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Website: www.osc.com.tw

Independent Auditors: Annie Lin, CPA, and Benjamin Shih, CPA.

Auditing Firm: Deloitte & Touche

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Listing of Foreign Securities: Luxemburg Stock Exchange

Disclosed information can be found at www.bourse.lu

Contents

I | Letter to Shareholders

1. Letter to Shareholders

Dear Shareholders,

The mobile communications industry has in recent years become a driving force behind global economic growth. Taiwan's mobile communications industry has also entered a new era of great development in 2005. With 3G technology, mobile services are no longer limited to voice and simple messages, but can now also provide more exciting and diverse multimedia services and high-speed data transmissions, enriching the mobile lifestyle of subscribers. In addition, Mobile Number Portability (MNP) is now available across the board, so subscribers can switch to operators without changing numbers. This marks a new milestone in the liberalization of Taiwan's telecommunications.

On the other hand, the mobile communications market is facing several challenges. Pre-paid product is an important mobile service but has in recent years become a tool for criminals to engage in extortion and fraud. As a result, government regulators have imposed a strict policy on prepaid subscriptions, and this has seriously affected the prepaid market in terms of total revenue and number of subscribers.

Facing rapid changes in the market, FET continued to be very competitive and profitable. In 2005, with the fully consolidated revenues of FET, KGT, Arcoa and other subsidiaries, the audited total revenue and total service revenue reached NT$71,912 million and NT$63,531 million respectively. Service EBITDA margin and net income achieved financial target at 50.9% and NT$14,717 million, respectively. EPS was NT$3.8. Furthermore, FET was officially listed on the Taiwan Stock Exchange as an electronics share in August, 2005. After its public listing, FET was included in the Taiwan 50 Index. In addition, the October issue of Asian Business Week included FET in its ranking of "The Top 150" company performance rankings. FET was the only Taiwanese telecommunications company to make the list.

2005 Operational Highlights and Results

- Increased Revenue and Market Share-2005 service revenue reached NT$63,531 million, or 32% of overall market service revenue. This made FET the second largest mobile operator in the market. Furthermore, FET continued to hold the leading position in mobile data services. In 2005, FET outperformed its peers, and the non-voice revenue accounted for 44.5% share of total data market revenue. FET's non-voice revenue grew 32.4% YoY and accounted for 8.5% of total service revenue, which was above industry average of 6.1%.
- Launched 3G Technology and Services-FET's 3G technology and services were officially launched in July 2005, making FET the first 3G/WCDMA provider in Taiwan. The 3G wireless broadband network allows subscribers to make video calls to major regions around the world and offers low cost access to a variety of exciting multimedia video services.
- Enhanced Sales Distribution-FET has been the leader in re-shaping Taiwan's telecom distribution channels. As we enter a new multimedia era, service providers must quickly respond to changes in the market and satisfy customer demand. In order to further develop multimedia services, improved training for front line customer service representatives is crucial. These customer service representatives are our customer interface and play an important role in providing comprehensive information and professional consultation to our end users.
- Developed Corporate Solutions-FET's Enterprise Solution team offered the "Mailgene Plus" service. This solution combines push e-mail and mobile forms into an innovative automatic e-mail receiving service. With this service, corporate users can now enjoy real-time information access and improved work efficiency, no matter where they are. FET's Enterprise Solution opens up abundant business opportunities.

As we enter 2006, major domestic research organizations indicate that Taiwan's economic growth will be around 4%. Domestic consumption is projected to grow by approximately 3% with improving employment and low inflation. As domestic consumption continues to grow, there is more room for growth in the telecommunications industry. However, Taiwan's telecommunications industry also faces some major challenges this year, with possible factors such as misunderstanding of electromagnetic fields health risks in the eyes of the general public, leading to widespread protests against radio base stations. Consequently, operators are forced to slow down construction of telecommunications infrastructure and suffer from increasing capital outlay and poorer service quality. At the same time, competition for customers will intensify with a new entrant in the market and MNP launch. Overall revenue performance will be affected as result of VoIP phenomenon and tariff reduction by fixed line operators. FET is prepared to meet these challenges, and will maintain business growth by providing a broad range of quality services through its advantages in resources and competitiveness.

2006 Current Status and Future Strategic Planning

- Maintain Steady Revenue Growth-FET will continue strengthening its leadership in non-voice service. Non-voice services are expected to grow significantly in comparison with that in previous years. For future revenue growth, FET will provide competitive rate plans to retain existing customers and to acquire new comers.
- Strengthen Distribution-With the launch of 3G services, distribution channels are becoming more important to customers. After its acquisition of ARCOA in early 2005, FET is integrating distribution channels to target specific markets and consumers. ARCOA is reshaping its focus on becoming a "Neighborhood Store". Together the two companies control 770 outlets throughout Taiwan, and FET will continue to dominate distribution channels in the market.
- Develop Full-range Multimedia Services-3G mobile communication is not expected to show rapid growth. FET is therefore adopting a practical roll-out plan to focus on 3G service development and provide innovative multimedia services. FET's 3G coverage expansion will focus on freeways and the East Coast.
- Develop ODM handsets and Widen Product Portfolio on Accessories-Penetration of mobile service is closely related to the development of advanced devices. FET will continue to develop ODM handsets for data services and special corporate identification adjusted devices for new business initiatives. Moreover, FET will widen product portfolio on accessories and companion products. This will open up new opportunities, expand product variety, and increase range of services, so that our customers can enjoy one-stop shopping experience.

In the future, as communications technology continues to be developed, the pace of evolution in the telecommunications industry will accelerate. The effects of these changes will not be limited to telecommunications, information, software/hardware development and content service industries; broadcast television and the media will be affected as well. In the future, the industry will continue moving towards convergence with new technologies such as VoIP, W-LAN, Wi-Max and others. To face these challenges, FET expands its range of services and delivers them to customers using the latest technologies to offer the full spectrum of services including telecommunications, information, entertainment and transactions.

In order to strengthen FET's competition capabilities and promote excellent corporate governance practice, FET has continuously invited professionals who have international finance and telecommunications expertise to join FET's Board of Directors. We also hope to draw from this international talent pool to help FET gain a clearer global vision and new management practice that will enable FET to take its rightful place among top tier international telecommunications companies. In this March, Standard&Poor's and Taiwan Ratings upgraded FET's long-term corporate credit rating to A- and twAA+, respectively. This clearly indicates FET's strong financial position. FET will continue to persevere and improve corporate management in order to provide shareholders, employees and customers with the best results.

Douglas Hsu, Chairman **Jan Nilsson, President**

II | Company Highlights

1. Company Profile
2. Organization
3. Capital and Shares
4. Issuance of Corporate Bonds
   (Including ECB)
5. Preferred Shares
6. Issuance of Depository Receipt
7. Employee Stock Options
8. Shares Issued for Merge or Acquisition

1. Company Profile

1-1 Date of Incorporation: Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated on April 11, 1997.

1-2 Company History

1-2-1 Milestones:

1997/1 Awarded two licensesy from MOTC to provide GSM1800 services island-wide and GSM900 services in the northern region of Taiwan

1998/1 The first cellular operator in the world to launch an integrated GSM900/1800 dual-band network

1998/11 Prepaid card "IF" launched, acquired 200,000 customers in the first month and became a leading brand

1999/3 Reached one million revenue-producing customers. Noted by Global Mobile Magazine for being the GSM system operator to do so in the shortest time

2000/2 Received "GSM in the Community Award" from GSM Association for disaster relief efforts after 921 earthquake

2000/5 Awarded by the Directorate of General Telecommunications (DGT) as the operator winning the best customer satisfaction for the second consecutive year

2000/7 Launched Mobile Virtual Private Network (MVPN) as the first operator to provide total communication solutions tailor-made for enterprise users

2000/11 Awarded by the Directorate of General Telecommunications (DGT) as the operator winning the best customer satisfaction three years in a row

2001/4 Launched innovative enterprise solution Mobile Information on Demand (MIoD) and led the trend to enterprise mobilization

2001/12 Listed on Taiwan's OTC Exchange Market (Ticker Number: 4904)

2002/2 Yuan-Ze Telecom, the Company's subsidiary, obtained a 3G License in Taiwan. Awarded the Best Corporate Wireless Service for Application by the 3GSM World Congress for its innovative solution-Fleet Management

2002/3 The Company and IBM successfully launched the first GSM/GPRS CSP enabling Mobile e-Business

2002/6 Launched Super i-style-"Mobile Internet Service"

2002/8 Launched Taiwan's first GPRS Mobile Emergency Medical Treatment System with Far Eastern Memorial Hospital and Oriental Institute of Technology

2002/12 Launched Java TM Games, canned MMS and colorful mobile contents and Taiwan's first MMS/GPRS/Java clamp-shell handset Sharp GX-i98

2003/3 With advanced technologies such as MMS, MPS and JAVA, the Company launched it's innovative Br@vø service, the first multimedia service plan in Taiwan.The Br@vø service provides customers with a comprehensive offer to enjoy mobile multimedia life

2003/4 Made Taiwan's first live 3G video call on the commercial 3G network, marking a significant step forward in the evolution and development of multimedia services

2004/1 Merger and acquisition with KGT was approved by the Fair Trade Commission, Executive Yuan. The Company officially merged with KGT and the consolidated total revenue for January 2004 totaled NT$5,656 million, creating Taiwan's largest mobile operator in the private sector

2004/2 Launched FET Smart Club Card offering mobile services and exclusive value-added rewards plan

2004/4 The Company's subscribers were able to enjoy i-mode service, the world's most popular mobile internet service provided by NTT DoCoMo

Grand opening of FET Town Taiwan's first venue providing consumers with first-hand experience of future mobile communication services

2004/6 Issued GDR of 150 million common shares and became Taiwan's first telecom operator to be successfully listed on European stock market

2004/11 Launched Taiwan's first multimedia prepaid card tailor made for children and parents

2004/12 Launched NT$165/365/765 new rate plans for FET-KGT Network customers

Taiwan Ratings Corporation, a partner of Standard & Poor's, raised up the company's long-term credit rating and unsecured corporate bond issue rating to twAA. Standard & Poor's notched the company's long-term credit rating to BBB+

2005/2 Obtained a 55.3 % stake in handset chain store Arcoa Co. Ltd.

2005/4 First domestic telecommunications operator to be certified as compliant with the international BS 7799 Information Security Management Systems standard

2005/5 Acquired its 3G mobile services subsidiary Yuan-Ze Telecommunications

2005/6 Launched "Mailgene Plus", the first push-email automated mail service in Taiwan

2005/7 Launched 3G multimedia services, becoming the first 3G WCMDA provider in Taiwan

2005/8 Officially listed on the Taiwan Stock Exchange as an electronics stock

2005/10 Selected as one of "Asian's 150 Best Companies" in the October issue of Asia Business Week, the only Taiwanese telecommunications provider to make the list

2006/1 Launched "MSN Messenger" services, becoming the first domestic mobile telecommunications operator to partner with the MSN website. Subscribers may receiver and send messages at any time

2006/3 Taiwan Ratings Corp. upgraded FET long-term corporate credit rating and unsecured corporate bonds to "twAA+"

Standard & Poor's upgraded FET long-term corporate ratings to "A-"

2006/4 FET and 6 leading Asian mobile operators formed alliance for global roaming and corporate mobile services

1-2-2 Status of Acquisitions

(1) Merger with KG Telecommunications Co., Ltd

In order to expand the market share and to raise the operational efficiency, the Company and its 100% owned subsidiary, Yuan Ho Telecommunications Co., Ltd. ("Yuan Ho") held a board meeting on Octbe 7, 2003, in which a two-stage merger and acquisition with KG Telecommunications Co., Ltd.("former KGT") was approved. The aforementioned parties also Executed a Master Agreement related to such transaction on October 7, 2003(the "Agreement").

The consideration of the whole transaction includes cash payment and shares exchange of the Company. The whole process of this transaction is complicated and time consuming. Therefore, a two-stage transaction is adopted to reduce the impact on former KGT customers. The first stage is to merge the former KGT with Yuan Ho, with Yuan Ho as the surviving company and assume all former KGT legal rights and obligations as well as maintain all former KGT business and operation. After this first-stage merger, the Company diluted its ownership of Yuan Ho from 100% down to 40% and former KGT stockholders then hold 60% ownership of Yuan Ho. The fist-stage merger was closed on January 1, 2004. On the closing day of the first-step merger, Yuan Ho also changed its name to KG Telecommunications Co., Ltd. (the " new KGT").

On second stage, the Company issued 693,523,145 common shares in exchange of former KGT stockholders' whole ownership of Yuan Ho shares (i.e. new KGT shares). After such share swap, new KGT becomes 100% owned by the Company and former KGT stockholders will then become the stockholders of the Company as well.

The exchange ratio of the first stage transaction between former KGT shares and new KGT shares (i.e. Yuan Ho shares) is : For one former KGT share, one will get NT$6.72 cash and 0.46332 new KGT common share. The second stage share exchange ratio between new KGT common share and the Company's common share is 1:1. The second-stage merger was closed on April 29, 2004 as approved by the board of directors of the company and KGT. The change was approved by and registered with the Civil Services of Doc of the Ministry of Economic Affairs on May 20, 2004.

(2) Merger and Acquisition with Yuan-Ze Telecommunications Co., Ltd

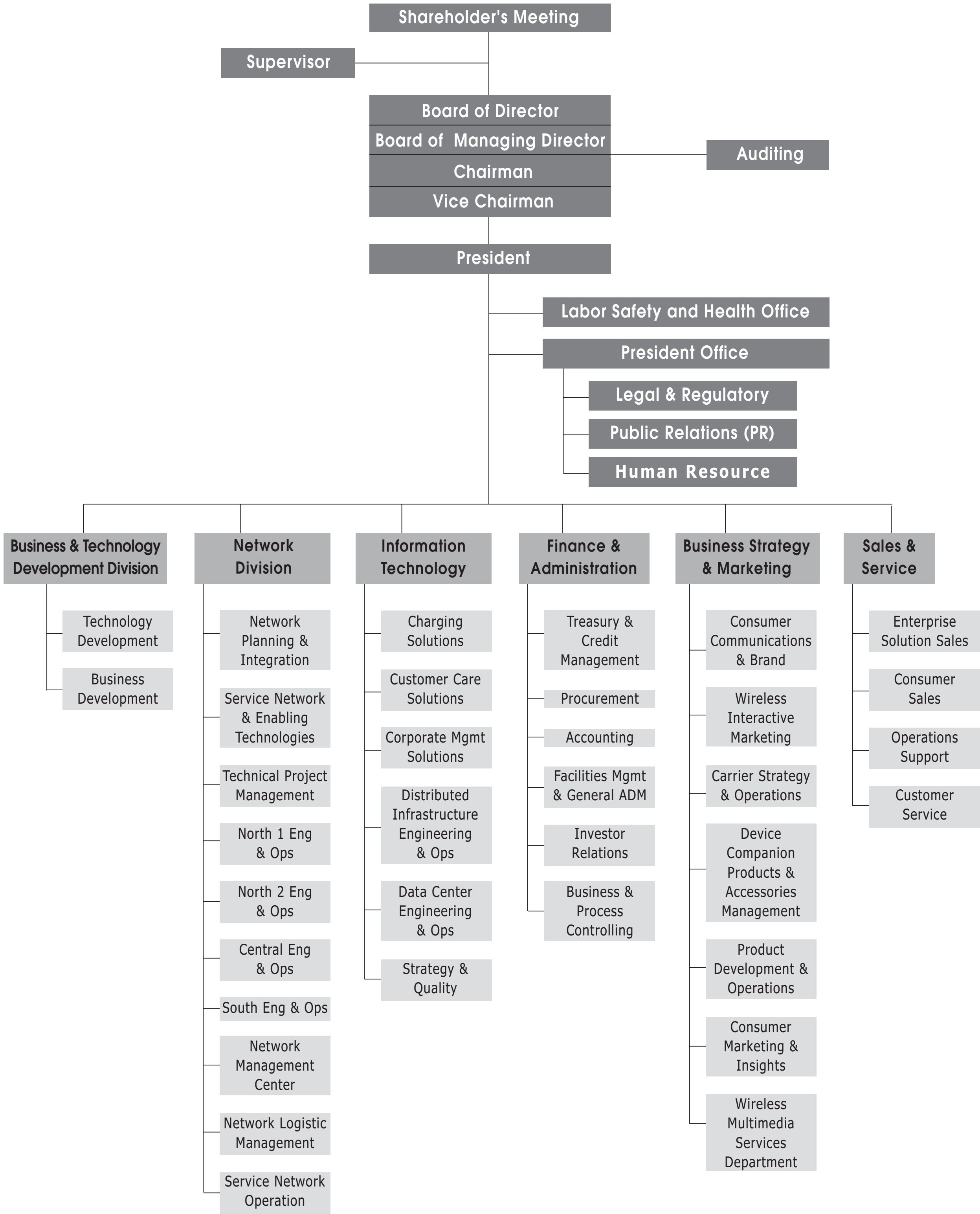
The Board of Directors resolved on February 24, 2005 that the company should merge with Yuan-Ze Telecommunications. The resolution was approved by the Directorate of General Telecommunication (DGT) and ROC Over-the-Counter Securities Exchange on March 16, 2005 and April 19, 2005 respectively. The closing date of the merge was May 2, 2005. Upon the merge, the company is the surviving company, while Yuan-Ze Telecommunications was the extinguished company.

1-2-3 Changes in Directors, Supervisors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares: None.

2. Organization

2-1 Organization Structure

2-1-1 Organization Chart



2-1-2 Roles and Responsibilities

Division Name	Function Description
Auditing	Responsible for auditing internal operations
President Office	Responsible for cross-departmental and external issues
Labor Safety and Health Office	Responsible for maintaining and ensuring a safe and healthy workplace
Legal & Regulatory	Responsible for legal, regulatory and contracts review and consultation and security issues
Public Relations	Responsible for public and media affairs
Human Resource	Responsible for human resource management and development
Business & Technology Development	Responsible for technology and product development
Network	Responsible for network maintenance, customer network service support, and network planning and integration
Information Technology	Responsible for billing system, customer care system, and enterprise information system maintenance and development
Finance & Administration	Responsible for finance, accounting, investor relations, procurement, process control, and general administration
Business Strategy & Marketing	Responsible for planning, developing and implementing marketing strategies
Sales & Service	Responsible for sales management and customer care support

2-2 Directors, Supervisors and Executive Management

2-2-1 Directors and Supervisors

2006/3/27

Title	Name	First Election Date	Election Date	Tenure (year)	Shareholding when elected		Current Shareholding		Spouse and Minor Children Shareholding		Share-holding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Douglas Hsu, Representative of Yuang Ding Invest-ment Co. Ltd.	1997/ 4/11	2003/ 5/23	3	1,153,999,883 *0	50.05 *0	1,320,197,849 *0	34.09 *0	0 *0	0 *0	0 *0	0 *0	Master's degree in economics from Columbia University; honorary Ph.D degree in management from National Chiao Tung University.	Chairman of Far Eastern Textile Ltd. Chairman of Asia Cement Co., Ltd. Chairman of Far Eastern Department Stores Co., Ltd. Chairman of Oriental Union Chemical Corporation Chairman of U-Ming Marine Transport Co. Chairman of Far Eastern International Bank	Director	Peter Hsu	brother
Vice Chairman	Laurence M. Yang, Representative of Yuang Ding Invest-ment Co. Ltd. (Note 1)	1997/ 4/11	2003/ 5/23	3	1,153,999,883 *0	50.05 *0	1,320,197,849 *0	34.09 *0	0 *0	0 *0	0 *0	0 *0	Vice Chairman of Far Eastern Textile Ltd.; Bachelor's degree in chemistry from National Taiwan University	None	Chairman Directors	Douglas Hsu Peter Hsu	brother-in-law brother-in-law
Managing Director	Leslie Koo, Representative of TCC Investment Corp. (Note 2)	2004/ 6/30	2004/ 6/30	3	4,962,429 *0	0.13 *0	5,458,671 *0	0.14 *0	0 *509,652	0 *0.01	0 *0	0 *0	MBA, Wharton School of University of Pennsylvania; President of Taiwan Cement Corp.	Chairman of Taiwan Cement Corp.; Chairman of China Synthetic Rubber Corp	Director	Nelson Chang	brother-in-law
Director	Champion Lee, Representative of Yuang Ding Invest-ment Co. Ltd.	1997/ 4/11	2003/ 5/23	3	1,153,999,883 *1,722,280	50.05 *0.07	1,320,197,849 *73	34.09 *0	0 *905	0 *0	0 *0	0 *0	MBA, Texas A&M University	Director of Far Eastern Textile Ltd; Senior VP of Far Eastern Textile Ltd. and CFO of Far Eastern Group	None	None	None
Director	Peter Hsu, Representative of Yue-Li Investment Corp.	2003/ 5/23	2003/ 5/23	3	1,775 *0	0 *0	2,283 *0	0.00 *0	0 *0	0 *0	0 *0	0 *0	Master's degree in operations research from Stanford University	Supervisor of Far Eastern Textile Ltd; vice president of central procurement in Far Eastern Textile Ltd.	Chairman	Douglas Hsu	Brother
Director	Hsing-Yi Chen, Representative of Far Eastern Memorial Foundation	2003/ 5/23	2003/ 5/23	3	1,631,140 *0	0.07 *0	2,099,276 *0	0.05 *0	0 *0	0 *0	0 *0	0 *0	Ph.D. in electrical engineering, University of Utah	Dean of the Engineering College of the Yuan-Ze University	None	None	None
Director	Jan Nilsson, Representative of Yue Ding Industry Co., Ltd.	2003/ 5/23	2003/ 5/23	3	11,823 *0	0 *0	1,037,115 *35,000	0.03 *0	0 *0	0 *0	0 *0	0 *0	Sr. Executive VP in Satelindo Telecom Indonesia; master's degree in industrial and engineering management, Linköping University	President of Far EasTone Telecom	None	None	None
Director	Nelson Chang, Representative of TCC Investment Corp. (Note 2)	2004/ 6/30	2004/ 6/30	3	4,962,429 *0	0.13 *0	5,458,671 *0	0.14 *0	0 *0	0 *0	0 *0	0 *0	MBA, New York University VP of Giga Media	Vice-chairman of ChiaHsin Cement Corporation	Mana-ging Director	Leslie Koo	brother-in-law
Director	Yuji Yamamoto (Note 4), Representative of NTT DoCoMo (Note 2)	2004/ 6/30	2004/ 6/30	3	1,000 *0	0 *0	190,040,265 *0	4.91 *0	0 *0	0 *0	0 *0	0 *0	MBA, Rutgers University, USA Master of Mechanical Engineering, University of Tokyo, Japan	Executive Director, Head of New Business Development, Global Business Department, NTT DoCoMo	None	None	None

Title	Name	First Election Date	Election Date	Tenure (year)	Shareholding when elected		Current Shareholding		Spouse and Minor Children Shareholding		Share-holding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent director	Kurt Roland Hellström (Note 3)	2005/ 5/20	2005/ 5/20	3	0	0.00	0	0.00	0	0	0	0	President of Ericsson Group and CEO	Director of India Bharti Televentures	None	None	None
Independent director	Lawrence Juen-Yee LAU (Note 3)	2005/ 5/20	2005/ 5/20	3	0	0.00	0	0.00	0	0	0	0	Academician, 14th Session of Academia Sinica, Professor of Stanford University M. A. (Economics), University of California, Berkeley Ph. D. (Economics), University of California, Berkeley	Principal of The Chinese University of Hong Kong Independent Supervisor of Shin Kong Financial Holding Co., Ltd Independent Director of China National Offshore Oil Corp. (HK)	None	None	None
Supervisor	Jenniffer Wang(Note 5), Representative of Ta-Ho Maritime Crop. (Note 2)	2004/ 6/30	2004/ 6/30	3	548,507 *0	0.02 *0	603,357 *41	0.02 *0	0 *0	0 *0	0 *0	0 *0	Bachelor of Accounting, New Jersey State University Vice President of Human Resource Department of Citibank	Senior Vice President of TCC Director of China Synthetic Rubber Corp.	None	None	None
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	2000/ 12/28	2003/ 5/23	3	25,629,933 *0	1.11 *0	32,985,723 *0	0.85 *0	0 *0	0 *0	0 *0	0 *0	Vice President of Citibank; Bachelor's degree in economics, National Chung Hsing University	President of Far Eastern International Bank	None	None	None
Independent Supervisor	Chen-en Ko (Note 3)	2005/ 5/20	2005/ 5/20	3	0	0.00	0	0.00	0	0	0	0	President, Chung-Hua Institution for Economic Research Dean, College of Management, National Taiwan University Chairman, Corporate Governance Association in Taiwan Doctor of Accounting of University of Minnesota	Government appointed director of Taiwan Stock Exchange Corp. Independent director of E. Sun Financial Holding Co., Ltd, Yageo Corp. and Chang Type Industrial Co., Ltd.	None	None	None

Note 1: Yuang Ding Investment Co., Ltd, Director of the Company, dismissed Mr. Laurence Yang as its representative on Apr. 20, 2005.
Note 2: Two Positions of directors were added and re-election of two directors and one supervisor was made on June 30, 2004.
Note 3: Two independent directors and one independent supervisor were reelected on May 20, 2005
Note 4: The representative was changed from Toshinari Kunieda to Yuji Yamamoto on July 25, 2005.
Note 5: The representative was changed from C. H. Chiang to Jenniffer Wang on January 14, 2005.
*Number of shares and percentage of shares held by the individual.

2-2-2. Major Shareholders of the Institutional Shareholders

2006/3/27

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuang Ding Investment Co., Ltd.	Far Eastern Textile Ltd.
Yue-Li Investment Corp.	U-Ming Marine Transport Corp.
Far Eastern Memorial Foundation	None
Yue Ding Industry Co., Ltd.	Yu-Ching Company、Da Jun Fiber Corporation、Fu-Da Transportation Co. Ltd., An Ho Garment Co., Ltd.、Yu-Ming Trading Co. Ltd.、Ya-Li Precast & Prestressed Concrete Industries Corp
Far Eastern International Leasing Corp.	Far Eastern International Bank, Yuang Ding Investment Co., Ltd., Kai Yuan International Investment Co., Ltd.
TCC Investment Corp.	Taiwan Cement Corp.
Ta- Ho Maritime Corp.	Taiwan Transport & Storage Corporation, Taiwan Cement Corp.
NTT DOCOMO Inc.	Nippon Telegraph & Telephone

2-2-3. Institutional Shareholder Representatives for Major Shareholders of the Institutional Shareholders

2006/3/27

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern Textile Ltd.	Asia Cement Co. Ltd.
U-Ming Marine Transport Corp.	Asia Cement Co. Ltd.
Yu-Ching Company	Yuang Ding Co., Ltd.
Da Jun Fiber Corporation	Yuang Ding Investment Co., Ltd.
Fu-Da Transportation Co. Ltd.	Fu-Ming Transportation Co. Ltd.
An Ho Garment Co., Ltd.	Far Eastern Textile Ltd.
Yu-Ming Trading Co. Ltd.	Yuang Ding Investment Co., Ltd., Bai Ding Investment Co., Ltd.
Ya-Li Precast & Prestressed Concrete Industries Corp	Asia Cement Co. Ltd., Far Eastern General Contractor Company
Yuang Ding Investment Co., Ltd.	Far Eastern Textile Ltd.
Far Eastern International Bank	Far Eastern Textile Ltd.
Taiwan Cement Corp.	Ta Chong Bank Ltd., Ta-Ho Farming Co. Ltd., Chinatrust Investment Co., China Synthetic Rubber Corp.
Taiwan Transport & Storage Corporation	Taiwan Cement Corp., Union Cement Traders, Inc.
Kai Yuan International Investment Co., Ltd.	Far Eastern Textile Ltd.
Nippon Telegraph & Telephone	Finance Ministry of Japan

2-2-4. Information of Directors and Supervisors

Condition / Name	With experience for more than 5 years in business, finance, legal or areas required by the business of the Company	Conform to Independence (Note)							Remarks
		Not an employee of the Company; not a director, supervisor or employee of the affiliated companies of the Company	Not a shareholder of natural person directly or indirectly owning more than 1% of the Company's outstanding shares nor one of the Company's top 10 shareholders of natural person	Not a spouse to nor having relationship within 2 degrees of lineal consanguinity with any person specified in column 2 and 3	Not a director, supervisor or employee of the institutional shareholder directly or indirectly owning more than 5% of the Company's outstanding shares or Top 5 institutional shareholders' director, supervisor or employee	Not a director, supervisor, manager or shareholder with holding more than 5% of the outstanding shares of certain companies or institutions which have financial or business relations with the Company	Not an owner, partner, director, supervisor, manager of any sole proprietor, partnership, company or institution and his/her spouse, or the professions and his/her spouse, who provide consultation services to the Company or its affiliated companies within 1 year	Not an institutional share-holders or representative pursuant to Article 27 of the Company Law	
Douglas Hsu	V		V				V		
Leslie Koo	V	V	V	V	V	V	V		
Champion Lee	V		V	V			V		
Peter Hsu	V		V				V		
Hsing-Yi Chen	V		V	V	V	V	V		
Jan Nilsson	V		V	V	V	V	V		
Nelson Chang	V	V	V	V	V	V	V		
Yuji Yamamoto	V	V	V	V	V	V	V		
Kurt Roland Hellström	V	V	V	V	V	V	V	V	
Lawrence Juen-Yee LAU	V	V	V	V	V	V	V	V	
Jenniffer Wang	V	V	V	V	V	V	V		
Eli Hong	V		V	V	V		V		
Chen-en Ko	V	V	V	V	V	V	V	V	

Note: V indicates qualified Directors and Supervisors.

2-2-5 Executive Management

2006/3/27

Title	Name	Effective Date	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other			Stock Options Obtained by the Manage-ment
			Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President & Chief Operating Officer	Jan Nilsson	2002.9.1	35,000	0.00	0	0.00	0	0.00	Sr. Executive VP in Satelindo Telecom Indonesia; MS, Industrial and Management Engineering Linköping University	None	None	None	None	None
Executive VP, F&A & Chief Financial Officer	Yvonne Li	2001.9.1	0	0.00	0	0.00	0	0.00	VP in Citibank Taiwan; Master of Accounting, University of Illinois at Urbana-Champaign	Supervisor of Oriental Union Chemical Corp.	None	None	None	None
Executive VP, BTD	Jay Shy	1999.8.16	55,000	0.00	0	0.00	0	0.00	Director of DBTEL International Ltd.; Bachelor of Information Engineering and Computer Science in Fang Chia University	None	None	None	None	None
Executive VP, S&S	Philby Chen	1997.8.11	252,281	0.01	0	0.00	0	0.00	CFO in Tai Chia Technology Inc.; B.S., Accounting, Northern Arizona University	Director of Fan EasTern Depart-ment store., Ltd.	None	None	None	None
Executive VP, BSM	Benjamin Ho	2003.6.1	0	0.00	0	0.00	0	0.00	Chief Marketing Officer at Motorola Asia Pacific Ltd.; diploma in business and marketing studies from Stanford College/UK Institute of Marketing.	None	None	None	None	None
Executive VP, IT	Eton Shu	2004.1.1	0	0.00	0	0.00	0	0.00	VP of information technology in KG Telecom; Computer Science Master, enterprise graduate class of National Taiwan University	None	None	None	None	None
Executive VP, ND	Jeffey Gee	2004.1.1	0	0.00	0	0.00	0	0.00	Vice President of KG Telecom, MS, Mathematics, Missouri State University; MS, Computer Science, New York State University	None	None	None	None	None
VP,HR	Patrick Wu	2006.1.2	0	0.00	0	0.00	0	0.00	Executive Vice President of Human Resources in KGI Securities Co., Ltd. (Asia Pacific Region); UK; Head of Human Resources in American Express Company (Taiwan); MBA, Leicester University	None	None	None	None	None
Director, PR	Alison Kao	2005.10.24	0	0.00	0	0.00	0	0.00	Spokesperson ,Core Pacific City Living Mall; Public Affairs Manager & Spokesperson, Carrefour; MBA, Long Island University, NY, USA	None	None	None	None	None
Chief Auditor, Auditing	Doris Wu	2004.6.1	0	0.00	0	0.00	0	0.00	Controller of PSINET Taiwan; BS of Accounting in California State University	None	None	None	None	None
VP, BTD	Herman Rao	2000.9.15	203,000	0.01	0	0.00	0	0.00	Director in AT&T Wireless; Ph.D. of Computer Science, University of Arizona	None	None	None	None	None
VP, BTD	Peter Yen	2005.10.17	0	0.00	0	0.00	0	0.00	Vice President of New Century Info Comm Tech Co., Ltd; Computer Science & Architecture Master's Degree of North Carolina State University	None	None	None	None	None
VP, L&R	Jessica Chen	2005.4.18	0	0.00	0	0.00	0	0.00	Judge of Taipei District Court,; Prosecutor of Shihlin Prosecutors Office,; Lawyer of Lee and Li, National Taiwan University (LL.B.)	None	None	None	None	None
Director, ND	James Wu	1997.8.11	338,532	0.01	0	0.00	0	0.00	Director of TTN; BS in Electronic Engineering, Chung Yuan University	None	None	None	None	None
Director, ND	S. C. Lee	1997.11.3	93,525	0.00	0	0.00	0	0.00	Sr. Project Manager in SIEMENS; Mechanical & Electrical Engineering Dept in National Taipei Institute of Technology	None	None	None	None	None
Director, ND	James Lin	2000.3.13	0	0.0	0	0.00	0	0.00	Director in DBTEL; B.S. Electronic Engineering, National Taiwan University of Science and Technology	None	None	None	None	None
Director, ND	Howard Tsao	1998.10.22	7	0.00	0	0.00	0	0.00	Wireless System R&D Manager in Industrial Technology Research Institute; BSEE in Chung-Yuen University	None	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other			Stock Options Obtained by the Manage-ment
			Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director, ND	Paul Chang	2004.1.1	116,058	0.00	0	0.00	0	0.00	MS Automatic Control Engineering, Feng Chia University; KG Telecom Director	None	None	None	None	None
Director, ND	James Lee	2004.1.1	837	0.00	0	0.00	0	0.00	KG Telecom Director, BS Elertrical Engineering, Feng Chia University	None	None	None	None	None
Director, ND	Brian Shean	2004.1.1	292,461	0.01	0	0.00	0	0.00	KG Telecom Director; BS Electrical Engineering, Feng Chia University	None	None	None	None	None
Director, ND	Jonathan Ou	2004.1.1	99,381	0.00	3,686	0.00	0	0.00	Director in KG Telecom.; Master of National Cheng Kung University	None	None	None	None	None
Director, ND	Bruce Yu	1997.11.6	0	0.00	0	0.00	0	0.00	Manager, HCL Technology, BS Information Engineering, National Chiao Tung University	None	None	None	None	None
Director, ND	Tony Wang	1999.2.1	0	0.00	0	0.00	0	0.00	Manager, Yuan Ting Construction, MS Engineering, University of Texas at Austin	None	None	None	None	None
VP, F&A	David Tsai	1999.9.16	15,392	0.00	0	0.00	0	0.00	Manager in U-Ming Marine, EMBA in Yuan-Ze University	None	None	None	None	None
Director, F&A	Stephen Tung	1999.10.11	0	0.00	0	0.00	0	0.00	Deputy Manager of Finance Dept in Walsin Liwa Corp; MBA of Manage-ment Science in Sonoma State University	None	None	None	None	None
Director, F&A	Robert Chu	1998.3.17	217,201	0.01	0	0.00	0	0.00	Admin Manager in Honeywell Taiwan Ltd.; BS of Finance and Taxation in Fung Chia University	None	None	None	None	None
Director, F&A	Sharon Lin	2003.12.8	33,709	0.00	0	0.00	0	0.00	Costing Manager of Vishay General Semiconductor Taiwan Ltd., Ms in Finance, University of Wisconsin	None	None	None	None	None
Director, F&A	Ann Chang	2006.1.1	16,526	0.00	0	0.00	0	0.00	Arthur Andersen CPA firm, Master of management science, National Chiao Tung University	None	None	None	None	None
Director, F&A	Sharon Fan	2000.11.27	0	0.00	0	0.00	0	0.00	Management Controller of Credit Loynnais Taipei, MBA of University of Washington (Seattle)	None	None	None	None	None
VP, S&S	Michael Lo	2000.3.20	0	0.00	0	0.00	0	0.00	Sales Director, Hewlett Packard Taiwan Ltd., B.S., Business Administration, National Chung-Hsin University	None	None	None	None	None
VP, S&S	Maggie Mei	1997.10.23	129,822	0.00	0	0.00	0	0.00	Assistant Manager of Call Center, Citibank, China University of Technology, International Trade	None	None	None	None	None
VP, S&S	Guang Ruey Chiang	1997.12.1	196,384	0.01	0	0.00	0	0.00	Director in LONG CHENG; M.S. in Marketing from University of Kansas	None	None	None	None	None
VP, S&S	Samuel Yuan	2001.7.23	0	0.00	0	0.00	0	0.00	Director in Alive Networks HK; B.S. in Financial Analysis & Management Information Systems, State University of New York	None	None	None	None	None
Director, IT	Michelle Peng	1999.1.4	738	0.00	0	0.00	0	0.00	Software development Manager in Vondelon International Corp.; Electronic data process in Ming-Chung college	None	None	None	None	None
Director, IT	Jessica Sung	1999.10.25	0	0.00	0	0.00	0	0.00	MIS Manager in Janssen Cilag Taiwan, Johnson & Johnson, EMBA of National Taiwan University; Certified Public Accountant of Cali-fornia, USA	None	None	None	None	None
Director, IT	Iris Su	2004.1.1	59,526	0.00	0	0.00	0	0.00	KG Telecom Manager, MS of Computer Information System, Arizona State University	None	None	None	None	None
Director, IT	Leon Li	2004.1.1	0	0.00	0	0.00	0	0.00	KG Telecom Manager, MS of Computer Science, Monmouth University	None	None	None	None	None
Director, IT	Hae-Shung Ju	2002.5.13	0	0.00	0	0.00	0	0.00	Senior consultant of NCR, MS of Computer Science, East Texas State University	None	None	None	None	None
Director, IT	James Chen	1997.6.16	0	0.0	0	0.00	0	0.00	Engineering Supervisor, Fujitsu Corp, Da Hwa University, Engineering Dept	None	None	None	None	None
VP, BSM	Maxwell Cheng	1998.6.1	388,881	0.01	0	0.00	0	0.00	Brand Manager in Nestle Taiwan Group; Master of Material Science and Engineering, university of Michigan	None	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other			Stock Options Obtained by the Manage-ment
			Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director, BSM	Sharon Chao	1997.11.3	0	0.00	0	0.00	0	0.00	Account Director in Lintas Taiwan, Bachelor degree in English Literature in Tamkang University	None	None	None	None	None
Director, BSM	Ronald Yu	2004.1.1	0	0.00	0	0.00	0	0.00	KG Telecom Director; Master of Business Tam Kang University	None	None	None	None	None
Director, BSM	Roger Chen	2004.1.1	0	0.00	0	0.00	0	0.00	Kg Telcom Director; Master of Mechanical Engineering, National Taiwan university	None	None	None	None	None
Director, BSM	Johnson Yuh	1998.2.12	0	0.00	0	0.00	0	0.00	Director, GE Capital Taiwan, Master of Management Science, National Chiao Tung University	None	None	None	None	None
Director, BSM	Emily Liu	1998.6.1	10,990	0.00	0	0.00	0	0.00	Account Manager, M.S. in Public Relations, BOSTON University, Ogilvy & Mather Public Relation Taiwan	None	None	None	None	None

Note: Only shows listed (or OTC-listed) company in column of current position with other company.More detail information to serve position in unlisted company referring to "Section 9".

2-2-6. Remuneration to Directors, Supervisors, President, and Executive Vice Presidents

Remuneration to Directors

2005/12/31; NT$'000

Title	Name	Transportationl allowance		Compensation		Remuneration paid to directors from distribution of earnings (Note 1)		Bonus to employees from distribution of earnings								Total of the preceding four items		Percentage of net income after tax (%) (Note 2)		Number of held employee share subscription warrants		Other remuneration	
								The Company				Consolidated											
									Stock dividend				Stock dividend										
		The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated	Cash dividend	Number of shares	Market price	Amount	Cash dividend	Number of shares	Market price	Amount	The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated
Chairman	Douglas Hsu	$6,410	$6,410	0	0	$121,617	$121,617	0	0	N/A	0	0	0	N/A	0	$128,027	$128,027	0.91	0.91	0	0	0	0
Vice Chairman	Laurence Yang (Note 3)																						
Managing Director	Leslie Koo																						
Director	Champion Lee																						
Director	Peter Hsu																						
Director	Hsing-Yi Chen																						
Director	Jan Nilsson																						
Director	Nelson Chang																						
Director	Yuji Yamamoto																						
Independent Director	Kurt Roland Hellström																						
Independent Director	Lawrence Juen-Yee LAU																						
Director	Jordan M. Roderick (Note 4)																						
Director	S.T. Peng (Note 4)																						

Note 1. The remuneration from distribution of earnings in 2004. The two independent directors, Lawrence June-Yee LAU and Kurt Roland Hellstrom were reelected on May 20,2005,without received the remuneration from distribution of earnings.

Note 2. Net income after tax of 2004.

Note 3. Yuang Ding Investment Co., Ltd., Director of the company, dismissed Mr. Laurence Yang as its representative on April 20, 2005.

Note 4. Who resigned the position of director by sending a letter on Feb. 16, 2005. The resignation became effective on May 19, 2005.

Escalation for remuneration paid to individual directors of the Company (NTD)	Number of directors	
	2004	
	The Company	All companies in the consolidated statement
Less than $2,000,000 NTD	5	5
$2,000,000~5,000,000（inclusive of 2,000,000）	0	0
$5,000,000~10,000,000（inclusive of 5,000,000）	4	4
$10,000,000~50,000,000（inclusive of 10,000,000）	4	4
More than $50,000,000	0	0
Total	13	13

Remuneration to Supervisors

2005/12/31;NT$'000

Title	Name	Transportation allowance		Comensation		Remuneration paid to supervisors from distribution of earnings (Note 1)		Total of the preceding three items		Percentage of net income after tax (%) (Note 2)		Other remuneration	
		The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated	The Company	Con-solidated
Supervisor	Eli Hong	$1,564	$1,564	0	0	$4,771	$4,771	$6,335	$6,335	0.05	0.05	0	0
Supervisor	Jenniffer Wang												
Independent Supervisor	Chen-en Ko												
Supervisor	Charles Wang (Note 3)												

Note 1. The remuneration from distribution of earnings in 2004. The independent supervisor, Chen-en Ko was reelected on May 20,2005,without receiving the remuneration from distribution of earnings.
Note 2. Net income affter tax of 2004.
Note 3. Who resigned by sending a letter on Feb. 16, 2005. The resignation became effective on May 19, 2005.

Escalation for remuneration paid to individual supervisors of the Company (NTD)	Number of supervisors 2004	
	The Company	All companies in the consolidated statement
Less than $2,000,000	3	3
$2,000,000~5,000,000（inclusive of 2,000,000）	1	1
$5,000,000~10,000,000（inclusive of 5,000,000）	0	0
$10,000,000~50,000,000（inclusive of 10,000,000）	0	0
More than $50,000,000	0	0
Total	4	4

The percentage of remuneration paid to Board of Directors and Supervisors over net income after tax:

Year	FarEastone	FET with all subsidiaries
2003	0.98%	0.98%
2004	0.96%	0.96%

The policy, criteria, composition, process to set remuneration for Board of Directors and Supervisors and the correlation with operational performance:

There are three kinds of remuneration: transportation allowance, compensation and remuneration paid from distribution of earnings. Transportation allowance is based on consideration of industry, and approved is by Board; Compensation is set according to Article 15 of Articles of Incorporation of the Company: "As to the compensation for Chairman and Vice Chairman, it is proposed to authorize the Board of Directors with consideration of industry and listing companies' compensation level…(omitted)". For remuneration paid from distribution of earnings, the standard is set according to Article 26 of Articles of Incorporation of the Company: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken for bonus to employees, and 1% taken as remuneration to the directors and supervisors." Since the remuneration is taken as fixed percentage of the annual earnings, its amount has high correlation with operational performance of the Company.

Remuneration to President and Executive VPs

2005/12/31; NT$'000

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="2" rowspan="2">Salary</th><th colspan="2" rowspan="2">Bonus and special allowance</th><th colspan="8">Bonus to employees from distribution of earnings in 2004 (Note 1)</th><th colspan="2" rowspan="2">Total of the preceding three items</th><th colspan="2" rowspan="2">Percentage of net income after tax (%) (Note 2)</th><th colspan="2" rowspan="2">Number of held employee share subscription warrants</th><th colspan="2" rowspan="2">Other remuneration</th></tr>
<tr><th colspan="4">The Company</th><th colspan="4">Consolidated</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Con-solidated</th><th rowspan="2">The Company</th><th rowspan="2">Con-solidated</th><th rowspan="2">Cash dividend</th><th colspan="3">Stock dividend</th><th rowspan="2">Cash dividend</th><th colspan="3">Stock dividend</th><th rowspan="2">The Company</th><th rowspan="2">Con-solidated</th><th rowspan="2">The Company</th><th rowspan="2">Con-solidated</th><th rowspan="2">The Company</th><th rowspan="2">Con-solidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th></tr>
<tr><th>Number of shares</th><th>Market price</th><th>Amount</th><th>Number of shares</th><th>Market price</th><th>Amount</th></tr>
<tr><td>President</td><td>Jan Nilsson</td><td rowspan="7">$47,561</td><td rowspan="7">$47,561</td><td rowspan="7">$4,171</td><td rowspan="7">$4,171</td><td rowspan="7">$9,885</td><td rowspan="7">0</td><td rowspan="7">N/A</td><td rowspan="7">0</td><td rowspan="7">$9,885</td><td rowspan="7">0</td><td rowspan="7">N/A</td><td rowspan="7">0</td><td rowspan="7">$61,617</td><td rowspan="7">$61,617</td><td rowspan="7">0.44</td><td rowspan="7">0.44</td><td rowspan="7">0</td><td rowspan="7">0</td><td>House, yearly rental NT$1,520 thousand One vehicle, yearly rental NT$864 thousand, and others NT$206 thousand</td><td>Same as remuneration of the Company</td></tr>
<tr><td>Executive VP</td><td>Philby Chen</td><td>One vehicle, yearly rental NT$360 thousand</td><td>Same as remuneration of the Company</td></tr>
<tr><td>Executive VP</td><td>Jeffey Gee</td><td>One vehicle, yearly rental NT$360 thousand</td><td>Same as remuneration of the Company</td></tr>
<tr><td>Executive VP</td><td>Eton Shu</td><td>One vehicle, yearly rental NT$360 thousand</td><td>Same as remuneration of the Company</td></tr>
<tr><td>Executive VP</td><td>Yvonne Li</td><td>One vehicle, yearly rental NT$360 thousand</td><td>Same as remuneration of the Company</td></tr>
<tr><td>Executive VP</td><td>Jay Shy</td><td>One vehicle, yearly rental NT$360 thousand</td><td>Same as remuneration of the Company</td></tr>
<tr><td>Executive VP</td><td>Benjamin Ho</td><td>One vehicle, yearly rental NT$360 thousand</td><td>Same as remuneration of the Company</td></tr>
</table>

Note 1. The Bonus to employees from distribution of earnings in 2004.
Note 2. Net income after tax of 2004.

<table>
<tr><th rowspan="3">Escalation for remuneration paid to president and executive VPs of the Company (NTD)</th><th colspan="2">Number of president and vice presidents</th></tr>
<tr><th colspan="2">2004</th></tr>
<tr><th>The Company</th><th>All companies in the consolidated statement</th></tr>
<tr><td>Less than $2,000,000</td><td>0</td><td>0</td></tr>
<tr><td>$2,000,000~5,000,000（inclusive of 2,000,000）</td><td>0</td><td>0</td></tr>
<tr><td>$5,000,000~10,000,000（inclusive of 5,000,000）</td><td>7</td><td>7</td></tr>
<tr><td>$10,000,000~50,000,000（inclusive of 10,000,000）</td><td>0</td><td>0</td></tr>
<tr><td>More than $50,000,000</td><td>0</td><td>0</td></tr>
<tr><td>Total</td><td>7</td><td>7</td></tr>
</table>

The percentage of remuneration paid to President and Executive Vice President over net incom after tax:

Year	**FarEastone**	**FET with all subsidiaries**
2003	0.58%	0.58%
2004	0.44%	0.46%

The policy, criteria, composition, process to set remuneration for President and Executive Vice Presidents and the correlation with operational performance:

There are three kinds of remuneration: salary, bonuses to employees paid from distribution of earnings and other allowance. Salary is based on Article 15 of FET Articles of Incorporation: "...(omitted). As to the compensation for President, it is proposed to authorize the Chairman of the Company to approve pursuant to related regulations of the Company. It is proposed to authorize the President of the Company to approve the compensation for Executive Vice President and below managers according to related regulations of the Company."; As to bonuses to employees paid from distribution of earnings, Article 26 of FET Articles of Incorporation is followed: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken for bonus to employees, and 1% taken as remuneration to the directors and supervisors."; For other allowance such as transporting allowance, three options can be chosen: fixed amount allowance or rental cars or allowance by mileage. Since the bonuses are taken as fixed percentage of the annual earnings, its amount has high correlation with operational performance of the Company.

2-2-7. Name, Position and Profit Share Amount, of Top Ten Recipients of Employee Profit Share:

Name (Note)	Position	Employee Profit Share Amount(NT$,000)
Jan Nilsson	President	14,227
Benjamin Ho	Executive VP	
Eton Shu	Executive VP	
Jay Shy	Executive VP	
Jeffey Gee	Executive VP	
Philby Chen	Executive VP	
Yvonne Li	Executive VP	
Guang Ruey Chiang	VP	
Herman Rao	VP	
Michael Lo	VP	

Note: Names of employees with the same position are in alphabetical order of first name.

2-2-8. Shareholding Transferred or Pledged by Directors, Supervisors, and Management (Note 1), or Major Shareholders (Note 2)

(1) Shareholding Variation

Title	Name	2005		2006/3/31		Remarks
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased Decreased)	
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co. Ltd.	0 *0	(287,000,000) *0	0 *0	0 *0	
Vice Chairman	Laurence M. Yang, Representative of Yuang Ding Investment Co. Ltd. (Note 3)	0 *0	(287,000,000) *0	0 *0	0 *0	
Managing Director	Leslie Koo,,Representative of TCC Investment Corp.	0 (2,028,000)	0 (5,328,180)	0 (4,087,824)	0 *0	
Director	Champion Lee, Representative of Yuang Ding Investment Co. Ltd.	0 *0	(287,000,000) *0	0 *0	0 *0	
Director	Peter Hsu, Representative of Yue-Li Investment Corp.	0 *0	0 *0	0 *0	0 *0	
Director	Hsing-Yi Chen, Representative of Far Eastern Memorial Foundation	0 *0	0 *0	0 *0	0 *0	
Director	Jan Nilsson,Representative of Yue Ding Industry Co., Ltd.	0 *25,000	0 *0	0 *10,000	0 *0	
Director	Nelson Chang, Representative of TCC Investment Corp.	0 *0	0 *0	0 *0	0 *0	
Director	Yuji Yamamoto, Representative of NTT DoCoMo Inc.	73,396,644 *0	0 *0	0 *0	0 *0	The representative was changed from Toshinari Kunieda to Yuji Yamamoto on July 25, 2005
Independent Director	Kurt Roland Hellström	0	0	0	0	
Independent Director	Lawrence Juen-Yee Lau	0	0	0	0	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	0 *0	0 *0	0 *0	0 *0	
Supervisor	Jenniffer Wang, Representative of Ta- Ho Maritime Crop.	0 *41	0 *0	0 *0	0 *0	The representative was changed from C.H.Chiang to Jenniffer Wang on Jan. 14,2005.
Independent Supervisor	Chen-en Ko	0	0	0	0	
President	Jan Nilsson	25,000	0	10,000	0	
Executive VP	Yvonne Li	0	0	0	0	
Executive VP	Jay Shy	(16,987)	0	0	0	
Executive VP	Philby Chen	(186,000)	0	0	0	
Executive VP	Benjamin Ho	0	0	0	0	
Executive VP	Eton Shu	0	0	0	0	
Executive VP	Jeffey Gee	0	0	0	0	
VP	Philip Hsi	0	0	0	0	Philip Hsi resigned on September 30, 2005.
VP	Herman Rao	(112,700)	0	(27,000)	0	
VP	Michael Lo	0	0	0	0	
VP	Maxwell Cheng	0	0	0	0	
VP	Guang Ruey Chiang	(1,000)	0	0	0	
VP	Samuel Yuan	0	0	0	0	

Title	Name	2005		2006/3/31		Remarks
		Shares Increased (Decreased)	Pledged Shares Increased Decreased)	Shares Increased (Decreased)	Pledged Shares Increased Decreased)	
VP	David Tsai	(9,000)	0	0	0	
VP	Jessica Chen	0	0	0	0	
VP	Peter Yen	0	0	0	0	
VP	Jennifer Liu	0	0	0	0	Jennifer Liu transferred to a subsidiary on May 16, 2005,and transferred back on Apr.1,2006
VP	Patrick Wu	0	0	0	0	Patrick Wu joined the company on Jan.2,2006
VP	Maggie Mei	0	0	0	0	Maggie Mei was promoted as VP on Feb.1,2006
Chief Auditor	Doris Wu	0	0	0	0	
Director	James Wu	0	0	0	0	
Director	S.C. Lee	0	0	(10,000)	0	
Director	James Lin	(64,180)	0	0	0	
Director	Howard Tsao	0	0	0	0	
Director	Bruce Yu	0	0	0	0	
Director	Tony Wang	0	0	0	0	
Director	Stephen Tung	0	0	0	0	
Director	Robert Chu	0	0	0	0	
Director	Sharon Chao	(180)	0	0	0	
Director	Michelle Peng	0	0	0	0	
Director	Jessica Sung	(5,027)	0	0	0	
Director	Paul Chang	(34,000)	0	0	0	
Director	James Lee	(17,000)	0	0	0	
Director	Brian Shean	(16,000)	0	(30,000)	0	
Director	Jonathan Ou	0	0	0	0	
Director	Ronald Yu	0	0	0	0	
Director	Roger Chen	0	0	0	0	
Director	Sharon Lin	(10,000)	0	0	0	
Director	Iris Su	0	0	0	0	
Director	Leon Li	0	0	0	0	
Director	Hae-Shung Ju	0	0	0	0	
Director	Sharon Fan	0	0	0	0	
Director	Mandy Tsao	0	0	0	0	Mandy Tsao transferred to a subsidiary on July 11, 2005.
Director	Yvonne Lan	(5,148)	0	0	0	Yvonne Lan resigned on October 31, 2005.
Director	Johnson Yuh	0	0	0	0	
Director	James Chen	0	0	0	0	
Director	Emily Liu	10,990	0	0	0	
Director	Alison Kao	0	0	0	0	
Director	Ann Chang	0	0	0	0	Ann Chang was promoted as director on Jan.1, 2006.

Note 1.The management were defined in accordance with 2003. 3. 27 Taiwan Finance Securies (III) Ruling Ref. No. 0920001301.
Note 2.Shareholding transferred or pledged information of the insiders is effective from the eligible date.
Note 3.The corporate representative, Yuang Ding Investment Co. Ltd., informed on April 20 that the representative, Laurence M. Yang, was dismissed.
*Number of shares held and shareholding percentage of the individual representative.

(2) 2005 Shareholding Transferred:

Name	Reason of Share Transfer	Date	Counter party	Counter Parties' Relationship with the Company's Director, Supervisor or Major Shareholder with more than 10% shareholding	Number of Shares	Trading Price (USD)
NTT DoCoMo Inc.	Finalization of liquidation of the subsidiary Depository receipt	March 29, 2005	Taiwan NTT DoCoMo was dissolved and the equity thereof was transferred to the parent company.	Parent company and subsidiary	73,396,644	Not Applicable

(3) Shareholding Pledged: None.

2-2-9 Shareholdings of the Company Directors, Supervisors, Management, and Direct and Indirect Investments of the Company in Affiliated Companies

2005/12/31

Affiliated Company	Investment of Far EasTone		Directors, Supervisors, Management, Direct and Indirect Investment of Far EasTone		Total Investment	
	Shares	%	Shares	%	Shares	%
KG Telecommunications	1,332,997,916	100.00	0	0	1,332,997,916	100.00
ARCOA Communication Co., Ltd.	79,353,013	59.10	0	0	79,353,013	59.10
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
E. World (Holding) Ltd.	6,014,622	85.92	0	0	6,014,622	85.92
Fareastern Electronic Toll Collection Company	106,650,000	42.66	0	0	106,650,000	42.66
Ding Ding Integrated Marketing Service Co., Ltd.	4,500,000	15.00	18,000,000	60.00	22,500,000	75.00
Far Eastron Ltd.	100,000	0.67	14,900,000	99.33	15,000,000	100.00
Far Eastron Holding Ltd	4,486,988	100.00	0		4,486,988	100.00

3. Capital and Shares

3-1 History of Capitalization

2005/12/31

Year. Month	Par Value (NT$)	Authorized Capital: Shares ('000)	Authorized Capital: Amount (NT$'000)	Shares Outstanding: Shares ('000)	Shares Outstanding: Amount (NT$'000)	Remarks: Source of Capital	Remarks: Non-Monetary Capital Expansion	Remarks: Effective Date & Cert. No.
1997.4	10	900,000	9,000,000	900,000	9,000,000	Cash Founding NT$9,000,000,000	None	--
1998.12	10	1,400,000	14,000,000	1,070,000	10,700,000	Cash capital call NT$1,700,000,000	None	(Note 1)
1999.9	10	1,400,000	14,000,000	1,137,000	11,370,000	Cash capital call NT$670,000,000	None	(Note 2)
2000.7	10	1,400,000	14,000,000	1,225,743	12,257,430	Capitalization of capital surplus NT$887,430,000	None	(Note 3)
2000.10	10	1,400,000	14,000,000	1,400,000	14,000,000	Cash capital call NT$1,742,570,000	None	(Note 4)
2001.7	10	3,360,000	33,600,000	1,890,000	18,900,000	Capitalization of retained earning and capital surplus NT$4,900,000,000	None	(Note 5)
2002.8	10	3,360,000	33,600,000	2,305,800	23,058,000	Capitalization of retained earning and capital surplus NT$4,158,000,000	None	(Note 6)
2003.7	10	3,360,000	33,600,000	2,697,786	26,977,860	Capitalization of retained earning and capital surplus NT$3,919,860,000	None	(Note 7)
2004.5	10	3,360,000	33,600,000	2,698,348	26,983,482	Increasing from ECB conversion of NT$5,622,000	None	(Note 8)
2004.5	10	3,504,353	35,043,531	3,391,871	33,918,714	Increasing from issuance of capital for share swap of NT$6,935,232,000	None	(Note 9)
2004.9	10	4,200,000	42,000,000	3,731,058	37,310,585	Capitalization of retained earning and capital surplus NT$3,391,871,000	None	(Note 10)
2004.11	10	4,200,000	42,000,000	3,763,151	37,631,514	Increasing from ECB conversion of NT$320,929,000	None	(Note 11)
2005.2	10	4,200,000	42,000,000	3,842,311	38,423,114	Increasing from ECB conversion of NT$791,600,000	None	(Note 12)
2005.4	10	4,200,000	42,000,000	3,872,663	38,726,630	Increasing from ECB conversion of NT$303,516,000	None	(Note 13)

Note 1: 1998.10.22 (87)Taiwan Finance Securities (I)Ruling Ref. No.87084
Note 2: 1999.5.21 (88)Taiwan Finance Securities (I)Ruling Ref. No.47451
Note 3: 2000.5.22 (89)Taiwan Finance Securities (I)Ruling Ref. No.41536
Note 4: 2000.10.11 (89)Taiwan Finance Securities (I)Ruling Ref. No.83771
Note 5: 2001.6.15 (90)Taiwan Finance Securities (I)Ruling Ref. No.138249
Note 6: 2002.7.9 (91)Taiwan Finance Securities (I)Ruling Ref. No.0910137602
Note 7: 2003.6.10 (92)Taiwan Finance Securities (I)Ruling Ref. No.0920125457
Note 8: 2004.5.8 OTC Ruling Ref. No.09301085420
Note 9: 2004.4.8 (93) Taiwan Finance Securities (I)Ruling Ref. No.0930112339
Note 10: 2004.7.14 (93) Financial Supervisory Commission (I) Ruling Ref.No. 0930130872
Note 11: 2004.11.17 OTC Ruling Ref. No. 09301207180
Note 12: 2005.3.4 OTC Ruling Ref. No.09401035600
Note 13: 2005.5.3 OTC Ruling Ref. No.09401077810

2005/12/31; Unit:'000 Shares

Type of Stock	Authorized Capital			Note
	Shares Outstanding	Un-issued	Total	
Common Shares	3,872,663	327,337	4,200,000	Listed stock

3-2 Information for Shelf Registration: Not Applicable

3-3 Shareholder Structure

2006/3/27

Shareholder Structure / Quanty	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	5	34	97	12,200	389	12,725
Shares	6,518,611	277,923,813	1,995,765,561	98,850,493	1,493,604,571	3,872,663,049
%	0.17	7.18	51.53	2.55	38.57	100.00

3-4 Share Distribution-Common Stock

NT$10 per share; 2006/3/27

Level	Number of shareholders	Shares	%
1 - 999	5,138	1,375,620	0.04
1,000 - 5,000	4,407	9,742,317	0.25
5,001 - 10,000	1,178	8,429,506	0.22
10,001 - 15,000	456	5,409,252	0.14
15,001 - 20,000	254	4,470,028	0.12
20,001 - 30,000	290	7,151,905	0.18
30,001 - 40,000	139	4,810,965	0.12
40,001 - 50,000	105	4,737,732	0.12
50,001 - 100,000	219	15,795,999	0.41
100,001 - 200,000	120	16,682,100	0.43
200,001 - 400,000	105	30,743,185	0.79
400,001 - 600,000	42	20,029,166	0.52
600,001 - 800,000	40	27,345,463	0.71
800,001 - 1,000,000	25	22,569,839	0.58
1,000,001 and above	207	3,693,398,972	95.37
Total	12,725	3,872,663,049	100.00

This Company has not yet issued any preferred shares before Dec. 31, 2005.

3-5 Top 10 Major Shareholders

2006/3/27

Shares / Major Shareholders	Shares	%
Yuang Ding Investment Co., Ltd.	1,320,197,849	34 .09
NTT DoCoMo Inc.	190,040,265	4.91
Yuan Tong Investment Co., Ltd.	157,147,940	4.06
Kai Yuan International Investment Co., Ltd.	152,655,103	3.94
China Development Industrial Bank	122,677,274	3.17
MSCI exclusive account entrusted to HSBC.	110,522,442	2.85
An Ho Garment Co., Ltd.	109,333,700	2.82
Capital World Growth and Income Fund, Inc. entrusted to J. P. Morgan Chase & Co.	95,830,000	2.47
Far EasTone ADR Account, Bank of New York	66,936,771	1.73
GIC Account, entrusted to Citibank	59,783,105	1.54

3-6 Share Price, Net Value, Earnings, Dividends and Related Information in the Recnt 2 years

Unit: NT$; shares

Item		Year	2004	2005	2006 (as of March 31)
Share price (Note 1)	High		38.70	43.40	40.30
	Low		25.80	35.40	35.90
	Average		32.43	38.96	38.41
Net Value per share	Before distribution		18.14	18.91	19.70
	After distribution (Note 2)		15.02	Not Applicable	Not Applicable
Earnings per share	Weighted-average outstanding shares		3,748,089,157	3,872,663,049	3,872,663,049
	Earnings per share	Before adjustment	3.75	3.80	0.82
		After adjustment (Note 7)	3.75	3.80	0.82
Dividend per share (Note 3)	Cash dividend		1.40	3.00	Not Applicable
	Stock dividend	Retained earnings	0.46	0	Not Applicable
		Capital surplus	0.54	0	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earning Ratio (Note 4)		8.65	10.25	Not Applicable
	Price/Dividend Ratio (Note 5)		23.16	12.99	Not Applicable
	Cash dividend yield rate (Note 6)		4.32%	7.70%	Not Applicable

Note 1: High/Low means the highest/lowest share price for the period and average share price is calcutated based on transaction amount and volume for the period.

Note 2: The above mentioned distribution amounts are based on the Annual Shareholders' Meeting resolutions in the subsequent year.

Note 3: Dividend per share of the prior year

Note 4: Price/Earning 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

Note 7: Earnings per share after stock dividend is distributed.

3-7 Dividend Policy

3-7-1 Dividend Policy under Articles of Incorporation

Dividend policy under Articles of Incorporation: The dividend policy of the Company accrued shall not be less than 50% of the net income deducted by deficits, surplus reserves and special reserve. The cash dividend shall not be less than 50% of the dividend of the year. However, depending on whether the Company has any financial structure improvement or major capital expenditure plans in the year, the percentage of cash dividend and payout ratio may be raised or lowered by a resolution approved at the Annual Shareholders' Meeting.

3-7-2 Proposed Dividend Allocation to be Approved at the Annual Shareholders' Meeting

On March 3, 2006, the Board of Director resolved the proposed 2005 dividend allocation to be approved at 2006 Annual Shareholders' Meeting as following: "Undistributed earnings of NT$12,005,255,452 will be distributed as cash dividends of NT$3.1 per share.

3-8 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment: Not Applicable

3-9 Bonuses for Employees, Directors and Supervisors

3-9-1 Description regarding Bonuses for Employees, Directors and Supervisors in the Articles of Incorporation:

From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%-2% taken for bonus to employees, and 1% taken as remuneration to the directors and supervisors.

3-9-2 Proposed bonuses for employees, directors and supervisors:

(1) This Company Board resolved on March 03, 2006, to use the profits from the 2005 financial year to pay bonuses to employees, directors, and supervisors to the following amount:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Bonuses for directors and Supervisors
Proposed Distribution	$ 264,913	$ 132,457

(2) The formula for employee bonuses calculation is as shown in the following table:

Unit: NT$'000

Employee Cash Bonuses (A)	Employee Stock Bonuses (B)	Average Market Price of the last month during the fisical period (C)	The Value of Employee Stock Bonuses in Market Price (D=B*C)	Employee Cash Bonuses and the Value of Employee Stock Bonuses in Market Price (E=A+D)
$ 264,913	$ 0	Not Applicable	$ 0	$ 264,913

Unit: NT$'000

Net Income after Tax (F)	Earnings to be distributed (accumulated earnings at the beginning of the year + 2005 net income after tax) (G)	Total amount of the distributed Legal surplus, Special Surplus and deficit (H)	50% of Net Income after Tax (I=50%*F)	50% of Earnings to be distributed (deducted Legal surplus, Special Surplus and deficit) (J=50%*(G-H)
$ 14,717,402	$ 15,385,739	$ 1,471,740	$ 7,358,701	$ 6,956,999

(3) Proposed percentage of employee stock bonuses over retained earnings transferred to common stock: Not Applicable

(4) Forecast EPS after distribution of the proposed bonuses to employees, directors and supervisors: If the proposed bonuses to employees, directors and supervisors are booked as expenses, 2005 EPS after tax will reduced from NT$ 3.80 to NT$ 3.70.

3-9-3 Bonuses to employees, directors and supervisors for 2004 as approved at the Board Meeting on April 7, 2005 and Shareholders' Meeting on May 20, 2005 are as follows:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Bonuses for directors and Supervisors
Proposed Distribution (A)	$ 252,775	$ 126,388
Actual Distribution (B)	$ 252,775	$ 126,388
Variance (B)-(A)	$ 0	$ 0

3-9-4 Bonuses to Managerial Officers

Unit: NT$'000

	Name	Title	Stock Bonuses			Cash dividend	Total	Percentage of
			Number of Share	Market Value	Amount	Amount (NT$'000)	(NT$'000)	Net income after tax (%)
	Jan Nilsson	President						
	Yvonne Li	Executive VP						
	Jay Shy	Executive VP						
	Philby Chen	Executive VP						
	Jeffey Gee	Executive VP						
	Benjamin Ho	Executive VP						
	Eton Shu	Executive VP						
	Herman Rao	VP						
	David Tsai	VP						
	Michael Lo	VP						
	Maxwell Cheng	VP						
	Guang Ruey Chiang	VP						
	Samuel Yuan	VP						
	Jennifer Liu	VP						
	Doris Wu	Chief Auditor						
	James Wu	Director						
	S.C. Lee	Director						
Managerial Officer	James Lin	Director	0	Not Applicable	0	$38,644	$38,644	0.3
	Howard Tsao	Director						
	Bruce Yu	Director						
	Tony Wang	Director						
	Stephen Tung	Director						
	Robert Chu	Director						
	Sharon Chao	Director						
	Michelle Peng	Director						
	Jessica Sung	Director						
	Paul Chang	Director						
	James Lee	Director						
	Brian Shean	Director						
	Jonathan Ou	Director						
	Ronald Yu	Director						
	Roger Chen	Director						
	Sharon Lin	Director						
	Iris Su	Director						
	Leon Li	Director						
	Hae-Shung Ju	Director						
	Sharon Fan	Director						
	Emily Liu	Director						
	Johnson Yuh	Director						
	Philip His (Note 1)	VP						
	Yvonne Lan (Note 2)	Director						
	Mandy Tsao (Note 3)	Director						

Note 1. Philip Hsi has resigned on September 30, 2005.
Note 2. Yvonne Lan has resigned on October 31, 2005.
Note 3. Mandy Tsao has been transferred to a subsidiary on July 11, 2005.

3-10 Share buyback by the Company: None

4. Issuance of Corporate Bonds (Including ECB)

4-1 Corporate Bonds

2006/3/31

Corporate Bond Type		1st Domestic Unsecured Bond	2nd Domestic Unsecured Bond	3rd Domestic Unsecured Bond
Issue Date		2002.2.19~2002.2.22	2003.3.28~2003.4.3	2003.12.12~2003.12.19
Denomination		NT$ 1,000,000	NT$ 1,000,000	NT$ 5,000,000
Issuance and Listing		OTC Securities Exchange (ROC)	OTC Securities Exchange (ROC)	OTC Securities Exchange (ROC)
Offering Rate		Par	Par	Par
Total Amount		NT$ 4,200,000,000	NT$ 1,470,000,000	NT$ 3,000,000,000
Coupon Rate		* Tranche A01, A03, A04, B01, B02, B04 and B05: 3.4% p.a * Tranche A02, A05, A06, B03, B06, B07 and B08 : 3.3716% p.a.	* The annual coupon rate for the 1st year is 2.6% * From 2nd year to maturity the annual coupon rate is 3.2% minus reference rate of interest, while the annual coupon rate can not be lower than 0%. (Note 1)	* Tranche A: 1.83% * Tranche B: 1.92% * Tranche C: 6 month Libor +1% if 6M Libor < 1.05%; 5.2% - 6M Libor if 6M Libor>= 1.05%, while the annual coupon rate can not be lower than 0%. (Note 1)
Duration		5 year Maturity: 2007.2.19~2007.2.22	5 year Maturity: 2008.3.28~2008.4.3	* Tranche A: 3 year; Maturity: 2006.12.12~2006.12.16 * Tranche B: 4 year; Maturity: 2007.12.12~2007.12.16 * Tranche C: 5 year; Maturity: 2008.12.12~2008.12.19
Guarantor		None	None	None
Trustee		Trust Department of Taipei Bank	Trust Department of Chiao Tung Bank	Trust Dept. Chinatrust Commercial Bank
Underwriter		None	None	None
Legal Counsel		Mr. Morton Maote Huang	Mr. Morton Maote Huan	Mr. Morton Maote Huang
Certified Public Accountant		T N Soong & Co.	T N Soong & Co.	T N Soong & Co.
Repayment		* Tranche A: repay 40%, 60% at 4th and 5th year * Tranche B: repay 60%, 40% at 4th and 5th year	Due upon expiration of the five years as of the issue date, and repayment of principal in lump sum	* Tranche A: Due upon expiration of the three years as of the issue date, and repayment of principal in lump sum * Tranche B: Due upon expiration of the four years as of the issue date, and repayment of principal in lump sum * Tranche C: Due upon expiration of the five years as of the issue date, and repayment of principal in lump sum
Outstanding Amount		NT$ 2,060,000,000	NT$ 1,470,000,000	NT$ 3,000,000,000
Redemption or Early Repayment Clause		None	None	None
Covenant applicable		Not applicable	Not applicable	Not applicable
Credit Rating		Received a rating of "twAA+" from Taiwan Ratings Corp. on March 2, 2006	Received a rating of "twAA+" from Taiwan Ratings Corp. on March 2, 2006	Received a rating of "twAA+" from Taiwan Ratings Corp. on March 2, 2006
Other Rights of Bond Holders	Amount Converted into, exchanged orsubscribed to Common Shares, ADRs or other securities	Not applicable	Not applicable	Not applicable
	Conversion Rights	Not applicable	Not applicable	Not applicable
Dilution or other Adverse Effect on Shareholders' Equity		Not applicable	Not applicable	Not applicable
Custodian		Not applicable	Not applicable	Not applicable

Note 1: The reference rate is defined as the fixing rate of US$ 6-month LIBOR quoted on Hong Kong Bridge Telerate Page 3750 at 11am London time, 2 business days before each interest period commences.

4-2 Corporate Bonds to be due within one year upon publication of the financial statement:

According to the covenants of the Company's first issuance of domestic unsecured bond, the Company shall repay NT$2,060 million on Feb.22, 2007.

According to the covenants of the Company's third issuance of domestic unsecured bond, the Company shall repay NT$900 million on Dec. 12, 2006, Dec. 15, 2006 and Dec. 16, 2006 respectively.

Therefore, the total amount of corporate bonds to be due within one year is NT$2,960 million.

4-3 Convertible Bond: None.

4-4 Exchangeable Bond: None.

4-5 Shelf Registration for Issuing Corporate Bonds: None.

4-6 Bond with Warrants: None.

4-7 Issuance of Corporate Bonds Through Private Placement in the Recent 3 years: None.

5. Preferred Shares

None.

6. Issuance of Depository Receipt

2006/3/31

Item \ Date of Issuance			June 11, 2004
Place of issuance			Luxembourg Stock Exchange
Total Price of Issuance			US$132,190,000
Unit Price of Issuance			US$13.219
Total number of units issued			10,000,000
Type of underlying securities			Far EasTone Common Stock
Amount of underlying securities			15 shares
Rights and obligations of subscribers			Same as common stock shareholders
Trustee			Not applicable
Depositary Bank			The Bank of New York (Luxembourg) S.A.
Custodian Bank			Far Eastern International Bank
Number of outstanding shares			67,186,491
Bearers of Related charges incurred during issuance and holding period			Charges of GDR issuance shall be born by sellers; Charges incurred during holding period shall be born by the Company.
Major terms of Depositary Agreement and Custodian Agreement			none
Market Price per unit	2005	High	US$20.35
		Low	US$16.50
		Average	US$18.2639
	2006 (as of March 31, 2006)	High	US$18.50
		Low	US$16.75
		Average	US$17.6513

7. Employee Stock Options

None.

8. Share Issued for Merge or Acquisition

8-1 Completed Merge or Acquisition in the Recent year and Before Publication of the Annual Report

8-1-1 Financial information of being Merged Company

Company		Yuan-Ze Telecommunications Co., Ltd.
Address		28F, 207, Sec 2, Tun Hwa South Road, Taipei
Owner		Douglas Hsu
Capital		NT$ 9,590,140,180
Business Item		(1) F204020 retail business of ready-made clothes (2) F204050 retail business of accessories (3) CC01070 wireless communications equipment and facilities manufacturing business; (4) I301020 data processing service business; (5) IZ11010 overdue receivables management service business; (6) F201070 retail business of flowers; (7) F204030 retail business of shoes; (8) F204040 retail business of purses, handbags and suitcases; (9) F209010 retail business of books and stationery; (10) F209030 retail business of toys and recreational articles; (11) F213030 retail business of office-automation machinery and equipment; (12) F218010 retail business of information software; (13) IZ12010 manpower outsourcing business; (14) JZ99050 brokerage business; (15) I301030 electronic information provision service business; (16) I401010 general advertising service business; (17) IZ99990 other services business (ticketing services); (18) I601010 leasing business; (19) IE01010 processing mobile subscription business; (20) CC01060 wire communications equipment and facilities manufacturing business; (21) F113070 Telecommunications equipment wholesale business; (22) F213060 Telecommunications equipment retail business; (23) G901011 Type I Telecommunications Business; (24) Beside permit businesses, the Company allows to operate businesses without legal restrictions
Main Service		Third Generation Telecommunications Business
2005 Financial infor-mation (Note 1)	Total Assets	NT$ 16,565,545 thousand
	Total Liabilities	NT$ 7,335,216 thousand
	Total Shareholders' Equity	NT$ 9,230,329 thousand
	Operating Revenue	(note 2)
	Gross Profit (loss)	(note 2)
	Operating Income (loss)	NT$ (357,077) thousand
	Net Income (loss)	NT$ (359,811) thousand
	EPS	NT$ (0.38)

Note 1: The financial information of Yuan-Ze Telecommunication available prior to the merge and extinguishment in May 2005.

Note 2: Yuan-Ze Telecommunication was still in its development stage.

8-1-2 Evaluation of Underwriter upon merger:

In order to merge with Yuan-Ze Telecommunication, Far EasTone Telecommunications Co., Ltd. (hereinafter referred to as "the Company") filed the application with ROC Over-the-Counter Securities Exchange (hereinafter referred as the "Over-the-Counter Securities Exchange"). The underwriter has taken necessary guidance and evaluation steps, including the on-site survey on the operation condition of the Company (surviving company) and Yuan-Ze Telecommunication (former company), and had interview or meeting with directors, managers and other related staff of the two companies, and conducted evaluation carefully after collecting, sorting, verifying and comparing the relevant information. According to Regulations Governing Trading of Securities on Over-the-Counter Markets of the Over-the-Counter Securities Exchange, the underwriter hereby issues its concluding opinion. In the underwriter's opinion, the merge of the Company and Yuan-Ze Telecommunication complies with the Regulations Governing Trading of Securities on Over-the-Counter Markets of the Over-the-Counter Securities Exchange and the relevant laws, and the merger is feasible and necessary, and the estimated schedule for the merger and impact to be produced by the merger are also considered reasonable.

8-1-3. Implementation status

The merger was approved by the Directorate of General Telecommunication and ROC Over-the-Counter Securities Exchange. The closing date of the merger was scheduled by the both companies' boards of directors to be May 2, 2005.

8-2 Impact from Shares Issued for Merge or Acquisition Before Publication of the Annual Report: None.

III | Operational Highlights

1. Business Activities
2. Market and Sales Overview
3. Employee Information in the Recent 2 Years
4. Environmental Protection Expenditure
5. Employee Relations
6. Major Contracts

1. Business Activities

1-1 Business Scope

1-1-1 Major Business Items:

- mobile telephone business;
- installation, maintenance, wholesale and import/export business for electronic and radio communications equipments and its components;
- purchase, sale, installation, and maintenance of radio transceivers (limited to land mobile wireless telephones, and cordless telephones);
- purchase, sale, installation and maintenance of radio receivers (limited to pagers);
- installation, maintenance, import/export, wholesale for all component parts of the above mentioned products;
- general import/export trading (with exception of items requiring special permit);
- To handle price quotations and tender applications on behalf of local or foreign companies with regard to the above mentioned products;
- F204020 retail business of ready-made clothes;
- F204050 retail business of accessories;
- CC01070 manufacturing business of wireless communications equipment;
- G901011 Type I Telecommunications Business;
- G902011 Type II Telecommunications Business;
- I301020 data processing service business;
- IZ11010 overdue receivables management service business;
- F201070 retail business of flowers;
- F204030 retail business of shoes;
- F204040 retail business of purses, handbags and suitcases;
- F209010 retail business of books and stationery;
- F209030 retail business of toys and recreational articles;
- F213030 retail business of office-automation equipment;
- F218010 retail business of computer software;
- IZ12010 manpower outsourcing business;
- JZ99050 brokerage business;
- I301030 electronic information service business;
- I401010 general advertising service business;
- IZ99990 other services business (ticketing and payment collection services);
- I601010 leasing business;
- I199990 other consultation services business (integration & consulting service on telecommunication equipment/facilities);
- IE 01010 mobile subscription business;
- JA02990 other repair business (maintenance & repair services for telecommunication equipment).
- F401021 Imports of controlled radio frequency-devices
- In addition to permitted businesses, the Company may operate any business which are not prohibited or restricted by law.

1-1-2 Operating Revenue Breakdown

Unit: NT$'000

Item \ Year	2004		2005	
	Amount	%	Amount	%
Mobile Service Revenue	37,061,787	92	39,659,834	92
Sales of Handsets and Accessories	3,146,300	8	3,463,811	8
Others	21,394	0	26,031	0
Total	40,229,481	100	43,149,676	100

1-1-3 Existing Products and Services

A: Mobile Service Revenue:

(1) Type I Telecommunication Services: Provide wireless communications and wireless multi-media data services, the revenues are categorized as monthly subscription (postpaid) and prepaid services according to the payment method; and telecommunication leased-circuit rental revenue which relates to domestic leased data circuit services.

(2) Type II Telecommunication Services: Integrated Internet services, mobile positioning service, Internet access service (IAS), simple voice resale (ISR), e-mail, e-commerce, and mobile communication services.

B: Sales of Handsets and Accessories: Handsets and accessories sales alone or bundled with SIM card sales.

1-1-4 New Products and Services Under Development

Will continue to focus on value added information services with plans for the development of various new products, and the main categories of which are listed below:

- Mobile video services (i.e. video on demand, video streaming, video call, and video mail, etc.);
- Enhanced mobile MMS services (MMS, Multimedia Messaging Service);
- 3G multimedia contents and applications;
- WAP2.0 Gateway to support TCP/IP standards;
- Enhanced JAVA content platform (i.e.On-line Java gaming, Java community platform,etc.)
- Intelligent voice dialing service

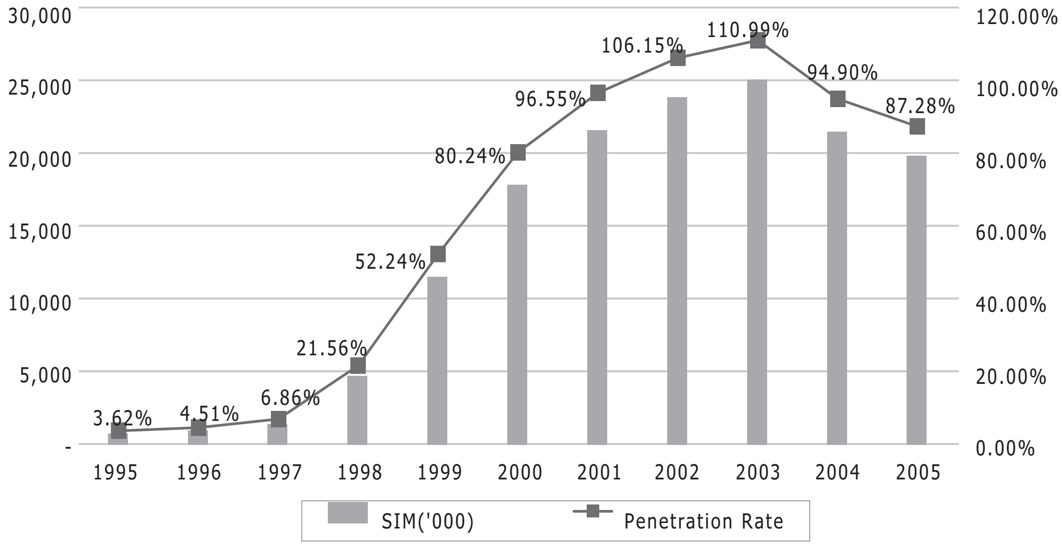
1-2 Industry Overviews

1-2-1 Industry status and development

Due to increasing deregulation and government policies, the country's telecommunications industry business environment is also moving towards liberalization and greater competition. The five telecommunications providers (FET, Chunghwa Telecom, Taiwan Mobile, Asia Pacific Broadband Wireless and Vibo Telecom) had at their peak a total 25,290,000 subscribers and by the end of 2005 still had 19,870,000 subscribers, translating to a market penetration of over 85%. This is the highest mobile phone penetration rate in the world; Due to differences in operators' service offerings, or to acquire new mobile handsets more cheaply through subsidy program, many subscribers apply for more than one number.

In the future if operators can not offer differentiating services, the penetration rate might not be able to further increase. In other words, the mobile service market has been saturated.

Mobile SIM Card Growth in Taiwan



Source: Directorate General of Telecommunication, Ministry of Transportation and Communications

Taiwan's telecommunications market is characterized by the following factors, among others:

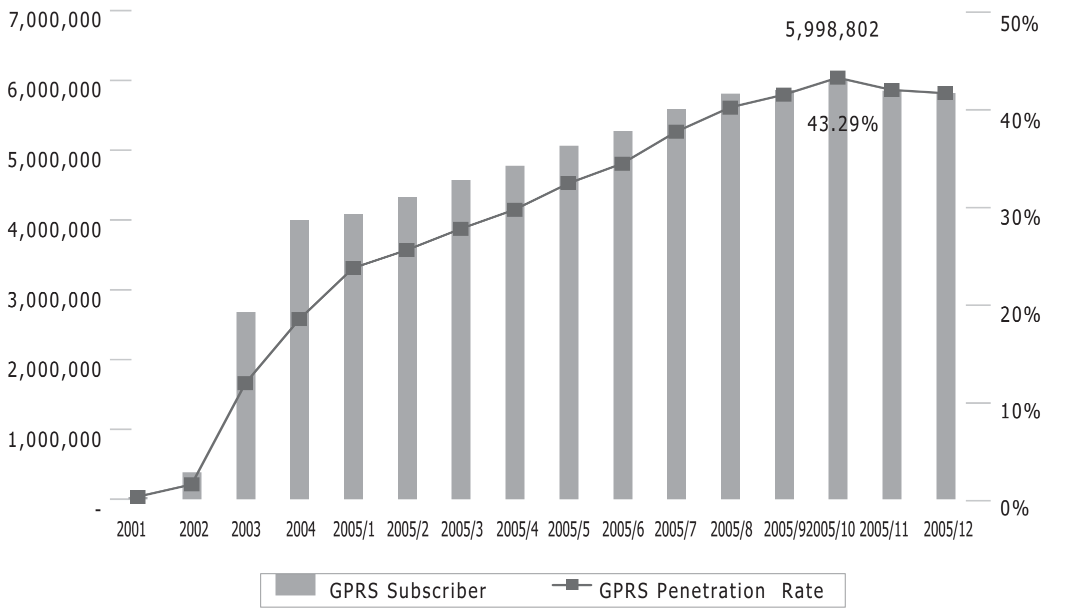
A. Non-voice services — source of revenue growth

Apart from the existing voice-oriented 2G services, all operators are now offering 3G services which emphasize faster and more diverse multimedia applications. There is a close link between the Average Revenue per User (ARPU), refers to each mobile phone user's contribution to revenues each month, and this is closely linked to the market penetration rate mentioned previously. With the release of GPRS enable handsets, operators have offered non-voice services which led to increased usage.

Since 2000 the average mobile phone talk time remained flat or slight growth, while ARPU continued to drop. The main reason is the continuously lowered tariff as a result of market competition. Under such circumstances, bringing new non-voice services is becoming the key strategy for operators to increase revenue.

From the end of 2001 to mid-2002 operators launched GPRS one after another one. As of December 2005 the number of GPRS customers was 5.82 million. The penetration rate also grew from 1.59% in December 2002 to current 41.70%.

GPRS Subscriber Growth in Taiwan



Source: Directorate General of Telecommunication, Ministry of Transportation and Communications

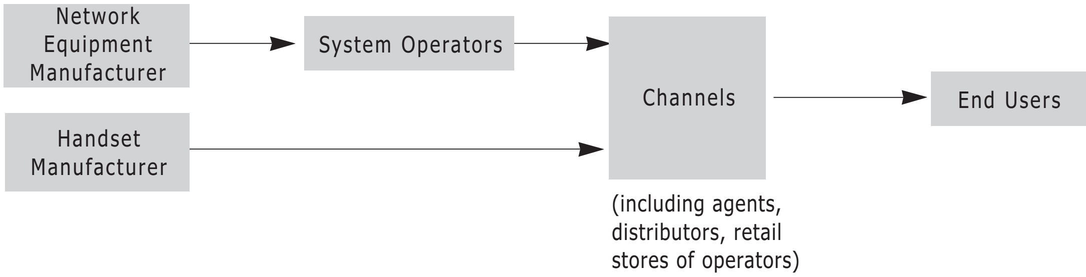
B. 3G — the next market focus

As GPRS value-added service market is getting saturated due to constrained data transmission rate, expanding customer base is no longer the center of operators' concern. Instead, offering various data services to increase revenue became the generally adopted key strategy. That is why 3G is expected to bring more growth to global telecommunications market. The rapid growth of WLAN will help to change consumers' behavior, and its broad bandwidth will stimulate the needs for high-speed data access at anywhere and 3G mobile phones, helping services such as video phone, MMS, mobile multimedia streaming service and mobile office to take off. It is believed that 3G will change people's life style and enable a better combination of technology and our everyday lives. NTT DoCoMo, the world's first 3G service provider, launched its 3G service in October 2001.

In addition to 3G, among all technonogies that bring breakthrough in mobile services, WLAN is also growing fast. As the technologies of 3G and WLAN can be complimentary to each other, mobile operators have started to integrate 3G and WLAN network. A 3G/WLAN integrated network provide users with the option to access the Internet through WLAN, offering high-speed transmission and relatively lower rate, when WLAN service is available. The Executive Yuan has been promoting 3G/WLAN mobile phones which are believed having the potential to replace indoor extention telephone sets. Therefore, consumers will no longer need more than one telephone number. This application is making the future of 3G look bright.

1-2-2 Industry Value Chain

Telecommunications Industry Value Chain



1-2-3 Development Trend of Products and Services

A. 3G

As the WCDMA system is now becoming the main stream of global 3G development, all the major 3G handset makers are planning to release a large number of new models this year. Far EasTone will therefore continue promoting its 3G business and strengthen the development of related services. The IP Multimedia Subsystem (IMS) will be introduced this year, with the focus on developing an IP-based network for multimedia services. This will enable mobile users to communicate between different networks and to share voice, data and interactive multimedia services. For wireless connections on mobile services, the goal is to increase data transmission rate through HSDPA/HSUPA technology to achieve compatible speed offered by fixed network operators.

Comparison of the First, Second, and Third Generation Mobile Phone Service

Item	1G-Analog	2G-GSM	3G-WCDMA
Privacy and Security	Poor	Good	Better
Enhanced Function	No	Many	Many
Pwer Requirement	General	General	Minimum
Quality of Signal	Better	Good	Best
Reliability of Communication	Poor	Good	Better
Number of Base Station	General	Fewest	Most
Construction Cost	Low	General	High

With the increasing popularity of wireless broadband technologies, many potential wireless internet services will soon join the competition; based on a mobile communications operator's inherent advantages in ease of use, popularity and range of services, smart phone devices are still superior to other personal digitial IT tools. This means 3G mobile communications systems will hold the best position, and also be a network which the most easily integrating with other technologies.

B. Service Personalization

As mobile communication technology has been developed rapidly, the concept of "mobile network" is being shaped. Integrating the Internet and mobile phone services, the 'mobile network' is going to offer more personalized services that can provide personal settings based on customers' individual needs and preferences. It will also be able to offer video calls and always-on connection, and can also provide video call, video streaming, audio-video on demand all the way up to Mobile Instant Messaging, Push to Talk (PoC), and other interactive multimedia services.

C. Convergence of broadband media, telecommunications and technology platform

Digital lifestyle technologies are today all moving towards becoming broadband, wireless and mobile. On the road to 3G popularization, improvements of mobile handsets' features and technology will decide 3G's pace of development. Far EasTone will leverage its network which is equipped with mobile communications, mobile commerce, and various mobile content and entertainment services to encourage handset makers to accelerate their research into client devices that integrate telecommunications and broadband media. The goal is one of sustainable and continuous development for the industry. In the "Post-PC Era", the lack of appropriate software limited the development of the entire industry, while convergence of services will be the road to success for the future development of the telecommunications industry.

1-2-4 Product Competition

As operators' investment in network construction and hardware is usually enormous, all operators try to expand customer base to reach economic scale. The market is basically shared by three national operators, FET, CHT and TCC. The similarity of the services provided by the operators is high. Various rate plans, mostly charged by second, were designed to attract different user groups. Two payment methods, prepaid and postpaid, are offered for customers' choice. Currently tariff competition has stablized. Value-added services are mostly MMS applications, including entertainment services such as pictures, music, ringtone, e-card download. There are transaction and information services such as e-books download, mobile banking, mobile positioning, satellites positioning, payment collection, and other convergent services. As the service contents provided by different operators are very similar, in order to increase ARPU, advertisements and promotions are mostly designed to enhance customer loyalty and establish clear market position.

1-3 Technology Development Overviews

Major R&D Expense in Recent Years

Unit: NT$'000

Item \ Year	2005	2006 Q1
R&D Expense	301,403	49,683
Total Operating Revenue	43,149,676	10,851,832
R&D Expense as percentage of Total Operating Revenue (%)	0.70	0.46

Product and Services Developed in Recent Years

Striving to provide customers with leading value-added communication services, the Company has developed the following services and product in 2004 and 2005:

Year	Value-Added Service Name	Value-Added Service Content
2005	Miss Call Alert	When the subscriber's phone is "Off" or has "No Signal", SMS is used to notify them of missed calls including number of calls, number and time of call. This means they never have to worry about missing important calls!
	3G Multimedia Service	Use 3G WCDMA to offer a new generation of mobile data services including video call, video streaming and faster mobile internet access.
	Content Card	A pre-paid based services that allow FET GPRS subscribers to download value added services.
	V_City PlayBlog	FET launched a multimedia portal site V_City to target potential 7 million subscribers in Taiwan's family market. This protal integrates both instant message and blog services, so users can access value-added services over the Internet. (website located at http://www.playblog.com.tw)

<table>
<tr><th>Year</th><th>Value-Added Service Name</th><th>Value-Added Service Content</th></tr>
<tr><td>2005</td><td>Chess Project- "Far EasTone Car Portat" Servie</td><td>This includes two versions, the mobile internet access "FET Car Portal Value-Added Service"mand the "FET Car Portal Voice Service". FET subscribers can connect over WAP or call "885" voice service to access the service, which offers the latest local traffic information, road conditions, nearby facilities or roadmap no matter where they are. FET Car Portal services include:
<table>
<tr><th>Item</th><th>Content</th><th>Item</th><th>Content</th></tr>
<tr><td>Real-Time Traffic Update</td><td>885 Help Me Traffice Update Voice Service
Real-time national, city, county and provincial road updates.
National express way travel time estimate
Flight information</td><td>Car Portal Special Offers</td><td>Special offers for car maintenance,car detailing and washing, service stations, restaurants, accommodation, airlines, car rentals and insurance.
Special tour packages from travel agencies.</td></tr>
<tr><td>Local Facilities</td><td>Real-time parking information.
Guide to local service stations, car workshops, beauty salons, shopping, gourmet dining, entertainment, financial institutions and convenience stores.
Electronic map of Taiwan.</td><td>Motor Registry Lookup</td><td>Find payment of traffic violations, parking fees, regular vehicle inspection and car taxes.
Fixed speed camera locations.
All tow yard locations.</td></tr>
<tr><td>Travel Info</td><td>Information on nearby scenic spots, tourism destinations throughout Taiwan, accommodations, special guest houses, car rentals, airlines and travel agencies.</td><td>Emergency Assistance and Trans-portation Info</td><td>Emergency rescue organizations
Domestic flights, train timetable queries, freeway bus services, wireless taxi service.</td></tr>
</table></td></tr>
<tr><td rowspan="2">2006</td><td>Next Generation Wireless Network Integrated Platform Project</td><td>This project is a part of the National Telecommunications Technology Project Phase 2. It aims to integrate wide-area and local area wireless networks to create a pilot project zone for Mobile and WLAN services in eastern Taipei near SOGO. Provides networking roaming value-added services such as voice, instant messaing and WebTV.</td></tr>
<tr><td>M_Taiwan Project</td><td>This project is a major 3 year infrastructure project provided by the Industrial Development Bureau of the Ministry of Economic Affairs. It aims to build Taiwan into the island for mobile applications services and promote domestic communications manufacturing industry.
FET's project blue print and service range:This project is centered around the freeways and uses the existing FET/FETC infrastructure to build a 3G/WiMax/WiFi based island-wide mobile broadband zone. This will provide the full range of mobile living and intelligent transporation services.</td></tr>
</table>

1-4 Long-term & Short-term Sales Development Plan

1-4-1 Short-term plan

A. Marketing Stragety

a. Conduct an analysis on FET's and KGT's products, segregating their target customers and establish different marketing strategies for the two brands. By doing so, the Company expects to lead the market in new-adds and expand its market share.

b. Launch new product and services ahead of competitors and continuously develop new sales channels, points of sales, and distribution methods.

c. Insist on reasonable pricing strategy to secure high-value loyal customer groups.

d. Improve brand awareness and image with advertisement. For good customer relation management, regularly design activities for specific customer groups to enhance loyalty and reduce churn.

B. Direction for Product Development

a. Continously improve network quality to reduce congestion and dropped- call rate and offer world class sound quality.

b. Continue to promote i-mode service and speed up in launching new value-added services such as 3G multimedia service, mobile video service, mobile search engine, etc. By doing so, the Company is trying to offer customers a wider range of service choices and make mobile phone become a more personalized communication tool.

C. Operational Scale

a. In response to the needs of a growing customer base the Company will continue to improve its network quality by adding base stations and enhance indoor coverage within existing service areas.

b. The Company's subsidiary Yuan-Ze Telecom has obtained a 3G service license and will offer a wider range of services based on the Company's existing customer scale and services.

c. To futher improve employee loyalty and production the Company is dedicated to providing various employee education and trainings.

d. To provide convergent services to enterprise customers the Company is placing a focused effort in the development of enterprise customers and mobile advertisement business.

1-4-2 Long-term plan

A. Marketing Strategy

Under the guidence of the Company's shared values of being innovative, responsive and trustworthy, the Company aims to enhance the image as a leading brand as well as its business image. With various loyalty programs and activities targeting different market segments, the Company expects to reduce customer churn. Meanwhile, the Company continuously lauch new product and educate customers on new technology development to increase the economic value of its product. In order to further meet customer needs, the Company regularly evaluates its existing sales channels and developes new sales channels.

B. Direction for Product Development

Simontaneously with the trend of world's 3G technology and product development, the Company is dedicated to network quality improvement and developing innovative services and products based on local customer needs.

C. Operational Scale

Through strategic partnership and combining internal resource, the company aims to integrate its fixed-line, wireless telecommunications, and Internet business, and has been developing telecommunication professionals to meet its operational needs.

2. Market and Sales Overview

2-1 Market Analysis

2-1-1 Main Products and Service Areas

The Company acquired KGT in January 2004 and since then KGT has become a wholly-owned subsidiary of the Company. In January 2005 the Company also invested in ARCOA to represent a deeper penetration into the telecommunications distibution channels to achieve vertical integration of the value chain. This will also be used to expand the coverage of the retail network to make our services more accessible to customers. FET and KGT's retail network now covers all of Taiwan, with up to 372 direct, franchisee, concept and flagship stores by the end of December 2005 By rationalizing outlets and increasing productivity, synergies have been achieved. A new marketing concept - the "Mobile Promotion Van"- are now working in concert with organized events throughout Taiwan to bring FET services straight to consumers. They are also participating in community charity events to contribute to society.

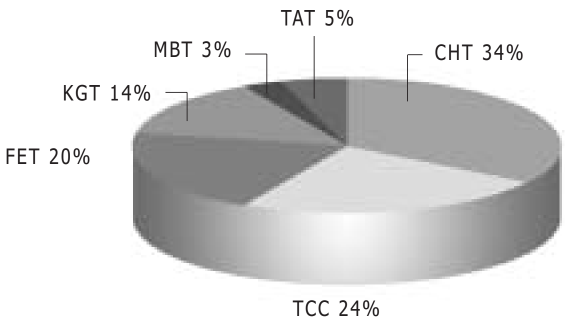
This Company and KGT's total subscriber numbers have by the end of December 2005 reached 6,140,000. In the future, the Company will continue following its brand concept of "Any time, any where, communications enriching the live of people", With 3G going on air in July 2005, the associated network infrastructure investments are now progressively being completed. The Company has already developed a wide range of value-added mobile communications services to meet customer demands.

2-1-2 Market Share

After the fierced competition of large amount of advertisement, handset subsidies, rate plans, and channel establishment, the mobile service market share has generally stabilized. The key factor to decide future market share will lie in the completeness of operator's value-added services. Currently CHT's market shares for customer number and operating revenue are 39% and 34%; followed by TCC's 23% and 24%, FET's 20% and 20%, KGT's 11% and 14%, TAT's 5% and 5%, MBT's 2% and 3%. The following pie chart shows the market share of the operators.

(Subscriber Numbers; Business Revenues; information from the Directorate General of Telecommuncations, December, 2005.)

Operating Revenue Market Share



Source: The Directorate General of Telecommunications, Ministry of Transportation and Communication

2-1-3 Future Market Demands and Potential

The mobile market in Taiwan is gradually becoming saturated. Up until December 2005, mobile market penetration have reached 87.28%, the highest in the world.

As the market is coming to a mature stge, operators usually place the focus on value-added services and heavy users. Take leading international mobile operator Vodafone for example, while the market growth is slowing down, it decided to shift its focus from general consumers to enterprise customers.

Far EasTone is also striving to develop convergent enterprise communication solutions with other companies. As wireless telecommunication service is developed from pure voice service toward wireless data and 3G, a 3G/WLAN dual-mode network is another feasible direction.

2-1-4 Competitive Advantages

Telecommunication business is categorized as a service business, and service quality is the key to success. Therefore, customer satisfaction, brand image, communication quality, marketing channels, and seizing the trend are the five niches for operators to succeed in the market competition.

A. Customer Satisfaction

According to inspection results conducted by the Directorate General of Telecommunications (DGT), Ministry of Transport and Communications (MOTC), Far EasTone won an A in Total Customer Satisfaction (including sound quality and connection rate of the calls made to customer service center, service attitude and service efficiency of the representitives, overall image of customer service, etc) for two consecutive times within one year. It is a recognition to the Company's continous efforts in customer service improvement. KGT has been known for its outstanding performance in keeping high-value customers in the last few years. KGT's i-mode service is highly recognized by consumers. In the future Far EasTone will continue to offer superior customer service to enhance customer recognition and loyalty.

B. Brand Image

Thanks to the Company's successful marketing strategy, the brand names of its postpaid service, prepaid service "IF" card, value-added services "i-Style", and innovative rate plans "Bravo" have created superior brand images. KGT's Hala series is also recognized by customers of all ages. Guided by its shared values of being "innovative, responsive, and trustworthy", Far EasTone will continue to offer superior service to the customers.

C. Communication Quality

The Company not only constructed the world's first GSM900/1800 dualband network, it also pioneered in offering Enhanced Full Rate (EFR) Hi-Fi stereo sound quality in Taiwan. To ensure the highest service quality the Company adopts world's class standards in network planning, system coverage, congestion rate and dropped-call rate. KGT is known for its satellite mobile base stations which can increase the original call capacity by 50 to 100% and are very helpful in reducing congestion and blind spots. In additions, KGT network has very good coverage in central and southern Taiwan, which is expected to further improve the communication quality and service reliability in these areas.

D. Marketing Channels

The Company has established a complete sales network which includes the direct-owned stores, franchise concept stores, flagship stores, service stores and other sales channels. The Company is also seeking cross-industry partnership (for instance, the investment in Arcoa Corporation) to ensure that FET will remain the industry leader for service and network coverage.

E. Seizing the Trend

Telecommunication service is developed toward 'convergence'. Early in 1999 the Company has launched a convergent service of mobile service and Internet access service. In 2002 the Company countinue to offer wireless Internet service over GPRS network and MMS. In 2005, it went even further to integrate 3G to provide high-speed tramsmission data service. After acquiring KGT, the Company partnered with NTT DoCoMo to promote Japan's most popular i-mode service, making the Company's total service package more complete and attractive.

2-1-5. Advantages and Disadvantages of Future Developments and Proposed Strategies

A. Advantages

(1) Dual-band system offers superior communication quality

Currently there are only two operators in Taiwan, Chunghwa Telecommunications and the Company, that own both GSM900 and GSM1800 licenses. As the two frequencies complement each other in penetration capability and transmission reach, automatic frequency switch during a call not only help customers obtain the best communication quality, it can also maximize the capacity in the limited bandwidth of the two frequencies to reduce congestion.

(2) Professional Management Team and Outstanding Corporate Image

The Company's management team has extensive professional experiences and backgrounds. Therefore, with the combination of superior technology and professionalism the Company has been able to maintain outstanding corporate image and leading position in the market.

(3) Mobile phone price reduction

As local wireless device manufacturers started to engage in mobile phone R&D and production, in order to get market share many local manufacturers adopted low-price strategy. Therefore, mobile phone prices are lowered year by year, which resulted in consumer demand increase. The average age of users is getting lower. As using mobile phone became a part of consumer pattern, it also signifies tremendous business potential for mobile operators.

(4) Increased Added Value Due to Technology Advancement

The maturing new generation high-speed data transmission system and wireless communication technology (ex. Bluetooth), combined with Internet related services,will benefit operators in providing wireless broadband network and other value added services.Mobile phones will not only be devices or voice communication tools, they can also be the integrated media for information transmissions.

B. Disadvantages

(1) After the implementation of Number Portability Service, Vicious competition on SIM card sales

Local consumers' needs for mobile numbers have reached its peak in the last two years. Mobile number growth is expected to slow down. However, in order to increase number sales operators compete with each other by raising commission and handset subsidies. Such vicious competition not only squeezes the space for profitability, it also results in more number switch and higher churn.

(2) Competitors are fighting market share though price cuting and monopoly position

To upgrade their market share, the main competitor have continued to reduce their calling fees. It also possesses many other telecommunications operations outside the mobile phone market to which it still retain monopoly status, or where privately owned businesses are only beginning to compete, creating a certain level of unfair competition.

Proposed strategies:

a. Increase the number of base station sites to improve communication quality
b. Increase customer loyalty through effective marketing strategies and more diversified value added services and brand efficiency
c. Integrate mobile communication with the Internet to provide integrated mobile internet services
d. Offer a variety of favorable rate plans for customer to choose

2-2 Main Features and Production Process of Major Products

2-2-1 Main Features of Major Services

Major Service	Main features
Voice Transmission	GSM900/1800 communications; interconnection with CHT and other operators' networks
Data Transmission	GSM900/1800 communications; interconnection with CHT and other operators' networks
GPRS Service	GSM900/1800 packet-switch data transmission service
Short Message Service	GSM900/1800 communication; interconnection with other operators' networks
3G Service	WCDMA communications; interconnection with CHT and operators' networks/

2-2-2 Manufacture Prcoess:

The Company is a mobile operator, not a manufacturer. Thus there is no production engaged.

2-3 Supply of Raw Material

The Company is a mobile operator, not a manufacturer. Thus there is no raw material.

2-4 Major Customers and Suppliers in the Recent 2 Years

2-4-1 Major Suppliers

Unit: NT$'000, %

Year / Item	2004				2005			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	Chunghwa Telecom	2,881,336	14.63	None	Chunghwa Telecom	2,806,323	12.82	None

2-4-2 Major Customers

Unit: NT$'000, %

Year / Item	2004				2005			
	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company
1	Chunghwa Telecom	7,327,691	18.21	None	Chunghwa Telecom	7,207,952	16.71	None

2-4-3 Reasons for Variation of Major Suppliers and Customers

From the above tables it is clear that there is no variation of the Company's major suppliers and customers in 2004 and 2005.

2-5 Production Volume for the Recent 2 Years: Not applicable.

2-6 Sales Volumes for the Recent 2 Years

Unit: SIM card; piece; NT$'000

	2004				2005			
	Imports		Exports		Imports		Exports	
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts
Service revenue	4,148,600*	37,083,181	0	0	4,035,126*	39,685,865	0	0
Handset and Accessory Sales	682,361	3,146,300	0	0	1,079,084	3,463,811	0	0
Total	0	40,229,481	0	0	0	43,149,676	0	0

*total number of SIM card sales by the end of the year

The 2005 service revenue growth is mainly due to the customer growth of high rate plan users; 2005 handset and accessory sales growth is mainly due to the successful bundled package of color disply handsets.

3. Employee Information in the Recent 2 Years

Year		2004	2005	3/31/2006
Number of Employees	Manager and above	309	317	321
	Technical staff	876	853	860
	Customer care staff	1,024	1,030	1,075
	General staff	1,256	1,270	1,233
	Total	3,465	3,471	3,489
Average Age		31.32	31.88	32.05
Average Years of Service		3.06	3.67	3.82
Breakdown of Educational Level (%)	Ph. D	0.08	0.11	0.11
	Master	8.49	9.14	9.15
	Bachelor	82.09	81.02	80.87
	High School	9.34	9.73	9.87
	Below High School	0	0	0

4. Environmental Protection Expenditure

4-1 Environmental protection regulations requires the application of a permit for placing pollution-generating equipment or for pollution generation; and to incur expenditures for controlling environmental pollution: Not Applicable.

4-2 Principal equipments for controlling environmental pollution and potential benefits: None.

4-3 In the recent two years until the publishing date of the Company's Annual Report, any consequence of improving environmental pollution or handing dispute: None.

In the recent two years until the publishing date of the Company's annual report, any loss, disposed expense or possible expenditure for future environmental protection actions: None

5. Employee Relations

5-1 Description of Policies and Programs on Welfare, Learning, Training and Retirement of Employees, As Well As Various Protection of Employee Rights and Benefits.

5-1-1 Employee Welfare

A. Compensation and Benefit

The Company provides competitive salary, guaranteed annual bonus, performance incentives, sales incentives and special performance bonuses. In addition to complying with the Labor Standard Laws, the Company provides additional benefits to better the health and lifestyle of employees, such as physical check ups, group insurance, clinic service, safety and health forums, cafeteria, free shuttle bus, and employee handset subsidy. Moreover, an employee welfare committee was founded in 1997 to promote employee social activities, and subsidize employee outings, scholarships for employee's children, birthday gift and holiday bonus, etc.

B. Training

To keep up with the ever changing and advancing technology in the telecommunications industry, continued training for employees is one of the key factors to maintain the Company's leading position. Based on the core competencies identified, the Company provides four categories of training programs: management, service, selling, and technology. Others trainings include, orientation program for newcomers, personal effectiveness program for all employees, and tailored training for specific teams addressing specific requirements. 1,144 training courses were conducted for 41,610 employees in 2005.

C. Two-ways Communications

The Company recognizes the importance of listening to the voice of employees, and keeps a two-way communication channel through the following communication channels:

- Employee Opinion Survey: to understand and reflect employees' opinions for references for improvement, an outsourced employee satisfaction survey is conducted whenever needed.
- Employees are also able to voice their opinions or complaints through Employee Suggestion Box or Appealing Box on the Intranet.
- Monthly e-Newsletter and weekly e-Express are issued electronically to assist employees in understanding company events, at the same time, to express their opinions.
- A monthly Lantern-Legend Meeting is held for labor and management representatives to get together and discuss matters on hand, and foster a harmonious relations and better understanding.
- Employee update meetings are held twice a year to provide opportunities for employees to communicate with the executive team directly.

5-1-2 Retirement

The Company offers retirement benefits for permanent employees according to the Labor Standard Laws. An equivalent of 2% of employee's monthly base salary is allotted to the employee's retirement reserve, which is managed by its own supervisory committee, and deposited into the Central Trust Bureau under the name of FarEasTone Employee Retirement Fund Committee. Furthermore, Labor Pension Act has been enforced as of July 1, 2005. The Company will contribute 6% of the insurance amount to the Labor Insurance Bureau on a monthly basis for employees who choose to apply the new system.

5-1-3 Labor negotiations and protection of employee benefits

The Company has always complied with the related labor laws and maintained good relations with its employees. Any amendments or additions concerning employee benefits only take place after thorough discussion and communication with the employees. Therefore there have not been any major disputes in recent years. The Company established the Lantern-Legend Meeting and Employee Suggestion Box and Appealing Box on the Intranet to keep efficient communication channels and better protect the rights of employees.

5-1-4 Company Work Envrionment and Employee Personal Safety Provisions

Regulations and documents related to labor safety and health are published on the the company intranet. These are available to all employees at any time. A summary of the main measures are as follows:

- Established Labor Safety and Health Office, with full-time LSH personnel assigned to the Northern, Central and Southern regions: (1) Implement work environment improvements and ensure safe work practices (2) Educate staff and specific personnel as necessary on accident prevention concepts (3) Arrange safety training for all employees, and provide specific personnel with online training courses on labor health and safety (4) Regularly conduct work site hazard inspections as mandated by law (5) Provide safety equipment as necessary for work tasks and conduct regular census (6) Formulate contractor employee safety and health regulations. Also provide related training in order to avoid accidents from improper work practices and clarify legal liability issues (7) Conduct regular outsourced contractor work health and safety inspections.
- Established Labor Health and Safety Committee: (1) Formulate occupation injury prevention plan and automatic inspection plan (2) Hold regular meetings to review employees safety and health improvement issues (3) establish regional safety and health supervisors to carry out management and communication of accident prevention.
- Established full-time professional medical staff and contract doctor clinics: (1) Implemented new recruit physical checkups and arrange for regular company wide health checkups (2) Arrange for regular CPR training so certified employees can provide immediate assistance during emergencies (3) Provide visually impaired masseuses to reduce employee stress and improve health.
- Other: (1) Hold regular fire drills to reduce the danger of fire to employees and property (2) Train engineering staff so they can handle public protests and protect employees from harm.

5-1-5 Sexual harassment prevention related measures

When Gender Equality in employment act was enforced, the Company has communicated with the employees throughout Taiwan with respect to the prevention of sexual harassment in the workplace. Nevertheless, in order to cope with the enforcement of Prevention Act of Sexual Harassment, the Company proceeded with the relevant publicity in its major offices throughout Taiwan and established the procedure and organization for processing the sexual harassment cases pursuant to the relevant requirements, in order to keep the healthy workplace from any harassment and discrimination.

5-2 Losses caused by labor disputes in the recent year: None.

6. Major Contracts

Contract Type	Counter Party	Terms of the Contract	Description	Restriction Clauses
Procurement	Sharp Corporation	Oct. 9, 2002 ~ present	Mobile phones	None
	Ericsson Taiwan Ltd.	Dec. 5, 1996~ present	BTS facilities, software and installation	None
	Ericsson Taiwan Ltd.	Dec.15, 2005~ present	Provide the service for expansion and installation of 2G mobile phone system	None
	MITSUBISHI Electric Taiwan Co.,Ltd.	Dec. 16, 2004 ~ Dec.15, 2006	Mobile phones	None
	Nokia Corporation Co.,Ltd.	Jan.19, 2005	3G equipments	The contract was entered into between Yuan Ze and the supplier. The both parties agreed that Far Eastone should succeed to the rights and obligations generally upon merge with Yuan Ze.
	Nokia Taiwan Co., Ltd.	Jan.19, 2005	Provide the service for installation of 3G mobile phone system	The same as above
	Ericsson Taiwan Ltd.	Jan.19,2005	Provide the service for installation of 3G mobile phone system and equipments thereof	The same as above
Sales and Distribution	Arcoa Co. Ltd.	July. 1, 2005 ~ Jun. 30, 2007	Promotion and distribution of mobile services	None
	Tecom Co. Ltd.	July. 1, 2005 ~ Jun. 30, 2007	Promotion and distribution of mobile services	None
	Aurora Corporation Ltd.	Jun. 30, 2003 ~ Jun. 30, 2005 The contract will be renewed for another year automatically upon expiration.	Promotion and distribution of mobile services	None
	President Chain Store Corp.	Jan. 1, 2006 ~ Dec. 31, 2006	Promotion and sales for prepaid product	None
	Circle K Convenience Store (Taiwan) Ltd.	Jan. 1, 2004 ~ Dec. 31, 2004 negotiating for extension (Note 1)	Promotion and sales for prepaid product	None
	Hi-Life International Co. Ltd.	Jan. 1, 2006 ~ Dec. 31, 2006	Promotion and sales for prepaid product	None
	Taiwan Familymart Corporation Ltd.	Jan. 1, 2006 ~ Dec. 31, 2006	Promotion and sales for prepaid product	None
	Systex Corporation Ltd.	July. 1, 2005 ~ Jun. 30, 2007	Promotion and distribution of mobile services	None
	Synnex Corporation Ltd.	May 18, 2003 ~ Jun. 30, 2005 negotiating for extension (Note 1)	Promotion and distribution of mobile services	None

Contract Type	Counter Party	Terms of the Contract	Description	Restriction Clauses
Network Inter-connection	Chung Hwa Telecommunications	Dec. 1, 2004 ~ Dec. 1, 2005\ negotiating for extension (Note 2)	Network Interconnection	None
	Taiwan Fixed-Line	July. 1, 2005 ~ Jun. 30, 2006	Network Interconnection	None
	New Century InfoComm	July. 1, 2005 ~ Jun. 30, 2006	Network Interconnection	None
	Eastern Broadband	Sep. 1, 2005 ~ Aug. 31, 2006	Network Interconnection	None
	Taiwan Cellular Corporation	Feb. 10, 2004 ~ Feb. 10, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	KG Group Telecommunications	Feb. 5, 2004 ~ Feb. 5, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	MOBITAI Telecommunications	Jan. 10, 2004 ~ Jan. 10, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	TransAsia Telecommunications	Apr. 29, 2004 ~ Apr. 29, 2005 negotiating for extension (Note2)	Network Interconnection	None
	Asia Pacific Broadband Wireless	July. 17, 2003 ~ July. 16, 2004 negotiating for extension (Note2)	Network Interconnection	None
	First International Telecom Corporation	Aug. 1 , 2005 ~ July. 31, 2006 negotiating for extension (Note 2)	Network Interconnection	None
	VIBO	Sep. 29, 2005 ~ Sep. 28, 2006	Network Interconnection	None
Share Purchase	Chun-tien Lin	Jan. 4, 2005	The Company purchased common shares of Arcoa Corporation from Chun-tien Lin and Wan-Shih-Shin Co., Ltd. on Feb.04, 2005.	None
Syndicated Loan	Led by Citibank	Aug. 30, 2000 ~ Aug. 30, 2005	NT$2.3B; 5 year term revolving note issuance facility(Expired)	1. There are restrictions on the percentage of major shareholders shareholding. 2. There are restrictions on financial ratios of the Company.
		Nov. 30, 2000 ~ Nov. 30, 2005	NT$2.2B; 5 year term bank guarantee secured corporate bond and one year term interest rate (Expired guarantee)	
		Feb. 24, 2002 ~ Feb. 24, 2007	NT$4.3B; 5 years term revolving credit line (The limit has been canceled voluntarily on February 10, 2006.)	
Warehousin and trans-portation services	Qiou-Yue Logistics Services	May. 5, 2004~May. 5, 2006	Warehousing and transportation services	None
	Hsin Chu Transportation	Jun. 1, 2003~May. 31, 2005 negotiating for extension (Note 1)	Warehousing and transportation services	None
Euro Trustee: Convertible Zero Coupon Bonds	Trustee Bank of New York	Feb. 19, 2003 ~ Feb. 18, 2008 The period of issue totals five years.	1. Issuance of non-collateral overseas convertible bond of US$115,000,000 at 0% contract interest rate. 2. After two years from the issuance date bondholders has the right for early redemption on face value plus 1% of face	1. Bond holders has the right to convert the ECB to the Company's common stock or GDR during the period from 30 days after issuance

Contract Type	Counter Party	Terms of the Contract	Description	Restriction Clauses
			value as the compensation yield rate, and the early redemption price is 102.015% of the face value. 3. Upon maturity of the bond the Company will redeem the bond at 105.114% of the face value. 4. It is still subject to the terms of the agreement. 5. Full conversion in March 2005	to 30 days before maturity. 2. The Company has the right to redeem all or a part of the bonds at a specific price after three years from issuance or when the outstanding bond amount is less than 10%.
Technology service and licensing	NTT DoCoMo	Oct. 26, 2004 until the contract is due	Technology license for upgrade of DoJa 2.5 version	None
Joint venture	Far EasTone Telecommunications TECO Electric & Machinery, Systex Corp. Yuan Tong Investment Co., Ltd. MiTAC Inc.	Nov. 15,2004	MOTC's BOT project of Construction and Operation of Electronic Toll Collection (ETC) System	None
Shareholders' Agreement	Far EasTone Telecommunications TECO Electric & Machinery, Systex Corp. Yuan Tong Investment Co., Ltd. Strategic Consortium with MiTAC Inc.	Nov. 16,2004	To supplement the provisions in the "Joint Venture Agreement" signed by the whole joint venturers on November 15, 2004.	None
Agreement for reimbursement under government's project	Industrial Development Bureau of the Ministry of Economic Affairs	Dec. 1, 2005~Dec. 31, 2007	The development guidance plan for promotion of the application of mobile life and learning	None
Strategic Consortium	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	Jan. 24, 2006	Asia Pacific Strategic Consortium for Telecommunication Providers	None
Join Venfure Agrement	Q-ware Systems, Inc.	Feb. 1, 2006~Jan. 31, 2007	Both parties will co-operate to promote the Wirless LAN project of "M-Taiwan"	None

Note 1: The term of the agreement is one year. The parties shall start to negotiate the new agreement two month prior to the contract due date. Shall the parties fail to reach a new agreement before the agreement expires, the agreement shall remain effective until a new agreement is signed.

Note 2: When an interconnection agreement is due and the two parties fail to reach an agreement for extension within three months, the solutions are as below:

a. If both parties are willing to negotiate, during the negotiation period, terms and conditions of the interconnection agreement shall remain effective.

b. If one party seeks DGT§s arbitration, the interconnection agreement shall remain effective until the arbitration is announced.

IV | Fund Utilization Plans and Status

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

V | Financial Information

1. Condensed Financial Statement for the Recent 5 Years
2. Financial Analysis for the Recent 5 Years
3. 2005 Supervisors' Report-Not Consolidated
4. 2005 Independent Auditors' Report, Financial Statements and Notes
5. 2005 Supervisors' Consolidated Report
6. 2005 Independent Auditors' Report, Consolidated Financial Statements and Notes

1. Condensed Financial Statement for the Recent 5 Years

1-1 Condensed Balance Sheet

Unit: NT$' 000

Item \ Year		Financial Information In the Recent 5 Years (Note 1)					
		2006 Q1	2005	2004	2003	2002	2001
Current Assets		9,231,480	8,679,748	10,829,712	10,767,793	8,537,035	9,253,268
Fund and Investments		38,794,293	37,532,567	44,030,365	21,641,987	8,223,198	1,078,952
Properties		35,233,140	36,360,999	32,616,540	37,796,898	40,120,073	40,695,530
Intangible assets		9,316,509	9,499,186	-	-	-	-
Other Assets		933,226	951,211	1,391,283	1,225,601	1,912,536	1,782,827
Total Assets		93,508,648	93,023,711	88,867,900	71,432,279	58,792,842	52,810,577
Current Liabilities	Before Distribution	13,166,786	13,482,967	10,173,647	10,624,554	9,273,638	8,975,301
	After Distribution	-（Note 2）	-（Note 2）	22,170,799	15,594,254	12,482,005	11,045,102
Long-term Liabilities		3,704,905	5,977,100	8,714,250	17,557,378	9,345,839	8,473,620
Other Liabilities		328,461	343,542	267,937	220,119	2,122,857	3,078,044
Total Liabilities	Before Distribution	17,200,152	19,803,609	19,155,834	28,402,051	20,742,334	20,526,965
	After Distribution	-（Note 2）	-（Note 2）	31,152,986	33,371,751	23,950,701	22,596,766
Capital Stocks		38,726,630	38,726,630	38,423,115	26,977,860	23,058,000	18,900,000
Capital Surplus		15,003,956	15,003,956	14,506,182	5,973,600	5,996,658	6,156,572
Retained Earnings	Before Distribution	22,648,878	19,487,348	16,767,098	10,075,716	8,992,752	7,223,136
	After Distribution	-（Note 2）	-（Note 2）	4,769,946	3,545,755	1,887,583	1,184,335
Unrealized loss on financial instrument		（72,255）	-	-	-	-	-
Cumulative Translation Adjustment		1,287	2,168	15,671	3,052	3,098	3,904
Unrecognized net loss on pension		-	-	-	-	-	-
Total Shareholders' Equity	Before Distribution	76,308,496	73,220,102	69,712,066	43,030,228	38,050,508	32,283,612
	After Distribution	-（Note 2）	-（Note 2）	57,714,914	38,060,528	34,842,141	30,213,811

Note 1: The financial Statements for the first quarter of 2006 has been reviewed. Others have been audited.
Note 2: The appropriation of 2005 earning has not been approved by the shareholders, Meeting.

1-2 Condensed Income Statement

Unit: NT$'000

Item \ Year	Financial Information In Recent Years (Note 1)					
	2006 Q1	2005	2004	2003	2002	2001
Operating Revenues	10,851,832	43,149,676	40,229,481	37,067,163	34,478,035	34,544,355
Gross Profit	4,967,325	21,256,728	20,534,347	18,456,708	17,296,689	18,821,226
Operating Income	2,105,512	11,385,325	11,046,594	8,450,666	7,916,320	6,586,242
Non-Operating Income and gain	1,402,681	5,048,687	4,228,055	303,918	174,313	287,153
Non-Operating Expense and loss (note 2)	38,025	189,648	722,020	665,481	416,751	483,665
Income before Income Tax from Operating Business	3,470,168	16,244,364	14,552,629	8,089,103	7,673,882	6,389,730
Net Income from Operating Business	3,161,530	14,717,402	14,043,076	8,188,133	7,808,417	6,659,284
Abnormal net income	-	-	-	-	-	-
Accumulated number from accounting policy changes	-	-	-	-	-	-
Net Income	3,161,530	14,717,402	14,043,076	8,188,133	7,808,417	6,659,284
Basic Earning per Share in NT$	0.82	3.80	3.75	3.04	3.39	3.52
Diluted Earning per Share in NT$	0.82	3.80	3.61	2.95	3.39	3.52
Earning per Share in NT$ (Note3)	0.82	3.80	3.75	2.76	2.63	2.25

Note 1: The financial Statements for the first quarter of 2006 has been reviewed. Others have been audited.

Note 2: The amount of interest capitalized in the latest five years is specified as following:

Unit: NT$'000

Item \ Year	Financial Information In Recent Years					
	2006 Q1	2005	2004	2003	2002	2001
Amount of interest capitalized	24,416	105,369	57,082	93,692	175,045	324,225

Note 3: Accounted by the shares after adjustement.

1-3 Impacts on the consistency of financial statements including changes of accounting principles, merger and acquisition, discontinued operations and others:

The Company merged the subsidiary which just started up, Yuan-Ze Telecommunication, in May 2005. Therefore, no significant effect was produced to the financial statement for the same year.

1-4 Independent Auditor's Name and Auditor's Opinions for the Past 5 Years

Year	Audit Firm	Auditors' Name	Opinion
2001	TN Soong & Co.	Clark C. Chen, Edward Y. Way	Unqualified opinion
2002	TN Soong & Co.	Clark C. Chen, Edward Y. Way	Unqualified opinion
2003	Deloitte and Touche Co.	Clark C. Chen, Edward Y. Way	Unqualified opinion
2004	Deloitte and Touche Co.	Annie Lin, Edward Y. Way	Unqualified opinion
2005	Deloitte and Touche Co	Annie Lin, Benjamin Shih	Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in TN Soong & Co. in June 2001, auditor placed with Edward Y. Way, and auditor Clark C. Chen was replaced with Annie Lin in 2004. Auditor Edward Y. Way was replaced with Benjamin Shih in 2005.

2. Financial Analysis for the Recent 5 Years

2-1 Financial Ratio Analysis

Item	Year		2006 Q1	2005	2004	2003	2002	2001
Financial Structure	Debt to Asset Ratio		18.39	21.29	21.56	39.76	35.28	38.87
	Long-term Funds to Fixed Assets Ratio		227.10	217.81	240.45	160.30	118.14	100.15
Liquidity Analysis	Current Ratio (%)		70.11	64.38	106.45	101.35	92.06	103.10
	Quick Ratio (%)		58.57	56.01	87.97	78.10	66.04	87.12
	Times Interest Earned (times)		128.65	93.24	44.17	26.59	26.23	27.69
Operating Perfor-mance	Accounts Receivable Turnover (times)		9.06	9.08	9.10	9.42	8.34	5.68
	Average Collection Days (days)		40.27	40.19	40.13	38.74	43.79	64.23
	Inventory Turnover (times)		6.40	6.73	4.96	3.82	2.23	4.72
	Accounts Payable Turnover (times)		6.88	8.00	4.64	3.19	2.61	3.88
	Inventory Turnover Days (times)		57.04	54.26	73.91	95.64	163.68	77.26
	Fixed Assets Turnover (times)		1.23	1.19	1.23	0.98	0.86	0.85
	Total Assets Turnover (times)		0.46	0.46	0.45	0.52	0.59	0.65
Profi-tability Analysis	Return on Assets (%)		3.41	16.33	17.84	12.94	14.40	13.80
	Return on Equity (%)		4.23	20.59	24.91	20.20	22.20	23.00
	To Captial ratio	Operating Income	5.44	29.40	28.75	31.32	34.33	34.85
		Income before Tax	8.96	41.95	37.87	29.98	33.28	33.81
	Net Income Ratio (%)		29.13	34.11	34.91	22.09	22.65	19.28
	Basic EPS in NT$		0.82	3.80	3.75	3.04	3.39	3.52
	Diluted EPS in NT$		0.82	3.80	3.61	2.95	3.39	3.52
	Earning Per Share in NT$		0.82	3.80	3.75	2.76	2.63	2.25
Cash flow	Cash Flow Ratio (%)		36.99	181.69	179.94	134.26	165.27	146.01
	Cash Flow Equivalent Ratio (%)		119.16	112.16	88.41	67.88	69.20	55.38
	Cash Reinvestment Ratio (%)		4.22	11.35	12.31	13.23	20.08	23.87
Leverage Ratio	Operating Leverage (times)		3.31	1.89	1.89	3.08	1.99	2.00
	Financial Leverage (times)		1.01	1.02	1.03	1.04	1.04	1.04

Note: The financial Statements for the first quarter of 2006 has been reviewed. Others have been audited.

Analysis of variation plus and minus 20% in the recent 2 years:

The analysis about the change in excess of 20% for the latest two years:

(1) Current ratio: The current assets decrease due to the decrease in cash and cash equivalents, prepays, deferred income assets compared with those of the preceding year. The current liability increases due to the increase in payable income tax and long-term liability with interest-current portion compared with those of the preceding year.

(2) Quick ratio: The current assets decrease due to the decrease in cash and cash equivalents and deferred income tax assets compared with those of the preceding year. The current liability increases due to the increase in payable income tax and long-term liability with interest-current portion compared with those of the preceding year.

(3) Interest coverage folds: The income before tax increases due to the increase in net investment income recognized by the equity method and decrease in interest expenses compared with that of the preceding year.

(4) Inventory turnover rate: The best sale of the Company's customized mobile phones and the mobile phones of overseas leading manufacturers distributed by the Company.

(5) Payable turnover rate: The increase in the sale cost compared with that of the preceding year resulting from the high-amount reimbursement strategies applied by the Company in 2005.

(6) Average days for sale of goods: The best sale of the Company's customized mobile phones and the mobile phones of overseas leading manufacturers distributed by the Company.

(7) Cash flow sufficiency ratio: The increase in cash inflow from operating activities in 2005.

2-2 Condensed Financial Ratio Analysis:

Item		Year: 2006 Q1	2005	2004	2003	2002	2001
Financial Structure	Debt to Asset Ratio	22.40	25.35	35.87	41.44	37.37	38.87
	Long-term Funds to Fixed Assets Ratio	136.50	130.72	131.01	154.75	118.14	100.15
Liquidity Analysis	Current Ratio (%)	98.55	80.95	81.51	186.56	92.07	114.83
	Quick Ratio (%)	83.81	68.44	71.69	165.31	66.05	98.86
	Times Interest Earned (times)	128.28	64.90	24.62	26.69	26.20	27.69
Operating Perfor-mance	Accounts Receivable Turnover (times)	9.80	8.87	10.86	9.42	8.34	5.67
	Average Collection Days (days)	37.25	41.15	33.60	38.74	43.79	64.34
	Inventory Turnover (times)	5.86	7.51	5.91	3.82	2.96	4.72
	Accounts Payable Turnover (times)	7.03	9.16	5.61	3.19	3.46	3.88
	Inventory Turnover Days (times)	62.34	48.59	61.80	95.64	123.44	77.26
	Fixed Assets Turnover (times)	1.18	1.17	1.02	0.94	0.86	0.85
	Total Assets Turnover (times)	0.71	0.72	0.60	0.50	0.57	0.65
Profi-tability Analysis	Return on Assets (%)	3.19	14.28	15.98	12.61	14.14	13.80
	Return on Equity (%)	4.16	20.36	24.91	20.29	22.18	23.00
	To Captial ratio: Operating Income	10.56	47.84	47.81	30.87	34.18	34.07
	To Captial ratio: Income before Tax	10.16	46.11	42.17	30.12	33.24	33.81
	Net Income Ratio (%)	17.89	20.37	21.43	22.19	22.62	19.28
	Basic EPS in NT$	0.82	3.80	3.75	3.04	3.39	3.52
	Diluted EPS in NT$	0.82	3.80	3.61	2.95	3.39	3.52
	Earning Per Share in NT$	0.82	3.80	3.75	2.76	2.63	2.25
Cash flow	Cash Flow Ratio (%)	41.45	158.34	126.33	116.20	163.30	134.49
	Cash Flow Equivalent Ratio (%)	192.53	167.90	131.17	91.34	79.34	54.56
	Cash Reinvestment Ratio (%)	6.06	14.58	22.05	14.51	22.30	21.99
Leverage Ratio	Operating Leverage (times)	2.00	1.93	1.91	3.11	2.00	2.03
	Financial Leverage (times)	1.01	1.02	1.04	1.04	1.04	1.04

Note: The financial Statements for the first quarter of 2006 has been reviewed. Others have been audited.

The formulas for the above table:

1. Financial Structure
   (1) Debts to Assets Ratio = Total Liabilities / Total Assets
   (2) Long-term Funds 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 Expense) / Current Liabilities
   (3) Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense
3. Operating Performance
   (1) Account Receivable Turnover = Net Sales / Average Accounts Receivable
   (2) Average Collection Days = 365/ Accounts Receivable Turnover
   (3) Inventory Turnover = Costs of Good Sold / Average Inventory
   (4) Inventory Turnover Days = 365 / Inventory Turnover
   (5) Accounts Payable Turnover = Costs of Good Sold / Average Accounts 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 Assets =[Net Income+Interest Expense×(1-Tax Rate)] / Average Total Assets
   (2) Return on Shareholders' Equity =Net Income / Average Shareholders' Equity
   (3) Net Income Ratio = Net Income / Net Sales
   (4) Earnings per Share = (Net Income - Preferred Stock Dividend) / Weighed-average Number of Outstanding Shares
5. Cash Flow
   (1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
   (2) Cash Flow Equivalent Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + 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 Ratio
   (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
   (2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

3. 2005 Supervisors' Report-Not Consolidated

March 7, 2006

The Board of Directors have prepared and submitted to us the Company's 2005 Business Report, the Proposal for Profit Distribution, and the Financial Statements audited by the CPAs of Deloitte & Touche Co. The above reports, proposal, and financial statements have been further examined as being correct and accurate by the undersigned Supervisors of Far EasTone Telecommunications Co., Ltd. According to Article 219 of the Company Law, we hereby submit this report.

Supervisors

Chen-en Ko

Eli Hong

Jenniffer Wang

4. 2005 Independent Auditors' Report, Financial Statements and Notes

Independent Auditors' Report

The Board of Directors and Stockholders
Far EasTone Telecommunications Co., Ltd.

We have audited the accompanying balance sheets of Far EasTone Telecommunications Co., Ltd. (the "Company") as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

Also, we have audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2005 and 2004 and have issued a modified unqualified opinion thereon in our report dated February 10, 2006.

February 10, 2006

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

	2005		2004	
ASSETS	**Amount**	%	**Amount**	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 3)	$ 2,436,827	3	$ 3,265,431	4
Accounts and notes receivable, net of allowance for doubtful accounts of $1,204,019 in 2005 and $1,031,681 in 2004 (Note 2)	3,773,299	4	3,492,574	4
Receivables from related parties (Notes 2 and 15)	759,638	1	1,018,656	1
Inventories, net (Notes 2 and 4)	654,430	1	570,662	1
Prepaid expenses (Note 2)	472,880	-	1,309,217	1
Deferred income tax assets - current (Notes 2 and 12)	560,730	-	1,144,315	1
Other current assets	21,944	-	28,857	-
Total current assets	8,679,748	9	10,829,712	12
INVESTMENTS IN SHARES OF STOCK (Notes 2, 5, 15 and 17)				
Equity method	37,532,567	41	44,030,365	49
PROPERTIES (Notes 2, 6 and 15)				
Cost				
Land	847,138	1	852,980	1
Buildings and equipment	1,632,094	2	1,610,106	2
Operating equipment	57,234,290	61	49,829,862	56
Computer equipment	8,411,143	9	6,798,060	8
Office equipment	798,031	1	777,069	1
Leasehold improvements	1,471,169	2	1,412,350	1
Miscellaneous equipment	40,771	-	49,405	-
Total cost	70,434,636	76	61,329,832	69
Less - accumulated depreciation	38,581,582	42	31,475,181	35
	31,853,054	34	29,854,651	34
Construction in progress and advances for acquisition of equipment	4,507,945	5	2,761,889	3
Net properties	36,360,999	39	32,616,540	37
INTANGIBLE ASSETS				
3G concession, net (Notes 1 and 2)	9,499,186	10	-	-
OTHER ASSETS				
Rental assets, net (Notes 2 and 7)	200,053	-	190,976	-
Refundable deposits	249,260	-	251,960	-
Deferred income tax assets - noncurrent (Notes 2 and 12)	493,226	1	580,443	1
Restricted assets (Note 5)	-	-	350,000	1
Other (Note 2)	8,672	-	17,904	-
Total other assets	951,211	1	1,391,283	2
TOTAL	$ 93,023,711	100	$ 88,867,900	100

	2005		2004	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	%	**Amount**	%
CURRENT LIABILITIES				
Commercial paper payable (Note 8)	$ 49,996	-	$ -	-
Notes payable	33,931	-	41,332	-
Accounts payable	611,684	1	381,145	1
Payable to related parties (Note 15)	790,492	1	298,452	-
Income tax payable (Notes 2 and 12)	836,955	1	1,456	-
Accrued expenses	3,766,646	4	3,323,567	4
Payables for acquisition of properties	2,287,620	3	1,551,016	2
Guarantee deposits received - current	934,840	1	1,178,692	1
Unearned revenue (Notes 2 and 15)	802,018	1	1,657,949	2
Current portion of long-term liabilities (Notes 2, 6, 9 and 15)	3,059,150	3	1,467,618	2
Other current liabilities	309,635	-	272,420	-
Total current liabilities	13,482,967	15	10,173,647	12
LONG-TERM LIABILITIES - NET OF CURRENT PORTION (Notes 2, 6, 9 and 15)				
Long-term bonds payable	5,630,000	6	8,670,000	10
Long-term debts payable	300,000	-	-	-
Long-term lease payable - noncurrent	47,100	-	44,250	-
Total long-term liabilities	5,977,100	6	8,714,250	10
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 10)	293,132	-	226,308	-
Guarantee deposits received - noncurrent	50,410	-	41,629	-
Total other liabilities	343,542	-	267,937	-
Total liabilities	19,803,609	21	19,155,834	22
STOCKHOLDER'S EQUITY				
Capital stock - $10 par value; authorized - 4,200,000 thousand shares; issued - 3,872,663 thousand shares in 2005 and 3,842,311 thousand shares in 2004	38,726,630	42	38,423,115	43
Capital surplus				
Paid-in capital in excess of par value	6,510,964	7	6,023,801	7
From business combination	8,482,381	9	8,482,381	9
From investments in shares of stock	10,611	-	-	-
Total capital surplus	15,003,956	16	14,506,182	16
Retained earnings				
Legal reserve	4,101,609	4	2,697,301	3
Unappropriated earnings	15,385,739	17	14,069,797	16
Total retained earnings	19,487,348	21	16,767,098	19
Other adjustments				
Cumulative translation adjustments	2,168	-	15,671	-
Total stockholders' equity	73,220,102	79	69,712,066	78
TOTAL	$ 93,023,711	100	$ 88,867,900	100

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2005		2004	
	Amount	%	**Amount**	%
OPERATING REVENUE (Notes 2 and 15)				
Sales of cellular phone equipment and accessories, net	$ 3,463,811	8	$ 3,146,300	8
Telecommunications services revenue	39,659,834	92	37,061,787	92
Other	26,031	-	21,394	-
Total operating revenues	43,149,676	100	40,229,481	100
OPERATING COSTS (Notes 2, 13 and 15)				
Cost of sales	4,271,472	10	3,469,782	9
Cost of telecommunications services	17,621,476	41	16,225,352	40
Total operating costs	21,892,948	51	19,695,134	49
GROSS PROFIT	21,256,728	49	20,534,347	51
OPERATING EXPENSES (Notes 2, 13 and 15)				
Marketing	6,184,325	14	5,358,327	13
General and administrative	3,385,675	8	3,827,524	10
Research and development	301,403	1	301,902	1
Total operating expenses	9,871,403	23	9,487,753	24
NET OPERATING INCOME	11,385,325	26	11,046,594	27
NONOPERATING INCOME AND GAINS				
Equity in investees' net gains (Notes 2 and 5)	4,524,170	11	3,796,571	10
Commission (Note 15)	290,712	1	126,408	1
Management services revenue (Note 15)	139,709	-	79,187	-
Interest	35,366	-	15,913	-
Foreign exchange gains, net	-	-	78,059	-
Gain from sales of nonperforming accounts receivable	-	-	77,646	-
Other	58,730	-	54,271	-
Total nonoperating income and gains	5,048,687	12	4,228,055	11
NONOPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 6 and 17)	176,102	-	337,070	1
Losses on disposal of properties and properties not currently used in operations, net (Notes 2 and 15)	2,402	-	189,214	1
Provision for losses on properties not currently used in operations (Note 2)	-	-	130,000	-
Other (Notes 7 and 13)	11,144	-	65,736	-
Total nonoperating expenses and losses	189,648	-	722,020	2
INCOME BEFORE INCOME TAX EXPENSE	16,244,364	38	14,552,629	36
INCOME TAX EXPENSE (Notes 2 and 12)	1,526,962	4	509,553	1
NET INCOME	$ 14,717,402	34	$ 14,043,076	35

	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
EARNINGS PER SHARE (Note 14)				
Basic	$ 4.20	$ 3.80	$ 3.88	$ 3.75
Diluted	$ 4.20	$ 3.80	$ 3.74	$ 3.61

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	Common Stock Issued (Notes 2 and 11)		Capital Surplus (Notes 2 and 11)				Retained Earnings (Note 2 and 11)			Cumulative Translation Adjustments (Note 2)	Total Stock-holders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Business Combination	From investments in Shares of Stock	Total	Legal Preserve	Unappro-priated Earnings	Total		
BALANCE, JANUARY 1, 2004	2,697,786	$ 26,977,860	$ 5,944,514	$ -	$ 29,086	$ 5,973,600	$ 1,878,488	$ 8,197,228	$ 10,075,716	$ 3,052	$ 43,030,228
Issuance of new stock and reissuance of treasury stock in exchange for investments in shares of stock	693,523	6,935,232	-	8,482,381	-	8,482,381	-	(821,733)	(821,733)	-	14,595,880
Effect of change in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	(29,086)	(29,086)	-	-	-	-	(29,086)
Appropriation of the 2003 earnings											
Legal reserve	-	-	-	-	-	-	818,813	(818,813)	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(147,387)	(147,387)	-	(147,387)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(73,693)	(73,693)	-	(73,693)
Cash dividend - $1.4 per share	-	-	-	-	-	-	-	(4,748,620)	(4,748,620)	-	(4,748,620)
Stock dividend - 4.6%	156,026	1,560,261	-	-	-	-	-	(1,560,261)	(1,560,261)	-	-
Capitalization of capital surplus - 5.4%	183,161	1,831,611	(1,831,611)	-	-	(1,831,611)	-	-	-	-	-
Net income in 2004	-	-	-	-	-	-	-	14,043,076	14,043,076	-	14,043,076
Conversion of overseas convertible bonds into common stock	111,815	1,118,151	1,910,898	-	-	1,910,898	-	-	-	-	3,029,049
Translation adjustments on investments in shares of stock	-	-	-	-	-	-	-	-	-	12,619	12,619
BALANCE, DECEMBER 31, 2004	3,842,311	38,423,115	6,023,801	8,482,381	-	14,506,182	2,697,301	14,069,797	16,767,098	15,671	69,712,066
Conversion of overseas convertible bonds into common stock	30,352	303,515	487,163	-	-	487,163	-	-	-	-	790,678
Appropriation of the 2004 earnings											
Legal reserve	-	-	-	-	-	-	1,404,308	(1,404,308)	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(252,775)	(252,775)	-	(252,775)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(126,388)	(126,388)	-	(126,388)
Cash dividend - $3.0 per share	-	-	-	-	-	-	-	(11,617,989)	(11,617,989)	-	(11,617,989)
Net income in 2005	-	-	-	-	-	-	-	14,717,402	14,717,402	-	14,717,402
Effect of change in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	10,611	10,611	-	-	-	-	10,611
Translation adjustments on investments in shares of stock	-	-	-	-	-	-	-	-	-	(13,503)	(13,503)
BALANCE, DECEMBER 31, 2005	3,872,663	$ 38,726,630	$ 6,510,964	$ 8,482,381	$ 10,611	$ 15,003,956	$ 4,101,609	$ 15,385,739	$ 19,487,348	$ 2,168	$ 73,220,102

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 14,717,402	$ 14,043,076
Depreciation and amortization	7,329,672	7,281,538
Amortization of 3G concession	487,137	-
Provision for doubtful accounts	551,386	771,479
Losses on disposal of inventory	1,133	2,458
Provision for losses on decline in value of inventories	4,953	6,546
Equity in investees' net gains	(4,524,170)	(3,796,571)
Cash dividends from equity-method investees	3,745,191	-
Losses on disposal of properties and properties not currently used in operations, net	2,402	189,214
Provision for losses on properties not currently used in operations	-	130,000
Accrued pension cost	66,824	79,994
Deferred income taxes	670,802	481,870
Interest premium on convertible bonds	1,070	34,297
Unrealized exchange gains on overseas convertible bonds	-	(56,508)
Other	1,179	(63,757)
Net changes in operating assets and liabilities		
Accounts and notes receivable	(832,111)	(528,776)
Receivables from related parties	147,935	(852,480)
Inventories	(89,854)	221,434
Prepaid expenses	1,000,631	359,775
Other current assets	100,089	13,440
Notes payable	(7,401)	10,662
Accounts payable	230,539	(662,061)
Payables to related parties	470,608	73,813
Income tax payable	835,499	(22,627)
Accrued expenses	404,443	688,440
Unearned revenues	(855,931)	(201,739)
Other current liabilities	37,215	102,805
Net cash provided by operating activities	24,496,643	18,306,322
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments in shares of stock	($ 1,606,444)	($ 654,404)
Acquisition of properties	(5,296,979)	(2,747,231)
Proceeds from sales of properties and properties not currently used in operations	9,125	94,774
Decrease (increase) in refundable deposits	2,709	(10,242)
Increase in restricted assets	-	(350,000)
Decrease in other assets	6,922	8,766
Net cash used in investing activities	(6,884,667)	(3,658,337)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	($ 2,250,000)	($ 100,000)
Decrease in commercial paper payable	(619,213)	-
Increase in long-term liabilities	6,549,788	3,420,000
Repayment of long-term liabilities	(9,909,788)	(8,932,942)
Payment of bonus to employees and remuneration to directors	(379,163)	(221,080)
Cash dividends paid	(11,617,989)	(4,748,620)
Decrease in guarantee deposits received	(235,071)	(333,270)
Repurchase of treasury stock	-	(3,334,798)
Net cash used in financing activities	(18,461,436)	(14,250,710)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(849,460)	397,275
CASH RECEIVED ON MERGER WITH YUAN-ZE TELECOMMUNICATIONS CO., LTD.	20,856	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,265,431	2,868,156
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,436,827	$ 3,265,431
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 178,274	$ 323,273
Income tax paid	$ 6,461	$ 51,622
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 3,059,150	$ 1,467,618
Reclassification of properties as rental assets	$ 11,109	$ 192,908
Conversion of overseas convertible bonds into common stock and capital surplus	$ 790,678	$ 3,029,049
ISSUANCE OF NEW STOCK AND REISSUANCE OF TREASURY STOCK IN EXCHANGE FOR INVESTMENTS IN SHARES OF STOCK		
Common stock	$ -	$ 6,935,232
Capital surplus - paid-in capital in excess of par value	-	8,482,381
Issuance of treasury stock	-	3,334,798
Decrease in unappropriated earnings	-	(821,733)
	$ -	$ 17,930,678
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 4,791,118	$ 2,548,471
Decrease in payables for acquisition of properties	513,111	257,760
Increase in capital lease payables	(7,250)	(59,000)
Actual cash paid for acquisition of properties	$ 5,296,979	$ 2,747,231
PROCEEDS FROM DISPOSAL OF PROPERTIES AND PROPERTIES NOT CURRENTLY USED IN OPERATIONS		
Total amount of properties sold	$ 3,656	$ 24,667
Decrease (increase) in receivables from properties sold	(182)	1,103
Decrease in receivables from related parties	5,651	69,004
Actual cash received from disposal of properties and properties not currently used in operations	$ 9,125	$ 94,774

SUPPLEMENTARY INFORMATION ON SUBSIDIARIES ACQUIRED:

In February 2005, the Company bought 55.37% of Arcoa Communications Co., Ltd.'s common shares; the fair value of total assets and total liabilities at the time of acquisition was as follows:

	Amount
Cash	$ 157,224
Short-term investments, net	662,800
Accounts and notes receivable, net	310,974
Inventories, net	627,274
Prepaid expenses	40,892
Other current assets	118,338
Investments in shares of stock	69,143
Properties, net	544,691
Refundable deposits	42,993
Deferred charges, net	185,857
Other assets	8,825
Short-term bank loans	(282,586)
Notes payable	(78,354)
Accounts payable	(358,125)
Accrued expenses	(174,836)
Unearned revenues	(64,120)
Other current liabilities	(28,814)
Long-term liabilities	(50,188)
Other liabilities	(8,843)
	1,723,145
Percentage of ownership acquired	55.37%
	954,135
Goodwill	254,811
Cash consideration of the merger	1,208,946
Less: Decrease in restricted assets	320,000
Cash payment for merger	$ 888,946

On May 2, 2005, the Company completed the merger with Yuan-Ze Telecommunications Co., Ltd.; the fair value of total assets and total liabilities upon completion of the merger was as follows:

	Amount
Cash	$ 20,856
Prepaid expenses	164,294
Other current assets	92,994
Construction in progress and advances related to acquisition of equipment	6,298,125
Refundable deposits	9
3G concession, net	9,986,323
Other assets	2,152
	$ 16,564,753
Short-term bank loans	$ 2,250,000
Commercial paper payable	669,209
Payables to related parties	126,864
Accrued expenses	38,636
Payables related to acquisition of properties	1,249,715
Long-term debts payables	3,000,000
	$ 7,334,424

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated in the Republic of China on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares have been traded and listed on the ROC Over-the-Counter ("OTC") Securities Exchange (known as GreTai Securities Market) since December 10, 2001 and become listed on the ROC Taiwan Stock Exchange since August 24, 2005. The Company provides wireless communications, leased circuit, internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. Far Eastern Textile Co., Ltd. is the ultimate parent company of the Company.

The Company provides 2G (second-generation wireless communications services) by geographical sector under two type I licenses - GSM900 for the northern region of Taiwan and GSM1800 for all island-wide ("GSM" means global system for mobile communications) issued by the Directorate General of Telecommunications ("DGT") of the Republic of China ("ROC"). These licenses allow the Company to provide services for 15 years beginning in 1997, with an annual license fee of 2% of total 2G service revenues.

The DGT also issued to the Company a type II license, allowing it to provide Internet services for 10 years beginning in 1999 for a fixed annual license fee based on the amount of the Company's paid-in capital. In addition, the Company provides services under a type II-ISR license for 10 years beginning in December 2001 and pays an annual license fee of 0.5% of ISR service revenues and is licensed to provide local/domestic long-distance land cable leased circuit services for 15 years beginning in January 2003 with an annual license fee of 1% of leased circuit service revenues.

To integrate the telecommunications business and enhance the Company's operational efficiency, the Company's Board of Directors approved the Company's merger with Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom"), its wholly owned subsidiary, on February 24, 2005. The merger was completed on May 2, 2005, with the Company as the survivor company.

In 2002, Yuan-Ze Telecom received from the DGT the 3G (third-generation wireless communications system) concession, with a bidding price of $10,169,000 thousand, included in intangible assets-3G concession. On January 24, 2005, the DGT officially issued to Yuan-Ze Telecom a 3G license, which is valid through December 31, 2018. Through the completion of the merger with Yuan-Ze Telecom, the Company became licensed to provide 3G wireless communications services and began commercial operations on July 13, 2005.

The Company had 3,471 and 3,465 employees as of December 31, 2005 and 2004, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation and amortization, impairment loss on tangible and intangible assets, provision for losses on properties not currently used in operations, income taxes and pension cost. Actual results could differ from these estimates.

For the convenience of readers, 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 financial statements shall prevail.

The Company's significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Current assets include unrestricted cash or cash equivalents as well as items to be converted into cash or used within one year. Current liabilities are obligations to be settled within one year. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper and bonds purchased under resell agreements and with original maturities of not more than three months are classified as cash equivalents. The book value of cash equivalents approximates to the market value.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on the basis of the aging status and estimated collectibility of receivables from subscribers and other parties.

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the weighted-average method. Losses on disposal of inventory are evaluated based on the changes of marketing strategy; losses on decline in value of inventory are evaluated based on the demand of the market.

Investments in Shares of Stock

Investments in shares of stock in companies in which the Company owns at least 20% of investees' common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Under this method, the investment is initially carried at cost on the acquisition date. The investment carrying values are then adjusted proportionately to the Company's share in the investees' net income or net loss. Any cash dividends received are recognized as a reduction in the carrying value of the investments. The difference between the cost of the investment and the Company's equity in the investees' net assets is amortized over three to five years. If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investees' net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. An impairment loss should be recognized whenever the carrying amount of those investments in shares of stock exceeds their recoverable amount, and this impairment loss should be charged to current income.

Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount of each share is recalculated on the basis of the total number of shares, including the received stock dividend.

Costs of investments sold are determined using the weighted-average method.

Properties, Rental Properties and Properties not Currently Used in Operations

Properties and rental properties are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Major improvements as well as interest expense incurred during the construction period are capitalized, while maintenance and repairs are expensed currently. Properties still being used beyond their service life years are depreciated over their newly estimated service lives.

An impairment loss should be recognized whenever the carrying amount of properties, rental properties, and properties not currently used in operations exceeds their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years.

Equipment under capital leases and the related liability are stated at the lower of (1) the fair value of the equipment at the beginning of the lease or (2) the total present value of future lease payments and the bargain purchase option.

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48
Building equipment	5-8
Operating equipment	5-8
Computer equipment	3-5
Office equipment	5
Leasehold improvements	5-10
Miscellaneous equipment	5-8

Upon retirement or other disposal (e.g., sale) of properties, rental properties and properties not currently used in operations, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to nonoperating income or expenses.

Properties not currently used in operations (included in other assets - other), such as telecommunications equipment and related computer equipment expected to be retired or disposed of, are stated at the lower of net book value or net realizable value.

3G Concession

The 3G concession is recorded at the original cost and amortized on a straight-line basis from January 24, 2005, the grant date of the concession license, until the license expiry date on December 31, 2018.

3G concession is reviewed for impairment whenever circumstances indicate that the carrying value has fallen below the recoverable value of an asset. If the recoverable amount is less than the carrying value of the assets, the impairment loss should be charged to current income. An impairment loss recognized in prior years may be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of amortization) had no impairment loss been recognized in prior years.

Revenue Recognition

Revenue is recognized when the earnings process is completed or virtually complete and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to excess of minutes of traffic included in the fixed monthly service fees) from wireless services, international simple resale services, Internet and data services and interconnection calls, net of any applicable discount, are billed according to customers' usage and are recognized on the basis of minutes of traffic processed. Other revenues are recognized as follows: (a) fixed monthly service fees and leased-circuit service revenues are accrued each month; and (b) prepaid call and internet card services are recognized as income based upon customer usage.

The revenues from and expenses for the sale of cellular phone equipments and accessories are recognized when the products are delivered to and accepted by the customers as the related transaction is considered a separate earnings process from the sale of wireless services.

The amount received at the start of a bundled contract (which covers both the purchase price of a cellular phone unit and service fees for an equivalent number of minutes of traffic each month throughout the validity period of the contract) is deferred and recognized as revenue over the service period of the contract using the straight-line method. If the sum of the cost of the cellular phone unit and the commission paid to the dealers (the "Customer acquisition cost") exceeds the amount received at the beginning of the contract, the excess is charged to marketing expense. The portion of the customer acquisition cost equivalent to the amount received at the beginning of the contract is deferred and amortized as marketing expenses over the validity period of the contract using the straight-line method.

Operating revenues are measured at fair values based on the prices negotiated between the Company and the customers. Since the future values of operating revenues resulting from receivables within one year approximate the fair values of these receivables, the fair values are not recalculated based on the pro forma interest rate method.

Deferral of Unrealized Intercompany Profit

The entire gains from the Company's sales of products to its subsidiaries are deferred and included as deferred income until the gains are realized through the subsequent sale of the related items to third parties. In addition, the Company classifies the deferred income as current or noncurrent on the basis of the length of the gain realization period.

The Company defers its gain or loss on its product sales in proportion to ownership percentages for sales to other equity-method investees. These gains and losses are realized upon subsequent sale of products to third parties.

The Company defers its gains or losses on the subsidiaries' sales of products to the Company or on the sale among subsidiaries in proportion to its equity in the subsidiaries until the gains or losses are realized through the subsequent sale of the related items to third parties.

Distinction Between Capital Expenditures and Expenses

Expenditure is capitalized whenever it increases the future service potential of a fixed asset and the amount is material. Other expenditures are expensed as incurred.

Promotion Expenses

Commissions and cellular phone equipments subsidy costs (other than those pertaining to the bundle contract mentioned above) related to the Company's promotions are treated as marketing expenses in the period when the service to a subscriber is activated.

Pension Costs

The Company has a benefit pension plan for all regular employees. Under the defined benefit pension plan, the pension costs are recognized on the basis of actuarial calculations. Unrecognized net transition obligations and unrecognized pension gains or losses are amortized using the straight-line method over 15 years and the average remaining service of employees, respectively. Benefits are based on the number of service years and basic pay on the final six months before retirement.

Under the defined contribution pension plan, monthly payments should be made based on a fixed percentage of the actual salary paid to the employees, which are recognized as pension cost.

Convertible Bonds

The Company issued overseas convertible bonds at par value and without any discount or premium. The Company gave the bondholders the right to redeem the convertible bonds in cash at par value plus the interest-premium on a specific date. The interest-premium of puttable convertible bonds, which is the difference between the specified put price and the par value, is amortized using the interest method and is recognized as a liability over the period from the issuance date of the bonds to the expiry date of the put option. The direct and necessary costs of issuing convertible bonds are amortized using the straight-line method over the same period as interest-premium.

When the bondholder exercises the conversion option, the Company uses the book-value approach. The Company will write off the unamortized issuance costs, recognized interest-premium and par value of the convertible bonds. The capital stock is valued at its carrying value net of the amounts written-off, and the amount in excess of the par value of capital stock is recognized as additional paid-in capital.

Income Tax

Deferred income tax assets are recognized for the tax effects of deductible temporary differences and unused investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. A valuation allowance is recognized for deferred income tax assets that are not certain to be realized. Deferred income tax assets and liabilities are classified as current or noncurrent on the basis of the classifications of the related assets and liabilities. A deferred asset or liability that cannot be related to an asset or a liability in the financial statements is classified as current or noncurrent according to the expected realization date of the temporary difference.

Tax credits earned for certain purchases of telecommunications and other equipment, research and development expenses and personnel training expenses are accounted for as a reduction in the current year's income tax expense. Adjustments of prior years' tax liabilities are added to, or deducted from, the current year's income tax expenses.

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions

Foreign currency transactions (except forward contracts) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing foreign exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement.

On the balance sheet dates, the balances of foreign-currency denominated assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as follows:

a. Equity-method investments - as cumulative translation adjustments under stockholders' equity; and

b. Other assets and liabilities - as credits or charges to income.

Financial Derivatives

The contract (notional) amounts of interest rate swap agreements entered into as hedges of interest rate risk are not recognized in the financial statements because these agreements do not require the settlement of such notional amounts. On the balance sheet dates or settlement dates, the amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item.

Forward exchange contracts are entered into as hedges of foreign-currency commitments are recorded in New Taiwan dollars as assets and/or liabilities using the prevailing exchange rates on the starting dates. The premium or discount, which is the amount of the contract multiplied by the difference between the contracted forward rates and the prevailing exchange rates on the starting dates, is deferred and then recognized as an adjustment to the commitment when the hedged transactions occur. However, if the contract amount exceeds the foreign-currency amount of the related commitment, the amortization of the premium or discount related to the excess is recognized as gain or loss in the current year.

On the balance sheet date, the gains or losses on the contracts, computed by multiplying the contract amount by the difference between the rates on the starting dates and the balance sheet dates (or the rates last used to measure a gain or loss on that contract for an earlier period), are recognized in the same way used for amortizing the premium or discount described above. Also, the receivables and payables related to the forward contracts are netted out, and the net amount is presented as an asset or a liability.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2004 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2005.

3. CASH AND CASH EQUIVATLENTS

	December 31	
	2005	**2004**
Cash	$ 8,195	$ 8,445
Cash on hand	881,510	1,174,649
Checking and demand deposits	-	554,407
Time deposits - interest of 2.35%-2.53%	889,705	1,737,501
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.40%-1.48% in 2005 and 1.085%-1.100% in 2004	1,497,122	1,527,930
Bonds purchased under resell agreements - interest of 1.59%	50,000	-
	1,547,122	1,527,930
	$ 2,436,827	$ 3,265,431

4. INVENTORIES, NET

	December 31	
	2005	2004
Cellular phone equipments	$ 575,412	$523,060
SIM cards	82,555	31,246
Cellular phone accessories	16,362	31,068
Others	4,992	5,226
	679,321	590,600
Less - allowance for losses	24,891	19,938
	$ 654,430	$ 570,662

5. INVESTMENTS IN SHARES OF STOCK

	December 31			
	2005		2004	
	Carrying Value	% of OwnerShip	Carrying Value	% of OwnerShip
Equity method				
KG Telecommunications Co., Ltd.	$ 35,192,374	100.00	$ 33,786,566	100.00
ARCOA Communications Co., Ltd.	1,171,320	59.10	-	-
Far Eastern Electronic Toll Collection Co., Ltd.	789,096	42.66	433,544	45.00
Far EasTron Holding Ltd.	143,331	100.00	-	-
Far Eastern Info Service (Holding) Ltd.	141,174	100.00	109,846	100.00
E. World (Holdings) Ltd.	66,664	85.92	65,433	85.92
Ding Ding Integrated Marketing Services Co., Ltd.	27,680	15.00	44,836	15.00
Far EasTron Co., Ltd.	928	0.67	-	-
Yuan-Ze Telecommunications Co., Ltd.	-	-	9,590,140	100.00
	$ 37,532,567		$ 44,030,365	

a. KG Telecommunications Co., Ltd. (KG Telecom)

On October 7, 2003, the Company signed a definitive merger agreement with KG Telecommunications Co., Ltd. (the "former KGT"). The merger agreement was submitted to the special stockholders' meetings of the Company, Yuan-Ho Telecommunications Co., Ltd. and the former KGT on November 25, 2003. The merger agreement with the former KGT provided for the transaction to occur in two steps (the "Combination"). To facilitate the combination with the former KGT, the Company formed a new wholly owned subsidiary in September 2003 called Yuan Ho Telecommunications Co., Ltd. ("Yuan-Ho"), which also was a party to the merger agreement. In connection with the first step of the Combination, Yuan-Ho issued 526,431 thousand shares for total proceeds of $11,698,461 thousand.

In the first step of the transaction, the former KGT merged with and into Yuan-Ho with Yuan-Ho as the survivor company. The first step was completed and effective on January 1, 2004.

As consideration for this step of the transaction, the former KGT stockholders became entitled to receive cash of $6.72, together with 0.46332 of one share of common stock of Yuan-Ho, for each the former KGT share that they owned, representing aggregate consideration to all the former KGT stockholders of $11,698,461 thousand in cash and 806,567 thousand shares of common stock of Yuan-Ho. Subsequent to completion of the first step of the transaction, Yuan-Ho obtained approval from the Department of Commerce, Ministry of Economic Affairs (MOEA) to change its name to KG Telecommunications Co., Ltd. ("KG Telecom") and the former KGT no longer existed as a corporate entity. In addition, the capital of KG Telecom increased to $13,329,979 thousand and the equity of KG Telecom owned by the Company was temporarily diluted to 39.49%. The other principal stockholders of KG Telecom were the original stockholders of the former KGT and held 60.51% ownership as of January 1, 2004.

In the second step, the Company swapped shares with KG Telecom. The stockholders of KG Telecom received one share of the Company stock in exchange for each KG Telecom share owned. The share swap agreement was submitted to the special stockholders' meetings of the Company and KG Telecom on February 18, 2004. On April 29, 2004, stockholders of KG Telecom received an aggregate of 806,567 thousand shares in the amount of $17,930,678 thousand (Note 11). KG Telecom became a wholly owned subsidiary of the Company.

Upon completion of the second step of the transaction, the Company accounted for the merger with KG Telecom as a wholly-owned subsidiary. The Company established control of KG Telecom as of January 1, 2004 as the Company held the majority of the board seats of KG Telecom, significant consideration had been paid and other elements of control had been established. As such, the Company recognized 100% of its investment income beginning January 1, 2004.

b. Yuan-Ze Telecommunications Co., Ltd. (Yuan-Ze Telecom)

On February 24, 2005, the Board of Directors of the Company approved the Company's merger with Yuan-Ze Telecom, with the Company as the survivor company. The merger was approved by DGT on March 16, 2005 and by OTC on April 19, 2005. The date of the merger was May 2, 2005. On March 25, 2005, Yuan-Ze Telecom's Board of Directors, the authorized representative of the stockholders, approved a capital reduction, effective March 28, 2005, to offset a deficit. The capital reduction amounted to $779,860 thousand, representing 7.5203% of Yuan-Ze Telecom's total paid-in capital. After the capital reduction, the paid-in capital of Yuan-Ze Telecom reduced to $9,590,140 thousand.

The following pro forma financial information presents the combined balance sheet and statement of income of the Company and Yuan-Ze Telecom as of and for the year ended December 31, 2005 and 2004, respectively, assuming that the Company merged with Yuan-Ze Telecom on January 1, 2005 and 2004:

	(In Thousands, Except EPS) For the Year Ended December 31	
	2005	**2004**
Current assets	$ 8,679,748	$ 10,849,399
Properties, net	36,360,999	38,194,674
Current liabilities	13,482,967	14,213,220
Operating revenue	43,149,676	40,229,481
Income before income tax	16,244,364	14,552,629
Net income	14,717,402	14,043,076
EPS	3.80	3.75

The proforma combined balance sheet and statement of income are presented for illustrative purposes only. That is, this information merely shows the financial position and results of operations under the assumption that the Company merged with Yuan-Ze Telecom on January 1, 2005 and 2004; this information also does not show the future financial position or results of operations of the Company and Yuan-Ze Telecom.

c. ARCOA Communications Co., Ltd. (ARCOA)

The Company bought from ARCOA's stockholders 79,353 thousand shares for $1,278,944 thousand. As a result, the Company acquired 59.10% of ARCOA's common shares and became its parent company.

On December 24, 2004, the Company made a deposit of $350,000 thousand to an escrow account with Citibank which was restricted and transferred to the original stockholders of ARCOA as part of the consideration for the purchase upon signed agreement.

The following proforma financial information presents the combined balance sheet and statement of income of the Company and ARCOA as of and for the year ended December 31, 2005 and 2004, respectively. The pro forma financial information is based on the assumption that the Company bought the majority interest of ARCOA on January 1, 2005 and 2004.

	(In Thousands, Except EPS) For the Year Ended December 31	
	2005	**2004**
Current assets	$ 10,346,705	$ 11,369,848
Properties, net	36,874,925	33,049,898
Current liabilities	14,476,895	11,002,688
Operating revenue	47,849,485	45,219,468
Income before income tax	16,228,971	14,465,040
Net income	14,701,571	13,955,915
EPS	3.80	3.72

The proforma combined balance sheet and statement of income are presented for illustrative purposes only. This information is not necessarily indicative of the financial position and results of operations that might have under the assumption as if the Company had purchased the majority interest of ARCOA on January 1, 2005 and 2004, nor is it necessarily indicative of future financial position or results of operations of the Company and ARCOA.

d. Equity in investees' net gains or losses

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") and Far EasTron Co., Ltd. ("Far EasTron") allows the Company to exercise significant influence on its operating and financial policy decisions, the investments in DDIM and Far EasTron are accounted for by the equity method even though the Company's equity in DDIM and Far EasTron are 15% and 0.67%, respectively.

The carrying values of the foregoing investments accounted for by the equity method are based on audited financial statements as of December 31, 2005 and 2004. For the year ended December 31, 2005 and 2004, the equity in investees', net gains were $4,524,170 thousand and $3,796,571 thousand, respectively.

e. Consolidation

Starting from January 2005, the consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries and entities in which the Company has controlling interests, as required by revised ROC GAAP SFAS No. 7 - "Consolidated Financial Statements." All significant intercompany accounts and transactions have been eliminated in consolidation. For subsidiaries acquired during the year revenues and expenses generated before the acquisition date will not be consolidated.

The consolidated financial statements prior to and for 2004 include the accounts of the Company and its direct and indirect subsidiaries with total assets or total operating revenues that are individually at least 10% or collectively at least 30% of the unconsolidated total assets or operating revenues of the Company. The consolidated financial statements as of and for the year ended December 31, 2004 include the accounts of the Company, KG Telecom and Yuan-Ze Telecom.

6. PROPERTIES

a. Accumulated depreciation consisted of:

	December 31	
	2005	**2004**
Buildings and equipment	$ 408,865	$ 321,109
Operating equipment	31,320,365	25,606,547
Computer equipment	5,285,696	4,228,465
Office equipment	650,659	552,836
Leasehold improvements	883,124	726,318
Miscellaneous equipment	32,873	39,906
	$ 38,581,582	$ 31,475,181

b. The Company leases computer equipment from Far Eastern International Leasing Corporation under a five year ease with annual lease payments of $15,414 thousand. The amount paid for the leased properties at the inception of the lease was $73,750 thousand net of the market price of new equipment of $138,716 thousand less equipment exchanged value of $64,966 thousand. The total lease payments were $77,068 thousand. The lease agreements qualify as capital lease since (a) the present value of the future lease payments plus the bargain purchase price under the lease agreement exceeds 90% of the fair value of the leased assets, and (b) the lease term is equal to 75% or more of the estimated economic life of the leased assets.

The Company leases another computer equipment (included in construction in progress) from Far Eastern International Leasing Corporation from March 2006 to February 2011 with annual lease payment of $5,063 thousand. The total lease payments were $25,313 thousand. The lease agreements qualify as capital lease since (a) the present value of the future lease payments plus the bargain purchase price under the lease agreement exceeds 90% of the fair value of the leased assets, and (b) the lease term is equal to 75% or more of the estimated economic life of the leased assets.

The details of the lease as of December 31, 2005 and 2004 are as follows:

	December 31	
	2005	2004
Total future lease payments	$ 71,553	$ 61,654
Less - imputed interest expense	5,303	2,654
Less - current portion of lease payable (included in current portion of long-term liabilities)	66,250	59,000
Long-term lease payable	19,150	14,750
	$ 47,100	$ 44,250

c. Capitalized interest on properties was as follows:

	For the Year Ended December 31	
	2005	2004
Total interest expense	$ 281,471	$ 394,152
Less - interest capitalized - 2.32%-2.73% in 2005 and 2.16%-2.73% in 2004	105,369	57,082
Interest expense, net of amounts capitalized	$ 176,102	$ 337,070

d. Properties amounting to $3,107,935 thousand and $3,888,928 thousand had been pledged or mortgaged as collateral as of December 31, 2005 and 2004, respectively.

7. RENTAL ASSETS, NET

	December 31	
	2005	2004
Cost		
Land	$ 105,366	$ 99,524
Buildings	100,136	94,672
	205,502	194,196
Less - accumulated depreciation		
Buildings	5,449	3,220
	$ 200,053	$ 190,976

Rental properties are offices that are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through February 2013. Future rental income is summarized as follows:

Period	Amount
2006	$ 12,957
2007	11,207
2008	6,955
2009	7,138
2010 and thereafter	14,388

8. COMMERCIAL PAPER PAYABLE

The Company issued commercial paper that was guaranteed by financial institutions. The obligations were discounted at 1.28% and were fully repaid on January 3, 2006.

9. LONG-TERM LIABILITIES

	December 31, 2005		
	Due Within One Year	Due after One Year	Total
Bonds	$ 2,140,000	$ 2,060,000	$ 4,200,000
Domestic unsecured bonds - 1st	-	1,470,000	1,470,000
Domestic unsecured bonds - 2nd	900,000	2,100,000	3,000,000
Domestic unsecured bonds - 3rd	3,040,000	5,630,000	8,670,000
Long-term debt			
Unsecured bank loans	-	300,000	300,000
Long-term lease payable	19,150	47,100	66,250
	$ 3,059,150	$ 5,977,100	$ 9,036,250

	December 31, 2004		
	Due Within One Year	Due after One Year	Total
Bonds			
Overseas unsecured convertible bonds	$ 778,227	$ -	$ 778,227
Interest premium - overseas unsecured convertible bonds	14,641	-	14,641
Domestic secured bonds	660,000	-	660,000
Domestic unsecured bonds - 1st	-	4,200,000	4,200,000
Domestic unsecured bonds - 2nd	-	1,470,000	1,470,000
Domestic unsecured bonds - 3rd	-	3,000,000	3,000,000
	1,452,868	8,670,000	10,122,868
Long-term lease payable	14,750	44,250	59,000
	$ 1,467,618	$ 8,714,250	$ 10,181,868

a. Overseas unsecured convertible bonds

Five-year unsecured zero coupon convertible bonds, with total face value of US$115,000 thousand, were issued on February 19, 2003. The bonds are listed on the Luxembourg Stock Exchange. The repayment or conversion terms of the bonds are as follows:

(1) The Company's redemption of the bonds upon maturity at 105.114% of their face value on February 19, 2008;
(2) Redemption at the option of the bondholder at 102.015% of their face value on February 19, 2005;
(3) Each bondholder has the right to convert the bonds into shares or global depositary receipts between March 21, 2003 and January 20, 2008.

Convertible bonds had all been converted into 142,167 thousand shares of common stock (including 165 thousand units of Global Depositary Receipts representing 2,473 thousand shares of common stock) before March 2005.

(4) At any time on or after February 19, 2006 and prior to February 19, 2008, the Company may redeem the Bonds in whole, in part or from time to time at a specific price under certain conditions. In addition, the Company may redeem the Bonds in whole, but not in part, if at least 90% in principal amount of the Bonds has already been redeemed, repurchased and cancelled or converted.

b. Domestic secured bonds

These are five-year domestic secured bonds issued at par value on November 30, 2000. The total face value of the bonds is $2,200,000 thousand, with face value of $1,000 thousand and 5.06% interest, compounded semiannually. Starting on November 30, 2002 and every six months thereafter, the Company should redeem the bonds for up to 14% to 15% of their face value. The company repaid all the bonds due on November 30, 2005.

c. Domestic unsecured bonds - 1st

Five-year domestic unsecured bonds were issued at par value on February 19, 2002. The total face value of the bonds is $4,200,000 thousand, with face value of $1,000 thousand at 3.4% annual interest. Redemption is at a percentage of the face amount of the bond, as follows: Type I bond - 40% in February 2006 and 60% in February 2007; and Type II bond - 60% in February 2006 and 40% in February 2007.

d. Domestic unsecured bonds - 2nd

These are five-year domestic unsecured bonds issued at par value on March 28, 2003. The total face value of the bonds is $1,470,000 thousand, with a face value of $1,000 thousand and interest rate of 2.6% in the first year and 3.2% minus USD six-month LIBOR rate from the second year to maturity, payable semiannually. The Company should redeem the full amount when the bonds become due in 2008.

e. Domestic unsecured bonds - 3rd

Three-year, four-year and five-year domestic unsecured bonds were issued at par value on December 12, 2003. The total face value of the bonds is $3,000,000 thousand, with a face value of $5,000 thousand and annual interest rates of 1.83% (three-year bonds) and 1.92% (four-year bonds). The interest rate for five-year bonds is 5.2% minus USD six-month LIBOR rate if the LIBOR rate is greater than 1.05%; otherwise, the interest is at the LIBOR rate plus 1%, payable semi-annually. The Company should redeem the full amount when the bonds become due in 2006, 2007 and 2008.

f. Unsecured bank loans

The Company had bank loans at annual interest rates of 1.60% to 1.64%, which were fully repaid by the Company on January 4, 2006. The loan is guaranteed by banks and the guarantee is effective until November 2007.

g. Long-term lease payable

The Company entered into capital lease agreements on computer equipment with Far Eastern International Leasing Corp. in December 2005 and July 2004. The annual lease payments were $5,063 thousand and $15,414 thousand, respectively (Note 6).

As of December 31, 2005, the Company had unused long-term and short-term credit lines of approximately $8,090,000 thousand and $5,912,920 thousand, respectively.

10. PENSION PLAN

The Labor Pension Act (the "Act") took effect on July 1, 2005. This Act provides for a defined contribution plan featuring a portable pension. Employees can choose to remain subject to the pension mechanism under the Labor Standards Law, or choose to be subject to the pension mechanism under the Act, with their service years accumulated before the enforcement of this Act to be retained. Employees entered after July 1, 2005 can only choose to be subject to the pension mechanism under the Act.

The Company has a defined benefit pension plan under the Labor Standards Law. Under this pension plan, employees can accumulate two base point for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base point.

Under the Law, the Company, KG Telecom, Far EasTron and Yuan Cing Co., Ltd. accrue pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in each company's Committee's name in the Central Trust of China.

Under the Act, the Company has a defined contribution pension plan. Starting on July 1, 2005, the Company makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries. The pension cost under the defined contribution plan was $56,683 thousand from July 2005 to December 2005.

Additional information on the defined benefit pension plan is as follows:

a. Net pension cost consisted of:

	2005	2004
Service cost	$ 72,875	$ 109,133
Interest cost	22,624	18,498
Expected return on pension assets	(9,994)	(6,348)
Amortization of net transition obligation	1,213	1,213
Amortization of unrecognized pension loss	4,363	-
Net pension cost	$ 91,081	$ 122,496

b. Reconciliation of the fund status of the plan and accrued pension cost is as follows:

	December 31	
	2005	2004
Benefit obligation		
Vested benefit obligation	$ 5,919	$ 3,080
Non-vested benefit obligation	440,167	326,676
Accumulated benefit obligation	446,086	329,756
Additional benefits based on projected and future salaries	423,168	326,406
Projected benefit obligation	869,254	656,162
Fair value of plan assets	(340,092)	(291,970)
Unfunded projected benefit obligation	529,162	364,192
Unrecognized net transition obligation	(8,486)	(9,699)
Unrecognized pension loss	(246,758)	(128,185)
Accrued pension cost	$ 273,918	$ 226,308
Vested benefit amounts were as follows:	$ 7,415	$ 3,591

	2005	2004
Actuarial assumptions were as follows:		
Discount rate used in determining present value	3.0%	3.25%
Future salary increase rate	3.5%	3.5%
Expected rate of return on plan asset	3.0%	3.25%

11. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus from equity-method investments cannot be used to offset a deficit or be capitalized. In addition, capital surplus (including both paid-in capital in excess of par value and arising from business combination) may be used to offset a deficit or transferred to capital as a stock dividend within prescribed limits only.

b. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that, every year, 10% of net income less income tax and any accumulated deficit should be appropriated as legal reserve. In addition, if the Company decides to distribute dividends, 1% to 2% of the balance should be appropriated as bonuses to employees, and 1% of the final balance should be appropriated as remuneration to directors and supervisors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash requirement for any significant future capital expenditures or the plan for improving financial structure.

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account shown in stockholders' equity. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

Under the ROC Company Law, legal reserve should be appropriated until the accumulated reserve equals or exceeds the Company's paid-in capital. Legal reserve may be capitalized and when it reaches 50% of the paid-in capital, the aggregate of it in excess of 50% of the paid-in capital may be paid as dividends and bonuses if there is no surplus earnings; alternatively the aggregate up to a half of 50% of the paid-in capital of legal reserve should be retained and the rest may be capitalized if there is no deficits.

These appropriations and other allocations of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year. Under the integrated income tax system, noncorporate ROC-resident stockholders are allowed a tax credit for the income tax paid by the Company on earnings generated from January 1, 1998. Under this system, the Company maintains an imputation credit account (ICA) for the income tax and the tax credits allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.

The appropriation of the 2004 and 2003 earnings approved by the stockholders on May 20, 2005 and June 30, 2004, respectively, was as follows:

	Appropriation and Distribution		**Divident Per Share (Dollars)**	
	2004	**2003**	**2004**	**2003**
Legal reserve	$ 1,404,308	$ 818,813		
Bonus to employees - cash	252,775	147,387		
Remuneration to directors and supervisors - cash	126,388	73,693		
Cash dividend	11,617,989	4,748,620	$ 3.00	$ 1.40
Stock dividend	-	1,560,261	-	0.46

Had the above bonus to employees and directors been charged to net income in 2004 and 2003, the primary earnings per share for 2004 and 2003 (after tax), based on the weighted-average number of outstanding shares would have decreased from NT$3.75 to NT$3.65 and from NT$3.04 to NT$2.95, respectively.

The appropriation of the 2005 earnings of the Company had not been approved by the board of directors and stockholders as of February 10, 2006. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

c. Issuance of new stock for business combination

Under the Enterprise Mergers and Acquisitions Law paragraph 12, the Company entered into an agreement with a dissenting stockholder (Bai Yang Investment Co., Ltd.) on April 16, 2004 to repurchase 113,044 thousand shares for $3,334,798 thousand. The difference between the fair value and the repurchase price of the treasury stock of $821,733 thousand was recorded as a reduction to unappropriated earnings.

The Company issued 693,523 thousand new shares (included in capital stock and capital surplus - from business combination in the amount of $6,935,232 thousand and $8,482,381 thousand, respectively, amounting to $15,417,613 thousand) and reissued the 113,044 thousand shares held as treasury stock in order to satisfy the consideration to the stockholders of KG Telecom for the remaining ownership and completed the share swap for 806,567 thousand shares in the amount of $17,930,678 thousand (Note 5).

d. Global depositary receipts

Information on the Company's Global Depositary Receipts (GDRs) as of December 31, 2005 is as follows:

		GDRs (in Thousand Units)	Representing Common Stock (in Thousand Shares)
Initial offering	1)	10,000	150,000
Converted from overseas unsecured convertible bonds	2)	165	2,473
Issued for capital increase	3)	296	4,448
Reissued within authorized units	4)	11,681	175,218
GDRs transferred to common stock		(18,598)	(278,982)
Outstanding GDRs issued		3,544	53,157

1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved the Company's request to sell 150,000 thousand shares of the Company's common stock in the form of GDRs to foreign investors representing 10,000 thousand units of GDRs. One GDR unit represents 15 shares of the Company's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US$13.219.
2) On July 20, 2004, the SFB approved the Company's request to issue new common stock in the form of GDRs of US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 2005, 165 thousand units of GDRs have been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand shares of common stock.
3) The Company issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand shares of common stock.
4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, reissuance of GDRs is allowed up to the aggregate amount previously approved by the SFB. Accordingly, the Company has reissued 11,681 thousand units of GDRs representing 175,218 thousand shares of common stock.

The owners of GDRs have the same rights as holders of common stock except that the GDR owners should exercise the following beneficial interests subject to the terms of the Deposit Agreements and the relevant ROC laws and regulations through the Depositary Trust Company:

1) Exercise voting rights;
2) Transfer the GDRs into common stocks; and
3) Receive dividends and exercise preemptive rights or other rights and interests.

12. INCOME TAX

a. Reconciliation of income tax expense based on income before income tax at statutory income tax rates to income tax expense - current is as follows:

	December 31	
	2005	2004
Income tax expense computed at statutory tax (25%)	$ 4,061,091	$ 3,638,157
Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	(1,262,477)	(2,458,203)
Equity in investees' net gains	(1,117,170)	(951,017)
Other	(152,808)	15,875
Temporary differences	8,118	147,036
Undistributed earnings tax (10%)	-	123,949
Less - investment tax credits	(700,469)	(515,797)
Income tax expense - current	$ 836,285	$ -

The balance of income tax payable as of December 31, 2005 was net of $530 thousand of the Company's creditable income taxes plus the accrual of income tax payable of $1,200 thousand for the year not yet examined and cleared by the tax authorities.

The balance of income tax payable as of December 31, 2004 was the accrual of income tax payable of $1,456 thousand for the year not yet examined and cleared by the tax authorities.

Net operating income generated from the use of switches and cell sites acquired during the period April 1, 1997 to December 31, 1999 was exempt from income tax for the period January 1, 2000 to December 31, 2004.

Net operating income generated from the use of switches and cell sites acquired during the period January 1, 2000 to June 26, 2002 was exempt from income tax for the period June 26, 2002 to June 25, 2007.

b. Income tax expense consisted of:

	For the Year Ended December 31	
	2005	**2004**
Income tax expense - current	$ 836,285	$ -
Income tax expense - deferred	670,802	481,870
Prior year's adjustment	14,200	27,028
Income tax expense on income subjected to a separate rate of 20%	5,675	655
Income tax expense	$ 1,526,962	$ 509,553

c. Deferred income taxes assets (liabilities) as of December 31, 2005 and 2004 consisted of:

	December 31	
	2005	**2004**
Current		
Provision for doubtful accounts	$ 557,028	$ 679,959
Provision for losses on inventories	6,223	4,984
Unrealized foreign exchange losses (gains), net	(2,521)	6,224
Investment tax credits	-	878,994
	560,730	1,570,161
Less - valuation allowance	-	425,846
	$ 560,730	$ 1,144,315
Noncurrent		
Depreciation resulting from the differences in estimated service lives of properties	$ 359,941	$ 435,946
Accrued pension cost	89,078	63,017
Provision for losses on properties not currently used in operations	30,598	32,500
Unrealied loss on disposal of properties	13,246	40,152
Cumulative equity in the net loss (gain) of investee	(4,637)	5,168
Accrued interest premium	-	3,660
Other	5,000	-
	$ 493,226	$ 580,443

The tax rate used in calculating deferred income tax was 25%.

d. Integrated income tax information:

	December 31	
	2005	**2004**
Balance of imputation credit account (ICA)	$ 59,684	$ 57,916

The estimated ratio of the ICA balance as of December 31, 2005 to undistributed earnings as of such date was 0.39%. When the dividends from the unappropriated earnings as of December 31, 2004 were distributed in 2005, the actual ratio used was 8.75%.

e. Status of income tax returns:

Income tax returns through 2000 and for 2002 had been examined and cleared by the tax authorities. The tax authorities assessed an additional tax of $28,395 thousand on the Company's income tax return for 2000. The Company had filed an appeal for the reexamination of the above-mentioned return.

13. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31, 2005				
	Operating Costs	**Operating Expenses**	**Non-operating Expenses And Losses**	**Included in Reduction of Operating Costs and Expenses**	**Total**
Employee expenses					
Salaries	$ 193,510	$ 865,533	$ -	$ 1,119,255	$ 2,178,298
Pension	10,854	59,346	-	65,405	135,605
Meal	4,545	31,326	-	32,632	68,503
Employee benefits	-	43,047	-	61	43,108
Insurance	12,964	75,716	-	82,754	171,434
Miscellaneous	17,925	33,412	-	22,800	74,137
	$ 239,798	$ 1,108,380	$ -	$ 1,322,907	$ 2,671,085
Depreciation	$ 6,026,987	$ 1,300,630	$ 2,032	$ -	$ 7,329,649
Amortization	$ -	$ 23	$ -	$ -	$ 23

	For the Year Ended December 31, 2004				
	Operating Costs	**Operating Expenses**	**Non-operating Expenses And Losses**	**Included in Reduction of Operating Costs and Expenses**	**Total**
Employee expenses					
Salaries	$ 262,445	$ 1,184,483	$ -	$ 1,086,993	$ 2,533,921
Pension	12,589	51,660	-	52,842	117,091
Meal	5,836	33,019	-	29,984	68,839
Employee benefits	-	20,110	-	-	20,110
Insurance	17,596	80,931	-	74,764	173,291
Miscellaneous	4,057	45,574	-	37,067	86,698
	$ 302,523	$ 1,415,777	$ -	$ 1,281,650	$ 2,999,950
Depreciation	$ 5,998,075	$ 1,281,465	$ 1,932	$ -	$ 7,281,472
Amortization	$ -	$ 66	$ -	$ -	$ 66

The Company has provided management services to equity-method investees (Note 15). The employee expenses were charged on the basis of agreed-upon terms and recorded as a reduction of operating costs and expenses.

14. EARNINGS PER SHARE

	For the Years Ended December 31 (NT$)			
	2005		2004	
	Before Tax	After Tax	Before Tax	After Tax
Basic EPS	$ 4.20	$ 3.80	$ 3.88	$ 3.75
Diluted EPS	$ 4.20	$ 3.80	$ 3.74	$ 3.61

Earnings per share (EPS) calculation is as follows:

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
For the year ended December 31, 2005					
Basic EPS					
Net income	$16,244,364	$14,717,402	3,871,066	$ 4.20	$ 3.80
Effect of potential dilutive common stock					
Convertible bonds	2,249	2,038	1,597		
Diluted EPS					
Net income including the effect of potential dilutive common stock	$16,246,613	$14,719,440	3,872,663	$ 4.20	$ 3.80
For the year ended December 31, 2004					
Basic EPS					
Net income	$14,552,629	$14,043,076	3,748,089	$ 3.88	$ 3.75
Effect of potential dilutive common stock					
Convertible bonds	(62,776)	(60,578)	124,574		
Diluted EPS					
Net income including the effect of potential dilutive common stock	$14,489,853	$13,982,498	3,872,663	$ 3.74	$ 3.61

15. RELATED-PARTY TRANSACTIONS

The Company's related parties and relationships are as follows:

Related Party	Relationship with the Company
Yuan Ding Co. (YDC)	Same chairman
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman
Far Eastern International Leasing Corp. (FEILC)	Supervisor of the Company
Far Eastern Textile Ltd. (FETL)	Ultimate parent company
Far Eastern Telecom Engineering Corp. (FETEC)	Subsidiary of YDC
KG Telecommunications Co., Ltd. (KG Telecom)	Subsidiary
Yuan-Ze Telecommunications Co., Ltd. (Yuan-Ze Telecom)	Subsidiary (merged with the Company in May 2005)
ARCOA Communications Co., Ltd. (ARCOA)	Subsidiary since February 2005
Far Eastern Info Service (Holding) Ltd. (Bermuda)	Subsidiary since August 2004
Far EasTron Holding Ltd.	Subsidiary
Far EasTron Co., Ltd.	Subsidiary of Far EasTron Holding Ltd.

Related Party	Relationship with the Company
Far Eastern Technology Developmental Foundation (FETTDF)	The Company's donation to the foundation's capital is over one third of FETTDF's fund
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Far Eastern Department Stores Co., Ltd. (FEDS)	Same chairman
Asia Cement Co., Ltd. (ACC)	Same chairman
U-Ming Marine Transport Corp. (UMMT)	Same chairman
Far Eastern Polychem Industries Ltd. (FETPI)	Same chairman
Far Eastern Tech-info Ltd. (Shanghai) (FETI)	Subsidiary of FEIS since August 2004
E. World (Holdings) Ltd. (E. World)	Subsidiary
Yuan Ding Investment Co., Ltd. (YDI)	Same ultimate parent company
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee
Far Eastern Investment Holding Ltd. (Bermuda) (FETIH)	Same ultimate parent company
Oriental Industrial Holding Pte. Ltd. (Singapore) (OIHP)	Subsidiary of ACC
FEDS Development Ltd. (BVI) (FEDSD)	Subsidiary of FEDS
Yue-Tung Investment Corp. (YTI)	Subsidiary of UMMT
Far Eastern International Bank	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Oriental Union Chemical Corporation	Same chairman
Yuan Cing Co., Ltd. (former E.World Ltd. Taiwan)	Subsidiary of E. World
Oriental Institute of Technology	Same chairman
Far Eastern Memorial Hospital	Same chairman
Oriental Securities Co., Ltd.	Same ultimate parent company
Yuan-Ze University	Same chairman
Ding Ding Hotel Co., Ltd.	Subsidiary of YDC
Liquid Air Far East Co., Ltd.	Investee of YDI
Far Eastern Apparel Co., Ltd.	Subsidiary of YDI
Yuan Ding Leasing Corp.	Subsidiary of YDI
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee
KGEx.com Co., Ltd. (KGEx)	Subsidiary of KG Telecom
KGT International Holding Co., Ltd.	Subsidiary of KG Telecom
KG Satellite Co., Ltd.	Subsidiary of KG Telecom (dissolved in July 2005)
Taipei Metro Properties Management	Subsidiary of YDC
NTT DoCoMo Inc.	Director of the Company
Bai Yang Investment Co., Ltd.	Same chairman
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company

In addition to those disclosed in Notes 6 and 11, the significant transactions with the above parties are summarized as follows:

		2005		2004	
		Amount	%	Amount	%
During the year					
Operating revenue	a.	$ 2,520,762	6	$ 949,203	3
KG Telecom	b.	714,604	2	634,227	2
NCIC	c.	177,702	-	95,274	-
KGEx	d.	99,517	-	-	-
ARCOA	e.	10,846	-	9,161	-
Other	x.	$ 3,523,431	8	$ 1,687,865	5
Operating costs and expenses					
Telecommunications services cost					
KG Telecom	b.	$ 1,206,382	7	$ 825,143	5
FETEC	f.	-	-	20,995	-
Other	x.	41,250	-	5,732	-
		$ 1,247,632	7	$ 851,870	5
Cost of sales					
ARCOA	e.	$ 19,845	-	$ -	-
Rental					
FETRD	g.	$ 52,405	3	$ 50,301	3
FEILC	h.	44,245	2	54,451	3
NCIC	i.	14,529	1	24,761	1
Other	x.	10,430	-	11,905	1
		$ 121,609	6	$ 141,418	8
Research and development expenses					
FETTDF	j.	$ 11,968	60	$ 20,232	78
Service fee					
FETI	k.	$ 148,268	64	$ 138,216	59
FCHRC	l.	55,287	23	43,653	18
		$ 203,555	87	$ 181,869	77
Marketing expense					
ARCOA	e.	$ 466,927	8	$ -	-
KG Telecom	m.	155,371	3	27,426	1
Other	x.	15,798	-	-	-
		$ 638,096	11	$ 27,426	1
Nonoperating income and gains					
Management services revenue					
KG Telecom	n.	$ 125,489	90	$ 62,844	79
KGEx	o.	7,500	5	7,500	10
Yuan-Ze Telecom	p.	6,720	5	8,843	11
		$ 139,709	100	$ 79,187	100
Commissions					
KG Telecom	m.	$ 290,712	100	$ 126,408	100
Gain on disposal of properties					
NCIC	q.	$ -	-	$ 811	-

		2005		2004	
		Amount	%	Amount	%
Acquisition of investments in shares of stock					
FETPI	r.	$ -	-	$ 92,616	14
FETIH	s.	-	-	12,531	2
OIHP	s.	-	-	12,531	2
YTI	s.	-	-	12,531	2
FEDSD	s.	-	-	4,195	1
		$ -	-	$ 134,404	21
Acquisition of properties					
NCIC	t.	$ 54,794	1	$ 158,398	6
KG Telecom	u.	25,691	1	43,068	2
FEILC	h.	22,000	-	73,750	3
FETEC	v.	15,649	-	82,435	3
Other	x.	1,408	-	627	-
		$ 119,542	2	$ 358,278	14
At end of year					
Receivables from related parties					
KG Telecom	b. m. and n.	$ 611,732	81	$ 845,798	83
KGEx	d. and o.	46,435	6	-	-
NCIC	c. and q.	24,691	3	21,815	2
FETC	w.	23,014	3	-	-
Yuan-Ze Telecom	p.	-	-	118,927	12
Other	x.	53,766	7	32,116	3
		$ 759,638	100	$ 1,018,656	100
Payables to related parties					
KG Telecom	m. and u.	$ 503,615	64	$ 54,198	18
ARCOA	e.	168,308	21	-	-
NCIC	c. and t.	22,332	3	144,032	48
FEILC	h.	6,038	1	30,049	10
FETEC	f. and v.	3,556	-	40,259	14
Other	x.	86,643	11	29,914	10
		$ 790,492	100	$ 298,452	100
Unearned revenues					
FETC	w.	$ 17,401	2	$ -	-
Long-term lease payable (including current portion)					
FEILC	h.	$ 66,250	100	$ 59,000	100

Other information on transactions with related parties is as follows:

a. Operating revenues (such as service revenues, revenues from sales of cellular phone equipments and accessories and leased - circuit revenue) from related parties are based on normal service rates, selling prices and collection terms.

b. The transactions between the Company and KG Telecom consisted of the interconnection activities for KG Telecom's use of the Company's network and via versa. The interconnection fee received from KG Telecom for its use of the Company's network were included in service revenue. The interconnection fee paid by the Company on its use of KG Telecom's network and billing processing costs pertaining to the interconnection service were included in telecommunications services cost.

c. The transactions between the Company and NCIC consisted of sales of cellular phone units and accessories and interconnection activities for NCIC's use of the Company's network. The interconnection fees paid by the

Company on its use of NCIC's fixed-line network and billing processing costs pertaining to the interconnection services provided by NCIC to the Company were included in telecommunications services cost. The international direct dialing revenue collected by the Company for NCIC was treated as a reduction of services revenue and was included in payables to related parties.

d. The interconnection fees paid by KGEx on its use of the Company's network and billing processing costs pertaining to the interconnection services provided by the Company to KGEx were included in telecommunications services revenue and receivables from related parties. The international direct dialing revenues collected by the Company for KGEx through call-by-call selection service were treated as a reduction of telecommunications services revenue and were settled at net amounts based on related agreements.

e. The revenue from and expenses for the sales of cellular phone equipments and accessories to ARCOA are recognized as operating revenues and cost of sales, respectively. The Company have agreed to pay to ARCOA handset subsidies and commissions (included in marketing expenses) due to the promotion of the Company's SIM card numbers and advances for the costs of handsets purchased at net amounts.

f. The Company signed a network maintenance contract with FETEC for maintaining the Company's telecommunications network and backbone network facilities.

g. The Company leases from FETRD several building spaces and parcels of land under contracts with terms from September 2003 to November 2013. The properties are located in Yatung Street and Renai Street in Panchao City; Wuku in Taipei County; and other locations in Taiwan.

h. Under operating lease agreements, the Company leased from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; (b) the land and mobile switch centers located in Neihu, Taichung and Hsinchu from November 1999 to June 2004; and (c) vehicles. The contracts will remain valid unless either the Company or FEILC informs each other to cancel the contracts.

When the related contracts expire, the Company may either renew the contracts or buy the buildings or land at the following prices:

		Purchase Price
Neihu switch center	$	130,000
Taichung land for switch center		106,050
Tainan office space		78,000
Kaohsiung office space		45,900
Hsinchu land for switch center		120,000

The Company leases from FEILC computer equipment, under a five year lease from July 2004 to February 2011, with annual lease payments of $20,477 thousand (Note 6).

i. The Company leases from NCIC the telecommunications network and office space in Neihu under contracts with terms ranging from September 2003 to September 2008.

j. FETTDF researches telecommunications technology and provides training programs for the Company.

k. The Company signed a service agreement with FETI. The service charges were based on the services provided by FETI as agreed upon with the Company. Moreover, the advances to FETI were treated as receivables from related parties and were settled in the net amount against the fees paid.

l. The Company has contracts with FCHRC for manpower dispatching service. The service charges were based upon the services provided by FCHRC for temporary or specific personnel supplies.

m. The Company and KG Telecom have agreed to receive or pay handset subsidies and commissions due to the promotion of opposite SIM card numbers and advances for the costs of handsets purchased for each other in the net amount. Bills collected on behalf of KG Telecom were included in payables to related parties.

n. The Company provides management services and advances KG Telecom for its daily operating expenditures. The service revenue and advances are collected monthly.

o. The Company provides management services to KGEx and the service revenues are collected monthly. The

Company advances KGEx for its daily operating expenditures and the advances are collected at various times based on the cash balances of KGEx.

p. The Company provides management services and advances Yuan-Ze Telecom for its daily operating expenditures before April 2005. The service revenue and advances are collected monthly.

q. The advances for the construction and joint use of telecommunications network and backbone network facilities between the Company and NCIC and receivables from sales of properties to NCIC were included in receivables from related parties. The proceeds and the gains on disposal of properties for the year ended December 31, 2004 are $8,011 and $811, respectively.

r. The Company purchased 100% ownership of Far Eastern Info Service (Holding) Ltd. in the amount of $92,616 on August 30, 2004. As a result, The Company acquired 100% ownership of FETI indirectly.

s. In June 2004, the Company purchased 4,685 thousand shares (representing 66.92% ownership) of E. World for $41,788 thousand from FETIH, OIHP, FEDSD and YTI.

t. The Company bought NCIC's telecommunications network and backbone network facilities.

u. The Company purchased operating and computer equipment from KG Telecom.

v. The Company signed contracts with FETEC for the construction of telecommunications network and backbone network facilities.

w. For the year ended December 31, 2005, the Company provided consulting services to FETC on the setup of its IVR system and the planning of VPS (Vehicle Position System) of the electronic toll collection system. The Company also authorizes FETC to use the Company's trouble ticket system. The fees collected were based on the terms of the related contract and were treated as unearned revenues. The revenues will be settled at net amount and will be treated as service revenues after the construction is transferred to Yuan Cing Co., Ltd and completed. Moreover, the advances to FETC by the Company for the years ended December 31, 2005 and 2004 for its daily operating expenditures will be collected at various times based on the cash balances of FETC.

x. Accounts of other related parties were less than 5% of the respective accounts.

All of the above rental rates and terms were comparable to leases with third parties.

16. COMMITMENTS AS OF DECEMBER 31, 2005

The Company had the following significant commitments:

a. The Company had outstanding contracts to acquire properties for $531,814 thousand.

b. The Company's outstanding letters of credit amounted to ￥694,137 thousand (equivalent to $196,043 thousand).

c. Payment for the rental of land, buildings and cell sites for the next five years is summarized as follows:

Period	Amount
2006	$ 1,546,991
2007	1,606,981
2008	1,669,314
2009	1,734,081
2010 and thereafter	1,801,380

17. ADDITIONAL DISCLOSURES

A. Important transactions and B. Related information of the Company's investees.

a. Financing provided: None

b. Endorsement/guarantee provided: None

c. Marketable securities and investments in shares of stock held: Schedule A

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Schedule B

e. Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

f. Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule C

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule D

i. Names, locations, and related information of investees on which the Company exercises significant influence: Schedule E

j. Derivative financial instruments

The Company used certain derivative financial instruments to hedge overall fluctuations on interest rates and exchange rates for the year ended December 31, 2005 and 2004. All these transactions were for nontrading purposes.

Derivative contracts entered into by the Company were as follows:

(1) Open contracts and credit risk

	December 31, 2005						
Type of Transaction	**Notional Amount**	**Fixed Rate**	**Market Rate**	**Settlement Date**	**Maturity Date**	**Fair Value**	**Credit Risk**
Interest rate swap	$ 2,670,000	1.25%-1.95%	0-0.55%	Every 6 months	March 28, 2008-December 19, 2008	($91,261)	$ -

	December 31, 2004						
Type of Transaction	**Notional Amount**	**Fixed Rate**	**Market Rate**	**Settlement Date**	**Maturity Date**	**Fair Value**	**Credit Risk**
Interest rate swap	$ 2,670,000	1.25%-1.95%	1.004%-2.540%	Every 6 months	March 28, 2008-December 19, 2008	($62,401)	$ -

The related losses of the Company on these swap contracts for the year ended December 31, 2005 were $14,643 thousand and gains for the year ended December 31, 2004 were $29,680 thousand, which were recorded as interest expense or as a reduction of interest expense.

The Company had no outstanding forward contracts as of December 31, 2005 and 2004, respectively.

The Company had no forward transactions for the year ended December 31, 2005.The related gains of the Company on forward contracts for the year ended December 31, 2004 were $770 thousand, and were recorded as a reduction of inventory.

The Company is exposed to credit risk if counter-parties default on their contractual obligations. To manage this risk, the Company transacts only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

(2) Market risk

The Company entered into interest rate swap contracts to hedge the effect of foreign currency fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Therefore, the market risk is not material.

The Company entered into forward exchange contracts to hedge the effect of exchange rate fluctuations on firm commitments. Therefore, the market risk is not material.

(3) Liquidity risk, cash-flow risk and future cash demand

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. Management believes that the Company has sufficient operating capital to meet cash demand. The forward exchange rates are fixed and no additional material cash is required.

(4) The purpose of derivative financial instruments held or issued

The Company uses certain derivative financial instruments for nontrading purposes. The interest rate swap contracts are for hedging overall fluctuations on interest rates. The swap involves the Company's paying interest at a fixed rate and receiving interest based on market rates. The Company entered into forward exchange contract to hedge the effect of exchange rate fluctuations on firm commitments. The overall purpose of these contracts is to hedge the Company's exposure to cash flow risk. The Company periodically evaluates the effectiveness of the instruments.

(5) The fair values of financial instruments are as follows:

	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Financial assets				
Cash and cash equivalents	$ 2,436,827	$ 2,436,827	$ 3,265,431	$ 3,265,431
Accounts and notes receivable, net	3,773,299	3,773,299	3,492,574	3,492,574
Receivables from related parties	759,638	759,638	1,018,656	1,018,656
Investments in shares of stock	37,532,567	37,532,567	44,030,365	44,030,365
Refundable deposits	249,260	248,486	251,960	251,104
Financial liabilities				
Commercial paper payable	49,996	49,996	-	-
Notes payable	33,931	33,931	41,332	41,332
Accounts payable	611,684	611,684	381,145	381,145
Payables to related parties	790,492	790,492	298,452	298,452
Payables related to acquisition of properties	2,287,620	2,287,620	1,551,016	1,551,016
Long-term liabilities (including current portion)	9,036,250	9,298,517	10,181,868	10,334,628
Guarantee deposits received (including current portion)	985,250	985,250	1,220,321	1,220,321
Derivative financial instruments				
Interest rate swap	-	(91,261)	-	(62,401)

The bases used for estimating the fair values of financial instruments were as follows:

a) The fair values of cash and cash equivalents, accounts and notes receivable, receivables from related parties, commercial paper payable, notes payable, accounts payable, payables to related parties and payables related to acquisition of properties are recorded at their carrying values due to the short maturity of these instruments.

b) The fair values of investments in shares of stock are recorded at market price or, if market prices are unavailable, on the equity in the investees' net assets.

c) Long-term liabilities are recorded at market prices or, if market prices are unavailable, upon present value of expected cash outflows, which is discounted at the interest rates for bank loans with similar maturity dates.

d) Refundable deposits and guarantee deposits received are recorded at the present values of future payments or receipts.

e) Fair values of derivative financial instruments are recorded at the quoted market prices obtained from banks.

KG Telecom used certain derivative financial instruments to hedge overall fluctuations on interest rates and exchange rates for the year ended December 31, 2005 and 2004. All of these transactions are for nontrading purposes.

The information on interest rate swap contracts and cross currency swap contracts entered into by KG Telecom is as follows:

(1) Open contracts and credit risk

There were no outstanding interest rate swap contracts as of December 31, 2005.

	December 31, 2004						
Type of Transaction	Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity Date	Fair Value	Credit Risk
Interest rate swap	$ 1,000,000	3.38%-4.50%	1.193%	Every 3 months	May 20,2005	$(13,192)	$ -

There were no outstanding cross currency swap contracts as of December 31, 2005.

	December 31, 2004			
Type of Transaction	**Notional Amount**	**Carrying Value**	**Fair Value**	**Credit Risk**
Cross currency swap	US$ 40,238 thousand	$ -	($108,370)	$ -

The related losses of KG Telecom on the swap contracts for the year ended December 31, 2005 were $11,708 thousand, record as interest expense of $8,208 thousand and foreign exchange loss of $3,500 thousand.

The related losses of KG Telecom on the swap contracts for the year ended December 31, 2004 were $143,452 thousand, recorded as interest expense of $51,033 thousand and foreign exchange loss of $92,419 thousand.

KG Telecom is exposed to credit risk if counter-parties default on their contractual obligations. To manage this risk, KG Telecom transacts only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

(2) Market risk

KG Telecom entered into interest rate swap contracts to hedge the effect of interest rate fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Therefore, the market risk is not material.

KG Telecom entered into cross currency swap contracts to hedge its exposure to exchange rate and interest rate fluctuations on bank loans dominated in foreign currency. Therefore, the market risk is not material.

(3) Liquidity risk, cash-flow risk and future cash demand

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. Due to the simultaneous cash inflow and outflow generated from cross currency swap contracts, the aggregated outcome of net cash flow is not expected to be significant. Thus, no additional material cash is required.

(4) The purpose of derivative financial instruments held or issued

KG Telecom uses certain derivative financial instruments for nontrading purposes. The interest rate swap contracts are for hedging overall fluctuations on interest rates. The swap involves KG Telecom's paying interests at a fixed rate and receiving interests based on market rates. KG Telecom entered into cross currency swap contracts to hedge the effects of exchange rate and interest rate fluctuations on bank loans denominated in foreign currency, particularly for KG Telecom's exposure to cash flow risk. KG Telecom periodically evaluates the effectiveness of the instruments.

ARCOA used certain derivative financial instruments to hedge overall fluctuations on exchange rates for in 2005. All of these transactions are for nontrading purposes.

The forward contracts entered into by ARCOA were as follows:

(1) Open contracts and credit risk

	December 31, 2005			
Type of Transaction	**Notional Amount**	**Fair Value**	**Credit Risk**	**Maturity Date**
Forward	US$ 1,370 thousand	$(900)	$ -	January 9, 2006 - February 21, 2006

ARCOA had no forward contracts in 2004.

ARCOA is exposed to credit risk if counter-parties default on their contractual obligations. To manage this risk, ARCOA transacts only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

(2) Market risk

ARCOA entered into forward contracts to hedge its exposure to exchange rate fluctuations on firm commitments denominated by foreign currency. Therefore, the market risk is not material.

(3) Liquidity risk, cash-flow risk and future cash demand

The forward exchange rates are fixed, and no additional material cash is required.

(4) The purpose of derivative financial instruments held or issued

ARCOA uses forward contracts for nontrading purposes, i.e., to hedge the effects of exchange rate fluctuations on firm commitments denominated in foreign currency and minimize cash flow risk. ARCOA periodically evaluates the effectiveness of the instruments.

(5) Disclosure in the financial statements

Forward Contracts	December 31, 2005
Receivables from forward contracts	$ 45,005
Premium on forward contracts	(193)
Payables from forward contracts	(45,712)
Net payable from forward contracts (included in other current liabilities)	($ 900)

The related losses of ARCOA on the forward contracts for the year ended December 31, 2005 were $18 thousand. ARCOA used other derivative instruments to earn interest, i.e., for trading purposes for the year ended December 31, 2005, as follows:

(1) Open contracts and credit risk

	December 31, 2005			
Type of Transaction	Carrying Value	Notional Amount	Credit Risk	Transactor's Location
Interest-linked structured deposits	$ 10,000	$ 10,000	$ 9,972	Taiwan

ARCOA is exposed to credit risk if counter-parties default on contracts. To manage this risk, ARCOA conducts transactions only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

(2) Market risk

Under its policy, ARCOA sets up a stop-loss target price for trading derivative financial instruments and periodically evaluates it to prevent it from affecting company operations.

ARCOA monitors interest-linked deposits and the market risk is expected to be within the reasonable range.

(3) Liquidity risk, cash-flow risk and future cash demand

The notional amount of interest-linked deposits is paid on the contract date and no additional cash is required unless the contract is cancelled before the contract expires.

The cancellation requires ARCOA to reimburse the loss and related bank charges incurred. ARCOA maintains and monitors the net position it owns and the cash-flow risk is expected to be immaterial.

(4) The purpose of derivative financial instruments held or issued

ARCOA uses interest-linked structured deposits to earn interest. Thus, the interest-linked structured deposits are highly correlated to interest rates.

(5) The related gains and accounts of ARCOA on interest-linked derivative financial instruments were as follows:

	December 31, 2005
Pledged time deposits	$ 10,000

	For the Year Ended December 31, 2005
Interest income - interest-linked structured deposits	$ 370

C. Investment in Mainland China:

a. Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Schedule F;

b. Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 15.

18. INDUSTRY SEGMENT INFORMATION

a. Industry

The Company includes the telecommunications services department and cellular phone equipment sales department. The Telecommunications services department is the primary department since the revenues and identifiable assets from telecommunications services for more than 90% of the Company's total revenues and identifiable assets.

The primary department provides wireless communications, international simple resale (ISR), leased circuit and Internet services.

b. Foreign operations.

The Company has no revenue - generating unit that operates outside the ROC.

c. Foreign revenues

The Company has no foreign revenues.

d. Net sales to customers representing at least 10% of the Company's total net sales were as follows:

	For the Years Ended December 31			
	2005		2004	
	Amount	Percentage of Operating Revenue (%)	Amount	Percentage of Operating Revenue (%)
Company A	$ 7,207,952	17	$ 7,327,691	18

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Securities	Relationship with the Company	Financial Statement Account	December 31, 2005				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	**Stocks**							
	KG Telecommunications Co., Ltd.	Equity-method investee	Investments in shares of stock	1,332,997,916.00	$ 35,192,374	100.00	$ 35,192,374	Note A
	ARCOA Communications Co., Ltd.	Equity-method investee	Investments in shares of stock	79,353,013.00	1,171,320	59.10	1,171,320	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Investments in shares of stock	106,650,000.00	789,096	42.66	789,096	Note A
	Far EasTron Holding Ltd.	Equity-method investee	Investments in shares of stock	4,486,988.00	143,331	100.00	143,331	Note A
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Investments in shares of stock	1,200.00	141,174	100.00	141,174	Note A
	E. World (Holdings) Ltd.	Equity-method investee	Investments in shares of stock	6,014,622.00	66,664	85.92	66,664	Note A
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Investments in shares of stock	4,500,000.00	27,680	15.00	27,680	Note A
	Far EasTron Co., Ltd.	Equity-method investee	Investments in shares of stock	100,000.00	928	0.67	928	Note A
KG Telecommunications Co., Ltd.	**Stocks**							
	KGEx.com Co., Ltd.	Equity-method investee	Investments in shares of stock	260,915,000.00	1,227,742	74.55	1,227,742	Note A
	KGT International Holding Co., Ltd.	Equity-method investee	Investments in shares of stock	50,000.00	90,809	100.00	90,809	Note A
	iScreen	Equity-method investee	Investments in shares of stock	4,000,000.00	20,949	40.00	20,949	Note A
	Mutual funds							
	JF (Taiwan) European Bond Fund	-	Short-term investments	20,000,000.00	199,956	-	199,956	Note B
ARCOA Communications Co., Ltd.	**Stocks**							
	Hi Information Co., Ltd.	Equity-method investee	Investments in shares of stock	4,975,000.00	5,537	33.17	5,537	Note A
	THI Consultants Inc.	Equity-method investee	Investments in shares of stock	1,060,000.00	14,128	22.22	14,128	Note A
	Chunghwa Int'l Communication Network Co., Ltd.	-	Investments in shares of stock	2,830,901.00	6,714	4.20	9,291	Note C
	Taiwan Fixed Network Co., Ltd.	-	Investments in shares of stock	2,100,000.00	21,000	0.03	22,280	Note C
	VIBO Telecom Inc.	-	Investments in shares of stock	2,000,000.00	20,000	0.13	16,691	Note C
	Web Point Co., Ltd.	-	Investments in shares of stock	160,627.00	1,618	0.75	1,606	Note C
	Mutual funds							
	Fuhwa Bond Fund	-	Short-term investments	1,584,836.29	20,000	-	20,001	Note B
	CITC Cash Reserves	-	Short-term investments	1,729,340.90	20,000	-	20,001	Note B
	CITC Safe Income Fund	-	Short-term investments	10,334,101.90	151,500	-	151,507	Note B
	CITC High Yield Fund	-	Short-term investments	1,120,850.10	15,000	-	15,064	Note B
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Short-term investments	3,000,000.00	3,000	-	3,000	Note B
Far EasTron Holding Ltd.	**Stocks**							
	Far EasTron Co., Ltd.	Equity-method investee	Investments in shares of stock	14,900,000.00	US$ 4,335,000	99.33	US$ 4,335,000	Note A
Far Eastern Info Service (Holding) Ltd.	**Share certificates**							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Investments in shares of stock	-	US$ 3,789,000	100.00	US$ 3,789,000	Note A
E. World (Holdings) Ltd.	**Stocks**							
	Yuan Cing Co., Ltd. (former E. World Ltd. Taiwan)	Equity-method investee	Investments in shares of stock	19,349,994.00	US$ 1,416,000	99.99	US$ 1,416,000	Note A
	Ideaculture Limited (Cayman)	-	Investments in shares of stock	1,195,141.00	US$ 431,000	17.96	US$ 143,000	Note C
KGT International Holding Co., Ltd.	**Stocks**							
	KGEx.com Co., Ltd.	Equity-method investee	Investments in shares of stock	16,051,000.00	75,303	4.59	75,303	Note A

Note A: Calculation was based on audited financial statements as of December 31, 2005.

Note B: Open-ended mutual funds were calculated at the net asset value of mutual funds as of December 31, 2005 while bonds were based on the cost.

Note C: Calculation was based on the most current financial statements.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Account	Related party	Nature of RelationShip	Beginning Balance		Acquisition		Disposal				The Change Due to Equity Method	Ending Balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Price	Costs	Gain or Loss		Share/ Units	Amount
Far EasTone Telecommunications Co., Ltd.	ARCOA Communications Co., Ltd.	Equity-method investee	Original stockholders of ARCOA	-	-	$ -	79,353,013.00	$ 1,278,944	-	$ -	$ -	$ -	$(107,624)	79,353,013.00	$ 1,171,320
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Issuance of capital stock for cash	-	54,000,000.00	433,544	52,650,000.00	526,500	-	-	-	-	(170,948) (Note C)	106,650,000.00	789,096
	Far EasTron Holding Ltd.	Equity-method investee	Issuance of capital stock	-	-	-	4,486,988.00	150,000	-	-	-	-	(6,669) (Note D)	4,486,988.00	143,331
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Equity-method investee	Original stockholders of Taiwan Cement	Note A	175,931,000.00	898,944	84,984,000.00	438,342	-	-	-	-	(109,544)	260,915,000.00	1,227,742
	Far Eastern Alliance Taiwan Bond Fund	Short-term investments	-	-	27,573,879.00	290,000	-	-	27,573,879.00	292,807	290,000	2,807	-	-	-
	JF (Taiwan) European Bond Fund	Short-term investments	-	-	-	-	20,000,000.00	200,000	-	-	-	-	-	20,000,000.00	200,000
ARCOA Communications Co., Ltd. (Note B)	Fuhwa Advantage Bond Fund	Short-term investments	-	-	9,849,887.71	100,000	19,588,650.93	200,000	29,438,538.64	300,772	300,000	772	-	-	-
	Fuhwa Fund	Short-term investments	-	-	6,750,675.07	84,000	14,345,567.22	180,000	19,511,406.00	244,781	244,000	781	-	1,584,836.29	20,000
	Fuh-Hwa Bond Fund	Short-term investments	-	-	9,858,600.80	127,800	25,555,338.70	333,600	35,413,939.50	463,014	461,400	1,614	-	-	-
	CITC Cash Reserves	Short-term investments	-	-	11,866,277.70	135,500	23,161,375.66	266,000	33,298,312.46	382,765	381,500	1,265	-	1,729,340.90	20,000
	CITC Safe Income Fund	Short-term investments	-	-	11,197,858.90	161,500	43,656,526.40	636,000	44,520,283.40	648,606	646,000	2,606	-	10,334,101.90	151,500
Far EasTron Holding Ltd.	Far EasTron Co., Ltd.	Equity-method investee	Issuance of capital stock for cash	-	-	-	14,900,000.00	US$4,532,000	-	-	-	-	US$(197,000)	14,900,000.00	US$4,335,000

Note A: Leslie Koo is the authorized representative of KG Telecommunications Co., Ltd.

Note B: The beginning balance was carried from ARCOA Communications Co., Ltd. as it became the subsidiary of Far EasTone since February, 2005.

Note C: Including equity in investee's net losses of $177,171 thousand and the effect of change in ownership percentage due to investees' issuance of capital stock for cash amounting to $6,223 thousand.

Note D: Including equity in investee's net losses of $6,349 thousand and cumulative translation adjustment of $320 thousand.

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Purchase (Sale) of Goods	Related Party	Nature of Relation-ship	Transaction Details				Abnormal Transaction		Note/Accounts Receivable or (Payable)		
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecom-munications Co., Ltd.	KG Telecom-munications Co., Ltd.	Subsidiary	Telecommuni-cations services revenue	$(2,520,762)	(6%)	Conducted as agreed terms	-		Accounts receivable (Note A)	$257,934	5%
			Cost of tele-communications services	1,206,382	7%	Conducted as agreed terms	-	-	Accounts payable (Note A)	-	-
	ARCOA Communi-cations Co., Ltd.	Subsidiary	Marketing expenses and cost of sales	486,772	8%	Conducted as agreed terms	-	-	Accounts payable and accrued expense	(168,308)	(4%)
	New Cen-tury Info-Comm Tech Co., Ltd.	Same chairman	Telecommuni-cations services revenue	(714,604)	(2%)	Conducted as agreed terms	-	-	Accounts receivable (Note B) Accounts payable (Note B)	22,483 (4,146)	- (1%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommuni-cations services revenue	(177,702)	-	Conducted as agreed terms	-	-	Accounts receivable	36,166	1%
	Far Eastern Tech-Info Ltd. (Shanghai)	Subsidiary of FEIS	Professional fee	148,268	64%	Conducted as agreed terms	-	-	Accrued expense	(4,459)	-
KG Telecom-munications Co., Ltd.	Far EasTone Telecom-munications Co., Ltd.	Parent company	Telecommunicat ions services revenue	(1,206,382)	(4%)	Conducted as agreed terms	-	-	Accounts receivable (Note A)	-	-
			Cost of telecommuni-cations services	2,520,762	18%	Conducted as agreed terms	-		Accounts payable (Note A)	(257,934)	(42%)
	ARCOA Communi-cations Co., Ltd.	Same parent company	Marketing expenses and cost of sales	274,703	7%	Conducted as agreed terms	-	-	Accounts payable and accrued expense	(65,467)	(3%)
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommuni-cations services revenue	(274,194)	(1%)	Conducted as agreed terms	-	-	Accounts receivable (Note B) Accounts payable (Note B)	6,843 (6,169)	- (1%)
	KGEX.com Co., Ltd.	Subsidiary	Telecommuni-cations services revenue	(172,563)	(1%)	Conducted as agreed terms	-	-	Accounts receivable	23,501	1%
ARCOA Communi-cations Co., Ltd	Far EasTone Telecom-munications Co., Ltd.	Parent company	Commission revenue and sales	(486,772)	(9%)	Conducted as agreed terms	-	-	Accounts receivable	168,308	42%
	KG Telecom-munications Co., Ltd.	Same parent company	Commission revenue and sales	(274,703)	(5%)	Conducted as agreed terms	-	-	Accounts receivable	65,467	16%
KGEx.com Co., Ltd	Far EasTone Telecom-munications Co., Ltd.	Ultimate parent company	Cost of telecom-munications services	177,702	21%	Conducted as agreed terms	-	-	Accounts payable	(36,166)	(21%)
	KG Telecom-munications Co., Ltd.	Parent company	Cost of telecom-munications services	172,563	20%	Conducted as agreed terms	-	-	Accounts payable	(23,501)	(13%)
Far Eastern Tech-Info (Shanghai)	Far EasTone Telecom-munications Co., Ltd.	Ultimate parent company	Other revenue	$(148,268)	(83%)	Conducted as agreed terms	-	-	Accounts receivable	$4,459	10%

Note A: Telecommunications services revenue and cost of telecommunications services between Far EasTone and KG Telecom were settled at net amounts and were included in Far EasTone's receivables from related parties and KG Telecom's payables to related parties.

Note B: All revenues and costs between Far EasTone and NCIC were settled at full amount except interconnection revenues and costs and were included in receivables from related parties and payables to related parties, respectively.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 611,732	(Note A)	$ -	-	$ 428,495	$ -
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	503,615	(Note B)	-	-	204,437	-
ARCOA Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	168,308	4.56	-	-	32,244	-

Note A: The turnover rate is unavailable as the receivables from related parties were mainly due to the advances in operating expenditures to KG Telecom.

Note B: The turnover rate is unavailable as the receivables from related parties were mainly due to collection of telecommunications bills by Far EasTone.

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	TYPE I telecommunications services	$29,629,139	$29,629,139	1,332,997,916	100.00	$35,192,374	$5,151,249	$5,151,174	Notes A and B
	Yuan-Ze Telecommunications Co., Ltd.	Taiwan	TYPE I telecommunications services	(Note F)	10,370,000	-	-	-	(359,811)	(359,811)	Notes A and B
	ARCOA Communications Co., Ltd.	Taiwan	Sale and manufacturing of communication products and office equipment	1,278,944	-	79,353,013	59.10	1,171,320	(108,070)	(107,624)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,066,500	540,000	106,650,000	42.66	789,096	(435,207)	(177,171)	Notes B and C
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	-	4,486,988	100.00	143,331	(6,349)	(6,349)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	141,174	38,648	26,471	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	66,664	27,714	19,096	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	27,680	(93,785)	(17,156)	Notes B and C
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	-	100,000	0.67	928	(10,873)	(4,460)	Notes A and B

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares	Percentage of Ownership (%)	Carrying Value			
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,197,652	1,759,310	260,915,000	74.55	1,227,742	(146,345)		Notes B and D
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	90,809	(6,740)		Notes B and D
	KG Satellite Co., Ltd.	Taiwan	TYPE I telecommunications services	(Note H)	99,500	-	-	-	(6,458)		Notes B and D
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	20,949	(17,280)		Notes B and E
ARCOA Communications Co., Ltd. (Note G)	Hi Information Co., Ltd.	Taiwan	Information service	53,065	53,065	4,975,000	33.17	5,537	3,803		Notes B and E
	THI Consultants Inc.	Taiwan	Construction consulting	13,700	13,700	1,060,000	22.22	14,128	5,195		Notes B and E
Far EasTron Holding Ltd.	Far EasTron Co., Ltd.	Taiwan	Internet service	US$ 4,532,000	-	14,900,000	99.33	US$ 4,335,000	(10,873)		Notes A and B
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 3,789,000	39,258		Notes B, and D
E. World (Holdings) Ltd	Yuan Cing Co., Ltd. (former E. World Ltd. Taiwan)	Taiwan	Computer software, data processing and network information providing services	193,500	193,500	19,349,994	99.99	US$ 1,416,000	27,788		Notes B and D
KGT International Holding Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	US$ 4,822,000	US$ 4,822,000	16,051,000	4.59	75,303	(146,345)		Notes B and D

Notes: A. Subsidiary.
B. Calculation was based on audited financial statements as of December 31, 2005.
C. Equity-method investee of Far EasTone.
D. Subsidiary of KG Telecom, E. World (Holdings). Far Eastern Info Service (Holding) or KGT International Holdings.
E. Equity-method investee of KG Telecom or ARCOA.
F. Merged with Far EasTone on May 2, 2005.
G. The beginning balance was carried from ARCOA Communications Co., Ltd. as it became the subsidiary of Far EasTone since February 2005.
H. Dissolved on July 2005.

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of Dec. 31, 2005 (Note A)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2005	Accumulated Investment in Mainland China as of Dec. 31, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	$82,125 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$39,258	$124,469 (US$3,789,000)	$ -	$92,616	$92,616	$29,288,041 (Note C)

Note A: Calculation was based on audited financial statements as of December 31, 2005

Note B: Far EasTone made the investment through a company registered in a third region.

Note C: Equal to 40% of Far EasTone's net asset value.

Note D: Significant transaction with the investee company (Note 15).

5. 2005 Supervisors' Consolidated Report

March 7, 2006

The Board of directors have prepared and submitted to us the Company's 2005 the consolidated Financial Reports audited by the CPAs of Deloitte & Touche Co. The above consolidated Financial Reports have been further examined as being correct and accurate by the undersigned Supervisors of Far EasTone Telecommunications Co., Ltd. According to Artice 219 of the company Law, we hereby submit this report.

Supervisors

Chen-en Ko 

Eli Hong 

Jenniffer Wang 

6. 2005 Independent Auditors' Report, Consolidated Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Far EasTone Telecommunications Co., Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 2, the entities included in the consolidated financial statements as of and for the year ended December 31, 2005 are those in which the Company owns a controlling interest, as required under the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements." The consolidated financial statements as of and for the year ended December 31, 2004 include the accounts of the Company and its direct and indirect subsidiaries with individual total assets or total operating revenue that reached at least 10% of the unconsolidated total assets or operating revenues of the Company.

February 10, 2006

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

	2005		2004	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 4,640,298	5	$ 8,502,692	8
Short-term investments, net (Notes 2 and 5)	409,456	-	290,000	-
Accounts and notes receivable, net of allowance for doubtful accounts of $1,962,008 in 2005 and 1,605,066 in 2004 (Note 2)	6,514,395	6	6,134,846	6
Receivables from related parties (Notes 2 and 19)	65,976	-	84,923	-
Inventories, net (Notes 2 and 6)	1,611,630	2	734,564	1
Prepaid expenses (Note 2)	721,240	1	1,607,082	1
Deferred income tax assets - current (Notes 2 and 16)	905,175	1	1,910,414	2
Certificates of deposit pledged - current (Notes 2 and 21)	61,506	-	-	-
Other current assets	156,457	-	167,361	-
Total current assets	15,086,133	15	19,431,882	18
INVESTMENTS IN SHARES OF STOCK (Notes 2, 7, 19 and 22)				
Equity method	857,390	1	1,799,682	2
Cost method	63,517	-	-	-
Total investments in shares of stock	920,907	1	1,799,682	2
				2410
PROPERTIES (Notes 2, 8, 19 and 21)				
Cost				
Land	1,514,204	1	1,050,281	1
Buildings and equipment	2,865,633	3	2,077,561	2
Operating equipment	94,351,784	95	85,565,879	79
Computer equipment	13,477,971	14	11,516,474	10
Office equipment	992,571	1	917,528	1
Leasehold improvements	1,670,987	2	1,562,064	1
Miscellaneous equipment	91,354	-	78,260	-
Total cost	114,964,504	116	102,768,047	94
Less - accumulated depreciation	58,426,942	59	46,999,255	43
	56,537,562	57	55,768,792	51
Construction in progress and advances related to acquisition of equipment	4,954,996	5	8,762,652	8
Net properties	61,492,558	62	64,531,444	59
INTANGIBLE ASSETS				
Goodwill, net (Notes 1, 2 and 9)	10,542,515	11	11,074,034	10
3G concession, net (Note 2)	9,499,186	9	10,169,000	9
Total intangible assets	20,041,701	20	21,243,034	19
				3260
OTHER ASSETS			32XX	
Rental assets, net (Notes 2 and 10)	226,517	-	190,976	-
Refundable deposits	402,200	1	373,088	1
Properties not currently used in operations, net (Note 2)	333,537	-	-	-
Deferred charges, net (Note 2)	275,730	-	75,249	-
Deferred income tax assets - noncurrent (Notes 2 and 16)	632,055	1	712,622	1
Restricted assets	-	-	350,000	-
Other (Notes 2, 14 and 21)	12,644	-	1,163	-
Total other assets	1,882,683	2	1,703,098	2
TOTAL	$ 99,423,982	100	$ 108,709,140	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 10, 2006)

LIABILITIES AND STOCKHOLDERS' EQUITY	2005 Amount	%	2004 Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 11 and 21)	$ 295,618	-	$ 2,250,000	2
Commercial paper payable (Note 12)	49,996	-	896,648	1
Notes payable	104,728	-	41,834	-
Accounts payable	1,303,447	1	538,371	1
Payables to related parties (Note 19)	122,060	-	321,770	-
Income tax payable (Notes 2 and 16)	2,132,118	2	2,325,564	2
Accrued expenses	5,925,891	6	5,189,310	5
Payables for acquisition of properties	2,558,661	3	3,088,119	3
Guarantee deposits received - current	1,226,683	1	1,521,194	1
Unearned revenues (Notes 2 and 19)	1,335,878	2	2,325,388	2
Current portion of long-term liabilities (Notes 2, 8, 13, 19 and 21)	3,117,008	3	4,803,577	4
Other current liabilities	463,189	1	538,948	1
Total current liabilities	18,635,277	19	23,840,723	22
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (Notes 2, 8, 13, 19 and 21)				
Long-term bonds payable	5,630,000	6	8,670,000	8
Long-term debts payable	433,333	-	6,074,330	6
Long-term lease payable	95,361	-	88,500	-
Total long-term liabilities	6,158,694	6	14,832,830	14
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 14)	300,145	-	226,308	-
Guarantee deposits received - noncurrent	97,753	-	83,587	-
Other	9,343	-	13,626	-
Total other liabilities	407,241	-	323,521	-
Total liabilities	25,201,212	25	38,997,074	36
CONTROLLING INTEREST OF FAR EASTONE				
Capital stocks - $10 par value; authorized - 4,200,000 thousand shares; issued - 3,872,663 thousand shares in 2005 and 3,842,311 thousand shares in 2004	38,726,630	39	38,423,115	35
Capital surplus				
Paid-in capital in excess of par value	6,510,964	7	6,023,801	5
From business combination	8,482,381	8	8,482,381	8
From investments in shares of stock	10,611	-	-	-
Total capital surplus	15,003,956	15	14,506,182	13
Retained earnings				
Legal reserve	4,101,609	4	2,697,301	3
Unappropriated earnings	15,385,739	16	14,069,797	13
Total retained earnings	19,487,348	20	16,767,098	16
Other adjustments				
Cumulative translation adjustments	2,168	-	15,671	-
Total controlling interest of Far EasTone	73,220,102	74	69,712,066	64
MINORITY INTEREST	1,002,668	1	-	-
Total stockholders' equity	74,222,770	75	69,712,066	64
TOTAL	$ 99,423,982	100	$108,709,140	100

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2005		2004	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 19)				
Sales of cellular phone equipment and accessories, net	$ 8,380,876	12	$ 4,224,124	6
Telecommunications services revenue	62,483,004	87	61,270,948	94
Other	1,048,291	1	21,394	-
Total operating revenues	71,912,171	100	65,516,466	100
OPERATING COSTS (Notes 2, 17 and 19)				
Cost of sales	9,105,380	13	4,642,528	7
Cost of telecommunications services	26,913,298	37	26,603,683	41
Other	812,502	1	-	-
Total operating costs	36,831,180	51	31,246,211	48
GROSS PROFIT	35,080,991	49	34,270,255	52
OPERATING EXPENSES (Notes 2, 17 and 19)				
Marketing	9,318,242	13	8,446,006	13
General and administrative	6,878,369	10	7,080,907	11
Research and development	358,153	-	374,882	-
Total operating expenses	16,554,764	23	15,901,795	24
OPERATING INCOME	18,526,227	26	18,368,460	28
NONOPERATING INCOME AND GAINS				
Interest (Note 2 and 22)	63,360	-	27,918	-
Gain from sale of short-term investments (Note 19)	10,469	-	9,579	-
Gain from sale of nonperforming accounts receivable	-	-	77,646	-
Foreign exchange gains, net (Notes 2 and 22)	-	-	45,542	-
Other (Note 19)	150,321	-	101,917	1
Total nonoperating income and gains	224,150	-	262,602	1

	2005 Amount	2005 %	2004 Amount	2004 %
NONOPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 8 and 22)	$ 279,457	1	$ 685,961	1
Equity in investees' net losses (Notes 2 and 7)	243,426	-	210,888	-
Loss on disposal of properties and properties not currently used in operations, net (Notes 2 and 19)	118,783	-	455,087	1
Loss on decline in value of inventories (Note 2)	24,292	-	4,759	-
Provision for losses on properties not currently used in operations (Note 2)	13,756	-	489,086	1
Other (Note 17)	213,957	-	582,106	1
Total nonoperating expenses and losses	893,671	1	2,427,887	4
COMBINED INCOME BEFORE INCOME TAX EXPENSE	17,856,706	25	16,203,175	25
INCOME TAX EXPENSE (Notes 2 and 16)	3,207,433	5	2,160,099	4
COMBINED NET INCOME	$ 14,649,273	20	$ 14,043,076	21
ATTRIBUTABLE TO:				
Controlling interest	$ 14,717,402	20	$ 14,043,076	21
Minority interest	(68,129)	-	-	-
	$ 14,649,273	20	$ 14,043,076	21

	2005 Income Before Income Tax	2005 Net Income	2004 Income Before Income Tax	2004 Net Income
CONSOLIDATED EARNINGS PER SHARE (Note 18)				
Basic	$ 4.63	$ 3.80	$ 4.32	$ 3.75
Diluted	$ 4.63	$ 3.80	$ 4.17	$ 3.61

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 10, 2006)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	Capital Stock Issued (Notes 2 and 15)		Capital Surplus (Notes 2 and 15)			
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Business Combination	From Investments in Shares of Stock	Total
BALANCE, JANUARY 1, 2004	2,697,786	$ 26,977,860	$ 5,944,514	$ -	$ 29,086	$ 5,973,600
Issuance of new stock and reissuance of treasury stock in exchange for investments in shares of stock	693,523	6,935,232	-	8,482,381	-	8,482,381
Effect of change in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	(29,086)	(29,086)
Appropriation of the 2003 earnings						
Legal reserve	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-
Cash dividend - $1.4 per share	-	-	-	-	-	-
Stock dividend - 4.6%	156,026	1,560,261	-	-	-	-
Capitalization of capital surplus - 5.4%	183,161	1,831,611	(1,831,611)	-	-	(1,831,611)
Combined net income in 2004	-	-	-	-	-	-
Conversion of overseas convertible bonds into common stock	111,815	1,118,151	1,910,898	-	-	1,910,898
Translation adjustments on investments in shares of stock	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2004	3,842,311	38,423,115	6,023,801	8,482,381	-	14,506,182
Effect of change in consolidated entities since 2005	-	-	-	-	-	-
Acquisition of ARCOA's capital stock in 2005	-	-	-	-	-	-
Acquisition of KGEx.com's capital stock from minority interest in 2005	-	-	-	-	-	-
Effect of change in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	10,611	10,611
Conversion of overseas convertible bonds into common stock	30,352	303,515	487,163	-	-	487,163
Appropriation of the 2004 earnings						
Legal reserve	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-
Cash dividend - $3 per share	-	-	-	-	-	-
Combined net income in 2005	-	-	-	-	-	-
Translation adjustments on investments in shares of stock	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2005	3,872,663	$ 38,726,630	$ 6,510,964	$ 8,482,381	$ 10,611	$ 15,003,956

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 10, 2006)

Retained Earnings (Notes 2 and 15) Legal Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Controlling Interest of Far EasTone	Minority Interest	Total Stockholders' Equity
$ 1,878,488	$ 8,197,228	$ 10,075,716	$ 3,052	$ 43,030,228	$ -	$ 43,030,228
-	(821,733)	(821,733)	-	14,595,880	-	14,595,880
-	-	-	-	(29,086)	-	(29,086)
818,813	(818,813)	-	-	-	-	-
-	(147,387)	(147,387)	-	(147,387)	-	(147,387)
-	(73,693)	(73,693)	-	(73,693)	-	(73,693)
-	(4,748,620)	(4,748,620)	-	(4,748,620)	-	(4,748,620)
-	(1,560,261)	(1,560,261)	-	-	-	-
-	-	-	-	-	-	-
-	14,043,076	14,043,076	-	14,043,076	-	14,043,076
-	-	-	-	3,029,049	-	3,029,049
-	-	-	12,619	12,619	-	12,619
2,697,301	14,069,797	16,767,098	15,671	69,712,066	-	69,712,066
-	-	-	-	-	812,889	812,889
-	-	-	-	-	690,845	690,845
-	-	-	-	-	(432,937)	(432,937)
-	-	-	-	10,611	-	10,611
-	-	-	-	790,678	-	790,678
1,404,308	(1,404,308)	-	-	-	-	-
-	(252,775)	(252,775)	-	(252,775)	-	(252,775)
-	(126,388)	(126,388)	-	(126,388)	-	(126,388)
-	(11,617,989)	(11,617,989)	-	(11,617,989)	-	(11,617,989)
-	14,717,402	14,717,402	-	14,717,402	(68,129)	14,649,273
-	-	-	(13,503)	(13,503)	-	(13,503)
$ 4,101,609	$ 15,385,739	$ 19,487,348	$ 2,168	$ 73,220,102	$ 1,002,668	$ 74,222,770

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 14,649,273	$ 14,043,076
Amortization of 3G concession	669,814	-
Depreciation and amortization	12,407,949	12,385,066
Provision for doubtful accounts	1,068,500	1,535,989
Provision for loss on decline in value of short-term investments	44	-
Losses on disposal of inventories	1,945	5,852
Provision for loss on decline in value of inventories	24,292	4,759
Unrealized loss on investments in shares of stock	-	3,000
Equity in investees' net losses	243,426	210,888
Losses on disposal of properties and properties not currently used in operations, net	118,783	455,087
Provision for losses on properties not currently used in operations	13,756	489,086
Accrued pension cost	66,877	79,994
Deferred income taxes	1,085,806	507,828
Interest premium on convertible bonds	1,070	34,297
Unrealized exchange gains on overseas convertible bonds	-	(56,508)
Other	1,997	(69,659)
Net changes in operating assets and liabilities		
Accounts and notes receivable	(1,035,228)	(334,550)
Receivables from related parties	(119,966)	8,920
Inventories	(312,856)	281,845
Prepaid expenses	1,061,434	551,655
Other current assets	180,153	19,548
Notes payable	(15,466)	(412,129)
Accounts payable	365,412	(735,906)
Payables to related parties	(76,954)	95,236
Income tax payable	(193,787)	1,597,860
Accrued expenses	492,206	(487,287)
Unearned revenues	(1,084,798)	(312,834)
Other current liabilities	(107,154)	217,610
Net cash provided by operating activities	29,506,528	30,118,723
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments, net	586,865	3,103,647
Acquisition of investments in shares of stock	(526,500)	(654,404)
Capital return due to investee's liquidation	-	488
Acquisition of properties	(6,167,968)	(7,681,332)
Proceeds from sale of properties and properties not currently used in operations	58,582	101,621
Decrease in refundable deposits	13,919	43,443

(Continued)

	2005	2004
Decrease (increase) in restricted assets	$ 1,500	($ 350,000)
Increase in deferred charges	(107,193)	(62,102)
Decrease in other assets, net	5,587	42,183
Net cash used in investing activities	(6,135,208)	(5,456,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(2,296,968)	-
Decrease in commercial paper payable	(848,195)	(2,046,783)
Increase in long-term debts	7,049,788	7,909,752
Repayment of long-term liabilities	(17,744,086)	(18,969,800)
Payment of bonus to employees and remuneration to directors	(379,200)	(221,080)
Cash dividends paid	(11,617,989)	(4,748,620)
Decrease in guarantee deposits received	(289,332)	(652,731)
Decrease in other liabilities	(4,283)	(23,198)
Decrease in minority interest	(478,342)	-
Repurchase of treasury stock	-	(3,334,798)
Cash payment on merger	(888,946)	(11,698,461)
Net cash used in financing activities	(27,497,553)	(33,785,719)
EFFECT OF EXCHANGE RATE CHANGES	(13,503)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,139,736)	(9,123,452)
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	178,080	3,057,490
CASH AND CASH EQUIVALENTS DUE TO CHANGE IN CONSOLIDATED ENTITIES	99,262	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,502,692	14,568,654
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,640,298	$ 8,502,692
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 315,027	$ 692,907
Income tax paid	$ 2,263,522	$ 53,669
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 3,117,008	$ 4,803,577
Reclassification of properties into rental assets	$ 37,573	$ 192,908
Conversion of overseas convertible bonds into common stock and capital surplus	$ 790,678	$ 3,029,049
Receivable from the dissolved investee for the return of the capital	$ 78,133	$ -
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 5,508,289	$ 7,494,251
Decrease (increase) in payables for acquisition of properties	675,953	(94,919)

(Continued)

	2005	2004
Decrease (increase) in lease payables	(16,274)	282,000
Actual cash paid for acquisition of properties	$ 6,167,968	$ 7,681,332
PROCEEDS FROM DISPOSAL OF PROPERTIES AND PROPERTIES NOT CURRENTLY USED IN OPERATIONS		
Total amount of properties and properties not currently used in operations sold	$ 62,054	$ 79,159
Increase in receivables from properties sold	(8,019)	(224)
Decrease in receivables from related parties	4,547	22,686
Actual cash received from disposal of properties	$ 58,582	$ 101,621

SUPPLEMENTARY INFORMATION ON THE FAIR VALUE OF SUBSIDIARIES' TOTAL ASSETS AND TOTAL LIABILITIES ACQUIRED (ACQUISITION OF ARCOA IN 2005 AND KG TELECOM IN 2004)

	2005	2004
Cash and cash equivalents	$ 157,224	$ 3,057,490
Short-term investments, net	662,800	3,393,647
Accounts and notes receivable, net	310,974	3,601,008
Inventories, net	627,274	220,694
Prepaid expenses	40,892	409,319
Deferred income tax assets - current	-	806,277
Other current assets	118,338	111,668
Investments in shares of stock	69,143	1,273,517
Properties, net	544,691	30,061,042
Refundable deposits	42,993	174,795
Deferred charges, net	185,857	112,693
Deferred income tax assets - noncurrent	-	119,616
Other assets	8,825	58,037
Short-term bank loans	(282,586)	(2,150,000)
Commercial paper payable	-	(2,453,844)
Notes payable	(78,354)	(423,293)
Accounts payable	(358,125)	(231,071)
Income tax payable	-	(703,621)
Accrued expenses	(174,836)	(2,835,260)
Payables for acquisition of properties	-	(276,270)
Guarantee deposits received	-	(703,921)
Unearned revenues	(64,120)	(778,534)
Other current liabilities	(28,814)	(146,918)
Long-term liabilities	(50,188)	(14,692,645)
Other liabilities	(8,843)	(36,824)
Percentage of ownership acquired	1,723,145	17,967,602
	55.37%	100%
	954,135	17,967,602
Goodwill	254,811	11,865,037
Total consideration of the merger	1,208,946	29,832,639
Less: Issuance of common stock and issuance cost	-	18,134,178
Less: Decrease in restricted assets - noncurrent	320,000	-
Cash payment for merger	$ 888,946	$ 11,698,461

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 10, 2006)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("Far EasTone") was incorporated in the Republic of China on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's shares have been traded and listed on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) since December 10, 2001 and become listed on the ROC Taiwan Stock Exchange since August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipments and accessories. Far Eastern Textile Co., Ltd. is the ultimate parent company of Far EasTone.

Far EasTone provides 2G (second-generation wireless communications services) by geographical sector under two type I licenses - GSM900 for the northern region of Taiwan and GSM1800 for island-wide ("GSM" means global system for mobile communications) issued by the Directorate General of Telecommunications ("DGT") of the Republic of China ("ROC"). These licenses allow Far EasTone to provide services for 15 years beginning in 1997, with an annual license fee of 2% of total 2G wireless communications service revenues.

DGT also issued to Far EasTone a type II license, allowing it to provide Internet services for 10 years beginning in 1999 for a fixed annual license fee based on the amount of Far EasTone's paid-in capital. In addition, Far EasTone provides services under a type II-ISR license for 10 years beginning in December 2001 and pays an annual license fee of 0.5% of ISR service revenues and is licensed to provide local/domestic long-distance land cable leased circuit services for 15 years beginning in January 2003 with an annual license fee of 1% of leased circuit service revenues.

To integrate the telecommunications business and enhance the Far EasTone's operational efficiency, the Board of Directors of Far EasTone has approved the Far EasTone's merger with Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom"), its wholly owned subsidiary, on February 24, 2005. The merger was completed on May 2, 2005, with Far EasTone as the survivor company.

In 2002, Yuan-Ze Telecom received from the DGT the 3G (third-generation wireless communications system) concession, with a bidding price of $10,169,000 thousand, included in intangible assets-3G concession. On January 24, 2005, the DGT officially issued to Yuan-Ze Telecom a 3G license, which is valid through December 31, 2018. Through the completion of the merger with Yuan-Ze Telecom, Far EasTone became licensed to provide 3G wireless communications service and began commercial operations on July 13, 2005.

Far EasTone and its affiliates (the "Group") had 5,203 and 3,468 employees as of December 31, 2005 and 2004, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Group is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, allowance for losses on inventories, depreciation and amortization, provision for losses on properties not currently used in operations, impairment losses on tangible and intangible assets, income taxes and pension cost. Actual results could differ from these estimates.

For the convenience of readers, 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 consolidated financial statements shall prevail.

The Group's significant accounting policies are summarized as follows:

Consolidation

As required by the revised ROC Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements," starting from January 2005, consolidated financial statements should include the accounts of Far EasTone and its direct and indirect subsidiaries or other investees in which Far EasTone has controlling interests. The consolidated entities include Far EasTone and its all subsidiaries in 2005. For subsidiaries acquired during the period, their revenues and expenses generated before the acquisition date will not be consolidated.

The consolidated financial statements prior to and for 2004 include the accounts of Far EasTone and its direct and indirect subsidiaries with individual total assets or total operating revenues that were at least 10% of the unconsolidated total assets or operating revenues of Far EasTone. Other subsidiaries were also consolidated if their combined total assets or operating revenues were at least 30% of the unconsolidated total assets or operating revenues of Far EasTone. The consolidated entities include Far EasTone, KG Telecom and Yuan-Ze Telecom in 2004.

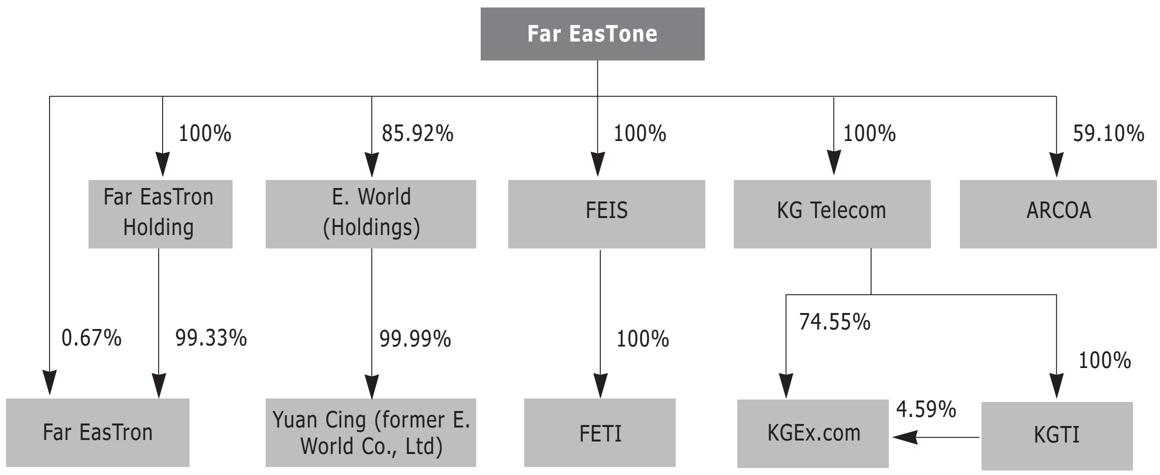
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries are translated from their respective functional currencies into New Taiwan dollars as follows:

a. All assets and liabilities at the exchange rate ruling at the balance sheet dates;
b. Share capital, retained earnings and/or accumulated deficit at their historical rates of exchange; and
c. All items in the statement of income at the averages rate of exchange for the years.

The resulting translation gains and losses are accounted for as cumulative translation adjustments.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Intercompany relationships and percentages of ownership as of December 31, 2005 are shown below:



a. Consolidated entities and their major business activities for the consolidated financial statements as of and for the year ended December 31, 2005 were as follows:

1) KG Telecommunications Co., Ltd. ("KG Telecom"):

On October 7, 2003, Far EasTone signed a definitive merger agreement with KG Telecommunications Co., Ltd. (the "former KGT"). The former KGT was incorporated in the Republic of China on June 27, 1997 and began commercial operations in January 1998. It provides wireless communications and leased circuit services and also sells cellular phone units and accessories.

The former KGT provides 2G wireless communications services under a type I license - GSM1800 for the northern region of Taiwan issued by the DGT. The license allows the former KGT to provide services for 15 years from 1997, with an annual license fee at 2% of total 2G wireless communications service revenues. Moreover, the merger of former KGT with TUNTEX (with a license of 2G to provide wireless communications service under a type I license - GSM1800 for the central and southern region of Taiwan issued by the DGT) is effective from January 1, 2000. Thus, the former KGT provided 2G wireless communications services under a type I license - GSM1800 island-wide. The DGT also issued the former KGT a type I license, allowing it to provide local/domestic long distance land cable leased circuit services for 15 years from September 2000, with an annual license fee of 1% of leased circuit service revenues.

The merger agreement was submitted to the special stockholders' meetings of Far EasTone, Yuan-Ho Telecommunications Co., Ltd. and the former KGT on November 25, 2003. The merger agreement with the former KGT provided for the transaction to occur in two steps (the "Combination"). To facilitate the combination with the former KGT, Far EasTone formed a new wholly owned subsidiary on September 25, 2003 called Yuan Ho Telecommunications Co., Ltd. ("Yuan-Ho"), which also was a party to the merger agreement. Yuan-Ho engages in providing 2G wireless communications and sale of telecommunications equipment.

In the first step of the transaction, the former KGT merged with and into Yuan-Ho, with Yuan-Ho as the survivor company. The first step was completed and effective on January 1, 2004.

As consideration for this step of the transaction, the former KGT stockholders became entitled to receive - for each KGT share owned - cash at NT$6.72 per KGT share and 0.46332 share of Yuan-Ho's common stock; thus, the former KGT stockholders will receive a total of $11,698,461 thousand in cash and 806,567 thousand common shares of Yuan-Ho. This merger consideration was held in escrow for the former KGT stockholders pending completion of the second step of the transaction. After the completion of the first step of the transaction, Yuan-Ho obtained approval from the Department of Commerce, Ministry of Economic Affairs (MOEA) to change its name to KG Telecommunications Co., Ltd. ("KG Telecom") and the former KGT no longer existed as a corporate entity.

In the second step of the transaction, former KGT stockholders became entitled to receive one share of Far EasTone stock in exchange for each KG Telecom share owned, representing an aggregate of 806,567 thousand of Far EasTone shares in the amount of $17,930,678 thousand. In order to satisfy this consideration to stockholders of KG Telecom for the remaining ownership, Far EasTone issued 693,523 thousand new shares and reissued the 113,044 thousand shares held as treasury stock (Note 15). The effective date of the share swap was April 29, 2004 and the second step of the transaction was completed on May 20, 2004 after the registration of the shares with MOEA.

Upon completion of the second step of the transaction, Far EasTone accounted for the merger with KG Telecom as a wholly-owned subsidiary. Far EasTone established control of KG Telecom as of January 1, 2004 as Far EasTone held the majority of the board seats of KG Telecom, significant consideration had been paid and other elements of control had been established. Thus, Far EasTone recognized 100% of its investment income beginning January 1, 2004.

The transaction was accounted for as a purchase with a total purchase price of $29,832,639 thousand, which included 806,567 thousand shares of Far EasTone's common stock valued at $17,930,678 thousand based on the average closing prices (NT$22.23 per share) for the trading day (September 29, 2003 to October 3, 2003) around the announcement date (October 7, 2003) of the Combination, a cash payment of $11,698,461 thousand and direct transaction costs of $203,500 thousand. The difference between the total purchase price and the fair value of net assets assumed from the former KGT is $11,865,037 thousand (included in goodwill).

2) Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom"):

Yuan-Ze Telecom started preparing for its establishment on January 1, 2001 and was incorporated in the ROC on December 5, 2001. On January 24, 2005, Yuan-Ze Telecom obtained a 3G (third - generation wireless communications system) license from the DGT.

On February 24, 2005, the Board of Directors of Far EasTone approved the merger with Yuan-Ze Telecom, with Far EasTone as the survivor company. The merger was approved by DGT on March 16, 2005 and by the OTC securities exchange on April 19, 2005. The merger was completed and took effect on May 2, 2005.

3) E. World (Holdings) Ltd. ("E. World"):

E. World was incorporated in the Cayman Islands on April 7, 2000. Far EasTone originally owned 19.00% of E. World's stock. On June 30, 2004, Far EasTone acquried 66.92% of E. World's stock from Far Eastern Textile

Co., Ltd. and its affiliates, therefore Far EasTone became E. World's parent company. E. World is primarily an investment holding company.

4) Far Eastern Info Service (Holding) Ltd. ("FEIS"):
FEIS was incorporated in the Bermuda Islands on July 17, 2002. Far EasTone became FEIS's parent company after its acquisition of FEIS's stock held by Far Eastern Polychem Industries on August 30, 2004. FEIS is primarily an investment holding company.

5) KGT International Holding Co., Ltd. ("KGTI")
KGTI was incorporated in the British Virgin Islands on June 14, 2001. It is a wholly owned subsidiary of KG Telecom. KGTI is primarily an investment holding company.

6) KGEx.com Co., Ltd. ("KGEx.com")
KGEx.com was incorporated by KG Telecom and KGTI in the Republic of China on August 9, 2000. KG Telecom and KGTI together own 79.14% of KGEx.com's common stock. KGEx.com mainly provides Type II telecommunications services.

7) Yuan Cing Co., Ltd. ("Yuan Cing"; formerly E. World Co., Ltd.):
Yuan Cing was incorporated on August 5, 2000. It is a wholly owned subsidiary of E. World. On June 20, 2005, the Board of Directors of Yuan Cing approved to change its name from E. World Co., Ltd. to Yuan Cing Co., Ltd. Yuan Cing provides data processing services.

8) Far Eastern Tech-info Ltd. (Shanghai) ("FETI"):
FETI was incorporated in the People's Republic of China on November 18, 2002 and acquired a 50-year operating permit. It is a wholly owned subsidiary of FEIS. FETI provides computer software, data processing and Internet content providing services.

9) ARCOA Communications Co., Ltd. ("ARCOA"):
ARCOA was incorporated in the Republic of China on May 4, 1981. ARCOA's shares have been traded and listed on the emerging market of OTC since December 27, 2002. ARCOA sells cellular phone units and other telecommunications equipment or accessories and also provides related maintenance services.
On December 22, 2004, the Board of Directors of ARCOA decided to withdraw its stock from the OTC securities exchange and became a private company. Far EasTone has purchased from ARCOA's stockholders 79,353 thousand shares from February to July 2005. As a result, Far EasTone acquired 59.10% of ARCOA's common stocks and became its parent company.

10) Far EasTron Holding Ltd. ("Far EasTron Holding"):
Far EasTron Holding was incorporated on August 30, 2005. It is a wholly owned subsidiary of Far EasTone. Far EasTron Holding is primarily an investment holding company.

11) Far EasTron Co., Ltd. ("Far EasTron")
Far EasTron was incorporated on August 12, 2005. It was originally a wholly owned subsidiary of Far EasTone. Then, the equity of Far EasTron owned by Far EasTone decreased to 0.67% since Far EasTron Holding Ltd. participated Far EasTron's issurance of capital stock for cash by $149,000 thousand (99.33%) in November, 2005. Far EasTron mainly provides Internet content providing services. Moreover, since the combined equity of Far EasTone and Far EasTron Holding in Far EasTron allows Far EasTone to control Far EasTron's operating and financial policy decisions, Far EasTron is included in the consolidated entities.

b. The consolidated financial statements as of and for the year ended December 31, 2004 included the accounts of Far EasTone, KG Telecom and Yuan-Ze Telecom. Other subsidiaries with individual total assets or total operating revenues that were not at least 10% of the unconsolidated total assets or operating revenues of Far EasTone were excluded.

c. The entities in the "Consolidated Financial Statements of Far EasTone and Affiliates" are the same as those in the consolidated financial statements as required under ROC GAAP SFAS No. 7 "Consolidated Financial Statements"; thus, no consolidated financial statements of Far EasTone and affiliates will be compiled. The information needed in the consolidated financial statements of Far EasTone and affiliates is enclosed in the consolidated financial statements.

Current and Noncurrent Assets and Liabilities

Current assets include unrestricted cash or cash equivalents as well as items to be converted into cash or used within one year. Current liabilities are obligations to be settled within one year. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper and bonds purchased under resell agreements with original maturities of not more than three months are classified as cash equivalents. The carrying values approximate to their fair values.

Short-term Investments

Short-term investments in mutual funds and financial bonds are carried at the lower of aggregate cost or market value. An allowance for loss is provided and charged to income for the current year when the aggregate carrying value of the investments exceeds the total market value. Any subsequent recovery of the market value to the extent of the original carrying value is recognized as income. The costs of short-term investments sold are determined using the weighted-average method or the specific identification method. The market values of the mutual funds are based on the net asset values as of the balance sheet date while the market value of financial bonds is its cost.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on the basis of the aging status and estimated collectibility of receivables from subscribers and other parties.

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the weighted-average method. Losses on disposal of inventory are evaluated based on the changes of marketing strategy. Losses on decline in value of inventory are evaluated based on the demand of the market and should be recognized when the net realizable value is lower than the cost.

Investments in Shares of Stock

Investments in shares of stock in companies in which the Group owns at least 20% of investees' common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Any cash dividends received are recognized as a reduction of the carrying value of the investments. Under this method, the investment is initially carried at cost on the acquisition date. The investment carrying values are then adjusted proportionately to the Group's share in the investees' net income or net loss. The difference between the cost of the investment and the Group's equity in the investees' net assets is amortized over 3 to 5 years. An impairment loss should be recognized whenever the carrying amount of those investments in shares of stock exceeds their recoverable amount, and this impairment loss should be charged to current income.

Other investments are accounted for by the cost method. Such investments are carried at cost less an allowance for an other than temporary decline in the value of the investees' stock. These allowances are charged to current income. Cash dividends received a year subsequent to its acquisition are accounted for as dividend income.

Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount of each shares is recalculated on the basis of the total number of shares, including the received stock dividends. Costs of investments sold are determined using the weighted-average method.

Properties, Rental Properties and Properties not Currently Used in Operations

Properties and rental properties are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Major improvements as well as interest expense incurred during the construction period are capitalized, while maintenance and repairs are expensed currently. Properties still being used beyond their initially estimated service lives are depreciated over their newly estimated service lives.

An impairment loss should be recognized whenever the carrying amount of properties, rental properties and properties not currently used in operations exceeds their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years.

Equipment under capital leases and the related liability are stated at the lower of (1) the fair value of the equipment at the beginning of the lease or (2) the total present value of future lease payments and the bargain purchase option.

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48-55
Building equipment	3-18
Operating equipment	2-15
Computer equipment	3-10
Office equipment	2-15
Leasehold improvements	3-10
Miscellaneous equipment	3-10

Upon retirement or other disposal (e.g., sale) of properties, rental properties, properties not currently used in operations, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to nonoperating income or expense.

Properties not currently used in operations, such as telecommunications equipment and computer equipment expected to be retired or disposed of and properties not expected to be used currently, are stated at the lower of net book value or net realizable value.

Deferred Charges

Deferred charges mainly include the management cost of syndication loans, retail stores renovation and computer software and are amortized using the straight-line method over the terms of the syndicated loans, lease (retail store renovation) and agreements on the rights of software use. Deferred charges are grouped with properties for impairment test purposes.

Intangible Assets

Goodwill derived from a merger or the premium between purchase price and net asset value of subsidiaries at acquisition is amortized by the straight-line method over 3 to 15 years.

The 3G concession was stated at cost and will be amortized on a straight-line basis from January 24, 2005, the grant date of the concession license, until the license expiry date on December 31, 2018.

Intangible assets are reviewed for impairment whenever circumstances indicate that the carrying value is higher than recoverable value. If the total of the expected future undiscounted cash flows is less than the carrying value of the assets, a loss is recognized for the difference between the fair value and the carrying value of the assets. An impairment loss recognized in prior years may be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of amortizaton) had no impairment loss been recognized in prior years. Reversal of a previously recognized impairment loss on goodwill is prohibited.

Revenue Recognition

Revenue is recognized when the earnings process is completed or virtually complete and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to excess of minutes of traffic included in the fixed monthly service fees) from wireless services, international simple resale services, internet and data services and interconnection calls, net of any applicable discount, are billed according to customers' usage and are recognized on the basis of minutes of traffic processed. Other revenues are recognized as follows: (a) fixed monthly service fees and leased-circuit service revenues are accrued each month; (b) prepaid call and internet card services are recognized as income based upon customer usage; (c) one-time commission and subsidy revenue of a bundled contract (which covers both the purchase price of a cellular phone unit and a mobile phone number) or merely sales of mobile phone number as an agent for the telecommunications providers are accrued as activated; and (b) commission revenue are accrued monthly based upon related airtime revenue.

The revenues from and expenses for the sale of cellular phone equipment and accessories are recognized when the products are delivered to and accepted by the customers as the related transaction is considered a separate earnings process from the sale of wireless services.

The amount received at the start of a bundled contract (which covers both the purchase price of a cellular phone unit and service fees for an equivalent number of minutes of traffic each month throughout the validity period of the contract) is deferred and recognized as revenue over the validity period of the contract using the straight-line method. If the sum of the cost of the cellular phone unit and the commission paid to the dealers (the "customer acquisition cost") exceeds the amount received at the beginning of the contract, the excess is charged to marketing expense. The portion of the customer acquisition cost equivalent to the amount received at the beginning of the contract is deferred and amortized as marketing expenses over the validity period of the contract using the straight-line method.

Operating revenues are measured at fair values based on the prices negotiated between the Group and the customers. Since the future values of operating revenues resulting from receivables within one year approximate the fair values of these receivables, the fair values are not recalculated based on the pro forma interest rate method.

Deferral of Unrealized Intercompany Profit

The entire gains from Far EasTone's sales of products to its subsidiaries are deferred and included as deferred income until the gains are realized through the subsequent sale of the related items to third parties. In addition, Far EasTone classifies the deferred income as current or noncurrent on the basis of the length of the gain realization period.

Far EasTone defers its gain or loss on its product sales in proportion to ownership percentages for sales to other equity-method investees. These gains and losses are realized upon subsequent sale of products to third parties.

Far EasTone defers its gains or losses on the subsidiaries' sales of products to Far EasTone or on the sale among subsidiaries in proportion to its equity in the subsidiaries until the gains or losses are realized through the subsequent sale of the related items to third parties.

Capital Expenditures and Expenses

Expenditure is capitalized whenever it increases the future service potential of a fixed asset and the amount is material. Other expenditures are expensed as incurred.

Promotion Expenses

Commissions and cellular phone equipment subsidy costs (other than those pertaining to the bundle contract mentioned above) related to the Group's promotions are treated as marketing expenses and cost of telecommunications services in the period when the service to a subscriber is activated.

Pension Costs

Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing (former E. World Taiwan) and Far EasTron have a pension plan for all regular employees. Under the defined benefit pension plan, the pension costs are recognized on the basis of actuarial calculations. Unrecognized net transition obligations and unrecognized pension gains or losses are amortized using the straight-line method over 15 years and the average remaining service of employees, respectively. Benefits are based on the number of service years and average basic pay on the final six months before retirement. Under the defined contribution pension plan, monthly payments should be made based on a fixed percentage of the actual salary paid to the employees and are recognized as pension cost.

The pension cost of KGEx.com was previously calculated at a fixed percentage of the actual monthly salary paid. Effective December 31, 2004, KGEx.com adopted Statement of Financial Accounting Standards No. 18, "Accounting for Pensions," which requires (a) the actuarial determination of assets and obligation as of December 31, 2004; (b) disclosure of certain pension information; and (c) recognition of pension cost as actuarially determined starting 2005.

FETI, under its government's regulations, has a defined contribution pension plan. It makes monthly payments calculated at a fixed percentage of employees' salaries, which are recognized as pension costs.

FEIS, E. World, KGTI and Far EasTron Holding do not have a pension plan since they do not have any employees.

Convertible Bonds

Far EasTone issued overseas convertible bonds at par value and without any discount or premium. Far EasTone gave the bondholders the right to redeem the convertible bonds in cash at par value plus the interest-premium on a specific date. The interest-premium of puttable convertible bonds, which is the difference between the specified put price and the par value, is amortized using the interest method and is recognized as a liability over the period from the issuance date of the bonds to the expiry date of the put option. The direct and necessary costs of issuing convertible bonds are amortized using the straight-line method over the same period as interest-premium.

When the bondholder exercises the conversion option, Far EasTone uses the book-value approach. Far EasTone will write off the unamortized issuance costs, recognized interest-premium and par value of the convertible bonds. The capital stock is valued at its carrying value net of the amounts written-off, and the amount in excess of the par value of capital stock is recognized as additional paid-in capital.

Income Tax

Deferred income tax assets are recognized for the tax effects of deductible temporary differences, unused operating loss carry forwards and unused investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. A valuation allowance is recognized for deferred income tax assets that are not certain to be realized. Deferred income tax assets and liabilities are classified as current or noncurrent on the basis of the classifications of the related assets and liabilities. A deferred asset or liability that cannot be related to an asset or a liability in the financial statements is classified as current or noncurrent according to the expected realization date of the temporary difference.

Tax credits earned for certain purchase of telecommunications and other equipment, research and development expenses and personnel training expenses are accounted for as a reduction in the current year's income tax expense.

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

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions

Foreign currency transactions (except forward contracts) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement.

On the balance sheet dates, the balances of foreign-currency denominated assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as follows:

a. Equity-method investments - as cumulative translation adjustments under stockholders' equity; and

b. Other assets and liabilities - as credits or charges to income.

Financial Derivatives

The contract (notional) amounts of interest rate swap agreements entered into as hedges of interest rate risk are not recognized in the financial statements because these agreements do not require the settlement of such notional amounts. On the balance sheet dates or settlement dates, the amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item.

Cross currency swap contracts, which are intended for hedging purposes, are recorded at the contract exchange rates on the starting dates of the contracts (the "starting dates"). The differences of the notional amounts and accrued interests due to exchange rate fluctuations between balance sheet dates and starting dates are included in the current year's incomes or losses. The exchanged interest during the contract period, on an accrual basis, is recorded as an adjustment to the revenue or expense associated with the items being hedged.

Forward exchange contracts are entered into as hedges of foreign-currency commitments and are recorded in New Taiwan dollars as assets and/or liabilities using the prevailing exchange rates on the starting dates. The premium or discount, which is the amount of the contract multiplied by the difference between the contracted forward rates and the prevailing exchange rates on the starting dates, is deferred and then recognized as an adjustment to the commitment when the hedged transactions occur. However, if the contract amount exceeds the foreign-currency amount of the related commitment, the amortization of the premium or discount related to the excess is recognized as gain or loss in the current year.

On the balance sheet date, the gains or losses on the contracts, computed by multiplying the contract amount by the difference between the rates on the starting dates and the balance sheet dates (or the rates last used to measure a gain or loss on that contract for an earlier period), are recognized in the same way used for amortizing the premium or discount described above. Also, the receivables and payables related to the forward contracts are netted out, and the net amount is presented as an asset or a liability.

The interest-linked structured deposits are recorded as assets when the principal is paid at the start of the contracts, and the interest is recognized as income over the terms of the contracts. The related gains and losses are recognized in the current year when the contracts are settled.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2004 have been reclassified to be consistent with the presentation of consolidated financial statements as of and for the year ended December 31, 2005.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the combined balance sheets and statements of income of the Group as of and for the years ended December 31, 2005 and 2004, respectively. The pro forma financial information on the assumption that Far EasTone bought the majority interest of ARCOA on January 1, 2005 and 2004 is as follows:

	(In Thousands, Except EPS) For the Years Ended December 31	
	2005	2004
Current assets	$ 15,086,133	$ 19,926,899
Properties, net	61,492,558	64,944,508
Current liabilities	18,635,277	24,624,645
Operating revenue	72,281,646	70,237,647
Income before income tax	17,909,004	16,115,587
Net income	14,701,571	13,955,915
EPS	3.80	3.72

The pro forma combined balance sheets and statements of income are presented for illustrative purposes only. That is, this information does not necessarily show the financial position and results of operations under the assumption that Far EasTone bought the majority interest of ARCOA on January 1, 2005 and 2004, nor is it necessarily indicative of future financial position or results of operations of the Group.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2005	2004
Cash		
Cash on hand	$ 15,977	$ 8,515
Checking and demand deposits	1,350,159	2,356,554
Certificates of deposit - interest of 1.53%-4.25% in 2005 and 1.92%-2.53% in 2004	111,180	557,805
	1,477,316	2,922,874
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.40%-1.48% in 2005 and 1.085%-1.100% in 2004	3,032,982	4,379,818
Bonds purchased under agreements to resell - interest of 1.55%-1.60% in 2005 and 1.0% in 2004	130,000	1,200,000
	3,162,982	5,579,818
	$ 4,640,298	$ 8,502,692

5. SHORT-TERM INVESTMENTS, NET

	December 31 2005	December 31 2004
Mutual funds - open-ended	$ 406,500	$ 290,000
Financial bonds	3,000	-
	409,500	290,000
Less - allowance for losses	44	-
	$ 409,456	$ 290,000

6. INVENTORIES, NET

	December 31 2005	December 31 2004
Cellular phone equipment	$ 1,353,843	$ 663,654
SIM cards	147,938	51,143
Cellular phone accessories	58,046	37,542
Others	107,046	5,226
	1,666,873	757,565
Less - allowance for losses	55,243	23,001
	$ 1,611,630	$ 734,564

7. INVESTMENTS IN SHARES OF STOCK

	December 31 2005		December 31 2004	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
Far Eastern Electronic Toll Collection Co., Ltd.	$ 789,096	42.66	$ 433,544	45.00
Ding Ding Integrated Marketing Service Co., Ltd.	27,680	15.00	44,836	15.00
iScreen	20,949	40.00	66,098	40.00
THI Consultants Inc.	14,128	22.22	-	-
Hi Information Co., Ltd.	5,537	33.17	-	-
KGEx.com	-	-	898,944	50.27
KGTI	-	-	97,725	100.00
KG Satellite	-	-	83,256	66.33
Far Eastern Info Service (Holding) Ltd. (Bermuda)	-	-	109,846	100.00
E. World (Holdings) Ltd.	-	-	65,433	85.92
	857,390		1,799,682	
Cost method				
Taiwan Fixed Network Co., Ltd.	21,000	0.03	-	-
VIBO Telecom Inc.	20,000	0.13	-	-
Ideaculture Limited	14,185	17.96	-	-
Chunghwa Int'l Communication Network Co., Ltd.	6,714	4.20	-	-
Web Point Co., Ltd.	1,618	0.75	-	-
YesMobile Taiwan	-	-	-	0.50
	63,517		-	
	$ 920,907		$1,799,682	

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") allow Far EasTone to exercise significant influence on its operating and financial policy decisions, the investment in DDIM is accounted for by the equity method even though Far EasTone's equity in DDIM is only 15%.

The equities in net assets of the foregoing equity-method investees, were determined on the basis of the investees' audited financial reports as of and for the years ended December 31, 2005 and 2004. Under the revised ROC Statement of Financial Accounting Standards No. 5, "Long-term Investment in Equity Securities," ARCOA started to recognize its equity in the net income or net loss of THI Consultants Inc. (THIC) in the same period starting 2005. As a result, the equity in THIC for the year ended December 31, 2005 included the accounts of audited financial statements as of and for the years ended December 31, 2005 and 2004.

Marketable equity securities with no quoted market prices and with fair values that could not be reliably measured were accounted for under the cost method. An unrealized loss occurs when a decline in value (fair value below the cost) of a marketable equity security is not recognized as an impairment loss and the loss (cost in excess of fair value) is not charged to current income. As of December 31, 2005, unrealized losses and fair value pertaining to the marketable equity securities owned by the Group were as follows:

	Within 12 Months		Over 12 Months		Total	
	Fair Value	**Unrealized Losses Not Recognized**	**Fair Value**	**Unrealized Losses Not Recognized**	**Fair Value**	**Unrealized Losses Not Recognized**
Marketable equity securities accounted for under the cost method	$ 54,566	$ 12,808	$ -	$ -	$ 54,566	$ 12,808

As of December 31, 2005, the carrying value of marketable equity securities accounted for under the cost method was $63,517 thousand, of which 27,714 thousand shares had an estimated fair value of $31,571 thousand; thus, there was no decline in value of the securities. The remaining cost-method marketable equity securities, which amounted to 35,803 thousand shares, consisted of one company in 3G telecommunications industry, one company rendering value-added service for mobile phone industry and one company engaged in sales of food and clothing. The estimated fair values were 16,691 thousand (83% of its carrying value), 4,698 thousand (33% of its carrying value) and 1,606 thousand (99% of its carrying value), respectively. Unrealized losses not recognized on these marketable equity securities all persisted less than 12 months.

The company in 3G telecommunications service industry began its commercial operations in 2005; thus, the return on this investment could not be reasonably measured. The company in value-added service for mobile phone industry and another company were adjusting for new operating strategies. The Group determined the decline in values could be recovered in short term while the Group had both the intention and the ability to hold these marketable equity securities until their unrealized losses recovered. As a result, these unrealized losses were deemed temporary.

Neither the total assets or total operating revenue of the subsidiaries individually reached at least 10% or collectively reached at least 30%, respectively, of Far EasTone's total assets and operating revenue; thus, these subsidiaries were not consolidated in these financial statements as of and for the year ended December 31,2004.

8. PROPERTIES

a. Accumulated depreciation consisted of:

	December 31	
	2005	**2004**
Buildings and equipment	$ 628,907	$ 357,327
Operating equipment	47,013,314	37,762,757
Computer equipment	8,966,410	7,344,513
Office equipment	765,006	657,137
Leasehold improvements	983,387	813,232
Miscellaneous equipment	69,918	64,289
	$ 58,426,942	$ 46,999,255

b. Far EasTone and KG Telecom leased computer equipment from Far Eastern International Leasing Corporation from July 2004 to June 2009 with annual lease payments of $30,828 thousand. The amount paid for the leased properties at the inception of the lease was $147,500 thousand net of the market price of new equipment of $277,470 thousand less the equipment exchanged of $129,970 thousand. The total lease payments were $154,136 thousand. The lease agreement qualifies as capital lease since (a) the present value of the future lease payments plus the bargain purchase price under the agreement exceeds 90% of the fair value of the leased assets, and (b) the lease term is equal to 75% or more of the estimated economic life of the leased assets.

Far EasTone and KG Telecom leased another computer equipment (included in construction in progress) from Far Eastern International Leasing Corporation from March 2006 to February 2011 with annual lease payment of $10,126 thousand. The total lease payments were $50,626 thousand. The lease agreements qualify as capital lease since (a) the present value of the future lease payments plus the bargain purchase price under the lease agreement exceeds 90% of the fair value of the leased assets, and (b) the lease term is equal to 75% or more of the estimated economic life of the leased assets.

KGEx.com leased computer equipment from one third party and Far Eastern International Leasing Corporation from June 2005 to October 2008 with annual lease payments of $847 thousand. The total lease payments were $2,542 thousand. The lease agreement qualifies as capital lease since (a) the present value of the future lease payments exceeds 90% of the fair value of the leased assets, and (b) at the expiration of the lease term, the equipment will be transferred to KGEx.com.

The details of the lease as of December 31, 2005 and 2004 are as follows:

	December 31	
	2005	**2004**
Total future lease payments	$ 145,270	$ 123,308
Less - imputed interest expense	10,996	5,308
Less - current portion of lease payable (included in current portion of long-term liabilities)	134,274	118,000
Long-term lease payable	38,913	29,500
	$ 95,361	$ 88,500

c. Capitalized interest on properties was as follows:

	For the Years Ended December 31	
	2005	**2004**
Total interest expense	$ 419,836	$ 793,876
Less - interest capitalized - 1.75%-2.73% in 2005 and 1.33%-4.24% in 2004	140,379	107,915
Interest expense, net of amounts capitalized	$ 279,457	$ 685,961

9. GOODWILL

Starting from January 1, 2005, in conformity with the Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," the Group is divided into three identifiable groups: 2G/2.5G wireless telecommunications services, 3G wireless telecommunications services and business of selling cellular phone units and other telecommunications equipment or accessories. 2G/2.5G wireless telecommunications services can be further identified as Far EasTone and KG Telecom. As a result, the Group was divided into four smallest identifiable cash-generating units - Far EasTone, KG Telecom, 3G wireless telecommunications services and business of selling cellular phone units and other telecommunications equipment or accessories.

On December 31, 2005, the carrying value of the tangible and intangible assets used by the Group was $82,370,043 thousand. The Group's management estimated the recoverable amount of core assets at their expected useful lives and thus based the cash flow forecast on a discount rate of 9.42% (Far EasTone), 11.27% (KG Telecom), 9.42% (3G wireless telecommunications services) and 11% (business of selling cellular phone units and other telecommunications equipment or accessories), respectively. The operating revenue forecast is based on the expected future growth rate of the telecom industry along with the prospective advancement of the business. On the basis of the anticipated effective customer base and sales predictions, the Group's management believes that the carrying amount of these tangible and intangible assets will not exceed their recoverable amounts even if there are changes in the basic assumptions used to estimate recoverable amounts as long as these changes are reasonable.

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 growth rate is based on the actual effective customer base of the previous years and on assumptions that the MVS market will mature and that the upcoming 3G telecommunications service will have a great impact on the market.
   2) Mobile data service (MDS): The demand for MDS is expected to grow. However, given the cycle in the industry, the growth rate for MDS will gradually decrease annually.
   3) Business of selling cellular phone units: Based on past experience, future plans and the trend in the overall market, the anticipated growth rate is expected to decrease.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue - around 50% in 2005; this ratio will still be around 50% in future years.

   As of December 31, 2005, the recoverable amount calculated on the basis of the above principal hypotheses exceeded the carrying amount of the tangible and intangible assets. Thus, no impairment loss was recognized.

10. RENTAL ASSETS, NET

	December 31	
	2005	**2004**
Cost		
Land	$ 124,042	$ 99,524
Buildings	109,698	94,672
	233,740	194,196
Less - accumulated depreciation		
Buildings	7,223	3,220
	$ 226,517	$ 190,976

Rental properties are offices of Far EasTone and ARCOA, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through February 2013 and through May 2007, respectively. Future rental income is summarized as follows:

Period	Amount
2006	$ 13,707
2007	11,520
2008	6,955
2009	7,138
2010	14,388

11. SHORT-TERM BANK LOANS

	December 31	
	2005	**2004**
Secured bank loans - interest of 1.65%	$ 50,000	$ -
Unsecured bank loans - interest of 1.75%-6.03% in 2005 and 1.35%-1.71% in 2004	245,618	2,250,000
	$ 295,618	$ 2,250,000

12. COMMERCIAL PAPER PAYABLE

Far EasTone, KG Telecom and Yuan-Ze Telecom issued commercial paper that was guaranteed by financial institutions, which will be due within one year. The obligations as of December 31, 2005, which were discounted at 1.28%, were fully repaid on January 3, 2006. The obligations as of December 31, 2004 were discounted at 1.43% to 2.02% and were fully repaid on April 22, 2005.

13. LONG-TERM LIABILITIES

	December 31, 2005		
	Due Within One Year	Due after One Year	Total
Bonds			
Domestic unsecured bonds-1st - Far EasTone	$ 2,140,000	$ 2,060,000	$ 4,200,000
Domestic unsecured bonds-2nd - Far EasTone	-	1,470,000	1,470,000
Domestic unsecured bonds-3rd - Far EasTone	900,000	2,100,000	3,000,000
	3,040,000	5,630,000	8,670,000
Long-term debts			
Unsecured bank loans - Far EasTone	-	300,000	300,000
Secured bank loans - KGEx.com	38,095	133,333	171,428
	38,095	433,333	471,428
Long-term lease payable			
Far EasTone	19,150	47,100	66,250
KG Telecom	19,150	47,100	66,250
KGEx.com	613	1,161	1,774
	38,913	95,361	134,274
	$ 3,117,008	$ 6,158,694	$ 9,275,702

	December 31, 2004		
	Due Within One Year	Due after One Year	Total
Bonds			
Overseas unsecured convertible bonds - Far EasTone	$ 778,227	$ -	$ 778,227
Interest premium - overseas unsecured convertible bonds - Far EasTone	14,641	-	14,641
Domestic secured bonds - Far EasTone	660,000	-	660,000
Domestic secured bonds - KG Telecom	1,020,000	-	1,020,000
Domestic unsecured bonds - 1st - Far EasTone	-	4,200,000	4,200,000
Domestic unsecured bonds - 2nd - Far EasTone	-	1,470,000	1,470,000
Domestic unsecured bonds - 3rd - Far EasTone	-	3,000,000	3,000,000
	2,472,868	8,670,000	11,142,868
Long-term debts			
Commercial paper - KG Telecom	217,834	325,752	543,586
Unsecured bank loans - KG Telecom	-	3,000,000	3,000,000
Secured bank loans - KG Telecom	2,083,375	608,578	2,691,953
Secured bank loans - Yuan-Ze	-	2,140,000	2,140,000
	2,301,209	6,074,330	8,375,539
Long-term lease payable			
Far EasTone	14,750	44,250	59,000
KG Telecom	14,750	44,250	59,000
	29,500	88,500	118,000
	$ 4,803,577	$ 14,832,830	$ 19,636,407

a. Domestic unsecured bonds - 1st - Far EasTone

Five-year domestic unsecured bonds were issued at par value on February 19, 2002. The total face value of the bonds is $4,200,000 thousand, with face value of $1,000 thousand at 3.4% annual interest. Redemption is at a percentage of the face amount of the bond, as follows: Type I bond - 40% in February 2006 and 60% in February 2007; and Type II bond - 60% in February 2006 and 40% in February 2007.

b. Domestic unsecured bonds - 2nd - Far EasTone

These are five-year unsecured domestic bonds issued at par value on March 28, 2003. The total face value of the bonds is $1,470,000 thousand, with a face value of $1,000 thousand and interest rate of 2.6% in the first year and 3.2% minus USD six-month LIBOR rate from the second year to maturity, payable semi-annually. Far EasTone should redeem the full amount when the bonds become due in 2008.

c. Domestic unsecured bonds - 3rd - Far EasTone

Three-year, four-year and five-year domestic unsecured bonds were issued at par value on December 12, 2003. The total face value of the bonds is $3,000,000 thousand, with a face value of $5,000 thousand and annual interest rates of 1.83% (three-year bonds) and 1.92% (four-year bonds). The interest rate for five-year bonds is 5.2% minus USD six-month LIBOR rate if the LIBOR rate is greater than 1.05%; otherwise, the interest is at the LIBOR rate plus 1%, payable semi-annually. Far EasTone should redeem the full amount when the bonds become due in 2006, 2007 and 2008.

d. Unsecured bank loans - Far EasTone

Far EasTone had unsecured bank loans at an annual interest rate of 1.60% to 1.64% which were due on January 4, 2006. The loan is guaranteed by a consortium of banks, and the guarantee is effective until November 2007.

e. Secured bank loans - KGEx.com

KGEx.com obtained a secured bank loan at interest rate of 2.100% to 2.345%, payable monthly as of December 31, 2005. The loan is secured and payable, starting in April 2005 and every three months thereafter at equal installments, with final payment due in April 2010.

f. Long-term lease payable

Far EasTone and KG Telecom entered into capital lease agreements on computer equipment with Far Eastern International Leasing Corp. in December 2005 and July 2004. The annual lease payments were $10,126 thousand and $30,828 thousand (Note 8) as of December 31, 2005.

KGEx.com also entered into capital lease agreements on computer equipment with the third party and Far Eastern International Leasing Corp. in June and November 2005. The annual lease payments were $847 thousand (Note 8) as of December 31, 2005.

g. Overseas unsecured convertible bonds - Far EasTone

Five-year unsecured zero coupon convertible bonds, with total face value of US$115,000 thousand, were issued on February 19, 2003. The bonds are listed on the Luxembourg Stock Exchange. The repayment or conversion terms of the bonds are as follows:

1) Far EasTone's redemption of the bonds upon maturity at 105.114% of their face value on February 19, 2008;
2) Redemption at the option of the bondholder at 102.015% of their face value on February 19, 2005;
3) Each bondholder has the right to convert the bonds into shares or global depositary receipts between March 21, 2003 and January 20, 2008.

   Before March 2005, convertible bonds amounting US$115,000 thousand had been fully converted into 142,167 thousand shares of common stock (including 165 thousand units of Global Depositary Receipts representing 2,473 thousand shares of common stock).
4) At any time on or after February 19, 2006 and prior to February 19, 2008, Far EasTone may redeem the Bonds in whole, or from time to time in part at a specific price under certain conditions. In addition, Far EasTone may redeem the Bonds in whole, but not in part, if at least 90% in principal amount of the Bonds has already been redeemed, repurchased and cancelled or converted.

h. Domestic secured bonds - Far EasTone

These are five-year secured domestic bonds issued at par value on November 30, 2000. The total face value of the bonds is $2,200,000 thousand, with face value of $1,000 thousand and 5.06% interest, compounded semi-annually. Starting on November 30, 2002 and every six months thereafter, Far EasTone should redeem the bonds for up to 14% to 15% of their face value. Far EasTone had made the final payment due on November 30, 2005.

i. Domestic secured bonds - KG Telecom

Five-year domestic secured bonds were issued at par value on August 4, 2000. The total face value of the bonds is $3,000,000 thousand, with face value of $1,000 thousand and 5.37% interest. Starting on August 4, 2003 and every year thereafter, KG Telecom should redeem the bonds for up to 33% to 34% of their face value. KG Telecom had made the final payment due on August 4, 2005.

j. Commercial paper - KG Telecom

Under a revolving credit agreement, a consortium of banks guaranteed the commercial paper amounting to $543,586 thousand to be reissued by KG Telecom until June 2007. The commercial paper bears 2.178% interest rates as of December 31, 2004. Starting in 2002, the maximum amount of commercial paper that can be reissued under the agreement will decrease by 14% to 15% every six months. KG Telecom had obtained a permission from the banks to make an early repayment of the total commercial paper on July 6, 2005.

k. Unsecured bank loans - KG Telecom

KG Telecom had unsecured bank loans at an annual interest rate of 1.03% to 1.85% as of December 31, 2004. The loan is guaranteed by a bank, and the guarantee is effective until August 2006. KG Telecom had made a fully payment on February 25, 2005.

l. Secured bank loans - KG Telecom

1) As of December 31, 2004, KG Telecom had obtained a loan of US$7,816 thousand (equivalent to $247,845 thousand), from a consortium of banks at 3.044% interest rate, payable quarterly. The loan is secured and repayable from August 2002 and every six months thereafter at equal installments of the principal, with the final repayment due on August 4, 2005.
2) As of December 31, 2004, KG Telecom had obtained a loan of $1,428,500 thousand from a consortium of banks at 2.5389% interest rate, payable monthly. The loan is secured and repayable from August 2002 and every six months thereafter at equal installments of the principal, with the final repayment due in August 2005. KG Telecom had obtained permission from the banks to make an early repayment of the total outstanding loan on January 3, 2005.
3) As of December 31, 2004, KG Telecom had obtained a loan of US$32,028 thousand (equivalent to $1,015,608 thousand) from a consortium of banks at 3.615% interest rate, payable quarterly. The loan is secured and repayable from June 2003 and every six months thereafter at equal installments of the principal, with the final repayment due in June 2007. KG Telecom had obtained permission from the banks to make an early repayment of the total outstanding loan on June 21, 2005.

m. Secured bank loans - Yuan-Ze Telecom

As of December 31, 2004, Yuan-Ze had obtained a loan from a consortium of banks at 2.102% to 2.125% interest rate, payable monthly. The loan was due from January 3, 2005 to February 21, 2005. The loan is guaranteed by a consortium of banks, and the guarantee is effective until April 7, 2006. The loan was repaid on May 30, 2005 after Far EasTone merged with Yuan-Ze Telecom.

The syndicated loans, includes the ability to loan or to re-issue the commercial paper under sound operating condition which requires KG Telecom to maintain its current ratio not lower than, 90% in 2004.

As of December 31, 2005, the Group had unused long-term and short-term credit lines of approximately $10,390,000 thousand and $10,338,204 thousand, respectively.

14. PENSION PLAN

The Labor Pension Act (the "Act") took effect on July 1, 2005. This Act provides for a defined contribution plan featuring a portable pension. Those employees who were subject to the Labor Standards Law prior to June 30, 2005 and still work for the same business entity after July 1, 2005 may choose to remain to be subject to the pension mechanism under the Labor Standards Law or choose to be subject to the pension mechanism under the Act, with their service years accumulated before the enforcement of this Act to be retained. Newly hired employees on and after July 1, 2005 can be only subject to the Act.

Far EasTone, KG Telecom, KGEx.com, Yuan Cing (former E. World Taiwan), Far EasTron and ARCOA have a defined benefit pension plan for all regular employees required under Labor Standards Law. Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA accrue pension cost on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to each pension fund, which is administered by each pension plan committee and deposited in each Committee's name in the Central Trust of China.

FETI, under its government's regulations, had accrued its pension cost of $4,953 thousand in 2005.

Under the Act, the employer's monthly rate of contribution to the pension fund from July 1, 2005, should be at least 6% of the employees' monthly wages. The pension costs under the defined contribution plan amounted to $70,054 thousand from July 2005 to December 2005.

Combined information on the defined benefit pension plans of Far EasTone, KG Telecom, KGEx.com, Yuan Cing (former E. World Taiwan), Far EasTron and ARCOA are as follows:

a. Net pension cost consisted of:

	For the Years Ended December 31			
	2005			**2004**
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	**KGEx.com**	**ARCOA**	**Far EasTone (Including KG Telecom)**
Service cost	$ 72,875	$ 833	$ 3,258	$ 109,133
Interest cost	22,624	168	1,035	18,498
Expected return on pension assets	(9,994)	(141)	(1,189)	(6,348)
Amortization of net transition obligations (assets)	1,213	(302)	421	1,213
Amortization of unrecognized pension loss (gain)	4,363	-	(202)	-
Net pension cost	$ 91,081	$ 558	$ 3,323	$ 122,496

b. Reconciliation of the fund status of the plans and accrued pension cost (prepaid pension cost) is as follows:

	For the Years Ended December 31			
	2005			**2004**
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	**KGEx.com**	**ARCOA**	**Far EasTone (Including KG Telecom)**
Benefit obligation				
Vested benefit obligation	$ 5,919	$ -	$ -	$ 3,080
Non-vested benefit obligation	440,167	3,301	21,655	326,676
Accumulated benefit obligation	446,08	3,301	21,655	329,756
Additional benefits based on projected and future salaries	423,168	2,464	6,567	326,406
Projected benefit obligation	869,254	5,765	28,222	656,162
Fair value of plan assets	(340,092)	(5,577)	(47,690)	(291,970)
Unfunded projected benefit obligation	529,162	188	(19,468)	364,192
Unrecognized net transition obligation (asset)	(8,486)	6,636	(2,952)	(9,699)
Unrecognized pension gain (loss)	(246,758)	(30)	12,260	(128,185)
Accrued pension cost (prepaid pension cost)	$ 273,918	$ 6,794	($ 10,160)	$ 226,308
Vested benefit amounts were as follows	$ 7,415	$ -	$ -	$ 3,591

c. Actuarial assumptions were as follows:

	For the Years Ended December 31			
	2005			2004
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	KGEx.com	ARCOA	Far EasTone (Including KG Telecom)
Discount rate used in determining present value	3.00%	2.75%	3.50%	3.25%
Future salary increase rate	3.50%	3.00%	2.00%	3.50%
Expected rate of return on plan asset	3.00%	2.75%	2.50%	3.25%

15. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus from equity-method investments cannot be used to offset a deficit or be capitalized. In addition, capital surplus (including both paid-in capital in excess of par value and that arising from business combination) may be used to offset a deficit or transferred to capital as a stock dividend within prescribed limits only.

b. Appropriation of earnings and dividend policy

Far EasTone's Articles of Incorporation provide that, every year, 10% of net income less income tax and any accumulated deficit should be appropriated as legal reserve. In addition, if Far EasTone decides to distribute dividends, 1% to 2% of the balance should be appropriated as bonuses to employees, and 1% of the final balance should be appropriated as remuneration to directors and supervisors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash requirement for any significant future capital expenditures or the plan for improving financial structure.

A regulation issued by the Securities and Futures Bureau requires a special reserve to be made from the unappropriated earnings, equivalent to the debit balance of any account shown in the stockholders' equity. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

Under the ROC Company Law, legal reserve should be appropriated until the accumulated reserve equals or exceeds the Far EasTone's paid-in capital. Legal reserve may be capitalized and when it reaches 50% of the paid-in capital, the aggregate of it in excess of 50% of the paid-in capital may be paid as dividends and bonuses if there is no surplus earnings; alternatively, the aggregate up to a half of 50% of the paid-in capital of legal reserve should be retained and the rest may be capitalized if there is no deficits.

These appropriations and other allocations of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year. Under the integrated income tax system, noncorporate ROC-resident stockholders are allowed a tax credit for the income tax paid by Far EasTone on earnings generated from January 1, 1998. Under this system, Far EasTone maintains an imputation credit account (ICA) for the income tax and the tax credits allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.

The appropriation and distribution of the 2004 and 2003 earnings were approved by Far EasTone's stockholders on May 20, 2005 and June 30, 2004, respectively.

	Appropriation and Distribution		Divident Per Share (Dollars)	
	2004	2003	2004	2003
Legal reserve	$ 1,404,308	$ 818,813		
Bonus to employees - cash	252,775	147,387		
Remuneration to directors and supervisors - cash	126,388	73,693		
Cash dividend	11,617,989	4,748,620	$ 3.00	$ 1.40
Stock dividend	-	1,560,261	-	0.46

Had the above bonus to employees and directors been charged to net income in 2004 and 2003, the primary earnings per share for 2004 and 2003 (after tax), based on the weighted-average number of outstanding shares would have decreased from NT$3.75 to NT$3.65 and from NT$3.04 to NT$2.95, respectively.

The appropriation of the 2005 earnings of Far EasTone had not been approved by the board of directors and stockholders as of February 10, 2006. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

c. Issuance of new stock in exchange of investment in shares of stock

Under Article 12 of the Enterprise Mergers and Acquisitions Law, Far EasTone entered into an agreement with a dissenting stockholder (Bai Yang Investment Co., Ltd.) on April 16, 2004 to repurchase 113,044 thousand shares for $3,334,798 thousand. The difference of $821,733 thousand between the fair value and the repurchase price of the treasury stock was recorded as a reduction of unappropriated earnings.

Far EasTone issued 693,523 thousand new shares (included in capital stock and capital surplus - from business combination in the amount of $6,935,232 thousand and $8,482,381 thousand, respectively, amounting to $15,417,613 thousand) and reissued the 113,044 thousand shares held as treasury stock in order to satisfy the consideration to the stockholders of KG Telecom for the remaining ownership and completed the share swap for 806,567 thousand shares in the amount of $17,930,678 thousand (Note 2).

d. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of December 31, 2005 were as follows:

		GDRs (in Thousand Units Units	Equivalent Common Stock (in Thousand Shares)
Initial offering	1.	10,000	150,000
Converted from overseas unsecured convertible bonds	2.	165	2,473
Issued for capital increase	3.	296	4,448
Reissued within authorized units	4.	11,681	175,218
GDRs transferred to common stock		(18,598)	(278,982)
Outstanding GDRs issued		3,544	53,157

1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell 150,000 thousand shares of Far EasTone's common stock in the form of GDRs to foreign investors representing 10,000 thousand units of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US$13.219.

2) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs of US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 2005, 165 thousand units of GDRs have been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand shares of common stock.

3) Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand shares of common stock.
4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, reissuance of GDRs is allowed up to the aggregate amount previously approved by the SFB. Accordingly, Far EasTone has reissued 11,681 thousand units of GDRs representing 175,218 thousand shares of common stock.

The owners of GDRs have the same rights as holders of common stock except that the GDR owners should exercise the following beneficial interests subject to the terms of the Deposit Agreements and the relevant ROC laws and regulations through the Depositary Trust Company:

1) Exercise voting rights;
2) Transfer the GDRs into common stocks; and
3) Receive dividends and exercise preemptive rights or other rights and interests.

16. INCOME TAX

a. Reconciliation of income tax expense based on income before income tax at statutory income tax rates to income tax expense - current is as follows:

	For the Years Ended December 31	
	2005	2004
Income tax expense computed at statutory tax (15% to 25%)	$ 5,768,733	$ 5,091,180
Add (deduct) tax effects of		
Permanent differences		
Tax - exempt income	(1,262,477)	(2,458,203)
Equity in investees' net gains	(1,105,883)	(921,210)
Other	(148,196)	326,864
Temporary differences	176,778	398,093
Unappropriated earnings tax (10%)	1,438	279,862
Less - investment tax credits	(721,671)	(788,490)
Income tax payable	$ 2,708,722	$ 1,928,096

The balances of income tax payable as of December 31, 2005 were net of the creditable taxes of Far EasTone ($530 thousand) and KG Telecom ($897,282 thousand) plus the accrual of income tax payable of Far EasTone ($1,200 thousand) and KG Telecom ($320,008 thousand) for the years not yet examined and cleared by the tax authorities (refer to item (g) below).

The balances of income tax payable as of December 31, 2004 were net of KG Telecom creditable income taxes of $291 thousand plus the accrual of income tax payable of Far EasTone ($1,456 thousand and KG Telecom ($396,303 thousand) for the years not yet examined and cleared by the tax authorities (refer to item (g) below).

Net operating income generated from the use of switches and cell sites acquired during the period April 1, 1997 to December 31, 1999 was exempt from income tax for the period January 1, 2000 to December 31, 2004.

Net operating income generated from the use of switches and cell sites acquired during the period January 1, 2000 to June 26, 2002 is exempt from income tax for the period June 26, 2002 to June 25, 2007.

b. Income tax expense consisted of:

	For the Years Ended December 31	
	2005	2004
Income tax expense - current	$ 2,708,722	$ 1,928,096
Income tax expense - deferred	486,82	189,485
Prior year's adjustment	1,327	40,109
Income tax expense on income subjected to a separate rate of 20%	10,558	2,409
Income tax expense	$ 3,207,433	$ 2,160,099

c. Deferred income taxes assets (liabilities) as of December 31, 2005 and 2004 consisted of:

	December 31	
	2005	2004
Current		
Provision for doubtful accounts	$ 912,722	$ 1,420,725
Loss carryforwards	65,090	-
Provision for losses on inventories	12,599	5,750
Investment tax credits	2,489	1,202,868
Unrealized foreign exchange losses (gains), net	(2,544)	28,923
Other	(168)	1,868
	990,188	2,660,134
Less - valuation allowance	85,013	749,720
	$ 905,175	$ 1,910,414
Noncurrent		
Depreciation resulting from the differences in estimated service lives of properties	$ 363,150	$ 458,671
Loss carryforwards	223,809	192,135
Provision for losses on properties not currently used in operations	110,165	141,958
Accrued pension cost	89,078	63,017
Unrealized loss on disposal of properties	38,246	40,152
Cumulative equity in the net loss of investees	25,666	5,168
Unrealized loss on investments in shares of stock	14,071	-
Investment tax credits	-	7,419
Other	6,200	3,702
	870,385	912,222
Less - valuation allowance	238,330	199,600
	$ 632,055	$ 712,622

The tax rate used in calculating deferred income tax was 25%.

d. Integrated income tax information:

	December 31	
	2005	2004
Balance of imputation credit account (ICA)		
Far EasTone	$ 59,684	$ 57,916
KG Telecom	$ 898,809	$ 546
Yuan-Ze Telecom	$ -	$ 137
ARCOA	$ 3,360	$ -

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2005 to unappropriated earnings as of such date was 0.39%. When the dividends from the unappropriated earnings as of December 31, 2004 were distributed by Far EasTone in 2005, the actual ratio used was 8.75%.

Estimated ratio of the ICA balance for KG Telecom as of December 31, 2005 to unappropriated earnings as of such date was 17.45%. When the dividends from the unappropriated earnings as of December 31, 2004 were distributed by KG Telecom in 2005, the actual ratio used was 32.51%.

ARCOA, Yuan Cing, Far EasTron and KGEx.com had no appropriated earnings as of December 31, 2005. Thus, the ICA balances of ARCOA, Yuan Cing, Far EasTron and KGEx.com will be accumulated until dividend distribution in the future.

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings based on the prevailing ICA balance will be used by the Group for allocating tax credits to each of the respective company's stockholders.

e. Investment tax credits information:

The unused investment tax credits and loss carryforwards of the Group as of December 31, 2005 are summarized as follows:

ARCOA

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 9,066	$ 2,489	2006

f. Loss carryforwards as of December 31, 2005 were as follows:

	ARCOA	KGEx.com	Yuan Cing (Former E. World Taiwan)	Far EasTron
Expiry Year				
2006	$ -	$ 47,960	$ 17,130	$ -
2007	-	36,546	129	-
2008	-	53,341	179	-
2009	-	72,907	-	-
2010	27,212	30,784	-	2,711
	$ 27,212	$ 241,538	$ 17,438	$ 2,711

g. Status of income tax returns:

Income tax returns of Yuan-Ze Telecom, KGEx.com and Yuan Cing (former E. World Taiwan) through 2003 had been examined and cleared by the tax authorities. Far EasTron has not filed for its income tax return since it incorporated in 2005.

Income tax returns through 2000 and for 2002 of Far EasTone had been examined and cleared by the tax authorities. The tax authorities assessed an additional tax of $28,395 thousand on Far EasTone's 2000 income tax return. Far EasTone had filed an appeal for the reexamination of its 2000 income tax return in October 2005.

Except for 2003 income tax return of former KGT, income tax returns through 2003 of KG Telecom had been examined and cleared by the tax authorities. However, KG Telecom had appealed for reexamination related to the amortization of goodwill resulting from merger with Tuntex and the dispute in the amount of investment tax credits. The outcome of this appeal is not yet finalized.

Income tax returns through 2002 of ARCOA had been examined and cleared by the tax authorities. The tax authorities assessed an additional tax of $1,397 thousand on ARCOA's 2002 income tax return. ARCOA had filed an appeal for the reexamination of its 2002 income tax return in October 2005.

17. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31, 2005			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 518,440	$ 2,148,893	$ -	$ 2,667,333
Pension	30,462	123,464	-	153,926
Meal	13,876	78,320	-	92,196
Employee benefit	1,165	74,480	-	75,645
Insurance	43,843	178,201	-	222,044
Miscellaneous	21,367	76,739	-	98,106
	$ 629,153	$ 2,680,097	$ -	$ 3,309,250
Depreciation	$ 9,514,939	$ 1,924,807	$ 2,032	$ 11,441,778
Amortization	$ -	$ 966,171	$ -	$ 966,171

	For the Year Ended December 31, 2004			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 502,402	$ 2,003,793	$ -	$ 2,506,195
Pension	24,248	88,837	-	113,085
Meal	11,705	56,405	-	68,110
Employee benefit	-	33,589	-	33,589
Insurance	33,686	132,213	-	165,899
Miscellaneous	7,684	78,926	-	86,610
	$ 579,725	$ 2,393,763	$ -	$ 2,973,488
Depreciation	$ 9,937,388	$ 1,550,587	$ 1,932	$ 11,489,907
Amortization	$ 100,039	$ 795,120	$ -	$ 895,159

18. CONSOLIDATED EARNINGS PER SHARE

	For the Years Ended December 31 (NT$)			
	2005		2004	
	Before Tax	After Tax	Before Tax	After Tax
Consolidated basic EPS	$ 4.63	$ 3.80	$ 4.32	$ 3.75
Consolidated diluted EPS	$ 4.63	$ 3.80	$ 4.17	$ 3.61

The information on consolidated earnings per share (EPS) calculation is as follows:

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Consolidated Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
For the year ended December 31, 2005					
Consolidated basic EPS					
Consolidated net income	$ 17,924,835	$ 14,717,402	3,871,066	$ 4.63	$ 3.80
Effect of potential dilutive common stock					
Convertible bonds	2,249	2,038	1,597		
Consolidated diluted EPS					
Consolidated net income including the effect of potential dilutive common stock	$ 17,927,084	$ 14,719,440	3,872,663	$ 4.63	$ 3.80
For the year ended December 31, 2004					
Consolidated basic EPS					
Consolidated net income	$ 16,203,175	$ 14,043,076	3,748,089	$ 4.32	$ 3.75
Effect of potential dilutive common stock					
Convertible bonds	(62,776)	(60,578)	124,574		
Consolidated diluted EPS					
Consolidated net income including the effect of potential dilutive common stock	$ 16,140,399	$ 13,982,498	3,872,663	$4.17	$ 3.61

19. RELATED-PARTY TRANSACTIONS

The Group's related parties and their relationships are as follows:

Related Party	Nature of Relationship
Far Eastern Textile Ltd. (FETL)	Ultimate parent company
NTT DoCoMo Inc.	Director of Far EasTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
E. World (Holdings) Ltd. (E. World)	Subsidiary of Far EasTone
Yuan Cing Co., Ltd. (Yuan Cing, former E. World Co., Ltd.)	Subsidiary of E. World
Far Eastern Info Service (Holding) Ltd. (Bermuda) (FEIS)	Subsidiary of Far EasTone since August 2004
Far Eastern Tech-info Ltd. (FETI)	Subsidiary of FEIS since August 2004
KGEx.com Co., Ltd. (KGEx)	Subsidiary of KG Telecom
KGT International Holding Co., Ltd.	Subsidiary of KG Telecom
KG Satellite Co., Ltd.	Subsidiary of KG Telecom and was liquidated in July 2005
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EasTone
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of Far EasTone
iScreen Corporation	Equity-method investee of KG Telecom
Far Eastern Technology Developmental Foundation (FETTDF)	Far EasTone's donation is over one third of the foundation's capital
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Yuan Ding Investment Co., Ltd. (YDI)	Same ultimate parent company
Oriental Securities Co., Ltd.	Same ultimate parent company
Far Eastern Investment Holding Ltd. (Bermuda) (FETIH)	Same ultimate parent company

Related Party	Nature of Relationship
Yuan Ding Co. (YDC)	Same chairman
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Far Eastern Department Stores Co., Ltd. (FEDS)	Same chairman
Asia Cement Co., Ltd. (ACC)	Same chairman
U-Ming Marine Transport Corp. (UMMT)	Same chairman
Far Eastern Polychem Industries Ltd. (FETPI)	Same chairman
Far Eastern International Bank (FEIB)	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Memorial Hospital	Same chairman
Yuan-Ze University (YZU)	Same chairman
Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation (FETSTMF)	Same chairman
Bai Yang Investment Co., Ltd.	Same chairman
Far Eastern Telecom Engineering Corp. (FETEC)	Subsidiary of YDC
Oriental Industrial Holding Pte. Ltd. (Singapore) (OIHP)	Subsidiary of ACC
FEDS Development Ltd. (BVI) (FEDSD)	Subsidiary of FEDS
Yue-Tung Investment Corp. (YTI)	Subsidiary of UMMT
Ding Ding Hotel Co., Ltd.	Subsidiary of YDC
Far Eastern Apparel Co., Ltd.	Subsidiary of YDI
Yuan Ding Leasing Corp.	Subsidiary of YDI
Taipei Metro Properties Management	Subsidiary of YDC
Far Eastern Alliance Asset Management Co., Ltd. (FEAAM)	Equity-method investee of FEIB
Liquid Air Far East Co., Ltd.	Equity-method investee of YDI

In addition to those mentioned in Notes 8 and 15, the Group's significant transactions with the above parties are summarized as follows:

		2005		2004	
		Amount	%	Amount	%
During the year					
Operating revenue	a.				
Telecommunications services revenue					
NCIC	b.	$ 993,332	1	$ 1,067,960	2
KGEx	c.	-	-	312,900	-
Other	z.	85,353	-	10,929	-
		$ 1,078,685	1	$ 1,391,789	2
Operating costs and expenses					
Telecommunications services cost					
NCIC	b.	$ 68,096	-	$ 3,014	-
FETEC	d.	-	-	38,881	-
KGEx	e.	-	-	30,373	-
Other	z.	2,456	-	4,319	-
		$ 70,552	-	$ 76,587	-
Rental					
FETRD	f.	$ 52,405	1	$ 50,301	2
FEILC	g.	44,245	1	54,451	2
NCIC	h.	14,529	-	24,761	1
Other	z.	10,465	-	12,124	-
		$ 121,644	2	$ 141,637	5
Research and development expense					
FETTDF	i.	$ 11,968	60	$ 20,232	78
Service fee					
FCHRC	j.	$ 55,287	43	$ 43,653	15
FETI	k.	-	-	138,216	47
		$ 55,287	43	$ 181,869	62
Marketing expense					
DDIM	l.	$ 26,093	-	$ -	-
Nonoperating income and gains					
Management service revenue					
KGEx	m.	$ -	-	$ 7,500	100
Loss on disposal of properties, properties not currently used in operations					
NCIC	u.	$ -	-	$ 811	-
Nonoperating expenses and loses Interest expense					
FEIB	n.	$ 128	-	$ 1,465	-
Donation expense					
FETSTMF	o.	$ 200,000	100	$ -	-
YZU	o.	-	-	500,000	100
		$ 200,000	100	$ 500,000	100

		2005		2004	
		Amount	%	Amount	%
Acquisition of short-term investments					
FEAAM	p.	$ 35,000	-	$ 290,000	-
Acquisition of investments in shares of stock					
FETPI	q.	$ -	-	$ 92,616	14
FETIH	r.	-	-	12,531	2
OIHP	r.	-	-	12,531	2
YTI	r.	-	-	12,531	2
FEDSD	r.	-	-	4,195	1
		$ -	-	$ 134,404	21
Acquisition of properties					
NCIC	s.	$ 55,743	1	$ 158,398	2
FEILC	g.	44,446	1	147,500	2
FETEC	t.	15,649	-	128,880	2
Other	z.	1,408	-	11,176	-
		$ 117,246	2	$ 445,954	6
At end of year					
Receivables from related parties					
NCIC	b. and u.	$ 31,646	48	$ 23,815	28
FETC	v.	28,431	43	7,616	9
NTT DoCoMo Inc.	w.	3,206	5	1,337	2
KGEx	c. and x.	-	-	45,343	53
Other	z.	2,693	4	6,812	8
		$ 65,976	100	$ 84,923	100
Payables to related parties					
DDIM	l.	$ 46,540	38	$ -	-
NCIC	b. and s.	30,501	25	169,505	53
FEILC	g.	9,069	7	34,025	10
FETTDF	f.	9,015	7	99	-
FETL	y.	8,229	7	2,485	-
FETEC	d. and t.	3,556	3	66,796	21
KGEx	c. and e.	-	-	14,807	5
Other	z.	15,150	13	34,053	11
		$ 122,060	100	$ 321,770	100
Unearned revenues					
FETC	v.	$ 17,401	1	$ -	-
Current portion of long-term liabilities					
FEIB	n.	$ -	-	$ 34,000	1
Long-term lease payable - current portion					
FEILC	g.	$ 132,927	99	$ 118,000	100

Descriptions of transactions with related parties are as follows:

a. Operating revenues (such as service revenue and revenues from sales of cellular phone equipments, accessories, leased-circuit revenue and customer service revenues) from related parties were based on normal service rates, selling prices and collection terms.

b. The transactions between Far EasTone, KG Telecom, KGEx and NCIC consisted of sales of cellular phone units and accessories and interconnection activities for NCIC's use of Far EasTone's, KG Telecom's and KGEx's network. The interconnection fees paid by Far EasTone, KG Telecom and KGEx on its use of NCIC's fixed-line network and billing processing costs pertaining to the interconnection services provided by NCIC to Far EasTone, KG Telecom and KGEx were included in telecommunications services cost. The international direct dialing revenue collected by Far EasTone and KG Telecom for NCIC was treated as a reduction of service revenue and was included in payables to related parties.

c. The interconnection fees paid by KGEx on its use of Far EasTone's and KG Telecom's network and billing processing costs pertaining to the interconnection services provided by Far EasTone and KG Telecom to KGEx were included in telecommunications service revenue and receivables from related parties. The international direct dialing revenues collected by EasTone and KG Telecom for KGEx through call-by-call selection service were treated as a reduction of telecommunications services revenue and payables to related parties, which were settled at net amounts based on related agreements.

d. Far EasTone and KG Telecom signed network maintenance contracts with FETEC for maintaining their telecommunications network and backbone network facilities.

e. KG Telecom signed a network maintenance contract with KGEx for maintaining KG Telecom's telecommunications network and backbone network facilities. The contract expired in September 2004.

f. Far EasTone leases from FETRD several parcels of the land and building spaces under contracts with term from September 2003 to November 2013. The properties are located on Yatung Street and Renai Street in Panchao City, Wuku in Taipei County, and other locations in Taiwan.

g. Under operating lease agreements, Far EasTone rented from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; and (b) the land and mobile switch centers located in Neihu, Taichung and Xinzhu, from November 1999 to June 2004. The contracts will remain valid unless either Far EasTone or FEILC informs each other to cancel the contracts.

When the contracts expire, Far EasTone may either renew the contracts or buy the buildings or land at the following prices:

		Purchase Price
Neihu switch center	$	130,000
Taichung land for switch center		106,050
Tainan office space		78,000
Kaohsiung office space		45,900
Xinzhu land for switch center		120,000

Far EasTone, KG Telecom and KGEx lease from FEILC computer equipment under a five-year operating lease with annual lease payments of $41,141 thousand (Note 8).

h. Far EasTone leases from NCIC telecommunications network and office spaces in Neihu under contracts with terms from September 2003 to September 2008.

i. FETTDF provides telecommunications technology researches and training programs for Far EasTone.

j. Far EasTone has contracts with FCHRC for manpower dispatching services. The service charges were based upon the services provided by FCHRC for temporary or specific personnel supplies.

k. Far EasTone signed a service agreement with FETI. The service charges were based on the services provided by FETI as agreed upon. Moreover, the advances to FETI were treated as receivables from related parties and were settled in the net amount against the fees paid.

l. Far EasTone and KG Telecom authorized DDIM to manage the accumulation and redemption of reward points for customers. The related service charges were treated as marketing expense and payables to related parties.

m. Far EasTone provided management services to KGEx and the service revenues were collected annually.

n. KG Telecom obtained a syndication loan from a consortium of banks with interest payable monthly. A portion of the outstanding loans amounting to $34,000 thousand was drawn from FEIB, which was repaid in June 2005.
In addition, FEIB provided a $30,600 thousand guarantee for the repayment of KG Telecom's domestic secured bonds.

o. KG Telecom made donations to non-profit organizations for the development of telecommunications service.

p. KG Telecom purchased 27,574 thousand units of Far Eastern Alliance Taiwan Bond Fund (the "Fund") from FEAAM in 2004 as short-term investments and sold out the Fund in August 2005. KGEx purchased 3,288 thousand units of the Fund in 2005 as short-term investments and sold out the Fund in December 2005. The gains on these transactions amounted to $2,842 thousand.

q. Far EasTone purchased 100% ownership of Far Eastern Info Service (Holding) Ltd. in the amount of $92,616 on August 30, 2004. As a result, Far EasTone acquired 100% ownership of FETI indirectly.

r. In June 2004, Far EasTone bought 4,685 thousand shares (representing 66.92% ownership) of E. World for $41,788 thousand from FEITH, OIHP, FEDSD and YTI.

s. Far EasTone and KG Telecom bought NCIC's telecommunications network and backbone network facilities.

t. Far EasTone and KG Telecom signed contracts with FETEC for the construction of telecommunications network and backbone network facilities.

u. The advances for the construction and joint use of telecommunications network and backbone network facilities between Far EasTone and NCIC and receivables from sales of properties to NCIC were included in receivables from related parties. The proceeds and gains on disposal of properties for the year ended December 31, 2004 were $8,011 and $811, respectively.

v. For the year ended December 31, 2005, Far EasTone provided consulting services to FETC on the setup of its IVR system and the planning of VPS (Vehicle Position System) of the electronic toll collection system. Far EasTone also authorizes FETC to use Far EasTone's trouble ticket system. The fees collected were based on the terms of the related contract and were treated as unearned revenues. The revenues will be settled at net amount and will be treated as service revenues after the construction is transferred to Yuan Cing and completed. Moreover, the advances to FETC by Far EasTone for the year ended December 31, 2005 and 2004 for its daily operating expenditures will be collected at various times based on the cash balances of FETC.

w. Far EasTone and KG Telecom provide international roaming services to the customers of NTT DoCoMo Inc. The service revenues are treated as telecommunications services revenue and receivables from related parties.

x. Far EasTone and KG Telecom gave advances to KGEx for its daily operating expenditures and will be collected at various times based on the cash balances of KGEx.

y. Far EasTone leased from FEDS several buildings and parcels of land in several places in Taiwan under contracts with terms from July 1997 to November 2014.

z. Accounts of other related parties were less than 5% of the respective accounts.
All the above rental rates and terms were comparable to leases with third parties.

20. COMMITMENTS AS OF DECEMBER 31, 2005

The Group had the following significant commitments:

a. The Group were under contracts to acquire properties for $625,136 thousand.

b. The Group's outstanding letters of credit amounted to ￥694,137 thousand (equivalent to $196,043 thousand), US$520 thousand (equivalent to $17,082 thousand) and $88,341 thousand.

c. Payments for the rentals of land, buildings and cell sites of the Group for the future years are summarized as follows:

Period	Amount
2006	$ 2,629,438
2007	2,688,687
2008	2,759,702
2009	2,839,269
2010 and thereafter	2,927,243

21. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for customs duties, long-term and short-term debts, purchase of inventory and bonds, were as follows:

	December 31	
	2005	2004
Certificates of deposit pledged - current	$ 61,506	$ -
Certificates of deposit pledged - noncurrent (include in other assets - other)	1,163	1,163
Properties, net	3,867,038	25,969,935
	$ 3,929,707	$ 25,971,098

ARCOA invested $10,000 thousand in an interest-linked structured deposits product maturing on September 15, 2010. ARCOA should ensure that it follows the terms and conditions of the contract. Early withdrawal of structured deposits may probably result in receiving less than its initial deposit amount. This structured deposit was pledged for short-term bank loans.

22. ADDITIONAL DISCLOSURES

A. Important transactions and B. Related information of the Group's investees.

a. Financing provided: None
b. Endorsement/guarantee provided: None
c. Marketable securities and investments in shares of stock held: Schedule A
d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Schedule B
e. Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None
f. Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None
g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule C
h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule D
i. Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule E
j. Derivative financial instruments

   Far EasTone and KG Telecom used certain derivative financial instruments to hedge overall fluctuations on interest rates and exchange rates for the years ended December 31, 2005 and 2004. ARCOA used forward contract to hedge overall fluctuations on exchange rates for the year ended December 31, 2005. All these transactions are for nontrading purposes. ARCOA purchased interest-linked structured deposits to earn interest, i.e., for trading purposes, for the year ended December 31, 2005. Except for these three companies, the Group had no derivative transactions for the years ended December 31, 2005 and 2004.

The derivative contracts entered into by Far EasTone, KG Telecom and ARCOA were as follows:

1) Open contracts and credit risk

a) For nontrading purposes

Type of Transaction	December 31, 2005 Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity Date	Fair Value	Credit Risk
Interest rate swap- Far EasTone	$2,670,000	1.25-1.95%	0-0.55%	Every 6 months	March 28, 2008-December 19, 2008	$(91,261)	$ -

Type of Transaction	December 31, 2004 Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity Date	Fair Value	Credit Risk
Interest rate swap- Far EasTone	$2,670,000	1.25-1.95%	1.004%-2.540%	Every 6 months	March 28, 2008-December 19, 2008	$(62,401)	$ -
Interest rate swap- KG Telecom	1,000,000	3.38%-4.50%	1.193%	Every 3 months	May 20, 2005	(13,192)	-

Type of Transaction	December 31, 2004 Notional Amount	Carrying Value	Fair Value	Credit Risk
Cross currency swap-KG Telecom	US$ 40,238 thousand	$ -	($108,370)	$ -

Type of Transaction	December 31, 2005 Notional Amount	Fair Value	Credit Risk	Maturing Date
Forward contract-ARCOA	US$ 1,370	$(900)	$ -	January 9, 2006 - February 21, 2006

Far EasTone and KG Telecom had no outstanding forward contracts as of December 31, 2005 and 2004, respectively.

b) For trading purposes

Type of Transaction	December 31 Carrying Value	Notional Amount	Credit Risk	Transactor's Location
Interest-linked structured deposits-ARCOA	$ 10,000	$ 10,000	$ 9,972	Taiwan

c) Credit risk

Far EasTone, KG Telecom and ARCOA are exposed to credit risk if counter-parties default on contracts. To manage this risk, Far EasTone, KG Telecom and ARCOA conduct transactions only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

2) Market risk

Far EasTone and KG Telecom entered into interest rate swap and cross currency swap contracts to hedge the effect of foreign currency fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Therefore, the market risk is not material.

ARCOA entered into forward contracts to hedge its exposure to exchange rate fluctuations on bank loans denominated in foreign currency. Therefore, the market risk is not material.

Under its policy, ARCOA sets up a stop-loss target price for trading derivative financial instruments and periodically evaluates it to prevent it from affecting company operations.

ARCOA monitors interest-linked deposits and the market risk is expected to be within a reasonable range.

3) Liquidity risk, cash-flow risk and future cash demand

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. Due to the simultaneous cash inflow and outflow generated from cross currency swap contracts, the aggregate net cash flow is expected to be insignificant. Management believes that Far EasTone and KG Telecom have sufficient operating capital to meet cash demand.

ARCOA's forward exchange rate is fixed and no additional cash is required.

The notional amount of interest-linked deposits is paid on the contract date and no additional cash is required unless the contract is cancelled before the contract expires.

The cancellation requires ARCOA to reimburse the loss and related bank charges incurred. ARCOA monitors its net position and expects that the cash-flow risk is immaterial.

4) The purpose of derivative financial instruments held or issued

Far EasTone and KG Telecom use certain derivative financial instruments for nontrading purposes. The interest rate swap contracts are for hedging overall fluctuations on interest rates. The swap involves Far EasTone's and KG Telecom's paying interest at a fixed rate and receiving interest based on market rates. The cross currency swap contracts are for hedging overall fluctuations on interest rates and exchange rates from foreign currency obligations with floating rates. The overall purpose of these contracts is to hedge Far EasTone's and KG Telecom's exposure to cash flow risk. Far EasTone and KG Telecom periodically evaluate the effectiveness of the instruments.

ARCOA uses forward contracts for nontrading purposes, i.e., to hedge the effects of exchange rate fluctuations on commitments denominated in foreign currency and minimize cash flow risk. ARCOA periodically evaluates the effectiveness of the instruments.

ARCOA uses interest-linked structured deposits to earn interest. Thus, the interest-linked structured deposits are highly correlated to interest rates.

5) The losses of ARCOA on the forward contract for the year ended December 31, 2005 were $18 thousand.

The gain of Far EasTone on the forward contract for the year ended December 31, 2004 were $770 thousand and were recorded as reduction of inventory.

The losses of Far EasTone on these swap contracts for the year ended December 31, 2005 were $14,643 thousand and its gains were $29,680 thousand for the year ended December 31, 2004, which were recorded as interest expenses and reduction of interest expenses, respectively.

The losses of KG Telecom on the swap contracts for the year ended December 31, 2005 were $11,708 thousand, recorded as interest expense of $8,208 thousand and foreign exchange loss of $3,500 thousand.

The losses of KG Telecom on the swap contracts for the year ended December 31, 2004 were $143,452 thousand, which were recorded separately as interest expense of $51,033 thousand and unrealized foreign exchange loss of $92,419 thousand.

The receivables and payables on ARCOA's forward contracts for nontrading purposes as of December 31, 2005, were as follows:

	December 31.2005
Forward Contract	$ 45,005
Receivables from forward contracts	(193)
Premium on forward contracts	(45,712)
Payables from forward contracts	$ (900)
Net payable from forward contracts (included in other current liabilities)	

The related gains and accounts of ARCOA on interest-linked derivative financial instruments were as follows:

	December 31, 2005
Pledged time deposits	$ 10,000

	For the Year Ended December 31, 2005
Interest income - interest-linked structured deposits	$ 370

6) The fair values of financial instruments were as follows:

	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Financial assets				
Cash and cash equivalents	$ 4,640,298	$ 4,640,298	$ 8,502,692	$8,502,692
Short-term investments, net	409,456	409,529	290,000	290,800
Notes and accounts receivable, net	6,514,395	6,514,395	6,134,846	6,134,846
Receivables from related parties	65,976	65,976	84,923	84,923
Pledged time deposits - current	61,506	61,506	-	-
Investments in shares of stock	920,907	911,956	1,799,682	1,799,682
Refundable deposits	402,200	401,426	373,088	372,232
Restricted assets	-	-	350,000	350,000
Pledged time deposits - noncurrent (included in other assets - other)	1,163	1,163	1,163	1,163
Financial liabilities				
Short-term bank loans	295,618	295,618	2,250,000	2,250,000
Commercial paper payable	49,996	49,996	896,648	896,648
Notes payable	104,728	104,728	41,834	41,834
Accounts payable	1,303,447	1,303,447	538,371	538,371
Payables to related parties	122,060	122,060	321,770	321,770
Payables related to acquisition of properties	2,558,661	2,558,661	3,088,119	3,088,119
Long-term liabilities (including current portion)	9,275,702	9,537,969	19,636,407	19,789,167
Guarantee deposits received (including current portion)	1,324,436	1,324,436	1,604,781	1,604,781
Derivative financial instruments				
Interest rate swap - Far EasTone	-	(91,261)	-	(62,401)
Interest rate swap - KG Telecom	-	-	-	(13,192)
Cross currency swap - KG Telecom	-	-	-	(108,370)
Forward exchange contract - ARCOA	(900)	(900)	-	-
Interest-linked structured deposits - ARCOA	10,000	9,972	-	-

The bases used for estimating the fair values of financial instruments were as follows:

a) The fair values of cash and cash equivalents, notes and accounts receivable, receivables from related parties, restricted assets, pledged time deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, payables to related parties and payables related to acquisition of properties are recorded at their carrying values due to the short maturities of these instruments.

b) The fair values of investments in shares of stock and short-term investments are recorded at market prices or, if market prices are unavailable, on the equity in the investee's net assets.

c) Long-term liabilities are recorded at market prices or, if market prices are unavailable, upon present value of expected cash outflows, which is discounted at the interest rates for bank loans with similar maturities.

d) Refundable deposits and guarantee deposits received are recorded at the present values of future payments or receipts.

e) Fair values of derivative financial instruments are recorded at the quoted market prices obtained from banks.

C. Investment in Mainland China:

a. Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Schedule F;

b. Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 19.

D. Additional disclosure for consolidated financial statements:

a. Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule G.

b. Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None.

23. INDUSTRY SEGMENT INFORMATION

a. Industry: Schedule H

b. Foreign operations.

The Group has no revenue-generating unit that operates outside the ROC.

c. Foreign revenues

The Group has no foreign revenues.

d. Net sales to customers representing at least 10% of the Group's total net sales were as follows:

	2005		2004	
	Amount	**Percentage of Operating Revenue (%)**	**Amount**	**Percentage of Operating Revenue (%)**
Company A	$ 11,888,145	17	$ 12,153,099	19

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Securities	Relationship with the Company	Financial Statement Account	December 31, 2005				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stocks</u> KG Telecommunications Co., Ltd.	Equity-method investee	Investments in shares of stock	1,332,997,916.00	$ 35,192,374	100.00	$ 35,192,374	Note A
	ARCOA Communications Co., Ltd.	Equity-method investee	Investments in shares of stock	79,353,013.00	1,171,320	59.10	1,171,320	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Investments in shares of stock	106,650,000.00	789,096	42.66	789,096	Note A
	Far EasTron Holding Ltd.	Equity-method investee	Investments in shares of stock	4,486,988.00	143,331	100.00	143,331	Note A
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Investments in shares of stock	1,200.00	141,174	100.00	141,174	Note A
	E. World (Holdings) Ltd.	Equity-method investee	Investments in shares of stock	6,014,622.00	66,664	85.92	66,664	Note A
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Investments in shares of stock	4,500,000.00	27,680	15.00	27,680	Note A
	Far EasTron Co., Ltd.	Equity-method investee	Investments in shares of stock	100,000.00	928	0.67	928	Note A
KG Telecommunications Co., Ltd.	<u>Stocks</u> KGEx.com Co., Ltd.	Equity-method investee	Investments in shares of stock	260,915,000.00	1,227,742	74.55	1,227,742	Note A
	KGT International Holding Co., Ltd.	Equity-method investee	Investments in shares of stock	50,000.00	90,809	100.00	90,809	Note A
	iScreen	Equity-method investee	Investments in shares of stock	4,000,000.00	20,949	40.00	20,949	Note A
	<u>Mutual funds</u> JF (Taiwan) European Bond Fund	-	Short-term investments	20,000,000.00	199,956	-	199,956	Note B
ARCOA Communications Co., Ltd.	<u>Stocks</u> Hi Information Co., Ltd.	Equity-method investee	Investments in shares of stock	4,975,000.00	5,537	33.17	5,537	Note A
	THI Consultants Inc.	Equity-method investee	Investments in shares of stock	1,060,000.00	14,128	22.22	14,128	Note A
	Chunghwa Int'l Communication Network Co., Ltd.	-	Investments in shares of stock	2,830,901.00	6,714	4.20	9,291	Note C
	Taiwan Fixed Network Co., Ltd.	-	Investments in shares of stock	2,100,000.00	21,000	0.03	22,280	Note C
	VIBO Telecom Inc.	-	Investments in shares of stock	2,000,000.00	20,000	0.13	16,691	Note C
	Web Point Co., Ltd.	-	Investments in shares of stock	160,627.00	1,618	0.75	1,606	Note C
	<u>Mutual funds</u> Fuhwa Bond Fund	-	Short-term investments	1,584,836.29	20,000	-	20,001	Note B
	CITC Cash Reserves	-	Short-term investments	1,729,340.90	20,000	-	20,001	Note B
	CITC Safe Income Fund	-	Short-term investments	10,334,101.90	151,500	-	151,507	Note B
	CITC High Yield Fund	-	Short-term investments	1,120,850.10	15,000	-	15,064	Note B
	<u>Bonds</u> Ta Chong Bank Financial Bonds 93 Series-I	-	Short-term investments	3,000,000.00	3,000	-	3,000	Note B
Far EasTron Holding Ltd.	<u>Stocks</u> Far EasTron Co., Ltd.	Equity-method investee	Investments in shares of stock	14,900,000.00	US $ 4,335,000	99.33	US$ 4,335,000	Note A
Far Eastern Info Service (Holding) Ltd.	<u>Share certificates</u> Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Investments in shares of stock	-	US$ 3,789,000	100.00	US$ 3,789,000	Note A
E. World (Holdings) Ltd.	<u>Stocks</u> Yuan Cing Co., Ltd. (former E. World Ltd. Taiwan)	Equity-method investee	Investments in shares of stock	19,349,994.00	US$ 1,416,000	99.99	US$ 1,416,000	Note A
	Ideaculture Limited (Cayman)	Equity-method investee	Investments in shares of stock	1,195,141.00	US$ 431,000	17.96	US$ 143,000	Note C
KGT International Holding Co., Ltd.	<u>Stocks</u> KGEx.com Co., Ltd.	Equity-method investee	Investments in shares of stock	16,051,000.00	75,303	4.59	75,303	Note A

Note A: Calculation was based on audited financial statements as of December 31, 2005.

Note B: Open-ended mutual funds were calculated at the net asset value of mutual funds as of December 31, 2005 while bonds were based on the cost.

Note C: Calculation was based on the most current financial statements.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Account	Related party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				The Change Due to Equity Method	Ending Balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Price	Costs	Gain or Loss		Share/ Units	Amount
Far EasTone Telecommunications Co., Ltd.	ARCOA Communications Co., Ltd.	Equity-method investee	Original stockholders of ARCOA	-	-	$ -	79,353,013.00	$1,278,944	-	$ -	$ -	$ -	$(107,624)	79,353,013.00	$ 1,171,320
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Issuance of capital stock for cash	-	54,000,000.00	433,544	52,650,000.00	526,500	-	-	-	-	(170,948) (Note C)	106,650,000.00	789,096
	Far EasTron Holding Ltd.	Equity-method investee	Issuance of capital stock	-	-	-	4,486,988.00	150,000	-	-	-	-	(6,669) (Note D)	4,486,988.00	143,331
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Equity-method investee	Original stockholders of Taiwan Cement	Note A	175,931,000.00	898,944	84,984,000.00	438,342	-	-	-	-	(109,544)	260,915,000.00	1,227,742
	Far Eastern Alliance Taiwan Bond Fund	Short-term investments	-	-	27,573,879.00	290,000	-	-	27,573,879.00	292,807	290,000	2,807	-	-	-
	JF (Taiwan) European Bond Fund	Short-term investments	-	-	-	-	20,000,000.00	200,000	-	-	-	-	-	20,000,000.00	200,000
ARCOA Communications Co., Ltd. (Note B)	Fuhwa Advantage Bond Fund	Short-term investments	-	-	9,849,887.71	100,000	19,588,650.93	200,000	29,438,538.64	300,772	300,000	772	-	-	-
	Fuhwa Fund	Short-term investments	-	-	6,750,675.07	84,000	14,345,567.22	180,000	19,511,406.00	244,781	244,000	781	-	1,584,836.29	20,000
	Fuh-Hwa Bond Fund	Short-term investments	-	-	9,858,600.80	127,800	25,555,338.70	333,600	35,413,939.50	463,014	461,400	1,614	-	-	-
	CITC Cash Reserves	Short-term investments	-	-	11,866,277.70	135,500	23,161,375.66	266,000	33,298,312.46	382,765	381,500	1,265	-	1,729,340.90	20,000
	CITC Safe Income Fund	Short-term investments	-	-	11,197,858.90	161,500	43,656,526.40	636,000	44,520,283.40	648,606	646,000	2,606	-	10,334,101.90	151,500
Far EasTron Holding Ltd.	Far EasTron Co., Ltd.	Equity-method investee	Issuance of capital stock for cash	-	-	-	14,900,000.00	US$4,532,000	-	-	-	-	US$(197,000)	14,900,000.00	US$4,335,000

Note A: Leslie Koo is the authorized representative of KG Telecommunications Co., Ltd.

Note B: The beginning balance was carried from ARCOA Communications Co., Ltd. as it became the subsidiary of Far EasTone since February, 2005.

Note C: Including equity in investee's net losses of $177,171 thousand and the effect of change in ownership percentage due to investees' issuance of capital stock for cash amounting to $6,223 thousand.

Note D: Including equity in investee's net losses of $6,349 thousand and cumulative translation adjustment of $320 thousand.

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Purchase (Sale) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Receivable or (Payable)		
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications services revenue	$(2,520,762)	(6%)	Conducted as agreed terms	-		Accounts receivable (Note A)	$257,934	5%
			Cost of telecommunications services	1,206,382	7%	Conducted as agreed terms	-	-	Accounts payable (Note A)	-	-
	ARCOA Communications Co., Ltd.	Subsidiary	Marketing expenses and cost of sales	486,772	8%	Conducted as agreed terms	-	-	Accounts payable and accrued expense	(168,308)	(4%)
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications services revenue	(714,604)	(2%)	Conducted as agreed terms	-	-	Accounts receivable (Note B) Accounts payable (Note B)	22,483 (4,146)	- (1%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications services revenue	(177,702)	-	Conducted as agreed terms	-	-	Accounts receivable	36,166	1%
	Far Eastern Tech-Info Ltd. (Shanghai)	Subsidiary of FEIS	Professional fee	148,268	64%	Conducted as agreed terms	-	-	Accrued expense	(4,459)	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications services revenue	(1,206,382)	(4%)	Conducted as agreed terms	-	-	Accounts receivable (Note A)	-	-
			Cost of telecommunications services	2,520,762	18%	Conducted as agreed terms	-	-	Accounts payable (Note A)	(257,934)	(42%)
	ARCOA Communications Co., Ltd.	Same parent company	Marketing expenses and cost of sales	274,703	7%	Conducted as agreed terms	-	-	Accounts payable and accrued expense	(65,467)	(3%)
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications services revenue	(274,194)	(1%)	Conducted as agreed terms	-	-	Accounts receivable (Note B) Accounts payable (Note B)	6,843 (6,169)	- (1%)
	KGEX.com Co., Ltd.	Subsidiary	Telecommunications services revenue	(172,563)	(1%)	Conducted as agreed terms	-	-	Accounts receivable	23,501	1%
ARCOA Communications Co., Ltd	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue and sales	(486,772)	(9%)	Conducted as agreed terms	-	-	Accounts receivable	168,308	42%
	KG Telecommunications Co., Ltd.	Same parent company	Commission revenue and sales	(274,703)	(5%)	Conducted as agreed terms	-	-	Accounts receivable	65,467	16%
KGEx.com Co., Ltd	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Cost of telecommunications services	177,702	21%	Conducted as agreed terms	-	-	Accounts payable	(36,166)	(21%)
	KG Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	172,563	20%	Conducted as agreed terms	-	-	Accounts payable	(23,501)	(13%)
Far Eastern Tech-Info (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Other revenue	$(148,268)	(83%)	Conducted as agreed terms	-	-	Accounts receivable	$4,459	10%

Note A: Telecommunications services revenue and cost of telecommunications services between Far EasTone and KG Telecom were settled at net amounts and were included in Far EasTone's receivables from related parties and KG Telecom's payables to related parties.

Note B: All revenues and costs between Far EasTone and NCIC were settled at full amount except interconnection revenues and costs and were included in receivables from related parties and payables to related parties, respectively.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	Turnover Rate	Overdue Amount	Overdue Action Taken	Amounts Received in Subsequent Period	Allowance for Bad Debts
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 611,732	(Note A)	$ -	-	$ 428,495	$ -
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	503,615	(Note B)	-	-	204,437	-
ARCOA Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	168,308	4.56	-	-	32,244	-

Note A: The turnover rate is unavailable as the receivables from related parties were mainly due to the advances in operating expenditures to KG Telecom.

Note B: The turnover rate is unavailable as the receivables from related parties were mainly due to collection of telecommunications bills by Far EasTone.

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2005	Original Investment Amount December 31, 2004	Balance as of December 31, 2004Net Gain Shares	Percentage of Ownership (%)	Carrying Value	Equity (Loss) of the Investee	in Net Gain (Loss)	Note
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	TYPE I telecommunications services	$29,629,139	$29,629,139	1,332,997,916	100.00	$35,192,374	$5,151,249	$5,151,174	Notes A and B
	Yuan-Ze Telecommunications Co., Ltd.	Taiwan	TYPE I telecommunications services	(Note F)	10,370,000	-	-	-	(359,811)	(359,811)	Notes A and B
	ARCOA Communications Co., Ltd.	Taiwan	Sale and manufacturing of communication products and office equipment	1,278,944	-	79,353,013	59.10	1,171,320	(108,070)	(107,624)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,066,500	540,000	106,650,000	42.66	789,096	(435,207)	(177,171)	Notes B and C
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	-	4,486,988	100.00	143,331	(6,349)	(6,349)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	141,174	38,648	26,471	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	66,664	27,714	19,096	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	27,680	(93,785)	(17,156)	Notes B and C
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	-	100,000	0.67	928	(10,873)	(4,460)	Notes A and B

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2005	 December 31, 2004	Balance as of December 31, 2004Net Gain Shares	 Percentage of Ownership (%)	 Carrying Value	Equity (Loss) of the Investee	in Net Gain (Loss)	Note
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,197,652	1,759,310	260,915,000	74.55	1,227,742	(146,345)		Notes B and D
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	90,809	(6,740)		Notes B and D
	KG Satellite Co., Ltd.	Taiwan	TYPE I telecommunications services	(Note H)	99,500	-	-	-	(6,458)		Notes B and D
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	20,949	(17,280)		Notes B and E
ARCOA Communications Co., Ltd. (Note G)	Hi Information Co., Ltd.	Taiwan	Information service	53,065	53,065	4,975,000	33.17	5,537	3,803		Notes B and E
	THI Consultants Inc.	Taiwan	Construction consulting	13,700	13,700	1,060,000	22.22	14,128	5,195		Notes B and E
Far EasTron Holding Ltd.	Far EasTron Co., Ltd.	Taiwan	Internet service	US$ 4,532,000	-	14,900,000	99.33	US$ 4,335,000	(10,873)		Notes A and B
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 3,789,000	39,258		Notes B, and D
E. World (Holdings) Ltd	Yuan Cing Co., Ltd. (former E. World Ltd. Taiwan)	Taiwan	Computer software, data processing and network information providing services	193,500	193,500	19,349,994	99.99	US$ 1,416,000	27,788		Notes B and D
KGT International Holding Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	US$ 4,822,000	US$ 4,822,000	16,051,000	4.59	75,303	(146,345)		Notes B and D

Notes: A. Subsidiary.
B. Calculation was based on audited financial statements as of December 31, 2005.
C. Equity-method investee of Far EasTone.
D. Subsidiary of KG Telecom, E. World (Holdings). Far Eastern Info Service (Holding) or KGT International Holdings.
E. Equity-method investee of KG Telecom or ARCOA.
F. Merged with Far EasTone on May 2, 2005.
G. The beginning balance was carried from ARCOA Communications Co., Ltd. as it became the subsidiary of Far EasTone since February 2005.
H. Dissolved on July 2005.

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2005	Investment Flows Outflow	 Inflow	Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of Dec. 31, 2005	Accumulated Inward Remittance of Earnings as of Dec. 31, 2005	Accumulated Investment in Mainland China as of Dec. 31, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	$82,125 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$39,258	$124,469 (US$3,789,000)	$ -	$92,616	$92,616	$29,288,041 (Note C)

Note A: Calculation was based on audited financial statements as of December 31, 2005

Note B: Far EasTone made the investment through a company registered in a third region.

Note C: Equal to 40% of Far EasTone's net asset value.

Note D: Significant transaction with the investee company (Note 19).

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Nature of Relation-ship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommuni-cations Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$ 611,732	Note D	1%
				Payables to related parties	503,615	Note D	1%
				Telecommunications services revenue	2,520,762	Note D	4%
				Cost of telecommunications services	1,206,382	Note D	2%
				Marketing expenses	155,371	Note D	-
				Nonoperating income and gains	290,712	Note D	-
				Management service revenue	125,489	Note D	-
				Receivables form related parties	8,488		
		ARCOA Communications Co., Ltd.	1	Refundable deposits	20	Note D	-
				Payables to related parties	168,308	Note D	-
				Sales of cellular phone equipment and accessories, net	99,517	Note D	-
				Cost of sales	19,845	Note D	-
				Marketing expenses	466,927	Note D	1%
		KGEX.com Co., Ltd.	1	Receivables from related parties	46,435	Note D	-
				Payables to related parties	477	Note D	-
				Telecommunications services revenue	177,702	Note D	-
				Cost of telecommunications services	1,446	Note D	-
				General and administrative expenses	185	Note D	-
				Management service revenue	7,500	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	4,459	Note D	-
				General and administrative expenses	148,268	Note D	-
		Far EasTron Co., Ltd.	1	Receivables form related parties	37,975	Note D	-
				Payables to related parties	163	Note D	-
		Yuan Cing co., Ltd.	1	Receivables form related parties	4,067	Note D	-
				Payables to related parties	23,070	Note D	-
		Far Eastern Info Service (Holding) Ltd.	1	Receivables form related parties	664	Note D	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	503,615	Note D	1%
				Payables to related parties	611,732	Note D	1%
				Telecommunications services revenue	1,206,382	Note D	2%
				Cost of telecommunications services	2,552,018	Note D	4%
				Marketing expenses	326,110	Note D	-
				General and administrative expenses	54,584	Note D	-
				Research and development expenses	4,251	Note D	-
				Nonoperating income and gains	155,371	Note D	-
		ARCOA Communications Co., Ltd.	3	Payables to related parties	65,467	Note D	-
				Sales of cellular phone equipment and accessories, net	37,678	Note D	-
				Cost of sales	7,149	Note D	-
				Marketing expenses	267,554	Note D	-
		KGEX.com Co., Ltd.	3	Receivables from related parties	28,045	Note D	-
				Payables to related parties	1,481	Note D	-
				Telecommunications services revenue	172,563	Note D	-
				General and administrative expenses	8,481	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	13,424	Note D	-
				General and administrative expenses	34,521	Note D	-
		Far EasTron Co., Ltd.	3	Receivables form related parties	10	Note D	-
				Payables to related parties	70	Note D	-
2	ARCOA Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	168,308	Note D	-
				Accrual expense	8,488	Note D	-
				Guarantee deposits received	20	Note D	-
				Sales of cellular phone equipment and accessories, net	19,845	Note D	-
				Other revenues	466,927	Note D	1%
				Cost of sales	99,517	Note D	-

Number (Note A)	Company Name	Counter Party	Nature of Relation-ship (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	65,467	Note D	-
				Sales of cellular phone equipment and accessories, net	7,149	Note D	-
				Other revenues	267,554	Note D	-
				Cost of sales	37,678	Note D	-
3	KGEX.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	477	Note D	-
				Payables to related parties	46,435	Note D	-
				Telecommunications services revenue	1,446	Note D	-
				Other revenues	185	Note D	-
				Cost of telecommunications services	177,702	Note D	-
				General and administrative expenses	7,500	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	1,481	Note D	-
				Payables to related parties	28,045	Note D	-
				Cost of telecommunications services	172,563	Note D	-
				Other revenues	8,481	Note D	-
		Far EasTron Co., Ltd.	3	Other revenues	1,745	Note D	-
				Receivables form related parties	486	Note D	-
				Payables to related parties	584	Note D	-
		Yuan Cing Co., Ltd.	3	General and administrative expenses	584	Note D	
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecom-munications Co., Ltd.	2	Receivables from related parties	4,459	Note D	-
				Other revenues	148,268	Note D	-
		KG Telecom-munications Co., Ltd.	3	Receivables from related parties	13,424	Note D	-
				Other revenues	34,521	Note D	-
5	Far EasTron Co., Ltd.	Far EasTone Telecom-munications Co., Ltd.	2	Receivables from related parties	163	Note D	-
				Payables to related parties	37,975	Note D	-
		KG Telecommuni-cations Co., Ltd.	3	Receivables from related parties	70	Note D	-
				Payables to related parties	10	Note D	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	584	Note D	-
				Payables to related parties	486	Note D	-
				Other operating costs	1,745	Note D	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	1,690	Note D	-
				General and administrative expenses	1,753	Note D	-
6	Yuan Cing Co., Ltd.	Far EasTone Telecom-munications Co., Ltd.	2	Receivables from related parties	23,070	Note D	-
				Payables to related parties	4,067	Note D	-
		KGEx.com Co., Ltd.	3	Other revenues	584	Note D	-
		Far EasTron Co., Ltd.	3	Receivables from related parties	1,690	Note D	-
				Other revenues	1,753	Note D	-
7	Far Eastern Info Service (Holding) Ltd.	Far EasTone Telecom-munications Co., Ltd.	2	Payables to related parties	664	Note D	-

Note A: Significant transactions between parent company and its subsidiaries or among subsidiaries are numbered as follows:
1. "0" for Far EasTone Telecommunications Co., Ltd. (Far EasTone).
2. Subsidiaries are numbered from "1".

Note B: Related party transactions are divided into three categories as follows:
1. Far EasTone to its subsidiaries.
2. Subsidiaries to its parent company, Far EasTone.
3. Among Far EasTone's subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2005; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2005.

Note D: Payment terms varied depending on the related agreements.

Note E: Information on the schedule is equal to the eliminated material intercompany transactions.

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
INDUSTRY SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31							
	2005				2004			
	Telecom-munications Services	Sales	Adjustment and Eliminations	Combined	Telecom-munications Services	Sales	Adjustment and Eliminations	Combined
Revenues generated from customers excluding the Group	$ 63,531,295	$ 8,380,876	$ -	$71,912,171	$61,292,342	$ 4,224,124	$ -	$ 65,516,466
Revenues generated from the Group (Note B)	-	-	-	-	-	-	-	-
Total revenues	$ 63,531,295	$ 8,380,876	$ -	$71,912,171	$61,292,342	$ 4,224,124	$ -	$ 65,516,466
Segment operating income (loss) (Note C)	$ 27,215,078	($1,810,482)	$ -	$25,404,596	$26,412,321	($ 962,954)	$ -	$ 25,449,367
Interest revenue				63,360				27,918
Other revenue				160,790				234,684
Equity in investees' net losses				(243,426)				(210,888)
Interest expense				(279,457)				(685,961)
Other expense				(370,788)				(1,531,038)
General and administrative expense (Note D)				(6,878,369)				(7,080,907)
Income before income tax				$17,856,706				$ 16,203,175
Identifiable assets (Note E)	$ 81,209,830	$ 2,182,857	$ -	$83,392,687	$85,719,980	$ 789,062	$ -	$ 86,509,042
Short-tem investments				409,456				290,000
Investments in shares of stock				920,907				1,799,682
Assets not identifiable to a specified industry				14,700,932				20,110,416
Total assets				$99,423,982				$ 108,709,140
Depreciation expense	$ 11,415,124	$ 24,622			$11,476,358	$ 11,617		
Amortization expense	$ 923,321	$ 42,850			$ 895,159	$ -		
Capital expenditure	$ 5,490,776	$ 17,513			$ 7,487,518	$ 6,733		

Notes:

A. The Group is distinguished into telecommunications services business and sales business.

B. Represents sales between segments.

C. Represents revenue minus costs and operating expenses. Costs and operating expenses represents costs and expenses that are related to revenue of segments except general and administrative expense and interest expense of the Group.

D. Represents general and administrative expenses of the Group.

E. Represents tangible and intangible assets used by the industry segment, excluding:
   a. Assets not for use by the specific industry segment.
   b. Advances or loans to another industry segment.
   c. Short-term investments and investments in shares of stock.

VI | Review and Analysis of the Financial Condition, Operating Performance and Risk Management

1 Financial Condition

Financial Condition Review and Analysis

Unit: NTD'000

Item \ Year	December 31, 2005	December 31, 2004	Variance Amount	Variance %
Current Assets	$ 8,679,748	$ 10,829,712	(2,149,964)	(20)
Investments in Shares of Stock	37,532,567	44,030,365	(6,497,798)	(15)
Fixed Assets	36,360,999	32,616,540	3,744,459	11
Intangible Assets	9,499,186	-	9,499,186	-
Other Assets	951,211	1,391,283	(440,072)	(32)
Total Assets	93,023,711	88,867,900	4,155,811	5
Current Liabilities	13,482,967	10,173,647	3,309,320	33
Long -term Liabilities	5,977,100	8,714,250	(2,737,150)	(31)
Other Liabilities	343,542	267,937	75,605	28
Total Liabilities	19,803,609	19,155,834	647,775	3
Capital Stocks	38,726,630	38,423,115	303,515	1
Capital Surplus	15,003,956	14,506,182	497,774	3
Retained Earnings	19,487,348	16,767,098	2,720,250	16
Other Shareholders' Equity Item	2,168	15,671	(15,503)	(86)
Total Shareholders' Equity	73,220,102	69,712,066	3,508,036	5

1-1 Analysis of variation plus and minus 20%

1. The current assets decrease due to allocation of the cash dividend and repayment of loans in 2005.
2. Intangible assets increase due to merge of Yuan-Ze and acquisition of its 3G license.
3. Other assets decrease due to successive reversal of financial tax difference from changes in service life of fixed assets that causes deferred income tax assets to decrease
4. Current liabilities increase due to reclassification to current portion of long-tern liabilities and good profitability of 2005 and less amount of investment reduction usable that cause payable income tax to increase.
5. Long-term liabilities decrease due to repayment of corporate bonds as scheduled.
6. Other liabilities increase due to the increase in provision of pension cost.
7. Other items of shareholders' equity decrease due to revaluation of NTD at the end of 2005 that causes accumulative translation adjustment in the financial statement for investment of foreign currency to decrease.

1-2 Effect of change in financial condition: None.

1-3 Future response actions: Not applicable.

2 Operating Performance

Operating Performance Analysis

Unit: NTD '000; %

Item \ Year	2005 Subtotal	2005 Total	2004 Subtotal	2004 total	Variance	(%)
Operating Revenue		43,149,676		40,229,481	2,920,195	7
Operating Costs and Expenses		31,764,351		29,182,887	2,581,464	9
Operating Income		11,385,325		11,046,594	338,731	3
Nonoperating Income and Gains						
Equity in investee's net gains	$ 4,524,170		$ 3,796,571		727,599	19
Commission revenue	290,712		126,408		164,304	130
Management service revenue	139,709		79,187		60,522	76
Foreign exchange gains, net	--		78,059		(78,059)	100
Gain from sales of non-performing accounts receivable	--		77,646		(77,646)	(100)
Interest income	35,366		15,913		19,453	122
Other	58,730		54,271		4,459	8
Total nonoperating income and gains		5,048,687		4,228,055	820,632	19
Nonoperating Expenses and Losses						
Interest	176,102		337,070		(160,968)	(48)
Loss on disposal of properties, and properties not currently used in operations, net	2,402		189,214		(186,812)	(99)
Provision for losses on properties not currently used in operations	--		- 130,000		(130,000)	(100)
Other	11,144		65,736		(54,592)	(83)
Total nonoperating expenses and losses		189,648		722,020	(532,372)	(74)
Income Before Income Tax Expense		16,244,364		14,552,629	1,691,735	12
Income tax expense		1,526,962		509,553	1,017,409	200
Net Income		$ 14,717,402		$ 14,043,076	$ 674,326	5

2-1 Analysis of variation

(1) The increase in operating income in 2005 was due to the increase of service revenue, effective expense control and aggressive collection policy.

(2) The net income of investment recognized by the Equity Method increased due to the recognition of the net income of KGT after acquiring KGT.

(3) The increase in commission revenue was mainly due to the increase of commission from sale of KGT SIM cards in 2005.

(4) The increase in management service revenue was mainly due to the increase of management service revenue charged from subsidiaries.

(5) Net exchange income decreased due to the full conversion of ECB in 2005.

(6) The decrease in gain from sales of non-performing accounts receivable was mainly due to the increase of sales of overdue account receivables to third parties in 2004.
(7) The interest income increased due to the purchase of RP commercial promissory note or bonds by idle money in 2005.
(8) Interest expenses decreased due to more cash inflow of operating activities that was applied to repay the loan and caused the interest expenses to decrease.
(9) The increase in loss on disposal of properties was mainly due to disposal of some idle towers, BTS and telecommunication equipment.
(10) The increase in other loss was mainly due to the increase of overdue refundable deposits.
(11) The increase in income tax was mainly due to the decrease of investment tax credit from equipment procurement, R&D expenses and personnel training expenses in 2004.

2-2 Where the Company's main business lines are changed (due to the adjustment on selling price or cost, increase/decrease in production and marketing portfolio and quantity or alternation of new and old products) and where material changes occurring or expected to occur in the operational policies, condition of the market, economic environment or other external factors, the potential effect upon the Company's future business of the facts and changes thereof and the response actions: None

2-3 Estimated sale volume for following year and the grounds thereof. The main reason why the Company expects that the sale volume will grow or decline on an on-going basis: Please refer to the "letter to shareholders".

2-4 Analysis on variation in gross profit: not applicable, as the variation does not reach 20%.

3 Cash Flow

3-1 2005 Cash Flow Analysis

Unit: NT$ '000

Cash and cash equivalents in the beginning of 2004 (1)	Total cash flows from operating activities (2)	Total cash outflows (3)	Balance of cash and cash equivalents (1) + (2) - (3)	Remedies for negative balance of cash and cash equivalents	
				Investment Plan	Financing Plan
3,265,431	24,496,643	31,914,647	(4,152,573)	0	6,549,788

(1) Cash inflow from operating activities: due to the stable growth of operation that increases the income of the telecommunication and acquires the cash dividend allocated by the subsidiaries.
(2) Cash outflow from investing activities: Since 3rd generation mobile phone business has formally operated from 2005, lots of base stations were installed and the relevant telecommunication network equipments were purchased.
(3) Cash outflow from financing activities: due to allocation of cash dividends and repayment of long-term liabilties.

3-2 Correction actions against insufficient liquidity: by virtue of financing activities.

3-3 2006 Estimated Cash Flow Analysis

Unit: NT$ '000

Cash and cash equivalents in the beginning of 2004	Total cash flows from operating activities	Total cash outflows	Balance of cash and cash equivalents	Remedies for negative balance of cash and cash equivalents	
				Investment Plan	Financial Plan
2,436,827	25,570,545	24,774,879	3,232,493	0	0

1. Cash flows from operating activities: Due to market stability, no significant changes are expected in net cash provided by operating activities in 2006.
2. Cash flows from investing activities: The net cash used in investing activities in 2006 is expected to increase due to capital expenditure on network expansion, integration of subsidiaries, and 3G network construction.
3. Cash flows from financing activities: No cash flow from financing activities is expected due to sufficient working capital.

4 Key Performance Indicator, KPI

Unit: NT$

KPI	Definition	Goal in 2005	Achievement in 2005	KPI achievement ratio
ARPU	Customer's average monthly revenue (Unit: NT$)	$ 839	$ 805	96%
EBITDA	Net income before tax, interest and amortization of depreciation (Unit: NT$1,000)	$ 18,918,697	$ 19,200,101	101%

5 Major Capital Expenditure and Sources of Capital Analysis

5-1 Major Capital Expenditure and Sources of Capital Analysis

Unit: NT$ '000

Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Completion Date	Total Capital Needed	Actual or Estimated Fund Utilization Schedule						
				2004	2005	2006	2007	2008	2009	2010
Network Expansion	Capital stocks and Bank Loans	2010	38,250,210	2,747,231	5,296,979	6,077,000	6,243,000	6,290,000	6,343,000	5,253,000

5-2 Expected Benefit

5-2-1 Expected Sales and Gross Profit

Unit: NT$'000

Year	Item	Sales	Gross Profit
2006	Network Expansion	45,753,250	24,671,876
2007	Network Expansion	47,887,541	25,380,397
2008	Network Expansion	50,124,807	26,566,148
2009	Network Expansion	53,607,782	28,412,124
2010	Network Expansion	58,252,552	30,873,852

5-2-2 Other Profit: Please refer "Operational Highlights"

6 Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and 2006 Investment Plan

Unit: NT$'000

Explanation / Item	Amount*	Polices	Reasons for Profit/Loss	Plans for Improvement	2006 Investment Plans
KG Telecommunications Co., Ltd. (the "new KGT")	$35,192,374	Acquisition of KGT for the purpose of market share increase	Because of the unique advantages in multimedia services, network capacity, service coverage and multi-location customer service centers as well as the synergy from the merge, KGT achieved significant growth of profitability in 2005.	None	No investment plans made for presently
Far Eastern Electronic Toll Collection Co, Ltd.	$789,096	For future business development	Since the services were not provided formally until February 2006, the business still makes a loss now.	Schedule to accelerate the progress of installation of OBU to increase revenue by upgrading the utility of electronic collection	No investment plans made for presently
ARCOA Communications Co., Ltd.	$1,171,320	Strategic investment for vertical integration of mobile business and telecommunication service	Making a loss due to the aggressive competition in the market and channels for sale of handsets	Scheduled to exploit the existing equipments and resources of parent company and subsidiaries to integrate and develop the logistic business and outsourcing direct sale of mobile phones	No investment plans made for presently
Far Eastern Info Service (Holding) Ltd.	$141,174	Resource integration and efficiency improvement for the purposes of offering	Investment on Far Eastern Tech-info (Shanghai). Good profit made.	None	No investment plans made for presently
E. World (Holdings) Ltd.	$66,664	Diversified investment strategies to provide the group with logistic service	Trans-investment in Yuan Cing co., Ltd. in 2005 and making good profit	None	No investment plans made for presently
Far EasTron Holding Ltd.	$143,331	Incorporating off-shore holding companies to involve in the international digital contents industry	Only trans-investing in Far EasTron Ltd. for the time being, and making a loss now.	Scheduled to be integrated into the trans-invested digital contents industry holding company	No investment plans made for presently
Far EasTron Ltd.	$928	Provide peripheral services of digital contents	Incorporated in September this year and operating for only three months, and still making a loss now.	Scheduled to increase on-line shopping business	No investment plans made for presently
Ding Ding Integrated Marketing Service Co., Ltd.	$27,680	For future business development	Because it is still under development of business, it still makes a loss due to high operating expenses.	Its operation is close to the scale economy. The business loss is expected to be improved.	No investment plans made for presently

* Note: Carrying Value as of December 31, 2005.

7 Risk Management

7-1 Impact of Interest Rate and Exchange Rate Fluctuation and Inflation on the Company in the Recent Year

7-1-1 Interest Rate Analysis

Interest rate fluctuation is closely linked with liabilities on floating interest rate. According to the Company's 2004 financial structure, all liabilities were long-term interest bearing debts (including those to due within one year), among which over 70% were debts on fixed interest rate and the others were corporate bonds on floating interest rate. The company adopted interest rate swap to hedge interest rate risk. Losses on the swap contracts in 2005 and Q1 2006 was NT$14,643 thousand and 8,643 thousand respectively. The gains were booked as deduction items on interest expense.

7-1-2 Exchange Rate Analysis

A. Sources of Exchange gains/Loss

The Company's foreign currency positions are to pay off debts in foreign currencies, especially roaming service charges, and purchase of equipment and handset from foreign suppliers. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2005 and Q1 2006 are as follows:

Unit: NT$'000

Item / Year	2005	2006 (as of March 31, 2006)
Foreign Exchange Gains (Losses) (A)	(18)	3,197
Operating Revenue (B)	43,149,676	10,851,832
% of operating revenue (A)/(B)	0.00%	0.03%
Operating Income (C)	11,385,325	2,105,512
% of Operating Income (A)/(C)	0.00%	0.15%

As shown in the above table the foreign exchange gains/losses account for a small percentage of operating revenue (0.00% in 2005 and 0.03% in Q1 2006) and operating income (0.00% in 2005 and 0.15% in Q1 2006).

B. Countermeasures for exchange rate fluctuation

The Company used hedge financial instruments to hedge foreign exchange rate risks according to foreign currency position and exchange rate movement.

7-1-3 Inflation Analysis

Impact of inflation to the Company and countermeasures: No major impact of inflation on the Company

7-2 Policies for High Risk or High Leveraged Investments, Lending, Endorsement, Derivative Financial Instruments, and Related for Gains or Losses in the Recent Year

This Company did not engage in high-risk and high-leverage investment, or financing and endorsement/guaranty in 2005. This Company's derivative commodities in 2005 were held for purposes other than trading. The interest rate swap contract was signed in order to prevent the risk in fluctuation of interest rate for the liability accruing based on floating interest rate. This Company's hedging strategies are to avoid the most cash flow risk. Therefore, the purpose of the derivative commodities is for hedging and no substantial earnings/loss exists.

7-3 R&D Plans and Estimated Expenses in the Recent Year

FET's telecommunications R&D program is focused on key technologies. The resources of the Far Eastern group are integrated to by the FET to establish a technology development team to serve as the foundation of future FET technologies. This approach allows for the Far Eastern group to combine their resources and effort in order to achieve the best progress. The results will be fully utilized by the FET to create business value.

This year's R&D focus is still on two axes: (1) Evaluation and optimization of new systems to meet the demand of 3G network operations. (2) Examination of advanced technologies for use in future network models and services. Listed below are the topic areas covered by the FET R&D program:

A. Advanced Technologies R&D

This effort is primarily aimed at future FET operational requirements and telecommunications technology. Government and academic research effort are combined to boost FET's R&D output, creating new value-added services as well as new technologies to ensure communications quality and system reliability. Future R&D into new technologies include: (1) Mobile data platform that supports diverse hardware. The systems will be applied to different fields, to ensure that even when customers are using different equipment at different locations they will still be able to connect to FET's network and enjoy a wide variety of services. Stage 1 of the project has been completed, enabling customers to use their home PC, their car mobile or their outdoor mobile to access a personalized portal website. This platform provides them with personalized services under different environments. Development of stage 2 is scheduled for completion in Q4, 2006. (2) Electronic tolling system and related infrastructure; applications for electronic tolling, transport and communication system (ITS). The project is currently still in progress, with the prototype system scheduled for completion in 2007; changes in government policy however will affect the development schedule. (3) Research and development into broadband related systems and services: research into the integration of wireless broadband network with the FET network; system integration and platform development for dual-network related voice and data services; strategic research and standards analysis of WiMAX models. Construction of stage is scheduled for completion in 2006 Q4, but delays in international standards definition and product development schedule will affect the progress of this project. (4) Extended 3G applications: for example, 3G applications to tele-medicine. Report on the system development's results and research is scheduled for completion at the end of 2006, but extent of development of customized mobile phones will affect progress,

In addition, preliminary research into next-generation mobile communications networks and related technologies will be conducted. The goal is to examine FET's strategic direction and assess the risks associated with Beyond 3G mobile communications technology. Analysis and research of existing potential competing technologies will be conducted as well, so the technical issues with the roll-out of next generation networks can be identified, examined and solutions to technological bottlenecks developed.

B. FET Internal Development Plan

This part involves the expansion of FET's existing value-added services and development of related applications (multimedia services such as data, commerce and entertainment), together with the extending of services into other related industries. Future development trends will be assessed as well, thus promoting the development and application of new services. The goal is become a leading provider for the full spectrum of services such as digital communications, information, entertainment and commercial services. These missions are currently the responsibility of the Business Development Division's product development team, the terminal device evaluation and validation team, technology evaluation and support team along with the FET Telecommunications Laboratory.

FET expects a high rate of growth in 3G network coverage and digital services. In response, the FET will continue moving towards becoming a provider of mobile multimedia and broadband wireless communications network services, thus maintaining its market leadership in mobile data services. Apart from continuing to promote new types of 3G services, it will seek to develop interoperability with international mobile communications standards. The new generation of WCDMA network systems based n HSDPA/HSUPA technology will be used to build faster broadband networks. IP Multimedia Subsystem (IMS) architecture based IP networks will host the development of services such as Voice over IP (VoIP), Mobile Presence Service, Push to Talk (PoC). FET plans to begin testing the HSDPA/HSUPA functions in the middle of 2006, with the IMS system to be completed before the end of the year to provide services such as VoIP, PoC and Mobile Presence. The maturity of the system provider's products and mobile phones will directly affect the quality of service.

C. Technology Exchange

FET's tradition of excellence continues with the organizing of the Unlimited Communications Conference and publishing of the "FET Journal". Through these technology exchanges FET can maintain its position as a technology leader. International exchange activities will also be held this year (Japan, China) together with Yuan Ze University, the Oriental Institute of Technology and New Century InfoComm Tech, so contact can be developed with international academic units (such as the Beijing University of Posts and Telecommunications); FET will also participate in international telecommunications organizations or associations (GSMA, WiMAX Forum, GCF, OMA......) and attend international symposiums. These will establish FET's reputation in the international telecommunications industry, prepare us for the globalization of the communications market in the future and secure the company a position of influence.

D. Participation in Major Government Technology Programs and Economic Development Projects.

When FET began operations, this was also when the National Science and Technology Program for Telecommunications (NTP) Office was established and began promoting the first phase of technology R&D. Based on a memorandum of understanding signed between the two parties, we have cooperated closely over the past five years on various R&D projects and achieved the expected goals.

In Q1 this year we have also completed the technology for the "Next Generation Wireless Network Integrated Platform Project". The result is a complete dual-network (GPRS/WLAN) system that can be placed in the SOGO business district and opened for business. This project successfully integrates the GPRS mobile network with a subsidiary WLAN network, and by using the AAA standards compliant verification and common billing system, mutually compatible telephony and multimedia services can be provided to consumers.

FET will also continue to participate in the M-Taiwan project of the MOEA's Industrial Development Bureau. An island-wide mobile broadband zone is planned along the freeways that integrate 3G/WiFi/WiMAX (World Interoperability for Microwave Access) communications technology that will provide a full range of services such as mobile lifestyle and intelligent transportation. This project is a three-year major infrastructure project, with the construction of each region's basic network infrastructure to be completed in stages by 2008; taking into account the fact that international standards definition has not been completed as well as most system and equipment vendors' mature products will only be released late in the year, we will adopt the approach of gradual upgrade and expansion in order to achieve the project goals. Also for this project the IMS (IP Multimedia Subsystem) will be introduced as well to provide a variety communication and value-added multimedia services. At the same time, the mobile network and wireless broadband access network will be integrated using the FET experimental network. This will establish an Interoperability Test Lab in the Taipei Digital Communications Park, providing associated companies with the best testing platform and experimental capability. These will assist the government in achieving its important mission of stimulating upgrades to the communications industry.

E. The projected R&D funding for 2006 is estimated at around NT$369,131,000.

7-4 Material Changes of Policies and Regulations in Taiwan and Foreign Countries and Impact on the Company in the Recent Year

(1) The Organic Law of the National Communications Commission was implemented on November 9 2005 by presidential order. According to Taiwan's Communications and Distribution Act, the government is

required to revise within two years of the NCC's establishment all communications and distribution related regulations including the Telecommunications Act in accordance with the principles out set out in the Act. The central supervisory authority of mobile communications affairs will be transferred from the MOTC and DGT to the NCC. The planning of national broadcast resources as well as the industry's counseling and encouragement will continue to be carried out by Executive Yuan agencies. This Company will continue to watch closely the NCC's establishment, how the division of responsibilities between the NCC and Executive Yuan agencies develops, and the subsequent formulation of industry-related policies and regulations. Apart from strengthening interactions between the Company and the new regulatory organization, the Company will also develop appropriate plans and responses based on the results.

(2) On September 20, 2005, the MOTC also announced that it is now accepting applications to operate single category fixed international networks. The MOTC DGT published on November 17 and November 18 2005 revisions to the "Telecommunications Business Network Inter-Connection Regulations", "Telecommunications Number Regulations", "Telecommunications Network Coding Project Explanation" and the "Telecommunications Network Coding Project". It also published on December 19, 2005 the "E.164 Subscriber Number Telephony Service Operator Telecommunications Number Allocation Application Guidelines Draft", which will officially allocate the 070 subscriber numbers to Internet telephony operators. Beyond our Company's core business of wireless mobile communications, we are also applying through the affiliate KGEx.com for the single category fixed international network operator license, as well as applying for the allocation of 070 subscriber numbers for operating Internet telephony services. This will expand the scope of our business so the Company's business activities can be more nimble and flexible.

(3) The Executive Yuan National Information and Communications Initiative (NICI) team passed on September 9, 2005 the Taiwan WiMAX development blueprint. The MOEA Industrial Development Bureau's review committee approved on November 7 2005 to issue our Company a subsidy of NT$247,200,000 to carry out the "Far EasTone Mobile Taiwan Applications Promotion Project". As the business from WiMAX technology is mutually complementary with the existing 3G operations, this Company will proceed with its goal of applying for trial WiMAX radio frequency from the supervisory agencies, and continue working on the development of wireless broadband access technology. This will be to the public's benefit, meet market demand and allow competition in a free market to provide consumers with more comprehensive and diverse services.

(4) On January 11 2005 the MOTC issued the "Partial Revision of Category One Telecommunications Operator Fee Regulations" which demanded that category one telecommunications operators that has market leadership status set the wholesale price for items such as "Local and Long-Distance Data Circuit" and "Category One Operator Inter-Connection Circuit". No behavior against fair competition was permitted either. The wholesale price should be determined by subtracting avoidable costs and fees from the retail price, and must not be higher than its promotional offers. After the DGT announced the category one telecommunications market leader's wholesale price submission deadline and date of implementation, our Company's dedicated line leasing costs were significantly reduced. This allowed the development and delivery of 3G mobile communications networks that have higher transmission rates to our customers.

(5) After the deregulation of Taiwan's telecommunications, the first universal telecommunications service was implemented on 2002. After much negotiation between all parties, the actual net cost of providing universal voice and data communications services in 2004 was announced by Chunghwa Telecom as approximately NT$2.87 billion. The DGT announced on August 15 2005 the approved subsidy amount as NT$1.61 billion, which effectively reduced the burden on those sharing in the costs of providing universal telecommunications service.

7-5 Technology Development and Impact on the Company in the Recent Year

The development of WLAN and 3G technology in recent years has made wireless broadband network and broadband multimedia services become a part of our lives. Based on the trend of service change and market needs, the Company made an enormous investment to assist its subsidiary Yuan-Ze Telecommunications to obtain a 3G service license. With diversified development, the Company is expected to increase its revenue and market share.

The building of metropolitan WLAN (Wireless Local Area Network) is now proceeding rapidly ahead. In concert with the rise of mobile business applications, the advanced WiMAX technology is also beginning to make a difference. With the growing maturity and standardization of VoIP applications, operators whose business model relies on the use traditional telephony circuits to provide basic voice services will experience serious upheavals. Current trends in the development of communications technology suggest that the boundaries between Telecom and Datacom will become blurred. This means that how to quickly develop and offer different kinds of value added applications, integrate dissimilar networks, expand wireless broadband service coverage and optimize network performance will all become key issues in future FET development.

3G mobile communications technology emphasize applications with high mobility and coverage, while WLAN/WiMAX technology currently offers Hotspot/Nomadic based stationary wireless Internet services. This means the two are in serving different market segments, and can even be mutually complementary. Based on this development, the FET is emphasizing the integrated utilization of its advantages in operating GSM/GPRS and 3G with its experience in providing Internet services. In response to market demands, it will gradually incorporate WLAN/WiMAX in order to supplement FET's services in mobile communications. This will create an integrated service that is both diverse and capable of meeting different requirements for service and bandwidth.

7-6 Changes of Corporate Image and Impact on the Company's Crisis Management in the Recent Year: None.

7-7 Expected Benefits and Risks from Mergers in the Recent Year:

In order to further integrate telecommunications businesses and pursue higher operating efficiency, the Company will merge its subsidiary Yuan-Ze Telecommunications in 2005. The potential risk from merger includes negative impact on profitability due to amortization of 3G license fee. After merged with Yuan-Ze Telecom, through effective resource integration and management improvement, operating costs are expected to be lowered. In sum, the major synergies are operating benefit from lowered operating expenses and financial benefit from effective financial resource utilization.

7-8 Expected Benefits and Risks from Plant Expansion in the Recent Year: not applicable.

7-9 Risks from Concentration in Supply and Sales in the Recent Year:

The Company's major supplier and customer in 2005 was Chunghwa Telecommunications, which accounts for 12.82% of the total amount of supply and 16.71% of the total amount of sales. Therefore there are no situations of concentration in supply and sales.

7-10 Impact and Risks from Changes in Directors, Supervisors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Year: None.

7-11 Impact and Risks from Change of Owership in the Recent Year: None.

7-12 Lawsuits and Disputes in the Recent Year:

A. Litigations, non-litigations or administrative actions in Recent Years as of the publication date of the Annual Report which may result in major impacts on shareholders' equity or stock price of the Company are disclosed as follows:

(1) Claim by Far EasTone Telecommunications for Debt Discharge by Mobitai Communications

During the period from December 2001 to October 2003, Mobitai Communications (the "Mobitai") was required to provide the Company with the information regarding actual minutes of use (MOU) terminating to the company through the back-up routers of Chunghwa Telecommunications. However, Mobitai had been providing false information which resulted in shortage of airtime charge due to be paid to the Company. The Company claimed for debt discharge by Mobitai in the amount of NT$59,664,140 and file an application to the DGT for arbitration. According to the arbitration result announced on April 9, 2004, the traffic in dispute was generated by Mobitai Telecommunications and Mobitai shall pay airtime charge to Far EasTone based on the tariffs as stated in the interconnection agreement. The Company filed a civil case for compensation in Taipei District Court and the Company won the first trial on July 12, 2004. On March 18, 2005 the two parties reached a conciliation agreement by the court during the appeal that Mobitai shall pay NT$44,825,100 to the Company. The case is final and closed.

(2) Claim by Far EasTone Telecommunications for Damage Compensation from Chunghwa Telecommunications

From December 2001 to March 2004, when Chunghwa Telecommunciations (the "CHT") and the Company were in an interconnection agreement, without permission of the Company, CHT transferred the traffic of low-tier wireless service (CT2) from Soon Corn Telecom and Hsin-Guo Telecom to the network of the Company and the Company could not collect airtime charge for the traffic. Therefore the Company claims a NT$139,674,013 payment plus interest from CHT. The Company lost in 1st instance, and filed an appeal on May 16, 2005. The appeal is now pending examination in Taiwan High Court under the case (94)Chung-Shang-Tze No. 253.

(3) Breach of turst by employees

During the 2004 year-end examination of program entries, the Company discovered an abnormal record that a subsidized mobile phone for a loyalty program was picked up by a customer that did not participate in the program. After investigation, an employee is under suspicion of picking up the mobile phone under the name of the customer and selling it at a low price. The Company has requested investigation from Taipei Distirct Prosecutor's Office at the end of November 2004. Five suspects are being investigated by Taipei District Prosecutor's Office. With respect to the criminal action: the prosecutor has finalized the investigation and prosecuted six suspects (Lin Chi-ru, Cheng Mi-ling, Lin Shao-hua, Chen Shu-ping, Hu Ch-huang and Wang Shou-hsin), and the case is now pending examination in 1st instance. With respect to the civil action: pending examination by the judge.

B. Directors, Supervisors, shareholders with greater than 10% shareholding engaged in litigations, non-litigations or administrative actions in 2004 and 2005 as of the publication date of the Annual Report which may result in major impacts on shareholders' equity or stock price of the Company: None.

C. Situations as stated in Article 157 of the Securities Exchange Law by the Company's Directors, Supervisors, managerial officers, and Shareholders with greater than 10% shareholding:

(1) One manager of the Company misunderstood that the option is not the securities issued by the company, so violated Article 157 of Securities and Exchange Act for the respective short swing transactions. The Company's exercise of the claim for recovery amount is NT$2,149,994 on 2005/6/8 and NT$48,961 on December 12, 2005. And another manager unfamiliar with securities law, also exercise of the claim for recovery amount is NT$141,656 on June 13, 2005.

(2) The Company has hold training sections periodically for insiders to facilitate their future compliance with related regulations.

7-13 Other Major Risks: None

8. Other

None.

VII | Corporate Governance

Corporate Governace Execution Status and Deviations from 'Corporate Governace Best-Practice Principles for TSEC/GTSM listed Companies' and Its Reasons

Item	Execution Status	Deviations from "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and Its Reasons
1. Ownership structure and shareholders' equity		
1-1 Handling of shareholder's suggestions or disputes.	Shareholder's suggestions or inquiries are handled by the Company's spokesperson, acting spokesperson, or the contracted stock title transfer agent, Oriental Securities Co. Ltd.	Comply with the "Corporate Governance Best-Pratice Principles for TSEC/GTSM listed Companies".
1-2 Identifying major shareholders and/ or their ultimate controlling parties	The Finance and Administration Division is responsible for collecting the updated information of major shareholders and/or their ultimate controlling parties. This information is disclosed within one month after the annual shareholders' meeting as required by Article 3 of the Regulations Governing Information Reporting by TSEC Listed Companies.	
1-3 Risk control mechanism and firewalls established between the Company and its affiliated companies	The Company and its affiliated companies are all independent entities in respect of their financial and business operations, and they have established. Operating procedures are established for "transactions between companies of the Group, specific companies and related parties". Risk control mechanism and firewall procedures have also been properly established.	
2. Structure and duties of the board of directors		
2-1 Status of appointing independent directors	Two independent directors were reelected in the regular shareholders' meeting in 2005, namely Lawrence Juen-Yee LAU and Kurt Roland Hellström.	Comply with the "Corporate Governance Best-Pratice Principles for TSEC/GTSM listed Companies".
2-2 Evaluation of the independence of the Company's appointed CPA	Regularly reviewed.	
3. Structure and duties of supervisors		
3-1 Status of appointing independent supervisors	One independent supervisor was reelected in the regular shareholders' meeting in 2005, namely Chen-en Ko.	Comply with the "Corporate Governance Best-Pratice Principles for TSEC/GTSM listed Companies".
3-2 Communications between supervisors and the Company's employees and shareholders	The Company's employees and shareholders have adequate access to the supervisors for this purpose.	
4. Communication with the stakeholders	Suggestions or disputes by stakeholders are handled by the Company's spokesperson, acting spokesperson, and contracted stock title transfer agent Oriental Securities Co.	Comply with the "Corporate Governance Best-Pratice Principles for TSEC/GTSM listed Companies".

Item	Execution Status	Deviations from "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and Its Reasons
5. Information disclosure 5-1 The Company website discloses financial, operational and corporate governance related information 5-2 Other disclosure channels (i.e. English web site; designated personnel in charge of company information collection and disclosure; establishment of a spokesperson policy; disclose process of institutional investors meeting; information on company web site.,etc.)	The Company's corporate website address is: www.fareastone.com.tw The investment relation department and public relation department will disclose the relevant information on the Market Observation Post System (MOPS) and this Company's website.	Comply with the "Corporate Governace Best-Pratice Principles for TSEC/GTSM listed Companies".
6. Establishment of an audit committee	The company is planning to amend articles of incorporations in 2006 shareholder's meeting. Additional authority of the Board of Directors (establishment of Audit Commission or other similar functional special commissions and authorization of the rules governing authority of the various commissions)	The audit committee is planned to be established based on "Corporate Governance Best-Practice Principles" after the re-elections of directors and supervisors in 2006 shareholder's meeting

7. If the company has set up the principles based on "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies", please illustrate the implementation progress and any differences:

Though the Company has not yet defined its governance practices in accordance with the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, as stated in the deviation of such implementation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason(s) for any such deviation, the Company substantially has implemented the relevant requirements provided in such Principles in the spirit of corporate governance and will have the Board of directors enact the "corporate governance practices" in good time.

8. Please specify what institutional reforms and actions the Company has undertaken to meet its s social responsibilities (such as human rights, employee rights, environmental protection, community involvement, supplier relationship and the rights of beneficiaries etc.)

Far EasTone's corporate vision is "Anywhere, anytime communications enriching the lives of people". Since FET began operating, it has not only dedicated itself to providing a variety of mobile communications services to shorten distances between people, but also played the role of corporate citizen by participating in education and charity events to give back to society.

Immediate Communications During Emergencies

In addition to normal and business calls, one of the most important functions of mobile is to support rescue operations during an emergency through its comprehensive coverage. Though FET instant communications, precious lives can be saved and property loss can be avoided during an accident or natural disaster. This is why when natural disasters strike Taiwan FET has always demonstrated its compassion by setting up disaster relief programs. Subscribers in badly affected regions are provided with relief in the form of waiving monthly fee in the hopes of doing what the Company can do to assist victims overcoming their period of adversity.

Helping Children Living in Poverty through the Rainbow Program

Children are the future of the country. Though they should have a happy childhood, rapid changes in society and families made some children never get to experience the joy of a complete family life and must instead be boarded at children's homes. Since 2004, FET workers have organized the "Rainbow Program" to regularly visit the Hsinchu City Children's Home. There they do their part in helping the Home tidy up the environment, build basketball court, lead the children in fun activities and develop the spirit of teamwork. This gives the children an experience of a infinite future just like the rainbow. FET workers also take this opportunity of interacting with the children to learn once again the meaning of "It's better to give than to receive".

Recycling and Charity Sales

To fulfill environmental responsibilities and treasure resources, FET workers show their compassion once again by recycling unused goods at home. Since 2002, "Find New Love for Old Favorite" charity sale event has been held each year. Unused goods from home are donated for sale, with the proceeds from the charity sale going to the Genesis Social Welfare Foundation to help patients in vegetative stage as well as needy families. This event has always received widespread support.

Love closes Distance

To raise public awareness of the increasing severity of youth issues, FET has since March 2005 funneled over 10 million dollars into "Love close Distance" events in partnership with the "Teacher Chang" Foundation. These include: speaking tours at 60 junior and senior high schools around Taiwan, 40 parent-children communication seminars designed for parents, 20 parent development group training courses, training of 130 community communication promoters and the MMS Mother's Card Creativity Competition. These hope to stimulate parent and children interactions, strengthen young people's personal communication skills, improve family relationships and promote social harmony. FET's company owned and franchise stores around Taiwan also assist in fundraising for the Teacher Chang Foundation and help to establish a comprehensive psychological counseling network. These aim to help young people return to their families and spread love to the edge of Taiwan.

Use Retail Network Advantage to Help Students

People today enjoy plentiful food and widespread education, but there are still many poor children and young people who are unable to attend school due to family reasons. FET knows that true compassion requires actual action, so it has expanded its efforts in a partnership with World Vision Taiwan to combine resources and organize together the "Study Aid" series of events. Through donation boxes at FET's 375 direct and franchise stores around Taiwan, it was hoped that customers can donate their spare change, with the collected amounts used to provide poor local children with scholarships, transport and accommodation subsidies as well as set up children's music classrooms in remote regions. This will help World Vision Taiwan assist around 40,000 sponsored children and youths to successfully attend school so they can achieve their dream of going to school and receive an opportunity for rebirth. This marks the third close partnership between FET and World Vision Taiwan on charity events. The previous two were the "Help Rebuild the South East Asia Disaster Region" and "Let Children Go Happily to School" charity fundraisers held last year, and these all show that FET is fulfilling its obligations as a corporate citizen.

9. Other material information that helps to explain the implementation of corporate governance:

9-1 Training for board of directors and supervisors:

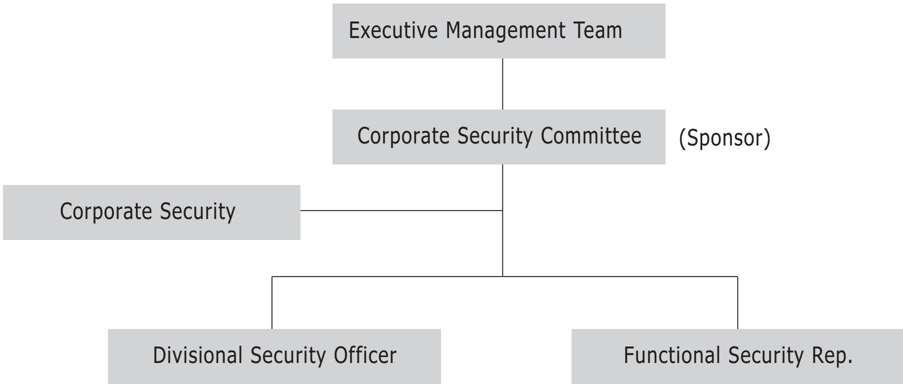
Information relating to finance, accounting and regulatory is collected regularly for board of directors and supervisors. The policy for "Implementation Principles of Training for board of directors and supervisors" is also under preparation.

Title	Name	Study Date		Sponsoring Organization	Course Name	Study Hours
		From	To			
Chairman	Douglas Hsu	2005/2/24 2005/2/24 2005/11/30	2005/2/24 2005/2/24 2005/11/30	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association. Taiwan Academy of Banking and Finance.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management Board Operations	3 3 3
Director	Cham-pion Lee	2005/2/24 2005/2/24 2005/11/30	2005/2/24 2005/2/24 2005/11/30	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association. Taiwan Academy of Banking and Finance.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management Board Operations	3 3 3
Managing Director	Leslie Koo	2005/2/24 2005/2/24	2005/2/24 2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management	3 3
Director	Peter Hsu	2005/2/24 2005/2/24 2005/2/24 2005/11/30	2005/2/24 2005/2/24 2005/2/24 2005/11/30	Taiwan Academy of Banking and Finance. Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association. Taiwan Academy of Banking and Finance.	Board Operating Practices and Corporate Governance Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management Board Operations	3 3 3 3
Director	Hsing-Yi Chen	2005/2/24 2005/2/24	2005/2/24 2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management	3 3
Director	Jan Nilsson	2005/2/24 2005/2/24	2005/2/24 2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management	3 3
Director	Nelson Chang	2005/2/24 2005/2/24	2005/2/24 2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management	3 3
Super-visor	Jenni-ffer Wang	2005/2/24 2005/2/24	2005/2/24 2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management	3 3
Super-visor	Eli Hong	2005/2/24 2005/2/24	2005/2/24 2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp. Corporate Governance Association.	Advanced Study of Securities Regulation for TSEC/GTSM Listed Company Corporate Governance and Risk Management	3 3

9-2 Attendance of board of directors and supervisors in board meetings:

The percentage of directors attending the directors' meeting of 3rd term has been 98.97% until March 3, 2006, and the percentage of supervisors attending the meeting has been 79.55%.

9-3 Company's Risk management Organizaton:



9-3-1 Executive Management Team

This is Far EasTone's highest level of supervisory unit on corporate security policy.

9-3-2 Corporate Security Committee

(1) This is FET's security policy decision making unit and it is guided by policies set out by the Executive Management Team.

(2) The Committee is a permanent inter-division committee composed of Corporate Security, Divisional Security Officers and Functional Security Representatives.

(3) The Committee's Sponsor is selected from the Committee Chairman's parent division. It must be the highest level executive from those who can participate in Executive Management Team meetings. They are responsible for supervising the Committee's meetings on regular administration affairs, and are also responsible for liaising between the Executive Management Team and the Corporate Security Committee.

(4) The Committee holds a meeting once a month, which is to be called by the Corporate Security. Additional meetings can be held when necessary if approved by the Committee Sponsor.

9-3-3 Corporate Security

(1) This is the top level management unit for FET's corporate security policy.

(2) It is responsible for the formulation, revision, announcement, implementation, auditing and authorization of exceptions of corporate security and other security related policies.

(3) The position of Corporate Security Officer is to be held by the head of Corporate Security. The CSO is responsible for promoting and supervising the management of FET's security related management issues (including but not limited to the investigation of corporate security incidents) as well as serving as the Chairman of the Corporate Security Committee.

9-3-4 Divisional Security Officer:

(1) The Divisional Security Officer is a full-time position that is to be filled by an Assistant Manager or higher as assigned by each business division's executive deputy general manager. The tenure is for one year, and where necessary the assignment may be extended at the discretion of each business division's executive deputy general manager.

(2) The DSO is a core member of the Corporate Security Committee, and acts as that business division's corporate security representative.

(3) The DSO's responsibilities are as follow:

a. Establish and maintain the business division's security mechanisms including the formulation, specification and auditing of relevant policies.

b. Serve as the channel for communications between colleagues in their business division and the Corporate Security Committee.

c. Communicate Corporate Security Committee resolutions or announcements to colleagues within the division.
d. Serve as each division's contact point when the Corporate Security Committee is implementing various programs.
e. Confirm and review that their division's colleagues are complying with security policies, managing exceptions according to regulations, as well as setting time limits on use of exceptions.
f. Confirm and review their division's use and management of customer data, including but not limited to the storage or destruction of records for future inspection.
g. Supervise their business division's security management of non-FET employees when they are working on FET business sites.

9-3-5 Functional Security Representative:

(1) To bring together all divisions within the FET organization related to corporate security, all functional departments should provide a representative to the Corporate Security Committee.

(2) The Functional Departments refers to:

a. Legal and Regulatory (PO / L&R)；
b. Public Relations (PO / Public Relations)；
c. Customer Fraud Management(S&S / Fraud)；
d. Consumer Sales & Service(S&S / Consumer Sales & Service)；
e. Human Resources(PO / HR)；
f. Revenue Assurance & Process Control (F&A / Revenue Assurance & Process Control)；
g. General Security (F&A / General Security)；
h. Service Network Operation (ND / SNO)；
i. IT Security Technology (IT / S&Q - IT Security)；
j. Other divisions determined as functional department by the Corporate Security Committee.

(3) The Functional Security Representative may also be their division's Divisional Security Officer.

9-4 Execution of policies to protect consumers or customers: not applicable

9-5 Directors' avoidance of interested bills: directors have avoided taking part in the voting for the bills involving their own interest

9-6 The company's purchase of liability insurance for directors and supervisors: the insurance coverage and necessity are still under assessment and will be subject to the resolution of the board of directors.

9-7 Employees' code of conduct or ethics

It is necessary for each employee to sign the "employees' code of conduct" and "non-disclosure agreement" and declare his/her agreement to comply with the "employees' manual" and "work rules" in his/her "employment contract". The said documents will be kept in the employees' files and disclosed on the Company's intranet to be available to all employees. The contents of the documents are briefed as following:

a. Employees' code of conduct, including: (1) the liability for making good use of and maintaining the Company's resource; (2) the Company's gifts and premiums must comply with the commercial customs, laws and code of ethics; (3) code of conduct outside the Company; (4) code of conduct inside the Company; (5) Code of social intercourse; (6) Social courtesy; (7) confidentiality of the Company's information; (8) internal information management; (9) information must be recorded and maintained in good faith.

b. Non-disclosure agreement, including (1) definition of confidential information; (2) assignment of rights; (3) non-disclosure obligation; (4) legal effect for breach of the agreement and liability thereof; (5) effect upon termination of the employment relationship; (6) successors and assignment of rights; (7) governing law and jurisdiction.
c. Employment contract, including (1) date of hiring; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.
d. Employees' manual, including (1) recruitment and appointment; (2) salary and benefit; (3) training and development; (4) compensation and pension for occupation disaster; (5) entrance guard security; (6) service of labor safety and health; (7) code of conduct and non-disclosure undertaking; (8) information service and rules for emails; (9) service of workers' benefit commission; (10) channel of communication.
e. Work rules will be recorded at the Department of Labor of Taipei City Government upon passing the meeting between labors and employer, including (1) employment, severance and resignation; (2) wage and bonus; (3) work hours, rest, vacation and leave; (4) retirement; (5) performance appraisal and reward/punishment; (6) compensation and pension for occupation disaster; (7) benefit measures and safety and health.

9-8 The personnel related to the Company's financial information who obtained the relevant licenses designated by the competent authorities

R.O.C. internal auditors: two persons in the auditing office

R.O.C. CPA: four persons in the financial and accounting departments

Bond personnel's proficiency test held by Securities and Futures Institute: one person in the financial and accounting departments

Stock personnel's proficiency test held by Securities and Futures Institute: one person in the financial and accounting department

VIII | Public Expenses of CPA

1. Information Related to Public Expenses
2. Information for Change of CPA

1. Information related to public expenses

(1) **In the event that the non-audit public expenses paid to CPA, the CPA's office and the affiliates account more than one-fourths of the audit public expenses, the amount of audit and non-audit public expenses and contents of non-audit services:** Not applicable

(2) **In the event that the CPA office is changed and the audit public expenses paid in the year when the CPA office is less than that paid in the preceding year, reduction of the audit public expenses, percentage and causes:** Not applicable

(3) **In the event that the audit public expenses reduce by 15% compared with that paid in the preceding year, reduction of audit public expenses, percentage and causes:** Not applicable

2. Information for change of CPA

2-1 Regarding the former CPA

<table>
<tr><td>Date of change</td><td colspan="3">Nov. 2005</td></tr>
<tr><td>Cause and explanation</td><td colspan="3">The original CPA, Edward Y. Way, was changed to CPA Benjamin Shih, because of the internal transfer and arrangement taking place in Deloitte & Touche.</td></tr>
<tr><td rowspan="3">Specify whether appointer or CPA terminates or rejects the appointment</td><td>Concerned party
Circumstance</td><td>CPA</td><td>Appointer</td></tr>
<tr><td>Terminate the appointment voluntarily</td><td>√</td><td></td></tr>
<tr><td>Reject (refuse to accept) the appointment</td><td></td><td></td></tr>
<tr><td>The comments and causes for issue of the audit report other than retained opinions within the latest two years</td><td colspan="3">No</td></tr>
<tr><td rowspan="6">Disagreement with the publisher</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial statement</td></tr>
<tr><td></td><td>Scope or steps of audit</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>No</td><td colspan="2">√</td></tr>
<tr><td colspan="3">Note</td></tr>
<tr><td>Other information to be disclosed (to be disclosed according to Item 2(1).4 of Article 20-2 of the Principles</td><td colspan="3">No</td></tr>
</table>

2-2 Regarding the succeeding CPA

Name of office	Deloitte & Touche
Name of CPA	CPA Benjamin Shih
Date of appointment	November 2005
Accounting measures or principles with respect to certain transactions prior to the appointment and inquries and result as to the comments likely to be issued with respect to the financial statement	Not applicable
Succeeding CPA's written opinion towards the disagreement with the former CPA	Not applicable

2-3 The former CPA's response to the issues referred to in Article 20.(2).2.1 and Item 3 of Article 20.(2).2.2 of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers: Not applicable

2-4 Names, job titles and terms of holding the post in the CPA office or its affiliates of this Company's chairman, general manager and managers responsible for finance or accounting who have held a post in the CPA office or its affiliated within the latest one year: Not applicable

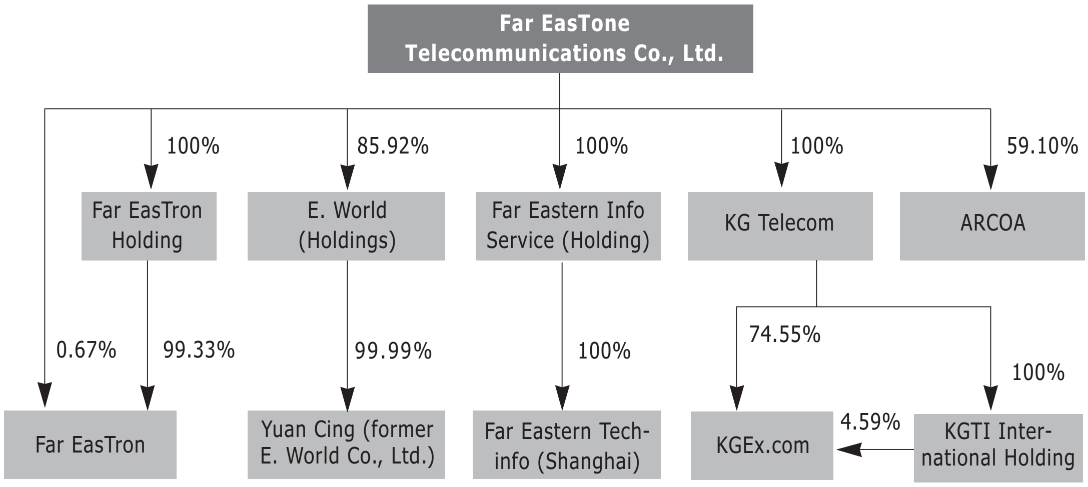
IX | Special Notes

1. Affiliates Information
2. Internal Control System Execution Status
3. Dissenting Comments on major BOD Resolutions from Directors and Supervisors
4. Private Placement Securities
5. The Company's Shares Held or Disposed by Subsidiaries
6. Major Resolution of Shareholder's Meetings and Board Meetings
7. Violation of Internal Control Policies by Employees
8. Other Supplementary Information
9. Material Event Impact on Shareholders' Equity or Share Price

1. Affiliates Information

1-1 Consolidated Business Report of Affiliates

(1) Organizational chart of the affiliates:



(2) General information of Far EasTone Telecommunications Co., Ltd. and affiliates:

In Thousand of New Taiwan Dollars, Except Stated Otherwise.

Unit: NT$'000

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Major Business Activities
Far EasTone Telecommunications Co., Ltd.	April 11, 1997	28th Floor, 207 Tun-Hwa S. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	$ 38,726,630	Wireless telecommunications service, leased-circuit service, ISR and internet services and sale of cellular phone equipments and accessories.
KG Telecommunications Co., Ltd.	September 25, 2003	28th Floor, 207 Tun-Hwa S. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	13,329,979	Wireless telecommunications services and sale of cellular phone equipments and accessories.
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	July 17, 2002	Clarendon House, 2 Church Street Hamilton HM11, British Bermuda Island	US$ 12,000	International investments
E. World (Holdings) Ltd. (British Cayman Islands)	April 7, 2000	4th Floor, One Capital Place, P.O. Box 847 G.T., Grand, British Cayman Island	US$ 7,000,000	International investments
KGT International Holding Co., Ltd. (British Virgin Islands)	January 6, 2000	11th Floor, No. 113, Sec. 2, Jhongshan N. Rd., Taipei City, Taiwan, R.O.C. (Domestic address)	US$ 50,000	International investments

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Major Business Activities
KGEx.com Co., Ltd.	August 9, 2000	11th Floor, No. 113, Sec. 2, Jhongshan N. Rd., Taipei City, Taiwan, R.O.C.	3,500,000	Type II telecommunications service
Far Eastern Tech-info Ltd. (Shanghai)	November 18, 2002	3rd Floor, Building No. 23, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 20,675,000	Computer software, data processing and internet content providing services
Yuan Cing Co., Ltd. (former E. World Co., Ltd.)	August 5, 2000	28th Floor, No. 207, Section 2, Tun-Hwa S. Rd., Taipei City Taiwan, R.O.C.	193,500	Data processing service
ARCOA Communications Co., Ltd.	May 4, 1981	36th Floor, 207 Tun-Hwa S. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	1,342,800	Sale of cellular phone units and other telecommunications equipments or accessories.
Far EasTron Holding Ltd. (British Cayman Islands)	August 30, 2005	Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 30691 SMB, Grand Cayman, Cayman Islands	US$ 4,486,988	International investments
Far EasTron Co., Ltd.	August 12, 2005	28th Floor, 207 Tun-Hwa S. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	150,000	Internet content providing services and data processing services

(3) Companies presumed to have a relationship of control and subordination with Far EasTone Telecommunications under Article 369-3 of the Company Law: None.

(4) Industries covered by the business operated by the affiliates and the description of the mutual dealings and division of work among such affiliates:

Far EasTone and its subsidiaries and affiliates provide wireless telecommunications service, leased-circuit service, International Simple Resale (ISR) services, internet service, sale of cellular phone equipments and accessories, international investments, computer software, data processing and internet content providing services.

The mutual dealings and division of work among such affiliates:

a. The transactions between Far EasTone and KG Telecom consist of the interconnection and roaming activities for KG Telecom's use of Far EasTone's network and vice versa.
b. Far EasTone and KG Telecom collect the international direct dialing revenue for KGEx through call-by call selection service and route the traffic through KGEx's telecommunication facilities.
c. Far EasTone and KG Telecom trade the cellular phone equipments and accessories with ARCOA, and agree to pay to ARCOA handset subsidies and commissions due to the promotion of Far EasTone and KG Telecom's SIM card numbers.

d. Far EasTone and KG Telecom are provided the data processing and related consulting services by Far Eastern Tech-info Ltd. (Shanghai)

(5) Directors, supervisors, and president of Far EasTone and affiliates:

Unit: Number of Shares; %

Company	Title	Name of Representative	Shareholding	
			Share	%
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,320,197,849	34.09
	Vice chairman	Yuan Ding Investment Co., Ltd. Laurence Yang (Note 1)	1,320,197,849	34.09
	Managing director	TCC Investment Co., Ltd. Leslie Koo	5,458,671	0.14
	Director	Yuan Ding Investment Co., Ltd. Champion Lee	1,320,197,849	34.09
	Director	Yue-Li Investment Co., Ltd. Peter Hsu	2,283	-
	Director	Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation Hsing-Yi Chen	2,099,276	0.05
	Director	Yue Ding Industry Co., Ltd. Jan Nilsson	1,037,115	0.03
	Director	TCC Investment Co., Ltd. Nelson Chang	5,458,671	0.14
	Director	NTT DoCoMo Inc. Yuji Yamamoto	190,040,265	4.91
	Independent Director	Kurt Roland Hellström	-	-
	Independent Director	Lawrence Juen-Yee LAU	-	-
	Supervisor	Far Eastern International Leasing Co., Ltd. Eli Hong	32,985,723	0.85
	Supervisor	Ta-Ho Maritime Corporation Jennifer Wang	603,357	0.02
	Independent Supervisor	Chen-en Ko	-	-
	President	Jan Nilsson	-	-
KG Telecommunications Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	1,332,997,916	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Laurence Yang (Note 1)	1,332,997,916	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	1,332,997,916	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Leslie Koo	1,332,997,916	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Charles Wang	1,332,997,916	100.00
	President	Jan Nilsson	-	-
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Champion Lee	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Philby Chen	1,200	100.00

Company	Title	Name of Representative	Shareholding	
			Share	%
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Hans Kuo	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Francies Chen	1,200	100.00
E. World (Holdings) Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Laurence Yang (Note 1)	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Jordan M. Roderick	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Joseph O'Konek	6,014,622	85.92
KGT International Holding Co., Ltd. (British Virgin Islands)	Chairman	KG Telecommunications Co., Ltd. Leslie Koo Deputy: Yvonne Li	50,000	100.00
KGEx.com Co., Ltd.	Chairman	KG Telecommunications Co., Ltd. Champion Lee	260,915,000	74.55
	Director	KG Telecommunications Co., Ltd. Jay Shy	260,915,000	74.55
	Director	KG Telecommunications Co., Ltd. Jan Nilsson	260,915,000	74.55
	Director	KG Telecommunications Co., Ltd. Jessica Chen	260,915,000	74.55
	Director	Cathay Life Insurance Co., Ltd.	17,500,000	5.00
	Supervisor	Chinatrust Commercial Bank Ltd. Charles L. F. Lo (Note 2)	17,500,000	5.00
	Supervisor	KG Telecommunications Co., Ltd. Yvonne Li	260,915,000	74.55
	President	Jay Shy	-	-
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Champion Lee	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Philby Chen	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Jay Shy	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Eli Hong	-	100.00
Yuan Cing Co., Ltd. (former E. World Co., Ltd.)	Chairman	E. World (Holdings) Ltd. Jan Nilsson	19,349,994	99.99
	Director	E. World (Holdings) Ltd. Phiby Chen	19,349,994	99.99
	Director	E. World (Holdings) Ltd. Jessica Chen	19,349,994	99.99

Company	Title	Name of Representative	Shareholding	
			Share	%
	Supervisor	E. World (Holdings) Ltd. Yvonne Li	19,349,994	99.99
ARCOA Communications Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Philby Chen	79,353,013	59.10
	Director	Wan-Shih-Shin Co., Ltd. Gary Lin	98,325	0.07
	Director	Far EasTone Telecommunications Co., Ltd. C. S. Tu	79,353,013	59.10
	Director	Far EasTone Telecommunications Co., Ltd. Jay Shy	79,353,013	59.10
	Director	Far EasTone Telecommunications Co., Ltd. Guang-Ruey Chiang	79,353,013	59.10
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	79,353,013	59.10
	Director	Taiwan Incubator SME Development Co. Chen-Chia Lee	1,122,979	0.84
	Supervisor	Far EasTone Telecommunications Co., Ltd. Francies Chen	79,353,013	59.10
	Supervisor	Far EasTone Telecommunications Co., Ltd. David Tsai	79,353,013	59.10
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	79,353,013	59.10
	President	Raymond Lee	-	-
Far EasTron Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	100,000	0.67
	Director	Far EasTone Telecommunications Co., Ltd. Jay Shy	100,000	0.67
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	100,000	0.67
	Supervisor	Far EasTone Telecommunications Co., Ltd. Yvonne Li	100,000	0.67
	President	Jay Shy	-	-
Far EasTron Holding Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	4,486,988	100.00

Note 1: Yuan Ding Investment Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

Note 2: Who resigned the position of supervisor by sending a letter on January 6, 2006.

(6) Operation overview of Far EasTone and affiliates:

Unit: In Thousand of New Taiwan Dollars, Except Stated Otherwise.

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stock-holders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic EPS (NT$)
Far EasTone Telecommunications Co., Ltd.	$ 38,726,630	$ 93,023,711	$ 19,803,609	$ 73,220,102	$ 43,149,676	$ 11,385,325	$ 14,717,402	$ 3.80
KG Telecommunications Co., Ltd.	13,329,979	40,754,194	5,561,820	35,192,374	27,992,820	7,144,940	5,151,249	3.86
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	US$ 12,000	US$ 3,792,015	US$ 20,294	US$ 3,771,721	US$ 1,211,072	US$ 1,201,355	US$ 1,201,373	US$ 100.11
E. World (Holdings) Ltd. (British Cayman Islands)	US$ 7,000,000	US$ 2,124,124	US$ 2,995	US$ 2,121,129	US$ 853,223	US$ 849,865	US$ 861,480	US$ 0.12
KGT International Holding Co., Ltd. (British Virgin Islands)	US$ 50,000	US$ 2,785,228	US$ 2,131	US$ 2,783,097	US$ -	US$ (214,280)	US$ (209,492)	US$ (4.19)
KGEx.com Co., Ltd.	3,500,000	2,086,684	444,655	1,642,029	831,063	(121,790)	(146,345)	(0.42)
Far Eastern Tech-info Ltd. (Shanghai)	RMB 20,675,000	RMB 41,541,734	RMB 10,816,336	RMB 30,725,398	RMB 48,072,054	RMB 11,701,968	RMB 9,999,299	N/A
Yuan Cing Co., Ltd. (former E. World Co., Ltd.)	193,500	55,610	9,360	46,250	35,690	27,584	27,788	1.43
ARCOA Communications Co., Ltd.	1,342,800	2,414,842	825,349	1,589,493	5,321,221	(119,581)	(108,070)	(0.80)
Far EasTron Holding Ltd. (British Cayman Islands)	US$ 4,486,988	US$ 4,363,598	US$ 2,130	US$ 4,361,468	US$ -	US$ (199,501)	US$ (197,345)	US$ (0.04)
Far EasTron Co., Ltd.	150,000	183,254	44,126	139,127	52	(10,882)	(10,873)	(0.72)

1-2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

February 10, 2006

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended 2005 had been prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the entities in consol dated financial statements of affiliated enterprises are the same as those in consolidated financial statements in accordance with the "Guidelines for Securities Issuers' Financial Reporting for Public Company" and Statements of Financial Accounting Standards No. 7 "Consolidated Financial Statements". Besides, the information needed in consolidated financial statements of affiliated enterprises is enclosed in consolidated financial statements. Therefore, no consolidated financial statements of affiliated enterprises will be compiled.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU
Chairman

1-3 Affiliation Report
(1) Independent Auditor's Report

To: Far EasTone Telecommunications Co., Ltd.

According to the declaration of Far EasTone Telecommunications Co., Ltd. (the Company), the Affiliation Report of 2005 dated February 10, 2006 had been prepared according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises ("the Criteria") and the information in the above report has no significant inconsistency from the notes to the financial statements as of and for the year ended December 31, 2005 ("the Notes"). The declaration is shown on the next page.

We have examined the Affiliation Report of the Company against the Criteria and the Notes. As stated in the above declaration, there was no significant inconsistency found between your 2005 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2005.

Deloitte & Touche

(2) Declaration for the Affiliation Report of the Company

DECLARATION FOR THE AFFILIATION REPORT OF
FAR EASTONE TELECOMMUNICATIONS CO., LTD.

We hereby declare that the Affiliation Report of 2005 had been prepared according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises" and the information in the above report has no significant inconsistency from the Notes to the Financial Statements as of and for the year ended December 31, 2005.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU
Chairman

February 10, 2006

(3) The relationship between the subordinate company and the parent company: Schedule A.

(4) Purchase (sale) of goods between the subordinate company and the parent company: None.

(5) Property transactions between the subordinate company and the parent company: None.

(6) Financing between the subordinate company and the parent company: None.

(7) Asset leasing between the subordinate company and the parent company: Schedule B.

(8) Endorsements and guarantees between the subordinate company and the parent company: None.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

THE RELATIONSHIP BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY

DECEMBER 31, 2005

(Unit: Share, %)

Parent Company	For the Control Reason	Parent Company's Shareholding Information			Parent Company Appointed Directors, Supervisors or Managerial Officer	
		Shareholding	%	Share Pledged	Title	Name
Yuan Ding Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,320,197,849	34.09	-	Chairman Vice chairman Director	Douglas Hsu Laurence Yang (Note) Champion Lee
Far Eastern Textile Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-	-	-	-
Ding Yuan International Investment Corp.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,952,598	0.05	-	-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	164,634,940	4.25	61,300,000	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	116,652,700	3.01	32,350,000	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	160,194,103	4.14	97,500,000	-	-

Note: Yuan Ding Investment Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2005

(Unit: NT$'000)

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipula-tions
	Name	Location							
Far Eastern Textile Co., Ltd.									
Leasing	BTS1522	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Chen, Hsin-Chu County	07.15.1997-07.14-2012	Operating	Same as normal leasing	Bank remittance annually	Same	$ 232	None
Leasing	BTS5341	No. 3, King-Chen 6th Rd., Kuan-Ying Industrial Area, Kuan-Yin Hsiang, Tao-Yuan County	11.15.1999-11.14.2014	Operating	Same as normal leasing	Bank remittance monthly	Same	190	None
Leasing	Nei-Li MSC	No. 80, Yuan-Tung Rd., Nei-Li, Tao-Yuan County	05.01.2002-04.30.2007	Operating	Same as normal leasing	Bank remittance monthly	Same	2,568	None
Leasing	BTS1588	No. 2, Alley 266, Fu-Hsin Rd., Hu-Kuo, Hsin-Chu County	11.15.2000-11.14.2015	Operating	Same as normal leasing	Bank remittance monthly	Same	186	None
Total								$3,176	

2. Internal Control System Execution Status

Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: March 3, 2006

Based on the self-examination results of the internal control system for January 1, 2005 to December 31, 2005, Far EasTone Telecommunications Co., Ltd. (the Company) therefore declares the following:

I. The Company understands that the board of directors and management should be responsible for developing, implementing and maintaining the Company's internal control system and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following events:

1. The efficiency of business operation (including earnings, operating performance, and safe guard of company assets), reliability of financial report, compliance with the relevant laws and management,

and protection of assets and information security.

2. The reliability of the financial reports
3. The compliance of the relevant laws/regulations

II. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three events have been fairly achieved. In addition, the internal control system should be amended at anytime to cope with business environmental or situation changes. Since the Company internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.

III. 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) set forth by the ROC Securities and Futures Commission (SFC). The Guidelines are made to exam the following areas during the internal control process: (1) Control environment, (2) Risk Management, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. Details of each exam area can be found in the Guidelines.

IV. The Company has examined the effectiveness of each respected area in the internal control system based on the governing rules set forth by SFC.

V. The exam result indicated that the Company internal control system (including subsidiary governance) has effectively assured that the events, including awareness of the degree that effectiveness and efficiency of business operation achieved, the reliability of financial report, the compliance with the relevant laws and management policies, and internal execution of the protection of assets and information security, have been reasonably achieved during the assessing period.

1. The degree that effectiveness and efficiency of business operation achieved
2. The reliability of the financial reports
3. The compliance of the relevant laws/regulations

VI. This Declaration is a significant item in the Company annual report and prospectus available to the general public. If it contains false information or omits any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Security and Exchange Law.

VII. The board of directors has approved the Declaration of Internal Control System in the board meeting held on March 3, 2006.

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu, Chairman **Jan Nilsson, President**

3. In Recent Years until the Annual Report being Published, Dissenting Comments on Major BOD Resolutions from Directors and Supervisors

Major contents of record or written documents made by any director or supervisor indicating his/ her dissent to important resolutions passed by the Board of Directors during the year of 2005 and 2006 as of the publication date of the Annual Report: None

4. In Recent Years until the Annual Report being Published, Private Placement Securities

None.

5. In Recent Years until the Annual Report being Published, The Company's Shares Held or Disposed by Subsidiaries

None.

6. In Recent Years until the Annual Report being Published, Major Resolution of Shareholder's Meetings and Board Meetings

Date	Resolutions of Shareholders' Meetings	Exeuction
May 20, 2005	Resolutions in the Annual Shareholders' Meeting of Year 2005 **Matters to be reported** 1. Business report of Year 2004 2. Financial report of Year 2004 3. Review of the Year 2004 closing report by Supervisors. **Matters to be approved** 1. Approval of the Year 2004 closing report. 2. Approval of the proposal regarding Year 2004 earnings allocation (Cash dividend per share NT$3)	July 26, 2005 was scheduled to be the closing date of ex dividend, and cash dividend would be released on August 25, 2005
	Matters to be discussed 1. Approval of the amendment to the Company's Articles of Incorporation. 2. Approval of the release of the non-competition restrictions on directors	Operating pursuant to amended Articles of Incorporation Resolution being complied with
	Election 1. Reelection of two independent directors and one independent supervisor	Name list of elected directors/supervisor: Independent directors-Lawrence Juen-Yee LAU and Kurt Roland Hellström Independent supervisor-Cheng-en Ko

Date	Resolutions of Shareholders' Meetings
July 1, 2005	**Matters to be discussed** July 26, 2005 scheduled to be the closing date of ex cash dividend for 2004
August 24, 2005	**Matters to be reported** The director, Japan-based NTT DoCoMo, re-delegated its corporate representative on July 25, 2005 (changing from Mr. Toshinari Kunieda to Mr. Yuji Yamamoto) **Matters to be Ratified** (1) Ratify the acquisition of the long-term equity investment project for Far Eastern Electronic Toll Collection Co., Ltd. (2) Ratify the acquisition of the long-term equity investment project for ARCOA Communications Co., Ltd. (3) Ratify the establishment of Far Eastron Co., Ltd and Far EasTron Holding Ltd. invested by the company **Matters to be discussed** Discuss and approve first half Financial Report of year 2005
November 17, 2005	**Matters to be discussed** Discuss and approve to replace the CPA responsible for auditing and certifying the Company's finance due to the internal assignment and arrangement of Deloitte & Touche. Therefore, the Company's CPA was changed from Annie Lin, CPA and Edward Y. Way, CPA to Annie Lin, CPA and Benjamin Shih, CPA as of the financial auditing in 2005.

Date	Resolutions of Shareholders' Meetings
March 3, 2006	**Matters to be discussed** (1) Discuss and approve the Company's financial statement 2005. (2) Discuss and approve the Company's distribution of earnings for 2005. (3) Discuss and approve the amendments to the Company's articles of incorporation. (4) Discuss and approve the amendments to the Company's "procedure for acquisition or disposition of assets". (5) Discuss and approve the amendments to the Company's "procedure for endorsement and guaranty". (6) Discuss and approve the amendments to the Company" procedure for granting loans". (7) Discuss and approve the amendments to the Company's "rules of procedure". (8) The terms of office of the Company's directors and supervisors in 3rd term will expire on May 22, 2006 and the directors/supervisors will be reelected. Please include the reelection into the election issues resolved at the Shareholders' Meeting in 2006. (9) Discuss and approve the release of the non-competition restriction on directors referred to in Article 209 of the Company Law. (10) Discuss and approve the schedule of the date and agenda of the Company's Shareholders' Meeting in 2006. (11) Discuss and approve the Company's consolidated financial forecast for 1st Q of 2006.

7. In Recent Years until the Annual Report being Published, Violation of Internal Control Policies by Employees

None.

8. Other Supplementary Information

None.

9. In Recent Years until the Annual Report being Published, any Material Event Impact on Shareholders' Equity or Share Price

Re-election of two independent directors and one independent supervisor at 2005 Shareholders' Meeting; In 2005 two directors and one supervisor resigned, resulting in change of more than 1/3 of the total number of directors, while no major impact was seen on shareholders' equity and share price.