of FENC's associate)
Nan Hwa Cement Corporation	Other related party (the subsidiary of FENC's associate)
Chiahui Power Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Der Ching Investment Corporation	Other related party (the subsidiary of FENC's associate)
Ya Tung Ready-mixed Concrete Corporation	Other related party (the subsidiary of FENC's associate)
Oriental Securities Investment Consultant Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Asia Engineering Enterprise Corporation	Other related party (the subsidiary of FENC's associate)
Asia Cement (China) Holdings Corporation	Other related party (the subsidiary of FENC's associate)
Asia Investment Corporation	Other related party (the subsidiary of FENC's associate)
Ya Sing Ready-Mixed Concrete Corporation	Other related party (the subsidiary of FENC's associate)

(Continued)

Related Party Names	Related Party Categories
Wuhan Yaxin Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Far Eastern Ai Mai Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Far Eastern Big City Shopping Malls Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chengdu FEDS Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chongqing FEDS Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Wuxi FEDS Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Far Eastern City Super Ltd.	Other related party (the subsidiary of FENC's associate)
Yuan Bo Asset Management Corporation	Other related party (the subsidiary of FENC's associate)
Far Eastern Leasing Corporation	Other related party (the subsidiary of FENC's associate)
Far Eastern Property Insurance Agency Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Far Eastern Asset Management Corporation	Other related party (the subsidiary of FENC's associate)
Fu Ming Transport Corporation	Other related party (the subsidiary of FENC's associate)
Fu-Da Transport Corporation	Other related party (the subsidiary of FENC's associate)
Shanghai Bai Ding Business Management. Consulting Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chubei New Century Shopping Mall Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Everest Textile (Shanghai) Ltd.	Other related party (the subsidiary of FENC's associate)
Nanchang Yali Concrete Produce Ltd.	Other related party (the subsidiary of FENC's associate)
Ya-Li Precast Prestressed Concrete Industries Corporation	Other related party (the subsidiary of FENC's associate)
Sichuan Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Jiangxi Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Wuhan Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Yangzhou Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Hubei Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Oriental Petrochemical (YangZhou) Corporation	Other related party (the subsidiary of FENC's associate)
Huanggang Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Ya Tung Department Store Ltd.	Other related party (the subsidiary of FENC's associate)
Sichuan Lanfeng Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Shanghai Yali Cement Products Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Sichuan Yali Concrete Produce Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Chengdu Yali Cement Products Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Wuhan Yali Cement Products Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Sichuan Yali Transport Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Jiangxi Yali Transport Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Hubei Yali Transport Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Nanchang Yadong Cement Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Tai Zhou Oriental Construction Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Oriental Institute of Technology	Other related party (the same chairman)
Far Eastern Memorial Hospital	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
U-Ming Marine Transport Corporation	Other related party (the same chairman)
Mr. Xu Yuanzhi Memorial Foundation	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)
Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation	Other related party (the same chairman)
Uni-President Enterprise Corporation	Other related party (supervisor of the subsidiary)
Him International Music Incorporated	Other related party (supervisor of the subsidiary)
Sony Music Entertainment Taiwan Ltd.	Other related party (corporate director of the subsidiary)

(Continued)



Related Party Names	Related Party Categories
President Chain Store Corporation	Other related party (corporate director of the subsidiary)
Mitac Incorporated	Other related party (corporate director of the subsidiary)
Universal Music Taiwan Ltd.	Other related party (corporate director of the subsidiary)
Forward Music Co., Ltd.	Other related party (corporate director of the subsidiary)
U-Ming Marine Transport (Singapore) Private Limited	Other related party (related party in substance)
Ding & Ding Management Consultants Co., Ltd.	Other related party (related party in substance)
TECO Electric & Machinery Co., Ltd.	Other related party (related party in substance)
SYSTEX Corporation	Other related party (related party in substance)
Tranquil Enterprise Ltd.	Other related party (related party in substance)
Far Eastern Polyclinic	Other related party (related party in substance)
Telecommunication & Transportation Foundation	Other related party (Far EasTone's donation is over one third of the foundation's fund)

(Concluded)

**TABLE 3****FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES****CONSOLIDATED RELATED-PARTY TRANSACTIONS  
(In Thousands of New Taiwan Dollars)**

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Sales		
Associate	\$ 2,049,638	\$ 1,335,203
Other related parties	<u>748,823</u>	<u>1,108,786</u>
	<u>\$ 2,798,461</u>	<u>\$ 2,443,989</u>
Operating costs		
Associate	\$ 1,861,437	\$ 1,812,198
Other related parties	<u>602,919</u>	<u>586,284</u>
	<u>\$ 2,464,356</u>	<u>\$ 2,398,482</u>
Operating expenses		
Associate	\$ 38,700	\$ 47,942
Other related parties	<u>394,239</u>	<u>362,948</u>
	<u>\$ 432,939</u>	<u>\$ 410,890</u>
Rental revenue (recognized as operating revenue)		
Associate	\$ 334,693	\$ 254,704
Other related parties	<u>257,701</u>	<u>330,834</u>
	<u>\$ 592,394</u>	<u>\$ 585,538</u>
Rental expense (recognized as operating cost and expense)		
Associate	\$ 73,212	\$ 78,773
Other related parties	<u>185,150</u>	<u>253,632</u>
	<u>\$ 258,362</u>	<u>\$ 332,405</u>

The Group had purchased the securities from the associates amounted to \$792,206 thousand for the year ended December 31, 2017. The Group had purchased the construction contracts, software equipment, machinery and equipment and securities from the other related parties amounted to \$352,493 thousand for the year ended December 31, 2017. The Group had purchased the software equipment, construction contracts, machinery and equipment, securities, and construction in progress amounted to \$79,799 thousand for the year ended December 31, 2016.

(Continued)

The fund transaction between the Group and Opas Fund Segregated Portfolio Company (“Opas Company”) was carrying out investment to acquisition and disposal the overseas fund including Opas Fund Segregated Portfolio Tranche “A”, “B”, “C”, through the trading platform of Opas Company. The decisions on overseas mutual funds with different tranches were made by the investment committee which is formed with the Group and other investors. During the year ended December 31, 2017, the Group acquired funds with carrying amounts of \$840,439 thousand, and the Group disposed of funds with carrying amounts of \$653,400 thousand. The disposal proceeds were \$704,725 thousand, and the gains on the fund disposal was \$51,325 thousand.

The rental expense incurred for rental agreements on factories in Hukou, Hsinchu, hotel, office and equipment rooms in Tainan, base stations and departments around Taiwan. The term of the rental agreements was from January 2009 to January 2029. The revenue generated from renting out some of the floors of the Taipei Metro Tower building and buildings in Chen-Chung Section in Taipei City, Hsin-ban Section in New Taipei City and Xinhua development zone in Shanghai City; the related lease term was from November 2006 to January 2035. Rent is received or paid quarterly or monthly, and the amount of rent was based on market conditions in nearby locations.

The Group had donated \$1,825 thousand to its other related party, Yuan Ze University, in 2017.

Compensation of key management personnel:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Short-term benefits	\$ 391,032	\$ 351,425
Post-employment benefits	<u>2,680</u>	<u>2,656</u>
	<u>\$ 393,712</u>	<u>\$ 354,081</u>

Note: The terms of sales to and purchases from the related parties were based on agreements.

(Concluded)

**TABLE 4****FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES****CONSOLIDATED RELATED-PARTY TRANSACTIONS  
(In Thousands of New Taiwan Dollars)**

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Notes and accounts receivable		
Associate	\$ 622,606	\$ 508,319
Other related parties	<u>465,356</u>	<u>546,310</u>
	<u>\$ 1,087,962</u>	<u>\$ 1,054,629</u>
Notes and accounts payable - related parties		
Associate	\$ 190,432	\$ 182,925
Other related parties	<u>149,286</u>	<u>235,826</u>
	<u>\$ 339,718</u>	<u>\$ 418,751</u>
Progress billings		
Associate	\$ 429,779	\$ 98,844
Other related parties	<u>783,806</u>	<u>776,844</u>
	<u>\$ 1,213,585</u>	<u>\$ 875,688</u>
Guarantee deposits received		
Associate	\$ 50,427	\$ 10,899
Other related parties	<u>64,459</u>	<u>168,222</u>
	<u>\$ 114,886</u>	<u>\$ 179,121</u>
Deferred credit - gains on related parties transactions		
Associate		
Oriental Securities Corporation	\$ 111,705	\$ 112,260
Others	2,810	2,594
Other related parties	<u>9,122</u>	<u>9,338</u>
	<u>\$ 123,637</u>	<u>\$ 124,192</u>

(Continued)

Financing to related parties

Loans to related parties (recognized as other receivables):

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Associate		
Yu Ding Industry Co., Ltd.	\$ 510,000	\$ 680,000
Far Eastern Union Petrochemical (Yangzhou) Corporation	1,460,800	2,816,370
Da Ju Fiber Co., Ltd.	550,000	940,000
Other related parties	<u>319,550</u>	<u>230,850</u>
	<u>\$ 2,840,350</u>	<u>\$ 4,667,220</u>

Interests income from loans to related parties:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Associate		
Far Eastern Union Petrochemical (Yangzhou) Corporation	\$ 63,051	\$ 54,954
Others	15,894	20,981
Other related parties	<u>5,174</u>	<u>6,717</u>
	<u>\$ 84,119</u>	<u>\$ 82,652</u>

Loans from related parties:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Other related parties (recognized as short-term borrowings - loans from related parties)	\$ 3,732,946	\$ 3,487,023
Other related parties (recognized as long-term borrowings - bank loans)	<u>-</u>	<u>600,000</u>
	<u>\$ 3,732,946</u>	<u>\$ 4,087,023</u>

Interests expense from loans from related parties:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Other related parties	<u>\$ 8,548</u>	<u>\$ 330</u>

(Continued)

Deposits, debt investments with no active market and other financial assets

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Far Eastern International Bank	<u>\$ 12,833,826</u>	<u>\$ 9,371,078</u>

The Group had bank deposits and time deposits (recognized as cash, cash equivalents and debt investments with no active market) in Far Eastern International Bank. In addition, the deposits included the proceeds of Far Eastone's sale of prepaid cards, sale of international calling cards and highway toll fees, which were consigned to Far Eastern International Bank as trust fund, which were recognized as other financial assets. The interest income was \$74,489 thousand and \$74,614 thousand for the years ended December 31, 2017 and 2016, respectively.

Financial assets (liabilities) at fair value through profit or loss - current

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Far Eastern International Bank	<u>\$ (4,440)</u>	<u>\$ 1,197</u>

The Group signed forward exchange contracts, option contracts, combined exchange options and cross-currency swap contracts with Far Eastern International Bank. The gain or (loss) of financial assets (liabilities) at fair value through profit or loss was \$(22,638) thousand and \$34,931 thousand for the years ended December 31, 2017 and 2016, respectively.

Derivative financial assets (liabilities) for hedging - current

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Far Eastern International Bank	<u>\$ 1,700</u>	<u>\$ (7,538)</u>

The Group signed foreign exchange swap contracts with Far Eastern International Bank and recognized as derivative financial assets (liabilities) for hedging. Notional amounts were US\$10,000 thousand and US\$20,000 thousand as of December 31, 2017 and December 31, 2016. The costs derived from the related transactions are recognized as financial costs.

The rental receivables (recognized as other receivables) from renting out the factories to other related parties were \$64,924 thousand and \$355,322 thousand as of December 31, 2017 and December 31, 2016, respectively.

The Group sold investment properties - land to Far Eastern Medical Foundation in 2015. As of December 31, 2017 and December 31, 2016 the unreceived amount which was recognized as other receivables from related parties were \$360,000 thousand and \$360,000 thousand, respectively. And other receivables from related parties - non-current were \$1,260,000 thousand and \$1,440,000 thousand, respectively.

Note: The terms of sales to and purchases from other related parties were based on the agreements.

(Concluded)

## FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Far Eastern New Century Corporation	Far Eastern Resources Development Co., Ltd.	Receivables from related parties	Yes	\$ 1,500,000	\$ 1,500,000	\$ -	-	2	\$ -	For revolving fund	\$ -	Promissory note	\$ 9,718,019	\$ 97,180,194	Amounts allowed for ending period (Note B); Maximum amounts allowed for the period (Note H)	
1	Yuan Ding Investment Co., Ltd.	Far Eastern Apparel Co., Ltd.	Receivables from related parties	Yes	50,000	50,000	-	-	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Ding Yuan International Investment Co., Ltd.	Receivables from related parties	Yes	400,000	400,000	-	-	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Oriental Resources Development Co., Ltd.	Receivables from related parties	Yes	600,000	600,000	-	-	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Far Eastern Resources Development Co., Ltd.	Receivables from related parties	Yes	1,000,000	1,000,000	-	-	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Oriental Petrochemical Corporation (Taiwan)	Receivables from related parties	Yes	1,500,000	1,500,000	-	-	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Yuan Tong Investment Co., Ltd.	Receivables from related parties	Yes	750,000	750,000	-	1.46-1.52	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		An Ho Garment Co., Ltd.	Receivables from related parties	Yes	800,000	800,000	315,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Kai Yuan International Investment Co., Ltd.	Receivables from related parties	Yes	1,200,000	1,200,000	327,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Yu Ding Industry Co., Ltd.	Receivables from related parties	Yes	680,000	680,000	510,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Du Ju Fiber Co., Ltd.	Receivables from related parties	Yes	1,100,000	1,100,000	550,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	4,165,419	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
2	Yuan Tong Investment Co., Ltd.	Far Eastern Resources Development Co., Ltd.	Receivables from related parties	Yes	500,000	-	-	-	2	-	For revolving fund	-	Promissory note	843,708	4,218,542	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
3	Far EastOne Telecommunications Co., Ltd.	O-ware Communications Corporation	Receivables from related parties	Yes	250,000	250,000	130,000	1.48-1.61	2	-	For revolving fund	-	-	6,975,841	34,879,206	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
4	New Century InfoComm Tech Co., Ltd.	Q-ware Communications Corporation Far EastOne Telecommunications Co., Ltd. Far EastOne Telecommunications Co., Ltd.	Receivables from related parties Receivables from related parties Receivables from related parties	Yes Yes Yes	\$ 250,000 7,500,000 4,000,000	\$ - 7,500,000 2,500,000	\$ - 300,000 2,500,000	1.33 0.83 0.83	2 2 1	\$ - - 3,227,729	For revolving fund For revolving fund -	\$ - - -	- - -	\$ 8,406,793 8,406,793 3,227,729	\$ 12,009,704 12,009,704 12,009,704	Amounts allowed for ending period (Note F); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note F); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H)	
5	Yuan Ding Co., Ltd.	Far Eastern Technical Consultants Co., Ltd. Ding Ding Integrated Marketing Service Co., Ltd. Ding Ding Hotel Co., Ltd.	Receivables from related parties Receivables from related parties Receivables from related parties	Yes Yes Yes	50,000 100,000 800,000	- - 400,000	- - -	- - 1.0013-1.1679	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	- - -	1,484,410 1,484,410 1,484,410	3,711,026 3,711,026 3,711,026	Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H)
6	YDT Technology International Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd. Yuan Ding Integrated Information Services (Shanghai) Inc.	Receivables from related parties Receivables from related parties	Yes Yes	400,000 153,867	- 151,776	- 32,188	1.024-1.1349 1.90-2.25	2 2	- -	For revolving fund For revolving fund	- -	Promissory note Promissory note	- -	1,484,410 1,484,410	3,711,026 3,711,026	Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H)
7	FET Consulting Engineers Co., Ltd.	Yuan Ding Co., Ltd.	Receivables from related parties	Yes	130,000	-	-	1.024-1.1349	2	-	For revolving fund	-	Promissory note	-	110,851	138,564	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H)
8	Ding Ding Integrated Marketing Service Co., Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc.	Receivables from related parties	Yes	200,000	180,000	180,000	1.0013-1.1679	2	-	For revolving fund	-	Promissory note	-	199,833	249,791	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H)
9	Far Eastern Investment (Holding) Ltd.	Worldwide Polychem (HK) Ltd. Far Eastern Polytex (Holding) Ltd. Far Eastern Apparel (Holding) Ltd.	Receivables from affiliates Receivables from affiliates Receivables from affiliates	Yes Yes Yes	297,600 297,600 1,190,400	297,600 297,600 892,800	27,332	1.75-2.25	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	- - -	135,303 4,491,467 4,491,467	169,129 13,474,400 13,474,400	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)

(Continued)



No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note	
													Item	Value				
10	Far Eastern Apparel (Holding) Ltd.	Far Eastern Polychem Industries Ltd.	Receivables from affiliates	Yes	\$ 2,083,200	\$ 1,785,600	\$ -	2.31767-2.44767	2	\$ -	For revolving fund	\$ -	Promissory note	-	\$ 4,491,467	\$ 13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Oriental Textile (Holding) Ltd.	Receivables from affiliates	Yes	2,380,800	1,785,600	23,808	2.31767-2.44767	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		PET Far Eastern (Holding) Ltd.	Receivables from affiliates	Yes	2,380,800	892,800	27,390	5.26667-5.93883	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Sino Belgium (Holding) Ltd.	Receivables from affiliates	Yes	446,400	446,400	148,800	2.31767-2.44767	2	-	-	For revolving fund	-	Promissory note	-	3,593,173	3,593,173	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)
		PET Far Eastern (M) Sdn. Bhd.	Receivables from affiliates	Yes	297,600	297,600	158,967	-	-	2	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Apparel (Vietnam) Ltd.	Receivables from affiliates	Yes	595,200	595,200	223,200	-	-	2	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Apparel (Vietnam) Ltd.	Receivables from affiliates	Yes	892,800	892,800	508,896	-	-	2	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Polytex (Vietnam) Ltd.	Receivables from affiliates	Yes	1,488,000	1,488,000	892,800	-	-	2	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	1,885,345	1,885,345	1,780,668	-	-	2	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Apparel (Suzhou) Co., Ltd.	Receivables from affiliates	Yes	595,200	595,200	-	-	-	2	-	For revolving fund	-	Promissory note	-	1,705,634	5,116,901	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
11	Oriental Textile (Holding) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Receivables from affiliates	Yes	1,190,400	1,190,400	356,347	-	2	-	For revolving fund	-	Promissory note	-	1,705,634	5,116,901	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	1,190,400	1,190,400	821,376	2.31767-2.44767	2	-	-	For revolving fund	-	Promissory note	-	1,705,634	5,116,901	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Polytex (Vietnam) Corporation	Receivables from affiliates	Yes	2,083,200	2,083,200	-	-	2	-	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Sino Belgium Beer (Suzhou) Ltd.	Receivables from affiliates	Yes	178,560	178,560	-	-	2	-	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
11	Oriental Textile (Holding) Ltd.	Far Eastern Industries (Wuxi) Ltd.	Receivables from affiliates	Yes	595,200	595,200	-	-	2	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Sino Belgium (Holding) Ltd.	Receivables from affiliates	Yes	297,600	-	-	-	2	-	-	For revolving fund	-	Promissory note	-	3,206,018	3,206,018	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	\$ 446,400	\$ 446,400	\$ 200,860	5.26667-5.93300	2	\$ -	For revolving fund	\$ -	Promissory note	\$ -	\$ 12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	2,008,600	2,008,600	483,890	1.265	2	-	For revolving fund	-	Promissory note	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Oriental Industries (Shenzhen) Ltd.	Receivables from affiliates	Yes	1,785,600	1,785,600	505,920	-	2	-	For revolving fund	-	Promissory note	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
12	Far Eastern Polychem Industries Ltd.	Wuhan Far Eastern New Material Ltd.	Receivables from affiliates	Yes	119,040	119,040	-	-	2	-	For revolving fund	-	Promissory note	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Ibizuka Green Pet Corporation	Receivables from affiliates	Yes	396,300	396,300	-	2.31767	2	-	For revolving fund	-	Promissory note	3,757,830	3,757,830	Amounts allowed for ending period (Note O); Maximum amounts allowed for the period (Note G)	
		Far Eastern Industries (Suzhou) Ltd.	Receivables from affiliates	Yes	1,398,720	1,398,720	-	-	2	-	For revolving fund	-	Promissory note	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Industries (Shanghai) Ltd.	Receivables from affiliates	Yes	1,874,880	1,785,600	-	-	2	-	For revolving fund	-	Promissory note	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	2,693,350	2,693,350	182,600	1.265	2	-	For revolving fund	-	Promissory note	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	892,800	892,800	466,330	2.44767-5.93883	2	-	For revolving fund	-	Promissory note	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
13	PET Far Eastern (Holding) Ltd.	Oriental Petrochemical (Shanghai) Corporation	Receivables from affiliates	Yes	595,200	535,680	267,840	-	2	-	For revolving fund	-	Promissory note	2,922,559	8,767,678	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	2,145,550	2,145,550	273,900	1.265	2	-	For revolving fund	-	Promissory note	2,922,559	8,767,678	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
14	FEDP (Holding) Ltd.	Far Eastern Polychem Industries Ltd.	Receivables from affiliates	Yes	148,800	148,800	59,520	1.95739-2.44767	2	-	For revolving fund	-	Promissory note	121,727	365,182	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	148,800	148,800	148,800	2.31767-2.44767	2	-	For revolving fund	-	Promissory note	121,727	365,182	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
15	Waldorf Services B.V.	Oriental Textile (Holding) Ltd.	Receivables from affiliates	Yes	446,400	-	-	2.31767	2	-	For revolving fund	-	Promissory note	233,178	699,535	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Polychem Industries Ltd.	Receivables from affiliates	Yes	446,400	-	-	2.31767	2	-	For revolving fund	-	Promissory note	233,178	699,535	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	446,400	-	-	2.31767	2	-	For revolving fund	-	Promissory note	233,178	699,535	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Aggregate Financing Limits	Note
													Item	Value		
16	Far Eastern Polytex (Holding) Ltd.	Far Eastern Century (China) Investment Co., Ltd. Wuhan Far Eastern New Material Ltd.	Receivables from affiliates Receivables from affiliates	Yes Yes	\$ 98,208 119,040	\$ - -	\$ - -	- -	2 2	- -	For revolving fund For revolving fund	\$ - -	Promissory note Promissory note	\$ 3,832,669 3,832,669	\$ 11,498,006 11,498,006	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
17	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd. Oriental Petrochemical Corporation (YangZhou) Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties	Yes Yes Yes	913,000 456,500 2,054,250	913,000 319,550 2,054,250	251,075 319,550 1,848,962	2.61-3.75 2.00-3.68 2.58078-3.51376	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	2,577,647 1,145,621 2,577,647	5,728,105 1,145,621 5,728,105	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)
18	Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern Union Petrochemical Corporation (Yangzhou) Far Eastern Industries (Suzhou) Ltd. Far Eastern Apparel Industries (Wuxi) Ltd.	Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties	Yes Yes Yes	365,200 913,000 296,725	- 913,000 -	- - -	- 2.61 2.61-3.68	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	609,847 1,372,155 1,372,155	609,847 3,049,233 3,049,233	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)
19	Far Eastern Industries (Suzhou) Ltd.	Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	45,650	45,650	-	-	2	-	For revolving fund	-	Promissory note	28,276	62,837	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)
20	Oriental Industries (Suzhou) Ltd.	Far Eastern Union Petrochemical Corporation (Yangzhou) Far Eastern Century (China) Investment Co., Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd. Far Eastern Industries (Wuxi) Ltd.	Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties	Yes Yes Yes Yes Yes	776,050 228,250 456,500 456,500 913,000	- 228,250 456,500 456,500 913,000	- - - - 3,666	2.00-3.915 - - - 3.75064	2 2 2 2 2	- - - - -	For revolving fund For revolving fund For revolving fund For revolving fund For revolving fund	- - - - -	Promissory note Promissory note Promissory note Promissory note Promissory note	2,329,108 5,240,492 5,240,492 5,240,492 5,240,492	2,329,108 11,645,538 11,645,538 11,645,538 11,645,538	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Sino Belgium Beer (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	\$ 1,141,250	\$ 1,141,250	\$ 832,624	2.93435-3.78064	2	\$ -	For revolving fund	\$ -	Promissory note	\$ 5,240,492	\$ 1,645,538	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
		Far Eastern Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	1,826,000	1,826,000	1,043,061	2.93435-3.78064	2	-	For revolving fund	-	Promissory note	5,240,492	1,645,538	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
21	Fair Eastern Industries (Wuxi) Petrochemical Corporation	Fair Eastern Union Petrochemical Corporation	Other receivables - loans to related parties	Yes	547,800	-	-	4.08-4.35	2	-	For revolving fund	-	Promissory note	1,193,321	1,193,321	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)	
		Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	913,000	913,000	-	2.58078-3.50558	2	-	For revolving fund	-	Promissory note	2,684,973	5,966,606	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
22	Suzhou An Ho Apparel Ltd.	Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	41,085	41,085	41,085	3.75	2	-	For revolving fund	-	Promissory note	49,379	109,730	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
23	Oriental Petrochemical Corporation	Far Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	228,250	228,250	-	1.265	2	-	For revolving fund	-	Promissory note	256,397	769,792	Amounts allowed for ending period (Note B); Maximum amounts allowed for the period (Note D)	
24	Fair Eastern Industries (Shanghai) Ltd.	Fair Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	684,750	684,750	-	1.265	2	-	For revolving fund	-	Promissory note	4,080,140	7,344,252	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note I)	
		Oriental Petrochemical (Shanghai) Corporation	Other receivables - loans to related parties	Yes	913,000	456,500	456,500	2.00-4.35	2	-	For revolving fund	-	Promissory note	3,264,112	3,264,112	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)	
		Fair Eastern Union Petrochemical (Yangzhou) Corporation	Other receivables - loans to related parties	Yes	1,689,050	913,000	913,000	2.00	2	-	For revolving fund	-	Promissory note	3,264,112	3,264,112	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)	
		Oriental Petrochemical (Shanghai) Corporation	Other receivables - loans to related parties	Yes	2,282,500	1,369,500	1,141,250	2.00-4.35	1	4,964,762	-	-	Promissory note	4,080,140	4,080,140	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note H)	
25	Wuhan Far Eastern New Material Ltd.	Far Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	136,950	136,950	173	1.265	2	-	For revolving fund	-	Promissory note	477,229	859,013	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note I)	
26	Far Eastern New Century (China) Investment Co., Ltd.	Shanghai Yuan Zi Information Technology Co., Ltd.	Other receivables - loans to related parties	Yes	45,650	45,650	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	
		Oriental Textile (Holding) Ltd.	Other receivables - loans to related parties	Yes	91,300	91,300	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	
		Fair Eastern Polychem Industries Ltd.	Other receivables - loans to related parties	Yes	91,300	91,300	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	
		PET Far Eastern (Holding) Ltd.	Other receivables - loans to related parties	Yes	91,300	91,300	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Wuhan Far Eastern New Material Ltd.	Other receivables - loans to related parties	Yes	\$ 136,950	\$ 136,950	\$ -	1.265	2	\$ -	For revolving fund	\$ -	Promissory note	-	\$ 6,025,692	\$ 8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
		Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	1,141,250	1,141,250	-	1.265	2	-	For revolving fund	-	Promissory note	-	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
		Shanghai Far Eastern Petrochemical Logistic Corporation	Other receivables - loans to related parties	Yes	54,780	54,780	11,627	1.265	2	-	For revolving fund	-	Promissory note	-	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
		Oriental Petrochemical Corporation (Shanghai)	Other receivables - loans to related parties	Yes	744,095	502,150	499,831	1.265-2.00	2	-	For revolving fund	-	Promissory note	-	964,111	964,111	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)
		Far Eastern Industries (Shanghai) Ltd.	Other receivables - loans to related parties	Yes	4,656,300	3,195,500	1,003,428	1.265	2	-	For revolving fund	-	Promissory note	-	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
27	Shanghai Yuan Zi Information Technology Co., Ltd.	Far Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	45,650	45,650	-	-	2	-	For revolving fund	-	Promissory note	-	61,894	92,840	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note K)
28	Far Eastern Industries (Yangzhou) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	319,550	319,550	319,550	2.00-3.60	2	-	For revolving fund	-	Promissory note	-	570,680	570,680	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)
		Far Eastern Union Chemical (Yangzhou) Corporation	Other receivables - loans to related parties	Yes	547,800	547,800	547,800	2.00	2	-	For revolving fund	-	Promissory note	-	570,680	570,680	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)

Notes: A. Reasons for financing are as follows:

1. Business relationship.
  2. For short-term financing.
- B. The limitation is 5% of the net value of the financier based on audited financial statements as of December 31, 2017.
- C. The limitation is 10% of the net value of the financier based on audited financial statements as of December 31, 2017.
- D. The limitation is 15% of the net value of the financier based on audited financial statements as of December 31, 2017.
- E. The limitation is 20% of the net value of the financier based on audited financial statements as of December 31, 2017.
- F. The limitation is 35% of the net value of the financier based on audited financial statements as of December 31, 2017.
- G. The limitation is 40% of the net value of the financier based on audited financial statements as of December 31, 2017.
- H. The limitation is 50% of the net value of the financier based on audited financial statements as of December 31, 2017.
- I. The limitation is 90% of the net value of the financier based on audited financial statements as of December 31, 2017.
- J. The limitation is 100% of the net value of the financier based on audited financial statements as of December 31, 2017.
- K. The limitation is 150% of the net value of the financier based on audited financial statements as of December 31, 2017.
- L. The limitation is 200% of the net value of the financier based on audited financial statements as of December 31, 2017.
- M. The limitation is 250% of the net value of the financier based on audited financial statements as of December 31, 2017.
- N. The limitation is 350% of the net value of the financier based on audited financial statements as of December 31, 2017.
- O. The limitation is business transaction amount.

## FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Each Counterparty's Endorsement/ Guarantee Amounts	Maximum Amounts Allowed for the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries (Note M)	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent (Note M)	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China (Note M)	Note
		Name	Relationship											
0	Far Eastern New Century Corporation	Yuan Ding Investment Co., Ltd.	(Note A)	\$ 97,180,194	\$ 1,200,000	\$ -	\$ -	\$ -	-	\$ 194,360,387	Yes	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
1	Yuan Ding Investment Co., Ltd.	Oriental Resources Development Co., Ltd.	(Note A)	20,827,093	250,000	100,000	100,000	-	0.24	41,654,186	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Du Ju Fiber Co., Ltd.	(Note B)	20,827,093	320,000	280,000	80,000	-	0.67	41,654,186	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		PET Far Eastern (Holding) Ltd.	(Note C)	19,436,039	626,900	595,200	253,358	-	1.43	19,436,039	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note G); maximum amounts allowed for the period (Note H).
		Oriental Textile (Holding) Ltd.	(Note A)	20,827,093	626,900	595,200	136,950	-	1.43	41,654,186	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Far Eastern Polychem Industries Ltd.	(Note C)	19,436,039	940,350	892,800	264,770	-	2.14	19,436,039	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note G); maximum amounts allowed for the period (Note H).
		Far Eastern Ishizaka Green Pet Corporation	(Note C)	19,436,039	641,280	634,080	634,080	-	1.52	19,436,039	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note G); maximum amounts allowed for the period (Note H).
		Oriental Industries (Suzhou) Ltd.	(Note A)	20,827,093	1,567,250	1,488,000	1,123,429	-	3.57	41,654,186	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).

(Continued)

No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Each Counterparty's Endorsement/ Guarantee Amounts	Maximum Amounts Allowed for the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsements/ Guarantees Given by Parent Subsidiaries (Note M)	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent (Note M)	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China (Note M)	Note
		Name	Relationship											
2	Far Eastern Resources Development Co., Ltd.	Far Eastern New Century Corporation	(Note D)	\$ 13,071,162	\$ 5,708,448	\$ 5,708,448	\$ 5,402,000	\$ 5,708,448	2.94	\$ 26,142,323	Yes	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
3	Yuan Ding Co., Ltd.	Ding Ding Hotel Co., Ltd.	(Note A)	3,711,026	2,053,000	2,013,000	775,000	650,000	1.04	7,422,051	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Yuan Ding Integrated Information Service (Shanghai) Inc.	(Note A)	3,711,026	125,380	-	-	-	-	7,422,051	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
4	FET Consulting Engineers Co., Ltd.	Yuan Ding Co., Ltd.	(Note D)	249,791	230,000	230,000	-	230,000	0.12	499,581	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
5	Far Eastern Construction Co., Ltd.	Far Eastern General Contractor Inc.	(Note A)	39,688,221	154,300	154,300	154,300	-	1.17	39,688,221	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note I); maximum amounts allowed for the period (Note L).
6	PEIT Far Eastern (Holding) Ltd.	Far Eastern Union Petrochemical (Yangzhou) Corporation	(Note B)	97,180,194	1,196,350	1,184,610	542,478	-	0.61	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).
		Oriental Petrochemical (Shanghai) Corporation	(Note A)	97,180,194	766,250	744,000	100,430	-	0.38	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).
7	Oriental Industries (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note C)	97,180,194	650,710	492,050	-	-	1.18	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).
8	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note C)	97,180,194	321,020	319,550	-	-	0.77	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).

(Continued)

- Notes:
- A. Subsidiary.
  - B. Equity-method investee.
  - C. The guarantee provider and counterparty have the same ultimate parent company.
  - D. Parent company.
  - E. The amount of the collateral/guarantees is based on 50% of the net value of the guarantor from the latest audited financial statements.
  - F. The amount of the collateral/guarantees is based on net value of the guarantor from the latest audited financial statements.
  - G. The amount of the collateral/guarantees is based on the lower of 10% of the net value of the ultimate parent company and 50% of the net value of Yuan Ding Investment Co., Ltd. from the audited financial statements as of December 31, 2017.
  - H. The amount of the collateral/guarantees is based on the lower of 10% of the net value of the ultimate parent company and the net value of Yuan Ding Investment Co., Ltd. from the audited financial statements as of December 31, 2017.
  - I. The amount of the collateral/guarantees is based on 300% of the net value of the guarantor from latest audited financial statements.
  - J. The amount of the collateral/guarantees is based on 50% of the net value of the ultimate parent company from the latest audited financial statements.
  - K. The amount of the collateral/guarantees is based on the net value of the ultimate parent company from latest audited financial statements.
  - L. The ratio of accumulated endorsements/guarantees to net equity in latest financial statements is calculated in accordance with Regulations Governing Loaning of Funds and Marketing of Endorsements/Guarantees by Public Companies.
  - M. There will be a "Yes" if the situation meets any with endorsement/guarantee given by parent on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent and endorsement/guarantee given on behalf of companies in Mainland China.
  - N. The tariff guarantee maximum amounts allowed for a subsidiary in mainland China for the period and the actual appropriation as of period end are as follows: Oriental Industries (Suzhou) Ltd.: RMB5,000 thousand (NT\$2,825 thousand), the actual remittance: RMB5,000 thousand (NT\$2,825 thousand).

(Concluded)



## FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note B)	
Far Eastern New Century Corporation	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	750,511	\$ 16,414,157	22.33	\$ 21,164,419	19,900 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	241,770	4,704,162	17.06	3,626,546	
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	81,216	1,332,527	9.17	2,570,487	
	Everest Textile Corporation	(Note A)	Investments accounted for using the equity method	134	1,534	0.03	1,902	
	Oriental Securities Corporation	(Note A)	Investments accounted for using the equity method	140,278	1,945,424	19.65	-	
	Pacific Liu Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	135,000	1,856,750	16.83	-	
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	83,245	872,079	2.62	794,159	
	Yuan Ding Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	1,822,822	41,076,970	99.40	-	
	Far Eastern Resources Development Co., Ltd.	(Note A)	Investments accounted for using the equity method	667,242	103,111,323	100.00	-	
	Far Eastern Polytex (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	135	7,708,078	100.00	-	
	Far Eastern Polychem Industries Ltd.	(Note A)	Investments accounted for using the equity method	830,815	6,861,798	73.04	-	
	Yuan Tong Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	705,147	8,091,936	100.00	-	
	Kan Yuan International Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	302,843	5,167,778	100.00	-	
	Far Eastern Investment (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	1,700	8,739,241	100.00	-	
	PET Far Eastern (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	397	5,341,354	91.95	-	
	Oriental Petrochemical (Taiwan) Corporation	(Note A)	Investments accounted for using the equity method	1,334,427	7,492,270	75.56	-	
	Far Eastern Construction Co., Ltd.	(Note A)	Investments accounted for using the equity method	198,791	8,238,170	65.11	-	
	Yuan Ding Co., Ltd.	(Note A)	Investments accounted for using the equity method	186,929	3,075,962	37.13	-	
	An Ho Garment Co., Ltd.	(Note A)	Investments accounted for using the equity method	66,346	2,019,899	100.00	-	
	Ding Yuan International Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	205,000	2,820,313	100.00	-	
	FEDEP (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	244	122,774	50.43	-	
	Fu Kwok Knitting & Garment Co., Ltd.	(Note A)	Investments accounted for using the equity method	4,000	253,944	100.00	-	
	Ding Ding Hotel Co., Ltd.	(Note A)	Investments accounted for using the equity method	769	10,882	0.74	-	
	Far Eastern Textile Ltd.	(Note A)	Investments accounted for using the equity method	100	1,524	100.00	-	
Yuan Ding Investment Co., Ltd.	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	21,000	646,080	0.62	592,186	
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	70,818	1,337,956	8.00	2,241,380	
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	22,558	461,823	1.59	338,370	
	Everest Textile Corporation	(Note A)	Investments accounted for using the equity method	1,129,947	123,624	25.23	1,749,280	
	Far East Tone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	1,066,658	22,769,559	32.73	78,399,335	30,455 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern Polychem Industries Ltd.	(Note A)	Investments accounted for using the equity method	306,644	2,532,777	26.96	-	
	Far Eastern Apparel (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	111	3,535,452	100.00	-	
	Da Ju Fiber Co., Ltd.	(Note A)	Investments accounted for using the equity method	48,692	1,714,916	41.86	-	
	Far Eastern Apparel Co., Ltd.	(Note A)	Investments accounted for using the equity method	22,673	2,466,101	100.00	-	
	Yuan Faun Co., Ltd.	(Note A)	Investments accounted for using the equity method	5,000	127,407	100.00	-	
	Yue Ming Corporation	(Note A)	Investments accounted for using the equity method	4,684	62,182	45.50	-	
	Yuan Ding Leasing Corporation	(Note A)	Investments accounted for using the equity method	36,706	388,527	46.20	-	
	Far Eastern Fibretech Co., Ltd.	(Note A)	Investments accounted for using the equity method	91,000	1,201,711	100.00	-	
	Oriental Resources Development Co., Ltd.	(Note A)	Investments accounted for using the equity method	34,242	350,249	70.00	-	
	Liquid Air Far East Co., Ltd.	(Note A)	Investments accounted for using the equity method	86,615	1,912,179	35.00	-	
	Freudenberg Far Eastern Spunweb Co., Ltd.	(Note A)	Investments accounted for using the equity method	370,359	370,359	29.80	-	
	Oriental Securities Corporation	(Note A)	Investments accounted for using the equity method	185,247	2,675,650	25.96	-	58,100 thousand shares pledged or mortgaged as collateral for loans.

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017			Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	
	Yuan Ding Co., Ltd.	(Note A)	Investments accounted for using the equity method	64,759	\$ 1,089,336	12.86	-
	Far Eastern International Leasing Corporation	(Note A)	Investments accounted for using the equity method	75,268	930,646	16.87	16,500 thousand shares pledged or mortgaged as collateral for loans.
	Oriental Textile (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	110	8,125,575	100.00	-
	Pacific Liu Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	19,653	1,559,403	14.92	-
	Yu Yuan Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	98,198	453,433	18.96	-
	Far Eastern General Contractor Inc.	(Note A)	Investments accounted for using the equity method	1,490	22,472	1.00	-
	Oriental Petrochemical (Taiwan) Corporation	(Note A)	Investments accounted for using the equity method	91,766	528,894	5.20	-
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	113,251	1,186,368	3.56	1,080,418
	Chung Nan Textile Co. Ltd.	(Note L)	Financial assets carried at cost - non-current	2,985	81,405	5.27	-
	Overseas Investment and Development Co., Ltd.	-	Financial assets carried at cost - non-current	1,000	10,000	1.11	-
	Universal Venture Capital Investment Corporation	(Note M)	Financial assets carried at cost - non-current	1,400	14,000	1.16	-
	China Investment and Development Co., Ltd.	(Note L)	Financial assets carried at cost - non-current	1,287	8,250	0.80	-
	Taiwan Stock Exchange Corporation	-	Financial assets carried at cost - non-current	1,081	22,493	0.16	-
	Oriental Securities Investment Consultant Co., Ltd.	(Note J)	Financial assets carried at cost - non-current	1	10	0.00	-
	Dah Chung Bills Finance Corporation	(Note L)	Financial assets carried at cost - non-current	2,254	30,669	0.50	-
	U-Ming Marine Transport Corporation	(Note B)	Available-for-sale financial assets - non-current	8,869	323,719	1.05	-
	Financial assets under asset management contracts (Note E)	-	Financial assets at fair value through profit or loss - current	1,000	16,900	-	16,900
	Sinon Corporation	-	Financial assets at fair value through profit or loss - current	475	20,995	-	20,995
	Genac Technology Corporation	-	Financial assets at fair value through profit or loss - current	125	16,188	-	16,188
	Elite Advanced Laser Corporation	-	Financial assets at fair value through profit or loss - current	700	17,675	-	17,675
	Gentek Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,000	37,250	-	37,250
	TSRC Corporation	-	Financial assets at fair value through profit or loss - current	800	32,440	-	32,440
	Symtec Technology International Corporation	-	Financial assets at fair value through profit or loss - current	1,875	44,531	-	44,531
	Invencee Corporation	-	Financial assets at fair value through profit or loss - current	230	17,618	-	17,618
	Chong Hong Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	45,066	-	21.85	-
Far Eastern Investment (Holding) Ltd.	Flysn Corporation	(Note A)	Investments accounted for using the equity method	6	452,453	100.00	-
	FETG Investment Antilles N.V.	(Note A)	Investments accounted for using the equity method	5,000	209,484	50.00	-
	PET Far Eastern (M) Sdn. Bhd.	(Note A)	Investments accounted for using the equity method	Common shares	-	-	-
			Preferred shares	5,000	-	-	-
	Com2B	(Note A)	Investments accounted for using the equity method	3,000	12,392	20.00	-
	Far Eastern Apparel (Vietnam) Ltd.	(Note A)	Investments accounted for using the equity method	9,000	740,632	100.00	-
	Worldwide Polychem (HK) Ltd.	(Note A)	Investments accounted for using the equity method	2,700	58,524	100.00	-
	Opas Fund Segregated Portfolio Company	(Note A)	Investments accounted for using the equity method	(Note G)	1,582	34.00	-
	Far Eastern Polytex (Vietnam) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	4,849,333	100.00	-
	Far Eastern New Apparel (Vietnam) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	246,710	100.00	-
	Magna View Sdn. Bhd.	(Note A)	Investments accounted for using the equity method	3,000	172,420	100.00	-
	Malaysia Garment Manufacturers Pte. Ltd.	(Note A)	Investments accounted for using the equity method	30	479,137	37.92	-
	Catalyst_207 SPC	(Note A)	Investments accounted for using the equity method	-	506	34.00	-
	Far Eastern International Garments	(Note A)	Other liabilities - other	59	(12,259)	41.00	-
	Cemtex Apparel Inc.	(Note A)	Other liabilities - other	90	(11,375)	50.00	-
	Opas Fund Segregated Portfolio Company Tranche C	(Note K)	Available-for-sale financial assets - current	6	246,088	-	246,088
Magna View Sdn. Bhd.	PET Far Eastern (M) Sdn. Bhd.	(Note A)	Investments accounted for using the equity method	Common shares	209,484	50.00	-
			Preferred shares	5,000	-	-	-
			3,000	-	-	-	-

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
Ding Yuan International Investment Co., Ltd.	Asia Cement Corporation Far Eastern Department Stores Co., Ltd. Everset Textile Corporation Oriental Union Chemical Corporation Far East Tone Telecommunications Co., Ltd. Pacific Liu Tong Investment Co., Ltd. (Note F) Yu Ding Industry Co., Ltd. Far Eastern International Bank	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	13,222 5,603 1,137 27,365 920 18,000 12,844 84,155	\$ 445,556 117,484 9,266 685,186 41,142 229,217 353,759 881,493	0.39 0.40 0.23 3.09 0.03 2.24 13.20 2.64	\$ 372,852 84,045 16,086 866,118 67,594 - - 802,834	15,000 thousand shares pledged or mortgaged as collateral for loans.
Kai Yuan International Investment Co., Ltd.	Asia Cement Corporation Far East Tone Telecommunications Co., Ltd.	(Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method	20,207 34,149	670,467 1,123,244	0.60 1.05	569,851 2,509,954	16,100 thousand shares pledged or mortgaged as collateral for loans.
Far Eastern Polychem Industries Ltd.	Oriental Union Chemical Corporation Far Eastern Department Stores Co., Ltd. Kowloon Cement Corporation Far Eastern International Leasing Corporation Pacific Liu Tong Investment Co., Ltd. (Note F) Far Eastern International Bank U-Ming Marine Transport Corporation	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note C)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Available-for-sale financial assets - non-current	32,273 20,672 1,127 74,970 18,000 102,167 422	687,555 565,115 444,941 931,673 229,418 1,070,234 15,403	3.64 1.46 49.00 16.80 2.24 3.21 0.05	1,021,446 310,083 - - - 974,675 15,403	
Far Eastern Construction Co., Ltd.	Far Eastern Industries (Shanghai) Ltd. PET Far Eastern (Holding) Ltd. FEEDP (Holding) Ltd. Far Eastern Industries (Yangzhou) Ltd. Far Eastern Ishizuka Green Pet Corporation Nippon Parison Co., Ltd.	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Financial assets carried at cost - non-current	(Note G) 35 240 (Note G) 3,578 4	7,335,086 470,532 120,680 1,426,701 639,215 64,496	87.64 8.05 49.57 100.00 90.00 10.00	- - - - - -	
Far Eastern Apparel (Holding) Ltd.	Asia Cement Corporation Far Eastern General Contractor Inc. U-Ming Marine Transport Corporation Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	17,726 147,413 1,590 (Note G) (Note G)	538,873 2,075,691 58,027 586,367 2,864,053	0.53 98.95 0.19 38.46 100.00	499,876 58,027 - - -	
Far Eastern Appared Co., Ltd.	Asia Cement Corporation Far East Tone Telecommunications Co., Ltd. Yu Ding Industry Co., Ltd.	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	469 90 8	14,404 6,079 123	0.01 - 0.01	13,226 6,615 -	
Far Eastern General Contractor Inc.	Far Eastern Technical Consultants Co., Ltd. U-Ming Marine Transport Corporation Kaohsiung Rapid Transit Corporation Ya-Li Precast Prestressed Concrete Industries Corporation DFE DWS Taiwan Money Market Paradigm Pion Money Market CTBC Hwa-Win Money Market Fund	(Note A) (Note C) (Note K) (Note I) - - -	Investments accounted for using the equity method Available-for-sale financial assets - current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current	450 746 9,687 3,106 2,246 16,015 8,045	5,406 27,247 50,290 25,141 26,119 184,005 88,142	9.00 0.09 3.48 16.03 - - -	27,247 - - - 26,119 184,005 88,142	
FETG Investment Antilles N.V.	Waldorf Services B.V.	(Note A)	Investments accounted for using the equity method	2	466,357	100.00	-	
Malaysia Garment Manufacturers Pte. Ltd.	Filayan Corporation PT Malaysia Garment Bintan	(Note A) (Note A)	Investments accounted for using the equity method Other liabilities - other	20,513 (Note G)	- (43)	9.95 99.00	- -	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017			Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	
An Ho Garment Co., Ltd.	Far East Tone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	40,818	\$ 1,050,078	1.25	\$ 3,000,093 10,950 thousand shares pledged or mortgaged as collateral for loans.
	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	6,094	231,882	0.18	171,842
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	11,204	268,618	1.26	354,607
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	370	11,190	0.03	5,547
	Oriental Securities Corporation	(Note A)	Investments accounted for using the equity method	8,193	109,915	1.15	-
	Yu Ding Industry Co., Ltd.	(Note A)	Investments accounted for using the equity method	15,247	321,576	15.66	-
	Pacific Lin Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	9,681	128,566	1.21	-
	Yuan Ding Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	5,502	167,625	0.30	-
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	20,956	219,539	0.66	199,918
Yuan Faun Co., Ltd.	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	4,441	46,523	0.14	42,363
	Yuan Cheng Human Resources Consultant Corporation	(Note A)	Investments accounted for using the equity method	745	13,036	55.19	-
	Yi Tong Fiber Co., Ltd.	(Note K)	Financial assets carried at cost - non-current	3,154	25,014	3.56	-
Fu Kwok Knitting & Garment Co., Ltd.	Far East Tone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	520	19,414	0.02	38,220
Yuan Tong Investment Co., Ltd.	Far East Tone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	100,237	2,747,199	3.08	7,367,422 30,015 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	39,619	1,227,464	2.80	594,278
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	49,705	1,716,006	5.61	1,573,176
	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	28,579	1,050,263	0.85	805,939
	Pacific Lin Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	18,000	228,220	2.24	-
	Far Eastern Electronic Toll Collection Co., Ltd.	(Note A)	Investments accounted for using the equity method	35,934	376,810	11.98	-
	Liquid Air Far East Co., Ltd.	(Note A)	Investments accounted for using the equity method	1	27	-	-
	Sino Belgium (Holding) Ltd.	(Note A)	Other liabilities - other	36	(602,967)	90.88	-
	Freudenberg Far Eastern Spunweb Co., Ltd.	(Note A)	Investments accounted for using the equity method	1	38	-	-
	Malaysia Garment Manufacturers Pte. Ltd.	(Note A)	Investments accounted for using the equity method	10	164,261	13.00	-
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	101,963	1,068,045	3.20	972,724
	Ding Shen Investment Co., Ltd.	(Note M)	Financial assets carried at cost - non-current	39,600	396,000	18.00	-
	Bockhold N.V. - shares	(Note E)	Financial assets carried at cost - non-current	1	182,283	12.51	-
	Financial assets under asset management contracts	-	-	-	-	-	-
	Chung Hung Steel Corporation	(Note E)	Financial assets at fair value through profit or loss - current	3,200	39,679	-	39,679
	China Synthetic Rubber Corp.	(Note E)	Financial assets at fair value through profit or loss - current	280	12,277	-	12,277
	Evergreen Group	(Note E)	Financial assets at fair value through profit or loss - current	1,430	23,381	-	23,381
	Aser Inc.	(Note E)	Financial assets at fair value through profit or loss - current	2,690	64,964	-	64,964
	China Development Financial	(Note E)	Financial assets at fair value through profit or loss - current	5,150	52,273	-	52,273
	Inveniec Corporation	(Note E)	Financial assets at fair value through profit or loss - current	940	22,525	-	22,525
Far Eastern Apparel (Suzhou) Co., Ltd.	Suzhou An Ho Apparel Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	54,865	100.00	-
PET Far Eastern (Holding) Ltd.	Oriental Petrochemical (Shanghai) Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	2,841,285	54.59	-
	Far Eastern Union Petrochemical (Yangzhou) Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	2,028,774	50.00	-
Oriental Textile (Holding) Ltd.	Tong Da Air Industry (Yangzhou) Co., Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	1,083,569	50.00	-
	Far Eastern Industries (Wuxi) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	2,983,303	100.00	-
	Oriental Industries (Suzhou) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	5,822,769	100.00	-
FEDP (Holding) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	31,418	100.00	-

(Continued)

December 31, 2017								
Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	Note
Far Eastern Polytex (Holding) Ltd.	Wuhan Far Eastern New Material Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	\$ 954,459	100.00	\$ -	
	Far Eastern Apparel (Suzhou) Co., Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	938,249	61.54	-	
	Far Eastern New Century (China) Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	1,776,344	100.00	-	
Far Eastern New Century (China) Investment Co., Ltd.	Far Eastern Yihua Petrochemical (Yangzhou) Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	4,006,705	60.00	-	
	Shanghai Yuan Zi Information Technology Co., Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	1,034,478	12.36	-	
	Oriental Petrochemical (Shanghai) Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	61,894	100.00	-	
	Yuan Ding Enterprise (Shanghai) Limited	(Note A)	Investments accounted for using the equity method	(Note G)	309,083	6.76	-	
	Sino Belgium Beer (Suzhou) Ltd.	(Note A)	Other liabilities - other	(Note G)	716,404	100.00	-	
Oriental Petrochemical (Shanghai) Corporation	Martens Beers (Shanghai) Ltd.	(Note A)	Other liabilities - other	(Note G)	(514,568)	100.00	-	
	Shanghai Far Eastern Petrochemical Logistic Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	(1,445)	100.00	-	
Far Eastern Industries (Yangzhou) Ltd.	Harvest Money Market A	-	Financial assets at fair value through profit or loss - current	15,587	71,156	-	71,156	
	Harvest Money Market A	-	Financial assets at fair value through profit or loss - current	604,318	2,758,711	-	2,758,711	
Yuan Ding Co., Ltd.	YDT Technology International Co., Ltd.	(Note A)	Investments accounted for using the equity method	13,992	244,477	100.00	-	
	Ding Ding Integrated Marketing Service Co., Ltd.	(Note A)	Investments accounted for using the equity method	41,633	203,367	60.00	-	
	Far Eastern Technical Consultants Co., Ltd.	(Note A)	Investments accounted for using the equity method	4,550	53,448	91.00	-	
	YDC (Virgin Islands) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	9,777	17.70	-	
	Yuanshi Digital Technology Co., Ltd. (former name is Hidir Digital Marketing Co., Ltd.)	(Note A)	Other liabilities - other	4,995	(6,383)	4.79	-	
	FET Consulting Engineers Co., Ltd.	(Note A)	Investments accounted for using the equity method	85,000	510,638	100.00	-	
	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	5,329	191,514	0.16	150,268	
	Far East Tone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	4,164	110,069	0.13	306,017	
	Yu Yuan Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	129,637	1,385,981	25.02	-	119,000 thousand shares pledged or mortgaged as collateral for loans.
	Yue Ming Corporation	(Note A)	Investments accounted for using the equity method	103	561	1.00	-	
Far Eastern New Century Corporation	Yu Ding Industry Co., Ltd.	(Note A)	Investments accounted for using the equity method	2,523	52,815	2.59	-	
	FEEDS Asia Pacific Development Co., Ltd.	(Note A)	Investments accounted for using the equity method	10,650	131,033	5.00	-	
	Far Eastern Electronic Toll Collection Co., Ltd.	(Note A)	Investments accounted for using the equity method	44,796	464,302	14.93	-	
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	7,922	83,000	0.25	75,576	
	Yuan Hsin Digital Payment Corporation	(Note A)	Investments accounted for using the equity method	204,180	204,180	20.00	-	
	Ding Ding Hotel Co., Ltd.	(Note A)	Investments accounted for using the equity method	102,509	504,389	98.52	-	
	Far Eastern New Century Corporation	(Note D)	Financial assets at fair value through profit or loss - current	779	20,887	-	20,887	
	Yuanshi Digital Technology Co., Ltd. (former name is Hidir Digital Marketing Co., Ltd.)	(Note A)	Other liabilities - other	17	(27)	0.02	-	
	Yuan Hsin Digital Payment Corporation	(Note A)	Investments accounted for using the equity method	18,729	153,234	15.01	-	
	DDIM (Virgin Islands) Ltd.	(Note G)	Investments accounted for using the equity method	(Note G)	7,368	46.13	-	
Far Eastern Technical Consultants Co., Ltd.	Pacific SOGO Department Stores Co., Ltd.	(Note D)	Financial assets carried at cost - non-current	1	10	-	-	
	DPE DWS Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	3,577	41,593	-	41,593	
	Cosmos Foreign Exchange Intl. Co., Ltd.	-	Financial assets carried at cost - non-current	480	4,800	4.00	-	
FET Consulting Engineers Co., Ltd.	DDIM (Virgin Islands) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	8,604	53.87	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
YDC (Virgin Islands) Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc. Speedy (Shanghai) digital Tech. Co., Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	\$ 72	0.46	\$ -	
DDDM (Virgin Islands) Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc.	(Note A)	Investments accounted for using the equity method	(Note G)	50,016	100.00	-	
YDT Technology International Co., Ltd.	Everses Textile Corporation Far Eastern Department Stores Co., Ltd. Asia Cengat Corporation YDC (Virgin Islands) Ltd. Far Eastern International Bank Oriental Securities Investment Consultant Co., Ltd.	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Financial assets carried at cost - non-current	125 2,764 61 (Note G) 2,786 1	1,172 94,353 2,169 45,460 29,215 10	0.03 0.20 - 82.30 0.09 -	1,772 41,458 1,707 - 26,577 -	
Far Eastern Electronic Toll Collection Co., Ltd.	FETC International Co., Ltd.	(Note A)	Investments accounted for using the equity method	20,000	180,798	100.00	-	
Far EastOne Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd. KGEx.com Co., Ltd. Yuanshi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.) Yuan Cing Co., Ltd. Yuan Eastern Info Service (Holding) Ltd. Q-music Co., Ltd. Q-square Communications Corporation Far Eastern Electronic Toll Collection Co., Ltd. Yuan Hsin Digital Payment Corporation Dung Ding Integrated Marketing Service Co., Ltd. Alliance Digital Technology Co., Ltd. App Works Fund II Co., Ltd. CDIB Capital Innovation Accelerator Co., Ltd.	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Other liabilities - other Investments accounted for using the equity method Other liabilities - other Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	2,100,000 82,762 68,897 90,014 2,000 1 2,500 33,983 18,251 37,433 10,408 6,000 15,000 4,500 12,866 1,214 161	26,809,796 1,268,193 783,448 (115,145) 34,270 (47,302) 9,466 (138,368) 81,46 39,42 306,685 306,289 50,692 14,451 150,000 45,000 178,086 12,190 1,618	100.00 61.63 99.99 86.41 100.00 100.00 50.00 81.46 39.42 30.00 15.00 14.40 11.11 12.00 70.00 18.32 0.63	- - - - - - - - - - - - - - - - - - - -	
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd. THI consultants Web Point Co., Ltd.	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Financial assets carried at cost - non-current Financial assets carried at cost - non-current	12,866 1,214 161	178,086 12,190 1,618	70.00 18.32 0.63	- - -	
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd. Information Security Service Digital United Inc. Digital United (Cayman) Ltd. Yuanshi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.) Huir Digital Marketing Co., Ltd.	(Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Other liabilities - other	54,000 10,249 4,320 2,500	139,909 116,072 13,978 (3,197)	100.00 100.00 100.00 2.40	- - - -	
	Opas Fund Segregated Portfolio Tranche A Opas Fund Segregated Portfolio Tranche B Kaohsiung Rapid Transit Corporation Bank Pro E-service Technology Co., Ltd.	(Note A) (Note K) (Note K) (Note K)	Investments accounted for using the equity method Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets carried at cost - non-current Financial assets carried at cost - non-current	3,469 13 5 8,858 4.50	16,898 446,400 148,800 50,000 4,500	5.00 - - 3.18 3.33	446,400 148,800 - - -	
New Diligent Co., Ltd.	Sino Lead Enterprise Limited Far East New Diligent Company Ltd. New Diligent Hong Kong Co., Ltd.	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	30 - -	226 78,207 2,856	100.00 100.00 100.00	- - -	
DataExpress Infotech Co., Ltd.	Linkswell Tech Co., Ltd. Home Master Technology Ltd.	(Note A) (Note A)	Investments accounted for using the equity method Other liabilities - other	- -	41,675 (1,374)	100.00 100.00	- -	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
Digital United (Cayman) Ltd.	Digital United Information Technology (Shanghai) Ltd.	(Note A)	Investments accounted for using the equity method	-	\$ 2,200	100.00	\$ -	
Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	(Note A)	Investments accounted for using the equity method	-	1,025	0.96	-	
Far East New Diligent Company Ltd.	Far Eastern New Century Information Technology (Beijing) Limited	(Note A)	Investments accounted for using the equity method	-	95,662	89.56	-	
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-Info Ltd. (Shanghai)	(Note A)	Investments accounted for using the equity method	-	60,879	58.33	-	
	Far Eastern Tech-Info Ltd. (Shanghai)	(Note A)	Investments accounted for using the equity method	-	43,491	41.67	-	

Notes: A. Equity-method investee.

B. Investor and investee have the same chairman.

C. The vice chairman of investee is the chairman of FENC.

D. Parent company.

E. Financial assets under asset management contracts can be sold in the open market investee, Oriental Securities Corporation.

F. The investor opened a trust account in Shanghai Bank in Taipei on September 26, 2002 to acquire the ownership of Pacific Liu Tung Investment Corporation.

G. A foreign owned company.

H. The Fair value of financial assets measured at cost and unlisted equity investments held by the Group was not disclosed due to it cannot be reliably measured.

I. The subsidiary of the invested company accounted for using the equity method.

J. The subsidiary of FENC's associate.

K. Related party in substance.

L. The investor is the corporate director of the investee.

M. The investor is the corporate supervisor of the investee.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Investment Income under the Equity Method		Ending Balance	
					Shares (Thousands)/ Thousand Units	Amount	Shares (Thousands)/ Thousand Units	Amount	Price	Book Value	Disposal Gain	Investment Income under the Equity Method	Shares (Thousands)/ Thousand Units	Amount	
Far Eastern New Century Corporation	PET Far Eastern (Holding) Ltd. Oriental Petrochemical (Taiwan) Corporation	Investments accounted for using the equity method Investments accounted for using the equity method	Cash capital increase Cash capital increase	(Note B) (Note B)	333 1,183,311	\$ 4,404,790 7,161,947	64 151,116	\$ 814,859 1,511,163	- -	- -	- -	\$ 121,705 (1,133,971)	397 1,334,427	\$ 5,341,354 7,539,139	
Far Eastern Investment (Holding) Ltd.	Far Eastern Polytext (Vietnam) Ltd. Far Eastern Investment (Holding) Pte. Ltd.	Investments accounted for using the equity method Investments accounted for using the equity method	Cash capital increase Waldorf Services B.V.	(Note B) (Note B)	- -	US\$ 48,230 US\$ -	(Note C) 30	US\$ 120,000 US\$ 15,650	- -	- -	- -	US\$ (5,282) US\$ 450	(Note C) 30	US\$ 162,948 US\$ 16,100	
Far Eastern General Contractor Inc.	Mitsui Asset Solomons Market Fund	Financial assets at fair value through profit or loss - current	-	-	3,202	40,008	22,794	285,000	-	325,086	78	-	-	-	
	CTBC Hua-Win Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	15,293	168,020	90,541	990,100	-	1,070,283	287	-	-	88,142	
	Han Nian Kirin Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	47,062	559,000	-	559,124	124	-	-	-	
Waldorf Services B.V.	Malaysia Garment Manufacturers Pte. Ltd.	Investments accounted for using the equity method	Far Eastern Investment (Holding) Ltd.	(Note A)	30	478,337	-	-	-	476,075	-	(2,262)	-	-	
Yuan Tong Investment Co., Ltd.	Far Eastern International Bank	Available-for-sale financial assets - non-current	Far Eastern Department Stores Co., Ltd., Oriental Union Chemical Corporation	(Note H)	19,796	180,139	79,875	794,550	-	-	-	-	-	-	
PET Far Eastern (Holding) Ltd.	Oriental Petrochemical (Shanghai) Corporation	Investments accounted for using the equity method	Cash capital increase	(Note B)	(Note C)	RMB 540,496	(Note C)	RMB 179,464	-	-	-	RMB (97,554)	(Note C)	RMB 622,406	
Yuan Ding Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd. Ding Ding Hotel Co., Ltd.	Investments accounted for using the equity method Other intangibles - other	Cash capital increase Cash capital increase	(Note B) (Note B)	23,913 64,502	(29,266) (77,683)	32,777 100,000	327,786 1,000,000	1,488	1,488 (Note E)	-	(87,012)	102,509	594,389	
Far EastTone Telecommunications Co., Ltd.	Yunshu Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	Investments accounted for using the equity method	Cash capital increase	(Note B)	53,726	(109,380)	34,891	348,909 (Note F)	-	-	-	(354,674)	90,014 (Note G)	(115,145) (Note G)	
New Century InfoComm Tech Co., Ltd.	Opus Fund Segregated Portfolio Tranche A	Available-for-sale financial assets - current	-	(Note I)	15	487,050	-	-	521,054	34,004	-	-	-	US\$ -	
Parent company		Financial assets at fair value through profit or loss - current	-	(Note I)	-	-	13	448,950	-	-	-	-	13	448,950	

Notes: A. Parent company

B. Subsidiary.

C. A foreign owned company.

D. Reclassified to investments accounted for using the equity method (refer to Table 8).

E. The company was merged with Yunshu Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.), while Far Eastern Electronic Commerce Co., Ltd. was dissolved.

F. The amount is the cost of investments. The shares include (a) 34,890,875 shares acquired through subscription of new common shares issued by Hiir Inc. and (b) 1,397,549 shares acquired through share exchange due to the merger between Hiir Digital Marketing Co., Ltd. and Far Eastern Electronic Commerce Co., Ltd.

G. The ending balance of shares includes 1,397,549 shares acquired through share exchange due to the merger between Yunshu Digital Technology Corporation (former Hiir Digital Marketing Co., Ltd.) and Far Eastern Electronic Commerce Co., Ltd.

H. Associates.

I. Related party in substance.



**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

ACQUISITIONS OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party			Pricing Reference	Purpose of Acquisition	Other Terms	
							Property Owner	Relationship	Transaction Date				
New Century InfoComm Tech Co., Ltd.	Land located in New Taipei City, Bangjiao district, Ya-Fong section	May 4, 2017	\$ 1,749,577	The payment \$1,037,394 thousand has been made	Far Eastern Resources Development Co., Ltd.	Fellow subsidiary	Far Eastern New Century Corporation	Ultimate parent company	September 2, 2003	The ultimate parent company, Far Eastern New Century, established by partition the real estate.	Elite Appraisers Firm REPro Real Estate Joint Appraisers Firm Debenham Tre Leung Real Estate Appraiser Office Sinyi Real Estate Appraisers Firm	Integrated the office in Bangjiao for expanding the telecommunication facilities	No

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

**DISPOSALS OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Far Eastern Resources Development Co., Ltd.	Land located in New Taipei City, Banqiao district, Ya-Tong section	May 4, 2017	September 2, 2003	\$ 1,749,577	\$ 1,749,577	The payment 1,037,394 thousand has been received	Un-transferred	New Century InfoComm Tech Co., Ltd.	Fellow subsidiary	For New Century InfoComm Tech Co., Ltd. to establish business facilities and offices	Elite Appraisers Firm REPro Real Estate Joint Appraisers Firm Debenham Tie Leung Real Estate Appraiser Office Sinyi Real Estate Appraisers Firm	-

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transactions		Notes Payable or Receivable		Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Far Eastern New Century Corporation	Oriental Petrochemical (Taiwan) Corporation Worldwide Polychem (HK) Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Apparel (Vietnam) Ltd. Far Eastern Industries (Wuxi) Ltd. Far Eastern Ishizuka Green Pet Corporation Oriental Resources Development Co., Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Everest Textile Corporation Freudenberg Far Eastern Spunweb Co., Ltd. Oriental Union Chemical Corporation	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note D) (Note D) (Note D)	Purchase	\$ 7,073,210	17	Based on contract	-	-	\$ (842,557)	(20)	
			Sale	(2,608,850)	(6)	Based on contract	-	-	898,170	13	
			Sale	(1,779,806)	(4)	Based on contract	-	-	475,217	7	
			Sale	(403,176)	(1)	Based on contract	-	-	44,923	1	
			Sale	(323,842)	(1)	Based on contract	-	-	22,013	-	
			Purchase	170,953	-	Based on contract	-	-	-	-	
			Purchase	538,955	1	Based on contract	-	-	(52,153)	(2)	
			Sale	(135,648)	-	Based on contract	-	-	14,166	-	
			Sale	(296,749)	(1)	Based on contract	-	-	51,980	1	
			Sale	(366,441)	(1)	Based on contract	-	-	65,392	1	
			Purchase	1,751,593	4	Based on contract	-	-	(145,631)	(5)	
			Far Eastern Fibertech Co., Ltd.	Everest Textile Corporation	(Note D)	Sale	(260,041)	(12)	Based on contract	-	-
Purchase	3,287,161	42				Based on contract	-	-	(456,067)	(36)	
Far Eastern Apparel (Holding) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Apparel (Vietnam) Ltd. Far Eastern Apparel (Vietnam) Ltd.	(Note A) (Note C) (Note C) (Note C)	Purchase	1,291,712	16	Based on contract	-	-	(122,326)	(10)	
			Sale	(598,904)	(7)	Based on contract	-	-	95,017	17	
			Purchase	3,335,291	42	Based on contract	-	-	(657,543)	(54)	
			Sale	(3,287,161)	(57)	Based on contract	-	-	436,067	43	
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Industries (Wuxi) Ltd. Far Eastern Industries (Shanghai) Ltd.	(Note C) (Note C) (Note C)	Sale	(452,089)	(8)	Based on contract	-	-	117,273	12	
			Purchase	326,008	7	Based on contract	-	-	(70,529)	(12)	
			Purchase	172,002	3	Based on contract	-	-	(28,954)	(6)	
			Purchase	1,779,806	8	Based on contract	-	-	(475,217)	(14)	
Far Eastern Industries (Shanghai) Ltd.	Oriental Petrochemical (Shanghai) Corporation Oriental Petrochemicals (Taiwan) Corporation Far Eastern Polychem Industries Ltd. Wuhan Far Eastern New Material Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd. Wuhan Far Eastern New Material Ltd. Oriental Industries (Suzhou) Ltd.	(Note C) (Note C) (Note B) (Note C) (Note C) (Note C) (Note C)	Purchase	5,095,373	22	Based on contract	-	-	(625,106)	(18)	
			Purchase	306,137	1	Based on contract	-	-	(21,536)	(1)	
			Sale	(7,265,807)	(30)	Based on contract	-	-	233,804	12	
			Sale	(801,743)	(3)	Based on contract	-	-	340,078	17	
			Sale	(172,002)	(1)	Based on contract	-	-	28,954	1	
			Purchase	186,801	1	Based on contract	-	-	(53,276)	(2)	
			Sale	(176,549)	(1)	Based on contract	-	-	49,128	2	
			Purchase	1,562,422	52	Based on contract	-	-	(312,805)	(100)	
			Sale	(2,402,441)	(91)	Based on contract	-	-	345,407	97	
			Purchase	7,265,807	94	Based on contract	-	-	(233,804)	(81)	
			Sale	(820,855)	(10)	Based on contract	-	-	203,902	15	
			Far Eastern Polychem Industries Ltd.	PEI Far Eastern (M) Sub. Bhd. Wuhan Far Eastern New Material Ltd. Wuhan Far Eastern New Material Ltd.	(Note C) (Note C) (Note C)	Purchase	434,420	6	Based on contract	-	-
Sale	(296,888)	(4)				Based on contract	-	-	41,008	3	
Sale	(5,095,373)	(39)				Based on contract	-	-	625,106	78	
Sale	(1,562,422)	(10)				Based on contract	-	-	171,589	22	
Oriental Petrochemical (Shanghai) Corporation	Far Eastern Industries (Shanghai) Ltd. Far Eastern New Century Corporation	(Note C) (Note B)	Sale	(7,073,210)	(46)	Based on contract	-	-	842,557	52	
			Sale	(306,137)	(2)	Based on contract	-	-	21,536	2	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transactions			Notes Payable or Receivable		Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	Ending Balance	% of Total	
Oriental Industries (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note C)	Purchase	\$ 2,402,441	36	Based on contract	-	-	\$ (345,407)	-	(46)		
	Oriental Textile (Holding) Ltd.	(Note B)	Sale	(3,196,829)	(42)	Based on contract	-	-	601,359	-	44		
	Far Eastern Industries (Shanghai) Ltd.	(Note C)	Purchase	176,549	3	Based on contract	-	-	(49,128)	-	(7)		
Oriental Textile (Holding) Ltd.	Oriental Industries (Suzhou) Ltd.	(Note A)	Purchase	3,196,829	98	Based on contract	-	-	(601,359)	-	(97)		
	Far Eastern New Century Corporation	(Note B)	Purchase	403,176	12	Based on contract	-	-	(44,923)	-	(15)		
	Far Eastern Apparel (Holding) Ltd.	(Note C)	Sale	(3,335,291)	(86)	Based on contract	-	-	657,543	-	87		
Far Eastern Apparel (Vietnam) Ltd.	Far Eastern Apparel (Holding) Ltd.	(Note C)	Purchase	598,904	18	Based on contract	-	-	(95,017)	-	(32)		
	Far Eastern Apparel (Vietnam) Ltd.	(Note C)	Purchase	382,899	11	Based on contract	-	-	(52,282)	-	(17)		
	Far Eastern Apparel (Vietnam) Ltd.	(Note C)	Sale	(382,899)	(100)	Based on contract	-	-	52,282	-	100		
PET Far Eastern (M) Sdn. Bhd.	Far Eastern Polychem Industries Ltd.	(Note C)	Purchase	820,855	(68)	Based on contract	-	-	(203,902)	-	(72)		
	Wuhan Far Eastern New Material Ltd.	(Note C)	Purchase	801,743	54	Based on contract	-	-	(340,078)	-	(87)		
	Far Eastern Polychem Industries Ltd.	(Note C)	Purchase	296,888	20	Based on contract	-	-	(41,068)	-	(10)		
Worldwide Polychem (HK) Ltd.	Far Eastern Polychem Industries Ltd.	(Note C)	Sale	(434,420)	(27)	Based on contract	-	-	43,656	-	24		
	Far Eastern Industries (Shanghai) Ltd.	(Note C)	Sale	(186,801)	(11)	Based on contract	-	-	53,276	-	29		
	Far Eastern New Century Corporation	(Note B)	Purchase	2,608,850	86	Based on contract	-	-	(898,170)	-	(99)		
Far Eastern Industries (Wuxi) Ltd.	Far Eastern New Century Corporation	(Note B)	Purchase	323,842	13	Based on contract	-	-	(22,013)	-	(47)		
	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note C)	Sale	(326,008)	(12)	Based on contract	-	-	70,529	-	22		
	Far Eastern Apparel (Holding) Ltd.	(Note C)	Sale	(1,291,712)	(49)	Based on contract	-	-	122,236	-	27		
Oriental Resources Development Co., Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note C)	Purchase	452,089	19	Based on contract	-	-	(117,273)	-	(28)		
	Far Eastern New Century Corporation	(Note B)	Purchase	135,648	6	Based on contract	-	-	(14,166)	-	(3)		
	Far Eastern New Century Corporation	(Note B)	Sale	(538,955)	(72)	Based on contract	-	-	52,153	-	68		
Far Eastern Ishizuka Green Pet Corporation	Far Eastern New Century Corporation	(Note B)	Sale	(170,953)	(16)	Based on contract	-	-	-	-	-		
	Ya Tung Ready-mixed Concrete Corporation	(Note E)	Purchase	271,874	6	Based on contract	-	(30,470)	(28,860)	(5)	(2)		
	Far Eastern Department Stores Co., Ltd.	(Note D)	Construction contract revenue	(483,693)	(9)	Based on contract	-	-	70,348	-	11		
Far EastTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	(Note A)	Operating revenue	(156,057)	-	Based on contract	-	-	117,517	-	2		
	ARCOA Communication Co., Ltd.	(Note A)	Cost of telecommunications services, marketing expenses and cost of sales	10,375,311	17	Based on contract	-	-	(1,576,456)	-	(11)		
	New Century InfoComm Tech Co., Ltd.	(Note A)	Operating revenue	(484,292)	(1)	Based on contract	-	-	981	-	(5)	(Note F)	
Far Eastern General Contractor Inc.	Cost of telecommunications services	(Note A)	Cost of telecommunications services	2,743,437	7	Based on contract	-	-	(679,319)	-	(5)		
	KGEx.com Co., Ltd.	(Note A)	Operating revenue	(102,083)	-	Based on contract	-	-	15,284	-	-		
	DataExpress Infotech Co., Ltd.	(Note A)	Operating revenue	(227,493)	-	Based on contract	-	-	35,984	-	1		
Yuan Cheng Human Resources Consultant Corporation	O-music Co., Ltd.	(Note A)	Cost of telecommunications services	199,764	-	Based on contract	-	-	(33,033)	-	(1)		
	Yuanishi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	(Note A)	Operating revenue	(193,591)	-	Based on contract	-	-	24,466	-	-		
	Yuan Cheng Human Resources Consultant Corporation	(Note C)	Service expense	110,241	1	Based on contract	-	-	(9,762)	-	-		

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transactions		Notes Payable or Receivable		Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	Ending Balance	
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	\$ (2,743,437)	(24)	Based on contract	-	-	\$ 679,319	-	40	(Note G)
			Cost of telecommunications services	484,292	6	Based on contract	-	-	(981)	-	-	
	KGEx.com Co., Ltd.	(Note C)	Cost of telecommunications services	111,379	1	Based on contract	-	-	(28,804)	-	(2)	
ARCOA Communication Co., Ltd.	Sino Lead Enterprise Limited	(Note C)	Cost of telecommunications services	116,246	1	Based on contract	-	-	(19,971)	-	(3)	
	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	(10,375,311)	(61)	Based on contract	-	-	1,576,436	-	69	
			Cost of telecommunications services and purchase	156,057	1	Based on contract	-	-	(117,517)	-	(5)	
KGEx.com Co., Ltd.	Home Master Technology Ltd.	(Note C)	Operating revenue	(126,631)	(1)	Based on contract	-	-	16,297	-	1	
	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating cost	102,083	23	Based on contract	-	-	(15,284)	-	(35)	
	New Century InfoComm Tech Co., Ltd.	(Note C)	Operating revenue	(111,379)	(21)	Based on contract	-	-	28,804	-	39	
O-music Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	(199,764)	(98)	Based on contract	-	-	33,033	-	98	
	New Century InfoComm Tech Co., Ltd.	(Note C)	Operating revenue	(116,246)	(100)	Based on contract	-	-	19,971	-	74	
	DataExpress Infotech Co., Ltd.	(Note B)	Purchase	227,493	7	Based on contract	-	-	(35,984)	-	(7)	
Yuanishi Digital Technology Co., Ltd. (former name is Hirir Digital Marketing Co., Ltd.)	Linkwell Tech. Co., Ltd.	(Note C)	Purchase	180,850	5	Based on contract	-	-	(36,751)	-	(8)	
	Home Master Technology Ltd.	(Note C)	Operating revenue	(358,184)	(9)	Based on contract	-	-	37,063	-	8	
	Far EasTone Telecommunications Co., Ltd.	(Note B)	Purchase	193,591	10	Based on contract	-	-	(24,466)	-	(8)	
Linkwell Tech. Co., Ltd.	DataExpress Infotech Co., Ltd.	(Note C)	Sale	(180,850)	(24)	Based on contract	-	-	36,571	-	65	
	Home Master Technology Ltd.	(Note C)	Operating cost	126,631	18	Based on contract	-	-	(16,297)	-	(18)	
	DataExpress Infotech Co., Ltd.	(Note C)	Operating cost	358,184	51	Based on contract	-	-	(37,063)	-	(41)	

Notes: A. Subsidiary.

B. Parent company.

C. The guarantee provider and counter-party have the same ultimate parent company.

D. The consolidated company's investee which accounted for using the equity method.

E. The subsidiary of the consolidated company's investee which was accounted for using the equity method.

F. All interconnect revenue, costs and collection of international direct dial revenue between Far EasTone and NCIC were settled at net amounts and were included in accounts payable - related parties.

G. Including the receivables collected by Far EasTone for NCIC.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Far Eastern New Century Corporation	Worldwide Polychem (HK) Ltd. Far Eastern Industries (Shanghai) Ltd.	(Note B) (Note B)	\$ 898,170 475,217	3.29 4.45	- -	- -	\$ 320,045 465,923	- -
Oriental Petrochemical (Taiwan) Corporation	Far Eastern New Century Corporation	(Note C)	842,557	7.98	-	-	842,557	-
Far Eastern Polychem Industries Ltd.	PET Far Eastern (M) Sdn. Bhd.	(Note D)	203,902	4.27	-	-	179,586	-
Far Eastern Apparel (Vietnam) Ltd.	Far Eastern Apparel (Holding) Ltd.	(Note D)	657,543	5.91	-	-	550,605	-
Far Eastern Industries (Shanghai) Ltd.	Far Eastern Polychem Industries Ltd. Wuhan Far Eastern New Material Ltd.	(Note C) (Note D)	233,804 340,078	26.65 2.27	- -	- -	233,804 4,395	- -
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Suzhou) Co., Ltd.	(Note C) (Note D)	436,067 117,273	7.28 4.71	- -	- -	366,630 117,273	- -
Oriental Petrochemical (Shanghai) Corporation	Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Suzhou) Ltd.	(Note D) (Note D)	625,106 484,394	4.41 2.95	- -	- -	625,106 484,394	- -
Oriental Industries (Suzhou) Ltd.	Oriental Textile (Holding) Ltd.	(Note C)	601,359	6.02	-	-	599,218	-
Far Eastern Industries (Suzhou) Ltd.	Oriental Industries (Suzhou) Ltd.	(Note D)	345,407	3.89	-	-	345,407	-
Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern Apparel (Holding) Ltd.	(Note D)	122,326	8.19	-	-	113,313	-
Far Eastern Construction Co., Ltd.	Far Eastern Department Stores Co., Ltd.	(Note E)	132,573	(Note G)	-	-	14,428	-
Ding Ding Integrated Marketing Service Co., Ltd.	Pacific SOGO Department Stores Co., Ltd.	(Note F)	100,384	(Note H)	-	-	12,204	-
Far EastTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	(Note D) (Note D)	104,625 117,517	(Note I) 11.36	- -	- -	94,524 79,465	- -
New Century InfoComm Tech Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	(Note D)	3,566,828	(Note J)	-	-	602,489	-
ARCOA Communication Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	(Note D)	1,576,436	7.90	-	-	1,576,436	-

(Continued)

Notes: A. This table does not include the receivables from financier. For more details, refer to Table 5. This table also does not include the other receivables from non-operating projects. For more details, refer to Table 3.

- B. Subsidiary.
- C. Parent company.
- D. The guarantee provider and counterparty have the same ultimate parent company.
- E. The consolidated company's investee which was accounted for using the equity method.
- F. The subsidiary of the consolidated company's investee which was accounted for using the equity method.
- G. The turnover rate was unavailable due to the main component of receivables from related parties was rental equalization.
- H. The turnover rate was unavailable due to the receivables were points collections and payments on behalf of others.
- I. The turnover rate was unavailable as the receivables from related parties were mainly due to the advance payments made for NCIC's daily operating expenditures and the operating management service charges to NCIC.
- J. The turnover rate was unavailable due to the receivables from related parties were mainly from the advance payments made for NCIC's daily operating expenditures, and the operating management service revenue from NCIC, the collection of telecommunications bills by Far EastOne for NCIC and other receivables from related parties which was the financing provided by NCIC to Far EastOne.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

No. (Note A)	Company Name	Related Party	Flow of Transaction (Note B)	Transaction Details			% of Consolidated Revenue or Assets (Note C)
				Financial Statement Account	Amount	Term	
0	Far Eastern New Century Corporation	Worldwide Polychem (HK) Ltd. Worldwide Polychem (HK) Ltd. Far Eastern Apparel (Vietnam) Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Wuxi) Ltd. Far Eastern Polytex (Vietnam) Ltd. Far Eastern Polytex (Vietnam) Ltd.	1 1 1 1 1 1 1 1 1	Accounts receivable Sales Sales Sales Accounts receivable Sales Sales Other receivables - equipment sale Sales revenue from equipment	\$ 898,170 2,608,850 403,176 135,648 475,217 1,779,806 323,842 19,966 638,977	Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract	- 1 - - - 1 - - -
1	Far Eastern Apparel (Holding) Ltd.	Far Eastern Apparel (Vietnam) Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd.	3 3 3 3	Sales Other receivables Interest revenue Other receivables	598,904 356,347 5,567 821,376	Based on contract Based on contract Based on contract Based on contract	- - - -
2	Far Eastern Apparel (Vietnam) Ltd.	Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Holding) Ltd.	3 3	Accounts receivable Sales	657,543 3,335,291	Based on contract Based on contract	- 2
3	Far Eastern Investment (Holding) Ltd.	Far Eastern Polytex (Holding) Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern Polychem Industries Ltd. Far Eastern Polychem Industries Ltd. PET Far Eastern (Holding) Ltd. PET Far Eastern (Holding) Ltd. Far Eastern Apparel (Vietnam) Ltd. Oriental Textile (Holding) Ltd. Oriental Textile (Holding) Ltd. Far Eastern Polytex (Vietnam) Ltd. PET Far Eastern (M) Sdn. Bhd. Sino Belgium (Holding) Ltd. Sino Belgium (Holding) Ltd. Far Eastern New Apparel (Vietnam) Ltd.	3 3 3 3 3 3 3 3 3 3 3 3 3 3	Interest revenue Other receivables Interest revenue Other receivables Interest revenue Other receivables Other receivables Interest revenue Other receivables Other receivables Interest revenue Other receivables Other receivables	529 1,780,668 16,339 323,243 1,653 27,390 223,200 18,026 23,808 892,800 158,967 148,800 508,896	Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - - - - - - - - - -

(Continued)



No. (Note A)	Company Name	Related Party	Flow of Transaction (Note B)	Transaction Details			% of Consolidated Revenue or Assets (Note C)
				Financial Statement Account	Amount	Term	
4	Far Eastern Ishizuka Green Pet Corporation	Far Eastern New Century Corporation	2	Sales	\$ 170,953	Based on contract	-
5	Far Eastern New Apparel (Vietnam) Ltd.	Far Eastern Apparel (Vietnam) Ltd.	3	Sales	382,899	Based on contract	-
6	Far Eastern Polychem Industries Ltd.	Wuhan Far Eastern New Material Ltd. PET Far Eastern (M) Sdn. Bhd. PET Far Eastern (M) Sdn. Bhd. Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern Ishizuka Green Pet Corporation	3 3 3 3 3 3 3 3 3 3 3	Sales Accounts receivable Sales Interest revenue Other receivables Interest receivables Interest revenue Other receivables Interest receivables Interest revenue Interest revenue	296,888 203,902 820,855 12,858 466,330 23,705 6,945 182,600 3,606 76	Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - - - - - - - -
7	FEDP (Holding) Ltd.	Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern Polychem Industries Ltd. Far Eastern Polychem Industries Ltd.	3 3 3 3	Interest revenue Other receivables Interest revenue Other receivables	2,583 148,800 2,575 59,520	Based on contract Based on contract Based on contract Based on contract	- - - -
8	Oriental Textile (Holding) Ltd.	Oriental Industries (Suzhou) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern Investment (Holding) Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd.	3 3 3 3 3	Other receivables Interest revenue Other receivables Interest revenue Other receivables	505,920 8,122 200,860 9,309 483,890	Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - -
9	PET Far Eastern (Holding) Ltd.	Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Oriental Petrochemical (Shanghai) Corporation Oriental Petrochemical (Shanghai) Corporation	3 3 3 3	Interest revenue Other receivables Other receivables Other receivables	2,158 273,900 299,223 267,840	Based on contract Based on contract Based on contract Based on contract	- - - -
10	Waldorf Services B.V.	Far Eastern Investment (Holding) Ltd. Oriental Textile (Holding) Ltd. Far Eastern Polychem Industries Ltd.	3 3 3	Interest revenue Interest revenue Interest revenue	1,854 1,787 2,529	Based on contract Based on contract Based on contract	- - -
11	Oriental Industries (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd. Far Eastern Industries (Suzhou) Ltd. Far Eastern Industries (Wuxi) Ltd. Far Eastern Industries (Wuxi) Ltd. Oriental Textile (Holding) Ltd. Oriental Textile (Holding) Ltd. Sino Belgium Beer (Suzhou) Ltd. Sino Belgium Beer (Suzhou) Ltd.	3 3 3 3 3 3 3 3	Interest revenue Other receivables Interest revenue Other receivables Accounts receivable Sales Interest revenue Other receivables	31,444 1,043,061 45 3,666 601,359 3,196,829 23,753 832,624	Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - - 1 - -

(Continued)

No. (Note A)	Company Name	Related Party	Flow of Transaction (Note B)	Transaction Details			% of Consolidated Revenue or Assets (Note C)
				Financial Statement Account	Amount	Term	
12	Oriental Petrochemical (Shanghai) Corporation	Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Suzhou) Ltd. Far Eastern Industries (Suzhou) Ltd. Far Eastern Industries (Suzhou) Ltd.	3	Interest revenue	\$ 42	Based on contract	-
			3	Interest receivables	177	Based on contract	-
			3	Accounts receivable	625,106	Based on contract	-
			3	Sales	5,095,373	Based on contract	2
			3	Accounts receivable	171,589	Based on contract	-
			3	Notes receivable	312,805	Based on contract	-
13	Oriental Petrochemical (Taiwan) Corporation	Far Eastern Industries (Shanghai) Ltd. Far Eastern New Century Corporation Far Eastern New Century Corporation	3	Sales	306,137	Based on contract	-
			2	Accounts receivable	842,557	Based on contract	-
			2	Sales	7,073,210	Based on contract	3
14	Oriental Resources Development Co., Ltd.	Far Eastern New Century Corporation	2	Sales	538,955	Based on contract	-
			3	Interest revenue	147	Based on contract	-
15	Wuhan Far Eastern New Material Ltd.	Far Eastern New Century (China) Investment Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Polychem Industries Ltd.	3	Other receivables	173	Based on contract	-
			3	Sales	186,801	Based on contract	-
			3	Sales	434,420	Based on contract	-
			3	Interest revenue	1,085	Based on contract	-
16	Ding Ding Integrated Marketing Service Co., Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc. Yuan Ding Integrated Information Service (Shanghai) Inc.	3	Other receivables	27,332	Based on contract	-
			3	Interest revenue	4,368	Based on contract	-
17	Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern Industries (Wuxi) Ltd. Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Holding) Ltd. Oriental Industries (Suzhou) Ltd.	3	Interest revenue	122,326	Based on contract	-
			3	Accounts receivable	1,291,712	Based on contract	1
			3	Sales	996,973	Based on contract	-
			3	Interest revenue	26	Based on contract	-
			3	Other receivables	499,831	Based on contract	-
			3	Interest revenue	1,026	Based on contract	-
18	Far Eastern New Century (China) Investment Co., Ltd.	Oriental Petrochemical (Shanghai) Corporation Oriental Petrochemical (Shanghai) Corporation Shanghai Far Eastern Petrochemical Logistic Corporation Shanghai Far Eastern Petrochemical Logistic Corporation Wuhan Far Eastern New Material Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Shanghai) Ltd. Yuan Ding Enterprise (Shanghai) Limited	3	Interest revenue	245	Based on contract	-
			3	Other receivables	11,627	Based on contract	-
			3	Interest revenue	108	Based on contract	-
			3	Interest revenue	17,212	Based on contract	-
			3	Other receivables	1,003,428	Based on contract	-
			3	Other receivables	3,798,080	Based on contract	1
			3	Sales	172,002	Based on contract	-
			3	Accounts receivable	340,078	Based on contract	-
			3	Sales	801,743	Based on contract	-
			3	Accounts receivable	233,804	Based on contract	-
19	Far Eastern Industries (Shanghai) Ltd.	Wuhan Far Eastern New Material Ltd. Wuhan Far Eastern New Material Ltd. Far Eastern Polychem Industries Ltd. Far Eastern Polychem Industries Ltd. Oriental Petrochemical (Shanghai) Corporation Oriental Industries (Suzhou) Ltd.	3	Sales	7,265,807	Based on contract	3
			3	Other receivables	1,597,750	Based on contract	-
			3	Sales	176,549	Based on contract	-

(Continued)

No. (Note A)	Company Name	Related Party	Flow of Transaction (Note B)	Transaction Details			% of Consolidated Revenue or Assets (Note C)
				Financial Statement Account	Amount	Term	
20	Far Eastern Industries (Yangzhou) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd.	3 3	Interest revenue Other receivables	\$ 5,892 319,550	Based on contract Based on contract	- -
21	Far Eastern Industries (Wuxi) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd. Oriental Industries (Suzhou) Ltd.	3 3	Sales Interest revenue	326,008 11,580	Based on contract Based on contract	- -
22	Far Eastern Industries (Suzhou) Ltd.	Oriental Industries (Suzhou) Ltd. Oriental Industries (Suzhou) Ltd.	3 3	Accounts receivable Sales	345,407 2,402,441	Based on contract Based on contract	- 1
23	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Oriental Industries (Suzhou) Ltd. Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Industries (Suzhou) Ltd. Far Eastern Industries (Suzhou) Ltd.	3 3 3 3 3 3 3	Other receivables Accounts receivable Sales Accounts receivable Sales Interest revenue Other receivables	1,848,962 436,067 3,287,161 117,273 452,089 2,799 251,075	Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract	- - 2 - - - -
24	Far Eastern General Contractor Inc.	Far Eastern Resources Development Co., Ltd.	3	Construction Revenue	113,017	Based on contract	-
25	Yuan Cheng Human Resources Consultant Corporation	Far EastTone Telecommunications Co., Ltd.	3	Other operating revenue	145,000	Based on contract	-
26	Yuan Ding Co., Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc. Yuan Ding Integrated Information Service (Shanghai) Inc. Far Eastern New Century Corporation Ding Ding Hotel Co., Ltd. Ding Ding Hotel Co., Ltd.	3 3 2 3 3	Interest revenue Other receivables Rent revenue Rent revenue Interest revenue	1,326 32,188 118,581 387,573 3,081	Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - -
27	Yuan Ding Investment Co., Ltd.	Kai Yuan International Investment Co., Ltd. Kai Yuan International Investment Co., Ltd. An Ho Garment Co., Ltd. An Ho Garment Co., Ltd. Yuan Tong Investment Co., Ltd.	3 3 3 3 3	Interest revenue Other receivables Interest revenue Other receivables Interest revenue	5,919 327,000 4,925 315,000 297	Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - -
28	FET Consulting Engineers Co., Ltd.	Yuan Ding Co., Ltd. Yuan Ding Co., Ltd.	3 3	Interest revenue Other receivables	1,901 180,000	Based on contract Based on contract	- -
29	Suzhou An Ho Apparel Ltd.	Oriental Industries (Suzhou) Ltd. Oriental Industries (Suzhou) Ltd.	3 3	Interest revenue Other receivables	30 41,085	Based on contract Based on contract	- -

(Continued)

No. (Note A)	Company Name	Related Party	Flow of Transaction (Note B)	Transaction Details			% of Consolidated Revenue or Assets (Note C)
				Financial Statement Account	Amount	Term	
30	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd. KGEEx.com Co., Ltd. Q-ware Communications Corporation DataExpress Infotech Co., Ltd. Yuanshi Digital Technology Co., Ltd.	3 3 3 3 3 3 3	Other receivables Telecommunications service revenue Accounts receivable Sales Telecommunications service revenue Other receivables Sales Sales	\$ 103,644 482,471 112,883 152,471 102,083 133,193 226,877 187,413	Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract Based on contract	- - - - - - - -
31	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	3 3	Other receivables Telecommunications service revenue	3,535,988 2,743,437	Based on contract Based on contract	1 1
32	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	3 3 3	Accounts receivable Sales Operating revenue Sales	1,519,158 9,816,880 519,327 126,631	Based on contract Based on contract Based on contract Based on contract	- 5 - -
33	KGEEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Telecommunications service revenue	111,379	Based on contract	-
34	DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	3	Sales	358,184	Based on contract	-
35	Linkwell Tech. Co., Ltd.	DataExpress Infotech Co., Ltd.	3	Sales	180,850	Based on contract	-
36	O-music Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	3	Telecommunications service revenue	199,764	Based on contract	-
37	Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	3	Telecommunications service revenue	116,246	Based on contract	-

Note A: The intercompany transactions between each companies are identified and numbered as follow:

1. Parent company: 0.
2. Subsidiaries are started from 1 consecutively.

Note B: The types of transactions between related - parties are as follow:

1. From FENC to subsidiary.
2. From subsidiary to FENC.
3. Between subsidiaries.

Note C: The percentage to total asset or sales is the ratio of ending balance to consolidated asset or cumulative income amount to consolidated revenue.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2017	Investment Amount December 31, 2016	Shares (Thousands)	Balance as of December 31, 2017 % of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
Far Eastern New Century Corporation	Asia Cement Corporation	Taiwan	Cement production	\$ 2,652,282	\$ 2,652,282	750,511	22.33	\$ 16,414,157	\$ 5,525,079	\$ 824,701	Investment gain or loss recognized under the treasury shares method (Note A) Including the adjustments of the transactions between subsidiaries \$(12,682) (Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	1,254,158	1,254,158	241,770	17.06	4,704,162	1,535,986	249,357	Including the adjustments of the transactions between subsidiaries \$1,431 (Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	1,176,211	1,176,211	81,216	9.17	1,332,527	1,792,471	150,058	Including the adjustments of the transactions between subsidiaries \$(1,431) (Note A)
	Everest Textile Corporation	Taiwan	Chemical fiber production	1,689	1,689	134	0.03	1,534	215,144	65	(Note A)
	Oriental Securities Corporation	Taiwan	Brokerage	159,823	159,823	140,278	19.65	1,945,424	157,167	30,883	(Note A)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	810,000	810,000	135,000	16.83	1,856,750	293,833	49,452	(Notes A and F)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	895,598	-	83,245	2.62	872,079	2,853,883	64,014	(Notes A and F)
	Yuan Ding Investment Co., Ltd.	Taiwan	Investment	100,052	100,052	1,822,822	99.40	41,076,970	6,015,411	5,981,332	Including the adjustments of the difference between individual and consolidated investment properties, and the transactions between subsidiaries \$2,014 (Notes B and H)
	Far Eastern Resources Development Co., Ltd.	Taiwan	Real estate construction and sales	14,931,733	14,931,733	667,242	100.00	102,111,323	1,489,376	1,520,975	Including the adjustments of the transactions between subsidiaries \$31,599 (Note B)
	Far Eastern Polytex (Holding) Ltd.	Bermuda	Investment	8,384,209	8,384,209	135	100.00	7,708,078	(101,726)	(101,726)	(Note B)
	Far Eastern Polychem Industries Ltd.	Bermuda	Investment	7,318,312	7,318,312	830,815	73.04	6,861,798	(93,001)	(67,928)	(Note B)
	Yuan Tong Investment Co., Ltd.	Taiwan	Investment	5,850,000	5,850,000	705,147	100.00	8,091,936	450,548	460,453	Including the adjustments of the transactions between subsidiaries \$9,905 (Note B)
	Kan Yuan International Investment Co., Ltd.	Taiwan	Investment	999,993	999,993	302,843	100.00	5,167,778	731,806	731,806	(Note B)
	Far Eastern Investment (Holding) Ltd.	Bermuda	Investment	5,833,333	5,833,333	1,700	100.00	8,739,241	121,934	121,934	(Note B)
	PEI Far Eastern (Holding) Ltd.	Bermuda	Investment	6,026,110	5,811,250	397	91.95	5,541,334	166,382	160,949	Including the adjustments of the transactions between subsidiaries \$9,905 (Note B)
	Oriental Petrochemical (Taiwan) Corporation	Taiwan	Petrochemical materials production	12,431,130	10,919,967	1,334,427	75.56	7,942,270	(1,473,409)	(1,166,705)	Including the adjustments of the difference between individual and consolidated investment properties, and the transactions between subsidiaries \$(53,397) (Notes B and H)
	Far Eastern Construction Co., Ltd.	Taiwan	Real estate construction and sales	143,450	143,450	198,791	65.11	8,238,170	540,247	351,755	(Note B)
	Yuan Ding Co., Ltd.	Taiwan	Real estate leasing and hotels	857,511	857,511	186,929	37.13	3,075,962	(119,631)	(36,927)	(Note B and I)
	An Ho Garment Co., Ltd.	Taiwan	Garment production and investment	1,023	1,023	66,346	100.00	2,019,899	295,188	295,290	Including the adjustments of the transactions between subsidiaries \$102 (Note B)
	Ding Yuan International Investment Co., Ltd.	Taiwan	Investment	2,000,062	2,000,062	205,000	100.00	2,820,313	530,766	530,846	Including the adjustments of the transactions between subsidiaries \$80 (Note B)
FEDE (Holding) Ltd.	Bermuda	Investment	676,315	676,315	244	50.43	122,774	(105,064)	(52,984)	(Note B)	
Fu Kwok Knitting & Garment Co., Ltd.	Taiwan	Garment production	9,205	9,088	4,000	100.00	253,944	64,338	64,318	(Note B)	
Ding Ding Hotel Co., Ltd.	Taiwan	Hotel-related services	393,651	393,651	769	0.74	10,882	(343,915)	(49,661)	(Note B)	
Far Eastern Textile Ltd.	Taiwan	Textile production	1,100	1,100	100	100.00	1,524	76	76	(Note B)	
Asia Cement Corporation	Taiwan	Cement production	887,269	542,452	21,000	0.62	646,080	5,535,079	-	(Note A)	
Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	1,085,488	1,306,557	70,818	8.00	1,337,956	1,792,471	-	(Note A)	
Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	454,530	430,454	22,558	1.59	461,823	1,535,986	-	(Note A)	
Everest Textile Corporation	Taiwan	Chemical fiber production	470,103	470,103	123,624	25.23	1,129,947	215,144	-	(Note A)	
Far East Tone Telecommunications Co., Ltd.	Taiwan	Telecommunications	2,723,598	2,723,598	1,066,658	32.73	22,769,539	10,856,682	-	(Note B)	
Far Eastern Polychem Industries Ltd.	Bermuda	Investment	1,392,692	1,392,692	306,644	26.96	2,532,777	(93,001)	-	(Note B)	
Far Eastern Apparel (Holding) Ltd.	Bermuda	Investment	2,179,442	2,179,442	111	100.00	3,535,452	541,061	-	(Note B)	
Da Ju Fiber Co., Ltd.	Taiwan	Sale of polychemical products	263,790	263,790	48,692	41.86	1,714,916	275,429	-	(Note B)	
Far Eastern Apparel Co., Ltd.	Taiwan	Sale of textiles, garments, and clothing	387,984	287,984	22,673	100.00	246,101	(55,899)	-	(Note B)	
Yuan Faun Co., Ltd.	Taiwan	Production management consulting	51,671	51,671	5,000	100.00	127,407	24,715	-	(Note B)	
Yue Ming Corporation	Taiwan	Trading	97,852	97,852	4,684	45.50	62,182	1,586	-	(Note A)	

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017		Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
				December 31, 2017	December 31, 2016	Shares (Thousands)	% of Ownership				
Far Eastern Investment (Holding) Ltd.	Yuan Ding Leasing Corporation	Taiwan	Real estate construction and sales	\$ 319,380	\$ 319,380	36,706	46.20	\$ 388,327	\$ 11,944	-	(Note A)
	Far Eastern Fibertech Co., Ltd.	Taiwan	Nylon production	585,000	585,000	91,000	100.00	1,201,711	165,039	-	(Note B)
	Oriental Resources Development Co., Ltd.	Taiwan	Medical materials manufacturing and wholesale and waste recycling and recycling	338,188	338,188	34,242	70.00	330,249	43,653	-	(Note B)
	Liquid Air Far East Co., Ltd.	Taiwan	Industrial gas production and sales	504,806	504,806	86,615	35.00	1,912,719	1,525,578	-	(Note A)
	Freudenberg Far Eastern Spunweb Co., Ltd.	Taiwan	Production of nonwoven industrial fabrics	144,786	144,786	13,082	29.80	370,534	564,514	-	(Note A)
	Oriental Securities Corporation	Taiwan	Brokerage	255,424	255,424	185,247	25.96	2,675,650	157,167	-	(Note A)
	Yuan Ding Co., Ltd.	Taiwan	Real estate leasing and hotels	188,846	188,846	64,759	12.86	1,089,536	(119,631)	-	(Note B)
	Far Eastern International Leasing Corporation	Bermuda	Leasing	1,012,057	714,262	75,268	16.87	930,646	85,692	-	(Note A)
	Oriental Textile (Holding) Ltd.	Taiwan	Investment	796,491	796,491	110	100.00	8,125,575	274,401	-	(Notes A and E)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	673,704	673,704	119,653	14.92	1,559,403	293,833	-	(Note A)
	Yu Yuan Investment Co., Ltd.	Taiwan	Real estate construction	14,682	14,682	98,198	18.96	453,433	226,143	-	(Note B)
	Far Eastern General Contractor Inc.	Taiwan	Petrochemical materials production	519,599	415,679	1,490	1.00	22,472	109,516	-	(Note B)
	Oriental Petrochemical (Taiwan) Corporation	Taiwan	Petrochemical materials production	1,095,981	-	113,251	3.56	528,894	(1,473,409)	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	-	-	-	-	1,186,568	2,853,883	-	(Notes A and L)
	Flitsyn Corporation	Philippines	Polychemical products	PESO 225,324	PESO 225,324	45,066	21.85	-	21.85	-	(Note A)
	PEFG Investment Antilles N.V.	Antilles	Investment	US\$ 6	US\$ 6	6	100.00	452,453	(89,808)	-	(Note B)
	PET Far Eastern (M) Sdn. Bhd.	Malaysia	Bottle production	MYR 8,000	MYR 8,000	(Note C)	50.00	209,484	8,148	-	(Notes B and C)
Com-ZB	Cyprus Islands	E-business	US\$ 3,375	US\$ 3,375	9,000	20.00	12,392	459	-	(Note A)	
Far Eastern Apparel (Vietnam) Ltd.	Vietnam	Clothing production	US\$ 9,000	US\$ 9,000	(Note D)	100.00	740,632	274,029	-	(Notes B and D)	
Worldwide Polychem (HK) Ltd.	Hong Kong	Foreign trade	US\$ 3,500	US\$ 3,500	2,700	100.00	58,234	(45,715)	-	(Note B)	
Asia Fund Segregated Portfolio Company	Cyprus Islands	Investment	US\$ 31	US\$ 31	(Note D)	100.00	4,849,332	(160,744)	-	(Notes A and D)	
Far Eastern Polytech (Vietnam) Ltd.	Vietnam	Chemical fiber and textile production	US\$ 170,000	US\$ 50,000	(Note D)	100.00	100,000	(160,744)	-	(Notes A and D)	
Far Eastern Polyester (Vietnam) Ltd.	Vietnam	Garment production	US\$ 18,000	US\$ 18,000	(Note D)	100.00	246,710	(136,181)	-	(Notes B and D)	
Magma View Sdn. Bhd.	Malaysia	Investment	US\$ 3,465	US\$ 3,465	3,000	100.00	172,420	3,988	-	(Note B)	
Malaysia Garment Manufacturers Pte. Ltd.	Singapore	Garment production and investment	US\$ 15,849	US\$ 15,849	30	37.92	479,137	3,734	-	(Note B)	
Catalyst 207 SPC	Cyprus Islands	Investment	US\$ 17	US\$ 17	59	41.00	(12,259)	(1)	-	(Note A)	
Far Eastern International Garments	Philippines	Garment production	US\$ 1	US\$ 1	90	50.00	(11,375)	-	-	(Note A)	
Centex Apparel Inc.	Philippines	Clothing O.E.M.	US\$ 1	US\$ 1	-	-	-	-	-	(Note A)	
Magma View Sdn. Bhd.	Malaysia	Bottle production	MYR 8,000	MYR 8,000	Common shares 5,000 Preferred shares 3,000	50.00	209,484	8,148	-	(Notes B and C)	
PET Far Eastern (M) Sdn. Bhd.	Malaysia	Bottle production	MYR 8,000	MYR 8,000	Common shares 5,000 Preferred shares 3,000	50.00	209,484	8,148	-	(Notes B and C)	
Ding Yuan International Investment Co., Ltd.	Asia Cement Corporation	Taiwan	Cement production	375,512	375,512	13,222	0.39	445,556	5,525,079	-	(Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	105,561	96,904	5,603	0.40	117,484	1,535,986	-	(Note A)
	Everest Textile Corporation	Taiwan	Chemical fiber production	34,561	40,372	1,137	0.23	9,266	215,144	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	677,665	684,551	27,365	3.09	685,186	1,792,471	-	(Note A)
	Far Eastone Telecommunications Co., Ltd.	Taiwan	Telecommunications	90,000	38,457	920	0.03	41,142	10,856,682	-	(Note B)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	90,000	90,000	18,000	2.24	229,217	293,833	-	(Notes A and E)
	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	95,624	95,624	12,844	13.20	333,759	27,439	-	(Note A)
	Far Eastone Knitting & Garment Co., Ltd.	Taiwan	Garment production	30	30	84,155	2.64	881,493	44,438	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	814,399	-	-	-	-	2,853,883	-	(Notes A and L)
	Asia Cement Corporation	Taiwan	Cement production	483,448	483,448	20,207	0.60	670,467	5,525,079	-	(Note A)
	Far Eastone Telecommunications Co., Ltd.	Taiwan	Telecommunications	793,702	793,702	34,149	1.05	1,123,244	10,856,682	-	(Note B)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	737,170	801,854	32,273	3.64	687,555	1,535,986	-	(Note A)
Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	519,473	519,473	20,672	1.46	565,115	1,535,986	-	(Note A)	
Kowloon Cement Corporation	Hong Kong	Cement production	226,896	226,896	1,127	49.00	444,941	(9,732)	-	(Note A)	
Far Eastern International Leasing Corporation	Taiwan	Leasing	1,026,489	1,026,489	74,970	16.80	931,673	85,692	-	(Note A)	
Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	90,000	90,000	18,000	2.24	229,217	293,833	-	(Notes A and E)	
Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	988,714	-	102,167	3.21	1,070,234	2,853,883	-	(Notes A and L)	
PET Far Eastern (Holding) Ltd.	Bermuda	Investment	US\$ 17,622	US\$ 17,622	35	8.05	470,532	166,582	-	(Note B)	
FEFD (Holding) Ltd.	Bermuda	Investment	US\$ 29,240	US\$ 29,240	240	49.57	120,680	(105,064)	-	(Note B)	
Far Eastern Ishizuka Green Pet Corporation	Japan	Production and sale of recycled plastic resins and their waste and general industrial waste handling	JPY 2,991,678	JPY 2,991,678	3,578	90.00	639,215	7,192	-	(Note B)	
Far Eastern Construction Co., Ltd.	Asia Cement Corporation	Taiwan	Cement production	216,959	216,959	17,726	0.53	538,873	5,525,079	-	(Note A)
	Far Eastern General Contractor Inc.	Taiwan	Real estate construction	271,587	271,587	141,413	98.35	2,075,691	109,516	-	(Note B)
Far Eastern Apparel Co., Ltd.	Asia Cement Corporation	Taiwan	Cement production	16,246	16,246	469	0.01	14,404	5,525,079	-	(Note A)
	Far Eastone Telecommunications Co., Ltd.	Taiwan	Telecommunications	6,353	6,353	90	0.01	6,079	10,856,682	-	(Note B)
	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	29	29	8	0.01	123	237,489	-	(Note A)

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2017	December 31, 2016	Shares (Thousands)	Balance as of December 31, 2017	% of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
Far Eastern General Contractor Inc.	Far Eastern Technical Consultants Co., Ltd.	Taiwan	Real estate development business consulting and management	\$ 3,864	\$ 3,864	450	\$ 5,406	9.00	\$ 5,406	\$ 4,740	-	(Note B)
FEIG Investment Amities N. V.	Waldorf Services B. V.	The Netherlands	Investment	US\$ 19	US\$ 19	2	466,357	100.00	466,357	(93,644)	-	(Note B)
Waldorf Services B. V.	Malaysia Garment Manufacturers Pte. Ltd.	Singapore	Garment production and investment	SGD 3,000	SGD 3,000	-	-	-	-	3,734	-	(Note A)
	Far Eastern International Garments	Philippines	Garment production	US\$ 290	US\$ 290	-	-	-	-	-	-	(Note A)
	Context Apparel Inc.	Philippines	Clothing O.E.M.	PESO 9,000	PESO 9,000	-	-	-	-	-	-	(Note A)
Malaysia Garment Manufacturers Pte. Ltd.	Flklyn Corporation	Philippines	Polychemical products	PESO 102,565	PESO 102,565	20,513	-	9.95	-	-	-	(Note B)
	PT Malaysia Garment Bintan	Malaysia	Garment production	SGD -	SGD -	(Note D)	(43)	-	-	-	-	(Notes A and D)
An Ho Garment Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	748,158	748,158	40,818	1,050,078	1.25	1,050,078	10,856,682	-	(Note B)
	Asia Cement Corporation	Taiwan	Cement production	206,551	206,551	6,094	231,882	0.18	231,882	5,525,079	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	287,121	287,121	11,204	268,618	1.26	268,618	1,792,471	-	(Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	10,483	10,483	370	109,915	0.03	109,915	1,535,986	-	(Note A)
	Oriental Securities Corporation	Taiwan	Brokering	118,125	113,076	7,688	157,167	1.15	157,167	157,167	-	(Note A)
	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	111,997	111,997	15,247	321,576	1.56	321,576	257,489	-	(Note A)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	67,285	67,285	9,681	128,566	1.21	128,566	293,833	-	(Notes A and E)
	Yuan Ding Investment Co., Ltd.	Taiwan	Investment	148,994	148,994	5,502	167,625	0.30	167,625	6,015,411	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	202,798	202,798	20,956	219,539	0.66	219,539	2,853,883	-	(Notes A and L)
Yuan Faun Co., Ltd.	Yuan Cheng Human Resources Consultant Corporation	Taiwan	Personnel recruitment	72,114	72,114	745	13,056	55.19	13,056	4,240	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	42,973	42,973	4,441	46,523	0.14	46,523	2,853,883	-	(Notes A and L)
Fu Kwok Knitting & Garment Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	19,663	19,663	520	19,414	0.02	19,414	10,856,682	-	(Note B)
Yuan Tong Investment Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	2,246,035	2,246,035	100,237	2,747,199	3.08	2,747,199	10,856,682	-	(Note B)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	1,159,521	1,159,521	39,619	1,227,464	2.80	1,227,464	1,535,986	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	1,755,017	1,755,017	49,705	1,716,006	5.61	1,716,006	1,792,471	-	(Note A)
	Asia Cement Corporation	Taiwan	Cement production	888,648	888,648	28,579	1,050,263	0.85	1,050,263	5,525,079	-	(Note A)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	90,000	90,000	18,000	228,220	2.24	228,220	293,833	-	(Notes A and E)
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection services	787,104	787,104	35,934	376,810	11.98	376,810	128,058	-	(Note A)
	Liquid Air Far East Co., Ltd.	Taiwan	Industrial gas production and sales	20	20	1	27	-	27	1,525,578	-	(Note A)
	Sino Belgium (Holding) Ltd.	Bermuda	Investment	2,255,510	2,255,510	36	90,888	1	(602,967)	(337,419)	-	(Note A)
	Freudenberg Far Eastern Spunweb Co., Ltd.	Taiwan	Production of nonwoven industrial fabrics	34	34	1	38	-	38	564,514	-	(Note A)
	Malaysia Garment Manufacturers Pte. Ltd.	Singapore	Garment production and investment	7,354	7,354	10	164,261	13.00	164,261	3,734	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	986,735	986,735	101,963	1,068,045	3.20	1,068,045	2,853,883	-	(Notes A and L)
Yuan Ding Co., Ltd.	YDT Technology International Co., Ltd.	Taiwan	Electronic material and relevant by-product sales	100,000	100,000	13,929	244,477	100.00	244,477	(42,259)	-	(Note B)
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	558,000	558,000	41,633	203,367	60.00	203,367	534	-	(Note B)
	Far Eastern Technical Consultants Co., Ltd.	Taiwan	Real estate development business consulting and management	45,182	45,182	4,350	53,448	91.00	53,448	4,740	-	(Note B)
Yuanhsin Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	YDC (Virgin Islands) Ltd.	British Virgin Islands	Investment	US\$ 200	US\$ 200	(Note D)	9,777	17.70	9,777	3,744	-	(Note B)
	FEET Consulting Engineers Co., Ltd.	Taiwan	Electronic information providing services	566,896	566,896	4,995	(6,383)	4.79	(6,383)	(371,842)	-	(Notes B and K)
	Asia Cement Corporation	Taiwan	Business information consultants, piping engineering, cable installation, automatic equipment installation and investment business	822,701	822,701	83,000	510,638	100.00	510,638	(14,173)	-	(Note B)
	Far EastTone Telecommunications Co., Ltd.	Taiwan	Cement production	136,037	136,037	5,329	191,514	0.16	191,514	5,525,079	-	(Note A)
	Yu Yuan Investment Co., Ltd.	Taiwan	Investment	411,187	411,187	4,164	1,385,981	25.02	1,385,981	10,856,682	-	(Note B)
	Yue Ming Corporation	Taiwan	Trading	787	787	103	561	1.00	561	226,143	-	(Note A)
	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	22,676	22,676	2,523	52,815	2.59	52,815	1,586	-	(Note A)
	FEEDS Asia Pacific Development Co., Ltd.	Taiwan	Department store operations	100,000	100,000	10,650	131,033	5.00	131,033	257,489	-	(Note A)
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection services	977,650	977,650	44,796	464,302	14.93	464,302	128,058	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	76,665	76,665	7,922	83,000	0.25	83,000	2,853,883	-	(Notes A and L)
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Information software, department stores, convenience stores and non-store retailing	239,130	239,130	24,955	204,180	20.00	204,180	(268,490)	-	(Note B)
Yuan Hsin Digital Payment Corporation	Yuan Hsin Digital Payment Corporation	Taiwan	Electronic stored value cards	400,000	300,000	64,502	504,389	98.32	504,389	(343,915)	-	(Note B)
Ding Ding Hotel Co., Ltd.	Ding Ding Hotel Co., Ltd.	Taiwan	Hotel-related services	1,645,021	1,645,021	64,502	504,389	98.32	504,389	(343,915)	-	(Note B)

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2017	Investment Amount December 31, 2016	Shares (Thousands)	% of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
Ding Ding Integrated Marketing Service Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd. Yuan-shi Digital Technology Co., Ltd. (former name is Hsin Digital Marketing Co., Ltd.) Yuan Hsin Digital Marketing Co., Ltd. DDIM (Virgin Islands) Ltd. DDIM (Virgin Islands) Ltd.	Taiwan Taiwan Taiwan British Virgin Islands British Virgin Islands	Information software, department stores, convenience stores and non-store retailing. Electronic information providing services Electronic stored value cards Investment Investment	\$ - 1,828 300,200 US\$ 11,000 384,970	745 - 225,150 US\$ 11,000 384,970	- 17 18,729 - -	0.02 -	\$ - -	136,755 (371,842) (268,490) (32,134) (32,134)	- - - - -	(Note K) (Notes B and K) (Note B) (Notes B and D) (Notes B and D)
FET Consulting Engineers Co., Ltd.	Everest Textile Corporation Far Eastern Department Stores Co., Ltd. Asia Cement Corporation YDCC (Virgin Islands) Ltd. Far Eastern International Bank	Taiwan Taiwan Taiwan British Virgin Islands Taiwan	Chemical fiber production Department store operations Cement production Investment Deposit, loan and guarantee services	2,451 51,673 862 930 26,960	2,451 51,673 862 930 -	125 2,764 61 -	0.03 0.20 -	8,604	215,144 1,535,986 5,525,079 3,744 2,853,883	- - - - -	(Note A) (Note A) (Note A) (Note B) (Notes A and L)
Far Eastern Electronic Toll Collection Co., Ltd.	FETC International Co., Ltd.	Taiwan	Dispatched labor, procuring equipment, and sales agent services	200,000	-	20,000	100.00	180,798	(19,202)	-	(Note B)
Far EastOne Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	Taiwan Taiwan	Type I, II telecommunications services Telecommunications services, sales of communications products and office equipment	22,249,283 1,305,802	22,249,283 1,305,802	2,100,000 82,762	100.00 61.63	26,809,796 1,208,193	1,757,282 109,656	- -	(Note B) (Note B)
	KGBE.com Co., Ltd. Yuan-shi Digital Technology Co., Ltd. (former name is Hsin Digital Marketing Co., Ltd.) Far Eastern Electronic Commerce Co., Ltd.	Taiwan Taiwan Taiwan	Type II telecommunications services Electronic information providing services convenience stores and non-store retailing	2,340,472 886,169	2,440,457 537,260	78,896 90,014	99.99 86.41	783,448 (115,145)	78,781 (371,842)	- -	(Note B) (Note B) (Note K)
	Hsiir Digital Marketing Co., Ltd. Yuan Cing Co., Ltd. Far Eastern Info Service (Holding) Ltd. Q-music Co., Ltd. Q-ware Communications Corporation	Taiwan Taiwan Bermuda Taiwan Taiwan	Information software, department stores, convenience stores and non-store retailing Call center services Investment Electronic information providing services Type II telecommunications services	886,169 92,616 25,000 832,038	537,260 92,616 25,000 832,038	2,000 1 2,900 33,983	100.00 100.00 50.00 81.46	34,270 (47,302) 9,466 (138,568)	- 13,148 2,270 2,639 (75,556)	- - - - -	(Note B) (Notes B and J) (Note B) (Note B) (Note B)
	Far Eastern Electronic Toll Collection Co., Ltd. Yuan Hsin Digital Payment Corporation Ding Ding Integrated Marketing Service Co., Ltd. Alliance Digital Technology Co., Ltd.	Taiwan Taiwan Taiwan Taiwan	Electronic toll collection services Electronic stored value cards Marketing Electronic information providing services	2,542,396 600,000 139,500 60,000	2,542,396 450,000 139,500 60,000	118,251 37,433 10,408 6,000	39.42 30.00 15.00 14.40	816,685 306,289 50,692 14,451	128,058 (268,490) 534 (132,040)	- - - -	(Note B) (Note B) (Note B) (Note A)
ARCOA Communication Co., Ltd.	DataExpress InfoTech Co., Ltd.	Taiwan	Electronic information providing services	141,750	141,750	12,866	70.00	178,086	32,872	-	(Note B)
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd. Information Security Service Digital United Inc. Digital United (Cayman) Ltd. Far Eastern Electronic Commerce Co., Ltd.	Taiwan Taiwan Cayman Islands Taiwan	Investment Security and monitoring service via internet Investment Information software, department stores, convenience stores and non-store retailing	540,000 148,777 132,406 -	1,060,000 148,777 132,406 28,922	54,000 10,249 4,320 -	100.00 100.00 100.00 -	139,909 116,072 13,978 -	27,098 13,227 (17,265) (136,755)	- - - -	(Note B) (Note B) (Note B) (Note K)
	Yuan-shi Digital Technology Co., Ltd. (former name is Hsin Digital Marketing Co., Ltd.) Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan Taiwan	Electronic information providing services Marketing	20 46,500	- 46,500	2,500 3,469	2.40 5.00	(3,197) 16,898	(371,842) 534	- -	(Notes B and K) (Note B)
New Diligent Co., Ltd.	Sino Lead Enterprise Limited Far East New Diligent Company Ltd. New Diligent Hong Kong Co., Ltd.	Hong Kong British Virgin Islands Hong Kong	Telecommunications services Investment Investment	125 330,598 3,051	125 330,598 -	30 -	100.00 100.00 -	226 78,207 2,866	77 25,855 (185)	- - -	(Note B) (Note B) (Note B)
DataExpress InfoTech Co., Ltd.	Linkwell Tech. Co., Ltd. Home Master Technology Ltd.	Taiwan Taiwan	Sale of communications products Sale of communications products	10,000 10,000	10,000 10,000	10,000 -	100.00 100.00	41,675 (1,374)	2,075 7,042	- -	(Note B) (Note B)

Notes: A. Equity-method investee.

B. Subsidiary.

C. Including 5,000 thousand common shares and 5,000 thousand preferred shares.

D. A foreign owned company.

E. The investor opened a trust account in Shanghai Bank in Taipei on September 26, 2002 to acquire the ownership of Pacific Life Tang Investment Co., Ltd.

F. Shares in thousands.

(Continued)



- G. For investments in mainland China, refer to Table 15.
- H. Under the "IFRSs Questions and Answers" issued by Taiwan Stock Exchange Corporation (TWSE), the Company recognized these items as investment properties in its parent-company-only financial statements and reclassified them to property, plant and equipment in the consolidated financial statements. The Company used the equity method and share of the profit or loss of associates to adjust the differences between the investment property amounts presented in the parent-company-only financial statements and the consolidated financial statements.
- I. The effects from the adjustments of FENC shares which are held by Yuan Ding Co., Ltd. and the transactions between subsidiaries amounted to \$7,492 thousand.
- J. The ending balance of the investment is zero in 2016 because the amount of reduction in capital was over the original investing value.
- K. Hiir Corporation and Far Eastern Electronic Commerce Co., Ltd. were merged on August 1, 2017. Hiir Digital Marketing Co., Ltd. was the surviving company while Far Eastern Electronic Commerce Co., Ltd. was dissolved. The surviving company was renamed as Yuanshi Digital Technology Corporation.
- L. The investment was reclassified to accounting for using the equity method on August 18, 2017. The adjustment of the difference between the acquisition cost and net value was included in the investment gain or loss in current period.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Renminbi and U.S. Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Amount as of December 31, 2017 (Note C)	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Far Eastern Industries (Shanghai) Ltd.	Manufacture and sales of PET staple, PET filament, polyester top, PET performs, draw textured yarn, spinning yarn, knit fabrics, woven fabrics, knit garments and woven garments	\$ 8,584,023	2	\$ 3,700,967	\$ -	\$ -	\$ 3,700,967	\$ (74,003)	100.00	\$ (74,003)	\$ 8,569,564	\$ 853,493	Note D and E
Far Eastern Apparel (Suzhou) Co., Ltd.	Production and marketing of knit garments, woven garments, non-knit accessories and nonwoven garments and accessories	933,895	2	1,010,901	-	-	1,010,901	111,428	100.00	111,428	1,524,616	233,172	Note F and G
Far Eastern Industries (Wuxi) Ltd.	Production and marketing of combed cotton yarn, 60/40 poly/cotton blended yarn, 65/35 poly/cotton blended yarn, spun yarn, woven fabrics, grieve woven fabrics, print woven fabrics, piece dyed woven fabrics and bleached woven fabrics	2,197,913	2	2,018,430	-	-	2,018,430	(2,541)	100.00	(2,541)	2,983,303	246,378	Note H and I
Oriental Petrochemical (Shanghai) Corporation	Manufacture and distribution of PTA and its by-products	8,187,736	2	2,976,148	3,791,007	-	3,791,107	(829,571)	61.35	(506,037)	3,150,368	1,064,005	Note J
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Manufacture and sales of weaving, dyeing and finishing of novelty fabrics, high-value engineered textiles, industrial woven fabrics and scraps	1,685,732	2	1,342,854	-	-	1,342,854	373,198	100.00	373,198	2,864,053	92,719	Note H and S
Far Eastern Industries (Suzhou) Ltd.	Production and sales of fiber and non-fiber polyester products	1,800,298	2	1,765,319	-	-	1,765,319	(84,892)	100.00	(84,892)	31,418	-	Note K
Wuhan Far Eastern New Material Ltd.	Production and sales of PET sheets, chips, filaments, staple fibers, and apparel	780,832	2	724,110	-	-	724,110	5,127	100.00	5,127	954,459	-	-
Oriental Industries (Suzhou) Ltd.	Production and marketing of polyester chips, partially oriented yarn, fully oriented yarn, and polyester yarn	4,997,975	2	4,957,248	-	-	4,957,248	343,938	100.00	343,938	5,822,769	-	Note H
Far Eastern New Century (China) Investment Co., Ltd.	Investment	2,833,412	2	2,795,325	-	-	2,795,325	(164,787)	100.00	(164,787)	1,776,344	-	-
Sino Belgium Beer (Suzhou) Ltd.	Beer brewing	1,739,987	2	1,763,952	-	-	1,763,952	(143,482)	100.00	(326,733)	(514,568)	-	Note L
Martens Beers (Shanghai) Ltd.	Beer brewing	357,924	2	231,475	-	-	231,475	(16,257)	100.00	(16,257)	(1,443)	-	Note L
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	PA and its by-product production and sale	6,634,548	2	4,181,323	-	-	4,181,323	352	60.00	211	4,006,705	-	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance from Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance from Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Amount as of December 31, 2017 (Note C)	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Far Eastern Industries (Yangzhou) Ltd.	PA and its by-product production	\$ 1,410,139	2	\$ 1,436,190	\$ -	\$ -	\$ 1,436,190	\$ 2,432	100.00	\$ 2,432	\$ 1,426,701	\$ -	
Far Eastern Union Petrochemical (Yangzhou) Corporation	PA and its by-product production	3,725,545	2	1,962,908	-	-	1,962,908	1,046,972	50.00	523,486	2,028,774	-	
Shanghai Yuan Zi Information Technology Co., Ltd.	Software development, equipment maintenance and consulting	58,021	3	-	-	-	-	180	100.00	180	61,894	-	
Shanghai Far Eastern Petrochemical Logistic Corporation	Transportation	86,735	3	-	-	-	-	5,556	100.00	5,556	133,283	-	
Suzhou An Ho Garment Co., Ltd.	Garment production	4,565	3	-	-	-	-	5,086	100.00	5,086	54,865	-	
Yuan Ding Enterprise (Shanghai) Limited	Chemical products, machinery and equipment fabricants wholesale, commission agents and foreign trade	1,168,640	3	-	-	-	-	(90,268)	100.00	(90,268)	716,404	-	
Tong Da Air Industry (Yangzhou) Co., Ltd.	Liquid oxygen, oxygen, nitrogen and hydrogen warehousing	1,878,379	2	1,020,489	-	-	1,020,489	247,045	50.00	123,523	1,083,569	-	Note M
Yuan Ding Integrated Information Service (Shanghai) Inc.	Computer software and internet software design and development	687,710	2	598,270	-	-	598,270	(32,249)	100.00	(32,249)	15,662	-	Note N
Speedy (Shanghai) digital Tech. Co., Ltd.	Intelligent control equipment and security monitoring products and services	29,852	2	24,220	-	-	24,220	3,925	100.00	3,925	50,016	-	Note P
Digital United Information Technology (Shanghai) Ltd.	Research and design of computer systems	92,256	2	92,256	-	-	92,256	(8,642)	100.00	(8,642)	2,200	-	Note Q
Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	342,240	2	306,528	-	-	306,528	26,597	90.52	24,075	96,687	-	Note O
Far Eastern Tech-Info Ltd. (Shanghai)	Computer software, data processing and provision of network information services	178,560	2	196,776	-	-	196,776	5,478	100.00	5,478	104,370	-	Note O
New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	33,540	-	-	33,540	-	-	-	-	-	Note Q and R

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	
		Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Far Eastern New Century Corporation (Notes T and U)	\$ 20,655,177	\$ 22,997,991	\$ -

Notes: A. Investment types are classified as follows:

- The investment was made directly in China.
- The investment was made through a company registered in a third region. Companies which registered in a third region are: Far Eastern Polychem Industries Ltd., PET Far Eastern (Holding) Ltd., Far Eastern Apparel (Holding) Ltd., Oriental Textile (Holding) Ltd., FEDP (Holding) Ltd., Far Eastern Polytex (Holding) Ltd., Sino Belgium (Holding) Corporation, YDC (Virgin Islands) Ltd., Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd. and Far Eastern New Diligent Company Corporation.
- Other types.

(Continued)

- B. Recognition of gains or losses was based on the following four information:
1. Financial statements of these companies, which were audited by an international accounting firm with a cooperative relationship with an ROC accounting firm: Far Eastern Industries (Shanghai) Ltd., Far Eastern Apparel (Suzhou) Co., Ltd., Far Eastern Industries (Wuxi) Ltd., Oriental Petrochemical (Shanghai) Corporation, Far Eastern Dyeing and Finishing (Suzhou) Ltd., Far Eastern Industries (Suzhou) Ltd., Far Eastern Union Petrochemical (Yangzhou) Corporation and Tong Da Air Industry (Yangzhou) Co., Ltd.
  2. Financial statements of these companies, which were audited by the parent company's accounting firm: Digital United Information Technology (Shanghai) Ltd., Far Eastern Tech-Info Ltd. (Shanghai) and New Diligence Corporation (Shanghai).
  3. Others: Far Eastern New Century (China) Investment Co., Ltd., Sino Belgium Beer (Suzhou) Ltd., Martens Beers (Shanghai) Ltd., Far Eastern Industries (Yangzhou) Ltd., Far Eastern Yihua Petrochemical (Yangzhou) Corporation, Shanghai Yuan Zi Information Technology Co., Ltd., Shanghai Far Eastern Petrochemical Logistic Corporation, Suzhou An Ho Apparel Ltd., Yuan Ding Enterprise (Shanghai) Limited, Yuan Ding Integrated Information Service (Shanghai) Inc. and Speedy (Shanghai) digital Tech. Co., Ltd.
  4. Financial statements of these companies, which were not audited by the accounting firm: Far Eastern Tech-Info Ltd. (Shanghai) and Far Eastern New Century Information Technology (Beijing) Limited.
- C. The ending balance of long term investment.
- D. As of December 31, 2017, the accumulated outflow of investment from Taiwan was NT\$3,700,967 thousand which NT\$3,134,807 thousand where from the Company and the other was from Yuan Ding Investment Co., Ltd.
  - E. As of December 31, 2017, the remitted amount of profit of investment was the total cash dividend of Far Eastern Polychem Industries Ltd. received by FENC and Yuan Ding Investment Co., Ltd.
  - F. As of December 31, 2017, the accumulated outflow of investment from Taiwan was NT\$1,010,901 thousand which NT\$509,725 thousand was remitted by FENC the other was by Yuan Ding Investment Co., Ltd.
  - G. As of December 31, 2017, the profit of investment was cash dividend paid by Far Eastern Apparel (Suzhou) Co., Ltd. which remitted through FENC subsidiaries, Far Eastern Polytex (Holding) Ltd. and Far Eastern Apparel (Holding) Ltd.
  - H. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by Yuan Ding Investment Co., Ltd.
  - I. As of December 31, 2017, the profit of investment was cash dividend paid by Far Eastern Industries (Wuxi) Ltd. remitted through a FENC's subsidiary, Oriental Textile (Holding) Ltd.
  - J. As of December 31, 2017, the profit of investment was cash dividend paid by Oriental Petrochemical (Shanghai) Corporation remitted through FENC's subsidiaries, PET Far Eastern (Holding) Ltd. and Far Eastern Polytex (Holding) Ltd.
  - K. As of December 31, 2017, the accumulated outflow of investment from Taiwan was NT\$1,765,319 thousand which NT\$1,099,293 thousand was remitted by FENC, and the other was by subsidiaries, Yuan Ding Investment Co., Ltd. and Yuan Tong Investment Co., Ltd.
  - L. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by a FENC's subsidiary, FET Consulting Engineers Co., Ltd.
  - M. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by FENC's subsidiaries, YDT Technology International Co., Ltd., FET Consulting Engineers Co., Ltd. and Ding Ding Integrated Marketing Service Co., Ltd.
  - N. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by a FENC's subsidiary, YDT Technology International Co., Ltd.
  - O. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by a FENC's subsidiary, Far EastTone Telecommunications Co., Ltd.
  - P. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by a FENC's subsidiary, New Century InfoComm Tech Co., Ltd.
  - Q. As of December 31, 2017, the accumulated outflow of investment from Taiwan was remitted by a FENC's subsidiary, New Diligent Co., Ltd. The dissolution of this investment had been approved by the local government on February 9, 2018.
  - R. Company dissolution had been approved by the local government on April 13, 2010. New Diligence Corporation (Shanghai) had remitted US\$73 thousand back to Taiwan on June 27, 2012, and wrote off the amount as the investment registered with the Investment Commission of the MOEA.
  - S. As of December 31, 2017, the profit from investment was cash dividend paid by Far Eastern Dyeing & Finishing (Suzhou) Ltd. which remitted through a FENC subsidiary, Far Eastern Apparel (Holding) Ltd.
  - T. Investment amounts authorized by the Investment Commission of the MOEA include US\$771,755 thousand, and the original investment RMB 6,695 thousand from Far Eastern Polytex (Holding) Ltd. which approved by Investment Commission under the Ministry of Economic Affairs.
  - U. Based on MOEA Approval Letter No. 10620430940, there is no limitation on the amount of the parent company's investment in China.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

INVESTMENTS IN MAINLAND CHINA - INVESTMENT TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of U.S. Dollars)

Investee Company	Authorized by Investment Commission, MOEA						Investment Type			Investor Company in Third Area Using Its Own Capital to Invest (US\$)
	Investor Company	Date	MOEA Approval Letter No.	Through Investor Company in Third Area	Investment Amount (US\$)	Investor Company's Own Capital	Investor Company in Third Area Using Dividends Received from Investee (US\$)	Financed from Financial Institutions in Third Area (US\$)		
Far Eastern Industries (Shanghai) Ltd.	Far Eastern New Century Corporation	1996.07.09	No. 840 15136	Far Eastern Polychem Industries Ltd.	\$ 6,000	\$ 6,000				
	Yuan Ding Investment Co., Ltd.	2004.12.29	No. 093032400	Far Eastern Polychem Industries Ltd.	24,000	24,000				
	Far Eastern New Century Corporation	2004.12.30	No. 093032090	Far Eastern Polychem Industries Ltd.	1,712		\$ 1,712			
	Far Eastern New Century Corporation	2004.11.03	No. 093032240	Far Eastern Polychem Industries Ltd.	1,540			\$ 1,540		
	Yuan Ding Investment Co., Ltd.	2004.12.29	No. 093032402	Far Eastern Polychem Industries Ltd.	3,879		3,879			
	Yuan Ding Investment Co., Ltd.	2004.11.02	No. 093032239	Far Eastern Polychem Industries Ltd.	7,014		7,014			
	Yuan Ding Investment Co., Ltd.	2004.12.29	No. 093032089	Far Eastern Polychem Industries Ltd.	15,898		15,898			
	Far Eastern New Century Corporation	2006.11.01	No. 09500287850	Far Eastern Polychem Industries Ltd.	6,313	31,779		6,313		
	Far Eastern New Century Corporation	2008.06.27	No. 09700163440	Far Eastern Polychem Industries Ltd.	56,000	56,000				
	Far Eastern New Century Corporation	2008.04.18	No. 09700045490	Far Eastern Polychem Industries Ltd.	4,800	4,800				
					8,198					
					(Note E)					
					11,500	11,500				
	Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern New Century Corporation	2010.04.19	No. 09900142680 (Note D)	Far Eastern Polychem Industries Ltd.					
Yuan Ding Investment Co., Ltd.		1996.10.16	No. 850 16219	Far Eastern Apparel (Holding) Ltd.	10,000	10,000				
Yuan Ding Investment Co., Ltd.		2003.10.30	No. 092033299	Far Eastern Apparel (Holding) Ltd.	5,000	5,000				
Far Eastern New Century Corporation		2006.05.23	No. 09500112650	Far Eastern Polytex (Holding) Ltd.	11,000	11,000				
Far Eastern New Century Corporation		2008.03.31	No. 097100038490	Far Eastern Polytex (Holding) Ltd.	5,000	5,000				
Far Eastern Industries (Wuxi) Ltd.	Yuan Ding Investment Co., Ltd.	2002.06.21	No. 091011903	Oriental Textile (Holding) Ltd.	19,960	19,960			1,228	
	Yuan Ding Investment Co., Ltd.	2005.11.03	No. 094024169	Oriental Textile (Holding) Ltd.	40,000	40,000			6,592	
Oriental Petrochemical (Shanghai) Corporation	Far Eastern New Century Corporation	2009.11.17	No. 09800408170 (Note B)	Far Eastern Polychem Industries Ltd.	1,228					
	Yuan Ding Investment Co., Ltd.	2009.11.17	No. 09800408160 (Note C)	PET Far Eastern (Holding) Ltd.	6,592					
	Far Eastern New Century Corporation	2008.06.27	No. 09700163430	Far Eastern Polychem Industries Ltd.	49,500	49,500				
	Far Eastern New Century Corporation	2008.04.18	No. 09700045500	PET Far Eastern (Holding) Ltd.	4,800	4,800				
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern New Century Corporation	2009.12.25	No. 09800456740	PET Far Eastern (Holding) Ltd.	2,936					
	Far Eastern New Century Corporation	2017.09.18	No. 10630056570	PET Far Eastern (Holding) Ltd.	(Note F)	41,171				
	Yuan Ding Investment Co., Ltd.	2003.10.31	No. 092033525	Far Eastern Apparel (Holding) Ltd.	27,000	27,000				
	Yuan Ding Investment Co., Ltd.	2008.10.13	No. 09700348610	Far Eastern Apparel (Holding) Ltd.	20,000	20,000				
Far Eastern Industries (Suzhou) Ltd.	Yuan Ding Investment Co., Ltd.	2002.11.26	No. 091035216	Far Eastern Polychem Industries Ltd.	9,352	30,000			9,352	
	Far Eastern New Century Corporation	2004.10.11	No. 093025506	FEDP (Holding) Ltd.	1,569			1,569		
	Far Eastern New Century Corporation	2004.10.14	No. 093030298	FEDP (Holding) Ltd.	713				713	
	Far Eastern New Century Corporation	2010.10.12	No. 09900403430 (Note H)	FEDP (Holding) Ltd.	5,288	5,288				
				4,524	4,524					

(Continued)

Investee Company	Authorized by Investment Commission, MOEA				Investment Type			Investor Company in Third Area Using Its Own Capital to Invest (US\$)
	Investor Company	Date	MOEA Approval Letter No.	Through Investor Company in Third Area	Investment Amount (US\$)	Investor Company's Own Capital	Investor Company in Third Area Using Dividends Received from Investee (US\$)	
Far Eastern New Century Corporation	Far Eastern New Century Corporation	2008.04.18	No. 09700045510	Far Eastern Polychem Industries Ltd. FEDP (Holding) Ltd.	\$ 4,800 754 (Note G) 18,224	\$ 4,800		
Oriental Industries (Suzhou) Ltd.	Far Eastern New Century Corporation	2010.12.29	No. 09900470520 (Note I)	FEDP (Holding) Ltd.	18,224	18,224		
	Yuan Ding Investment Co., Ltd.	2005.08.01	No. 094015006	Oriental Textile (Holding) Ltd.	19,800	19,800		
	Yuan Ding Investment Co., Ltd.	2006.02.09	No. 094037416	Oriental Textile (Holding) Ltd.	30,200	30,200		
	Yuan Ding Investment Co., Ltd.	2007.10.02	No. 09600280400	Oriental Textile (Holding) Ltd.	23,000	23,000		
	Yuan Ding Investment Co., Ltd.	2008.09.01	No. 09700172130	Oriental Textile (Holding) Ltd.	32,500	32,500		
	Yuan Ding Investment Co., Ltd.	2013.04.29	No. 10200127470	Oriental Textile (Holding) Ltd.	8,000	8,000		
	Yuan Ding Investment Co., Ltd.	2014.09.11	No. 10300223190 (Note K)	Oriental Textile (Holding) Ltd.	43,000	43,000		
Wuhan Far Eastern New Material Ltd.	Far Eastern New Century Corporation	2006.05.19	No. 09500900070	Far Eastern Polytex (Holding) Ltd.	12,000	12,000		
	Far Eastern New Century Corporation	2009.06.29	No. 09800135640	Far Eastern Polytex (Holding) Ltd.	10,000	10,000		
	Far Eastern New Century Corporation	2010.12.21	No. 09900470530	Far Eastern Polytex (Holding) Ltd.	RMB 6,695	RMB 6,695		
Far Eastern New Century (China) Investment Co., Ltd. (Note A)	Far Eastern New Century Corporation	2006.08.01	No. 09500124430	Far Eastern Polytex (Holding) Ltd.	48,000	48,000		
Sino Belgium Beer (Suzhou) Ltd.	Yuan Tong Investment Co., Ltd.	2007.08.02	No. 09600248620	Sino Belgium (Holding) Ltd.	18,000	18,000		
	Yuan Tong Investment Co., Ltd.	2008.02.21	No. 09600451060	Sino Belgium (Holding) Ltd.	12,000	12,000		
	Yuan Tong Investment Co., Ltd.	2014.04.24	No. 1030091010 (Note L)	Sino Belgium (Holding) Ltd.	16,000	16,000		
	Yuan Tong Investment Co., Ltd.	2014.12.19	No. 10300249370 (Note O)	Sino Belgium (Holding) Ltd.	10,000	10,000		
Marrans Beers (Shanghai) Ltd.	Yuan Tong Investment Co., Ltd.	2008.12.10	No. 09700456110	Sino Belgium (Holding) Ltd.	3,800	3,800		
	Yuan Tong Investment Co., Ltd.	2010.07.29	No. 09900284200	Bockhold N.Y. Marrans HK Ltd.	4,304	4,304		
	Yuan Tong Investment Co., Ltd.	2014.04.24	No. 1030091010 (Note L)	Sino Belgium (Holding) Ltd.	1,500	1,500		
	Yuan Tong Investment Co., Ltd.	2013.11.28	No. 10200451570 (Note N)	Sino Belgium (Holding) Ltd.	1,100	1,100		
	Yuan Tong Investment Co., Ltd.	2014.12.19	No. 10300249370 (Note O)	Sino Belgium (Holding) Ltd.	1,000	1,000		
Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastone Telecommunications Co., Ltd.	2004.08.26	No. 093018811	Far Eastern Info Service (Holding) Limited	2,500	2,500		
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Far Eastern New Century Corporation	2011.06.23	No. 10000021360 (Note J)	Far Eastern Polytex (Holding) Ltd.	166,000	166,000		
Far Eastern Industries (Yangzhou) Ltd.	Far Eastern New Century Corporation	2012.03.30	No. 10100043080	Far Eastern Polychem Industries Ltd.	49,000	49,000		
Far Eastern Union Petrochemical (Yangzhou) Corporation	Far Eastern New Century Corporation	2012.08.31	No. 10300210860 (Note M)	PET Far Eastern (Holding) Ltd.	66,000	66,000		
Yuan Ding Enterprise (Shanghai) Limited	Far Eastern New Century Corporation	2013.11.08	No. 10200399280	Far Eastern Polytex (Holding) Ltd.	1,000	1,000		
	Far Eastern New Century Corporation	2017.11.17	No. 10600282650 (Note R)	Far Eastern Polytex (Holding) Ltd. Investment Co., Ltd.	82,340	82,340		
Tong Da Air Industry (Yangzhou) Co., Ltd.	Far Eastern New Century Corporation	2014.09.05	No. 10300203670 (Note Q)	PET Far Eastern (Holding) Ltd.	33,500	33,500		
Yuan Ding Integrated Information Service (Shanghai) Inc.	YDT Technology International Co., Ltd.	2011.10.19	No. 10000429550	YDC (Virgin Islands) Ltd.	110	110		
	FEET Consulting Engineers Co., Ltd.	2011.11.03	No. 10000439470	DDDM (Virgin Islands) Ltd.	8,100	8,100		
	Ding Ding Integrated Marketing Service Co., Ltd.	2015.08.11	No. 10400179060	DDDM (Virgin Islands) Ltd.	1,100	1,100		
Speedy (Shanghai) digital Tech. Co., Ltd.	YDT Technology International Co., Ltd.	2004.02.11	No. 093003471	YDC (Virgin Islands) Ltd.	300	300		
		2005.02.05	No. 094003122	YDC (Virgin Islands) Ltd.	500	500		

(Continued)

Investee Company	Authorized by Investment Commission, MOEA				Investment Type			
	Investor Company	Date	MOEA Approval Letter No.	Through Investor Company in Third Area	Investment Amount (US\$)	Investor Company in Third Area Using Dividends Received from Investee (US\$)	Financed from Financial Institutions in Third Area (US\$)	Investor Company in Third Area Using Its Own Capital to Invest (US\$)
Far Eastern Tech-Info Ltd. (Shanghai)	Far EastTone Telecommunications Co., Ltd. New Diligent Co., Ltd.	2004.08.26 2014.01.29	No. 095018811 No. 10300022990	Far Eastern Info Service (Holding) Ltd. Far Eastern New Diligent Co., Ltd.	\$ 2,500 3,500	\$ 2,500 3,500		
Digital United Information Technology (Shanghai) Ltd.	New Century InfoComm Tech Co., Ltd. New Century InfoComm Tech Co., Ltd.	2002.10.07 2013.08.09	No. 091041498 No. 10200302730	Digital United (Cayman) Ltd. Digital United (Cayman) Ltd.	3,100 1,000	3,100 1,000		\$ 3,100
New Diligence Corporation (Shanghai)	New Diligent Co., Ltd.	2007.08.08	No. 09600261870	New Diligent Co., Ltd. (Note P)	1,127	1,127		
Far Eastern New Century Information Technology (Beijing) Limited	New Diligent Co., Ltd.	2012.11.19	No. 10100496420	Far Eastern New Diligent Co., Ltd.	4,000	4,000		

Notes: A. Far Eastern New Century (China) Investment Co., Ltd. invested US\$30,000 thousand in Far Eastern Industries (Shanghai) Ltd. and US\$16,000 thousand in Oriental Petrochemical (Shanghai) Corporation.

B. Document No. 092035971 had been canceled and replaced with document No. 09800408170.

C. Document No. 092035970 had been canceled and replaced with document No. 09800408160.

D. The approved amount of US\$12,000 thousand on September 18, 2009 as stated in document No. 09800283970, had been changed to US\$11,500 thousand and updated to document No. 09900142680 on April 19, 2010 while completed the re-review process.

E. The shares offered for the privatization of FEPI had antilutative effects; thus, FEPI's ownership and amount invested in Far Eastern Industry (Shanghai) Ltd. increased.

F. The shares offered for the privatization of FEPI had antilutative effects; thus, FEPI's ownership and amount invested in Oriental Petrochemical (Shanghai) Corporation increased.

G. The shares offered for the privatization of FEPI had antilutative effects; thus, FEPI's ownership and amount invested in Far Eastern Industries (Suzhou) Ltd. increased.

H. Under the original investment scheme, the investment in Far Eastern Industry (Suzhou) Ltd. was made indirectly through Far Eastern Polytex (Holding) Ltd. and FEDP (Holding) Ltd., under the approval stated in Letter No. 09600059830 of the Ministry of Economic Affairs (MOEA). After a scheme modification, this investment was made indirectly only through FEDP (Holding) Ltd. under the MOEA's approval (Letter No. 09900403430).

I. After obtaining MOEA approval (No. 09900470520), FENC received FEDP (Holding) Ltd. from Yuan Tong Investment Co., Ltd., for US\$18,224 thousand (MOEA approval No. 09600243260).

J. After obtaining MOEA approval (No. 10000021360), FENC's subsidiary, Far Eastern Polytex (Holding) Ltd., indirectly invest US\$166,000 thousand in Far Eastern Yihua Petrochemical (Yangzhou) Corporation.

K. After modifying MOEA approval from No. 10300140570 to No. 10300223190, FENC's subsidiary, Yuan Ding Investment Co., Ltd. amended to invest US\$43,000 thousand indirectly or equivalent RMB through its subsidiary, Oriental Textile (Holding) Ltd. in Far Eastern Industries (Suzhou) Ltd.

L. After modifying MOEA approval from No. 10000446910 to No. 10300091010, FENC's subsidiary, Yuan Tong Investment Co., Ltd. amended to invest US\$16,000 and US\$17,500 indirectly through its subsidiary, Sino Belgium (Holding) Corporation, in Sino Belgium Beer (Suzhou) Ltd. and Martens Beers (Shanghai) Ltd.

M. After modifying MOEA approval from No. 10100115020 to No. 10300210860, FENC amended to invest US\$66,000 thousand, and invested through its subsidiary, PET Far Eastern (Holding) Ltd., in Far Eastern Union Petrochemical (Yangzhou) Corporation.

N. After obtaining MOEA approval (No. 10200451570), FENC's subsidiary, Yuan Tong Investment Co., Ltd., indirectly invest US\$1,100 thousand through its subsidiary, Sino Belgium (Holding) Corporation, in Martens Beers (Shanghai) Ltd.

O. After obtaining MOEA approval (No. 10300249370), FENC's subsidiary Yuan Tong Investment Co., Ltd. indirectly invest US\$10,000 thousand and US\$1,000 thousand through its subsidiary, Sino Belgium (Holding) Corporation, in Sino Belgium Beer (Suzhou) Ltd. and Martens Beers (Shanghai) Ltd.

P. Company dissolution had been approved by the local government on April 13, 2010. New Diligence Corporation (Shanghai) had remitted US\$73 thousand back to Taiwan on June 27, 2012, and wrote off the amount as the investment registered with the Investment Commission of the MOEA.

Q. After modifying MOEA approval from No. 10200478110 to No. 10300203670, FENC amended its indirect investment to US\$33,500 thousand, and invested through its subsidiary, PET Far Eastern (Holding) Ltd., indirectly in Tong Da Air Industry (Yangzhou) Co., Ltd.

R. After modifying MOEA approval from No. 10200399290 to No. 10500282440, FENC invested US\$82,340 thousand through its subsidiary, Far Eastern Polytex (Holding) Ltd., indirectly in Far Eastern New Century (China) Investment Co., Ltd., then capitalized to Yuan Ding Enterprise (Shanghai) Limited.

(Concluded)

## 6. Financial Report (Stand-alone)

### Independent auditors' report

#### (English Translation of a Report Originally Issued in Chinese)

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

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

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

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

The Company's investment properties (including the investment properties held by subsidiaries which are accounted for by using the equity method) are subsequently measured using the fair value model. The fair value evaluation involves significant accounting estimations and judgment, and the recognition of fair value fluctuations significantly impacts the gains or losses on the changes in fair value of investment



## Financial Information

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 Related Assets from the Company's Subsidiaries'

### Equity-Method Investee

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

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

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

Recognition of Telecommunications Service Revenue from the Company's Subsidiaries'

### Equity-Method Investee

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

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

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

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

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China

## Financial Information

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 22, 2018

Notice to Readers

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

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

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION

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

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 9,759,643	3	\$ 13,932,650	5
Financial assets at fair value through profit or loss - current	21,211	-	49,525	-
Notes and accounts receivable, net	7,097,632	3	6,960,762	3
Other receivables	169,302	-	307,556	-
Current tax assets	11,618	-	12,005	-
Inventories	6,134,754	2	6,231,657	2
Prepayments	137,174	-	68,168	-
Other current assets	<u>291,299</u>	<u>-</u>	<u>265,424</u>	<u>-</u>
Total current assets	<u>23,622,633</u>	<u>8</u>	<u>27,827,747</u>	<u>10</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	-	-	740,500	-
Investments accounted for using the equity method	236,260,849	83	230,569,651	81
Property, plant and equipment	24,216,996	8	24,509,217	9
Investment properties	1,487,664	1	1,456,014	-
Other intangible assets	20,427	-	24,499	-
Deferred tax assets	65,170	-	138,658	-
Prepayment for equipment	79,380	-	308,692	-
Refundable deposits	78,432	-	91,479	-
Other financial assets - non-current	41,174	-	41,174	-
Other non-current assets	<u>247,559</u>	<u>-</u>	<u>62,317</u>	<u>-</u>
Total non-current assets	<u>262,497,651</u>	<u>92</u>	<u>257,942,201</u>	<u>90</u>
<b>TOTAL</b>	<u>\$ 286,120,284</u>	<u>100</u>	<u>\$ 285,769,948</u>	<u>100</u>

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 2,100,678	1	\$ 2,033,578	1
Financial liabilities at fair value through profit or loss - current	4,895	-	3,166	-
Notes and accounts payable	2,083,673	1	2,008,267	1
Notes and accounts payable to related parties	1,070,226	-	1,208,687	1
Payables to suppliers of machinery and equipment	516	-	4,960	-
Other payables	3,610,049	1	3,735,929	1
Receipts in advance	382,114	-	285,380	-
Current portion of long-term liabilities	5,497,408	2	9,696,741	3
Other current liabilities	<u>811,375</u>	-	<u>864,260</u>	-
Total current liabilities	<u>15,560,934</u>	<u>5</u>	<u>19,840,968</u>	<u>7</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	38,054,514	13	38,545,506	13
Long-term borrowings	35,216,255	12	32,578,264	11
Deferred tax liabilities	1,583,021	1	1,596,464	1
Net defined benefit liabilities - non-current	1,294,407	1	2,259,559	1
Guarantee deposits received	2,495	-	3,144	-
Deferred credit - gain on related party transactions	48,271	-	35,828	-
Other non-current liabilities	<u>-</u>	-	<u>23,760</u>	-
Total non-current liabilities	<u>76,198,963</u>	<u>27</u>	<u>75,042,525</u>	<u>26</u>
Total liabilities	<u>91,759,897</u>	<u>32</u>	<u>94,883,493</u>	<u>33</u>
<b>EQUITY</b>				
Share capital				
Common shares	<u>53,528,751</u>	<u>19</u>	<u>53,528,751</u>	<u>19</u>
Capital surplus	<u>2,859,569</u>	<u>1</u>	<u>2,859,588</u>	<u>1</u>
Retained earnings				
Legal reserve	15,945,807	6	15,315,028	5
Special reserve	112,928,355	39	110,292,892	39
Unappropriated earnings	<u>12,819,238</u>	<u>4</u>	<u>11,785,464</u>	<u>4</u>
Total retained earnings	<u>141,693,400</u>	<u>49</u>	<u>137,393,384</u>	<u>48</u>
Other equity	<u>(3,696,270)</u>	<u>(1)</u>	<u>(2,870,205)</u>	<u>(1)</u>
Treasury shares	<u>(25,063)</u>	-	<u>(25,063)</u>	-
Total equity	<u>194,360,387</u>	<u>68</u>	<u>190,886,455</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 286,120,284</u>	<u>100</u>	<u>\$ 285,769,948</u>	<u>100</u>

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

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION

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

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

(Continued)

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

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

(Concluded)



## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION

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

	Common Shares	Capital Surplus	Retained	
			Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2016	\$ 53,528,751	\$ 2,807,683	\$ 14,511,559	\$ 108,721,550
Appropriation of the 2015 earnings				
Legal reserve	-	-	803,469	-
Special reserve	-	-	-	2,165,513
Cash dividends - NT\$1.0 per share	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year ended December 31, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in associates accounted for using the equity method	-	51,126	-	(1,196)
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	779	-	-
Reversal of special reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>(592,975)</u>
BALANCE, DECEMBER 31, 2016	53,528,751	2,859,588	15,315,028	110,292,892
Appropriation of the 2016 earnings				
Legal reserve	-	-	630,779	-
Special reserve	-	-	-	2,662,006
Cash dividends - NT\$0.8 per share	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year ended December 31, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in associates accounted for using the equity method	-	(642)	-	-
Partial acquisition (disposal) of interests in subsidiaries	-	-	-	-
Change in the Company's capital surplus due to the distribution of dividends to subsidiaries	-	623	-	-
Reversal of special reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,543)</u>
BALANCE, DECEMBER 31, 2017	<u>\$ 53,528,751</u>	<u>\$ 2,859,569</u>	<u>\$ 15,945,807</u>	<u>\$ 112,928,355</u>

Earnings Unappropriated Earnings	Other Equity					Total Equity
	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Cash Flow Hedges	Gain on Property Revaluation	Treasury Shares	
\$ 13,706,389	\$ 2,274,683	\$ 1,119,927	\$ (95,944)	\$ 702,030	\$ (25,063)	\$ 197,251,565
(803,469)	-	-	-	-	-	-
(2,165,513)	-	-	-	-	-	-
(5,352,875)	-	-	-	-	-	(5,352,875)
6,307,786	-	-	-	-	-	6,307,786
<u>(486,720)</u>	<u>(3,852,495)</u>	<u>(3,067,584)</u>	<u>48,430</u>	<u>748</u>	<u>-</u>	<u>(7,357,621)</u>
<u>5,821,066</u>	<u>(3,852,495)</u>	<u>(3,067,584)</u>	<u>48,430</u>	<u>748</u>	<u>-</u>	<u>(1,049,835)</u>
(13,109)	-	-	-	-	-	36,821
-	-	-	-	-	-	779
<u>592,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11,785,464	(1,577,812)	(1,947,657)	(47,514)	702,778	(25,063)	190,886,455
(630,779)	-	-	-	-	-	-
(2,662,006)	-	-	-	-	-	-
(4,282,300)	-	-	-	-	-	(4,282,300)
8,066,136	-	-	-	-	-	8,066,136
<u>568,641</u>	<u>(1,499,559)</u>	<u>590,338</u>	<u>83,156</u>	<u>-</u>	<u>-</u>	<u>(257,424)</u>
<u>8,634,777</u>	<u>(1,499,559)</u>	<u>590,338</u>	<u>83,156</u>	<u>-</u>	<u>-</u>	<u>7,808,712</u>
(52,438)	-	-	-	-	-	(53,080)
(23)	-	-	-	-	-	(23)
-	-	-	-	-	-	623
<u>26,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 12,819,238</u>	<u>\$ (3,077,371)</u>	<u>\$ (1,357,319)</u>	<u>\$ 35,642</u>	<u>\$ 702,778</u>	<u>\$ (25,063)</u>	<u>\$ 194,360,387</u>

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

## Financial Information

### FAR EASTERN NEW CENTURY CORPORATION

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

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

(Continued)

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	\$ (2,326,139)	\$ (705,923)
Payments for property, plant, equipment and prepayments for equipment	(2,514,552)	(2,504,427)
Proceeds from disposal of property, plant and equipment	737,498	10,443
Decrease (increase) in refundable deposits	13,047	(37,703)
Decrease in other receivables	-	3,957,500
Acquisition of intangible assets	(6,428)	(14,268)
Decrease in other financial assets	-	7,031
Increase in other non-current assets	<u>(191,527)</u>	<u>(4,351)</u>
Net cash (used in) generated from investing activities	<u>(4,288,101)</u>	<u>708,302</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	67,100	1,993,212
Proceeds from issue of bonds	5,000,000	11,800,000
Repayments of bonds payable	(9,700,000)	(13,679,500)
Proceeds from long-term borrowings	121,677,289	138,643,485
Repayments of long-term borrowings	(119,050,878)	(142,269,865)
(Decrease) increase in guarantee deposits received	(649)	101
Dividends paid	<u>(4,282,267)</u>	<u>(5,352,875)</u>
Net cash used in financing activities	<u>(6,289,405)</u>	<u>(8,865,442)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,173,007)	(281,116)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>13,932,650</u>	<u>14,213,766</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 9,759,643</u>	<u>\$ 13,932,650</u>

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

(Concluded)

# **FAR EASTERN NEW CENTURY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

Far Eastern New Century Corporation (FENC or the “Company”), which was incorporated in 1954, manufactures and sells polyester materials and semi-finished and finished textiles such as cotton, synthetic or blended fabrics, towels and bedsheets, and woven and knitted garments; PET (polyethylene terephthalate) bottles and sheets; and natural, synthetic or blended yarns and polyester textured yarns. It also does yarn, silk and cloth printing and dyeing.

On October 13, 2009, the shareholders resolved to change the Company’s name from its former name Far Eastern Textile Corporation to Far Eastern New Century Corporation; thus, the original ticker symbol of FETL was changed to FENC.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar (NTD).

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on March 22, 2018.

### **3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

- 1) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and the application of both standards may be required to determine whether the investment property acquired is an acquisition of an asset or a business combination.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 24 for the related disclosures.

There is no significant impact on the Company's balance sheet, statements of comprehensive income, and changes in cash flows in the current year of the application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 3)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: The amendments to IFRS 9 are not yet endorsed by the FSC; however, the FSC permits that entities may elect to early adopt the amendments starting from 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Company satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the reduction of receivable or unearned revenue and related deferred revenue are recognized when revenue is recognized for the contract under IAS 18.

The Company elects to recognize the cumulative effect of retrospectively applying IFRS 15 in the retained earnings on January 1, 2018.



The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 9 and IFRS 15 as of January 1, 2018 is detailed below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<u>Current assets</u>			
<u>Anticipated impact from IFRS 9</u>			
Notes and accounts receivable, net	\$ 7,097,632	\$ (895)	\$ 7,096,737
<u>Non-current assets</u>			
<u>Investments accounted for using the equity method</u>			
Anticipated impact from IFRS 9	-	272,915	-
Anticipated impact from IFRS 15	-	2,335,295	-
	<u>236,260,849</u>	<u>2,608,210</u>	<u>238,869,059</u>
Total effect on assets	<u>\$ 286,120,284</u>	<u>\$ 2,607,315</u>	<u>\$ 288,727,599</u>
<u>Current liabilities</u>			
<u>Anticipated impact from IFRS 9</u>			
Receipts in advance	\$ 382,114	\$ (382,114)	\$ -
Contract liabilities - current	<u>-</u>	<u>382,114</u>	<u>382,114</u>
Total effect on liabilities	<u>\$ 91,759,897</u>	<u>\$ -</u>	<u>\$ 91,759,897</u>
<u>Retained earnings</u>			
Anticipated impact from IFRS 9	\$ -	\$ 622,371	\$ -
Anticipated impact from IFRS 15	<u>-</u>	<u>2,335,295</u>	<u>-</u>
	<u>\$ 141,693,400</u>	<u>\$ 2,957,666</u>	<u>\$ 144,651,066</u>
<u>Anticipated impact from IFRS 9</u>			
Other equity	<u>\$ (3,696,270)</u>	<u>\$ (350,351)</u>	<u>\$ (4,046,621)</u>
Total effect on equity	<u>\$ 194,360,387</u>	<u>\$ 2,607,315</u>	<u>\$ 196,967,702</u>

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

## 2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

## 3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

## 4) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair values.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Gain or loss is recognized under treasury share method when cross shareholdings with associates.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When a Company entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

#### h. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### i. Investment properties

Investment properties are properties held for earning rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included for profit or loss in the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful life residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation, otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.



Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 23.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposal or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, accounts receivable and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they are assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial reorganisation, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward exchange contracts, option contracts and combined foreign exchange options.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the ownership of the materials.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) as well as gains and losses on settlements and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Fair Value Measurements and Valuation Processes of Investment Properties (Including the Investment Properties Held by Subsidiaries Which Are Accounted for Using the Equity Method)

If the investment properties (including the investment properties held by subsidiaries which are accounted for using the equity method) where Level 1 inputs are not available, the Company or engaged valuers would determine appropriate inputs for investment properties which were measured using the income approach by referring to the existing lease contracts and rentals of similar properties in the vicinity. The Company or engaged valuers would determine appropriate inputs for investment properties which were measured by using a land development analysis approach by considering related policies, macroeconomics, the usage of the land and the investment properties' market conditions. If there are changes of the actual inputs in the future which differ from expectation, the fair value of investment properties held by subsidiaries which are accounted for using the equity method might vary accordingly. The Company updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value is disclosed in Note 13.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash on hand and petty cash	\$ 4,757	\$ 5,299
Checking and demand accounts	9,746,212	8,003,088
Cash equivalents (investments with original maturities of less than three months)		
Repurchase of commercial paper	-	5,748,562
Time deposits	<u>8,674</u>	<u>175,701</u>
	<u>\$ 9,759,643</u>	<u>\$ 13,932,650</u>

As of December 31, 2017 and 2016, the deposits in foreign banks in Japan amounted to \$111,954 thousand (JPY423,745 thousand) and \$128,271 thousand (JPY465,425 thousand), respectively.

The market rates and intervals of market rates for bank deposits and cash equivalents as of the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Repurchase of commercial paper	-	0.55%
Time deposits	3.55%	0.75%-8.30%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets held for trading - current</u>		
Guarantee deposits of cotton futures contracts	\$ 17,867	\$ 42,328
Forward exchange contracts	-	4,820
Combined foreign exchange options	<u>3,344</u>	<u>2,377</u>
	<u>\$ 21,211</u>	<u>\$ 49,525</u>
<u>Financial liabilities held for trading - current</u>		
Forward exchange contracts	\$ 4,895	\$ -
Option contracts	<u>-</u>	<u>3,166</u>
	<u>\$ 4,895</u>	<u>\$ 3,166</u>

### a. Cotton futures contracts

The Company entered into cotton futures contracts mainly to hedge against the adverse fluctuation of cotton prices. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.

The Company had no outstanding cotton future contracts as of December 31, 2017 and 2016.

### b. Forward exchange contracts

The Company entered into forward exchange contracts to hedge against the exchange risks on foreign currency assets and liabilities. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.

As of December 31, 2017 and 2016, the Company had outstanding forward exchange contracts, as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (Thousands)</b>
<u>December 31, 2017</u>			
Sell	USD/NTD	2018.1.18-2018.1.31	USD8,000/NTD237,716
Sell	EUR/USD	2018.1.29-2018.2.26	EUR4,000/USD4,690
Buy	USD/JPY	2018.1.29-2018.2.26	USD3,000/JPY338,970
Buy	USD/RMB	2018.2.26	USD2,000/RMB13,240
<u>December 31, 2016</u>			
Sell	EUR/USD	2017.2.24-2017.3.29	EUR7,000/USD7,406
Buy	USD/JPY	2017.3.29	USD6,000/JPY702,760
Buy	USD/RMB	2017.2.24-2017.3.29	USD12,000/RMB84,161



c. Option contracts

The Company sold option contracts to earn profit on royalties and the difference between exchange rate fluctuations.

The Company had no outstanding option contracts as of December 31, 2017.

As of December 31, 2016, the Company had outstanding option contracts as follows:

	Currency	Maturity	Contract Amount (Thousands)
<u>December 31, 2016</u>			
Sell USD call options	USD/NTD	2017.1.5-2017.1.24	USD22,000/NTD719,580
Sell EUR call options	EUR/USD	2017.1.10-2017.1.19	EUR4,000/USD4,240

d. Combined foreign exchange options

The Company entered into combined foreign exchange options to hedge against the exchange risks on foreign currency assets or liabilities. Since these transactions did not meet the criteria for hedge accounting, they were classified as held for trading.

As of December 31, 2017 and 2016, the Company had outstanding combined foreign exchange options, as follows:

	Currency	Maturity	Contract Amount (Thousands)
<u>December 31, 2017</u>			
Sell USD call options	USD/NTD	2018.1.3-2018.2.13	USD175,000/NTD5,264,807
Buy USD put options	USD/NTD	2018.1.3-2018.2.13	USD87,500/NTD2,632,404
<u>December 31, 2016</u>			
Sell EUR call options	EUR/USD	2017.2.13-2017.3.2	EUR18,000/USD19,489
Buy EUR put options	EUR/USD	2017.2.13-2017.3.2	EUR6,000/USD6,496

**8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT**

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Domestic investments</u>		
Marketable equity securities	\$ _____ -	\$ <u>740,500</u>

On August 18, 2017, the Company acquired 79,875 thousand shares of Far Eastern International Commercial Bank (FEIB) from an associate with a total amount of \$791,550 thousand, representing a new total shareholding of 16.37%, including the 13.8% of the original shares held by the Company. The Company evaluated that it has significant influence over FEIB. Therefore, the Company reclassified the investment from available-for-sale financial assets at a fair value of \$805,598 thousand to investments accounted for using the equity method and recognized the gain on the sale of securities amounting to \$302,472 thousand.

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes and accounts receivable</u>		
Notes and accounts receivable	\$ 7,380,217	\$ 7,243,347
Less: Allowance for doubtful accounts	<u>(282,585)</u>	<u>(282,585)</u>
	<u>\$ 7,097,632</u>	<u>\$ 6,960,762</u>

When deciding the recoverability of accounts receivable, the Company considers any changes in the credit quality from the date credit was initially granted up to the end of the reporting period. Allowance for doubtful accounts is recognized against accounts receivable on the basis of estimated irrecoverable amounts determined by reference to past defaults by the respective counterparties and an analysis of their current financial positions.

The concentration of credit risk is limited because the Company's customer base is wide and is not focused on certain customers; additionally, the companies involved are unrelated. The Company does not have accounts receivable that are past due but not impaired.

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
1-90 days	\$ 5,985,092	\$ 5,720,692
91-180 days	1,087,399	1,188,235
181-365 days	25,141	45,653
More than 365 days	<u>-</u>	<u>6,182</u>
	<u>\$ 7,097,632</u>	<u>\$ 6,960,762</u>

The above aging schedule was based on the invoice date.

Movements of the allowance for doubtful accounts were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 243,872	\$ 38,713	\$ 282,585
Allowance for (reversal of) bad debts	<u>(2,742)</u>	<u>2,742</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 241,130</u>	<u>\$ 41,455</u>	<u>\$ 282,585</u>
Balance at January 1, 2016	\$ 5,701	\$ 39,369	\$ 45,070
Allowance for (reversal of) bad debts	<u>238,171</u>	<u>(656)</u>	<u>237,515</u>
Balance at December 31, 2016	<u>\$ 243,872</u>	<u>\$ 38,713</u>	<u>\$ 282,585</u>

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Finished goods	\$ 1,559,504	\$ 1,842,026
Work in progress	2,119,787	1,839,981
Raw materials	2,115,658	2,056,785
Supplies	161,860	178,420
Raw materials in transit	<u>177,945</u>	<u>314,445</u>
	<u>\$ 6,134,754</u>	<u>\$ 6,231,657</u>

For the years ended December 31, 2017 and 2016, the costs of inventories sold were \$41,487,365 thousand and \$40,620,551 thousand, respectively. The cost of goods sold for the year ended December 31, 2017 consisted of the inventory write-downs of \$116,004 thousand. The cost of goods sold for the year ended December 31, 2016 consisted of reversals of inventory write-downs of \$60,861 thousand. Previous write-downs were reversed as a result of increased selling prices in certain markets.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Investments in subsidiaries	\$ 209,134,216	\$ 205,261,107
Investments in associates	<u>27,126,633</u>	<u>25,308,544</u>
	<u>\$ 236,260,849</u>	<u>\$ 230,569,651</u>

### a. Investments in subsidiaries

	<u>December 31</u>			
	<u>2017</u>		<u>2016</u>	
	<u>Carrying Amount</u>	<u>% of Owner- ship</u>	<u>Carrying Amount</u>	<u>% of Owner- ship</u>
Unlisted companies				
Yuan Ding Investment Co., Ltd.	\$ 41,076,970	99.40	\$ 39,511,839	99.40
Far Eastern Resources Development Co., Ltd.	102,111,323	100.00	101,333,337	100.00
Far Eastern Polytex (Holding) Ltd.	7,708,078	100.00	7,899,457	100.00
Far Eastern Polychem Industries Ltd.	6,861,798	73.04	6,997,867	73.04
Yuan Tong Investment Co., Ltd.	8,091,936	100.00	7,697,083	100.00
Kai Yuan International Investment Co., Ltd.	5,167,778	100.00	4,899,472	100.00
Far Eastern Investment (Holding) Ltd.	8,739,241	100.00	9,209,526	100.00
PET Far Eastern (Holding) Ltd.	5,341,354	91.95	4,404,790	90.54
Oriental Petrochemical (Taiwan) Co., Ltd.	7,492,270	75.56	7,161,947	75.56
Far Eastern Construction Co., Ltd.	8,238,170	65.11	8,157,576	65.11
Yuan Ding Co., Ltd.	3,075,962	37.13	3,034,356	37.13
An Ho Garment Co., Ltd.	2,019,899	100.00	1,907,667	100.00

(Continued)

	<b>December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
Ding Yuan International Investment Co., Ltd.	\$ 2,820,313	100.00	\$ 2,579,193	100.00
FEDP (Holding) Ltd.	122,774	50.43	176,983	50.43
Fu Kwok Garment Manufacturing Co., Ltd.	253,944	100.00	288,566	99.96
Ding Ding Hotel Co., Ltd.	10,882	0.74	(23,760)	19.00
Far Eastern Textile Ltd.	<u>1,524</u>	100.00	<u>1,448</u>	100.00
	209,134,216		205,237,347	
Plus: Transfer from the credit of the investments accounted for using the equity method to other non-current liabilities	<u>-</u>		<u>23,760</u>	
	<u>\$ 209,134,216</u>		<u>\$ 205,261,107</u>	

(Concluded)

Ding Ding Hotel Co., Ltd. was recognized as subsidiary because the Company appointed the general manager of Yuan Ding Co., Ltd., and therefore, the Company could exercise control over Yuan Ding Co., Ltd. which is recognized as a subsidiary. In addition, the Company and its subsidiaries owned more than 50% of Ding Ding Hotel Co., Ltd.'s voting shares.

b. Investments in associates

	<b>December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
<u>Associates that are individually material</u>				
Listed companies				
Asia Cement Corporation	<u>\$ 16,414,157</u>	22.33	<u>\$ 15,657,202</u>	22.33
<u>Associates that are not individually material</u>				
Listed companies				
Far Eastern Department Stores Co., Ltd.	4,704,162	17.06	4,654,067	17.06
Oriental Union Chemical Corporation	1,332,527	9.17	1,220,758	9.17
Everest Textile Corporation	1,534	0.03	1,536	0.03
Far Eastern International Commercial Bank (Note 8)	<u>872,079</u>	2.62	<u>-</u>	-
	<u>6,910,302</u>		<u>5,876,361</u>	
Unlisted companies				
Oriental Securities Corporation	1,945,424	19.65	1,916,962	19.65
Pacific Liu Tong Investment Co., Ltd.	<u>1,856,750</u>	16.83	<u>1,858,019</u>	16.83
	<u>3,802,174</u>		<u>3,774,981</u>	
	<u>\$ 27,126,633</u>		<u>\$ 25,308,544</u>	

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31 2017	December 31 2016
Asia Cement Corporation	Cement production	Taiwan	22.33%	22.33%

Fair value (Level 1) of investment in associates with available published price quotation are summarized follows:

Name of Associate	December 31	
	2017	2016
Asia Cement Corporation	\$ 21,164,419	\$ 19,775,973

All the associates above are accounted for using equity method.

Summarized financial information in respect of the Company's material associate is set out below.

The summarized financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Asia Cement Corporation

	December 31	
	2017	2016
Current assets	\$ 50,262,702	\$ 42,148,568
Non-current assets	196,801,646	196,322,217
Current liabilities	(53,948,167)	(40,857,530)
Non-current liabilities	(47,319,817)	(56,950,034)
Equity	145,796,364	140,663,221
Non-controlling interests	(18,360,799)	(18,000,144)
	<u>\$ 127,435,565</u>	<u>\$ 122,663,077</u>
Proportion of the Company's ownership	22.33%	22.33%
Equity attributable to the Company	\$ 28,456,362	\$ 27,390,665
Cross shareholdings	(12,042,205)	(11,733,463)
Carrying amount	<u>\$ 16,414,157</u>	<u>\$ 15,657,202</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating revenue	\$ 64,899,248	\$ 60,946,190
Net income for the year	\$ 6,665,541	\$ 4,683,297
Other comprehensive income (loss)	2,119,539	(14,688,396)
Total comprehensive income (loss) for the year	<u>\$ 8,785,080</u>	<u>\$ (10,005,099)</u>
Dividends received from Asia Cement Corporation	<u>\$ 675,460</u>	<u>\$ 825,562</u>

2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
The Company's share of:		
Net income for the year	\$ 543,829	\$ 189,916
Other comprehensive loss	<u>(46,779)</u>	<u>(92,204)</u>
Total comprehensive income for the year	<u>\$ 497,050</u>	<u>\$ 97,712</u>

The combined equity of the Company and subsidiaries in some investee companies - Far Eastern Department Stores Co., Ltd., Oriental Union Chemical Corporation (OUCC), Everest Textile Co., Ltd., (Everest Textile), Oriental Securities Corporation and Pacific Liu Tong Investment Co., Ltd. (PLT) - exceeded 20% of their respective outstanding common shares. Thus, related investments were accounted for using the equity method.

On August 18, 2017, the Company has significant influence over Far Eastern International Bank (Note 8). Therefore, starting from August 18, 2017, the investment in Far Eastern International Bank was recognized as investments accounted for using the equity method.

The calculation of the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments were based on the subsidiaries' or associates' audited financial statements as of December 31, 2017 and 2016.

If an investment's acquisition cost exceeds the fair value of net assets acquired, the excess amount should be recognized as goodwill. As of both December 31, 2017 and 2016, the goodwill amounted to \$99,821 thousand.

## 12. PROPERTY, PLANT, EQUIPMENT AND PREPAYMENTS FOR EQUIPMENT

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Total property, plant and equipment	\$ 24,216,996	\$ 24,509,217
Prepayments for equipment	<u>79,380</u>	<u>308,692</u>
	<u>\$ 24,296,376</u>	<u>\$ 24,817,909</u>

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Operating and Miscellaneous Equipment</b>	<b>Construction- in-progress and Prepayments for Equipment</b>	<b>Total</b>
<b>Cost</b>						
Balance at January 1, 2017	\$ 6,421,925	\$ 8,379,688	\$ 49,622,573	\$ 5,008,449	\$ 2,966,713	\$ 72,399,348
Additions	2,360	-	-	-	2,507,748	2,510,108
Disposals	-	(59,265)	(961,960)	(206,580)	(626,448)	(1,854,253)
Reclassification	-	<u>108,352</u>	<u>1,447,996</u>	<u>408,585</u>	<u>(1,965,271)</u>	<u>(338)</u>
Balance at December 31, 2017	<u>\$ 6,424,285</u>	<u>\$ 8,428,775</u>	<u>\$ 50,108,609</u>	<u>\$ 5,210,454</u>	<u>\$ 2,882,742</u>	<u>\$ 73,054,865</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2017	\$ -	\$ (4,904,237)	\$ (38,633,555)	\$ (3,976,791)	\$ (66,856)	\$ (47,581,439)
Disposals	-	42,426	931,937	204,594	-	1,178,957

(Continued)

	Land	Buildings	Machinery and Equipment	Operating and Miscellaneous Equipment	Construction-in-progress and Prepayments for Equipment	Total
Impairment loss	\$ -	\$ (42,052)	\$ (104,275)	\$ (10,524)	\$ (126,549)	\$ (283,400)
Depreciation expense	-	(206,096)	(1,399,190)	(467,659)	-	(2,072,945)
Reclassification	-	(68)	26,194	(25,788)	-	338
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ (5,110,027)</u>	<u>\$ (39,178,889)</u>	<u>\$ (4,276,168)</u>	<u>\$ (193,405)</u>	<u>\$ (48,758,489)</u>
<b>Cost</b>						
Balance at January 1, 2016	\$ 6,395,493	\$ 8,119,665	\$ 49,222,489	\$ 4,735,798	\$ 2,478,724	\$ 70,952,169
Additions	26,432	-	-	-	2,474,239	2,500,671
Disposals	-	(19,238)	(895,700)	(137,470)	(1,084)	(1,053,492)
Reclassification	-	279,261	1,295,784	410,121	(1,985,166)	-
Balance at December 31, 2016	<u>\$ 6,421,925</u>	<u>\$ 8,379,688</u>	<u>\$ 49,622,573</u>	<u>\$ 5,008,449</u>	<u>\$ 2,966,713</u>	<u>\$ 72,399,348</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2016	\$ -	\$ (4,720,368)	\$ (38,065,746)	\$ (3,588,793)	\$ -	\$ (46,374,907)
Disposals	-	16,430	892,919	136,937	-	1,046,286
Impairment loss	-	-	(100,000)	-	(66,856)	(166,856)
Depreciation expense	-	(200,299)	(1,360,729)	(524,934)	-	(2,085,962)
Reclassification	-	-	1	(1)	-	-
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ (4,904,237)</u>	<u>\$ (38,633,555)</u>	<u>\$ (3,976,791)</u>	<u>\$ (66,856)</u>	<u>\$ (47,581,439)</u>

(Concluded)

The Company expects that the future cash flows of the machinery equipment which produce the certain products from the textile department and chemical fiber department will decrease. As a result, the recoverable amount was less than the book value. The recoverable amount of the machinery equipment was based on the usable value. As of December 31, 2017 and 2016, the recoverable amounts were \$6,462,232 thousand and \$2,976,697 thousand, respectively, with discount rates of 5.2942%-5.5607% and 4.5648%, respectively. The Company recognized the impairment loss amounting to \$283,400 thousand and \$166,856 thousand, respectively, for the years ended December 31, 2017 and 2016. The impairment loss was recognized in the comprehensive income statements under the impairment loss account.

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful lives:

Buildings	3-55 years
Machinery and equipment	5-15 years
Operating and miscellaneous equipment	3-15 years

For the amount of property, plant and equipment that the Company pledged or mortgaged as collateral for borrowings, refer to Note 26.

As of December 31, 2017 and 2016, farmland was recognized as property, plant and equipment amounting to \$238,430 thousand for both dates and recognized as investment properties amounting to \$36,095 thousand and \$34,956 thousand, respectively. The titles to the land are temporarily registered in the name of trustees who have either signed an agreement showing the farmland belongs to the Company or have pledged the land to the Company.

### 13. INVESTMENT PROPERTIES

The fair value of investment properties was estimated using unobservable inputs (Level 3). The movements in the fair value were as follows:

	<b>Completed Investment Properties</b>
Balance at January 1, 2017	\$ 1,456,014
Recognized in profit (gain arising from the change in fair value of investment properties)	<u>31,650</u>
Balance at December 31, 2017	<u>\$ 1,487,664</u>
Balance at January 1, 2016	\$ 1,446,491
Recognized in profit (gain arising from the change in fair value of investment properties)	<u>9,523</u>
Balance at December 31, 2016	<u>\$ 1,456,014</u>

The major investment properties of the Company were as follows:

A building and land located in Taoyuan Guanyin District were leased to the Company's subsidiary, Oriental Petrochemical (Taiwan) Corporation (OPTC), for its operation. Under the "IFRSs Questions and Answers" issued by Taiwan Stock Exchange Corp. (TWSE), the Company recognized these items as investment properties in these parent company only financial statements and reclassified them to property, plant and equipment in its consolidated financial statements. The Company used the equity method and share of the profit or loss of subsidiaries and associates to adjust the differences between the investment property amounts presented in the parent company only and consolidated financial statements.

The fair values of investment properties were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Independent valuation	<u>\$ 1,487,664</u>	<u>\$ 1,456,014</u>

The fair value of the investment properties as of December 31, 2017 and 2016 was based on the valuations carried out at February 23, 2017 and February 6, 2016, respectively, by independent qualified professional valuers Mr. Chia-ho Tsai in 2017 and Mr. Ken Yuan Li in 2016 from Debenham Tie Leung Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

The fair value of investment properties was measured using the income approach. The significant assumptions used were as follows. The increase in estimated future net cash inflows, or the decrease in discount rates would result in increase in the fair value.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Expected future cash inflows	\$ 1,538,271	\$ 1,484,959
Expected future cash outflows	<u>(48,392)</u>	<u>(58,785)</u>
Expected future cash inflows, net	<u>\$ 1,489,879</u>	<u>\$ 1,426,174</u>
Discount rate intervals	3.695%	3.70%



Some of the investment properties had been leased out under operating leases. The rental incomes generated for the years ended December 31, 2017 and 2016 were \$14,575 thousand and \$23,284 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding too-high and too-low values, taking into account the annual rental growth rate. Loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment property included expenditures such as land value taxes, house taxes, insurance premium, maintenance costs and replacement allowance. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the local same class product, a reasonable rental income level and the selling price of investment properties taking into consideration the liquidity, potential risk, appreciation and the complexity of management; in addition, the discount rate should not be lower than the interest rate for two-year time deposits of Chunghwa Post Corporation plus 0.75%.

#### 14. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2017	\$ 24,034	\$ 465	\$ 24,499
Additions	6,428	-	6,428
Amortization	<u>(10,095)</u>	<u>(405)</u>	<u>(10,500)</u>
Balance at December 31, 2017	<u>\$ 20,367</u>	<u>\$ 60</u>	<u>\$ 20,427</u>
Balance at January 1, 2016	\$ 19,817	\$ 805	\$ 20,622
Additions	14,168	100	14,268
Amortization	<u>(9,951)</u>	<u>(440)</u>	<u>(10,391)</u>
Balance at December 31, 2016	<u>\$ 24,034</u>	<u>\$ 465</u>	<u>\$ 24,499</u>

The above intangible assets were amortized on a straight-line basis up to the estimated useful lives of the assets as follows:

Computer software	3-5 years
Others	5 years

## 15. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Bank credit loans	\$ 2,100,678	\$ 2,026,345
Export bills discount	<u>-</u>	<u>7,233</u>
	<u>\$ 2,100,678</u>	<u>\$ 2,033,578</u>
Interest rate	1.85%-1.96%	0.90%-1.95%

### b. Long-term borrowings

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Bank loans	\$ 35,216,255	\$ 29,589,844
Long-term commercial paper	-	3,000,000
Less: Unamortized discount on commercial paper	<u>-</u>	<u>11,580</u>
	<u>\$ 35,216,255</u>	<u>\$ 32,578,264</u>

The foregoing loans are payable in New Taiwan dollars, Japanese yen, Euros and U.S. dollars. The loans are repayable through a lump sum on maturity and a payment of interest monthly. Therefore, some of the loans are revolving credit loans, which can be revolved within the credit line limitation. The maturity dates of revolving credit loans are based on the maturity dates of the credit line limit contracts. The maturity dates and bank interest rate intervals of the Company's borrowings were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Maturity	January 2019 - March 2021	February 2018- December 2019
Bank interest rates intervals	0.60%-1.39%	0.63425%-1.40%

## 16. BONDS PAYABLE

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Non-convertible bonds	\$ 43,600,000	\$ 48,300,000
Discount of non-convertible bonds	<u>(48,078)</u>	<u>(57,753)</u>
	43,551,922	48,242,247
Less: Current portion	<u>5,497,408</u>	<u>9,696,741</u>
	<u>\$ 38,054,514</u>	<u>\$ 38,545,506</u>

For details of bonds payable as of December 31, 2017, refer to Statement 9 following the Notes to Financial Statements. The details of bonds payable as of December 31, 2016 which were repaid in 2017 were as follows:

On February 15, 2012, the Company issued five-year unsecured bonds (the third tranche) amounting to \$6,000,000 thousand at a unit face value of \$1,000 thousand. The five-year bonds are repayable at 50% of the total amount the end of the fourth year and the other 50% at the end of the fifth year of bond issuance, with a 1.36% interest rate. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

On June 7, 2012, the Company issued five-year unsecured bonds (the first tranche) amounting to \$3,200,000 thousand at a unit face value of \$1,000 thousand. These five-year bonds are repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance, with a 1.35% interest rate. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

On November 26, 2012, the Company issued five-year unsecured bonds (the second tranche) amounting to \$4,200,000 thousand at a unit face value of \$1,000 thousand. These five-year bonds are repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance, with a 1.30% interest rate. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

On August 28, 2013, the Company issued three and a half-year unsecured bonds (the second tranche) amounting to \$3,000,000 thousand at a unit face value of \$1,000 thousand. These bonds are repayable in lump sum on maturity, with a 1.39% interest rate. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.

## **17. RETIREMENT BENEFIT PLANS**

### **a. Defined contribution plans**

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### **b. Defined benefit plans**

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Present value of defined benefit obligation	\$ 5,534,470	\$ 6,102,747
Fair value of plan assets	<u>(4,240,063)</u>	<u>(3,843,188)</u>
Net defined benefit liabilities	<u>\$ 1,294,407</u>	<u>\$ 2,259,559</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2017	<u>\$ 6,102,747</u>	<u>\$ (3,843,188)</u>	<u>\$ 2,259,559</u>
Service cost			
Current service cost	75,225	-	75,225
Net interest expense (income)	<u>89,451</u>	<u>(57,648)</u>	<u>31,803</u>
Recognized in profit or loss (Note)	<u>164,676</u>	<u>(57,648)</u>	<u>107,028</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(334,696)	(334,696)
Actuarial (gain) loss - changes in financial assumptions	109,269	-	109,269
Actuarial (gain) loss - experience adjustments	<u>(359,398)</u>	<u>-</u>	<u>(359,398)</u>
Recognized in other comprehensive income	<u>(250,129)</u>	<u>(334,696)</u>	<u>(584,825)</u>
Contributions from the employer	-	(439,833)	(439,833)
Benefits paid	<u>(482,824)</u>	<u>435,302</u>	<u>(47,522)</u>
Balance at December 31, 2017	<u>\$ 5,534,470</u>	<u>\$ (4,240,063)</u>	<u>\$ 1,294,407</u>
Balance at January 1, 2016	<u>\$ 5,902,738</u>	<u>\$ (3,543,562)</u>	<u>\$ 2,359,176</u>
Service cost			
Current service cost	78,781	-	78,781
Past service cost and loss on settlements	77,749	-	77,749
Net interest expense (income)	<u>100,684</u>	<u>(62,012)</u>	<u>38,672</u>
Recognized in profit or loss (Note)	<u>257,214</u>	<u>(62,012)</u>	<u>195,202</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	83,509	83,509
Actuarial (gain) loss - changes in financial assumptions	119,775	-	119,775
Actuarial (gain) loss - experience adjustments	<u>201,538</u>	<u>-</u>	<u>201,538</u>
Recognized in other comprehensive income	<u>321,313</u>	<u>83,509</u>	<u>404,822</u>
Contributions from the employer	-	(692,697)	(692,697)
Benefits paid	<u>(378,518)</u>	<u>371,574</u>	<u>(6,944)</u>
Balance at December 31, 2016	<u>\$ 6,102,747</u>	<u>\$ (3,843,188)</u>	<u>\$ 2,259,559</u>

Note: For the years ended December 31, 2017 and 2016, the Company transferred defined benefit costs of \$875 thousand and \$836 thousand to related parties, respectively.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks. In addition, the Company has another pension fund which is separate from the above. This pension fund is invested in domestic listed companies' shares and time deposits. It is exposed to the risks of changes in market price and interest rates.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rate(s)		
0.5% increase	<u>\$ (215,099)</u>	<u>\$ (244,390)</u>
0.5% decrease	<u>\$ 229,444</u>	<u>\$ 261,042</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 226,612</u>	<u>\$ 258,476</u>
0.5% decrease	<u>\$ (214,627)</u>	<u>\$ (244,437)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
The expected contributions to the plan for the next year	<u>\$ 210,279</u>	<u>\$ 278,666</u>
The average duration of the defined benefit obligation	8 years	8.3 years

## 18. EQUITY

### a. Share capital

#### 1) Common shares

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Numbers of shares authorized (in thousands)	<u>6,000,000</u>	<u>6,000,000</u>
Shares authorized	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>5,352,875</u>	<u>5,352,875</u>
Shares issued	<u>\$ 53,528,751</u>	<u>\$ 53,528,751</u>

The shares issued have a par value of NT\$10 and have the rights of voting and receiving dividends.

#### 2) Global depositary receipt

The Company issued global depositary receipts (GDRs), one GDRs unit represents 10 common shares of the Company. The GDRs were traded and listed on the Luxembourg Stock Exchange. As of December 31, 2017 and 2016, there are 101 thousand and 33 thousand units outstanding, which were equal to 1,007 thousand and 328 thousand common shares of the Company.

### b. Capital surplus

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
The difference between consideration received or paid and the carrying amount of the subsidiaries net assets during actual disposal or acquisition	\$ 2,654,932	\$ 2,654,932
<u>May be used to offset a deficit only (2)</u>		
Changes in percentage of ownership interests in subsidiaries	148,783	148,775
Treasury shares transactions	13,131	12,508
<u>May not be used for any purpose</u>		
Changes in equity-method associates' capital surplus	<u>42,723</u>	<u>43,373</u>
	<u>\$ 2,859,569</u>	<u>\$ 2,859,588</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, equity transactions other than actual disposal or acquisition of ownership interests, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 23, 2016 and, in that meeting, resolved amendments to the Company’s Articles of Incorporation (the “Articles”), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees’ and directors’ compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used as the basis for proposing a distribution plan. After adding prior years’ unappropriated earnings, the Company would retain a certain amount for expansion plans and would then make the distribution of dividends evenly for all shares. When there is a capital increase, the amount of dividends for new shares of that year would be set according to the resolution of the shareholders’ meeting. For the policies on distribution of employees’ compensation and remuneration to directors before and after amendment, refer to Note 19, d. “Employees’ compensation and remuneration of directors”.

The Company’s dividends shall be appropriated at a percentage based on the Company’s Articles of Incorporation to have a stable dividend distribution while taking into account future economic condition, cash demands and taxation. The cash dividends should be at least 10% of the total dividends declared, unless cash is required for investments, productivity expansion, any significant future capital expenditures or plans to improve the financial structure.

The Company’s dividends should be appropriated at a percentage based on the Company’s Articles of Incorporation to have a stable dividend distribution while taking into account the future economic condition, cash demands and taxation. The cash dividends should be at least 10% of total dividends declared, unless cash is required for investments, productivity expansion, any significant future capital expenditures or plans to improve financial structure.

An appropriation of earnings to legal reserve should be made until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse to a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate shares of the income tax paid by the Company.

The appropriations from the 2016 and 2015 earnings were approved in the shareholders’ meetings on June 28, 2017 and June 23, 2016, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
			<b>(NT\$)</b>	
	<b>For Year 2016</b>	<b>For Year 2016</b>	<b>For Year 2016</b>	<b>For Year 2015</b>
Legal reserve	\$ 630,779	\$ 803,469		
Special reserve	2,662,006	2,165,513		
Cash dividends	4,282,300	5,352,875	\$0.8	\$1.0

The appropriation and distribution of the 2017 earnings was proposed by the board of directors on March 22, 2018. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 806,614	
Special reserve	1,523,136	
Reversal of special reserve	(2,643)	
Cash dividends	6,423,450	\$1.2

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 29, 2018.

d. Special reserve

The Company's appropriated special reserve following the first-time adoption of IFRSs was as \$22,287,929 thousand.

Information on the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 21,565,171	\$ 21,860,117
Reversal on elimination of the original mandatorily appropriated special reserve:		
Disposal of investment properties	(2,557)	(292,455)
Disposal of associates	<u>(10,118)</u>	<u>(2,491)</u>
Ending balance	<u>\$ 21,552,496</u>	<u>\$ 21,565,171</u>

On the initial application of fair value model to investment properties, the Company appropriated for a special reserve of \$80,462,245 thousand, the same amount as the net increase that arose from fair value measurement and was transferred to retained earnings.

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 85,554,383	\$ 83,686,899
Reversal on elimination of the original mandatorily appropriated special reserve:		
Disposal of investment properties	(282)	(296,564)
Disposal of associates	(13,586)	(1,465)
Appropriation in respect of:		
The fair value model for investment properties	<u>2,655,804</u>	<u>2,165,513</u>
Ending balance	<u>\$ 88,196,319</u>	<u>\$ 85,554,383</u>



e. Other equity items

The changes in other equity items are summarized as follow:

	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for- sale Financial Assets	Cash Flow Hedges	Gain on Property Revaluation	Total
Balance at January 1, 2016	\$ 2,274,683	\$ 1,119,927	\$ (95,944)	\$ 702,030	\$ 4,000,696
Unrealized loss on available-for-sale financial assets	-	(40,527)	-	-	(40,527)
Share of other comprehensive income (loss) of subsidiaries and associates	<u>(3,852,495)</u>	<u>(3,027,057)</u>	<u>48,430</u>	<u>748</u>	<u>(6,830,374)</u>
Balance at December 31, 2016	(1,577,812)	(1,947,657)	(47,514)	702,778	(2,870,205)
Unrealized loss on available-for-sale financial assets	-	(237,374)	-	-	(237,374)
Share of other comprehensive income (loss) of subsidiaries and associates	<u>(1,499,559)</u>	<u>827,712</u>	<u>83,156</u>	<u>-</u>	<u>(588,691)</u>
Balance at December 31, 2017	<u>\$ (3,077,371)</u>	<u>\$ (1,357,319)</u>	<u>\$ 35,642</u>	<u>\$ 702,778</u>	<u>\$ (3,696,270)</u>

f. Treasury shares

The Company's shares held by its subsidiary, Yuan Ding Corporation (Yuan Ding), at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2017</u>			
Yuan Ding	779	<u>\$ 25,063</u>	<u>\$ 20.887</u>
<u>December 31, 2016</u>			
Yuan Ding	779	<u>\$ 25,063</u>	<u>\$ 18.861</u>

The Company consolidated its subsidiary Yuan Ding on December 28, 2011. As of December 31, 2011, the Company's shares held by Yuan Ding had a carrying amount of \$25,063 thousand.

The Company's shares held by the subsidiary are recognized as treasury shares. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 19. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest expense

	<u>For the Year Ended December 31</u>	
	2017	2016
Capitalized interests on properties	\$ 28,938	\$ 23,908
Capitalization rates	1.04%-1.14%	1.17%-1.31%

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 2,072,945	\$ 2,085,962
Other Intangible assets	<u>10,500</u>	<u>10,391</u>
	<u>\$ 2,083,445</u>	<u>\$ 2,096,353</u>
 An analysis of deprecation by function		
Operating costs	\$ 1,890,414	\$ 1,857,780
Operating expenses	139,173	160,291
Other expense	36,670	62,454
Expenses transferred to other related parties	<u>6,688</u>	<u>5,437</u>
	<u>\$ 2,072,945</u>	<u>\$ 2,085,962</u>
 An analysis of amortization by function		
Operating costs	\$ 2,723	\$ 3,135
Operating expenses	<u>7,777</u>	<u>7,256</u>
	<u>\$ 10,500</u>	<u>\$ 10,391</u>

c. Employee benefits expense

	<b>For the Year Ended December 31, 2017</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Retirement benefits			
Defined contribution plans	\$ 74,625	\$ 43,340	\$ 117,965
Defined benefit plans	75,614	30,539	106,153
Other employee benefits			
Salary	2,806,884	1,573,261	4,380,145
Insurance	254,063	91,827	345,890
Others	<u>136,689</u>	<u>58,567</u>	<u>195,256</u>
	<u>\$ 3,347,875</u>	<u>\$ 1,797,534</u>	<u>\$ 5,145,409</u>
	<b>For the Year Ended December 31, 2016</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Retirement benefits			
Defined contribution plans	\$ 76,220	\$ 42,878	\$ 119,098
Defined benefit plans	141,209	53,157	194,366
Other employee benefits			
Salary	2,885,659	1,449,199	4,334,858
Insurance	258,073	90,014	348,087
Others	<u>143,084</u>	<u>58,693</u>	<u>201,777</u>
	<u>\$ 3,504,245</u>	<u>\$ 1,693,941</u>	<u>\$ 5,198,186</u>

The Company had 4,864 and 5,036 employees as of December 31, 2017 and 2016, respectively.

d. Employees' compensation and remuneration of directors

The amendments stipulate the distribution of employees' compensation and remuneration of directors at the rates of 2.0% to 3.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. However, the Company has to first offset losses from the previous years. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which were approved by the Company's board of directors on March 22, 2018 and March 23, 2017, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Employees' compensation	3.23%	2.93%
Remuneration of directors	1.77%	1.85%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Employees' compensation	\$ 276,277	\$ 184,185
Remuneration of directors	151,591	116,156

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015. The employees' compensation were distributed in cash by the Company.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense (benefit) recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax	\$ -	\$ -
Deferred tax	50,625	(315,959)
Adjustment for prior years	<u>-</u>	<u>7</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 50,625</u>	<u>\$ (315,952)</u>

A reconciliation of accounting profit and income tax expense (benefit) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit before tax from continuing operations	<u>\$ 8,116,761</u>	<u>\$ 5,991,834</u>
Income tax expense at the statutory rate (17%)	\$ 1,379,849	\$ 1,018,612
Adjustment items effect on income tax	<u>(1,379,849)</u>	<u>(1,018,612)</u>
Current income tax expense	-	-
Deferred income tax expense	50,625	(315,959)
Adjustment for prior year	<u>-</u>	<u>7</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 50,625</u>	<u>\$ (315,952)</u>

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax expense recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ (9,420)</u>	<u>\$ 8,820</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Allowance for doubtful accounts	\$ 6,473	\$ (2,816)	\$ -	\$ 3,657
Inventory write-downs	13,507	(4,435)	-	9,072
Loss from subsidiaries and associates	1,786	(1,708)	-	78
Impairment loss	40,054	(15,383)	-	24,671
Defined benefit obligation	69,130	(36,403)	(9,420)	23,307
Others	<u>7,708</u>	<u>(3,323)</u>	<u>-</u>	<u>4,385</u>
	<u>\$ 138,658</u>	<u>\$ (64,068)</u>	<u>\$ (9,420)</u>	<u>\$ 65,170</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Unrealized foreign exchange gain	\$ 24,859	\$ (9,617)	\$ -	\$ 15,242
Provision of land value incremental tax	1,550,149	1,026	-	1,551,175
Investment properties	<u>21,456</u>	<u>(4,852)</u>	<u>-</u>	<u>16,604</u>
	<u>\$ 1,596,464</u>	<u>\$ (13,443)</u>	<u>\$ -</u>	<u>\$ 1,583,021</u> (Concluded)

For the year ended December 31, 2016

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Allowance for doubtful accounts	\$ -	\$ 6,473	\$ -	\$ 6,473
Inventory write-downs	17,030	(3,523)	-	13,507
Loss from subsidiaries and associates	-	1,786	-	1,786
Impairment loss	44,394	(4,340)	-	40,054
Onerous contract	45	(45)	-	-
Defined benefit obligation	80,678	(20,368)	8,820	69,130
Others	<u>6,090</u>	<u>1,618</u>	<u>-</u>	<u>7,708</u>
	<u>\$ 148,237</u>	<u>\$ (18,399)</u>	<u>\$ 8,820</u>	<u>\$ 138,658</u>

Deferred tax liabilities

Gain from subsidiaries and associates	\$ 230,630	\$ (230,630)	\$ -	\$ -
Unrealized foreign exchange gain	130,953	(106,094)	-	24,859
Provision of land value incremental tax	1,546,475	3,674	-	1,550,149
Investment properties	<u>22,764</u>	<u>(1,308)</u>	<u>-</u>	<u>21,456</u>
	<u>\$ 1,930,822</u>	<u>\$ (334,358)</u>	<u>\$ -</u>	<u>\$ 1,596,464</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Deductible temporary differences	<u>\$ 4,010,402</u>	<u>\$ 4,272,045</u>

- e. Integrated income tax

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Unappropriated earnings		
Generated before January 1, 1998	<u>\$ -</u> (Note)	<u>\$ 66,464</u>
Balance of imputation credit accounts (ICA)	<u>\$ -</u> (Note)	<u>\$ 775,088</u>

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Creditable ratio for distribution of earnings	(Note)	13.87%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

- f. Income tax assessments

The tax returns through 2012 have been assessed by the tax authorities.

## 21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Basic earnings per share	<u>\$ 1.61</u>	<u>\$ 1.26</u>
Diluted earnings per share	<u>\$ 1.61</u>	<u>\$ 1.26</u>

The earnings and weighted average number of common shares outstanding that were used in the computation of earnings per share were as follows:

### Net Income for the Year

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Net income for the year	<u>\$ 8,066,136</u>	<u>\$ 6,307,786</u>

## Weighted Average Number of Common Shares Outstanding

	Unit: In Thousand Shares	
	For the Year Ended December 31	
	2017	2016
Weighted average number of common shares used in the calculation of basic earnings per share	4,998,785	4,999,727
Effect of dilutive potential common shares:		
Employees' compensation	<u>12,037</u>	<u>9,808</u>
Weighted average number of common shares used in the calculation of diluted earnings per share	<u>5,010,822</u>	<u>5,009,535</u>

In calculating the weighted average number of share outstanding for EPS, the Company recognized the number of the shares held by associates as treasury shares and deducted the number of treasury shares from the weighted average number of outstanding shares in the current period.

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The Company calculated basic EPS with the weighted average number of actual outstanding shares in the current period. Based on the calculation, for the years ended December 31, 2017 and 2016, the Company's basic EPS was NT\$1.51 and NT\$1.18, respectively.

## 22. EQUITY TRANSACTIONS

On December 30, 2017, the Company paid \$117 thousand to subscribe for additional new shares of Fu Kwok Knitting & Garment Co., Ltd. and increased its interest from 99.96% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

	Fu Kwok Knitting & Garment Co., Ltd.
Cash consideration paid	\$ (117)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>94</u>
Differences arising from equity transactions	<u>\$ (23)</u>
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (23)</u>

## 23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

## 24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

1) The financial assets and financial liabilities which have significant difference from their far values

	<b>December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Bonds payable	\$ 43,551,922	\$ 43,804,426	\$ 48,242,247	\$ 48,584,110

2) Fair value hierarchy

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 43,804,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,804,426</u>

December 31, 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 48,584,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,584,110</u>



b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss (FVTPL)				
Guarantee deposits - cotton futures contracts	\$ -	\$ -	\$ 17,867	\$ 17,867
Combined foreign exchange options	<u>-</u>	<u>-</u>	<u>3,344</u>	<u>3,344</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,211</u>	<u>\$ 21,211</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,895</u>	<u>\$ 4,895</u>

December 31, 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss (FVTPL)				
Guarantee deposits - cotton futures contracts	\$ -	\$ -	\$ 42,328	\$ 42,328
Forward exchange contracts	-	-	4,820	4,820
Combined foreign exchange options	<u>-</u>	<u>-</u>	<u>2,377</u>	<u>2,377</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,525</u>	<u>\$ 49,525</u>
Available-for-sale financial assets				
Marketable equity securities	<u>\$ 740,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,500</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Option contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,166</u>	<u>\$ 3,166</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended 2017

	<b>Financial Instruments at Fair Value Through Profit or Loss - Held for Trading</b>
Balance at January 1, 2017	\$ 46,359
Recognized in profit or loss	
Realized	27,760
Unrealized	16,316
Settlements	<u>(74,119)</u>
Balance at December 31, 2017	<u>\$ 16,316</u>

For the year ended 2016

	<b>Financial Instruments at Fair Value Through Profit or Loss - Held for Trading</b>
Balance at January 1, 2016	\$ 99,125
Recognized in profit or loss	
Realized	(268,957)
Unrealized	46,359
Settlements	<u>169,832</u>
Balance at December 31, 2016	<u>\$ 46,359</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Futures contracts	Futures contract pricing model. The fair values of futures contracts are determined using futures contract pricing models where the significant unobservable inputs are historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value.
Forward exchange contracts, option contracts and combined foreign exchange options	Discounted cash flow. Future cash flows are estimated based on observable forward spot exchange rates at the end of the reporting period and contract rates, are discounted at a 0% rate; the counterparties' high credit ratings and short contract terms indicate a low credit risk of counterparties.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 21,211	\$ 49,525
Loans and receivables (Note 1)	17,146,183	21,333,621
Available-for-sale financial assets	-	740,500
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	4,895	3,166
Financial liabilities measured at amortized cost (Note 2)	87,635,814	89,815,076

Note 1: The balances included loans and receivables measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable (including those from related parties), other receivables (including those from related parties), refundable deposits and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes and accounts payable (including those to related parties), other payables (including those to related parties), payables to suppliers of machinery and equipment, bonds payable, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the nonoperating activities of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to exchange rate risk. Exchange rate exposures were managed within approved policy parameters through forward exchange contracts.

The Company's significant foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period were as Note 29.

### Sensitivity analysis

The Company was mainly exposed to the U.S. dollars.

The following table details the Company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. The 5% sensitivity rate is used when foreign currency risk is reported internally to key management personnel and represents management's assessment of the reasonably possible changes in exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and the translation of these items at the end of the reporting period was adjusted for a 5% change in exchange rates. A positive number below indicates an increase in pretax profit and other equity associated with New Taiwan dollars that strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity, and the balances below would be negative.

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
5% change in profit or loss		
USD	<u>\$ (189,829)</u>	<u>\$ (158,327)</u>

#### b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. It managed the risk by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Fair value interest rate risk		
Financial assets	\$ 49,848	\$ 5,965,437
Financial liabilities	66,489,600	73,738,244
Cash flow interest rate risk		
Financial assets	1,025,627	1,037,532
Financial liabilities	14,379,255	9,115,845

### Sensitivity analysis

The sensitivity analysis below was determined on the basis of the Company's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. An increase or decrease of 0.25% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For the financial assets and financial liabilities with fixed interest rate, their fair value will change as the market interest rates change. For the financial assets and financial liabilities with floating interest rate, their effective interest rates will change as the market interest rates change.

For the years ended December 31, 2017 and 2016, had interest rates been 0.25% higher and all other variables been held constant, the fair value of the Company's financial assets with fixed interest rates would have decreased by \$124 thousand and \$14,876 thousand, respectively, and the cash flows on the Company's financial assets with floating interest rates would have increased by \$2,564 thousand and \$2,594 thousand, respectively.

For the years ended December 31, 2017 and 2016, had interest rates been 0.25% higher and all other variables been held constant, the fair value of the Company's financial liabilities with fixed interest rates would have decreased by \$165,809 thousand and \$183,886 thousand, respectively, and the cash flows on the Company's financial liabilities with floating interest rates would have decreased by \$35,948 thousand and \$22,790 thousand, respectively.

c) Other price risks

The Company was exposed to equity price risk through its investments in listed equity securities and mutual funds.

Sensitivity analysis

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% lower, the fair value of held-for-trading and available-for-sale financial assets as of December 31, 2016 would have decreased by \$37,025 thousand.

2) Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations, resulting in a financial loss to the Company. As of the end of a reporting period, the Company's maximum exposure to credit risk that will cause the Company a financial loss due to the carrying amounts of the recognized financial assets as stated in the balance sheets.

The Company has a policy of dealing with only creditworthy counterparties and obtaining sufficient collateral, where appropriate, to mitigate the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continually monitored.

Account receivables refer to a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is made to determine the financial condition of account receivables.

3) Liquidity risk

The Company manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

The maturity dates of financial liabilities (except financial liabilities - current, i.e., with maturities of less than one year) are as follows:

	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
<u>December 31, 2017</u>				
Long-term borrowings	\$ 27,016,255	\$ 5,500,000	\$ 2,700,000	\$ 35,216,255
Bonds payable	<u>10,600,000</u>	<u>13,700,000</u>	<u>13,800,000</u>	<u>38,100,000</u>
	<u>\$ 37,616,255</u>	<u>\$ 19,200,000</u>	<u>\$ 16,500,000</u>	<u>\$ 73,316,255</u>
<u>December 31, 2016</u>				
Long-term borrowings	\$ 27,192,309	\$ 5,385,955	\$ -	\$ 32,578,264
Bonds payable	<u>5,500,000</u>	<u>10,600,000</u>	<u>22,500,000</u>	<u>38,600,000</u>
	<u>\$ 32,692,309</u>	<u>\$ 15,985,955</u>	<u>\$ 22,500,000</u>	<u>\$ 71,178,264</u>

## 25. RELATED-PARTY TRANSACTIONS

The Company had significant transactions with related parties. Besides the transactions mentioned in the other notes, the transactions for the years ended December 31, 2017 and 2016 and the related balances as of the balance sheet dates are summarized in the accompanying Schedules A, B and C.

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

In addition to those disclosed in the other notes, the following assets had been pledged or mortgaged as collaterals for short-term borrowings, tariff duties and long-term borrowings.

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Other financial assets - non-current		
Pledged time deposits	\$ 41,174	\$ 41,174
Investments accounted for using the equity method	435,226	415,154
Property, plant and equipment	6,427,218	6,671,982
Investment properties	<u>229,902</u>	<u>215,521</u>
	<u>\$ 7,133,520</u>	<u>\$ 7,343,831</u>

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2017 and 2016:

- a. Issued unused letters of credit aggregated at approximately \$412,413 thousand and \$620,265 thousand, respectively.
- b. Unpaid building construction and property, plant and equipment installation contracts amounting to approximately \$83,210 thousand and \$276,511 thousand, respectively.

- c. Undelivered cotton contracts which were unable to be canceled amounting to \$142,975 thousand and \$380,559 thousand, respectively.
- d. Endorsements and guarantees provided to related parties are shown in Schedule E (attached).
- e. Ming-Chiung Chang filed an incidental civil suit, in connection with the criminal case of forgery, against Ming-chung Kuo (an FENC employee) and Hua-de Lin, Hung-Long Li and Yung-gi Lai (the fiduciaries of Pacific Liu Tung Investment Corporation or PLT, an equity-method investee of the Company). Chang claimed that Kuo and Hua-de Lin, Hung-Long Li and Yung-gi Lai colluded and used their positions to carry out transactions that resulted in his losses and asked the Taiwan High Court to declare that the ownership of PLT held by FEDS, FEDS's subsidiaries, the Company and its subsidiaries was just a fabrication, i.e., it never existed. In October 2009, Chang lost the suit and then appealed to the Taiwan High Court. Chang later raised an appeal to the Supreme Court, but the decision of the original criminal cases made by the Taiwan High Court was revoked by the Supreme Court on March 25, 2010. Under the Article 510 of The Code of Criminal Procedures, the Supreme Court remanded the criminal and the incidental civil suit to the Taiwan High Court. On December 15, 2016, the Taiwan High Court changed the lawsuit judgment No. 1 in 2010, and Ming-Chiung lost the lawsuit.

## 28. SUBSEQUENT EVENTS AFTER REPORTING PERIOD

On March 22, 2018, the board of directors of the Company resolved to issue unsecured corporate bonds. The bonds will be for up to 10 years, and the total amount issued will not exceed \$8,000,000 thousand with a par value of \$1,000 thousand or integral multiples of \$1,000 thousand.

## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NT\$)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 217,056	29.76	\$ 6,459,587
<u>Financial liabilities</u>			
Monetary items			
USD	89,483	29.76	2,663,014

December 31, 2016

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NT\$)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 178,258	32.25	\$ 5,748,821
<u>Financial liabilities</u>			
Monetary items			
USD	80,071	32.25	2,582,290

### **30. ADDITIONAL DISCLOSURES**

a. Information about significant transactions and investees

- 1) Financing provided to others: Schedule D (attached)
- 2) Endorsements/guarantees provided: Schedule E (attached)
- 3) Marketable securities held: Schedule F (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the capital stock: Schedule G (attached)
- 5) Acquisitions of individual real states at costs of at least NT\$300 million or 20% of the paid-in capital: Schedule H (attached)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: Schedule I (attached)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule J (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule K (attached)
- 9) Trading derivative transactions: Note 7
- 10) Information on investees: Schedule L (attached)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedules M and M-1 (attached)



- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Schedules B, C, D, E, G, J and K
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as rendering or receipt services.

**FAR EASTERN NEW CENTURY CORPORATION**

**RELATED PARTY NAMES AND CATEGORIES  
DECEMBER 31, 2017**

Related Party Names	Related Party Categories
Fu Kwok Knitting & Garment Co., Ltd.	Subsidiary
Far Eastern Apparel Co., Ltd.	Subsidiary
Far Eastern Apparel (Vietnam) Ltd.	Subsidiary
Far Eastern Polytex (Vietnam) Ltd.	Subsidiary
Far Eastern Apparel (Suzhou) Co., Ltd.	Subsidiary
Far Eastern Industries (Shanghai) Ltd.	Subsidiary
Far Eastern Industries (Wuxi) Ltd.	Subsidiary
Oriental Resources Development Co., Ltd.	Subsidiary
Oriental Industries (Suzhou) Ltd.	Subsidiary
PET Far Eastern (M) Sdn. Bhd.	Subsidiary
Wuhan Far Eastern New Material Ltd.	Subsidiary
Worldwide Polychem (HK) Ltd. (WWPI)	Subsidiary
PET Far Eastern (Holding) Ltd. (PETH)	Subsidiary
Far Eastern Fibertech Co., Ltd.	Subsidiary
Far Eastern Resources Development Co., Ltd.	Subsidiary
Far Eastone Telecommunications Co., Ltd.	Subsidiary
New Century InfoComm Tech Co., Ltd.	Subsidiary
Yuanshi Digital Technology Co., Ltd.	Subsidiary
DataExpress Infotech Co., Ltd.	Subsidiary
Information Security Service Digital United Inc.	Subsidiary
Oriental Petrochemical (Taiwan) Corporation	Subsidiary
Oriental Textile (Holding) Ltd. (OTTI)	Subsidiary
Yuan Cheng Human Resources Consultant Corporation	Subsidiary
Yuan Ding Co., Ltd.	Subsidiary
Yuan Ding Investment Co., Ltd.	Subsidiary
YDT Technology International Co., Ltd.	Subsidiary
Far Eastern Polychem Industries Ltd. (FEPI)	Subsidiary
Far Eastern Construction Co., Ltd.	Subsidiary
Far Eastern Ishizuka Green Pet Corporation (FIGP)	Subsidiary
Far Eastern Technical Consultants Co., Ltd.	Subsidiary
Far Eastern Polytex (Holding) Ltd.	Subsidiary
Asia Cement Corporation	Associate
Far Eastern Department Stores Co., Ltd.	Associate
Oriental Union Chemical Corporation	Associate
Everest Textile Corporation	Associate
Far Eastern International Bank	Other related party (the vice chairman of investee is the chairman of FENC; associate since 8/18/2017; more details in Note 8)

(Continued)

Related Party Names	Related Party Categories
Freudenberg Far Eastern Spunweb Co., Ltd.	Other related party (the subsidiary of FENC's investee accounted for using the equity method)
Yu Ding Industry Co., Ltd.	Other related party (the subsidiary of FENC's investee accounted for using the equity method)
Liquid Air Far East Co., Ltd.	Other related party (the subsidiary of FENC's investee accounted for using the equity method)
Da Ju Fiber Co., Ltd.	Other related party (the subsidiary of FENC's investee accounted for using the equity method)
Far Eastern International Leasing Corporation	Other related party (the subsidiary of FENC's investee accounted for using the equity method)
Far Eastern City Super Ltd.	Other related party (the subsidiary of FENC's associate)
Far Eastern Ai Mai Co., Ltd.	Other related party (the subsidiary of FENC's associate)
Everest Textile USA, LLC	Other related party (the subsidiary of FENC's associate)
Fu Ming Transport Corporation	Other related party (the subsidiary of FENC's associate)
Fu-Da Transport Corporation	Other related party (the subsidiary of FENC's associate)
Nan Hwa Cement Corporation	Other related party (the subsidiary of FENC's associate)
Ya Sing Ready-Mixed Concrete Corporation	Other related party (the subsidiary of FENC's associate)
Yuan Ze University	Other related party (the same chairman)
Oriental Institute of Technology	Other related party (the same chairman)
TECO Electric & Machinery Co., Ltd.	Other related party (related party in substance)
Uni-President Enterprise Corporation	Other related party (related party in substance)
Tranquil Enterprise Ltd.	Other related party (related party in substance)
U-Ming Marine Transport (Singapore) Private Limited	Other related party (related party in substance)
Ding & Ding Management Consultants Co., Ltd.	Other related party (related party in substance)
SYSTEX Corporation	Other related party (related party in substance)

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION****RELATED-PARTY TRANSACTIONS  
FOR THE YEARS ENDED DECEMBER 31 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

		<b>For the Year Ended December 31</b>	
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Sales			
Subsidiaries		\$ 5,381,984	\$ 4,827,888
Associates		296,860	280,207
Other related parties		<u>455,832</u>	<u>312,356</u>
		<u>\$ 6,134,676</u>	<u>\$ 5,420,451</u>
Operating cost and expense			
Purchase			
Subsidiaries			
Oriental Petrochemical (Taiwan) Corporation		\$ 7,073,210	\$ 8,334,964
Other subsidiaries		811,282	749,891
Associates		1,752,368	1,282,044
Other related parties		<u>211,876</u>	<u>238,403</u>
		<u>\$ 9,848,736</u>	<u>\$ 10,605,302</u>
Contract costs			
Subsidiaries		\$ 31,409	\$ 22,609
Associates		768	7,931
Other related parties		<u>226,984</u>	<u>196,678</u>
		<u>\$ 259,161</u>	<u>\$ 227,218</u>
Computer processing expense			
Subsidiaries		\$ 3,631	\$ 3,622
Other related parties		<u>76,523</u>	<u>76,766</u>
		<u>\$ 80,154</u>	<u>\$ 80,388</u>
Rental expense	b.		
Subsidiaries		\$ 181,104	\$ 181,239
Other related parties		<u>17,664</u>	<u>16,934</u>
		<u>\$ 198,768</u>	<u>\$ 198,173</u>

(Continued)

		<b>For the Year Ended December 31</b>	
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Non-operating revenue			
Rental revenue	c.		
Subsidiary			
Oriental Petrochemical (Taiwan) Corporation		\$ -	\$ 10,068
Oriental Resources Development Co., Ltd.		2,370	2,667
Far Eastone Telecommunications Co., Ltd.		3,789	3,760
Other subsidiary		114	114
Other related parties			
Yuan Ze University		3,516	3,485
Fu Ming Transport Corporation		<u>2,218</u>	<u>2,200</u>
		<u>\$ 12,007</u>	<u>\$ 22,294</u>
Non-operating expenses			
Other expenses - endorsement/guarantee expenses			
Subsidiary		<u>\$ 13,087</u>	<u>\$ 9,102</u>

The Company provided agent services to subsidiaries and recognized commission income of \$42,143 thousand and \$44,979 thousand for the years ended December 31, 2017 and 2016, respectively. In addition, the Company recognized \$10,584 thousand and \$7,221 thousand as other receivables as of December 31, 2017 and 2016, respectively.

Compensation of key management personnel:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 298,808	\$ 263,961
Post-employment benefits	<u>2,680</u>	<u>2,656</u>
	<u>\$ 301,488</u>	<u>\$ 266,617</u>

Notes:

- a. The terms of sales to and purchases from the related parties were based on agreements.
- b. The Company rented the office building and factories from Yuan Ding Co., Ltd. and Oriental Petrochemical (Taiwan) Corporation, Far Eastern Resource Development Co., Ltd., Far Eastern Fibertech Co., Ltd., Da Ju Fiber Co., Ltd., Far Eastern International Leasing Corporation, Ding & Ding Management Consultants Co., Ltd. and SYSTEX Corporation. The rental expense were paid by monthly or quarterly. All the terms of lease contract had been agreed upon by the lessor and the tenants.
- c. The Company had rented out property, plant and equipment to Far Eastone Telecommunications Co., Ltd., Oriental Petrochemical (Taiwan) Corporation, Oriental Resources Development Co., Ltd., YDT Technology International Co., Ltd., Yuan Ze University and Fu Ming Transport Corporation. Rental revenue was received by monthly and quarterly. All the terms of lease contract had been agreed upon by the lessor and the tenants.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION**

**RELATED-PARTY TRANSACTIONS  
AS OF DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	Notes	<b>For the Year Ended December 31</b>	
		<b>2017</b>	<b>2016</b>
Notes and accounts receivable			
Subsidiaries			
WWPI		\$ 898,170	\$ 684,994
Other subsidiaries		582,162	449,955
Associate		51,980	53,995
Other related parties		<u>82,362</u>	<u>56,777</u>
		<u>\$ 1,614,674</u>	<u>\$ 1,245,721</u>
Refundable deposits			
Subsidiaries			
Yuan Ding Co., Ltd.		\$ 33,682	\$ 33,682
Other subsidiaries		3,557	3,773
Associate		5,356	5,560
Other related parties			
Da Ju Fiber Co., Ltd.		8,000	8,000
Others		<u>-</u>	<u>180</u>
		<u>\$ 50,595</u>	<u>\$ 51,195</u>
Notes and accounts payable to related parties			
Subsidiaries			
Oriental Petrochemical (Taiwan) Corporation		\$ 858,692	\$ 938,044
Other subsidiaries		53,040	73,089
Associates		145,631	171,984
Other related parties		<u>12,863</u>	<u>25,570</u>
		<u>\$ 1,070,226</u>	<u>\$ 1,208,687</u>
Deferred credit - gain on related-party transactions			
Sale of securities			
Subsidiaries			
Yuan Ding Investment Co., Ltd.	a.	\$ 30,256	\$ 30,256
Others Subsidiary	b.	2,908	2,993
Other related parties	c.	2,579	2,579
Disposal of property, plant and equipment	d.		
Subsidiary			
Far Eastern Polytex (Vietnam) Ltd.		<u>12,528</u>	<u>-</u>
		<u>\$ 48,271</u>	<u>\$ 35,828</u>

(Continued)

## Deposits

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Far Eastern International Bank	\$ <u>733,970</u>	\$ <u>1,695,127</u>

The Company had bank deposits and time deposits in Far Eastern International Bank. The interest income was \$9,400 thousand and \$19,833 thousand for the years ended December 31, 2017 and 2016, respectively.

## Financial assets (liabilities) at fair value through profit or loss - current

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Far Eastern International Bank	\$ <u>(4,440)</u>	\$ <u>1,197</u>

The Company signed forward exchange contracts and combined foreign exchange options with Far Eastern International Bank. The gain (loss) of financial assets (liabilities) at fair value through profit or loss was \$(23,072) thousand and \$29,692 thousand for the years ended December 31, 2017 and 2016, respectively.

## Financing to related parties

Loans to related parties (recognized as long-term borrowings - bank loans)

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Far Eastern International Bank	\$ <u>-</u>	\$ <u>400,000</u>

The interest expense from loans from associate was \$125 thousand and \$15 thousand for the years ended December 31, 2017 and 2016, respectively.

In 2017, the Company bought machinery and equipment from YDT Technology International Co., New Century InfoComm Tech Corporation, Oriental Resources Development Ltd., Oriental Petrochemical (Taiwan) Corporation, Yuanshi Digital Technology Co., Ltd. and DataExpress Infotech Co., Ltd. for \$2,934 thousand, \$15,103 thousand, \$90 thousand, \$359 thousand, \$48 thousand and \$42 thousand, respectively. As of December 31, 2017, the payables on these purchases had been paid. In 2016, the Company bought machinery and equipment from YDT Technology International Co., New Century InfoComm Tech Corporation, Oriental Resources Development Ltd., Information Security Service Digital United and Far Eastern Technical Consultants Co., Ltd. for \$7,052 thousand, \$11,315 thousand, \$119 thousand, \$3,148 thousand and \$3,817 thousand, respectively. As of December 31, 2016, the payables on these purchases had been paid.

In 2017, the Company participated Oriental Petrochemical (Taiwan) Corporation and PET Far Eastern (Holding) Ltd.'s cash issuance of new shares amounting to \$1,511,163 thousand and \$814,859 thousand, respectively. As of December 31, 2017, the Company's interest in Oriental Petrochemical (Taiwan) Corporation and PET Far Eastern (Holding) Ltd. was 75.56% and 91.95%, respectively. In 2016, the Company participated in Far Eastern Polytex (Holding) Corporation's cash issuance of new shares amounting to \$705,900 thousand. The Company's interest in Far Eastern Polytex (Holding) Corporation was still 100% as of December 31, 2016.

(Continued)

Note:

- a. In 1994, the Company sold the following shares to Yuan Ding Investment Corporation and recognized deferred incomes on these sales: Yu Yuan Investment Co., Ltd.'s shares for \$30,256 thousand.
- b. The deferred income was made by selling the shares of New Century InfoComm Tech Corporation to Yuan Cing Infocomm Tech Co., Ltd. in 2010 (dissolved on its merger with Far Eastone Telecommunication Co., Ltd. on March 1, 2011). The amortization is according to the difference of New Century InfoComm Tech Corporation's net assets between fair value and book value and durable service life on the selling date.
- c. The deferred income was made by selling the shares of Oriental Petrochemical (Taiwan) Corporation to Yue Ding Industry Co., Ltd. in March 2008.
- d. The Company sold the production equipment to its subsidiary Far Eastern Polytex (Vietnam) Ltd. in 2017. The sales price was RMB638,977 thousand and deferred the gain on disposal of equipment RMB12,528 thousand (recognized as deferred credit - gain on related-party accounts). As of December 31, 2017, there was \$19,966 thousand that have not received, and the amount was recognized as other receivables.
- e. The terms of sales to and purchases from the related parties were based on agreements.

(Concluded)



FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Aggregate Financing Limits	Note
													Item	Value		
0	Far Eastern New Century Corporation	Far Eastern Resources Development Co., Ltd.	Receivables from related parties	Yes	\$ 1,500,000	\$ 1,500,000	\$ -	-	2	\$ -	For revolving fund	\$ -	Promissory note	\$ 97,180,194	Amounts allowed for ending period (Note B); Maximum amounts allowed for the period (Note H)	
1	Yuan Ding Investment Co., Ltd.	Far Eastern Apparel Co., Ltd.	Receivables from related parties	Yes	50,000	50,000	-	-	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Ding Yuan International Investment Co., Ltd.	Receivables from related parties	Yes	400,000	400,000	-	-	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Oriental Resources Development Co., Ltd.	Receivables from related parties	Yes	600,000	600,000	-	-	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Far Eastern Resources Development Co., Ltd.	Receivables from related parties	Yes	1,000,000	1,000,000	-	-	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Oriental Petrochemical Corporation (Taiwan)	Receivables from related parties	Yes	1,500,000	1,500,000	-	-	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Yuan Tong Investment Co., Ltd.	Receivables from related parties	Yes	750,000	750,000	-	1.46-1.52	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		An Ho Garment Co., Ltd.	Receivables from related parties	Yes	800,000	800,000	315,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Kai Yuan International Investment Co., Ltd.	Receivables from related parties	Yes	1,200,000	1,200,000	327,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Yu Ding Industry Co., Ltd.	Receivables from related parties	Yes	680,000	680,000	510,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
1		Du Ju Fiber Co., Ltd.	Receivables from related parties	Yes	1,100,000	1,100,000	550,000	1.27-1.61	2	-	For revolving fund	-	Promissory note	20,827,093	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
2	Yuan Tong Investment Co., Ltd.	Far Eastern Resources Development Co., Ltd.	Receivables from related parties	Yes	500,000	-	-	-	2	-	For revolving fund	-	Promissory note	4,218,542	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	
3	Far EastOne Telecommunications Co., Ltd.	O-ware Communications Corporation	Receivables from related parties	Yes	250,000	250,000	130,000	1.48-1.61	2	-	For revolving fund	-	-	6,975,841	Amounts allowed for ending period (Note C); Maximum amounts allowed for the period (Note H)	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
4	New Century InfoComm Tech Co., Ltd.	Q-ware Communications Corporation Far EastOne Telecommunications Co., Ltd. Far EastOne Telecommunications Co., Ltd.	Receivables from related parties Receivables from related parties Receivables from related parties	Yes Yes Yes	\$ 250,000 7,500,000 4,000,000	\$ - 7,500,000 2,500,000	\$ - 300,000 2,500,000	1.33 0.83 0.83	2 2 1	\$ - - 3,227,729	For revolving fund For revolving fund -	\$ - - -	- - -	\$ 8,406,793 8,406,793 3,227,729	\$ 12,009,704 12,009,704 12,009,704	Amounts allowed for ending period (Note F); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note F); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H)	
5	Yuan Ding Co., Ltd.	Far Eastern Technical Consultants Co., Ltd. Ding Ding Integrated Marketing Service Co., Ltd. Ding Ding Hotel Co., Ltd.	Receivables from related parties Receivables from related parties Receivables from related parties	Yes Yes Yes	50,000 100,000 800,000	- - 400,000	- - -	- - 1.0013-1.1679	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	- - -	1,484,410 1,484,410 1,484,410	3,711,026 3,711,026 3,711,026	Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H)
6	YDT Technology International Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd. Yuan Ding Integrated Information Services (Shanghai) Inc.	Receivables from related parties Receivables from related parties	Yes Yes	400,000 153,867	- 151,776	- 32,188	1.024-1.1349 1.90-2.25	2 2	- -	For revolving fund For revolving fund	- -	Promissory note Promissory note	- -	1,484,410 1,484,410	3,711,026 3,711,026	Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note E); Maximum amounts allowed for the period (Note H)
7	FET Consulting Engineers Co., Ltd.	Yuan Ding Co., Ltd.	Receivables from related parties	Yes	130,000	-	-	1.024-1.1349	2	-	For revolving fund	-	Promissory note	-	110,851	138,564	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H)
8	Ding Ding Integrated Marketing Service Co., Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc.	Receivables from related parties	Yes	200,000	180,000	180,000	1.0013-1.1679	2	-	For revolving fund	-	Promissory note	-	199,833	249,791	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H)
9	Far Eastern Investment (Holding) Ltd.	Worldwide Polychem (HK) Ltd. Far Eastern Polytex (Holding) Ltd. Far Eastern Apparel (Holding) Ltd.	Receivables from affiliates Receivables from affiliates Receivables from affiliates	Yes Yes Yes	297,600 297,600 1,190,400	297,600 297,600 892,800	27,332	1.75-2.25	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	- - -	135,303 4,491,467 4,491,467	169,129 1,347,400 1,347,400	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note H) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note	
													Item	Value				
10	Far Eastern Apparel (Holding) Ltd.	Far Eastern Polychem Industries Ltd.	Receivables from affiliates	Yes	\$ 2,083,200	\$ 1,785,600	\$ -	2.31767-2.44767	2	\$ -	For revolving fund	\$ -	Promissory note	-	\$ 4,491,467	\$ 13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Oriental Textile (Holding) Ltd.	Receivables from affiliates	Yes	2,380,800	1,785,600	23,808	2.31767-2.44767	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		PET Far Eastern (Holding) Ltd.	Receivables from affiliates	Yes	2,380,800	892,800	27,390	5.26667-5.93883	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Sino Belgium (Holding) Ltd.	Receivables from affiliates	Yes	446,400	446,400	148,800	2.31767-2.44767	2	-	-	For revolving fund	-	Promissory note	-	3,593,173	3,593,173	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)
		PET Far Eastern (M) Sdn. Bhd.	Receivables from affiliates	Yes	297,600	297,600	158,967	-	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Apparel (Vietnam) Ltd.	Receivables from affiliates	Yes	595,200	595,200	223,200	-	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Apparel (Vietnam) Ltd.	Receivables from affiliates	Yes	892,800	892,800	508,896	-	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Polytex (Vietnam) Ltd.	Receivables from affiliates	Yes	1,488,000	1,488,000	892,800	-	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	1,885,345	1,885,345	1,780,668	-	2	-	-	For revolving fund	-	Promissory note	-	4,491,467	13,474,400	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Apparel (Suzhou) Co., Ltd.	Receivables from affiliates	Yes	595,200	595,200	-	-	2	-	-	For revolving fund	-	Promissory note	-	1,705,634	5,116,901	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
11	Oriental Textile (Holding) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Receivables from affiliates	Yes	1,190,400	1,190,400	356,347	-	2	-	For revolving fund	-	Promissory note	-	1,705,634	5,116,901	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	1,190,400	1,190,400	821,376	2.31767-2.44767	2	-	-	For revolving fund	-	Promissory note	-	1,705,634	5,116,901	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Polytex (Vietnam) Corporation	Receivables from affiliates	Yes	2,083,200	2,083,200	-	-	2	-	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Sino Belgium Beer (Suzhou) Ltd.	Receivables from affiliates	Yes	178,560	178,560	-	-	2	-	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
11	Oriental Textile (Holding) Ltd.	Far Eastern Industries (Wuxi) Ltd.	Receivables from affiliates	Yes	595,200	595,200	-	-	2	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)	
		Sino Belgium (Holding) Ltd.	Receivables from affiliates	Yes	297,600	-	-	-	2	-	-	For revolving fund	-	Promissory note	-	3,206,018	3,206,018	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	\$ 446,400	\$ 446,400	\$ 200,860	5.26667-5.93300	2	\$ -	For revolving fund	\$ -	Promissory note	\$ -	\$ 4,007,522	\$ 12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	2,008,600	2,008,600	483,890	1.265	2	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Oriental Industries (Shenzhen) Ltd.	Receivables from affiliates	Yes	1,785,600	1,785,600	505,920	-	2	-	For revolving fund	-	Promissory note	-	4,007,522	12,022,566	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
12	Far Eastern Polychem Industries Ltd.	Wuhan Far Eastern New Material Ltd.	Receivables from affiliates	Yes	119,040	119,040	-	-	2	-	For revolving fund	-	Promissory note	-	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Ibizuka Green Pet Corporation	Receivables from affiliates	Yes	396,300	396,300	-	2.31767	2	-	For revolving fund	-	Promissory note	-	3,757,830	3,757,830	Amounts allowed for ending period (Note O); Maximum amounts allowed for the period (Note G)
		Far Eastern Industries (Suzhou) Ltd.	Receivables from affiliates	Yes	1,398,720	1,398,720	-	-	2	-	For revolving fund	-	Promissory note	-	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Industries (Shanghai) Ltd.	Receivables from affiliates	Yes	1,874,880	1,785,600	-	-	2	-	For revolving fund	-	Promissory note	-	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	2,693,350	2,693,350	182,600	1.265	2	-	For revolving fund	-	Promissory note	-	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	892,800	892,800	466,330	2.44767-5.93883	2	-	For revolving fund	-	Promissory note	-	4,697,288	14,091,863	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
13	PET Far Eastern (Holding) Ltd.	Oriental Petrochemical (Shanghai) Corporation	Receivables from affiliates	Yes	595,200	535,680	267,840	-	2	-	For revolving fund	-	Promissory note	-	2,922,559	8,767,678	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern New Century (China) Investment Co., Ltd.	Receivables from affiliates	Yes	2,145,550	2,145,550	273,900	1.265	2	-	For revolving fund	-	Promissory note	-	2,922,559	8,767,678	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
14	FEDP (Holding) Ltd.	Far Eastern Polychem Industries Ltd.	Receivables from affiliates	Yes	148,800	148,800	59,520	1.95739-2.44767	2	-	For revolving fund	-	Promissory note	-	121,727	365,182	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	148,800	148,800	148,800	2.31767-2.44767	2	-	For revolving fund	-	Promissory note	-	121,727	365,182	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
15	Waldorf Services B.V.	Oriental Textile (Holding) Ltd.	Receivables from affiliates	Yes	446,400	-	-	2.31767	2	-	For revolving fund	-	Promissory note	-	233,178	699,535	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Polychem Industries Ltd.	Receivables from affiliates	Yes	446,400	-	-	2.31767	2	-	For revolving fund	-	Promissory note	-	233,178	699,535	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
		Far Eastern Investment (Holding) Ltd.	Receivables from affiliates	Yes	446,400	-	-	2.31767	2	-	For revolving fund	-	Promissory note	-	233,178	699,535	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Aggregate Financing Limits	Note
													Item	Value		
16	Far Eastern Polytex (Holding) Ltd.	Far Eastern Century (China) Investment Co., Ltd. Wuhan Far Eastern New Material Ltd.	Receivables from affiliates Receivables from affiliates	Yes Yes	\$ 98,208 119,040	\$ - -	\$ - -	- -	2 2	- -	For revolving fund For revolving fund	\$ - -	Promissory note Promissory note	\$ 3,832,669 3,832,669	11,498,006 11,498,006	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K) Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note K)
17	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd. Oriental Petrochemical Corporation (YangZhou) Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties	Yes Yes Yes	913,000 456,500 2,054,250	913,000 319,550 2,054,250	251,075 319,550 1,848,962	2.01-3.75 2.00-3.68 2.58078-3.51376	2 2 2	- - -	For revolving fund For revolving fund For revolving fund	- - -	Promissory note Promissory note Promissory note	2,577,647 1,145,621 2,577,647	5,728,105 1,145,621 5,728,105	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)
18	Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern Union Petrochemical Corporation Far Eastern Industries (Suzhou) Ltd. Far Eastern Apparel Industries (Wuxi) Ltd. Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties	Yes Yes Yes Yes	365,200 913,000 296,725 1,232,550	- 913,000 - 1,232,550	- - - 996,973	- 2.61 2.01-3.68 2.58078-3.51376	2 2 2 2	- - - -	For revolving fund For revolving fund For revolving fund For revolving fund	- - - -	Promissory note Promissory note Promissory note Promissory note	609,847 1,372,155 1,372,155 1,372,155	609,847 3,049,233 3,049,233 3,049,233	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)
19	Far Eastern Industries (Suzhou) Ltd.	Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	45,650	45,650	-	-	2	-	For revolving fund	-	Promissory note	28,276	62,837	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)
20	Oriental Industries (Suzhou) Ltd.	Far Eastern Union Petrochemical Corporation Far Eastern Century (China) Investment Co., Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd. Far Eastern Industries (Wuxi) Ltd.	Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties Other receivables - loans to related parties	Yes Yes Yes Yes Yes	776,050 228,250 456,500 456,500 913,000	- 228,250 456,500 456,500 913,000	- - - - 3,666	2.00-3.915 - - - 3.75064	2 2 2 2 2	- - - - -	For revolving fund For revolving fund For revolving fund For revolving fund For revolving fund	- - - - -	Promissory note Promissory note Promissory note Promissory note Promissory note	2,329,108 5,240,492 5,240,492 5,240,492 5,240,492	2,329,108 11,645,538 11,645,538 11,645,538 11,645,538	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L) Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Sino Belgium Beer (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	\$ 1,141,250	\$ 1,141,250	\$ 832,624	2.93435-3.78064	2	\$ -	For revolving fund	\$ -	Promissory note	\$ 5,240,492	\$ 1,645,538	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
		Far Eastern Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	1,826,000	1,826,000	1,043,061	2.93435-3.78064	2	-	For revolving fund	-	Promissory note	5,240,492	1,645,538	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
21	Fair Eastern Industries (Wuxi) Petrochemical Corporation	Fair Eastern Union Petrochemical Corporation	Other receivables - loans to related parties	Yes	547,800	-	-	4.08-4.35	2	-	For revolving fund	-	Promissory note	1,193,321	1,193,321	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)	
		Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	913,000	913,000	-	2.58078-3.50558	2	-	For revolving fund	-	Promissory note	2,684,973	5,966,606	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
22	Suzhou An Ho Apparel Ltd.	Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	41,085	41,085	41,085	3.75	2	-	For revolving fund	-	Promissory note	49,379	109,730	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note L)	
23	Oriental Petrochemical Corporation	Far Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	228,250	228,250	-	1.265	2	-	For revolving fund	-	Promissory note	256,397	769,792	Amounts allowed for ending period (Note B); Maximum amounts allowed for the period (Note D)	
24	Fair Eastern Industries (Shanghai) Ltd.	Fair Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	684,750	684,750	-	1.265	2	-	For revolving fund	-	Promissory note	4,080,140	7,344,252	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note I)	
		Oriental Petrochemical (Shanghai) Corporation	Other receivables - loans to related parties	Yes	913,000	456,500	456,500	2.00-4.35	2	-	For revolving fund	-	Promissory note	3,264,112	3,264,112	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)	
		Fair Eastern Union Petrochemical (Yangzhou) Corporation	Other receivables - loans to related parties	Yes	1,689,050	913,000	913,000	2.00	2	-	For revolving fund	-	Promissory note	3,264,112	3,264,112	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)	
		Oriental Petrochemical (Shanghai) Corporation	Other receivables - loans to related parties	Yes	2,282,500	1,369,500	1,369,500	2.00-4.35	1	4,964,762	-	-	Promissory note	4,080,140	4,080,140	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note H)	
25	Wuhan Far Eastern New Material Ltd.	Far Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	136,950	136,950	173	1.265	2	-	For revolving fund	-	Promissory note	477,229	859,013	Amounts allowed for ending period (Note H); Maximum amounts allowed for the period (Note I)	
26	Far Eastern New Century (China) Investment Co., Ltd.	Shanghai Yuan Zi Information Technology Co., Ltd.	Other receivables - loans to related parties	Yes	45,650	45,650	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	
		Oriental Textile (Holding) Ltd.	Other receivables - loans to related parties	Yes	91,300	91,300	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	
		Fair Eastern Polychem Industries Ltd.	Other receivables - loans to related parties	Yes	91,300	91,300	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	
		PET Far Eastern (Holding) Ltd.	Other receivables - loans to related parties	Yes	91,300	91,300	-	-	2	-	For revolving fund	-	Promissory note	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Amounts Allowed for the Period	Amounts Allowed for Ending Period	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Wuhan Far Eastern New Material Ltd.	Other receivables - loans to related parties	Yes	\$ 136,950	\$ 136,950	\$ -	1.265	2	\$ -	For revolving fund	\$ -	Promissory note	-	\$ 6,025,692	\$ 8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
		Oriental Industries (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	1,141,250	1,141,250	-	1.265	2	-	For revolving fund	-	Promissory note	-	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
		Shanghai Far Eastern Petrochemical Logistic Corporation	Other receivables - loans to related parties	Yes	54,780	54,780	11,627	1.265	2	-	For revolving fund	-	Promissory note	-	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
		Oriental Petrochemical Corporation (Shanghai)	Other receivables - loans to related parties	Yes	744,095	502,150	499,831	1.265-2.00	2	-	For revolving fund	-	Promissory note	-	964,111	964,111	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)
		Far Eastern Industries (Shanghai) Ltd.	Other receivables - loans to related parties	Yes	4,656,300	3,195,500	1,003,428	1.265	2	-	For revolving fund	-	Promissory note	-	6,025,692	8,435,969	Amounts allowed for ending period (Note M); Maximum amounts allowed for the period (Note N)
27	Shanghai Yuan Zi Information Technology Co., Ltd.	Far Eastern New Century (China) Investment Co., Ltd.	Other receivables - loans to related parties	Yes	45,650	45,650	-	-	2	-	For revolving fund	-	Promissory note	-	61,894	92,840	Amounts allowed for ending period (Note J); Maximum amounts allowed for the period (Note K)
28	Far Eastern Industries (Yangzhou) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Other receivables - loans to related parties	Yes	319,550	319,550	319,550	2.00-3.60	2	-	For revolving fund	-	Promissory note	-	570,680	570,680	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)
		Far Eastern Union Chemical (Yangzhou) Corporation	Other receivables - loans to related parties	Yes	547,800	547,800	547,800	2.00	2	-	For revolving fund	-	Promissory note	-	570,680	570,680	Amounts allowed for ending period (Note G); Maximum amounts allowed for the period (Note G)

Notes: A. Reasons for financing are as follows:

1. Business relationship.
  2. For short-term financing.
- B. The limitation is 5% of the net value of the financier based on audited financial statements as of December 31, 2017.
- C. The limitation is 10% of the net value of the financier based on audited financial statements as of December 31, 2017.
- D. The limitation is 15% of the net value of the financier based on audited financial statements as of December 31, 2017.
- E. The limitation is 20% of the net value of the financier based on audited financial statements as of December 31, 2017.
- F. The limitation is 35% of the net value of the financier based on audited financial statements as of December 31, 2017.
- G. The limitation is 40% of the net value of the financier based on audited financial statements as of December 31, 2017.
- H. The limitation is 50% of the net value of the financier based on audited financial statements as of December 31, 2017.
- I. The limitation is 90% of the net value of the financier based on audited financial statements as of December 31, 2017.
- J. The limitation is 100% of the net value of the financier based on audited financial statements as of December 31, 2017.
- K. The limitation is 150% of the net value of the financier based on audited financial statements as of December 31, 2017.
- L. The limitation is 200% of the net value of the financier based on audited financial statements as of December 31, 2017.
- M. The limitation is 250% of the net value of the financier based on audited financial statements as of December 31, 2017.
- N. The limitation is 350% of the net value of the financier based on audited financial statements as of December 31, 2017.
- O. The limitation is business transaction amount.

FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Each Counterparty's Endorsement/ Guarantee Amounts	Maximum Amounts Allowed for the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsements/ Guarantees Given by Parent Subsidiaries (Note M)	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent (Note M)	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China (Note M)	Note
		Name	Relationship											
0	Far Eastern New Century Corporation	Yuan Ding Investment Co., Ltd.	(Note A)	\$ 97,180,194	\$ 1,200,000	\$ -	\$ -	\$ -	-	\$ 194,360,387	Yes	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
1	Yuan Ding Investment Co., Ltd.	Oriental Resources Development Co., Ltd.	(Note A)	20,827,093	250,000	100,000	100,000	-	0.24	41,654,186	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Da Ju Fiber Co., Ltd.	(Note B)	20,827,093	320,000	280,000	80,000	-	0.67	41,654,186	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		PET Far Eastern (Holding) Ltd.	(Note C)	19,436,039	626,900	595,200	253,358	-	1.43	19,436,039	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Oriental Textile (Holding) Ltd.	(Note A)	20,827,093	626,900	595,200	136,950	-	1.43	41,654,186	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Far Eastern Polychem Industries Ltd.	(Note C)	19,436,039	940,350	892,800	264,770	-	2.14	19,436,039	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Far Eastern Ishizuka Green Pet Corporation	(Note C)	19,436,039	641,280	634,080	634,080	-	1.52	19,436,039	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Oriental Industries (Suzhou) Ltd.	(Note A)	20,827,093	1,567,250	1,488,000	1,123,429	-	3.57	41,654,186	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).

(Continued)



No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Each Counterparty's Endorsement/ Guarantee Amounts	Maximum Amounts Allowed for the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantees Limit	Endorsements/ Guarantees Given by Parent Subsidiaries (Note M)	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent (Note M)	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China (Note M)	Note
		Name	Relationship											
2	Far Eastern Resources Development Co., Ltd.	Far Eastern New Century Corporation	(Note D)	\$ 13,071,162	\$ 5,708,448	\$ 5,708,448	\$ 5,402,000	\$ 5,708,448	2.94	\$ 26,142,323	Yes	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
3	Yuan Ding Co., Ltd.	Ding Ding Hotel Co., Ltd.	(Note A)	3,711,026	2,053,000	2,013,000	775,000	650,000	1.04	7,422,051	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
		Yuan Ding Integrated Information Service (Shanghai) Inc.	(Note A)	3,711,026	125,380	-	-	-	-	7,422,051	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
4	FET Consulting Engineers Co., Ltd.	Yuan Ding Co., Ltd.	(Note D)	249,791	230,000	230,000	-	230,000	0.12	499,581	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note E); maximum amounts allowed for the period (Note F).
5	Far Eastern Construction Co., Ltd.	Far Eastern General Contractor Inc.	(Note A)	39,688,221	154,300	154,300	154,300	-	1.17	39,688,221	-	-	-	Limits on each counterparty's endorsement/guarantee amounts (Note I); maximum amounts allowed for the period (Note L).
6	PEIT Far Eastern (Holding) Ltd.	Far Eastern Union Petrochemical (Yangzhou) Corporation	(Note B)	97,180,194	1,196,350	1,184,610	542,478	-	0.61	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).
		Oriental Petrochemical (Shanghai) Corporation	(Note A)	97,180,194	766,250	744,000	100,430	-	0.38	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).
7	Oriental Industries (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note C)	97,180,194	650,710	492,050	-	-	1.18	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).
8	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note C)	97,180,194	321,020	319,550	-	-	0.77	194,360,387	-	-	Yes	Limits on each counterparty's endorsement/guarantee amounts (Note J); maximum amounts allowed for the period (Note K).

(Continued)

- Notes:
- A. Subsidiary.
  - B. Equity-method investee.
  - C. The guarantee provider and counterparty have the same ultimate parent company.
  - D. Parent company.
  - E. The amount of the collateral/guarantees is based on 50% of the net value of the guarantor from the latest audited financial statements.
  - F. The amount of the collateral/guarantees is based on net value of the guarantor from the latest audited financial statements.
  - G. The amount of the collateral/guarantees is based on the lower of 10% of the net value of the ultimate parent company and 50% of the net value of Yuan Ding Investment Co., Ltd. from the audited financial statements as of December 31, 2017.
  - H. The amount of the collateral/guarantees is based on the lower of 10% of the net value of the ultimate parent company and the net value of Yuan Ding Investment Co., Ltd. from the audited financial statements as of December 31, 2017.
  - I. The amount of the collateral/guarantees is based on 300% of the net value of the guarantor from latest audited financial statements.
  - J. The amount of the collateral/guarantees is based on 50% of the net value of the ultimate parent company from the latest audited financial statements.
  - K. The amount of the collateral/guarantees is based on the net value of the ultimate parent company from latest audited financial statements.
  - L. The ratio of accumulated endorsements/guarantees to net equity in latest financial statements is calculated in accordance with Regulations Governing Lending of Funds and Marketing of Endorsements/Guarantees by Public Companies.
  - M. There will be a "Yes" if the situation meets any with endorsement/guarantee given by parent on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent and endorsement/guarantee given on behalf of companies in Mainland China.
  - N. The tariff guarantee maximum amounts allowed for a subsidiary in mainland China for the period and the actual appropriation as of period end are as follows: Oriental Industries (Suzhou) Ltd.: RMB5,000 thousand (\$22,825 thousand), the actual remittance: RMB5,000 thousand (\$22,825 thousand).

(Concluded)

FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
Far Eastern New Century Corporation	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	750,511	\$ 16,414,157	22.33	\$ 21,164,419	19,900 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	241,770	4,704,162	17.06	3,626,546	
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	81,216	1,332,527	9.17	2,570,487	
	Everest Textile Corporation	(Note A)	Investments accounted for using the equity method	134	1,534	0.03	1,902	
	Oriental Securities Corporation	(Note A)	Investments accounted for using the equity method	140,278	1,945,424	19.65	-	
	Pacific Liu Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	135,000	1,856,750	16.83	-	
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	83,245	872,079	2.62	794,159	
	Yuan Ding Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	1,822,822	41,076,970	99.40	-	
	Far Eastern Resources Development Co., Ltd.	(Note A)	Investments accounted for using the equity method	667,242	103,111,323	100.00	-	
	Far Eastern Polytex (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	135	7,708,078	100.00	-	
	Far Eastern Polychem Industries Ltd.	(Note A)	Investments accounted for using the equity method	830,815	6,861,798	73.04	-	
	Yuan Tong Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	705,147	8,091,936	100.00	-	
	Kan Yuan International Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	302,843	5,167,778	100.00	-	
	PET Far Eastern (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	1,700	8,739,241	100.00	-	
	Oriental Petrochemical (Taiwan) Corporation	(Note A)	Investments accounted for using the equity method	397	5,341,354	91.95	-	
	Far Eastern Construction Co., Ltd.	(Note A)	Investments accounted for using the equity method	1,334,427	7,492,270	75.56	-	
	Yuan Ding Co., Ltd.	(Note A)	Investments accounted for using the equity method	198,791	8,238,170	65.11	-	
	An Ho Garment Co., Ltd.	(Note A)	Investments accounted for using the equity method	186,929	3,075,962	37.13	-	
	Ding Yuan International Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	66,346	2,019,899	100.00	-	
	FEDEP (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	205,000	2,820,313	100.00	-	
Fu Kwok Knitting & Garment Co., Ltd.	(Note A)	Investments accounted for using the equity method	244	122,774	50.43	-		
Ding Ding Hotel Co., Ltd.	(Note A)	Investments accounted for using the equity method	4,000	253,944	100.00	-		
Far Eastern Textile Ltd.	(Note A)	Investments accounted for using the equity method	769	10,882	0.74	-		
			100	1,524	100.00	-		
Yuan Ding Investment Co., Ltd.	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	21,000	646,080	0.62	592,186	30,455 thousand shares pledged or mortgaged as collateral for loans.
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	70,818	1,337,956	8.00	2,241,380	
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	22,558	461,823	1.59	338,370	
	Everest Textile Corporation	(Note A)	Investments accounted for using the equity method	1,129,947	123,624	25.23	1,749,280	
	Far East Tone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	1,066,658	22,769,559	32.73	78,399,335	
	Far Eastern Polychem Industries Ltd.	(Note A)	Investments accounted for using the equity method	306,644	2,532,777	26.96	-	
	Far Eastern Apparel (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	111	3,535,452	100.00	-	
	Da Ju Fiber Co., Ltd.	(Note A)	Investments accounted for using the equity method	48,692	1,714,916	41.86	-	
	Far Eastern Apparel Co., Ltd.	(Note A)	Investments accounted for using the equity method	22,673	246,101	100.00	-	
	Yuan Faun Co., Ltd.	(Note A)	Investments accounted for using the equity method	5,000	127,407	100.00	-	
	Yue Ming Corporation	(Note A)	Investments accounted for using the equity method	4,684	62,182	45.50	-	
	Yuan Ding Leasing Corporation	(Note A)	Investments accounted for using the equity method	36,706	388,527	46.20	-	
Far Eastern Fibretech Co., Ltd.	(Note A)	Investments accounted for using the equity method	91,000	1,201,711	100.00	-		
Oriental Resources Development Co., Ltd.	(Note A)	Investments accounted for using the equity method	34,242	350,249	70.00	-		
Liquid Air Far East Co., Ltd.	(Note A)	Investments accounted for using the equity method	86,615	1,912,719	35.00	-		
Freudenberg Far Eastern Spunweb Co., Ltd.	(Note A)	Investments accounted for using the equity method	370,339	370,339	29.80	-		
Oriental Securities Corporation	(Note A)	Investments accounted for using the equity method	185,247	2,675,650	25.96	-		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
	Yuan Ding Co., Ltd.	(Note A)	Investments accounted for using the equity method	64,759	\$ 1,089,336	12.86	\$ -	16,500 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern International Leasing Corporation	(Note A)	Investments accounted for using the equity method	75,268	930,646	16.87	-	
	Oriental Textile (Holding) Ltd.	(Note A)	Investments accounted for using the equity method	110	8,125,575	100.00	-	
	Pacific Liu Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	19,653	1,559,403	14.92	-	
	Yu Yuan Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	98,198	453,433	18.96	-	
	Far Eastern General Contractor Inc.	(Note A)	Investments accounted for using the equity method	1,490	22,472	1.00	-	
	Oriental Petrochemical (Taiwan) Corporation	(Note A)	Investments accounted for using the equity method	91,766	528,894	5.20	-	
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	113,251	1,186,368	3.56	1,080,418	
	Chung Nan Textile Co., Ltd.	(Note L)	Financial assets carried at cost - non-current	2,985	81,405	5.27	-	
	Overseas Investment and Development Co., Ltd.	(Note M)	Financial assets carried at cost - non-current	1,000	10,000	1.11	-	
	Universal Venture Capital Investment Corporation	(Note L)	Financial assets carried at cost - non-current	1,400	14,000	1.16	-	
	China Investment and Development Co., Ltd.	(Note L)	Financial assets carried at cost - non-current	1,287	8,250	0.80	-	
	Taiwan Stock Exchange Corporation	-	Financial assets carried at cost - non-current	1,081	22,493	0.16	-	
	Oriental Securities Investment Consultant Co., Ltd.	(Note J)	Financial assets carried at cost - non-current	1	10	0.00	-	
	Dah Chung Bills Finance Corporation	(Note L)	Financial assets carried at cost - non-current	2,254	30,669	0.50	-	
	U-Ming Marine Transport Corporation	(Note B)	Available-for-sale financial assets - non-current	8,869	323,719	1.05	-	
	Financial assets under asset management contracts (Note E)	-	Financial assets at fair value through profit or loss - current	1,000	16,900	-	16,900	
	Sinon Corporation	-	Financial assets at fair value through profit or loss - current	475	20,995	-	20,995	
	Genac Technology Corporation	-	Financial assets at fair value through profit or loss - current	125	16,188	-	16,188	
	Elite Advanced Laser Corporation	-	Financial assets at fair value through profit or loss - current	700	17,675	-	17,675	
	Gentek Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,000	37,250	-	37,250	
	TSRC Corporation	-	Financial assets at fair value through profit or loss - current	800	32,440	-	32,440	
	Symtec Technology International Corporation	-	Financial assets at fair value through profit or loss - current	1,875	44,531	-	44,531	
	Invence Corporation	-	Financial assets at fair value through profit or loss - current	230	17,618	-	17,618	
	Chong Hong Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	45,066	-	21.85	-	
Far Eastern Investment (Holding) Ltd.	Flysn Corporation	(Note A)	Investments accounted for using the equity method	6	452,453	100.00	-	
	FETG Investment Antilles N.V.	(Note A)	Investments accounted for using the equity method	5,000	209,484	50.00	-	
	PET Far Eastern (M) Sdn. Bhd.	(Note A)	Investments accounted for using the equity method	Common shares	-	-	-	
			Preferred shares	3,000	-	-	-	
	Com2B	(Note A)	Investments accounted for using the equity method	9,000	12,392	20.00	-	
	Far Eastern Apparel (Vietnam) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	740,632	100.00	-	
	Worldwide Polychem (HK) Ltd.	(Note A)	Investments accounted for using the equity method	2,700	58,524	100.00	-	
	Opas Fund Segregated Portfolio Company	(Note A)	Investments accounted for using the equity method	(Note G)	1,582	34.00	-	
	Far Eastern Polytex (Vietnam) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	4,849,333	100.00	-	
	Far Eastern New Apparel (Vietnam) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	246,710	100.00	-	
	Magna View Sdn. Bhd.	(Note A)	Investments accounted for using the equity method	3,000	172,420	100.00	-	
	Malaysia Garment Manufacturers Pre. Ltd.	(Note A)	Investments accounted for using the equity method	30	479,137	37.92	-	
	Catalyst_207 SPC	(Note A)	Investments accounted for using the equity method	-	506	34.00	-	
	Far Eastern International Garments	(Note A)	Other liabilities - other	59	(12,259)	41.00	-	
	Cemtex Apparel Inc.	(Note A)	Other liabilities - other	90	(11,375)	50.00	-	
	Opas Fund Segregated Portfolio Company Tranche C	(Note K)	Available-for-sale financial assets - current	6	246,088	-	246,088	
Magna View Sdn. Bhd.	PET Far Eastern (M) Sdn. Bhd.	(Note A)	Investments accounted for using the equity method	Common shares	209,484	50.00	-	
			Preferred shares	5,000	-	-	-	
			3,000	-	-	-	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
Ding Yuan International Investment Co., Ltd.	Asia Cement Corporation Far Eastern Department Stores Co., Ltd. Everset Textile Corporation Oriental Union Chemical Corporation Far East Tone Telecommunications Co., Ltd. Pacific Liu Tong Investment Co., Ltd. (Note F) Yu Ding Industry Co., Ltd. Far Eastern International Bank	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	13,222 5,603 1,137 27,365 920 18,000 12,844 84,155	\$ 445,556 117,484 9,266 685,186 41,142 229,217 353,759 881,493	0.39 0.40 0.23 3.09 0.03 2.24 13.20 2.64	\$ 372,852 84,045 16,086 866,118 67,594 - - 802,834	15,000 thousand shares pledged or mortgaged as collateral for loans.
Kai Yuan International Investment Co., Ltd.	Asia Cement Corporation Far East Tone Telecommunications Co., Ltd.	(Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method	20,207 34,149	670,467 1,123,244	0.60 1.05	569,851 2,509,954	16,100 thousand shares pledged or mortgaged as collateral for loans.
Far Eastern Polychem Industries Ltd.	Oriental Union Chemical Corporation Far Eastern Department Stores Co., Ltd. Kowloon Cement Corporation Far Eastern International Leasing Corporation Pacific Liu Tong Investment Co., Ltd. (Note F) Far Eastern International Bank U-Ming Marine Transport Corporation	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note C)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Available-for-sale financial assets - non-current	32,273 20,672 1,127 74,970 18,000 102,167 422	687,555 565,115 444,941 931,673 229,418 1,070,234 15,403	3.64 1.46 49.00 16.80 2.24 3.21 0.05	1,021,446 310,083 - - - 974,675 15,403	
Far Eastern Construction Co., Ltd.	Far Eastern Industries (Shanghai) Ltd. PET Far Eastern (Holding) Ltd. FEEDP (Holding) Ltd. Far Eastern Industries (Yangzhou) Ltd. Far Eastern Ishizuka Green Pet Corporation Nippon Parison Co., Ltd.	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Financial assets carried at cost - non-current	(Note G) 35 240 (Note G) 3,578 4	7,335,086 470,532 120,680 1,426,701 639,215 64,496	87.64 8.05 49.57 100.00 90.00 10.00	- - - - - -	
Far Eastern Apparel (Holding) Ltd.	Asia Cement Corporation Far Eastern General Contractor Inc. U-Ming Marine Transport Corporation Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	17,726 147,413 1,590 (Note G) (Note G)	538,873 2,075,691 58,027 586,367 2,864,053	0.53 98.95 0.19 38.46 100.00	499,876 58,027 - - -	
Far Eastern Appared Co., Ltd.	Asia Cement Corporation Far East Tone Telecommunications Co., Ltd. Yu Ding Industry Co., Ltd.	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	469 90 8	14,404 6,079 123	0.01 - 0.01	13,226 6,615 -	
Far Eastern General Contractor Inc.	Far Eastern Technical Consultants Co., Ltd. U-Ming Marine Transport Corporation Kaohsiung Rapid Transit Corporation Ya-Li Precast Prestressed Concrete Industries Corporation DFE DWS Taiwan Money Market Paradigm Pion Money Market CTBC Hwa-Win Money Market Fund	(Note A) (Note C) (Note K) (Note I) - - -	Investments accounted for using the equity method Available-for-sale financial assets - current Financial assets carried at cost - non-current Financial assets carried at cost - non-current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current	450 746 9,687 3,106 2,246 16,015 8,045	5,406 27,247 50,290 25,141 26,119 184,005 88,142	9.00 0.09 3.48 16.03 - - -	27,247 - - - 26,119 184,005 88,142	
FETG Investment Antilles N.V.	Waldorf Services B.V.	(Note A)	Investments accounted for using the equity method	2	466,357	100.00	-	
Malaysia Garment Manufacturers Pte. Ltd.	Filayan Corporation PT Malaysia Garment Bintan	(Note A) (Note A)	Investments accounted for using the equity method Other liabilities - other	20,513 (Note G)	- (43)	9.95 99.00	- -	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017			Note	
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)		Market Value or Net Asset Value (Note H)
An Ho Garment Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	40,818	\$ 1,050,078	1.25	\$ 3,000,093	10,950 thousand shares pledged or mortgaged as collateral for loans.
	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	6,094	231,882	0.18	171,842	
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	11,204	268,618	1.26	354,607	
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	370	11,190	0.03	5,547	
	Oriental Securities Corporation	(Note A)	Investments accounted for using the equity method	8,193	109,915	1.15	-	
	Yu Ding Industry Co., Ltd.	(Note A)	Investments accounted for using the equity method	15,247	321,576	15.66	-	
	Pacific Lin Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	9,681	128,566	1.21	-	
	Yuan Ding Investment Co., Ltd.	(Note A)	Investments accounted for using the equity method	5,502	167,625	0.30	-	
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	20,956	219,539	0.66	199,918	
Yuan Faun Co., Ltd.	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	4,441	46,523	0.14	42,363	
	Yuan Cheng Human Resources Consultant Corporation	(Note A)	Investments accounted for using the equity method	745	13,036	55.19	-	
	Yi Tong Fiber Co., Ltd.	(Note K)	Financial assets carried at cost - non-current	3,154	25,014	3.56	-	
Fu Kwok Knitting & Garment Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	520	19,414	0.02	38,220	
Yuan Tong Investment Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note A)	Investments accounted for using the equity method	100,237	2,747,199	3.08	7,367,422	30,015 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern Department Stores Co., Ltd.	(Note A)	Investments accounted for using the equity method	39,619	1,227,464	2.80	594,278	
	Oriental Union Chemical Corporation	(Note A)	Investments accounted for using the equity method	49,705	1,716,006	5.61	1,573,176	
	Asia Cement Corporation	(Note A)	Investments accounted for using the equity method	28,579	1,050,263	0.85	805,939	
	Pacific Lin Tong Investment Co., Ltd. (Note F)	(Note A)	Investments accounted for using the equity method	18,000	228,220	2.24	-	
	Far Eastern Electronic Toll Collection Co., Ltd.	(Note A)	Investments accounted for using the equity method	35,934	376,810	11.98	-	
	Liquid Air Far East Co., Ltd.	(Note A)	Investments accounted for using the equity method	1	27	-	-	
	Sino Belgium (Holding) Ltd.	(Note A)	Other liabilities - other	36	(602,967)	90.88	-	
	Freudenberg Far Eastern Spunweb Co., Ltd.	(Note A)	Investments accounted for using the equity method	1	38	-	-	
	Malaysia Garment Manufactures Pte. Ltd.	(Note A)	Investments accounted for using the equity method	10	164,261	13.00	-	
	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	101,963	1,068,045	3.20	972,724	
	Ding Shen Investment Co., Ltd.	(Note M)	Financial assets carried at cost - non-current	39,600	396,000	18.00	-	
	Boekhold N.V. - shares	(Note E)	Financial assets carried at cost - non-current	1	182,283	12.51	-	
	Financial assets under asset management contracts	-	-	-	-	-	-	
	Chung Hung Steel Corporation	-	Financial assets at fair value through profit or loss - current	3,200	39,679	-	39,679	
	China Synthetic Rubber Corp.	-	Financial assets at fair value through profit or loss - current	280	12,277	-	12,277	
	Evergreen Group	-	Financial assets at fair value through profit or loss - current	1,430	23,381	-	23,381	
	Asier Inc.	-	Financial assets at fair value through profit or loss - current	2,690	64,964	-	64,964	
	China Development Financial	-	Financial assets at fair value through profit or loss - current	5,150	52,273	-	52,273	
	Inveniec Corporation	-	Financial assets at fair value through profit or loss - current	940	22,525	-	22,525	
Far Eastern Apparel (Suzhou) Co., Ltd.	Suzhou An Ho Apparel Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	54,865	100.00	-	
PET Far Eastern (Holding) Ltd.	Oriental Petrochemical (Shanghai) Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	2,841,285	54.59	-	
	Far Eastern Union Petrochemical (Yangzhou) Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	2,028,774	50.00	-	
Oriental Textile (Holding) Ltd.	Tong Da Air Industry (Yangzhou) Co., Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	1,083,569	50.00	-	
	Far Eastern Industries (Wuxi) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	2,983,303	100.00	-	
	Oriental Industries (Suzhou) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	5,822,769	100.00	-	
FEDP (Holding) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	31,418	100.00	-	

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December 31, 2017								
Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	Note
Far Eastern Polytex (Holding) Ltd.	Wuhan Far Eastern New Material Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern New Century (China) Investment Co., Ltd. Far Eastern Yihua Petrochemical (Yangzhou) Corporation	(Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	(Note G) (Note G) (Note G) (Note G)	\$ 954,459 938,249 1,776,344 4,006,705	100.00 61.54 100.00 60.00	\$ - - - -	- - - -
Far Eastern New Century (China) Investment Co., Ltd.	Far Eastern Industries (Shanghai) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	1,034,478	12.36	-	-
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Shanghai Yuan Zi Information Technology Co., Ltd. Oriental Petrochemical (Shanghai) Corporation Yuan Ding Enterprise (Shanghai) Limited	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	(Note G) (Note G) (Note G)	61,894 309,083 716,404	100.00 6.76 100.00	- - -	- - -
Sino Belgium (Holding) Ltd.	Sino Belgium Beer (Suzhou) Ltd. Martens Beers (Shanghai) Ltd.	(Note A) (Note A)	Other liabilities - other Other liabilities - other	(Note G) (Note G)	(514,568) (1,443)	100.00 100.00	- -	- -
Oriental Petrochemical (Shanghai) Corporation	Shanghai Far Eastern Petrochemical Logistic Corporation	(Note A)	Investments accounted for using the equity method	(Note G)	133,283	100.00	-	-
Far Eastern Industries (Yangzhou) Ltd.	Harvest Money Market A	-	Financial assets at fair value through profit or loss - current	15,587	71,156	-	71,156	-
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Harvest Money Market A	-	Financial assets at fair value through profit or loss - current	604,318	2,758,711	-	2,758,711	-
Yuan Ding Co., Ltd.	YDT Technology International Co., Ltd. Ding Ding Integrated Marketing Service Co., Ltd. Far Eastern Technical Consultants Co., Ltd. YDC (Virgin Islands) Ltd. Yuanshi Digital Technology Co., Ltd. (former name is Huir Digital Marketing Co., Ltd.)	(Note A) (Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Other liabilities - other	13,992 41,633 4,550 (Note G) 4,995	244,477 203,367 53,448 9,777 (6,383)	100.00 60.00 91.00 17.70 4.79	- - - - -	- - - - -
	FET Consulting Engineers Co., Ltd. Asia Cement Corporation Far East Tone Telecommunications Co., Ltd. Yu Yuan Investment Co., Ltd.	(Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	85,000 5,329 4,164 129,637	510,638 191,514 110,069 1,385,981	100.00 0.16 0.13 25.02	- 150,268 306,017 -	- - - 119,000 thousand shares pledged or mortgaged as collateral for loans.
	Yue Ming Corporation Yu Ding Industry Co., Ltd. FEEDS Asia Pacific Development Co., Ltd.	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	103 2,523 10,650	561 52,815 131,033	1.00 2.59 5.00	- - -	- - 10,236 thousand shares pledged or mortgaged as collateral for loans.
	Far Eastern Electronic Toll Collection Co., Ltd. Far Eastern International Bank Yuan Hsin Digital Payment Corporation Ding Ding Hotel Co., Ltd. Far Eastern New Century Corporation	(Note A) (Note A) (Note A) (Note A) (Note D)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Financial assets at fair value through profit or loss - current	44,796 7,922 24,955 102,509 779	464,302 83,000 204,180 504,389 20,887	14.93 0.25 20.00 98.52 -	- 75,576 - - 20,887	- - - - -
Ding Ding Integrated Marketing Service Co., Ltd.	Yuanshi Digital Technology Co., Ltd. (former name is Huir Digital Marketing Co., Ltd.) Yuan Hsin Digital Payment Corporation DDIM (Virgin Islands) Ltd. Pacific SOGO Department Stores Co., Ltd. DPE DWS Taiwan Money Market	(Note A) (Note A) (Note A) (Note D) -	Other liabilities - other Investments accounted for using the equity method Investments accounted for using the equity method Financial assets carried at cost - non-current Financial assets at fair value through profit or loss - current	17 18,729 (Note G) 1 3,577	(27) 153,234 7,368 10 41,593	0.02 15.01 46.13 - -	- - - - 41,593	- - - - -
Far Eastern Technical Consultants Co., Ltd.	Cosmos Foreign Exchange Intl. Co., Ltd.	-	Financial assets carried at cost - non-current	480	4,800	4.00	-	-
FET Consulting Engineers Co., Ltd.	DDIM (Virgin Islands) Ltd.	(Note A)	Investments accounted for using the equity method	(Note G)	8,604	53.87	-	-

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017			Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	
YDC (Virgin Islands) Ltd.	Yuan Ding Integrated Information Service (Shanghai) Inc.	(Note A)	Investments accounted for using the equity method	(Note G)	\$ 72	0.46	\$ -
DDDM (Virgin Islands) Ltd.	Speedy (Shanghai) digital Tech. Co., Ltd. Yuan Ding Integrated Information Service (Shanghai) Inc.	(Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method	(Note G) (Note G)	50,016 15,590	100.00 99.54	- -
YDT Technology International Co., Ltd.	Everest Textile Corporation Far Eastern Department Stores Co., Ltd. Asia Cement Corporation YDC (Virgin Islands) Ltd.	(Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	125 2,764 61 (Note G)	1,172 94,353 2,169 45,460	0.03 0.20 -	1,772 41,458 1,707 -
Far Eastern International Bank	Far Eastern International Bank	(Note A)	Investments accounted for using the equity method	2,786	29,215	0.09	26,577
Oriental Securities Investment Consultant Co., Ltd.	Oriental Securities Investment Consultant Co., Ltd.	(Note J)	Financial assets carried at cost - non-current	1	10	-	-
Far Eastern Electronic Toll Collection Co., Ltd.	PETC International Co., Ltd.	(Note A)	Investments accounted for using the equity method	20,000	180,798	100.00	-
Far East Tone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	(Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method	2,100,000 82,762	26,809,796 1,268,193	100.00 61.63	- -
	KGEX.com Co., Ltd.	(Note A)	Investments accounted for using the equity method	68,897	783,448	99.99	-
	Yuanshi Digital Technology Co., Ltd. (former name is Hinar Digital Marketing Co., Ltd.)	(Note A)	Investments accounted for using the equity method Other liabilities - other	90,014	(115,145)	86.41	-
	Yuan Cing Co., Ltd.	(Note A)	Investments accounted for using the equity method	2,000	34,270	100.00	-
	Far Eastern Info Service (Holding) Ltd.	(Note A)	Other liabilities - other	1	(47,302)	100.00	-
	O-music Co., Ltd.	(Note A)	Investments accounted for using the equity method	2,500	9,466	50.00	-
	O-wave Communications Corporation	(Note A)	Other liabilities - other	33,983	(138,368)	81.46	-
	Far Eastern Electronic Toll Collection Co., Ltd.	(Note A)	Investments accounted for using the equity method	118,251	816,685	39.42	-
	Yuan Hsin Digital Payment Corporation	(Note A)	Investments accounted for using the equity method	37,453	306,289	30.00	-
	Ding Ding Integrated Marketing Service Co., Ltd.	(Note A)	Investments accounted for using the equity method	10,408	50,692	15.00	-
	Alliance Digital Technology Co., Ltd.	(Note A)	Investments accounted for using the equity method	6,000	14,451	14.40	-
	App Works Fund II Co., Ltd.	(Note L)	Financial assets carried at cost - non-current	15,000	150,000	11.11	-
	CDIB Capital Innovation Accelerator Co., Ltd.	-	Financial assets carried at cost - non-current	4,500	45,000	12.00	-
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd. THI consultants Web Point Co., Ltd.	(Note A) (Note L) (Note L)	Investments accounted for using the equity method Financial assets carried at cost - non-current Financial assets carried at cost - non-current	12,866 1,214 161	178,086 12,190 1,618	70.00 18.32 0.63	- -
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd. Information Security Service Digital United Inc. Digital United (Cayman) Ltd. Yuanshi Digital Technology Co., Ltd. (former name is Hinar Digital Marketing Co., Ltd.)	(Note A) (Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method Other liabilities - other	54,000 10,249 4,320 2,500	139,909 116,072 13,978 (3,197)	100.00 100.00 100.00 2.40	- -
	Ding Ding Integrated Marketing Service Co., Ltd.	(Note A)	Investments accounted for using the equity method	3,469	16,898	5.00	-
	Opas Fund Segregated Portfolio Tranche A	(Note K)	Financial assets at fair value through profit or loss - current	13	446,400	-	446,400
	Opas Fund Segregated Portfolio Tranche B	(Note K)	Financial assets at fair value through profit or loss - current	5	148,800	-	148,800
	Kaohsiung Rapid Transit Corporation	(Note K)	Financial assets carried at cost - non-current	8,858	50,000	3.18	-
	Bank Pro E-service Technology Co., Ltd.	(Note K)	Financial assets carried at cost - non-current	4,500	4,500	3.33	-
New Diligent Co., Ltd.	Sino Lead Enterprise Limited Far East New Diligent Company Ltd. New Diligent Hong Kong Co., Ltd.	(Note A) (Note A) (Note A)	Investments accounted for using the equity method Investments accounted for using the equity method Investments accounted for using the equity method	30 - -	226 78,207 2,856	100.00 100.00 100.00	- -
DataExpress Infotech Co., Ltd.	Linkwell Tech Co., Ltd. Home Master Technology Ltd.	(Note A) (Note A)	Investments accounted for using the equity method Other liabilities - other	- -	41,675 (1,374)	100.00 100.00	- -

(Continued)



Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value (Note H)	
Digital United (Cayman) Ltd.	Digital United Information Technology (Shanghai) Ltd.	(Note A)	Investments accounted for using the equity method	-	\$ 2,200	100.00	\$ -	
Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	(Note A)	Investments accounted for using the equity method	-	1,025	0.96	-	
Far East New Diligent Company Ltd.	Far Eastern New Century Information Technology (Beijing) Limited	(Note A)	Investments accounted for using the equity method	-	95,662	89.56	-	
	Far Eastern Tech-Info Ltd. (Shanghai)	(Note A)	Investments accounted for using the equity method	-	60,879	58.33	-	
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-Info Ltd. (Shanghai)	(Note A)	Investments accounted for using the equity method	-	43,491	41.67	-	

Notes: A. Equity-method investee.

B. Investor and investee have the same chairman.

C. The vice chairman of investee is the chairman of FENC.

D. Parent company.

E. Financial assets under asset management contracts can be sold in the open market investee, Oriental Securities Corporation.

F. The investor opened a trust account in Shanghai Bank in Taipei on September 26, 2002 to acquire the ownership of Pacific Liu Tung Investment Corporation.

G. A foreign owned company.

H. The fair value of financial assets measured at cost and unlisted equity investments held by the Company and its subsidiaries are not disclosed as it cannot be reliably measured.

I. The subsidiary of the invested company accounted for using the equity method.

J. The subsidiary of FENC's associate.

K. Related party in substance.

L. The investor is the corporate director of the investee.

M. The investor is the corporate supervisor of the investee.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Investment Income under the Equity Method		Ending Balance	
					Shares (Thousands)/ Thousand Units	Amount	Shares (Thousands)/ Thousand Units	Amount	Price	Book Value	Disposal Gain	Investment Income under the Equity Method	Shares (Thousands)/ Thousand Units	Amount	
Far Eastern New Century Corporation	PET Far Eastern (Holding) Ltd. Oriental Petrochemical (Taiwan) Corporation	Investments accounted for using the equity method Investments accounted for using the equity method	Cash capital increase Cash capital increase	(Note B) (Note B)	333 1,183,311	\$ 4,404,790 7,161,947	64 151,116	\$ 814,859 1,511,163	- -	- -	- -	\$ 121,705 (1,133,971)	397 1,334,427	\$ 5,341,354 7,539,139	
Far Eastern Investment (Holding) Ltd.	Far Eastern Polytex (Vietnam) Ltd. Far Eastern Investment (Holding) Pte. Ltd.	Investments accounted for using the equity method Investments accounted for using the equity method	Cash capital increase Waldorf Services B.V.	(Note B) (Note B)	(Note C) -	US\$ 48,230 US\$ -	(Note C) 30	US\$ 120,000 US\$ 15,650	- -	- -	- -	US\$ (5,282) US\$ 450	(Note C) 30	US\$ 162,948 US\$ 16,100	
Far Eastern General Contractor Inc.	Mitsui Asset Solomons Money Market Fund CTBC-Hua-Win Money Market Fund	Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current	- -	- -	3,202 15,293	40,008 168,020	22,794 90,541	288,000 990,100	- -	325,086 1,070,283	78 287	- -	- -	- 8,045	- 88,142
Waldorf Services B.V.	Hui Nian Kirin Fund Malaysia Garment Manufactures Pte. Ltd.	Financial assets at fair value through profit or loss - current Investments accounted for using the equity method	- Far Eastern Investment (Holding) Ltd.	- (Note A)	- 30	- 478,337	- -	- -	- -	559,124 476,075	124 -	- -	- -	- -	- -
Yuan Tong Investment Co., Ltd.	Far Eastern International Bank Oriental Petrochemical (Shanghai) Corporation	Available-for-sale financial assets - non-current Investments accounted for using the equity method	Far Eastern Department Stores Co., Ltd., Oriental Union Chemical Corporation Cash capital increase	(Note H) (Note B)	19,796 (Note C)	180,139 RMB 540,496	79,875 (Note C)	794,580 RMB 179,464	- -	- -	- -	- -	- -	- -	- RMB 622,406
PET Far Eastern (Holding) Ltd.	Far Eastern Electronic Commerce Co., Ltd. Ding Ding Hotel Co., Ltd.	Investments accounted for using the equity method Other intangible - other	Cash capital increase Cash capital increase	(Note B) (Note B)	23,913 64,502	(29,266) (77,683)	32,777 100,000	327,766 1,000,000	1,488 -	1,488 -	- -	- -	(87,012) (417,928)	- 102,599	- 594,389
Far EastTone Telecommunications Co., Ltd.	Yunshi Digital Technology Co., Ltd. (former name is Huir Digital Marketing Co., Ltd.) Opus Fund Segregated Portfolio Tranche A	Investments accounted for using the equity method Available-for-sale financial assets - current	Cash capital increase Financial assets at fair value through profit or loss - current	(Note B) (Note I) (Note I)	53,726 15 -	(109,380) 487,050 -	34,891 -	348,909 -	- -	- -	- -	- -	(354,674) -	90,014 -	(115,145) -
New Century InfoComm Tech Co., Ltd.	Opus Fund Segregated Portfolio Tranche A	Financial assets at fair value through profit or loss - current	-	-	-	448,950	13	448,950	-	521,054	34,004	-	-	US\$ -	448,950

Notes: A. Parent company

B. Subsidiary.

C. A foreign owned company.

D. Reclassify to investments accounted for using the equity method (refer to Note 8).

E. The company was merged with Yunshi Digital Technology Co., Ltd. (former name is Huir Digital Marketing Co., Ltd.), while Far Eastern Electronic Commerce Co., Ltd. was dissolved.

F. The amount is the cost of investments. The shares include (a) 34,890,875 shares acquired through subscription of new common shares issued by Huir Inc. and (b) 1,397,549 shares acquired through share exchange due to the merger between Huir Digital Marketing Co., Ltd. and Far Eastern Electronic Commerce Co., Ltd.

G. The ending balance of shares includes 1,397,549 shares acquired through share exchange due to the merger between Yunshi Digital Technology Corporation (former Huir Digital Marketing Co., Ltd.) and Far Eastern Electronic Commerce Co., Ltd.

H. Associates.

I. Related party in substance.

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES**

ACQUISITIONS OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party			Pricing Reference	Purpose of Acquisition	Other Terms	
							Property Owner	Relationship	Transaction Date				
New Century InfoComm Tech Co., Ltd.	Land located in New Taipei City, Bangqiao district, Ya-Tong section	May 4, 2017	\$ 1,749,577	The payment \$1,037,394 thousand has been made	Far Eastern Resources Development Co., Ltd.	Fellow subsidiary	Far Eastern New Century Corporation	Ultimate parent company	September 2, 2005	The ultimate parent company, Far Eastern New Century, established by partition the real estate.	Elite Appraisers Firm REPro Real Estate Joint Appraisers Firm Debenham Tie Leung Real Estate Appraiser Office Sinyi Real Estate Appraisers Firm	Integrated the office in Bangqiao for expanding the telecommunication facilities	No

**FAR EASTERN NEW CENTURY CORPORATION AND SUBSIDIARIES AND INVESTEEs**

**DISPOSALS OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Far Eastern Resources Development Co., Ltd.	Land located in New Taipei City, Banqiao district, Ya-Tong section	May 4, 2017	September 2, 2003	\$ 1,749,577	\$ 1,749,577	The payment \$1,037,394 thousand has been received	Untransferred	New Century InfoComm Tech Co., Ltd.	Fellow subsidiary	For New Century InfoComm Tech Co., Ltd. to establish business facilities and offices	Elite Appraisers Firm REPro Real Estate Joint Appraisers Firm Debenham Tie Letung Real Estate Appraiser Office Sinyi Real Estate Appraisers Firm	-

**FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transactions			Notes Payable or Receivable		Accounts Payable or Receivable		Note	
			Purchase/Sale	Amount	% of Total	Unit Price	Payment Terms	Ending Balance	% of Total	Ending Balance	% of Total			
Far Eastern New Century Corporation	Oriental Petrochemical (Taiwan) Corporation Worldwide Polychem (HK) Ltd. Far Eastern Industries (Shanghai) Ltd. Far Eastern Apparel (Vietnam) Ltd. Far Eastern Industries (Wuxi) Ltd. Far Eastern Ishizuka Green Pet Corporation Oriental Resources Development Co., Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Everest Textile Corporation Freudenberg Far Eastern Spunweb Co., Ltd. Oriental Union Chemical Corporation Everest Textile Corporation	(Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note A) (Note D) (Note D) (Note D) (Note D)	Purchase	\$ 7,073,210	17	-	-	-	\$ -	-	\$ (842,557)	(20)		
			Sale	(2,608,850)	(6)	-	-	-	-	-	-	898,170	13	
			Sale	(1,779,806)	(4)	-	-	-	-	-	-	475,217	7	
			Sale	(403,176)	(1)	-	-	-	-	-	-	44,923	1	
			Sale	(323,842)	-	-	-	-	-	-	-	22,013	-	
			Purchase	170,953	-	-	-	-	-	-	-	-	-	
			Purchase	538,955	1	-	-	-	-	-	-	(52,153)	(2)	
			Sale	(135,648)	-	-	-	-	-	-	-	14,166	-	
			Sale	(296,749)	(1)	-	-	-	-	-	-	51,980	1	
			Sale	(366,441)	(1)	-	-	-	-	-	-	65,392	1	
			Purchase	1,751,593	4	-	-	-	-	-	-	(145,631)	(5)	
			Far Eastern Fibertech Co., Ltd.	Everest Textile Corporation	(Note D)	Sale	(260,041)	(12)	-	-	-	-	23,720	17
Far Eastern Apparel (Holding) Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note A)	Purchase	3,287,161	42	-	-	-	-	-	(456,067)	(36)		
			Purchase	1,291,712	16	-	-	-	-	-	(122,326)	(10)		
			Sale	(598,904)	(7)	-	-	-	-	-	95,017	17		
			Purchase	3,335,291	42	-	-	-	-	-	(657,543)	(54)		
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Suzhou) Co., Ltd. Far Eastern Industries (Wuxi) Ltd. Far Eastern Industries (Shanghai) Ltd.	(Note B) (Note C) (Note C) (Note C)	Sale	(3,287,161)	(57)	-	-	-	-	-	436,067	43		
			Sale	(452,089)	(8)	-	-	-	-	-	117,273	12		
			Purchase	326,008	7	-	-	-	-	-	(70,529)	(12)		
			Purchase	172,002	3	-	-	-	-	-	(28,954)	(6)		
Far Eastern Industries (Shanghai) Ltd.	Far Eastern New Century Corporation Oriental Petrochemical (Shanghai) Corporation	(Note B) (Note C) (Note C) (Note C)	Purchase	1,779,806	8	-	-	-	-	-	(475,217)	(14)		
			Purchase	5,095,373	22	-	-	-	-	-	(625,106)	(18)		
			Purchase	306,137	1	-	-	-	-	-	(21,536)	(1)		
			Sale	(7,265,807)	(30)	-	-	-	-	-	233,804	12		
Far Eastern Industries (Suzhou) Ltd.	Oriental Petrochemical (Taiwan) Corporation PEI Far Eastern (M) Sub. Bhd. Wuhan Far Eastern New Material Ltd. Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note C) (Note C) (Note C) (Note C)	Sale	(801,743)	(3)	-	-	-	-	-	340,078	17		
			Sale	(172,002)	(1)	-	-	-	-	-	28,954	1		
			Purchase	186,801	1	-	-	-	-	-	(53,276)	(2)		
			Sale	(176,549)	(1)	-	-	-	-	-	49,128	2		
Far Eastern Industries (Suzhou) Ltd.	Oriental Petrochemical (Shanghai) Corporation Oriental Industries (Suzhou) Ltd.	(Note C) (Note C) (Note C) (Note C)	Purchase	1,562,422	52	-	-	-	-	(312,805)	(100)	(92)		
			Sale	(2,402,441)	(91)	-	-	-	-	-	345,407	97		
			Purchase	7,265,807	94	-	-	-	-	-	(233,804)	(81)		
			Sale	(820,855)	(10)	-	-	-	-	-	203,902	15		
Far Eastern Polychem Industries Ltd.	Wuhan Far Eastern New Material Ltd. Wuhan Far Eastern New Material Ltd. Wuhan Far Eastern New Material Ltd.	(Note C) (Note C) (Note C) (Note C)	Purchase	434,420	6	-	-	-	-	-	(45,656)	(15)		
			Sale	(296,888)	(4)	-	-	-	-	-	41,008	3		
			Sale	(5,095,373)	(39)	-	-	-	-	-	625,106	78		
			Sale	(1,562,422)	(10)	-	-	-	-	-	171,589	22		
Oriental Petrochemical (Shanghai) Corporation	Far Eastern Industries (Shanghai) Ltd. Far Eastern New Century Corporation	(Note C) (Note B)	Sale	(7,073,210)	(46)	-	-	-	-	312,805	16			
			Sale	(306,137)	(2)	-	-	-	-	-	842,557	52		

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transactions			Notes Payable or Receivable		Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	Ending Balance	% of Total	
Oriental Industries (Suzhou) Ltd.	Far Eastern Industries (Suzhou) Ltd.	(Note C)	Purchase	\$ 2,402,441	36	Based on contract	-	-	\$ (345,407)	-	(46)		
	Oriental Textile (Holding) Ltd.	(Note B)	Sale	(3,196,829)	(42)	Based on contract	-	-	601,359	-	44		
	Far Eastern Industries (Shanghai) Ltd.	(Note C)	Purchase	176,549	3	Based on contract	-	-	(49,128)	-	(7)		
Oriental Textile (Holding) Ltd.	Oriental Industries (Suzhou) Ltd.	(Note A)	Purchase	3,196,829	98	Based on contract	-	-	(601,359)	-	(97)		
	Far Eastern New Century Corporation	(Note B)	Purchase	403,176	12	Based on contract	-	-	(44,923)	-	(15)		
	Far Eastern Apparel (Holding) Ltd.	(Note C)	Sale	(3,335,291)	(86)	Based on contract	-	-	657,543	-	87		
Far Eastern Apparel (Vietnam) Ltd.	Far Eastern Apparel (Holding) Ltd.	(Note C)	Purchase	598,904	18	Based on contract	-	-	(95,017)	-	(32)		
	Far Eastern Apparel (Vietnam) Ltd.	(Note C)	Purchase	382,899	11	Based on contract	-	-	(52,282)	-	(17)		
	Far Eastern Apparel (Vietnam) Ltd.	(Note C)	Sale	(382,899)	(100)	Based on contract	-	-	52,282	-	100		
PET Far Eastern (M) Sdn. Bhd.	Far Eastern Polychem Industries Ltd.	(Note C)	Purchase	820,855	(68)	Based on contract	-	-	(203,902)	-	(72)		
	Wuhan Far Eastern New Material Ltd.	(Note C)	Purchase	801,743	54	Based on contract	-	-	(340,078)	-	(87)		
	Far Eastern Polychem Industries Ltd.	(Note C)	Purchase	296,888	20	Based on contract	-	-	(41,008)	-	(10)		
Worldwide Polychem (HK) Ltd.	Far Eastern Polychem Industries Ltd.	(Note C)	Sale	(434,420)	(27)	Based on contract	-	-	43,656	-	24		
	Far Eastern Industries (Shanghai) Ltd.	(Note C)	Sale	(186,801)	(11)	Based on contract	-	-	53,276	-	29		
	Far Eastern New Century Corporation	(Note B)	Purchase	2,608,850	86	Based on contract	-	-	(898,170)	-	(99)		
Far Eastern Industries (Wuxi) Ltd.	Far Eastern New Century Corporation	(Note B)	Purchase	323,842	13	Based on contract	-	-	(22,013)	-	(47)		
	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note C)	Sale	(326,008)	(12)	Based on contract	-	-	70,529	-	22		
	Far Eastern Apparel (Holding) Ltd.	(Note C)	Sale	(1,291,712)	(49)	Based on contract	-	-	122,236	-	27		
Oriental Resources Development Co., Ltd.	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	(Note C)	Purchase	452,089	19	Based on contract	-	-	(117,273)	-	(28)		
	Far Eastern New Century Corporation	(Note B)	Purchase	135,648	6	Based on contract	-	-	(14,166)	-	(3)		
	Far Eastern New Century Corporation	(Note B)	Sale	(538,955)	(72)	Based on contract	-	-	52,153	-	68		
Far Eastern Ishizuka Green Pet Corporation	Far Eastern New Century Corporation	(Note B)	Sale	(170,953)	(16)	Based on contract	-	-	-	-	-		
	Ya Tung Ready-mixed Concrete Corporation	(Note E)	Purchase	271,874	6	Based on contract	-	-	(30,470)	(5)	(2)		
	Far Eastern Department Stores Co., Ltd.	(Note D)	Construction contract revenue	(483,693)	(9)	Based on contract	-	-	70,348	-	11		
Far EastTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	(Note A)	Operating revenue	(156,057)	-	Based on contract	-	-	117,517	-	2		
	ARCOA Communication Co., Ltd.	(Note A)	Cost of telecommunications services, marketing expenses and cost of sales	10,375,311	17	Based on contract	-	-	(1,576,456)	-	(11)		
	New Century InfoComm Tech Co., Ltd.	(Note A)	Operating revenue	(484,292)	(1)	Based on contract	-	-	981	-	(5)	(Note F)	
Yuan Cheng Human Resources Consultant Corporation	Cost of telecommunications services	(Note A)	Cost of telecommunications services	2,743,437	7	Based on contract	-	-	(679,319)	-	(5)		
	KGEx.com Co., Ltd.	(Note A)	Operating revenue	(102,083)	-	Based on contract	-	-	15,284	-	-		
	DataExpress Infotech Co., Ltd.	(Note A)	Operating revenue	(227,493)	-	Based on contract	-	-	35,984	-	1		
Yuanshi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	O-music Co., Ltd.	(Note A)	Cost of telecommunications services	199,764	-	Based on contract	-	-	(33,033)	-	(1)		
	Yuanshi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	(Note A)	Operating revenue	(193,591)	-	Based on contract	-	-	24,466	-	-		
	Yuan Cheng Human Resources Consultant Corporation	(Note C)	Service expense	110,241	1	Based on contract	-	-	(9,762)	-	-		

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transactions		Notes Payable or Receivable		Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	Ending Balance	
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	\$ (2,743,437)	Based on contract	-	-	\$	679,319	-	(Note G)
			Cost of telecommunications services	484,292	Based on contract	-	-	(981)	-	-	
	KGEx.com Co., Ltd.	(Note C)	Cost of telecommunications services	111,379	Based on contract	-	-	-	(28,804)	-	(2)
ARCOA Communication Co., Ltd.	Sino Lead Enterprise Limited	(Note C)	Cost of telecommunications services	116,246	Based on contract	-	-	-	(19,971)	-	(3)
	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	(10,375,311)	Based on contract	-	-	-	1,576,436	-	69
KGEx.com Co., Ltd.	Home Master Technology Ltd.	(Note C)	Cost of telecommunications services and purchase	156,057	Based on contract	-	-	-	(117,517)	-	(5)
	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	(126,631)	Based on contract	-	-	-	16,297	-	1
	New Century InfoComm Tech Co., Ltd.	(Note C)	Operating cost	102,083	Based on contract	-	-	-	(15,284)	-	(35)
O-music Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note B)	Operating revenue	(199,764)	Based on contract	-	-	-	33,033	-	98
	New Century InfoComm Tech Co., Ltd.	(Note C)	Operating revenue	(116,246)	Based on contract	-	-	-	19,971	-	74
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	(Note B)	Purchase	227,493	Based on contract	-	-	-	(35,984)	-	(7)
	Linkwell Tech. Co., Ltd.	(Note C)	Purchase	180,850	Based on contract	-	-	-	(36,751)	-	(8)
	Home Master Technology Ltd.	(Note C)	Operating revenue	(358,184)	Based on contract	-	-	-	37,063	-	8
Yuanshi Digital Technology Co., Ltd. (former name is Hhir Digital Marketing Co., Ltd.)	Far EasTone Telecommunications Co., Ltd.	(Note B)	Purchase	193,591	Based on contract	-	-	-	(24,466)	-	(8)
Linkwell Tech. Co., Ltd.	DataExpress Infotech Co., Ltd.	(Note C)	Sale	(180,850)	Based on contract	-	-	-	36,571	-	65
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	(Note C)	Operating cost	126,631	Based on contract	-	-	-	(16,297)	-	(18)
	DataExpress Infotech Co., Ltd.	(Note C)	Operating cost	358,184	Based on contract	-	-	-	(37,063)	-	(41)

Notes: A. Subsidiary.

B. Parent company.

C. The guarantee provider and counter-party have the same ultimate parent company.

D. The investee was accounted for using the equity method (by the Company and its subsidiaries).

E. The investee's subsidiary was accounted for using the equity method (by the Company and its subsidiaries).

F. All interconnect revenue, costs and collection of international direct dial revenue between Far EasTone and NCIC were settled at net amounts and were included in accounts payable - related parties.

G. Including the receivables collected by Far EasTone for NCIC.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Far Eastern New Century Corporation	Worldwide Polychem (HK) Ltd. Far Eastern Industries (Shanghai) Ltd.	(Note B) (Note B)	\$ 898,170 475,217	3.29 4.45	- -	- -	\$ 320,045 465,923	- -
Oriental Petrochemical (Taiwan) Corporation	Far Eastern New Century Corporation	(Note C)	842,557	7.98	-	-	842,557	-
Far Eastern Polychem Industries Ltd.	PET Far Eastern (M) Sdn. Bhd.	(Note D)	203,902	4.27	-	-	179,586	-
Far Eastern Apparel (Vietnam) Ltd.	Far Eastern Apparel (Holding) Ltd.	(Note D)	657,543	5.91	-	-	550,605	-
Far Eastern Industries (Shanghai) Ltd.	Far Eastern Polychem Industries Ltd. Wuhan Far Eastern New Material Ltd.	(Note C) (Note D)	233,804 340,078	26.65 2.27	- -	- -	233,804 4,395	- -
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern Apparel (Holding) Ltd. Far Eastern Apparel (Suzhou) Co., Ltd.	(Note C) (Note D)	436,067 117,273	7.28 4.71	- -	- -	366,630 117,273	- -
Oriental Petrochemical (Shanghai) Corporation	Far Eastern Industries (Shanghai) Ltd. Far Eastern Industries (Suzhou) Ltd.	(Note D) (Note D)	625,106 484,394	4.41 2.95	- -	- -	625,106 484,394	- -
Oriental Industries (Suzhou) Ltd.	Oriental Textile (Holding) Ltd.	(Note C)	601,359	6.02	-	-	599,218	-
Far Eastern Industries (Suzhou) Ltd.	Oriental Industries (Suzhou) Ltd.	(Note D)	345,407	3.89	-	-	345,407	-
Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern Apparel (Holding) Ltd.	(Note D)	122,326	8.19	-	-	113,313	-
Far Eastern Construction Co., Ltd.	Far Eastern Department Stores Co., Ltd.	(Note E)	132,573	(Note G)	-	-	14,428	-
Ding Ding Integrated Marketing Service Co., Ltd.	Pacific SOGO Department Stores Co., Ltd.	(Note F)	100,384	(Note H)	-	-	12,204	-
Far EastTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	(Note D) (Note D)	104,625 117,517	(Note I) 11.36	- -	- -	94,524 79,465	- -
New Century InfoComm Tech Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	(Note D)	3,566,828	(Note J)	-	-	602,489	-
ARCOA Communication Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	(Note D)	1,576,436	7.90	-	-	1,576,436	-

(Continued)



Notes: A. This table does not include the receivables from financier. For more details, refer to Schedule C. This table also does not include the other receivables from non-operating projects. For more details, refer to Table 3.

- B. Subsidiary.
- C. Parent company.
- D. The guarantor provider and counterparty have the same ultimate parent company.
- E. The investee was accounted for using the equity method (by the Company and its subsidiaries).
- F. The investee's subsidiary was accounted for using the equity method (by the Company and its subsidiaries).
- G. The turnover rate was unavailable due to the main component of receivables from related parties was rental equalization.
- H. The turnover rate was unavailable due to the receivables were points collections and payments on behalf of others.
- I. The turnover rate was unavailable as the receivables from related parties were mainly due to the advance payments made for NCIC's daily operating expenditures and the operating management service charges to NCIC.
- J. The turnover rate was unavailable due to the receivables from related parties were mainly from the advance payments made for NCIC's daily operating expenditures, and the operating management service revenue from NCIC, the collection of telecommunications bills by Far EastOne for NCIC and other receivables from related parties which was the financing provided by NCIC to Far EastOne.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES**

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2017	Investment Amount December 31, 2016	Balance as of December 31, 2017 Shares (Thousands)	% of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
Far Eastern New Century Corporation	Asia Cement Corporation	Taiwan	Cement production	\$ 2,652,282	\$ 2,652,282	750,511	22.33	\$ 16,414,157	\$ 5,525,079	\$ 824,701	Investment gain or loss recognized under the treasury shares method (Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	1,254,158	1,254,158	241,770	17.06	4,704,162	1,535,986	249,357	Including the adjustments of the transactions between subsidiaries of \$(2,682) (Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	1,176,211	1,176,211	81,216	9.17	1,332,527	1,792,471	150,058	Including the adjustments of the transactions between subsidiaries of \$(4,512) (Note A)
	Everest Textile Corporation	Taiwan	Chemical fiber production	1,689	1,689	134	0.03	1,534	215,144	65	(Note A)
	Oriental Sourcing Corporation	Taiwan	Bookering	159,823	159,823	140,278	19.65	1,945,424	157,167	30,883	(Note A)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	810,000	810,000	135,000	16.83	1,856,750	293,833	49,452	(Notes A and F)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	895,598	-	83,245	2.62	872,079	2,853,883	64,014	(Notes A and F)
	Yuan Ding Investment Co., Ltd.	Taiwan	Investment	100,052	100,052	1,822,822	99.40	41,076,970	6,015,411	5,981,332	Including the adjustments of the difference between individual and consolidated investment properties, and the transactions between subsidiaries of \$2,014 (Notes B and H)
	Far Eastern Resources Development Co., Ltd.	Taiwan	Real estate construction and sales	14,931,733	14,931,733	667,242	100.00	102,111,323	1,489,376	1,520,975	Including the adjustments of the transactions between subsidiaries of \$31,599 (Note B)
	Far Eastern Polytex (Holding) Ltd.	Bermuda	Investment	8,384,209	8,384,209	135	100.00	7,708,078	(101,726)	(101,726)	(Note B)
	Far Eastern Polychem Industries Ltd.	Bermuda	Investment	7,318,312	7,318,312	830,815	73.04	6,861,798	(93,001)	(67,928)	(Note B)
	Yuan Tong Investment Co., Ltd.	Taiwan	Investment	5,830,000	5,830,000	705,147	100.00	8,091,936	450,548	460,453	Including the adjustments of the transactions between subsidiaries of \$9,905 (Note B)
Kai Yuan International Investment Co., Ltd.	Investment	Taiwan	Investment	699,993	699,993	302,843	100.00	5,167,778	731,806	731,806	(Note B)
	Eastern Investment (Holding) Ltd.	Bermuda	Investment	5,833,333	5,833,333	1,399	100.00	8,279,241	121,694	121,694	(Note B)
	PEI Far Eastern (Holding) Ltd.	Bermuda	Investment	6,026,110	5,811,230	397	91.95	5,541,354	166,582	160,949	Including the discontinued amortization of Intangible Assets \$9,727 (Note B)
	Oriental Petrochemical (Taiwan) Corporation	Taiwan	Petrochemical materials production	12,431,130	10,919,967	1,334,427	75.56	7,942,270	(1,473,409)	(1,166,705)	Including the adjustments of the difference between individual and consolidated investment properties, and the transactions between subsidiaries of \$(53,397) (Notes B and H)
Far Eastern Construction Co., Ltd.	Yuan Ding Co., Ltd.	Taiwan	Real estate construction and sales	143,450	143,450	198,791	65.11	8,238,170	540,247	351,755	(Note B)
	An Ho Garment Co., Ltd.	Taiwan	Real estate leasing and hotel	857,511	857,511	186,929	37.13	3,075,962	(119,631)	(36,927)	(Note B and I)
	Investment	Taiwan	Garment production and investment	1,023	1,023	66,346	100.00	2,019,899	295,188	295,290	Including the adjustments of the transactions between subsidiaries of \$102 (Note B)
Yuan Ding Investment Co., Ltd.	Ding Yuan International Investment Co., Ltd.	Taiwan	Investment	2,000,062	2,000,062	205,000	100.00	2,820,313	530,766	530,846	Including the adjustments of the transactions between subsidiaries of \$80 (Note B)
	PEDEP (Holding) Ltd.	Bermuda	Investment	676,315	676,315	244	50.43	122,774	(105,064)	(52,984)	(Note B)
	Fu Kwok Knitting & Garment Co., Ltd.	Taiwan	Garment production	9,205	9,088	4,000	100.00	253,944	64,338	64,318	(Note B)
	Ding Ding Hotel Co., Ltd.	Taiwan	Hotel-related services	393,651	393,651	769	0.74	10,882	(343,915)	(49,661)	(Note B)
	Far Eastern Textile Ltd.	Taiwan	Textile production	1,000	1,000	100	100.00	1,234	76	76	(Note B)
	Asia Cement Corporation	Taiwan	Cement production	887,269	842,452	21,000	0.62	646,080	5,525,079	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	1,085,488	1,306,557	70,818	8.00	1,337,956	1,792,471	-	(Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	454,530	430,454	22,558	1.59	461,823	1,535,986	-	(Note A)
	Everest Textile Corporation	Taiwan	Chemical fiber production	470,103	470,103	123,624	25.23	1,129,947	215,144	-	(Note A)
	Far East Tone Telecommunications Co., Ltd.	Taiwan	Telecommunications	2,723,598	2,723,598	1,066,658	32.73	22,769,539	10,856,682	-	(Note B)
Far Eastern Polychem Industries Ltd.	Bermuda	Investment	1,392,692	1,392,692	306,644	26.96	2,532,777	(93,001)	-	(Note B)	
Da Ju Fiber Co., Ltd.	Taiwan	Investment	2,179,442	2,179,442	111	100.00	3,535,452	541,061	-	(Note B)	
Far Eastern Apparel (Holding) Ltd.	Taiwan	Sale of polychemical products	263,790	263,790	48,692	41.86	1,714,916	275,429	-	(Note B)	
Far Eastern Apparel Co., Ltd.	Taiwan	Sale of textiles, garments, and clothing	387,984	387,984	22,673	100.00	246,101	(55,899)	-	(Note B)	
Yuan Fuan Co., Ltd.	Taiwan	Production management consulting	511,671	511,671	5,000	100.00	127,407	24,715	-	(Note A)	
Yue Ming Corporation	Taiwan	Trading	97,852	97,852	4,684	45.50	62,182	1,586	-	(Note A)	

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017		Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
				December 31, 2017	December 31, 2016	Shares (Thousands)	% of Ownership				
Far Eastern Investment (Holding) Ltd.	Yuan Ding Leasing Corporation	Taiwan	Real estate construction and sales	\$ 319,380	\$ 319,380	36,706	46.20	\$ 388,327	\$ 11,944	-	(Note A)
	Far Eastern Fibertech Co., Ltd.	Taiwan	Medical materials manufacturing and wholesale and waste recycling and recycling	585,000	585,000	91,000	100.00	1,201,711	165,039	-	(Note B)
Far Eastern Investment (Holding) Ltd.	Oriental Resources Development Co., Ltd.	Taiwan	Medical materials manufacturing and wholesale and waste recycling and recycling	338,188	338,188	34,242	70.00	330,249	43,653	-	(Note B)
	Liquid Air Far East Co., Ltd.	Taiwan	Industrial production and sales	504,806	504,806	86,615	35.00	1,912,719	1,525,578	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Freudenberg Far Eastern Spunweb Co., Ltd.	Taiwan	Production of nonwoven industrial fabrics	144,786	144,786	13,082	29.80	370,534	564,514	-	(Note A)
	Oriental Securities Corporation	Taiwan	Brokerage	255,424	255,424	185,247	25.96	2,675,650	157,167	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Yuan Ding Co., Ltd.	Taiwan	Real estate leasing and hotels	188,846	188,846	64,759	12.86	1,089,336	(119,631)	-	(Note B)
	Far Eastern International Leasing Corporation	Bermuda	Leasing	1,012,057	714,262	75,268	16.87	930,646	85,692	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Oriental Textile (Holding) Ltd.	Taiwan	Investment	7,142,602	7,142,602	110	100.00	8,125,575	274,401	-	(Notes A and E)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	796,491	673,704	119,653	14.92	1,559,403	293,833	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Yu Yuan Investment Co., Ltd.	Taiwan	Real estate construction	673,704	14,682	98,198	18.96	453,433	226,143	-	(Note B)
	Far Eastern General Contractor Inc.	Taiwan	Petrochemical materials production	14,682	14,682	1,490	1.00	22,472	109,516	-	(Note B)
Far Eastern Investment (Holding) Ltd.	Oriental Petrochemical (Taiwan) Corporation	Taiwan	Petrochemical materials production	519,599	415,679	91,766	5.20	528,894	(1,473,409)	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	1,095,981	-	113,251	3.56	1,186,568	2,853,883	-	(Notes A and L)
Far Eastern Investment (Holding) Ltd.	Flitsyn Corporation	Philippines	Polychemical products	PESO 225,324	PESO 225,324	45,066	21.85	-	-	-	(Note A)
	PEFG Investment Anilines N.Y.	Antillen	Investment	US\$ 6	US\$ 6	6	100.00	452,453	(89,808)	-	(Note B)
Far Eastern Investment (Holding) Ltd.	PET Far Eastern (M) Sdn. Bhd.	Malaysia	Bottle production	MYR 8,000	MYR 8,000	(Note C)	50.00	209,484	8,148	-	(Notes B and C)
	Com-ZB	Cyprus Islands	E-business	US\$ 3,375	US\$ 3,375	9,000	20.00	12,392	459	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Far Eastern Apparel (Vietnam) Ltd.	Vietnam	Clothing production	US\$ 9,000	US\$ 9,000	(Note D)	100.00	740,632	274,029	-	(Notes B and D)
	Worldwide Polychem (HK) Ltd.	Hong Kong	Foreign trade	US\$ 3,500	US\$ 3,500	2,700	100.00	58,234	(45,715)	-	(Note B)
Far Eastern Investment (Holding) Ltd.	Onas Fund Segregated Portfolio Company	Cyprus Islands	Investment	US\$ 31	US\$ 31	(Note D)	100.00	4,849,332	(160,744)	-	(Notes A and D)
	Far Eastern Polytech (Vietnam) Ltd.	Vietnam	Chemical fiber and textile production	US\$ 170,000	US\$ 50,000	(Note D)	100.00	10,000	(160,744)	-	(Notes A and D)
Far Eastern Investment (Holding) Ltd.	Far Eastern Polyester (Vietnam) Ltd.	Vietnam	Garment production	US\$ 18,000	US\$ 18,000	(Note D)	100.00	246,710	(136,181)	-	(Notes B and D)
	Magna View Sdn. Bhd.	Malaysia	Investment	US\$ 3,465	US\$ 3,465	3,000	100.00	172,420	3,988	-	(Note B)
Far Eastern Investment (Holding) Ltd.	Malaysia Garment Manufacturers Pte. Ltd.	Singapore	Garment production and investment	US\$ 15,849	US\$ 15,849	30	37.92	479,137	3,734	-	(Note B)
	Catalyst 207 SPC	Cyprus Islands	Investment	US\$ 17	US\$ 17	59	41.00	506	(1)	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Far Eastern International Garments	Philippines	Garment production	US\$ 1	US\$ 1	90	50.00	(11,375)	-	-	(Note A)
	Centex Apparel Inc.	Philippines	Clothing O.E.M.	US\$ 1	US\$ 1	90	50.00	(11,375)	-	-	(Note A)
Magna View Sdn. Bhd.	PET Far Eastern (M) Sdn. Bhd.	Malaysia	Bottle production	MYR 8,000	MYR 8,000	Common shares	50.00	209,484	8,148	-	(Notes B and C)
						Preferred shares	5,000	-	-	-	
Ding Yuan International Investment Co., Ltd.	Asia Cement Corporation	Taiwan	Cement production	375,512	375,512	13,222	0.39	445,556	5,525,079	-	(Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	105,561	96,904	5,603	0.40	117,484	1,535,986	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Everest Textile Corporation	Taiwan	Chemical fiber production	34,561	40,372	1,137	0.23	9,266	215,144	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	677,665	684,551	27,365	3.09	685,186	1,792,471	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	38,457	38,457	920	0.03	41,142	10,856,682	-	(Note B)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	90,000	90,000	18,000	2.24	229,217	293,833	-	(Notes A and E)
Far Eastern Investment (Holding) Ltd.	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	95,624	95,624	12,844	13.20	333,739	27,439	-	(Note A)
	Far Easton Knitting & Garment Co., Ltd.	Taiwan	Garment production	30	30	84,135	2.64	881,493	4,438	-	(Notes A and L)
Kai Yuan International Investment Co., Ltd.	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	814,399	-	-	-	-	-	-	(Notes A and L)
	Asia Cement Corporation	Taiwan	Cement production	483,448	483,448	20,207	0.60	670,467	5,525,079	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	793,702	793,702	34,149	1.05	1,123,244	10,856,682	-	(Note B)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	737,170	801,854	32,273	3.64	687,555	1,792,471	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	519,473	519,473	20,672	1.46	565,115	1,535,986	-	(Note A)
	Kowloon Cement Corporation	Hong Kong	Cement production	226,896	226,896	1,127	49.00	444,941	(9,732)	-	(Note A)
Far Eastern Investment (Holding) Ltd.	Far Eastern International Leasing Corporation	Taiwan	Leasing	1,026,489	1,026,489	74,970	16.80	931,673	85,692	-	(Note A)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	90,000	90,000	102,167	3.21	1,070,234	2,853,883	-	(Notes A and L)
Far Eastern Investment (Holding) Ltd.	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	988,714	-	-	-	-	-	-	(Notes A and L)
	PET Far Eastern (Holding) Ltd.	Bermuda	Investment	US\$ 17,622	US\$ 17,622	35	8.05	470,532	166,582	-	(Note B)
Far Eastern Investment (Holding) Ltd.	FEFD (Holding) Ltd.	Bermuda	Investment	US\$ 29,240	US\$ 29,240	240	49.57	120,680	(105,064)	-	(Note B)
	Far Eastern Ishizuka Green Pet Corporation	Japan	Production and sale of recycled plastic resins and their waste and general industrial waste handling	JPY 2,991,678	JPY 2,991,678	3,578	90.00	639,215	7,192	-	(Note B)
Far Eastern Construction Co., Ltd.	Asia Cement Corporation	Taiwan	Cement production	216,959	216,959	17,726	0.53	538,873	5,525,079	-	(Note A)
	Far Eastern General Contractor Inc.	Taiwan	Real estate construction	271,587	271,587	141,413	98.35	2,075,691	109,516	-	(Note B)
Far Eastern Investment (Holding) Ltd.	Asia Cement Corporation	Taiwan	Cement production	16,246	16,246	469	0.01	14,404	5,525,079	-	(Note A)
	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	6,353	6,353	90	0.01	6,079	10,856,682	-	(Note B)
Far Eastern Investment (Holding) Ltd.	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	29	29	8	0.01	123	237,489	-	(Note A)

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2017	December 31, 2016	Shares (Thousands)	Balance as of December 31, 2017	% of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
Far Eastern General Contractor Inc.	Far Eastern Technical Consultants Co., Ltd.	Taiwan	Real estate development business consulting and management	\$ 3,864	\$ 3,864	450	\$ 5,406	9.00	\$ 5,406	\$ 4,740	-	(Note B)
FETG Investment Amities N. V.	Waldorf Services B. V.	The Netherlands	Investment	US\$ 19	US\$ 19	2	466,357	100.00	466,357	(93,644)	-	(Note B)
Waldorf Services B. V.	Malaysia Garment Manufacturers Pte. Ltd.	Singapore	Garment production and investment	SGD 3,000	SGD 3,000	-	-	-	-	3,734	-	(Note A)
	Far Eastern International Garments	Philippines	Garment production	US\$ 290	US\$ 290	-	-	-	-	-	-	(Note A)
	Context Apparel Inc.	Philippines	Clothing O.E.M.	PESO 9,000	PESO 9,000	-	-	-	-	-	-	(Note A)
Malaysia Garment Manufacturers Pte. Ltd.	Fiksyn Corporation	Philippines	Polychemical products	PESO 102,565	PESO 102,565	20,513	(43)	9.95	(43)	-	-	(Notes A and D)
	PT Malaysia Garment Bintan	Malaysia	Garment production	SGD -	SGD -	(Note D)	-	-	-	-	-	(Notes A and D)
An Ho Garment Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	748,158	748,158	40,818	1,050,078	1.25	1,050,078	10,856,682	-	(Note B)
	Asia Cement Corporation	Taiwan	Cement production	206,551	206,551	6,094	231,882	0.18	231,882	5,525,079	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	287,121	287,121	11,204	268,618	1.26	268,618	1,792,471	-	(Note A)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	10,483	10,483	370	109,915	0.03	109,915	1,535,986	-	(Note A)
	Oriental Securities Corporation	Taiwan	Brokering	118,125	113,076	7,688	157,167	1.15	157,167	157,167	-	(Note A)
	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	111,997	111,997	15,247	321,576	1.21	321,576	257,489	-	(Notes A and E)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	67,285	67,285	9,681	128,566	0.30	128,566	293,833	-	(Notes A and E)
	Yuan Ding Investment Co., Ltd.	Taiwan	Investment	148,994	148,994	5,502	167,625	0.30	167,625	6,015,411	-	(Notes A and L)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	202,798	202,798	20,956	219,539	0.66	219,539	2,853,883	-	(Notes A and L)
Yuan Faun Co., Ltd.	Yuan Cheng Human Resources Consultant Corporation	Taiwan	Personnel recruitment	72,14	72,14	745	13,056	55.19	13,056	4,240	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	42,973	42,973	4,441	46,523	0.14	46,523	2,853,883	-	(Notes A and L)
Fu Kwok Knitting & Garment Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	19,663	19,663	520	19,414	0.02	19,414	10,856,682	-	(Note B)
Yuan Tong Investment Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	2,246,035	2,246,035	100,237	2,747,199	3.08	2,747,199	10,856,682	-	(Note B)
	Far Eastern Department Stores Co., Ltd.	Taiwan	Department store operations	1,159,521	1,159,521	39,619	1,227,464	2.80	1,227,464	1,535,986	-	(Note A)
	Oriental Union Chemical Corporation	Taiwan	Petrochemical materials production	1,755,017	1,755,017	49,705	1,716,006	5.61	1,716,006	1,792,471	-	(Note A)
	Asia Cement Corporation	Taiwan	Cement production	888,648	888,648	28,579	1,050,263	0.85	1,050,263	5,525,079	-	(Note A)
	Pacific Liu Tong Investment Co., Ltd. (Note H)	Taiwan	Investment	90,000	90,000	18,000	228,220	2.24	228,220	293,833	-	(Notes A and E)
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection services	787,104	787,104	35,934	376,810	11.98	376,810	128,058	-	(Notes A and E)
	Liquid Air Far East Co., Ltd.	Taiwan	Industrial gas production and sales	20	20	1	27	-	27	1,525,578	-	(Note A)
	Sino Belgium (Holding) Ltd.	Bermuda	Investment	2,255,510	2,255,510	36	90,888	0.36	(602,967)	(337,419)	-	(Note A)
	Freudenberg Far Eastern Spunweb Co., Ltd.	Taiwan	Production of nonwoven industrial fabrics	34	34	1	38	-	38	564,514	-	(Note A)
	Malaysia Garment Manufacturers Pte. Ltd.	Singapore	Garment production and investment	7,354	7,354	10	164,261	13.00	164,261	3,734	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	986,735	986,735	101,963	1,068,045	3.20	1,068,045	2,853,883	-	(Notes A and L)
Yuan Ding Co., Ltd.	YDT Technology International Co., Ltd.	Taiwan	Electronic material and relevant by-product sales	100,000	100,000	13,929	244,477	100.00	244,477	(42,259)	-	(Note B)
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	558,000	558,000	41,633	203,367	60.00	203,367	534	-	(Note B)
	Far Eastern Technical Consultants Co., Ltd.	Taiwan	Real estate development business consulting and management	45,182	45,182	4,350	53,448	91.00	53,448	4,740	-	(Note B)
	YDC (Virgin Islands) Ltd.	British Virgin Islands	Investment	200	200	(Note D)	9,777	4.79	9,777	3,744	-	(Note B)
	Yuanxin Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	Taiwan	Electronic information providing services	US\$ 566,896	US\$ 566,896	4,995	(6,383)	-	(6,383)	(371,842)	-	(Notes B and K)
	FET Consulting Engineers Co., Ltd.	Taiwan	Business information consultants, piping engineering, cable installation, automatic equipment installation and investment business	822,701	822,701	83,000	510,638	100.00	510,638	(14,173)	-	(Note B)
	Asia Cement Corporation	Taiwan	Cement production	136,037	136,037	5,329	191,514	0.16	191,514	5,525,079	-	(Note A)
	Far EastTone Telecommunications Co., Ltd.	Taiwan	Telecommunications	100,412	100,412	4,164	110,069	0.13	110,069	10,856,682	-	(Note B)
	Yu Yuan Investment Co., Ltd.	Taiwan	Investment	411,187	411,187	129,637	1,385,981	25.02	1,385,981	226,143	-	(Note A)
	Yue Ming Corporation	Taiwan	Trading	787	787	103	561	1.00	561	1,586	-	(Note A)
	Yu Ding Industry Co., Ltd.	Taiwan	Department store operations	22,676	22,676	2,523	52,815	2.59	52,815	257,489	-	(Note A)
	PEFS Asia Pacific Development Co., Ltd.	Taiwan	Department store operations	100,000	100,000	10,650	131,033	5.00	131,033	159,976	-	(Note A)
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection services	977,650	977,650	44,796	464,302	14.93	464,302	128,058	-	(Note B)
	Far Eastern International Bank	Taiwan	Deposit, loan and guarantee services	76,665	76,665	7,922	83,000	0.25	83,000	2,853,883	-	(Notes A and L)
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Information software, department stores, convenience stores and non-store retailing	239,130	239,130	-	-	-	-	(136,755)	-	(Note K)
	Yuan Hsin Digital Payment Corporation	Taiwan	Electronic stored value cards	400,000	300,000	24,955	204,180	20.00	204,180	(268,490)	-	(Note B)
	Ding Ding Hotel Co., Ltd.	Taiwan	Hotel-related services	1,645,021	645,021	64,502	504,389	98.32	504,389	(343,915)	-	(Note B)

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2017	Investment Amount December 31, 2016	Shares (Thousands)	% of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
Ding Ding Integrated Marketing Service Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd. Yuanishi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.) Yuan Hsin Digital Payment Corporation DDIM (Virgin Islands) Ltd. DDIM (Virgin Islands) Ltd.	Taiwan Taiwan Taiwan British Virgin Islands British Virgin Islands	Information software, department stores, convenience stores and non-store retailing. Electronic information providing services Electronic stored value cards Investment Investment	\$ - 1,828 300,200 US\$ 11,000 384,970	\$ 745 - 225,150 US\$ 11,000 384,970	17 - 18,729 - -	0.02 - 15.01 46.13 53.87	-(27) 153,234 7,368 8,604	\$(136,755) (371,842) (268,490) (32,134) (32,134)	- - - - -	(Note K) (Notes B and J) (Note B) (Notes B and D) (Notes B and D)
FET Consulting Engineers Co., Ltd.	Everest Textile Corporation Far Eastern Department Stores Co., Ltd. Asia Cement Corporation YDCC (Virgin Islands) Ltd. Far Eastern International Bank	Taiwan Taiwan Taiwan British Virgin Islands Taiwan	Chemical fiber production Department store operations Cement production Investment Deposit, loan and guarantee services	2,451 51,673 862 930 26,960	2,451 51,673 862 930 -	125 2,764 61 -	0.03 0.20 -	1,172 94,353 2,169 45,460 29,215	215,144 1,535,986 5,525,079 3,744 2,853,883	- - - - -	(Note A) (Note A) (Note B) (Notes A and L) (Note B)
Far Eastern Electronic Toll Collection Co., Ltd.	FETC International Co., Ltd.	Taiwan	Dispatched labor, procuring equipment, and sales agent services	200,000	-	20,000	100.00	180,798	(19,202)	-	(Note B)
Far EastOne Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	Taiwan Taiwan	Type I, II telecommunications services Telecommunications services, sales of communications products and office equipment	22,249,283 1,305,802	22,249,283 1,305,802	2,100,000 82,762	100.00 61.63	26,809,796 1,208,193	1,757,282 109,656	- -	(Note B) (Note B)
KGBS.com Co., Ltd.	KGBS.com Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,440,457	78,896	99.99	783,448	78,781	-	(Note B)
Yuanishi Digital Marketing Co., Ltd.	Yuanishi Digital Marketing Co., Ltd.	Taiwan	Electronic information providing services	886,169	537,260	90,014	86.41	(115,145)	(371,842)	-	(Note B)
Far Eastern Electronic Commerce Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Information software, department stores, convenience stores and non-store retailing	-	80,893	-	-	-	(136,755)	-	(Note K)
Hiir Digital Marketing Co., Ltd.	Hiir Digital Marketing Co., Ltd.	Taiwan	Electronic information providing services	886,169	537,260	2,000	100.00	34,270	13,148	-	(Note B)
Yuan Cing Co., Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	92,616	92,616	1	100.00	(47,302)	2,270	-	(Notes B and J)
Far Eastern Info Service (Holding) Ltd.	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	25,000	25,000	2,900	50.00	9,466	2,639	-	(Note B)
Q-ware Communications Corporation	Q-ware Communications Corporation	Taiwan	Electronic information providing services	832,038	832,038	33,983	81.46	(138,568)	(75,556)	-	(Note B)
Far Eastern Electronic Toll Collection Co., Ltd.	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection services	2,542,396	2,542,396	118,251	39.42	816,685	128,058	-	(Note B)
Yuan Hsin Digital Payment Corporation	Yuan Hsin Digital Payment Corporation	Taiwan	Electronic stored value cards	600,000	450,000	37,433	30.00	306,289	(268,490)	-	(Note B)
Ding Ding Integrated Marketing Service Co., Ltd.	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	10,408	15.00	50,692	534	-	(Note B)
Alliance Digital Technology Co., Ltd.	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	60,000	60,000	6,000	14.40	14,451	(132,040)	-	(Note A)
DataExpress Infotech Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Electronic information providing services	141,750	141,750	12,866	70.00	178,086	32,872	-	(Note B)
New Diligent Co., Ltd.	New Diligent Co., Ltd. Information Security Service Digital United Inc. Digital United (Cayman) Ltd.	Taiwan Taiwan Cayman Islands	Investment Security and monitoring service via internet Investment	540,000 148,777 132,406	1,060,000 148,777 132,406	54,000 10,249 4,320	100.00 100.00 100.00	139,909 116,072 13,978	27,098 13,227 (17,265)	- - -	(Note B) (Note B) (Note B)
Far Eastern Electronic Commerce Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Information software, department stores, convenience stores and non-store retailing	-	28,922	-	-	-	(136,755)	-	(Note K)
Yuanishi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	Yuanishi Digital Technology Co., Ltd. (former name is Hiir Digital Marketing Co., Ltd.)	Taiwan	Electronic information providing services	20	-	2,500	2.40	(3,197)	(371,842)	-	(Notes B and K)
Ding Ding Integrated Marketing Service Co., Ltd.	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	3,469	5.00	16,898	534	-	(Note B)
Sino Lead Enterprise Limited	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30	100.00	226	77	-	(Note B)
British Virgin Islands Company Ltd.	British Virgin Islands Company Ltd.	Hong Kong	Investment	330,598	330,598	-	100.00	78,207	25,855	-	(Note B)
New Diligent Hong Kong Co., Ltd.	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investment	3,051	-	-	100.00	2,866	(185)	-	(Note B)
Linkwell Tech. Co., Ltd.	Linkwell Tech. Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	10,000	100.00	41,675	2,075	-	(Note B)
Home Master Technology Ltd.	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	(1,374)	7,042	-	(Note B)

Notes: A. Equity-method investee.

B. Subsidiary.

C. Including 5,000 thousand common shares and 5,000 thousand preferred shares.

D. A foreign owned company.

E. The investor opened a trust account in Shanghai Bank in Taipei on September 26, 2002 to acquire the ownership of Pacific Life Tang Investment Co., Ltd.

F. Shares in thousands.

(Continued)

- G. For investments in mainland China, refer to Schedule N.
- H. Under the "IFRSs Questions and Answers" issued by Taiwan Stock Exchange Corporation (TWSE), the Company recognized these items as investment properties in these parent-company-only financial statements and reclassified them to property, plant and equipment in its consolidated financial statements. The Company used the equity method and share of the profit or loss of associates to adjust the differences between the investment property amounts presented in these parent-company-only financial statements and the consolidated financial statements.
- I. The effects from the adjustments of FENC shares which are held by Yuan Ding Co., Ltd. and the transactions between subsidiaries amounted to \$7,492 thousand.
- J. The ending balance of the investment is zero in 2016 because the amount of reduction in capital was over the original investing value.
- K. Hiir Corporation and Far Eastern Electronic Commerce Co., Ltd. were merged on August 1, 2017. Hiir Digital Marketing Co., Ltd. was the surviving company while Far Eastern Electronic Commerce Co., Ltd. was dissolved. The surviving company was renamed as Yuanshi Digital Technology Corporation.
- L. The investment was reclassified to accounting for using the equity method on August 18, 2017. The adjustment of the difference between the acquisition cost and net value was included in the investment gain or loss in current period.

(Concluded)

## FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES

INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Renminbi and U.S. Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Amount as of December 31, 2017 (Note C)	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Far Eastern Industries (Shanghai) Ltd.	Manufacture and sales of PET staple, PET filament, polyester top, PET performs, draw textured yarn, spinning yarn, knit fabrics, woven fabrics, knit garments and woven garments	\$ 8,584,023	2	\$ 3,700,967	\$ -	\$ -	\$ 3,700,967	\$ (74,003)	100.00	\$ (74,003)	\$ 8,569,564	\$ 853,493	Notes D and E
Far Eastern Apparel (Suzhou) Co., Ltd.	Production and marketing of knit garments, woven garments, non-knit garments, and nonwoven garments and accessories	933,895	2	1,010,901	-	-	1,010,901	111,428	100.00	111,428	1,524,616	233,172	Notes F and G
Far Eastern Industries (Wuxi) Ltd.	Production and marketing of comb cotton yarn, 60/40 poly/cotton blended yarn, 65/35 poly/cotton blended yarn, spun yarn, woven fabrics, greece woven fabrics, print woven fabrics, piece dyed woven fabrics and bleached woven fabrics	2,197,913	2	2,018,430	-	-	2,018,430	(2,541)	100.00	(2,541)	2,983,303	246,378	Notes H and I
Oriental Petrochemical (Shanghai) Corporation	Manufacture and distribution of PTA and its by-products	8,187,736	2	2,976,148	3,791,007	-	3,791,107	(829,571)	61.35	(506,037)	3,150,368	1,064,005	Note J
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Manufacture and sales of weaving, dyeing and finishing of novelty fabrics, high-value engineered textiles, industrial woven fabrics and scraps	1,685,732	2	1,342,854	-	-	1,342,854	373,198	100.00	373,198	2,864,053	92,719	Notes H and S
Far Eastern Industries (Suzhou) Ltd.	Production and sales of fiber and non-fiber polyester products	1,800,298	2	1,765,319	-	-	1,765,319	(84,892)	100.00	(84,892)	31,418	-	Note K
Wuhan Far Eastern New Material Ltd.	Production and sales of PET sheets, chips, filaments, staple fibers, and apparel	780,832	2	724,110	-	-	724,110	5,127	100.00	5,127	954,459	-	-
Oriental Industries (Suzhou) Ltd.	Production and marketing of polyester chips, partially oriented yarn, fully oriented yarn, and polyester yarn	4,997,975	2	4,957,248	-	-	4,957,248	343,938	100.00	343,938	5,822,769	-	Note H
Far Eastern New Century (China) Investment Co., Ltd.	Investment	2,833,412	2	2,795,325	-	-	2,795,325	(164,787)	100.00	(164,787)	1,776,344	-	-
Sino Belgium Beer (Suzhou) Ltd.	Beer brewing	1,739,987	2	1,763,952	-	-	1,763,952	(143,482)	100.00	(326,733)	(514,568)	-	Note L
Martens Beers (Shanghai) Ltd.	Beer brewing	357,924	2	231,475	-	-	231,475	(16,257)	100.00	(16,257)	(1,443)	-	Note L
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	PA and its by-product production and sale	6,634,548	2	4,181,323	-	-	4,181,323	352	60.00	211	4,006,705	-	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance from Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance from Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Amount as of December 31, 2017 (Note C)	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Far Eastern Industries (Yangzhou) Ltd.	PA and its by-product production	\$ 1,410,139	2	\$ 1,436,190	\$ -	\$ -	\$ 1,436,190	\$ 2,432	100.00	\$ 2,432	\$ 1,426,701	\$ -	
Far Eastern Union Petrochemical (Yangzhou) Corporation	PA and its by-product production	3,725,545	2	1,962,908	-	-	1,962,908	1,046,972	50.00	523,486	2,028,774	-	
Shanghai Yuan Zi Information Technology Co., Ltd.	Software development, equipment maintenance and consulting	58,021	3	-	-	-	-	180	100.00	180	61,894	-	
Shanghai Far Eastern Petrochemical Logistic Corporation	Transportation	86,735	3	-	-	-	-	5,556	100.00	5,556	133,283	-	
Suzhou An Ho Garment Co., Ltd.	Garment production	4,565	3	-	-	-	-	5,086	100.00	5,086	54,865	-	
Yuan Ding Enterprise (Shanghai) Limited	Chemical products, machinery and equipment fabricants wholesale, commission agents and foreign trade	1,168,640	3	-	-	-	-	(90,268)	100.00	(90,268)	716,404	-	
Tong Da Air Industry (Yangzhou) Co., Ltd.	Liquid oxygen, oxygen, nitrogen and hydrogen warehousing	1,878,379	2	1,020,489	-	-	1,020,489	247,045	50.00	123,523	1,083,569	-	Note M
Yuan Ding Integrated Information Service (Shanghai) Inc.	Computer software and internet software design and development	687,710	2	598,270	-	-	598,270	(32,249)	100.00	(32,249)	15,662	-	Note N
Speedy (Shanghai) digital Tech. Co., Ltd.	Intelligent control equipment and security monitoring products and services	29,852	2	24,220	-	-	24,220	3,925	100.00	3,925	50,016	-	Note P
Digital United Information Technology (Shanghai) Ltd.	Research and design of computer systems	92,256	2	92,256	-	-	92,256	(8,642)	100.00	(8,642)	2,200	-	Note Q
Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	342,240	2	306,528	-	-	306,528	26,597	90.52	24,075	96,687	-	Note O
Far Eastern Tech-Info Ltd. (Shanghai)	Computer software, data processing and provision of network information services	178,560	2	196,776	-	-	196,776	5,478	100.00	5,478	104,370	-	Notes Q and R
New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	33,540	-	-	33,540	-	-	-	-	-	

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Far Eastern New Century Corporation (Notes T and U)	\$ 20,655,177	\$ 22,997,991	\$ -

Notes: A. Investment types are classified as follows:

- The investment was made directly in China.
- The investment was made through a company registered in a third region. Companies which registered in a third region are: Far Eastern Polychem Industries Ltd., PET Far Eastern (Holding) Ltd., Far Eastern Apparel (Holding) Ltd., Oriental Textile (Holding) Ltd., FEDP (Holding) Ltd., Far Eastern Polytex (Holding) Ltd., Sino Belgium (Holding) Corporation, YDC (Virgin Islands) Ltd., Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd. and Far Eastern New Diligent Company Corporation.
- Other types.

(Continued)



- B. Recognition of gains or losses was based on the following four information:
1. Financial statements of these companies, which were audited by an international accounting firm with a cooperative relationship with an ROC accounting firm: Far Eastern Industries (Shanghai) Ltd., Far Eastern Apparel (Suzhou) Co., Ltd., Far Eastern Industries (Wuxi) Ltd., Oriental Petrochemical (Shanghai) Corporation, Far Eastern Dyeing and Finishing (Suzhou) Ltd., Far Eastern Industries (Suzhou) Ltd., Within Far Eastern New Material Ltd., Oriental Industries (Suzhou) Ltd., Far Eastern Union Petrochemical (Yangzhou) Corporation and Tong Da Air Industry (Yangzhou) Co., Ltd.
  2. Financial statements of these companies, which were audited by the parent company's accounting firm: Digital United Information Technology (Shanghai) Ltd., Far Eastern Tech-Info Ltd. (Shanghai) and New Diligence Corporation (Shanghai).
  3. Others: Far Eastern New Century (China) Investment Co., Ltd., Sino Belgium Beer (Suzhou) Ltd., Martens Beers (Shanghai) Ltd., Far Eastern Industries (Yangzhou) Ltd., Far Eastern Yihua Petrochemical (Yangzhou) Corporation, Shanghai Yuan Zi Information Technology Co., Ltd., Shanghai Far Eastern Petrochemical Logistic Corporation, Suzhou An Ho Apparel Ltd., Yuan Ding Enterprise (Shanghai) Limited, Yuan Ding Integrated Information Service (Shanghai) Inc. and Speedy (Shanghai) digital Tech. Co., Ltd.
  4. Financial statements of these companies, which were not audited by the accounting firm: Far Eastern Tech-Info Ltd. (Shanghai) and Far Eastern New Century Information Technology (Beijing) Limited.
- C. The ending balance of long term investment.
- D. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was \$3,700,967 thousand, of which \$3,134,807 thousand were from the Company while the remainder was from Yuan Ding Investment Co., Ltd.
  - E. As of December 31, 2017, the remitted amount of profit of the investment was the total cash dividend of Far Eastern Polychem Industries Ltd. received by FENC and Yuan Ding Investment Co., Ltd.
  - F. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was \$1,010,901 thousand, of which \$509,725 thousand was remitted by FENC while the remainder was remitted by Yuan Ding Investment Co., Ltd.
  - G. As of December 31, 2017, the profit of the investment was cash dividends paid by Far Eastern Apparel (Suzhou) Co., Ltd. which was remitted through FENC subsidiaries, Far Eastern Polytex (Holding) Ltd. and Far Eastern Apparel (Holding) Ltd.
  - H. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by Yuan Ding Investment Co., Ltd.
  - I. As of December 31, 2017, the profit of the investment was cash dividends paid by Far Eastern Industries (Wuxi) Ltd. remitted through FENC's subsidiary, Oriental Textile (Holding) Ltd.
  - J. As of December 31, 2017, the profit of the investment was cash dividends paid by Oriental Petrochemical (Shanghai) Corporation remitted through FENC's subsidiaries, PET Far Eastern (Holding) Ltd. and Far Eastern Polytex (Holding) Ltd.
  - K. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was \$1,765,319 thousand, of which \$1,099,293 thousand was remitted by FENC while the remainder was remitted by subsidiaries, Yuan Ding Investment Co., Ltd. and Yuan Tong Investment Co., Ltd.
  - L. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by FENC's subsidiary, FET Consulting Engineers Co., Ltd.
  - M. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by FENC's subsidiaries, YDT Technology International Co., Ltd., FET Consulting Engineers Co., Ltd. and Ding Ding Integrated Marketing Service Co., Ltd.
  - N. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by FENC's subsidiary, YDT Technology International Co., Ltd.
  - O. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by FENC's subsidiary, Far EastTone Telecommunications Co., Ltd.
  - P. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by FENC's subsidiary, New Century InfoComm Tech Co., Ltd.
  - Q. As of December 31, 2017, the accumulated outflow of the investment from Taiwan was remitted by FENC's subsidiary, New Diligent Co., Ltd. The dissolution of this investment was approved by the local government on February 9, 2018.
  - R. Dissolution was approved by the local government on April 13, 2010. New Diligence Corporation (Shanghai) remitted US\$73 thousand back to Taiwan on June 27, 2012 and wrote off the amount as the investment registered with the Investment Commission of the MOEA.
  - S. As of December 31, 2017, the profit from the investment was cash dividends paid by Far Eastern Dyeing & Finishing (Suzhou) Ltd. which was remitted through FENC's subsidiary, Far Eastern Apparel (Holding) Ltd.
  - T. Investment amounts authorized by the Investment Commission of the MOEA include US\$771,755 thousand, and the original investment of RMB6,695 thousand from Far Eastern Polytex (Holding) Ltd. was approved by the Investment Commission under the Ministry of Economic Affairs.
  - U. Based on MOEA Approval Letter No. 10620430940, there is no limitation on the amount of the parent company's investment in China.

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION AND INVESTEEES**

INVESTMENT IN MAINLAND CHINA - INVESTMENT TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of U.S. Dollars)

Investee Company	Investor Company	Authorized by Investment Commission, MOEA			Through Investor Company in Third Area	Investment Amount (US\$)	Investor Company's Own Capital	Investment Type		Investor Company in Third Area Using Dividends Received from Investee (US\$)	Investor Company in Third Area Using Its Own Capital to Invest (US\$)
		Date	MOEA Approval Letter No.	Investment				Financed from Financial Institutions in Third Area (US\$)			
Far Eastern Industries (Shanghai) Ltd.	Far Eastern New Century Corporation	1996.07.09	No. 84015136	\$ 6,000	Far Eastern Polychem Industries Ltd.	\$ 6,000					
	Yuan Ding Investment Co., Ltd.	2004.12.29	No. 093032400	24,000	Far Eastern Polychem Industries Ltd.	24,000	24,000				
	Far Eastern New Century Corporation	2004.12.30	No. 093032090	1,712	Far Eastern Polychem Industries Ltd.	1,712	\$ 1,712				
	Far Eastern New Century Corporation	2004.11.03	No. 093032240	1,540	Far Eastern Polychem Industries Ltd.	1,540		\$ 1,540			
	Yuan Ding Investment Co., Ltd.	2004.12.29	No. 093032402	3,879	Far Eastern Polychem Industries Ltd.	3,879	3,879				
	Yuan Ding Investment Co., Ltd.	2004.11.02	No. 093032359	7,014	Far Eastern Polychem Industries Ltd.	7,014	7,014				
	Yuan Ding Investment Co., Ltd.	2004.12.29	No. 093032089	15,898	Far Eastern Polychem Industries Ltd.	15,898	15,898				
	Far Eastern New Century Corporation	2006.11.01	No. 09500287850	6,313	Far Eastern Polychem Industries Ltd.	6,313	31,779		6,313		
	Far Eastern New Century Corporation	2008.06.27	No. 09700163440	31,779	Far Eastern Polychem Industries Ltd.	31,779	56,000				
	Far Eastern New Century Corporation	2008.04.18	No. 09700045490	4,800	Far Eastern Polychem Industries Ltd.	4,800	4,800				
					8,198						
					(Note E)						
					11,500	Far Eastern Polychem Industries Ltd.	11,500				
	Far Eastern Apparel (Suzhou) Co., Ltd.	Far Eastern New Century Corporation	2010.04.19	No. 09900142680 (Note D)	10,000	Far Eastern Apparel (Holding) Ltd.	10,000	10,000			
Yuan Ding Investment Co., Ltd.		1996.10.16	No. 85016219	5,000	Far Eastern Apparel (Holding) Ltd.	5,000	5,000				
Yuan Ding Investment Co., Ltd.		2003.10.30	No. 092033299	11,000	Far Eastern Polyex (Holding) Ltd.	11,000	11,000				
Far Eastern New Century Corporation		2006.05.23	No. 09500112650	5,000	Far Eastern Polyex (Holding) Ltd.	5,000	5,000				
Far Eastern New Century Corporation		2008.03.31	No. 09700038490	19,960	Far Eastern Polyex (Holding) Ltd.	19,960	19,960				
Far Eastern Industries (Wuxi) Ltd.	Yuan Ding Investment Co., Ltd.	2002.06.21	No. 091011903	40,000	Oriental Textile (Holding) Ltd.	40,000	40,000				
	Yuan Ding Investment Co., Ltd.	2005.11.03	No. 094024169	1,228	Oriental Textile (Holding) Ltd.	1,228					1,228
Oriental Petrochemical (Shanghai) Corporation	Far Eastern New Century Corporation	2009.11.17	No. 09800408170 (Note B)	6,592	Far Eastern Polychem Industries Ltd.	6,592					
	Yuan Ding Investment Co., Ltd.	2009.11.17	No. 09800408160 (Note C)	49,500	PET Far Eastern (Holding) Ltd.	49,500	49,500				
	Far Eastern New Century Corporation	2008.06.27	No. 09700163430	4,800	Far Eastern Polychem Industries Ltd.	4,800	4,800				
	Far Eastern New Century Corporation	2008.04.18	No. 09700045500	2,936	PET Far Eastern (Holding) Ltd.	2,936	4,800				
				(Note F)							
					41,171	PET Far Eastern (Holding) Ltd.	41,171	27,000			
					27,000	PET Far Eastern (Holding) Ltd.	27,000				
					20,000	Far Eastern Apparel (Holding) Ltd.	20,000				
					30,000	Far Eastern Apparel (Holding) Ltd.	30,000				
					9,352	Far Eastern Polychem Industries Ltd.	9,352				
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Far Eastern New Century Corporation	2004.10.11	No. 093025506	1,569	FEDP (Holding) Ltd.	1,569					9,352
	Far Eastern New Century Corporation	2004.10.14	No. 093030298	713	FEDP (Holding) Ltd.	713					713
	Far Eastern New Century Corporation	2010.10.12	No. 09900403430 (Note H)	5,288	Far Eastern Polychem Industries Ltd.	5,288	5,288				
	Far Eastern New Century Corporation	2006.11.01	No. 09500287850	4,524	FEDP (Holding) Ltd.	4,524	4,524				

(Continued)

Investee Company	Authorized by Investment Commission, MOEA					Investment Type			Investor Company in Third Area Using Its Own Capital to Invest (US\$)
	Investor Company	Date	MOEA Approval Letter No.	Through Investor Company in Third Area	Investment Amount (US\$)	Investor Company's Own Capital	Investor Company in Third Area Using Dividends Received from Investee (US\$)	Financed from Financial Institutions in Third Area (US\$)	
Oriental Industries (Suzhou) Ltd.	Far Eastern New Century Corporation	2008.04.18	No. 09700045510	Far Eastern Polychem Industries Ltd. FEDP (Holding) Ltd.	\$ 4,800 754 (Note G) 18,224	\$ 4,800			
	Far Eastern New Century Corporation	2010.12.29	No. 09900470520 (Note I)	FEDP (Holding) Ltd.	18,224	18,224			
	Yuan Ding Investment Co., Ltd.	2005.08.01	No. 094015006	Oriental Textile (Holding) Ltd.	19,800	19,800			
	Yuan Ding Investment Co., Ltd.	2006.02.09	No. 094037416	Oriental Textile (Holding) Ltd.	30,200	30,200			
	Yuan Ding Investment Co., Ltd.	2007.10.02	No. 09600280400	Oriental Textile (Holding) Ltd.	23,000	23,000			
	Yuan Ding Investment Co., Ltd.	2008.09.01	No. 09700172130	Oriental Textile (Holding) Ltd.	32,500	32,500			
	Yuan Ding Investment Co., Ltd.	2013.04.29	No. 10200127470	Oriental Textile (Holding) Ltd.	8,000	8,000			
	Yuan Ding Investment Co., Ltd.	2014.09.11	No. 10300223190 (Note K)	Oriental Textile (Holding) Ltd.	43,000	43,000			
	Wuhan Far Eastern New Material Ltd.	2006.05.19	No. 09500900070	Far Eastern Polytex (Holding) Ltd.	12,000	12,000			
	Far Eastern New Century Corporation	2009.06.29	No. 09800155640	Far Eastern Polytex (Holding) Ltd.	10,000	10,000			
Far Eastern New Century (China) Investment Co., Ltd. (Note A)	2010.12.21	No. 09900470530	Far Eastern Polytex (Holding) Ltd.	RMB 6,695	RMB 6,695				
Far Eastern New Century Corporation	2006.08.01	No. 09500124430	Far Eastern Polytex (Holding) Ltd.	48,000	48,000				
Sino Belgium Beer (Suzhou) Ltd.	2007.08.02	No. 09600248620	Sino Belgium (Holding) Ltd.	18,000	18,000				
Martens Beers (Shanghai) Ltd.	Yuan Tong Investment Co., Ltd.	2008.02.21	No. 09600451060	Sino Belgium (Holding) Ltd.	12,000	12,000			
	Yuan Tong Investment Co., Ltd.	2014.04.24	No. 10300091010 (Note L)	Sino Belgium (Holding) Ltd.	16,000	16,000			
Far Eastern Tech-Info Ltd. (Shanghai)	Yuan Tong Investment Co., Ltd.	2014.12.19	No. 10300249370 (Note O)	Sino Belgium (Holding) Ltd.	10,000	10,000			
	Yuan Tong Investment Co., Ltd.	2008.12.10	No. 09700456110	Sino Belgium (Holding) Ltd.	3,800	3,800			
Far Eastern Petrochemical (Yangzhou) Corporation	Yuan Tong Investment Co., Ltd.	2010.07.29	No. 09900284200	Bockhold N.V.	4,304	4,304			
	Yuan Tong Investment Co., Ltd.	2014.04.24	No. 10300091010 (Note L)	Martens HK Ltd.	1,500	1,500			
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Yuan Tong Investment Co., Ltd.	2013.11.28	No. 10200451570 (Note N)	Sino Belgium (Holding) Ltd.	1,100	1,100			
	Yuan Tong Investment Co., Ltd.	2014.12.19	No. 10300249370 (Note O)	Sino Belgium (Holding) Ltd.	1,000	1,000			
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Far EastTone Telecommunications Co., Ltd.	2004.08.26	No. 095018811	Far Eastern Info Service (Holding) Limited	2,500	2,500			
	Far Eastern Industries (Yangzhou) Ltd.	2011.06.23	No. 10000021360 (Note J)	Far Eastern Polytex (Holding) Ltd.	166,000	166,000			
Yuan Ding Enterprise (Shanghai) Limited	Far Eastern New Century Corporation	2012.03.30	No. 10100043080	Far Eastern Polychem Industries Ltd.	49,000	49,000			
	Far Eastern New Century Corporation	2012.08.31	No. 10300210860 (Note M)	PET Far Eastern (Holding) Ltd.	66,000	66,000			
Tong Da Air Industry (Yangzhou) Co., Ltd.	Far Eastern New Century Corporation	2013.11.08	No. 10200399280	Far Eastern Polytex (Holding) Ltd.	1,000	1,000			
	Far Eastern New Century Corporation	2017.11.17	No. 10600282650 (Note R)	Far Eastern New Century (China) Investment Co., Ltd.	82,340	82,340			
Speedy (Shanghai) digital Tech. Co., Ltd.	Far Eastern New Century Corporation	2014.09.05	No. 10300203670 (Note Q)	PET Far Eastern (Holding) Ltd.	33,500	33,500			
	Yuan Ding Integrated Information Service (Shanghai) Inc.	2011.10.19	No. 10000429550	YDC (Virgin Islands) Ltd.	110	110			
Far Eastern Petrochemical (Yangzhou) Corporation	Far Eastern New Century Corporation	2011.11.03	No. 10000439470	DDIM (Virgin Islands) Ltd.	8,100	8,100			
	Far Eastern New Century Corporation	2015.08.11	No. 10400179060	DDIM (Virgin Islands) Ltd.	1,100	1,100			
Far Eastern Petrochemical (Yangzhou) Corporation	Far Eastern New Century Corporation	2004.02.11	No. 095003471	YDC (Virgin Islands) Ltd.	300	300			
	Far Eastern New Century Corporation	2005.02.05	No. 094003122	YDC (Virgin Islands) Ltd.	500	500			

(Continued)

Investee Company	Authorized by Investment Commission, MOEA					Investment Type		
	Investor Company	Date	MOEA Approval Letter No.	Through Investor Company in Third Area	Investment Amount (US\$)	Investor Company's Own Capital	Investor Company in Third Area Using Dividends Received from Investee (US\$)	Investor Company in Third Area Using Its Own Capital to Invest (US\$)
Far Eastern Tech-Info Ltd. (Shanghai)	Far EastTone Telecommunications Co., Ltd.	2004.08.26	No. 093018811	Far Eastern Info Service (Holding) Ltd.	\$ 2,500	\$ 2,500		
Digital United Information Technology (Shanghai) Ltd.	New Diligent Co., Ltd.	2014.01.29	No. 10300022990	Far Eastern New Diligent Co., Ltd.	3,500	3,500		
New Century Information Technology (Shanghai) Ltd.	New Century InfoComm Tech Co., Ltd.	2002.10.07	No. 091041498	Digital United (Cayman) Ltd.	3,100	1,000		\$ 3,100
New Diligence Corporation (Shanghai)	New Century InfoComm Tech Co., Ltd.	2013.08.09	No. 10200302730	Digital United (Cayman) Ltd.	1,000			
Far Eastern New Century Information Technology (Beijing) Limited	New Diligent Co., Ltd.	2007.08.08	No. 09600261870	New Diligent Co., Ltd. (Note P)	1,127	1,127		
	New Diligent Co., Ltd.	2012.11.19	No. 10100496420	Far Eastern New Diligent Co., Ltd.	4,000	4,000		

Notes: A. Far Eastern New Century (China) Investment Co., Ltd. invested US\$30,000 thousand in Far Eastern Industries (Shanghai) Ltd. and US\$16,000 thousand in Oriental Petrochemical (Shanghai) Corporation.

B. Document No. 092035971 was canceled and replaced with document No. 09800408170.

C. Document No. 092035970 was canceled and replaced with document No. 09800408160.

D. The approved amount of US\$12,000 thousand on September 18, 2009 as stated in document No. 09800283970 was changed to US\$11,500 thousand and updated to document No. 09900142680 on April 19, 2010 while the review process was completed.

E. The shares offered for the privatization of FEPI had antidilutive effects; thus, FEPI's ownership and amount invested in Far Eastern Industry (Shanghai) Ltd. increased.

F. The shares offered for the privatization of FEPI had antidilutive effects; thus, FEPI's ownership and amount invested in Oriental Petrochemical (Shanghai) Corporation increased.

G. The shares offered for the privatization of FEPI had antidilutive effects; thus, FEPI's ownership and amount invested in Far Eastern Industries (Suzhou) Ltd. increased.

H. Under the original investment scheme, the investment in Far Eastern Industry (Suzhou) Ltd. was made indirectly through Far Eastern Polytex (Holding) Ltd. and FEDP (Holding) Ltd., under the approval stated in Letter No. 09600059830 of the Ministry of Economic Affairs (MOEA). After a scheme modification, this investment was made indirectly only through FEDP (Holding) Ltd. under the MOEA's approval (Letter No. 09900403430).

I. After obtaining MOEA approval (No. 09900470520), FENC received FEDP (Holding) Ltd. from Yuan Tong Investment Co., Ltd. for US\$18,224 thousand (MOEA approval No. 09600243260).

J. After obtaining MOEA approval (No. 10000021360), FENC's subsidiary, Far Eastern Polytex (Holding) Ltd., indirectly invest US\$106,000 thousand in Far Eastern Yihua Petrochemical (Yangzhou) Corporation.

K. After modifying MOEA approval from No. 10300140570 to No. 10300223190, FENC's subsidiary, Yuan Ding Investment Co., Ltd. amended to invest US\$43,000 thousand indirectly or equivalent RMB through its subsidiary, Oriental Textile (Holding) Ltd. in Far Eastern Industries (Suzhou) Ltd.

L. After modifying MOEA approval from No. 10000446910 to No. 10300091010, FENC's subsidiary, Yuan Tong Investment Co., Ltd. amended to invest US\$16,000 and US\$17,500 indirectly through its subsidiary, Sino Belgium (Holding) Corporation, in Sino Belgium Beer (Suzhou) Ltd. and Martens Beers (Shanghai) Ltd.

M. After modifying MOEA approval from No. 10100115020 to No. 10300210860, FENC amended to invest US\$66,000 thousand, and invested through its subsidiary, PET Far Eastern (Holding) Ltd., in Far Eastern Union Petrochemical (Yangzhou) Corporation.

N. After obtaining MOEA approval (No. 10200451570), FENC's subsidiary, Yuan Tong Investment Co., Ltd., indirectly invest US\$1,100 thousand through its subsidiary, Sino Belgium (Holding) Corporation, in Martens Beers (Shanghai) Ltd.

O. After obtaining MOEA approval (No. 10300249370), FENC's subsidiary Yuan Tong Investment Co., Ltd. indirectly invest US\$10,000 thousand and US\$1,000 thousand through its subsidiary, Sino Belgium (Holding) Corporation, in Sino Belgium Beer (Suzhou) Ltd. and Martens Beers (Shanghai) Ltd.

P. Company dissolution had been approved by the local government on April 13, 2010. New Diligence Corporation (Shanghai) had remitted US\$73 thousand back to Taiwan on June 27, 2012, and wrote off the amount as the investment registered with the Investment Commission of the MOEA.

Q. After modifying MOEA approval from No. 10200478110 to No. 10300203670, FENC amended its indirect investment to US\$33,500 thousand, and invested through its subsidiary, PET Far Eastern (Holding) Ltd., indirectly in Tong Da Air Industry (Yangzhou) Co., Ltd.

R. After modifying MOEA approval from No. 10200399290 to No. 10500282440, FENC invested US\$82,340 thousand through its subsidiary, Far Eastern Polytex (Holding) Ltd., indirectly in Far Eastern New Century (China) Investment Co., Ltd., then capitalized to Yuan Ding Enterprise (Shanghai) Limited.

(Concluded)

# FAR EASTERN NEW CENTURY CORPORATION

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**FAR EASTERN NEW CENTURY CORPORATION****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2017****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Maturity</b>	<b>Annual Rate (%)</b>	<b>Amount</b>
Cash			
Cash on hand			\$ 2,000
Petty cash			<u>2,757</u>
Cash in banks			
Checking accounts			8,720,585
Demand deposits (Note A)			<u>1,025,627</u>
			<u>9,746,212</u>
Cash equivalents			
Time deposit (Note B)	2017.12.29-2018.01.02	3.55	<u>8,674</u>
			<u>\$ 9,759,643</u>

Note A: Including US\$25,780 thousand, JPY640,653 thousand, RMB3,646 thousand, EUR1,371 thousand, and HK\$57 thousand.

Note B: Including RMB1,900 thousand.

Note C: Based on the exchange rate of US\$1:NT\$29.76, JPY1:NT\$0.2642, RMB1:NT\$4.565, EUR1:NT\$35.57, and HK\$1:NT\$3.807, respectively.

**FAR EASTERN NEW CENTURY CORPORATION**

**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Worldwide Polychem (HK) Ltd.	\$ 898,170
Far Eastern Industries (Shanghai) Ltd.	475,217
Others (Note)	<u>6,006,830</u>
	7,380,217
Less: Allowance for doubtful accounts	<u>282,585</u>
	<u>\$ 7,097,632</u>

Note: The amount from each client which included in others does not exceed 5% of the account balance.

**FAR EASTERN NEW CENTURY CORPORATION**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market Value (Note)</b>
Finished goods	\$ 1,774,296	\$ 1,634,858
Work in progress	2,157,618	1,899,508
Raw materials	2,450,860	2,321,772
Supplies	185,633	165,318
Materials in transit	<u>177,945</u>	<u>177,945</u>
	6,746,352	<u>\$ 6,199,401</u>
Less: Allowance for valuation loss	<u>611,598</u>	
	<u>\$ 6,134,754</u>	

Note: Market value is net realizable value.





**FAR EASTERN NEW CENTURY CORPORATION****STATEMENT OF SHORT-TERM LOANS****DECEMBER 31, 2017****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Type</b>	<b>Contract Period</b>	<b>Interest Rates (%)</b>	<b>Original Currency</b>	<b>In New Taiwan Dollars</b>
Bank loans				
Mizuho Bank	2017.8.9-2018.5.21	1.6702-1.94	US\$ 28,781	\$ 856,522
The Bank of Tokyo-Mitsubishi UFJ	2017.11.15-2018.6.12	1.61-1.96	US\$ 30,977	921,875
Credit Agricole Corporation and Investment Bank	2017.9.13-2018.5.21	1.67-1.93	US\$ 10,829	<u>322,281</u>
				<u>\$ 2,100,678</u>

**FAR EASTERN NEW CENTURY CORPORATION**

**STATEMENT OF ACCOUNTS PAYABLE**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Formosa Chemicals and Fibre Corporation	\$ 334,253
SABIC	301,400
CMFC	154,946
Others (Note)	<u>1,293,074</u>
	<u>\$ 2,083,673</u>

Note: The amount from each vendor in others does not exceed 5% of the account balance.

**FAR EASTERN NEW CENTURY CORPORATION**

**STATEMENT OF OTHER PAYABLES**

**DECEMBER 31, 2017**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Director remuneration payable	\$ 1,040,622
Payroll and bonus payable	1,016,172
Interest payable	274,166
Process expense payable	187,076
Employee remuneration payable	276,277
Others (Note)	<u>815,736</u>
	<u>\$ 3,610,049</u>

Note: The amount from each item does not exceed 5% of the account balance.

## FAR EASTERN NEW CENTURY CORPORATION

STATEMENT OF LONG-TERM BORROWINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type/Creditor Bank	Repayment (Note)	Interest Rate (%)	Original Currency	Balance		Collateral
				In New Taiwan Dollars Expired in A Year	Total Amount	
Bank loans						
Secured loans						
First Commercial Bank	2017.11.02-2019.05.02, lump sum repayment on maturity, interest payment monthly	1.0000		\$ -	\$ 2,640,000	Construction and land in Bangiao Ren-Ai section,
Taiwan Cooperative Bank	2017.12.27-2020.06.30, lump sum repayment on maturity	1.3500		-	2,663,000	Construction and land in Bangiao Xiya section, Zhongxiao section, Changxing section/Bate Yangfeng section/Zhong Yuanfeng section, Chenggong section
Taiwan Cooperative Bank	2017.12.28-2019.06.30, lump sum repayment on maturity	1.3500		-	1,500,000	Construction and land in Light Denglin section
Mega International Commercial Bank	2017.12.26-2019.08.26, lump sum repayment on maturity	1.1500		-	300,000	Construction and land in Guangshun industries
Mega International Commercial Bank	2017.12.28-2019.08.26, lump sum repayment on maturity	1.1500		-	200,000	Construction and land in Guangshun industries
Credit loans						
First Commercial Bank	2017.11.02-2019.05.02, lump sum repayment on maturity, interest payment monthly	1.0000		-	1,360,000	19,900 thousand of Asia Cement Corporation shares
Bank of Taiwan	2016.06.27-2021.03.27, lump sum repayment on maturity, interest payment monthly	1.0148		-	2,000,000	Construction and Land in Xipu Far Eastern section and Shueichon section
Bank of Taiwan	2017.09.27-2021.03.27, lump sum repayment on maturity, interest payment monthly	1.0148		-	700,000	
The Bank of Tokyo-Mitsubishi UFJ	2016.01.25-2019.01.25, lump sum repayment on maturity, interest payment monthly	1.1000		-	1,500,000	
The Bank of Tokyo-Mitsubishi UFJ	2016.09.29-2019.09.27, lump sum repayment on maturity, interest payment monthly	1.1000		-	500,000	
The Bank of Tokyo-Mitsubishi UFJ	2017.04.26-2020.04.26, lump sum repayment on maturity, interest payment monthly	0.9100		-	1,000,000	
The Bank of Tokyo-Mitsubishi UFJ	2017.05.04-2019.10.06, lump sum repayment on maturity, interest payment monthly	0.8800		-	570,000	
Bank of America	2017.12.26-2019.05.31, lump sum repayment on maturity	1.3500		-	1,000,000	
Bank SinoPac	2017.12.27-2019.04.30, lump sum repayment on maturity	1.3900		-	240,000	
CTBC Bank Co., Ltd.	2017.12.29-2019.06.29, lump sum repayment on maturity	1.0000		-	1,500,000	
First Commercial Bank	2017.12.29-2019.12.29, lump sum repayment on maturity	1.0500		-	1,800,000	
Hua Nan Bank	2017.12.29-2019.12.30, lump sum repayment on maturity	0.9364		-	1,250,000	
KGI Bank	2017.12.26-2019.08.26, lump sum repayment on maturity	1.1500		-	1,029,000	
Mega International Commercial Bank	2017.12.29-2019.08.26, lump sum repayment on maturity	1.1700		-	1,321,000	
Mega International Commercial Bank	2017.12.26-2019.08.26, lump sum repayment on maturity	1.3400		-	1,300,000	
Chang Hwa Bank	2017.12.28-2019.06.30, lump sum repayment on maturity	0.8000		-	750,000	
Bank of China	2017.12.27-2019.06.30, lump sum repayment on maturity	1.8200		-	337,000	
Bank of China	2017.12.27-2020.06.30, lump sum repayment on maturity	1.3500		-	1,169,000	
Taiwan Cooperative Bank	2017.12.15-2019.06.01, lump sum repayment on maturity	0.6000		-	1,280,000	
Taiwan Cooperative Bank	2017.12.22-2019.06.01, lump sum repayment on maturity	0.6000		-	1,280,000	
Sunamitsu Banking Corporation	2017.12.28-2019.06.01, lump sum repayment on maturity	0.6000		-	560,000	
Sunamitsu Banking Corporation	2017.12.29-2019.11.10, lump sum repayment on maturity	0.6000		-	560,000	
Land Bank of Taiwan	2017.12.28-2019.12.31, lump sum repayment on maturity	1.3400		-	1,190,000	
Standard Chartered Bank	2017.12.27-2019.01.31, lump sum repayment on maturity	0.6700		-	1,800,000	
Taichin International Bank	2017.12.28-2019.06.22, lump sum repayment on maturity	1.3200		-	1,000,000	
Mizuho Bank	2017.12.28-2019.06.13, lump sum repayment on maturity	0.6200		-	2,000,000	
Shin Kong Bank	2017.12.29-2019.08.26, lump sum repayment on maturity	1.2500		-	500,000	
Mega International Commercial Bank	2017.12.29-2019.08.26, lump sum repayment on maturity		EUR	-	15,574	
Mega International Commercial Bank	2017.12.29-2019.08.26, lump sum repayment on maturity		US\$	-	681	
				\$ -	\$ 35,216,255	
					\$ 35,216,255	

Note: Expiration date is the date for loans or cycle contracts.

## FAR EASTERN NEW CENTURY CORPORATION

STATEMENT OF BONDS PAYABLE  
DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)

Period	Trustee	Maturity	Repayment	Annual Rate (%)	Original Currency	Issued Amount	Repayment Paid	Unamortized Bonds Discounts	Outstanding Balance		Collateral	
									Expired Within A Year	Expired After A Year		
Ordinary Bonds No. 102-3	Unsecured	2013.12.23-2018.12.23	The bond is repayable in lump sum on maturity. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.45		\$ 2,800,000	\$ -	\$ 1,369	\$ 2,798,631	\$ -	\$ 2,798,631	-
No. 103-1	Unsecured	2014.08.21-2019.08.21	The bond is repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.47		3,200,000	-	1,572	1,599,388	1,599,041	3,198,428	-
No. 103-2	Unsecured	2014.12.04-2019.12.04	The bond is repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.47		2,200,000	-	1,270	1,099,389	1,099,341	2,198,730	-
No. 103-3	Unsecured	2015.02.06-2020.02.06	The bond is repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.38		2,600,000	-	2,184	-	2,597,816	2,597,816	-
No. 104-1	Unsecured	2015.05.25-2020.05.25	The bond is repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.39		8,000,000	-	7,672	-	7,992,328	7,992,328	-
No. 104-2	Unsecured	2015.10.02-2020.10.02	The bond is repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.28		5,200,000	-	5,727	-	5,194,273	5,194,274	-
No. 104-3	Unsecured	2015.11.16-2020.11.16	The bond is repayable in lump sum on maturity. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.25		2,800,000	-	3,221	-	2,796,779	2,796,779	-
No. 105-1-A	Unsecured	2016.04.29-2021.04.29	The bond is repayable at 50% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	0.88		6,000,000	-	6,468	-	5,993,532	5,993,532	-
No. 105-1-B	Unsecured	2016.04.29-2021.04.29	The bond is repayable in lump sum at the 104.8411% of total amount on maturity.	-		2,000,000	-	4,187	-	1,995,813	1,995,813	-

(Continued)

Period	Trustee	Maturity	Repayment	Annual Rate (%)	Original Currency	Issued Amount	Repayment Paid	Unamortized Bonds Discounts	Outstanding Balance			
									Expired Within A Year	Expired After A Year	Total Amount	
No. 105-2	Unsecured	2016.09.20-2021.09.20	The bond is repayable in lump sum on maturity. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	0.72		\$ 3,800,000	\$ -	\$ 5,656	\$ -	\$ 3,794,344	\$ 3,794,344	-
No. 106-1	Unsecured	2017.05.17-2022.05.17	The bond is repayable at 5.0% of the total amount at the end of the fourth year and the other 50% at the end of the fifth year of bond issuance. The interest is calculated by the simple interest method (based on the outstanding balance) starting from the issuance date and is payable annually.	1.15		5,000,000	-	8,752	-	4,991,248	4,991,248	
						<u>\$ 43,600,000</u>	<u>-</u>	<u>\$ 48,078</u>	<u>\$ 5,497,408</u>	<u>\$ 38,054,515</u>	<u>\$ 43,551,923</u>	

(Concluded)

**FAR EASTERN NEW CENTURY CORPORATION****STATEMENT OF OPERATING REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2017****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Quality</b>	<b>Amount</b>
Sales of goods		
Solid-state polymer	498,779 tones	\$ 16,722,451
Polyester staple fiber	231,897 tones	10,006,884
Greige yarn	267,153 pieces	3,993,321
Knitted fabrics	12,518 tones	3,512,682
Others (Note)		<u>10,962,596</u>
		45,197,934
Processing revenue		<u>18,489</u>
		<u>\$ 45,216,423</u>

Note: The amount of each item does not exceed 5% of total revenue.



**FAR EASTERN NEW CENTURY CORPORATION****STATEMENT OF COST OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials used	
Balance, beginning of year	\$ 2,536,360
Raw material purchased	30,182,108
Less: Raw materials, end of year	<u>(2,628,805)</u>
Raw materials consumption	<u>30,089,663</u>
Materials consumption	<u>1,186,281</u>
Direct labor	<u>1,694,219</u>
Manufacturing expenses	
Process expense	1,504,906
Depreciation	1,790,576
Electricity	1,538,300
Payroll	1,529,280
Fuel expense	634,316
Others	<u>1,108,110</u>
	<u>8,105,488</u>
Manufacturing cost	41,075,651
Work in process, beginning of year	1,902,185
Work in process, end of year	<u>(2,157,618)</u>
Cost of finished goods	40,820,218
Finished goods, beginning of year	2,087,804
Finished goods, end of year	<u>(1,774,296)</u>
	41,133,726
Transferred cost to related parties	(52,004)
Reversal of write-down of inventories	116,004
Idle capacity	<u>289,639</u>
	41,487,365
Conversion cost	<u>23,034</u>
	<u>\$ 41,510,399</u>

**FAR EASTERN NEW CENTURY CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total Amount</b>
Transportation expense	\$ 1,874,770	\$ -	\$ -	\$ 1,874,770
Payroll and bonus expense	328,899	743,256	349,515	1,421,670
Commission expense	277,914	-	-	277,914
Contract fee	-	200,709	-	200,709
Rental expense	-	146,437	-	146,437
Depreciation expense	-	-	119,344	119,344
Remuneration to directors	-	151,591	-	151,591
Others (Note)	<u>361,509</u>	<u>88,901</u>	<u>322,078</u>	<u>772,488</u>
	<u>\$ 2,843,092</u>	<u>\$ 1,330,894</u>	<u>\$ 790,937</u>	<u>\$ 4,964,923</u>

Note: The amount of each item does not exceed 5% of the account balance.

## VII. Review and Analysis of the Financial Condition, Performance and Risk Management

### 1. Review and Analysis of Financial Conditions

#### Financial Conditions Analysis (on a consolidated basis)

Unit: NT\$ thousands

Item	Year	2017	2016	Variance	
				Amount	%
Current assets		100,053,197	107,539,316	(7,486,119)	(6.96)
Property, plant and equipment		152,732,987	148,316,398	4,416,589	2.98
Intangible assets		60,311,664	56,965,287	3,346,377	5.87
Other assets		203,668,432	200,639,157	3,029,275	1.51
Total assets		516,766,280	513,460,158	3,306,122	0.64
Current liabilities		101,640,620	107,183,432	(5,542,812)	(5.17)
Non-current liabilities		159,586,567	154,084,074	5,502,493	3.57
Total liabilities		261,227,187	261,267,506	(40,319)	(0.02)
Common stock		53,528,751	53,528,751	-	-
Capital surplus		2,859,569	2,859,588	(19)	-
Retained earnings		141,693,400	137,393,384	4,300,016	3.13
Other equity		(3,696,270)	(2,870,205)	(826,065)	(28.78)
Treasury stocks		(25,063)	(25,063)	-	-
Total equity attributable to owners of the Company		194,360,387	190,886,455	3,473,932	1.82
Non-controlling interests		61,178,706	61,306,197	(127,491)	(0.21)
Total equity		255,539,093	252,192,652	3,346,441	1.33
<b>Analysis of variation exceeding 20% and NT\$10 million of the numbers in the previous year:</b>					
Other equity decreased: mainly due to the decrease of "Exchange Differences on Translating Foreign Operations"					

## 2. Review and Analysis of Financial Performances

Unit: NT\$ thousands

Item	Year	2017	2016	Variance	
				Amount	%
Operating revenues		217,846,948	215,855,921	1,991,027	0.92
Operating costs		168,148,743	164,684,799	3,463,944	2.10
Gross profit		49,698,205	51,171,122	(1,472,917)	(2.88)
Realized construction income		555	555	-	-
Operating expenses		34,264,491	36,634,868	(2,370,377)	(6.47)
Operating income		15,434,269	14,536,809	897,460	6.17
Nonoperating income (expenses)		1,458,022	1,423,301	34,721	2.44
Income before income tax		16,892,291	15,960,110	932,181	5.84
Income tax expenses		2,690,954	3,257,420	(566,466)	(17.39)
Net income		14,201,337	12,702,690	1,498,647	11.80
Other comprehensive income (net of income tax)		(97,661)	(7,941,876)	7,844,215	98.77
Total comprehensive income		14,103,676	4,760,814	9,342,862	196.25
<p><b>1. Analysis of variance:</b> Other comprehensive income (net of income tax) and total comprehensive income: mainly due to the change of "share of the other comprehensive income (loss) of associates and joint venture".</p> <p><b>2. Expected sales volume in next one year and the reason for such expectation. The impact of such expectation on the Company's financial situation and operational performances, and the Company's plan:</b> Please refer to the "Letter to Shareholders".</p>					

## 3. Review and Analysis of Cash Flow

Unit: NT\$ thousands

Cash and cash equivalents - Beginning balance	Total cash inflows from operating activities	Total cash outflows	Cash and cash equivalents - Ending balance	Remedy plans for negative balance of cash and cash equivalents	
				Investment plan	Financing plan
35,675,422	29,789,070	(59,870,369)	5,594,123	5,651,558	14,218,542
<p><b>1. Cash flow analysis for year 2017:</b> (1) Operating activities : mainly due to the inflow of operating activities and cash dividends received from invested companies. (2) Investing activities : mainly due to increasing capital expenditures and equity investments. (3) Financing activities : mainly due to cash dividend payout and repayments of bonds payable.</p> <p><b>2. Remedy plans for insufficient liquidity for year 2017:</b> to issue corporate bonds.</p>					
Cash and cash equivalents - Beginning balance (1)	Total cash inflows from operating activities (2)	Total cash outflows (3)	Cash and cash equivalents - Ending balance (1)+(2)-(3)	Remedy plans for negative balance of cash and cash equivalents	
25,464,223	41,096,000	(56,347,924)	10,212,299	-	16,000,000
<p><b>3. 2018 estimated cash flow analysis of variance in cash flow balance:</b> (1) The Company expects the profit of production business and affiliate earnings booked from each subsidiary through equity method in 2018 could exceed those in 2017. When including the cash inflow generated from production business and cash dividends received from the aforesaid subsidiaries, the Company expects the net cash inflows from operating activities in 2018 to increase compared to those in 2017. (2) When taking into consideration of the planned capital expenditures and the proposed cash dividends distribution, as the cash inflows from operating activities could be insufficient to meet the needs, the Company plans to issue corporate bonds to finance the insufficient portion.</p>					

## 4. Major Capital Expenditures in Recent Years and Impacts on Financial and Operational Situations

## Review and Analysis of the Financial Condition, Performance, and Risk Management

### 4.1 Major Capital Expenditures and Sources of Funding

Unit: NT\$ thousands

Plan Item	Actual or estimated source of capital	Actual or estimated project completion date	Total capital needed (Note)	Capital utilization schedule				
				Actual		Estimated		
				Before 2016	2017	2018	2019	2020
Expansion of a PTA production line (capacity: 1.5 million tons/year)	Retained earnings and bank borrowings	Jun 2018	19,074,583	16,959,220	1,797,121	318,242	-	-
Vietnam vertical integration plant		Dec 2021	17,120,900	1,146,300	6,998,910	4,699,050	1,280,170	2,996,470
3 <sup>rd</sup> phase of ATG expansion plan		Apr 2017	1,845,141	1,613,680	46,944	184,517	-	-
A new nylon 6,6 industrial yarn plant		Apr 2017	1,364,007	1,347,511	10,330	6,166	-	-
4 <sup>th</sup> phase of HTY expansion plan		May 2018	1,266,785	120,204	784,058	362,523	-	-
The apparel expansion project in Vietnam 2 <sup>nd</sup> production site		Mar 2017	818,114	802,794	15,320	-	-	-
A new cogeneration plant		Jun 2019	1,880,000	-	313,512	626,488	940,000	-
The expansion project of FL28 in Cotton plant 6		Oct 2017	849,200	84,621	675,402	89,177	-	-
Direct melt polymerization of Poly line 8		Dec 2017	655,000	417,770	164,259	72,971	-	-
New batch polymer upgraded of Poly line 2		Jul 2017	463,864	317,337	145,161	1,366	-	-

Note: Working capital is excluded.

### 4.2 Expected Benefit

4.2.1 Production Volume, Sales Volume, and Sales Revenue Expected to Increase:

Unit: NT\$ thousands

Year	Item	Unit	Production volume	Sales volume	Revenue
2018	PTA	MT	1,292,877	1,279,569	27,692,613
	PET resins for bottle usage	MT	191,000	191,000	6,785,510
	Knitted fabrics	MT	7,234	7,180	1,474,790
	Nylon industrial yarn and tire cord fabric	MT	15,252	14,495	2,009,295
	High stretch industrial yarn	MT	13,380	13,380	745,129
	Apparel	equivalent dozens	1,534	1,534	626,412
	Hygiene PSF	MT	16,600	16,000	896,000
	PET resins for bottle usage	MT	105,000	105,000	3,843,000
	Polyester Polymer	MT	3,000	Internal use	Internal use
2019	PTA	MT	1,441,872	1,441,872	39,333,277
	PET resins for bottle usage	MT	400,000	400,000	13,331,033
	Knitted fabrics	MT	14,400	13,680	2,809,906
	Polyester staple fiber	MT	8,300	6,800	269,001
	Nylon industrial yarn and tire cord fabric	MT	16,000	16,000	2,282,659
	High stretch industrial yarn	MT	17,500	17,500	973,512
	Apparel	equivalent dozens	2,265	2,265	2,645,412
	Hygiene PSF	MT	25,000	24,000	1,344,000
	PET resins for bottle usage	MT	122,500	122,500	4,483,500
Polyester Polymer	MT	3,200	Internal use	Internal use	

#### 4.2.2 Other Expected Benefits:

##### (1) A new cogeneration plant

Lifting up the reliable access to heat and power in order to lower the cost of heat and power and to enhance the product competency

##### (2) Upgrading Poly 2 New Batch Polymer

- A. Improving industrial safety and environmental protection: adding new manufacturing equipment and updating pipelines to meet industrial safety and environmental protection standards.
- B. Enhancing product quality: Ensuring a more even mixture of modifiers during the stirring process to increase the purity of the product; pelletizing in a vacuum to improve color and reduce viscosity.
- C. Reducing manual labor: Using a distributed control system to better control the manufacturing process.

## 5. Investment Policies in Recent Years

### 5.1 Investment Policies :

The Company co-ordinates all resources in the Far Eastern Group to achieve two targets: 1) explore new business opportunities and extend the business territory of the Group; 2) upgrade and improve the existing affiliates and subsidiaries to achieve a sustainable growth of earnings.

### 5.2 Reasons for Profit/Loss in Recent Years and Plans for Improvement

The total affiliate earnings booked through equity method by the Company in 2017 was NT\$4.1 billion, and the profit generated by invested subsidiaries remained stable.

### 5.3 Future Investment Plan : (Please refer to page 72-73)

## 6. Sources of Risks and Evaluations

### 6.1 Impacts from Fluctuations of Interest Rate and Currency Exchange Rate and Inflation on the Company in Recent Years, and Measures the Company Undertake to Manage the Risks

6.1.1 In 2017, Taiwan enjoyed moderate economic recovery. In order to stabilize the financial environment and facilitate economic growth, the Central Bank has begun to keep the discount rate as 1.375% since the second half of 2016. According to the report provided by the Directorate General of Budget, Accounting and Statistics in February, 2018, Taiwan's economy grew at the rate of 2.86% in 2017 with the CPI growth rate being 0.62%. The report estimates that Taiwan's economic growth rate in 2018 at 2.42% and CPI growth rate as 1.21%. In 2018, the global economy will grow at a moderate pace. However, there are no consistent monetary policies across major countries. The United States trade and economic policies, the rise of trade protectionism and other political risks all add uncertainties to global economic prospect. Given the economic changes down the road and Taiwan's moderate growth and inflation, it is expected that Taiwan's Central Bank will continue to adopt expansionary monetary policy to facilitate economic growth.

Although there is ample monetary supply in the country and the interest rates remain low and stable, political and economic climate change rapidly around the world. As such, the Company will use short-term operations with different durations for investments. We will also focus on mid-term and long-term interest rates and plan to use fixed-rate financing instruments to monitor financing rates and hedge against losses, thereby preventing fluctuations of interest rates from adding to the financing costs of the Company. The Company will continue to monitor interest rate trends and maintain a low overall cost of capital through both short- and long-term financial plans.

## **Review and Analysis of the Financial Condition, Performance, and Risk Management**

- 6.1.2 Assets and liabilities of the foreign currency portion arising from import and export businesses are affected by spot exchange rate fluctuations relative to their recorded costs, and are hedged by the Finance Department through spot or forward positions to minimize foreign exchange risk. Looking ahead, this policy will continue to be carried out in order to minimize the impact from fluctuations in exchange rates on the profit and loss of the Company and its consolidated subsidiaries.

### **6.2 Major Reasons for Transaction Policies, Gain or Loss from Engaging in High-risk and Hyper-leveraged Investments, Fund Lending to Others, Endorsement/Guarantee and Derivatives and Correspondent Procedures**

- 6.2.1 The Company and subsidiaries did not engage in any high-risk or hyper-leveraged investments. The trading of derivative products is to hedge the risks from fluctuations stemming from our exposure to interest and currency exchange rates. Under this policy, all positions of derivative products are covered by physical holdings of assets and liabilities owned by the Company and subsidiaries; in other words, these positions are not naked positions. Therefore, the risks of trading derivatives are minimized and can be effectively controlled. Gains or losses, if occurred, often resulting from reasons such as investment horizon mismatches, are therefore, little and negligible. The Company and subsidiaries will maintain this policy, and will not proactively engage in naked positions of high-risk or hyper-leveraged derivative products. All trading of derivative products will be managed in accordance with the "Procedures for Acquisition and Disposition of Assets" approved by the Board of Directors and Shareholders' Meeting.
- 6.2.2 The Company and subsidiaries have established a bylaw on the "Procedures for Lending of Capital to Others" in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the regulatory authority, and the said bylaw has been submitted to the Board of Directors and has also received approval from the Shareholders' Meeting. All matters regarding fund lending to others shall comply with the said bylaw to avoid any likely negative impact on the Company and subsidiaries.
- 6.2.3 The Company and subsidiaries have established a bylaw on the "Procedures for Endorsements and Guarantees" in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by regulatory authority, and the said bylaw has been submitted to the Board of Directors and has also received approval from the Shareholders' Meeting. All matters regarding making endorsements/guarantees shall comply with the said bylaw to avoid any likely negative impact on the Company and subsidiaries.

### **6.3 R&D Plans and Estimated Expenses in Coming Years**

#### **6.3.1 The R&D projects for the Polyester Material Division :**

The projected R&D expenses for 2018 are approximately NT\$ 99.90 million. The R&D procedures are as follows:  
Research phase→Trial run→Scale-up process development→Commercial operation & promotion

Major factors affecting the R&D results in the future:

- (1) Verification of the R&D results
- (2) Product quality stability after the scaling-up production process
- (3) Whether downstream manufacturers and clients wish to accept the trial of the new product and whether the product will pass the testing
- (4) Mutually-beneficial interactive relationships with clients

- (5) Production technology and cost competitiveness

#### 6.3.2 The R&D projects for the Fibers & Textile Division:

The projected R&D expenses for 2018 are approximately NT\$ 218.80 million. The R&D procedures are as follows:

Research phase→Trial run→Scale-up process development→Commercial operation & promotion

Major factors affecting the R&D results in the future:

- (1) Verification of the R&D results
- (2) Product quality stability after the scaling-up production process
- (3) Whether downstream manufacturers and clients wish to accept the trial of the new product and whether the product will pass the testing
- (4) Mutually-beneficial interactive relationships with clients
- (5) Production technology and cost competitiveness

#### 6.3.3 The R&D projects for the New Materials Division:

The projected R&D expenses for 2018 are approximately NT\$ 120.29 million. The R&D procedures are as follows:

Research phase→Trial run→Scale-up process development→Commercial operation & promotion

Major factors affecting the R&D results in the future:

- (1) Verification of the R&D results
- (2) Product quality stability after the scaling-up production process
- (3) Whether downstream manufacturers and clients wish to accept the trial of the new product and whether the product will pass the testing
- (4) Mutually-beneficial interactive relationships with clients
- (5) Production technology and cost competitiveness

#### 6.3.4 The R&D projects for the Biotech & Energy Division:

The projected R&D expenses for 2018 are approximately NT\$ 73.89 million. The R&D procedures are as follows:

Research phase→Trial run→Scale-up process development→Commercial operation & promotion

Major factors affecting the R&D results in the future:

- (1) Verification of the R&D results
- (2) Product quality stability after the scaling-up production process
- (3) Whether downstream manufacturers and clients wish to accept the trial of the new product and whether the product will pass the testing
- (4) Mutually-beneficial interactive relationships with clients
- (5) Production technology and cost competitiveness

### 6.4 Impacts and Responses of the Company in Regard to Material Changes of Policies and Regulations in Taiwan and Foreign Countries

The management team closely monitors and evaluates the changes and impacts of policies and regulations in domestic and overseas markets on the Company. Responsive measures will be planned and implemented accordingly.



## 6.5 Technology Developments and Impacts on the Company

The innovation and breakthrough of technology have changed the world in several ways, be it good or bad. The innovation of plastics is one such example. Plastic products provide convenience in our daily lives, but generate pollution as well, stemming from inappropriate disposals of plastic wastes. Therefore, developing a new material that is as convenient as plastic but more environmentally friendly is one of the most popular research projects in the world, and may also be the most important trend in the future of material development.

Given that the usage of plastic products is constrained by the Taiwanese government while green products are being promoted in globally, the Company believes that the applications of conventional petrochemical products will be limited. Therefore, the Company vows to be a pioneer to create more environmentally friendly materials, in hopes of enjoying the first-mover advantages. The Company has already engaged in the production of several bio-based or bio-degradable products such as polylactic acid (PLA), a material made from the fermentation process of corn. A wide range of product mix has been created via this or similar technologies and more applications are currently being innovated.

At this time, non-textile products account for more than 60% of the Company's sales. To name but a few, PLA materials, shoes materials, diapers, bio-degradable heat shrinkable films, bio-degradable shopping bags, bio-medical products, health care products special industrial yarns, PET bottles, and PET packaging sheets are all considered non-textile products. These recycled, bio-based or bio-degradable products are widely used for textile, packaging, bottling, and bio-medical dressing. In the future, the Company aims to be one of the largest providers of these products.

## 6.6 Changes of Corporate Image and Impacts on the Company's Crisis Management: None

## 6.7 Expected Benefits and Risks from Mergers and Acquisitions: None

## 6.8 Expected Benefits and Risks from Plant Expansion: Please refer to page 120

## 6.9 Risks from Concentration in Supply and Sales and Measures the Company Undertake:

In order to secure the supplies of raw materials, the Company invested in Oriental Petrochemical (Shanghai) Corporation and Oriental Petrochemical (Taiwan) Co., Ltd. and actively integrated upward its production process; the Company's products are sold worldwide with a diversified client portfolio.

## 6.10 Impacts and Risks from Changes in Directors, Supervisors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in Recent Years until the Annual Report Being Published: The change is mainly due to the individual financial behaviors of Directors and there is no significant influence on the Company's operations.

## 6.11 Impact and Risks from Change of Ownership in Recent Year until the Annual Report Being Published: None

## 6.12 Material Impacts on Shareholders' Equity or Share Price from Litigations, Non-Litigations or Administrative Actions in Directors, Supervisors, Chairman, President, Shareholders with Greater than 10% Shareholding and Subsidiaries in Recent Year until the Annual Report being Published:

None

### 6.13 Other Major Risks: None

## 7. Others

### 7.1 Valuation techniques and Assumptions Applied to Measure Fair Value of the Company and Subsidiaries:

- 7.1.1 The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined by referring to quoted market prices. If these prices are not available, valuation techniques are applied.
- 7.1.2 The fair values of derivative instruments are calculated using quoted prices. If these prices are not available, a discounted cash flow analysis is made using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- 7.1.3 The fair values of other financial assets and financial liabilities (i.e., excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- 7.1.4 Categories of financial instruments:
  - (1) Financial assets: Fair value through profit or loss - held for trading, derivative instruments in designated hedge accounting relationships, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.
  - (2) Financial liabilities: Fair value through profit or loss - held for trading, derivative instruments in designated hedge accounting relationships, amortized cost

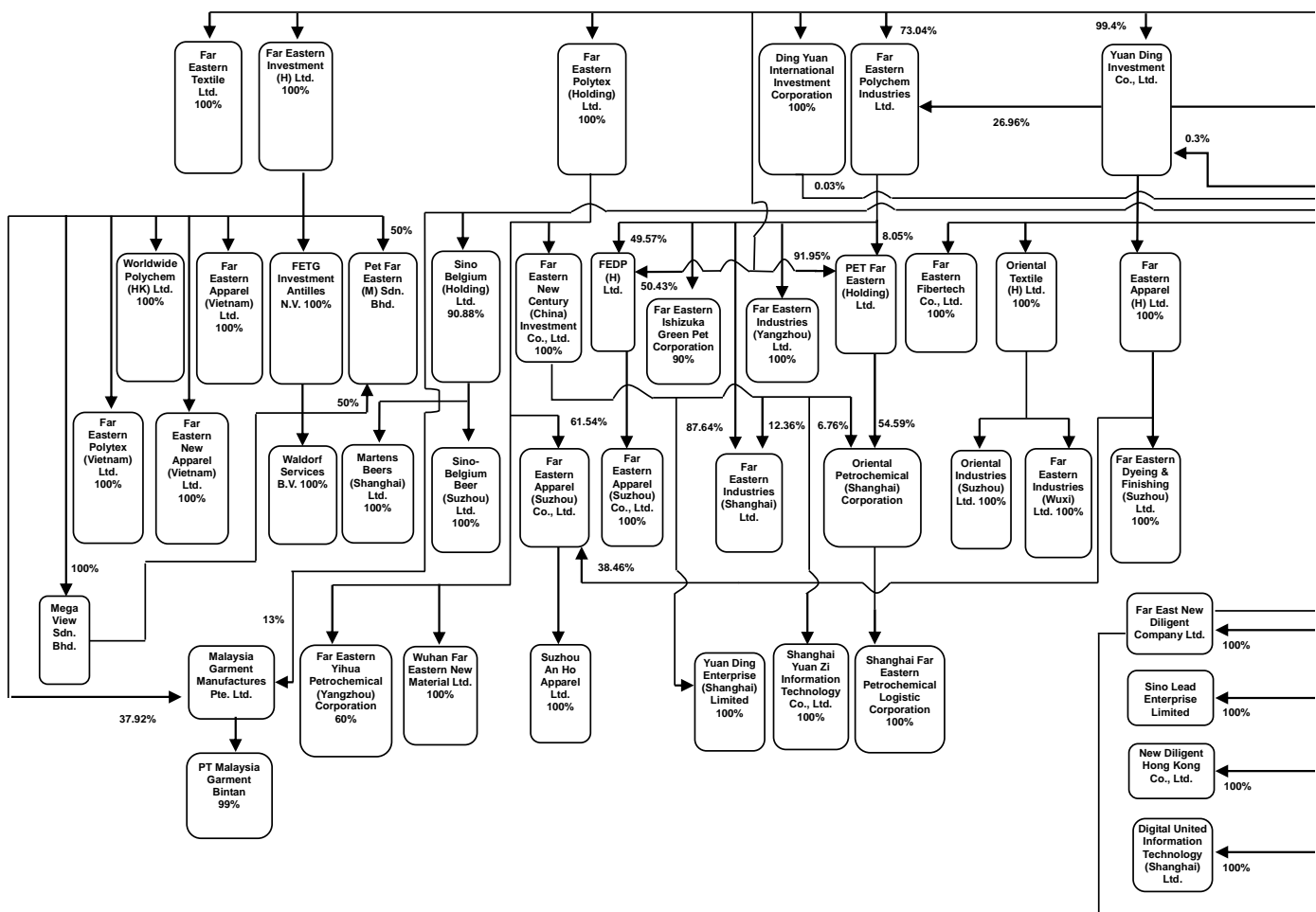
**7.2 Estimated Impairment of Notes and Accounts Receivable:** When there is objective evidence of impairment loss, the Company and subsidiaries take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are less than expected, a material impairment loss may arise.

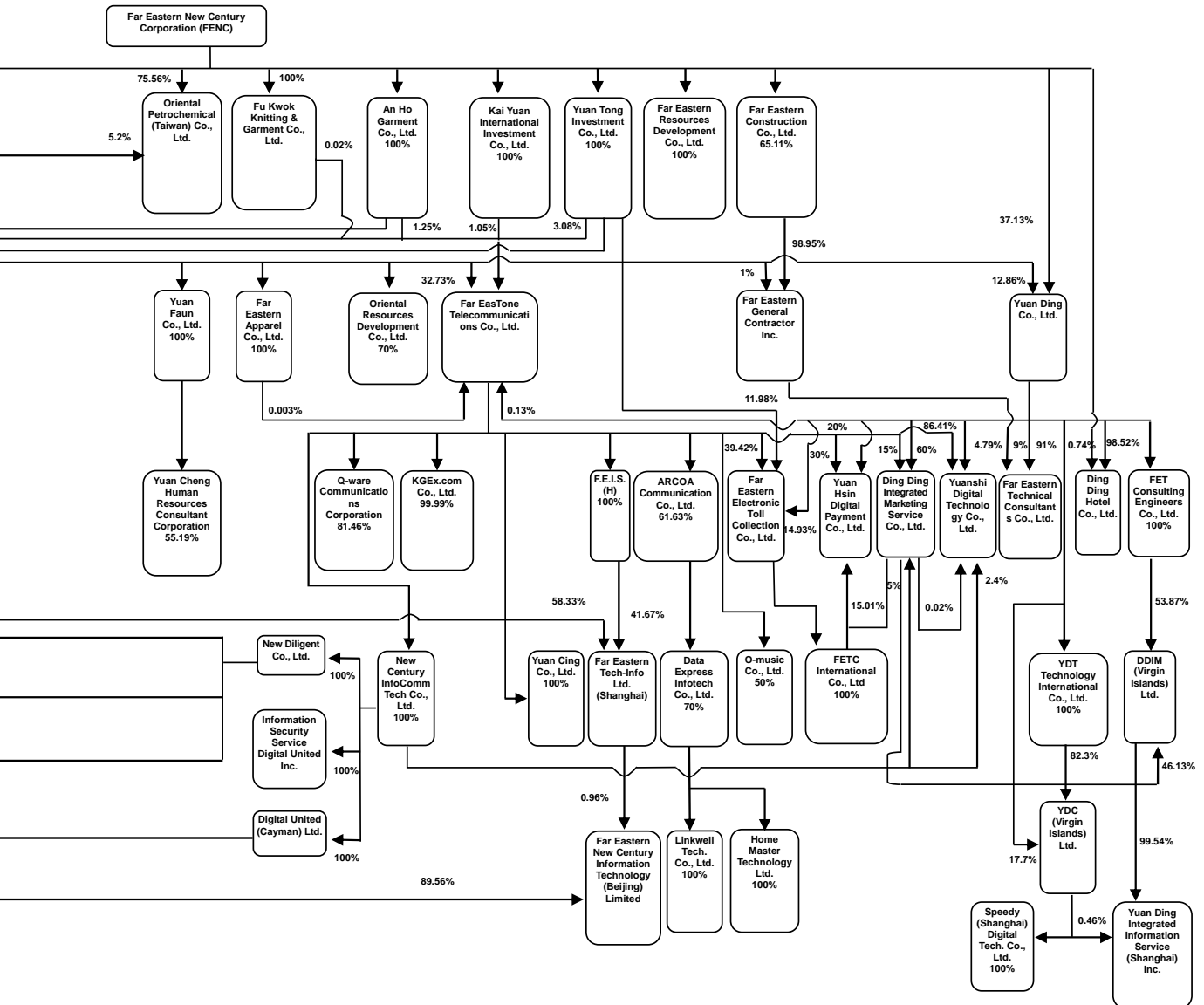
## VIII. Special Disclosure

### 1. Affiliated Companies

#### 1.1 Subsidiaries and Affiliated Companies in the Consolidated Financial Report

##### 1.1.1 Holding Structure of the Organization





## Special Disclosure

### 1.1.2 Information of Far Eastern New Century and Subsidiaries and Affiliates:

Unit: NT\$ thousands, unless stated otherwise

	Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
0	Far Eastern New Century Corp.	1954/1/13	36F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	53,528,751	Petrochemical and polyester materials, semi-finished products, finished goods, woven and knitted garments
1	Yuan Ding Investment Co., Ltd.	1986/11/7	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	18,338,262	Investment
2	Oriental Petrochemical (Taiwan) Co., Ltd.	1987/1/26	47, Jingjian 4th Road, Guanyin Industrial Park, Guanyin, Taoyuan City, Taiwan	17,660,930	Production and sales of PTA
3	Yuan Tong Investment Co., Ltd.	1999/12/3	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	7,051,468	Investment
4	Far Eastern Resources Development Co., Ltd.	2003/9/30	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	6,672,419	Development, sales and lease of real estates
5	Far Eastern Construction Co., Ltd.	1978/9/4	5F, 267, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	3,053,206	Construction contractor for residential housings; broker of housing rental and sales service
6	Kai Yuan International Investment Co., Ltd.	1998/10/6	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	3,028,434	Investment
7	Ding Yuan International Investment Co., Ltd.	1998/10/2	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	2,050,000	Investment
8	Far Eastern General Contractor Inc.	1982/10/4	5F, 267, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	1,489,776	Construction of housing and public infrastructures.
9	Far Eastern Fibertech Co., Ltd.	1995/4/10	17, Gongye 5th Rd., Guanyin Industrial Park, Guanyin, Taoyuan City, Taiwan	910,000	Production of nylon fibers
10	An Ho Garment Co., Ltd.	1977/1/24	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	663,462	Garment and apparel production
11	Oriental Resources Development Co., Ltd.	1988/6/27	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	489,176	Production and wholesale of medical supplies; Waste recycling and re-processing
12	Far Eastern Apparel Co., Ltd.	1976/2/27	36F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	226,728	Sales of textile, garments, and clothing
13	Yuan Faun Co., Ltd.	1980/12/13	33F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	50,000	Sales of PET bottles and paper boxes
14	Fu Kwok Knitting & Garment Co., Ltd.	1971/3/6	110, Neihuan S. Rd., Nanzi District, Kaohsiung City, Taiwan	40,000	Garment production and sales
15	Yuan Cheng Human Resources Consultant Corp.	1999/6/8	18F, No.655, Bannan Rd., Zhonghe Dist, New Taipei City, Taiwan	13,500	Personnel recruitment; temporary employment arrangement
16	Far Eastern Textile Ltd.	2011/12/28	34F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	1,000	Garment production and sales
17	Far Eastern Investment (H) Ltd.	1989/8/29	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	506 USD 17	Investment and sales of petrochemical products
18	Far Eastern Polychem Industries Ltd.	1995/4/13	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	433 HKD 114	Investment and sales of polyester products
19	FEDP (H) Ltd.	2002/3/22	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	161 USD 5	Investment
20	PET Far Eastern(H) Ltd.	1996/10/1	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	130 RMB 29	Investment
21	Far Eastern Polytex (H) Ltd.	2006/3/22	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	42 USD 1.4	Investment
22	Far Eastern Apparel (H) Ltd.	1996/10/1	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	33 USD 1.1	Investment and sales of textiles products
23	Oriental Textile (H) Ltd.	2001/1/10	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	33 USD 1.1	Investment and sales of polyester products
24	Sino Belgium (H) Ltd.	2007/8/15	Clarendon House 2 Church street, Hamilton HM 11, Bermuda	12 USD 0.4	Investment
25	Magna View Sdn.Bhd	1996/8/9	Suite 6.1A,Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400, Johor Bahru, Johor	21,216 MYR 3,000	Investment
26	Far Eastern Industries (Shanghai) Ltd.	1996/9/25	198 Baisha Road, Spark Development Zone, Pudong, Shanghai, China	8,584,023 RMB 1,880,399	Production and sales of polyester staple, filament, and resins.
27	Oriental Petrochemical (Shanghai) Corp.	2003/1/21	Suite 3201, 32F, 800, Dongfang Road, Pudong New Area, Shanghai, China	8,187,736 RMB 1,793,590	Production and sales of PTA

	Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
28	Far Eastern New Century (China) Investment Co., Ltd.	2007/6/18	Suite 3301, 33F, 800, Dongfang Road, Pudong New Area, Shanghai, China	2,833,412 RMB 620,682	Investment
29	Martens Beers (Shanghai) Ltd.	2007/10/26	Suite 2701, 27F, 800, Dongfang Road, Pudong New Area, Shanghai, China	357,924 RMB 78,402	Trading of beer and relevant beverages
30	Shanghai Yuan Hua Logistic Corp.	2006/3/2	198 Baisha Road, Spark Development Zone, Pudong, Shanghai, China	86,735 RMB 19,000	Transportation and storage
31	Shanghai Far Eastern IT Corp.	2003/4/15	Suite 1801, 18F, 800, Dongfang Road, Pudong New Area, Shanghai, China	58,021 RMB 12,710	Software development, equipment maintenance and consulting services
32	Yuan Ding Enterprise (Shanghai) Limited	2013/8/20	17, Lane 855, Chengshan Road, Pudong New Area, Shanghai, China	1,168,640 RMB 256,000	Chemical products; wholesale of machineries and lubricants; agency commission; importing, exporting of goods and other complimentary businesses
33	Wuhan Far Eastern New Material Ltd.	2003/7/9	93, Zhushanhu Rd., Wuhan Economical-Technical Development Zone, Hubei, Wuhan, China	780,832 RMB 171,048	Production and sales of PET sheet, chip, filament, staple fibers, and apparel
34	Oriental Industries (Suzhou) Ltd.	2005/6/24	1588, Yin Zhong South Road, HeDong Industrial Park, Wu Zhong Economic Development District, Suzhou, China	4,997,975 RMB 1,094,847	Production and sales of polyester resins and industrial fabrics.
35	Far Eastern Industries (Suzhou) Ltd.	2004/3/22	6, Hengshan Road, New District, Suzhou, China	1,800,298 RMB 394,370	Production and sales of polyester products
36	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	2003/10/22	1588, Yin Zhong South Road, Wu Zhong Economic Development District, Suzhou, China	1,685,732 RMB 369,273	Spinning, weaving and dyeing of high-end apparel, and sales and production of specialty garments
37	Sino-Belgium Beer (Suzhou) Ltd.	2007/9/4	6, Hengshan Road, New District, Suzhou, China	1,739,987 RMB 381,158	Development of beer brewing technology
38	Far Eastern Apparel (Suzhou) Co., Ltd.	1996/10/24	88, Tian ling Rd. Wu Zhong District Economic Development Zone, Suzhou, China	933,895 RMB 204,577	Production of knitted and woven garments and beddings
39	Suzhou An Ho Apparel Ltd.	2008/1/31	88, Tian Ling Rd. Wu Zhong District Economic Development Zone, Suzhou, China	4,565 RMB 1,000	Production and sales of knitting and weaving garments
40	Far Eastern Industries (Wuxi) Ltd.	2002/5/28	Wuxi WNDZ 89 Land, WuXi, Jiangsu Province, China	2,197,913 RMB 481,471	Production of cotton yarn, other natural fibers, and chemical fibers
41	Far Eastern Yihua Petrochemical (Yangzhou) Corp.	2011/12/9	3, Yadong Road, Yangzhou Chemical Industry Park, Yangzhou, China	6,634,548 RMB 1,453,351	PTA and its by-product production and sales
42	Far Eastern Industries (Yangzhou) Ltd.	2012/5/10	9, Won Nien South Road, Yangzhou, China	1,410,139 RMB 308,902	Production and sales of polyester products
43	Far Eastern Ishizuka Green PET Corporation.	2012/5/11	880, Aza-Semino, Ohaza-Shimokobashi, Sakaimachi, Sashima-Gun, Ibaraki-Pref. Japan	26,420 JPY 100,000	Recycled PET production and sales
44	Far Eastern Apparel (Vietnam) Ltd.	2007/2/23	46 Dai Lo Tu Do, Vietnam Singapore Industrial Park, Thuan An District, Binh Duong Province, Vietnam	267,840 USD 9,000	Apparel production
45	Far Eastern Polytex (Vietnam) Ltd.	2015/6/23	Land lot B_4B_CN and B_5B_CN, Road DC, Bau Bang Industrial Park, Bau Bang District, Binh Duong Province, Vietnam	5,059,200 USD 170,000	Production of petrochemical and textiles products
46	Far Eastern New Apparel (Vietnam) Ltd.	2016/6/30	D1 Street, Bac Dong Phu Industrial Park, Dong Phu District, Binh Phuoc Province, Vietnam	535,680 USD 18,000	Apparel production
47	PET Far Eastern (M) Sdn Bhd	1995/7/22	Plot 69 ,Kawasan Perindustrian Senai 3, 81400 Senai, Johor Bohru, Johor Malaysia	113,152 MYR 16,000	Production of PET bottles and preforms
48	Worldwide Polychem (HK) Limited	2011/8/30	11/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong	104,160 USD 3,500	Investment
49	Waldorf Services B.V.	1990/1/10	Naritaweg 165, 1043 BW Amsterdam, The Netherlands	606 USD 19	Investment
50	FETG Investment Antilles N.V.	1989/10/5	Kaya W.F.G. Mensing 14, Curacao, the Netherlands Antilles	189 USD 6	Investment
51	Malaysia Garment Manufacturers Private Ltd.	1963/8/6	No.9, Little Road #02-02 Singapore 536985	176,121 SGD 7,912	Apparel production and investment
52	PT Malaysia Garment Bintan	1998/8/4	No.9, Little Road #02-02 Singapore 536986	4,786 IDR 2,175,600	Apparel production

## Special Disclosure

	Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
53	Far EasTone Telecommunications Co., Ltd.	1997/4/11	28F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	32,585,008	Wireless telecommunications service, leased circuit service, ISR and internet services and sale of cellular phone equipments and accessories
54	Far Eastern Info Service (H) Ltd.	2002/7/17	Clarendon House 2 Church Street Hamilton HM11 Bermuda	387 USD 12	International investments
55	KGEx.com Co., Ltd.	2000/8/9	4F, 468, Ruei-Guang Rd., Neihu Dist, Taipei City, Taiwan	689,074	Type II telecommunications service
56	Far Eastern Tech-Info Ltd. (Shanghai)	2002/11/18	3F, Building No. 23, Pudong Software District, 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, China	192,785 RMB 42,231	Computer software, data processing and internet content providing services
57	Yuan Cing Co., Ltd.	2000/8/5	28F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	20,000	Phone subscriber service
58	ARCOA Communication Co., Ltd.	1981/5/4	36F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	1,342,800	Type II telecom services; sale of cell phones and other telecom equipments
59	Q-Ware Communication Corp.	2007/2/13	11F, 218, Ruei-Guang Rd., Neihu Dist, Taipei City, Taiwan	417,149	Type II telecommunications services
60	Omusic Co., Ltd.	2010/10/5	12F, 468, Ruei-Guang Rd., Neihu Dist, Taipei City, Taiwan	50,000	Electronic information providing services
61	Data Express Infotech Co., Ltd.	2004/7/22	2F, 218, Ruei-Guang Rd., Neihu Dist., Taipei City, Taiwan,	183,805	Sale of communication products
62	Linkwell Tech Co., Ltd.	2005/4/8	2F, 218, Ruei-Guang Rd., Neihu Dist., Taipei City, Taiwan,	45,804	Sales of communication products
63	Home Master Technology Ltd	2011/8/11	2F, 218, Ruei-Guang Rd., Neihu Dist., Taipei City, Taiwan,	12,725	Sales of communication products
64	New Century InfoComm Tech Co., Ltd.	2000/6/1	1-11Fl., 218, Ruei-Guang Rd., Neihu Dist, Taipei City, Taiwan	21,000,000	Type I & II telecom services
65	New Diligent Co., Ltd.	2001/5/2	1F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan	540,000	Investment
66	New Diligent Hong Kong Co. Ltd.	2014/12/4	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	3,051 USD 100	Investment
67	Sino Lead Enterprise Limited.	2006/4/11	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	125 HKD 30	telecommunications services
68	Information Security Service Digital United	2004/12/22	2F, 218, Ruei-Guang Rd., Neihu Dist, Taipei City, Taiwan	102,490	Security and monitoring services via Internet
69	Digital United (Cayman) Ltd.	2000/8/16	P.O. Box 2681, Zephyt House, Mary Street, George Town, Grand Cayman, British West Indies	128,563 USD 4,320	Investment
70	Digital United Information Technology (Shanghai) Ltd.	2000/10/8	Room 22301-918, Building No. 14, Pudong Software District, 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, China.	107,518 RMB 23,553	Design and research of computer system
71	Far Eastern New Diligence Ltd.	2010/7/27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	425,568 USD 14,300	Investment
72	Yuanshi Digital Technology Co., Ltd.	2013/8/8	10 F, 220, Gangqian Rd., Neihu Dist, Taipei City, Taiwan	1,041,675	Electronic information providing services
73	Far Eastern New Century Information Technology (Beijing) Limited	2010/7/23	11F, Building 9, Wanda Square, 93, Jian Guo Street, Chaoyang District, Beijing, China	339,299 RMB 74,326	Electronic information providing services
74	Yuan-Ding Co., Ltd.	1984/10/1	23F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan	5,034,047	Hotel management
75	Ding Ding Hotel Co., Ltd.	1983/3/22	1-5F, 201&203, Tun Hwa South Road, Sec.2, Taipei City, Taiwan	1,040,470	Hotel management
76	Yuan Hong Electric Co., Ltd.	1999/12/13	23F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan	850,000	Corporate management consulting, pipe & cable installation and replacement
77	Far Eastern Technical Consultants Co., Ltd.	1996/1/17	23F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan	50,000	Construction management and consulting service

	Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
78	Ding Ding Integrated Marketing Service Co., Ltd.	2004/10/22	22F, No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan	693,880	Market research and advertisement
79	YDT Technology International Co., Ltd.	1989/8/4	23F, No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan	139,920	Sale of communication products
80	Far Eastern Electronic Toll Collection Co., Ltd.	2004/4/7	28F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	3,000,000	Information software service, telecom hardware construction, engineering design of auto-controlling system
81	Yuan Hsin Digital Payment Co.,Ltd.	2014/6/27	5F,1, Yuan don Road, Banqiao Dist., New Taipei City, Taiwan	1,247,759	Digital Payment
82	FETC International Co., Ltd.	2017/5/19	28F, 207, Tun Hwa South Road, Sec.2, Taipei City, Taiwan.	200,000	Dispatched labor, procuring equipment, and sales agent services
83	DDIM (Virgin Islands) Ltd.	2011/8/31	P.O.Box.957 Offshore Incorporations Centre, Road Town Tortola, British Virgin Islands.	709,707 USD 23,846	Investment
84	YDC (Virgin Islands) Ltd.	1998/2/11	Columbus Centre Building, Wickhams Cay, Road Town, Tortola, British Virgin Islands.	33,629 USD 1,130	Investment
85	Yuan Ding Integrated Information Service Inc. (Shanghai)	2011/8/10	Room 1506, 719, Yan'an West Road, Changning District, Shanghai, China	687,710 RMB 150,648	Software development and internet service design
86	Speedy (Shanghai) digital Tech. Co., Ltd.	2004/4/27	Room 1502, 719, Yan'an West Road, Changning District, Shanghai, China	29,852 RMB 6,539	Intelligent control equipment and security
87	APG Polytech USA Holdings, Inc.	2018/2/9	1209 Orange Street, Wilmington, Delaware, 19801.	892,800 USD 30,000	Investment
88	APG Polytech, LLC	2018/2/9	1209 Orange Street, Wilmington, Delaware, 19801.	892,800 USD 30,000	Production and sales of PET.

1.1.3 Companies Presumed to Have a Relationship of Control and Subordination with Far Eastern New Century under Article 369-3 of the R.O.C. Company Act: None

1.1.4 Industries Covered by the Business Operated by the Affiliates and Description of the Mutual Dealings and Division of Work among Such Affiliates:

Petrochemical, Polyester, Textiles, Garment and apparel, Investment, Construction, General Contractor, Leasing, Management consulting, Human resources consulting, Wireless telecommunication services, mobile virtual network operator services, wholesale and retail sale of telecom related products and equipments...etc. Please refer the aforesaid table of "Information of Far Eastern New Century and Subsidiaries and Affiliates" for major business activities of the Company's affiliates.



## Special Disclosure

### 1.1.5 Information about Directors, Supervisors, and Managers at Each Subsidiary and Affiliate:

Unit: Number of shares; %

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
0	Far Eastern New Century Corp.	Directors	Douglas Tong Hsu (Chairman)	91,748,698	1.71
			Asia Cement Corp.	1,272,277,085	23.77
			Johnny Hsi, Peter Hsu, Shaw Y. Wang, Raymond Hsu,	-	-
			Far Eastern Department Stores Ltd.	19,964,370	0.37
			Richard Yang, Tonia Katherine Hsu	-	-
			U-Ming Marine Transport Corp.	31,181,470	0.58
			Kwan Tao Li, Alice Hsu	-	-
		Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation Rep.	13,732,237	0.26	
Independent Directors	Champion Lee	-	-		
	Bing Shen, Johnsee Lee, Sheng-Cheng Hu	-	-		
		President	Y.H. Tseng, Eric Hu, K.S. Wu, Humphrey Cheng	-	-
1	Yuan Ding Investment Co., Ltd.	Directors	Far Eastern New Century Corp. Douglas Tong Hsu (Chairman), Johnny Hsi, Peter Hsu, Shaw Y. Wang, Alan Tsai, David Wang	1,822,822,230	99.40
		Supervisors	Da Ju Fiber Co., Ltd. Humphrey Cheng, Mark Lu	5,502,000	0.30
		President	C.S. Tu	-	-
2	Oriental Petrochemical (Taiwan) Co., Ltd.	Directors	Far Eastern New Century Corp. Douglas Tong Hsu (Chairman), Johnny Hsi, K.S. Wu, H.D. Zhou, David Shih, Eric Chueh	1,334,427,314	75.56
			Oriental Union Chemical Corp. Justin Tsai	282,033,256	15.97
			Supervisors	Yuan Ding Investment Co., Ltd. David Wang, Humphrey Cheng	91,765,929
		President	Eric Chueh	-	-
3	Yuan Tong Investment Co., Ltd.	Directors	Far Eastern New Century Corp. David Wang (Chairman), Humphrey Cheng, Allen Sha	705,146,840	100.00
		Supervisors	Far Eastern New Century Corp. Alan Tsai	705,146,840	100.00
		President	David Wang	-	-
4	Far Eastern Resources Development Co., Ltd.	Directors	Far Eastern New Century Corp. Douglas Tong Hsu (Chairman), Johnny Hsi, Peter Hsu, Shaw Y. Wang, C.S. Tu,	667,241,923	100.00
		Supervisors	Far Eastern New Century Corp. Humphrey Cheng	667,241,923	100.00
		President	C.S. Tu	-	-
5	Far Eastern Construction Co., Ltd.	Directors	Far Eastern New Century Corp. Shaw Y. Wang (Chairman), Douglas Tong Hsu, S.F. Cheng, D.F. Yang, B.S. Hong, Lin Kuo, C.M. Chen, Peter Hsu, H.R. Gao, S.Y. Wei,	198,791,401	65.11
		Supervisors	T.Z. Chang Der Ching Investment Co., Ltd. Charles Wang, S.Y. Gao	103,080,349	33.76
6	Kai Yuan International Investment Co., Ltd.	Directors	Far Eastern New Century Corp. Humphrey Cheng (Chairman), David Wang, Allen Sha	302,843,390	100.00
		Supervisors	Far Eastern New Century Corp. Alan Tsai	302,843,390	100.00
		President	Humphrey Cheng	-	-

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
7	Ding Yuan International Investment Co., Ltd.	Directors	Far Eastern New Century Corp.	205,000,000	100.00
		Supervisors	Alan Tsai (Chairman), Humphrey Cheng, Allen Sha Far Eastern New Century Corp. David Wang	- 205,000,000 -	- 100.00 -
8	Far Eastern General Contractor Inc	Directors	Far Eastern Construction Co., Ltd. S.F. Cheng (Chairman), Douglas Tong Hsu, Shaw Y. Wang, Lin Kuo, J.H. Li, Ying Wei, D.F. Yang, T.C. Lin You, Z.C. Ku	147,412,850	98.95
		Supervisors	Yuan Ding Investment Co., Ltd. Jackson Wu, Li-Chi Chen	- 1,490,174 -	- 1.00 -
9	Far Eastern Fibertech Co., Ltd.	Directors	Yuan Ding Investment Co., Ltd. Douglas Tong Hsu (Chairman), Johnny Hsi, B.C. Chang, Humphrey Cheng, Eric Huang	91,000,000	100.00
		Supervisors	Yuan Ding Investment Co., Ltd. David Wang	- 91,000,000	- 100.00
		President	B.C. Chang	-	-
10	An Ho Garment Co., Ltd.	Directors	Far Eastern New Century Corp. Alan Tsai (Chairman), David Wang, Li-Chi Chen	66,346,200	100.00
		Supervisors	Far Eastern New Century Corp. Benjamin Shih	- 66,346,200 -	- 100.00 -
11	Oriental Resources Development Co., Ltd.	Directors	Yuan Ding Investment Co., Ltd. Y.H. Tseng (Chairman), Donald Fan, Fanny Liao, Ru Yu Wu, C.T. Peng	48,917,569	100.00
		Supervisors	Yuan Ding Investment Co., Ltd. Davis Dai	- 48,917,569	- 100.00
		President	Fanny Liao	-	-
12	Far Eastern Apparel Co., Ltd.	Directors	Yuan Ding Investment Co., Ltd. Benjamin Shih (Chairman), Eric Hu, Li-Chi Chen, Y.J. Luo, Jenny Ho	22,672,765	100.00
		Supervisors	Yuan Ding Investment Co., Ltd. Alan Tsai	- 22,672,765 -	- 100.00 -
13	Yuan Faun Co., Ltd.	Directors	Yuan Ding Investment Co., Ltd. K.S. Wu (Chairman), Y.H. Tseng, Eric Hu, David Wang, Humphrey Cheng	5,000,000	100.00
		Supervisors	Yuan Ding Investment Co., Ltd. Alan Tsai, Emily Wu	- 5,000,000 -	- 100.00 -
14	Fu Kwok Knitting & Garment Co., Ltd.	Directors	Far Eastern New Century Corp. Alan Tsai (Chairman), Eric Hu, Tony Liang, Jenny Ho	4,000,000	100.00
		Supervisors	Far Eastern New Century Corp. Li-Chi Chen	- 4,000,000	- 100.00
		President	Tony Liang	-	-
15	Yuan Cheng Human Resources Consultant Corp.	Directors	Yuan Faun Co., Ltd. Benjamin Shih(Chairman), Emily Wu, David Wang, C.Y. Lin	744,999	55.19
		Supervisors	Chang Cheng Human Resources Consultant Co., Ltd. J.C. Wang Da Ju Fiber Co., Ltd. H.S. Yu	- 600,001 - 5,000 -	- 44.44 - 0.37 -
16	Far Eastern Textile Ltd.	Directors	Far Eastern New Century Corp. Douglas Tong Hsu (Chairman), Johnny Hsi, Peter Hsu	100,000	100.00
		Supervisors	Far Eastern New Century Corp. Shaw Y. Wang	- 100,000	- 100.00
		President	C.S. Tu	-	-

## Special Disclosure

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
17	Far Eastern Investment (H) Ltd.	Directors	Far Eastern New Century Corp. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	1,700,000 -	100.00 -
18	Far Eastern Polychem Industries Ltd.	Directors	Yuan Ding Investment Co., Ltd. Far Eastern New Century Corp. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	331,717,633 898,744,339 -	26.96 73.04 -
19	FEDP (H) Ltd.	Directors	Far Eastern Polychem Industries Ltd. Far Eastern New Century Corp. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	240,304 244,480 -	49.57 50.43 -
20	PET Far Eastern (H) Ltd.	Directors	Far Eastern Polychem Industries Ltd. Far Eastern New Century Corp. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	34,793 397,393 -	8.05 91.95 -
21	Far Eastern Polytex(H) Ltd.	Directors	Far Eastern New Century Corp. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	134,955 -	100.00 -
22	Far Eastern Apparel (H) Ltd.	Directors	Yuan Ding Investment Co., Ltd. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	111,200 -	100.00 -
23	Oriental Textile (H) Ltd.	Directors	Yuan Ding Investment Co., Ltd. Shaw Y. Wang, K.S. Wu, Humphrey Cheng	109,620 -	100.00 -
24	Sino Belgium (H) Ltd.	Directors	Yuan Tong Investment Co., Ltd. Martens HK Limited Shaw Y. Wang, Humphrey Cheng, Jan Martens	36,025 3,615 -	90.88 9.12 -
25	Magna View Sdn. Bhd	Directors	Far Eastern Investment (H) Ltd. Donald Fan, Daniel Tsai, Leong Siew Foong	3,000,000 -	100.00 -
26	Far Eastern Industries (Shanghai) Ltd.	Directors Supervisors President	Far Eastern Polychem Industries Ltd. Far Eastern New Century (China) Investment Co., Ltd. R.H. Shao (Chairman), C.Y. Dai, K.S. Wu, Humphrey Cheng, Donald Fan Brian Lee C.Y. Dai	- - - - -	87.64 12.36 - - -
27	Oriental Petrochemical (Shanghai) Corp.	Directors Supervisors President	PET Far Eastern (H) Ltd. Pacific Petrochemical (H) Ltd. Far Eastern New Century (China) Investment Co., Ltd. R.H. Shao (Chairman), Y.H. Tseng, Paul Chuang, Humphrey Cheng, K.S. Wu, Justin Tsai Alan Tsai Paul Chuang	- - - - - -	54.59 38.65 6.76 - - -
28	Far Eastern New Century (China) Investment Co., Ltd.	Directors Supervisors President	Far Eastern Polytex (H) Ltd. R.H. Shao (Chairman), Humphrey Cheng, David Wang, Alan Tsai, Allen Sha Charles Wang Humphrey Cheng	- - - -	100.00 - - -
29	Martens Beer (Shanghai) Ltd.	Directors Supervisors President	Sino Belgium (H) Ltd. Eric Hu (Chairman), Jan Martens, Alfons Martens, S.Y. Lai, Fanny Liao Brian Lee S.Y. Lai	- - - -	100.00 - - -
30	Shanghai Yuan Hua Logistic Corp.	Directors Supervisors President	Oriental Petrochemical (Shanghai) Corp. K.S. Wu (Chairman), C.Y. Dai, Paul Chuang, Steve Liu, Li-Chi Chen Brian Lee Paul Chuang	- - - -	100.00 - - -
31	Shanghai Far Eastern IT Corp.	Directors Supervisors President	Far Eastern New Century (China) Investment Co., Ltd. Alan Tsai (Chairman), Li-Chi Chen, Mike Wu, Steve Liu, H.L. Yi Brian Lee H.L. Yi	- - - -	100.00 - - -

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
32	Yuan Ding Enterprise (Shanghai) Limited	Directors	Far Eastern New Century (China) Investment Co., Ltd. Humphrey Cheng (Chairman), Douglas Tong Hsu, Peter Hsu, David Wang, R.H. Shao, C.L. Wu, S.F. Cheng	-	100.00
		Supervisors	Alan Tsai, James Tang	-	-
33	Wuhan Far Eastern New Material Ltd.	Directors	Far Eastern Polytex (H) Ltd. Donald Fan (Chairman), C.Y. Dai, S.Y. Lai, T.M. Kuo, Y.H. Wang	-	100.00
		Supervisors	Brian Lee	-	-
		President	C.Y. Dai	-	-
34	Oriental Industries (Suzhou) Ltd.	Directors	Oriental Textile (H) Ltd. Eric Hu (Chairman), Brian Lee, M.J. Wu, Eric Huang, Steve Liu	-	100.00
		Supervisors	P.T. Huang	-	-
		President	M.J. Wu	-	-
35	Far Eastern Industries (Suzhou) Ltd.	Directors	FEDP (H) Ltd. Eric Hu (Chairman), S.Y. Lai, Brian Lee, Steve Liu, M.J. Wu	-	100.00
		Supervisors	Davis Dai	-	-
		President	S.Y. Lai	-	-
36	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Directors	Far Eastern Apparel (H) Ltd. Eric Hu (Chairman), Kwen Lin Ho, Brian Lee, Allen Sha, Steve Liu	-	100.00
		Supervisors	Davis Dai	-	-
		President	Kwen Lin Ho	-	-
37	Sino-Belgium Beer (Suzhou) Ltd.	Directors	Sino Belgium (H) Ltd. Eric Hu (Chairman), S.Y. Lai, Brian Lee, Allen Sha, Jenny Ho	-	100.00
		Supervisors	P.T. Huang	-	-
		President	S.Y. Lai	-	-
38	Far Eastern Apparel (Suzhou) Co., Ltd.	Directors	Far Eastern Polytex (H) Ltd. Far Eastern Apparel (H) Ltd. Eric Hu (Chairman), Brian Lee, Allen Sha, Judy Lee, Steve Liu	-	61.54
		Supervisors	Davis Dai	-	38.46
		President	Judy Lee	-	-
39	Suzhou An Ho Apparel Ltd.	Directors	Far Eastern Apparel (Suzhou) Co., Ltd. Eric Hu (Chairman), Judy Lee, Brian Lee, Allen Sha, Steve Liu	-	100.00
		Supervisors	Davis Dai	-	-
		President	Judy Lee	-	-
40	Far Eastern Industries (Wuxi) Ltd.	Directors	Oriental Textile (H) Ltd. Eric Hu (Chairman), T.K. Wei, Brian Lee, Allen Sha, Mingo A. Chen	-	100.00
		Supervisors	Mike Wu	-	-
		President	Mingo A. Chen	-	-
41	Far Eastern Yihua Petrochemical (Yangzhou) Corp.	Directors	Far Eastern Polytex (H) Ltd. K.S. Wu (Chairman), Humphrey Cheng, H.D. Zhou	-	60.00
		Supervisors	Sinopec Yizheng Chemical Fibre Co. Ltd. T. Wan, J.P. Li	-	40.00
		Supervisors	S.M. Peng, C.P. Lu	-	-
		President	T. Wan	-	-
42	Far Eastern Industries (Yangzhou) Ltd.	Directors	Far Eastern Polychem Industries Ltd. Humphrey Cheng (Chairman), Brian Lee, Donald Fan, M. Y. Yeh, Allen Sha	-	100.00
		Supervisors	Davis Dai	-	-
		President	Donald Fan	-	-

## Special Disclosure

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
43	Far Eastern Ishizuka Green PET Corporation	Directors	Far Eastern Polychem Industries Ltd. Y.H. Tseng (Chairman), Humphrey Cheng, Donald Fan, David Wang, Yasuda Shinichi Ishizuka Glass Co., Ltd. Akihiro Yamanaka	3,578,040	90.00
		Supervisors	Alan Tsai	-	-
		President	Yasuda Shinichi	397,560	10.00
				-	-
44	Far Eastern Apparel (Vietnam) Ltd.	Directors	Far Eastern Investment (H) Ltd. Alan Tsai (Chairman), Judy Lee, Tony Liang, Allen Sha, Jenny Ho	-	100.00
		Supervisors	Davis Dai	-	-
		President	Judy Lee	-	-
45	Far Eastern Polytex (Vietnam) Ltd.	Directors	Far Eastern Investment (H) Ltd. Humphrey Cheng (Chairman), Y.H. Tseng, Kwen Lin Ho, M.Y. Yeh, Mingo A. Chen, David Wang, Li-Chi Chen	-	100.00
		Supervisors	Alan Tsai	-	-
		President	Y.H. Tseng	-	-
46	Far Eastern New Apparel (Vietnam) Ltd.	Directors	Far Eastern Investment (H) Ltd. Alan Tsai (Chairman), S.N. Jeme, Judy Lee, Tony Liang, Jenny Ho	-	100.00
		Supervisors	Allen Sha	-	-
		President	Tony Liang	-	-
47	PET Far Eastern (M) SDN BHD	Directors	Far Eastern Investment (H) Ltd. Magna View Sdn. Bhd Y.H. Tseng (Chairman), Donald Fan, David Wang, S.Y. Lai, Daniel Tsai, Leong Siew Foong	8,000,000	50.00
				8,000,000	50.00
		President	Donald Fan	-	-
48	Worldwide Polychem (HK) Limited	Directors	Far Eastern Investment (H) Ltd. Y.J. Lou, Mike Wu, Alan Tsai	2,700,000	100.00
49	Waldorf Services B.V.	Directors	FETG Investment Antilles N.V. K.S. Wu, Humphrey Cheng, Marlon Antonio Hironimo Martis, Trust International Management (T.I.M.) B.V.	1,750	100.00
				-	-
50	FETG Investment Antilles N.V.	Directors	Far Eastern Investment (H) Ltd. Shaw Y. Wang, K.S. Wu, Humphrey Cheng, Orangefield Trust (Caribbean) N.V.	6,000	100.00
51	Malaysia Garment Manufacturers Private Ltd.	Directors	Da Ju Fiber Co., Ltd. Humphrey Cheng, Raymond Hsu	34,160	43.17
			Yuan Tong Investment Co., Ltd. Shaw Y. Wang	10,285	13.00
			Woldorf Services B.V. K.L. Li	-	-
			U-Ming Marine Transport Corp. C.L. Meng	30,000	37.92
				4,675	5.91
52	PT Malaysia Garment Bintan	Directors	Malaysia Garment Manufacturers Private Ltd. K.L. Li, Austin Lee, C.T. Hu, M.J. Wang	2,970	99.00
		Supervisors	W.H. Wu, C.S. Lin	-	-
				30	1.00

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
53	Far EasTone Telecommunications Co., Ltd.	Directors	Yuan-Ding Investment Co., Ltd.	1,066,657,614	32.73
			Douglas Tong Hsu (Chairman), Peter Hsu (Managing Director), Jan Nilsson (Managing Director)	-	-
			U-Ming Marine Transport Corp.	331,000	0.01
			Keijiro Murayama	-	-
			Yuan Ding Co., Ltd.	4,163,500	0.13
			Champion Lee, Jeff Hsu	-	-
			Asia Investment Corporation	1,426,303	0.04
		Bonnie Peng	-	-	
		Ding Yuan International Investment Co., Ltd.	919,653	0.03	
Toon Lim	-	-			
Independent Directors	Kurt Roland Hellström, Lawrence Juen-Yee Lau, Chung Laung Liu	-	-		
	President	Yvonne Li	-	-	
54	Far Eastern Info Service (H) Ltd.	Directors	Far EasTone Telecommunications Co., Ltd. Yvonne Li (Chairman), T.Y. Yin, Eton Shu, Jennifer Liu, Maggie Mei	1,200	100.00
		President	Yvonne Li	-	-
55	KGEx.com Co., Ltd.	Directors	Far EasTone Telecommunications Co., Ltd. Philip Tseng (Chairman), Vivian Lee, Bruce Yu, James Lee, Hae-Shung Ju	68,897,234	99.99
		Supervisors	T.Y. Yin	-	-
		President	Philip Tseng	-	-
56	Far Eastern Tech-info Ltd. (Shanghai)	Directors	Far Eastern Info Service (H) Ltd. Yvonne Li (Chairman), Eton Shu, Jennifer Liu, Maggie Mei	-	41.67
		President	Far Eastern New Diligence Ltd T.Y. Yin	-	58.33
57	Yuan Cing Co., Ltd.	Directors	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng (Chairman), Maggie Mei, Vivian Lee	2,000,000	100.00
		Supervisors	Sherman Lee	-	-
		President	Maggie Mei	-	-
58	ARCOA Communication Co., Ltd.	Directors	Far EasTone Telecommunications Co., Ltd. Yvonne Li (Chairman), Alan Tsai, T.Y. Yin, Brian Chao, Jessie Teng, Vivian Lee	82,762,221	61.63
			Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
		Supervisors	Li-Chi Chen, David Tsai, Sharon Lin	-	-
		President	Andy Tu	-	-
59	Q-ware Communication Corp.	Directors	Far EasTone Telecommunications Co., Ltd. Yvonne Li (Chairman), Philip Tseng, Maxwell Cheng, Bruce Yu, James Lee	33,982,812	81.46
			President Chain Store Co., Ltd. Robert Zong, Terry Jiang	4,172,422	10.00
			Supervisors	Uni-President Enterprises Co., Ltd. Jin Xing Chen, Sharon Lin	3,337,192
		President	James Lee	-	-

## Special Disclosure

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
60	O-music Co., Ltd.	Directors	Universal Music Ltd.	225,000	4.50
			Sunny Chang (Chairman)	-	-
			Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
			Yvonne Li, Magdalena Lin, C.J. Lee, Eton Shu	-	-
			Sony Music Entertainment Taiwan Ltd.	225,000	4.50
		Supervisors	Forward Music Co., Ltd.	225,000	4.50
			Barry Lee	-	-
			T.Y. Yin	-	-
			Otiga Technologies Limited	475,000	9.50
			Ipang Lin	-	-
President	HIM International Music Inc.	225,000	4.50		
	Lydia Ho	-	-		
		Belung Chang	225,000	4.50	
61	Data Express Infotech Co., Ltd.	Directors	ARCOA Communications Co., Ltd.	12,866,353	70.00
			T.Y. Yin (Chairman), Eric Li, Brian Chao	-	-
			Jing Ho Tech	3,490,724	18.99
		Supervisors	Grace Chu	-	-
		Ann Chang	-	-	
62	Linkwell Tech. Co., Ltd.	Directors	Data Express Infotech Co., Ltd.	-	100.00
			T.Y. Yin	-	-
63	Home Master Technology Ltd	Directors	Data Express Infotech Co., Ltd.	-	100.00
			T.Y. Yin	-	-
64	New Century InfoComm Tech Co., Ltd.	Directors	Far EasTone Telecommunications Co., Ltd.	2,100,000,000	100.00
		Supervisors	Douglas Tong Hsu (Chairman), Yvonne Li, Philip Tseng	-	-
			Far EasTone Telecommunications Co., Ltd.	2,100,000,000	100.00
	President	Sherman Lee	-	-	
			Yvonne Li	-	-
65	New Diligent Co., Ltd.	Directors	New Century InfoComm Tech Co., Ltd.	54,000,000	100.00
		Supervisors	Eric Li (Chairman), Philip Tseng, James Lee	-	-
			New Century InfoComm Tech Co., Ltd.	54,000,000	100.00
			Sherman Lee	-	-
66	New Diligent Hong Kong Co. Limited	Directors	New Diligent Co., Ltd.	-	100.00
			Sherman Lee, T. Y. Yin	-	-
67	Sino Lead Enterprise Limited.	Directors	New Diligent Co., Ltd.	-	100.00
			Philip Tseng	-	-
68	Information Security Service Digital United	Directors	New Century InfoComm Tech Co., Ltd.	10,249,047	100.00
		Supervisors	Philip Tseng (Chairman), Alan Chang, Mark Lee, Eric Li	-	-
			New Century InfoComm Tech Co., Ltd.	10,249,047	100.00
			Sherman Lee	-	-
69	Digital United (Cayman) Ltd.	Directors	New Century InfoComm Tech Co., Ltd.	4,320,000	100.00
			Philip Tseng (Chairman), T.Y. Yin	-	-
70	Digital United Information Technology (Shanghai) Ltd.	Directors	Digital United (Cayman) Ltd.	-	100.00
		Supervisors	Mike Lee (Chairman), Larry Liu, Eric Li	-	-
			Digital United (Cayman) Ltd.	-	100.00
		President	T.Y. Yin	-	-
			Larry Liu	-	-
71	Far Eastern New Diligence Corporation	Directors	New Diligent Co., Ltd.	-	100.00
			Jennifer Liu, T.Y. Yin, Mike Lee	-	-
72	Yuanshi Digital Technology Co., Ltd.	Directors	Far EasTone Telecommunications Co., Ltd.	90,014,424	86.41
		Supervisors	Magdalena Lin (Chairman), Sherman Lee, Oliver Chew, Philby Lee, John Yeh	-	-
			Far EasTone Telecommunications Co., Ltd.	-	-
	President	T. Y. Yin	-	-	
			Terrance Yang	-	-

	Company	Title	Name or representative	Registered shares owned				
				Shares	%			
73	Far Eastern New Century Information Technology (Beijing) Limited (Note)	Directors	Far Eastern Tech-Info (Shanghai) Ltd. Jennifer Liu (Chairman), Andrea Shen, T.Y. Yin, Eton Shu	-	0.96			
			Yuan Dong New Century Company Ltd. Jack Deng	-	0.78			
		Supervisors	Far Eastern Tech-Info (Shanghai) Ltd. Sharon Lin	-	0.96			
			President Alex Chang	-	-			
74	Yuan-Ding Co., Ltd.	Directors	Douglas Tong Hsu (Chairman)	3,144	-			
			Far Eastern New Century Corp. Morton Mate Huang, Alan Tsai, Humphrey Cheng	186,928,831	37.13			
			Asia Cement Corp. K.Y. Lee, Peter Hsu, X.Y. Kao	178,707,648	35.50			
			Far Eastern Department Stores Ltd. Nancy Hsu	2,796	-			
		Supervisors	U-Ming Commerce Co., Ltd. David Wang	12,585	-			
			Yuan Ding Investment Co., Ltd. Shaw Y. Wang	64,758,813	12.86			
			Der Ching Investment Co., Ltd. Y.F Chang	72,989,090	14.50			
			President Humphrey Cheng	-	-			
		75	Ding Ding Hotel Co., Ltd.	Directors	Yuan-Ding Co., Ltd. Douglas Tong Hsu (Chairman), J.W. Huang, T.Z. Chang	102,508,865	98.52	
					Far Eastern New Century Corp. Nancy Hsu, T.H. Chang	769,052	0.74	
Asia Cement Corp. Humphrey Cheng, K.Y. Lee	555,625				0.53			
Supervisors	Der Ching Investment Co., Ltd. Charles Wang			213,428	0.21			
	76			Yuan Hong Electric Co., Ltd.	Directors	Yuan-Ding Co., Ltd. Humphrey Cheng (Chairman), D.H. Xiong, Z.K. Dai	85,000,000	100.00
					Supervisors	Yuan-Ding Co., Ltd. M.G. Chang	85,000,000	100.00
77	Far Eastern Technical Consultants Co., Ltd.	Directors	Yuan-Ding Co., Ltd. Humphrey Cheng(Chairman), D.H. Xiong, T.Z. Chang, Z.K. Dai, P.C. Hu	4,550,000	91.00			
		Supervisors	Far Eastern General Contractor Inc. S.F. Cheng	450,000	9.00			
		President	T.Z. Chang	-	-			
78	Ding Ding Integrated Marketing Service Co., Ltd.	Directors	Yuan-Ding Co., Ltd. Douglas Tong Hsu (Chairman), Humphrey Cheng, D.H. Xiong, T.C. Zhou	41,632,800	60.00			
			Far EasTone Telecommunications Co., Ltd. Magdalena Lin	10,408,200	15.00			
			Far Eastern Department Stores Ltd. Nancy Hsu	6,938,800	10.00			
			Pacific Sogo Co., Ltd. J.W. Huang	6,938,000	10.00			
		Supervisors	New Century InfoComm Tech Co., Ltd. Sherman Lee	3,469,400	5.00			
			President	G.L. Liang	-	-		



## Special Disclosure

	Company	Title	Name or representative	Registered shares owned	
				Shares	%
79	YDT Technology International Co., Ltd.	Directors	Yuan-Ding Co., Ltd. Y.S. Yang (Chairman), D.H. Xiong, Z.K. Dai	13,992,000	100.00
		Supervisors	Yuan-Ding Co., Ltd. H.W. Tu	13,992,000	100.00
		President	F.H. Ho	-	-
80	Far Eastern Electronic Toll Collection Co., Ltd.	Directors	Far EasTone Telecommunications Co., Ltd. Douglas Tong Hsu (Chairman), T.Y. Yin, C. K. Ong	118,250,967	39.42
			Yuan Tong Investment Co., Ltd. Y.C. Chang	35,933,614	11.98
			SYSTEX Corporation S.C. Yang	25,263,076	8.42
			MiTAC Information Technology Corp. Liang Su	27,724,093	9.24
			TECO Electric & Machinery Co., Ltd. Sophia Chiu	32,979,907	10.99
			S.J. Hsu	-	-
			S.W. Chao	-	-
		Supervisors	Eton Shu	-	-
			W.C. Yeh	-	-
			Ching Pu Investment Corporation Larry Chung	7,716,831	2.57
			He Li Investment B.L. Tsai	5,255,813	1.75
			President	Y.C. Chang	-
81	Yuan Hsin Digital Payment Co., Ltd.	Directors	Ding Ding Integrated Marketing Service Co., Ltd. G.L. Liang(Chairman)	18,728,869	15.01
			Yuan Ding Co., Ltd. Humphrey Cheng, Y.C. Chang	24,955,188	20.00
			Far EasTone Telecommunications Co., Ltd. Magdalena Lin	37,432,782	30.00
			Far Eastern Department Stores Ltd. C.F. Lin	18,716,391	15.00
		Supervisors	Pacific Sogo Co., Ltd. H.T. Peng	18,716,391	15.00
			Far Eastern International Band S.J. Dai	6,226,320	4.99
		President	S.H. Tsai	-	-
82	FETC International Co., Ltd.	Directors	Far Eastern Electronic Toll Collection Co., Ltd. Douglas Tong Hsu (Chairman), T.Y. Yin, C. K. Ong, Y.C. Chang, S.C. Yang, Sophia Chiu, Liang Su, S.J. Hsu, S.W. Chao	20,000,000	100.00
		Supervisors	Far Eastern Electronic Toll Collection Co., Ltd. Eton Shu, Larry Chung, W.C. Yeh, B.L. Tsai	20,000,000	100.00
83	DDIM (Virgin Islands) Ltd.	Directors	Yuan Hong Electric Co., Ltd. Humphrey Cheng, D.H. Xiong, Z.K. Dai	1,501	53.87
84	YDC (Virgin Islands) Ltd.	Directors	Yuan-Ding Co., Ltd. Humphrey Cheng, D.H. Xiong, Z.K. Dai	200	17.70
				-	-
85	Yuan Ding Integrated Information Service Inc. (Shanghai)	Directors	DDIM(Virgin Islands) Ltd. YDC(Virgin Islands) Ltd. R.H. Shao	-	99.54
		Supervisors	Y.Z. Tsai	-	0.46
		President	R.H. Shao	-	-
86	Speedy (Shanghai) digital Tech. Co., Ltd.	Directors	YDC (Virgin Islands) Ltd. F.H. Ho	-	100.00
		Supervisors	D.H. Xiong	-	-
		President	F.H. Ho	-	-
87	APG Polytech USA Holdings, Inc.	Directors	Far Eastern Investment (H) Ltd. Humphrey Cheng, David Wang, L.C. Kuo Tung, Fanny Liao, Justin Tsai	300	100.00
88	APG Polytech, LLC	Board of Managers	APG Polytech USA Holdings, Inc. Donald Fan, P.T. Huang, C.H. Tseng	-	100.00

Note: Dissolved on February 9, 2018 with the approval of the local government.

# Far Eastern New Century

Annual Report 2017

Operation Results of Each Subsidiary and Affiliate

Unit: NT\$ thousands, unless stated otherwise

Book closure date: 31 December 2017

	Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (loss)	EPS (NT\$)
0	Far Eastern New Century Corp.	53,528,751	516,766,280	261,227,187	255,539,093	217,846,948	15,434,269	8,066,136	1.61
1	Yuan Ding Investment Co., Ltd.	18,338,262	73,183,967	31,363,471	41,820,496	30,519,424	6,668,214	6,015,412	3.28
2	Oriental Petrochemical (Taiwan) Co., Ltd.	17,660,930	35,499,734	25,320,971	10,178,763	15,281,659	(1,135,209)	(1,473,409)	(0.83)
3	Yuan Tong Investment Co., Ltd.	7,051,468	8,906,225	469,140	8,437,085	457,690	452,706	450,548	0.64
4	Far Eastern Resources Development Co., Ltd.	6,672,419	115,889,178	13,629,635	102,259,543	1,257,783	(70,175)	1,489,376	2.23
5	Far Eastern Construction Co., Ltd.	3,053,206	18,435,416	5,206,009	13,229,407	840,955	345,574	543,492	1.78
6	Kai Yuan International Investment Co., Ltd.	3,028,434	5,740,288	572,370	5,167,918	740,313	739,951	731,806	2.42
7	Ding Yuan International Investment Co., Ltd.	2,050,000	2,841,346	298	2,841,048	530,816	530,459	530,766	2.59
8	Far Eastern General Contractor Inc.	1,489,776	4,779,673	2,667,237	2,112,436	5,106,917	118,066	109,517	0.74
9	Far Eastern Fibertech Co., Ltd.	910,000	2,182,487	991,207	1,191,280	2,141,610	198,613	165,039	1.81
10	An Ho Garment Co., Ltd.	663,462	2,511,342	415,730	2,095,612	301,137	300,752	295,188	4.45
11	Oriental Resources Development Co., Ltd.	489,176	995,481	489,546	505,935	753,494	49,127	43,633	0.89
12	Far Eastern Apparel Co., Ltd.	226,728	609,311	360,668	248,643	1,001,487	(66,800)	(55,899)	(2.47)
13	Yuan Faun Co., Ltd.	50,000	119,947	277	119,670	17,834	15,916	24,715	4.94
14	Fu Kwok Knitting & Garment Co., Ltd.	40,000	365,739	112,698	253,041	1,158,657	64,099	64,338	16.08
15	Yuan Cheng Human Resources Consultant Corp.	13,500	37,612	13,953	23,659	329,822	(2,530)	4,240	3.14
16	Far Eastern Textile Ltd.	1,000	1,545	21	1,524	-	(215)	76	0.76
17	Far Eastern Investment (H) Ltd.	506 USD 17	12,856,570 432,008	4,117,329 138,351	8,739,241 293,657	1,897,186 62,342	97,375 3,200	121,934 4,007	71.73 2.36
18	Far Eastern Polychem Industries Ltd.	433 HKD 114	13,370,345 3,512,042	3,975,770 1,044,331	9,394,575 2,467,711	8,009,149 2,050,998	55,323 14,167	(93,001) (23,816)	(0.08) (0.02)
19	FEDP (H) Ltd.	161 USD 5	244,203 8,206	749 25	243,454 8,181	(84,892) (2,790)	(92,341) (3,034)	(105,064) (3,452)	(216.72) (7.12)
20	PET Far Eastern (H) Ltd.	130 RMB 29	6,870,705 1,505,083	1,025,586 224,663	5,845,119 1,280,420	207,338 46,003	154,120 34,196	166,582 36,961	385.44 85.52
21	Far Eastern Polytex (H) Ltd.	42 USD 1.4	7,713,556 259,192	1,779 60	7,711,777 259,132	(90,876) (2,986)	(99,362) (3,265)	(101,726) (3,343)	(753.78) (24.77)
22	Far Eastern Apparel (H) Ltd.	33 USD 1.1	5,330,488 179,116	1,795,036 60,317	3,535,452 118,799	8,117,072 266,728	177,647 5,838	541,061 17,779	4,865.66 159.89
23	Oriental Textile (H) Ltd.	33 USD 1.1	10,879,937 365,589	2,754,362 92,552	8,125,575 273,037	3,349,007 110,049	15,596 512	274,401 9,017	2,503.20 82.26
24	Sino Belgium (H) Ltd.	12 USD 0.4	3,118 105	666,363 22,391	(663,245) (22,286)	(342,990) (11,271)	(345,691) (11,359)	(337,419) (11,088)	(9,012.26) (296.14)
25	Magna View Sdn.Bhd	21,216 MYR 3,000	209,483 29,622	37,063 5,241	172,420 24,381	4,074 599	3,988 587	3,988 587	1.33 0.20
26	Far Eastern Industries (Shanghai) Ltd.	8,584,023 RMB 1,880,399	16,471,225 3,608,155	8,101,660 1,774,734	8,369,565 1,833,421	24,615,702 5,461,660	417,528 92,640	(74,003) (16,420)	NA NA
27	Oriental Petrochemical (Shanghai) Corp.	8,187,736 RMB 1,793,590	11,222,072 2,458,285	6,090,633 1,334,202	5,131,439 1,124,083	13,142,191 2,915,951	(622,649) (138,152)	(829,571) (184,063)	NA NA
28	Far Eastern New Century (China) Investment Co., Ltd.	2,833,412 RMB 620,682	7,462,264 1,634,669	5,685,920 1,245,547	1,776,344 389,122	(165,601) (36,743)	(172,840) (38,349)	(164,787) (36,562)	NA NA
29	Martens Beers (Shanghai) Ltd.	357,924 RMB 78,402	24,837 5,441	26,280 5,757	(1,443) (316)	33,818 7,503	(15,944) (3,538)	(16,257) (3,607)	NA NA
30	Shanghai Yuan Hua Logistic Corp.	86,735 RMB 19,000	168,329 36,874	35,046 7,677	133,283 29,197	200,637 44,517	6,958 1,544	5,556 1,233	NA NA
31	Shanghai Far Eastern IT Corp.	58,021 RMB 12,710	70,139 15,365	8,245 1,806	61,894 13,559	103,230 22,904	(584) (130)	180 40	NA NA
32	Yuan Ding Enterprise (Shanghai) Limited	1,168,640 RMB 256,000	5,335,680 1,168,824	4,619,276 1,011,889	716,404 156,935	5,217 1,158	(107,077) (23,758)	(90,268) (20,028)	NA NA
33	Wuhan Far Eastern New Material Ltd.	780,832 RMB 171,048	1,396,613 305,939	442,154 96,856	954,459 209,083	1,625,746 360,716	10,783 2,393	5,127 1,138	NA NA
34	Oriental Industries (Suzhou) Ltd.	4,997,975 RMB 1,094,847	14,747,040 3,230,458	8,924,271 1,954,933	5,822,769 1,275,525	7,573,205 1,680,321	511,223 113,429	343,938 76,312	NA NA
35	Far Eastern Industries (Suzhou) Ltd.	1,800,298 RMB 394,370	1,876,596 411,083	1,845,178 404,201	31,418 6,882	2,654,630 589,002	(44,533) (9,881)	(84,892) (18,836)	NA NA
36	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	1,685,732 RMB 369,273	6,101,447 1,336,571	3,237,395 709,177	2,864,052 1,285,114	5,792,010 1,285,114	513,503 113,935	373,198 82,804	NA NA
37	Sino-Belgium Beer (Suzhou) Ltd.	1,739,987 RMB 381,158	570,945 125,070	853,772 187,026	(282,827) (61,956)	54,288 12,045	(118,013) (26,184)	(143,482) (31,835)	NA NA
38	Far Eastern Apparel (Suzhou) Co., Ltd.	933,895 RMB 204,577	2,355,317 515,951	830,701 181,972	1,524,616 333,979	2,646,258 587,144	133,639 29,651	111,428 24,723	NA NA
39	Suzhou An Ho Apparel Ltd.	4,565 RMB 1,000	55,978 12,263	1,113 244	54,865 12,019	1,052 233	6,293 1,396	5,086 1,128	NA NA
40	Far Eastern Industries (Wuxi) Ltd.	2,197,913 RMB 481,471	3,391,112 742,851	407,809 89,334	2,983,303 653,517	3,074,632 682,190	34,324 7,616	(2,541) (564)	NA NA

## Special Disclosure

	Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (loss)	EPS (NT\$)
41	Far Eastern Yihua Petrochemical (Yangzhou) Corp.	6,634,548 RMB 1,453,351	7,151,763 1,566,651	473,921 103,816	6,677,842 1,462,835	-	(59,606) (13,225)	352 78	NA NA
42	Far Eastern Industries (Yangzhou) Ltd.	1,410,139 RMB 308,902	1,450,748 317,798	24,047 5,268	1,426,701 312,530	-	(16,905) (3,751)	2,432 540	NA NA
43	Far Eastern Ishizuka Green PET Corporation.	26,420 JPY 100,000	1,584,518 5,997,419	874,280 3,309,160	710,238 2,688,259	1,078,084 3,973,771	10,798 39,801	7,192 26,509	1.81 6.67
44	Far Eastern Apparel (Vietnam) Ltd.	267,840 USD 9,000	1,746,958 58,702	1,005,544 33,789	741,414 24,913	3,903,322 128,264	357,543 11,749	274,029 9,005	NA NA
45	Far Eastern Polytex (Vietnam) Ltd.	5,059,200 USD 170,000	6,578,520 221,052	1,728,922 58,095	4,849,598 162,957	-	(148,921) (4,894)	(160,744) (5,282)	NA NA
46	Far Eastern New Apparel (Vietnam) Ltd.	535,680 USD 18,000	835,358 28,070	588,841 19,786	246,517 8,284	382,904 12,582	(123,678) (4,064)	(126,181) (4,146)	NA NA
47	PET Far Eastern (M) Sdn Bhd	113,152 MYR 16,000	1,141,352 161,390	722,385 102,147	418,967 59,243	1,214,242 178,599	6,037 888	8,148 1,198	0.51 0.07
48	Worldwide Polychem (HK) Ltd.	104,160 USD 3,500	1,190,607 40,007	1,138,767 38,265	51,840 1,742	2,820,605 92,685	(72,769) (2,391)	(45,715) (1,502)	(16.93) (0.56)
49	Waldorf Services B.V.	606 USD 19	466,457 15,674	100 3	466,357 15,671	1,781 59	(537) (18)	(93,644) (3,077)	(53.10.86) (1,758.37)
50	FETG Investment Antilles N.V.	189 USD 6	467,583 15,712	15,130 508	452,453 15,204	(93,644) (3,077)	(93,961) (3,088)	(89,808) (2,951)	(14,968.00) (491.85)
51	Malaysia Garment Manufacturers Private Ltd.	176,121 SDG 7,912	1,339,978 60,197	76,432 3,434	1,263,546 56,763	-	(33,601) (1,525)	3,734 169	47.19 2.14
52	PT Malaysia Garment Bintan	4,786 IDR 2,175,600	10 4,546	51 23,182	(41) (18,636)	-	-	-	-
53	Far Eastern Telecommunication Co., Ltd.	32,585,008	132,706,355	62,260,142	70,446,213	92,069,681	14,216,298	10,856,682	3.33
54	Far Eastern Info Service (H) Ltd.	357 USD 12	43,669 1,467	-	43,669 1,467	-	-	2,270 75	1,892.94 62.20
55	KGEx com Co., Ltd.	689,074	846,439	65,564	780,875	535,106	64,748	78,781	1.01
56	Far Eastern Tech-Info Ltd. (Shanghai)	192,785 RMB 42,231	104,370 22,863	-	104,370 22,863	-	(157) (35)	5,478 1,215	NA NA
57	Yuan Cing Co., Ltd.	20,000	45,387	11,116	34,271	67,632	15,749	13,184	6.59
58	ARCOA Communication Co., Ltd.	1,342,800	4,414,283	2,682,614	1,731,669	17,187,239	110,056	109,636	0.82
59	Q-Ware Communication Corp.	417,149	189,593	359,443	(169,850)	206,603	(19,634)	(75,556)	(1.81)
60	Ormusic Co., Ltd.	50,000	92,237	73,306	18,931	202,956	2,407	2,639	0.53
61	Data Express Infotech Co., Ltd.	183,805	1,419,993	1,178,928	241,065	3,827,477	26,541	32,872	1.79
62	Linkwell Tech Co., Ltd.	45,804	166,933	125,258	41,675	752,096	2,280	2,075	NA
63	Home Master Technology Ltd	12,725	146,146	147,520	(1,374)	758,768	7,683	7,042	NA
64	New Century InfoComm Tech Co., Ltd.	21,000,000	26,912,974	2,893,565	24,019,409	11,425,183	2,047,679	1,757,282	0.84
65	New Diligent Co., Ltd.	540,000	140,049	140	139,909	-	(160)	27,098	0.38
66	New Diligent Hong Kong Co. Limited	3,051 USD 100	7,334 246	4,468 150	2,866 96	2,311 76	108 4	(185) (6)	NA NA
67	Sino Lead Enterprise Limited.	125 HKD 30	29,484 7,744	29,258 7,685	226 59	116,246 29,769	92 24	77 20	NA NA
68	Information Security Service Digital United	102,490	212,939	96,867	116,072	293,861	13,032	13,227	1.29
69	Digital United (Cayman) Ltd.	128,563 USD 4,320	14,049 472	71 2	13,978 470	-	(279) (9)	(17,565) (577)	(4.06) (0.13)
70	Digital United Information Technology (Shanghai) Ltd.	107,518 RMB 23,553	2,200 482	-	2,200 482	8,822 1,957	(9,175) (2,036)	(8,855) (1,965)	NA NA
71	Far Eastern New Diligence Ltd.	425,568 USD 14,300	79,689 2,677	70 2	79,619 2,675	-	(167) (5)	25,861 850	NA NA
72	Yuanshi Digital Technology Co., Ltd.	1,041,675	393,490	526,739	(133,249)	1,956,310	(360,351)	(371,842)	(4.57)
73	Far Eastern New Century Information Technology (Beijing) Limited	339,299 RMB 74,326	5,350 1,172	598 131	4,752 1,041	-	(6,497) (1,442)	26,597 5,901	NA NA
74	Yuan-Ding Co., Ltd.	5,034,047	11,282,409	2,581,978	8,700,431	1,658,549	370,644	(119,631)	(0.24)
75	Ding Ding Hotel Co., Ltd.	1,040,470	1,815,544	1,290,753	524,791	1,801,061	(335,257)	(343,915)	(3.31)
76	Yuan Hong Electric Co., Ltd.	850,000	499,626	45	499,581	-	(54)	(14,173)	(0.17)
77	Far Eastern Technical Consultants Co., Ltd.	50,000	128,028	68,108	59,920	70,364	1,545	4,740	0.95
78	Ding Ding Integrated Marketing Service Co., Ltd.	693,880	832,889	494,632	338,257	320,425	51,193	534	0.01
79	YDT Technology International Co., Ltd.	139,920	368,934	91,807	277,127	179,202	(50,974)	(42,259)	(3.02)
80	Far Eastern Electronic Toll Collection Co., Ltd.	3,000,000	6,889,521	4,814,637	2,074,884	2,044,747	501,698	128,058	0.43
81	Yuan Hsin Digital Payment Co., Ltd.	1,247,759	1,224,116	203,233	1,020,883	35,288	(271,025)	(268,490)	(2.15)
82	FETC International Co., Ltd.	200,000	188,959	8,161	180,798	5,073	(20,068)	(19,202)	(0.96)
83	DDIM (Virgin Islands) Ltd.	709,707 USD 23,846	15,972 537	-	15,972 537	-	(34) (1)	(32,134) (1,056)	(12,354.48) (405.97)
84	YDC (Virgin Islands) Ltd.	33,629 USD 1,130	51,576 1,733	-	51,576 1,733	-	(31) (1)	3,744 123	3,312.86 108.86
85	Yuan Ding Integrated Information Service Inc. (Shanghai)	687,710 RMB 150,648	96,841 21,214	81,179 17,783	15,662 3,431	39,954 8,865	(35,578) (7,894)	(32,249) (7,155)	NA NA
86	Speedy (Shanghai) digital Tech. Co., Ltd.	29,852 RMB 6,539	57,251 12,541	7,235 1,585	50,016 10,956	66,138 14,675	5,854 1,299	3,925 870	NA NA

## 1.2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

### REPRESENTATION LETTER

The affiliates that should be included in the combined financial statements of FENC as of and for the year ended December 31, 2017 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” in the Republic of China (ROC) are the same as those prepared under the International Accounting Standard 10 - “Consolidated and Separate Financial Statements.” The information required to be disclosed in the combined financial statements has already been disclosed in the consolidated financial report. Thus, FENC and its affiliates do not prepare a separate set of combined financial statements.

Very truly yours,  
Far Eastern New Century Corporation  
By

Douglas Tong Hsu  
Chairman



March 22, 2018

## 1.3 Affiliation Report: Not applicable

## Special Disclosure

### 2. Private Placement Securities in the Latest Year

None

### 3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published

Name	Paid-in Capital (NT\$ million)	Source of funding	Holdings percentage	Date of acquisition or disposal	Number & amount of shares acquired	Number & amount of shares disposed	Investment income (loss)	Number & amount of shares held until the annual report being published	Creation of pledge	Amount of loan guaranteed by the Company	Amount of loan lent by the Company
Yuan-Ding Co., Ltd.	5,034,047	-	37.13%	-	-	-	-	Shares: 779,000 Amount: NT\$ 25.06 million	-	-	-

### 4. Other Supplementary Information

None

### 5. Pursuant to the Article 36-3-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Latest Year until the Annual Report being Published

None.



**FAR EASTERN NEW CENTURY**

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