FAR EASTONE
遠傳
CLOSING THE DISTANCE

Stock Code：4904

Far EasTone Telecommunications Co., Ltd.

2007 Annual Report

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http://newmops.tse.com.tw

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Disclosed information can be found at www.bourse.lu

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I Letter to Shareholders

Letter to Shareholders

To Our Shareholders,

2007 is a crucial year in the history of telecommunications industry. Numerous events that impacted industry occurred, including the opening-up of WiMAX licenses and the implementation of digital convergence. Though the entire market tended to grow slightly, the new players' participation made the competition more intense than ever. Therefore, the only way for operators to outperform their peers was to broaden the market niche, and the on-going release of innovative services will be the key factor to success. Whoever makes the next step will be the first to obtain opportunities in the market.

Facing competition of digital convergence, Far EasTone still continues to create gains with innovation. Financially, Far EasTone, along with KGT, Arcoa and other subsidiaries, achieved a consolidated total revenue of NT$64.037 billion, and a consolidated service revenue of NT$58.520 billion in 2007. Other significant financial numbers include the Service EBITDA Margin of 47.6%, a net income after tax of NT$11.619 billion, and the EPS of NT$3.00.

Furthermore, Far EasTone achieved other outstanding accomplishments in its operation. In July 2007, the honor of Best Corporate Governance in Taiwan was awarded by FinanceAsia magazine. In the same month, only Far EasTone, out of the top three mobile operators in Taiwan, received a WiMAX license for southern Taiwan. Meanwhile, after being awarded the Qualicert service certification from SGS (Société Générale de Surveillance) in 2006, Far EasTone was awarded the same honor again in 2007. It is clear that despite fierce competition, Far EasTone remains highly dedicated to upgrade the overall service quality in the telecommunications industry.

Apart from operating performance, Far EasTone is equally committed in fulfilling its corporate social responsibility. Aside from continued dedication in caring for children's education and welfare, Far EasTone has been actively involved in environmental issues by promoting smart energy management in the company. Far EasTone was recognized by Awards of Excellence in Energy Management of the Ministry of Economics for its overall energy saving and CO_2 reduction. With strong commitments to corporate management, rights of shareholders and consumers, employee ethics, norms of partner companies, and stakeholder responsibility, as well as the principle of "giving back to the society", Far EasTone continues to work hard to fulfill its corporate social responsibility.

Operating Performance and Results of 2007

- Far EasTone obtained the WiMAX at the lowest bidding price
  - With the years of punctilious planning, Far EasTone is the only telecom operator among the top three in the country to have been chosen for the WiMAX license.
  - Thanks to its accumulated experience of cross-sector services on information, telecommunications, and internet, Far EasTone was able to successfully obtain WiMAX license and create a brand new outlook for the communications industry.

- Results of operating revenue of non-voice services remain outstanding in 2007
  - Far EasTone's non-voice service revenue in 2007 represented 39% of total non-voice market revenue share, substantially outperforming its peers. Far EasTone's non-voice service revenue represented 10.6% of the total service revenues, higher than the average value in the entire market in Taiwan, 8.4%.

- Dedicated to developing brand new revenue streams
  - FET Big Broadband which integrates mobile, fixed, and wireless services through the IMS platform is the first key product introduced by Far EasTone in the home market.
  - Officially marking Far EasTone's presence in the transportation space, the FET GPS Info Go

and FET G5 offer more than services provided by regular navigators, including functions such as mobile phone, mobile television, and multimedia entertainment.

- First in Asia to introduce ogo, the widely popular communication device in Europe and North America, which consumers can use as a mobile phone, and receive hotmail and chat on MSN anytime.

According to statistics published by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan in January 2008, average consumers in Taiwan currently face a trend of wealth decrease due to large fluctuation in the stock market. With a steady upward trend for costs of raw materials this year, the GDP growth rate of 2008 in Taiwan is estimated at 4.32%, and consumer spending is expected to slightly grow by 2.9%. The statistic figures show that the consumer market in Taiwan only received slight growth.

Although predicted economic growth for this year is similar to last year's, the telecommunications market still faces various other challenges. Starting in the second quarter of this year, the competent authority has enforced the rules governing reduction in tariffs for three consecutive years and thereby affected the telecommunications operators' business revenue directly. In addition, upon the enforcement of station-by-station examination system, the layout of base stations also faced rigid tests.

Notwithstanding, Far EasTone outperformed the competitors and proceeded with the layout of digital convergence two years ago. In the first half of last year, Far EasTone successfully obtained WiMAX license; and in the second half of 2007, Far EasTone has acquired 24.51% of shares of Sparq via share swap with SingTel to prepare itself for integration of broadband and mobile communications. This year, New Century InfoComm Tech and Digital United were integrated with Far EasTone to officially form Far Eastern Group Telecom Sector. With such rich integrated resources, FEG Telecom Sector is expected to maximize synergy, effectively increase operating revenue, and succeed in the intensively competitive telecommunications market.

Current State of Operation and Strategy Planning

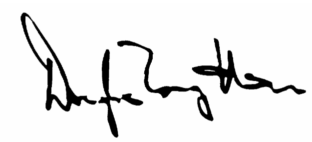
- Formation of FEG Telecom Sector
  - Integrating resources of 3 legal entities, and other subsidiaries to rapidly react to market changes with cross-enterprise Business Units and Function Units.
  - Maximizing synergy and providing mobile communications, broadband, media, and international services to further increase operating revenue and financial results.

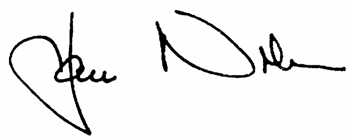
- Maintaining stable operating revenue and continuously maximizing synergy
  - The integration of current 2G, 3G, HSPA, Wi-Fi, and WiMAX communication networks will speed up to combine with fixed network for setting up a seamless quality network environment.
  - Focus on enterprise and home segments for usage expansion and subscriber growth.
  - Build geographic footprint in content and media area and continue to lead in transportation and public spaces

- Provide Convergence of Service, not Access Technology
  - Moving away from the traditional technical convergence, FEG Telecom Sector has been established with an objective of becoming a provider of integrated communication services.
  - Communication, information, entertainment, and transaction services will be all integrated into one, FEG Telecom Sector will continuing the roles of innovator, driver, and challenger in the Taiwan telecom market.

As the 11th year of Far EasTone and the first year of FEG Telecom Sector, we are reminded by what is written in the Art of War by Sun Tzu: "The art of war is not to expect the enemy to withdraw, but to always be prepared for a battlefield." Facing the unpredictable and ever-changing market, all employees should actively prepare themselves for all possibilities. Looking into the brand new year with support of our shareholders, everyone at Far EasTone is ready to do his or her best to achieve all the goals for company operation and fulfill shareholders' expectation of Far EasTone.

Finally, we would like to sincerely thank all our shareholders for the constant support, and our employees for their continuous hard work. We wish you good health and all things well.





Douglas Hsu
Chairman

Jan Nilsson
Vice Chairman and President

II Company Profile

1. Date of Incorporation

2. Company History

1 Date of Incorporation:

Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated on April 11, 1997.

2 Company History

2-1. Milestones:

1997/1	Awarded two licenses 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 its innovative Br@vo service, the first multimedia service plan in Taiwan. The Br@vo 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.
2005/3	Awarded the certification of the international BS 7799 Information Security
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 In December, the alliance announced its official name-Conexus
2006/6	Named “Mobile Operator of the Year, Taiwan” and “Most Innovative Mobile Service Campaign” by the Asia Mobile News Awards. FET was the only mobile operator in Taiwan to receive two awards
2006/8	FET services passed Qualicert certification process of the internationally renowned SGS (Société Générale de Surveillance) from Switzerland. FET was the first mobile operator in Asia to be awarded this certification
2006/10	Launched Taiwan’s first 3.6 Mbps HSPA technology-based services, ushering in the age of 3.5G mobile communications
2007/5	Acquired 51% of Q-ware Communications’ (split from Q-ware Systems & Services Corp.) to expand the scope of the Company’s wireless communication services
2007/6	Received the highest rating of “A+” in Securities and Futures Institute’s “Information Disclosure Evaluation” for two consecutive years (2005 and 2006). Out of more than 1000 listed and OTC companies, only 15 received the “A+” rating in 2006
2007/7	Awarded by Finance Asia magazine as “Taiwan’s Best Managed Company 2007”. The Company is the only telecommunication company in Taiwan to receive the award
2007/7	Received the WiMAX license for the southern district. The Company is the only telecommunication service provider among the “domestic telecommunication industry’s big three” to have received the license
2007/8	Launched “FET Big Broadband” services. Through an IMS platform that integrated mobile, wired and wireless services, the service is the Company’s foray in the consumer household market to offer subscribers with a new wireless lifestyle
2007/9	Received the highest rating in the SGS (Société Générale de Surveillance) Qualicert program for two consecutive years
2007/9	Launched “FET Beep Beep Go” NFC (Near Field Communication) services, becoming the first mobile service provider in the Asia-Pacific region to adopt GSMA Association’s international SWP (Single Wire Protocol).
2007/10	Launched “FET GPS Info Go” along with “FET’s G5” to provide integrated on-the-go information service with GPS navigation, mobile phone, mobile TV and multimedia entertainment features, venturing into the vehicle mobile application domain
2007/11	Launched “ogo”; Asia’s first Personal Communicator to offer internet access at anytime and anywhere for users to enjoy msn, email and VoIP phone capabilities
2007/12	Issued 160,370 thousand Shares to exchange for 24.5% New Century InfoComm Tech Co., Ltd. common shares held by Sing Tel
2008/3	Reduced capital by returning NT$7,745millions in cash to shareholders to enhance the return of shareholders’ equity

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 October 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 shares. 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 merger was May 2, 2005. Upon the merger, the company is the surviving company, while Yuan-Ze Telecommunications was the extinguished company.

2-3. Status of the Affiliated Company in the Recent Years until the Annual Report being Published：

2007/12/31

Affiliated Company	Investment of the Company	
	Share	%
KG Telecommunications Co., Ltd.	1,332,997,916	100.00
ARCOA communications Co., Ltd.	79,353,013	59.10
Far Eastern Info Service (Holding) Ltd.	1,200	100.00
E. World (Holdings) Ltd.	6,014,622	85.92
Far Eastern Electronic Toll Collection Co., Ltd.	157,714,020	41.18
Ding Ding Integrated Marketing Service Co., Ltd.	4,500,000	15.00
Far EasTron Co., Ltd.	100,000	0.67
Far EasTron (Holding) Ltd.	4,486,988	100.00
Q-ware Communications Co., Ltd.	36,459,930	51.00
New Century InfoComm Tech Co., Ltd.	980,315,483	24.51

2-4. Status of the Reorganization of the Subsidiary in the Recent Years until the Annual Report being published: None

2-5. Changes in Directors, Supervisors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Years until the Annual Report being Published: None.

2-6. Material Impact Event on the Shareholders' Equity from Change of Ownership, Business Operating, Business Content and Others in the Recent Years until the Annual Report being Published:

The original intention behind the Company's investment into FETC was to create the first intelligent transportation system in Taiwan and to maximize national economic efficiency. Nevertheless, since the foundation of FETC, it has been under political attack and suffered from untruthful media accusation. The company was, therefore, affected by increasing operating risks and negative corporate reputation. Consequently, on August 11, 2006, the Company announced a proposal to withdraw from FETC by unconditionally donating its FETC shareholding to the Government, so that the Government will be able to plan the future for ETC operation on a brand new basis and further enhance domestic transportation efficiency and national competitiveness. The

Company's board of directors approved this proposal on August 22, 2006. The TANFB already replied officially to FET not to accept the donation on August 17, 2007.

Since FETC completed the ETC project negotiations and signed the project contract with the TANFB, the Company's board of directors approved to subscribe the capital call of FETC with subscription amount NT$510,640,200 with NT$10 per share on August 15, 2007. After the capital call, the Company owned 157,714,020 shares of FETC with total amount NT$1,577,140,200, which represents 41.18% of FETC's shares in total.

III Corporate Governance

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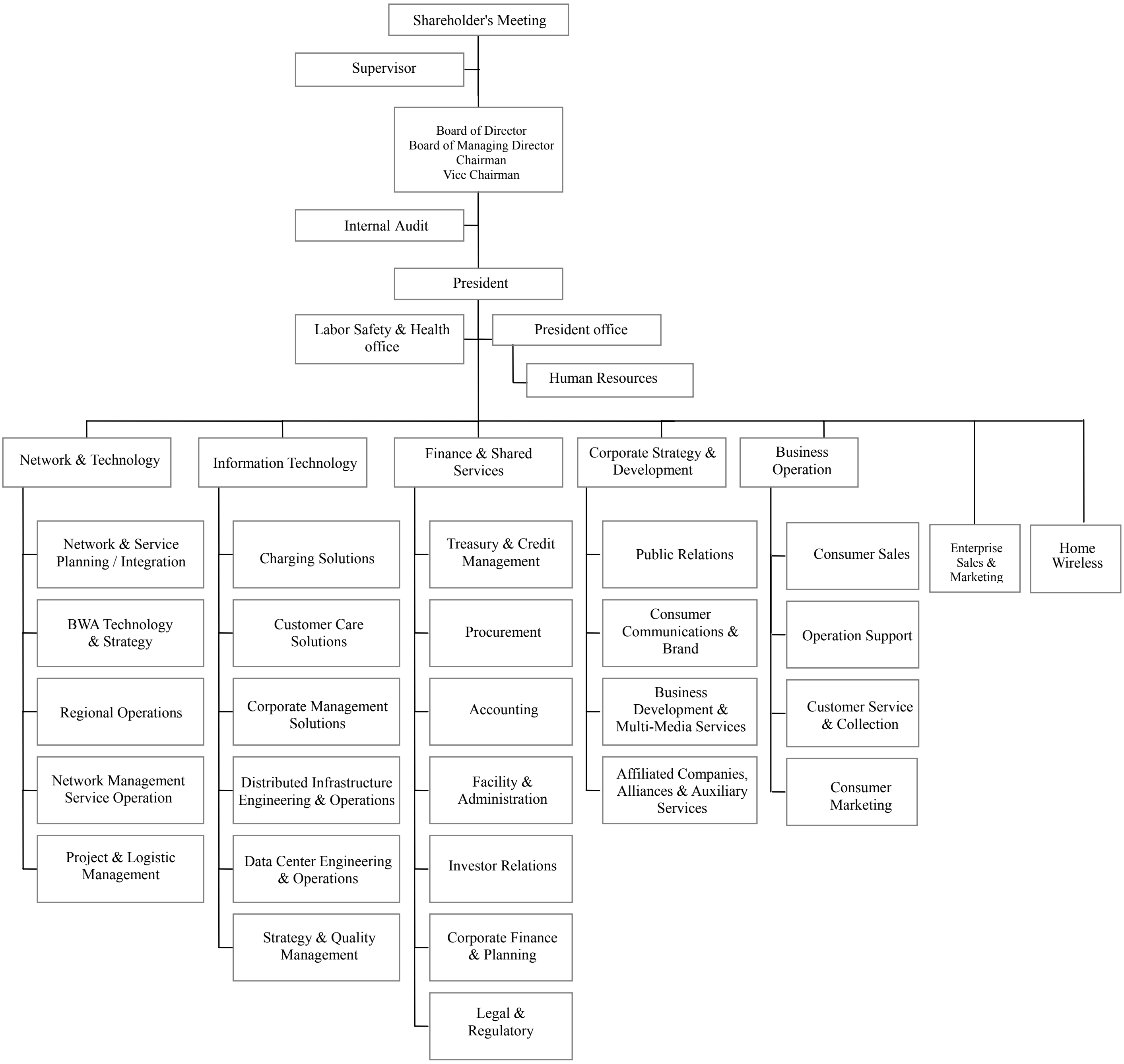
1 Organization Structure

1-1 Organization Chart



1-2. Roles and Responsibilities

Division Name	Function Description
Internal Audit	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
Human Resources	Responsible for human resource management and development
Network &Technology	Responsible for planning and operation of all production, platforms and network for the company and support to managed affiliated companies
Information Technology	Responsible for operations of billing system, customer care system, and company information management system for the company and support to managed affiliated companies
Finance & Shared Services	Responsible for treasury, accounting, investor relations, procurement, process control, general administration, legal and contracts management, shared services management
Corporate Strategy & Development	Responsible for planning, developing and implementing marketing strategies, public and media affairs
Business Operation	Responsible for convergence products and services in consumer and enterprise market, maintaining and developing the company's controlled retail channels

2 Directors, Supervisors and Executive Management

2-1. Directors and Supervisors

2008/4/7

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Shares held of		Shareholding 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 Investment Co., Ltd.	2006/ 5/26	3	1997/ 4/11	1,320,197,849 ∗0	34.09 ∗0	1,066,657,614 ∗0	32.73 ∗0	0 *0	0 *0	0 *0	0 *0	M.S.,Economics, Columbia University; USA Honorary Ph. D., Management Science, National Chiao Tung University	Chairman of Far Eastern Textile Ltd. Chairman of Asia Cement Co., Ltd. Chairman of Far Eastern Department Stores Ltd. Chairman of Oriental Union Chemical Corp. Chairman of U-Ming Marine Transport Corp. Chairman of Far Eastern International Bank	Director Director	Peter Hsu Johnny Shih	Brother Brother-in-law
Vice Chairman & President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	2006/ 5/26	3	1997/ 4/11	1,320,197,849 ∗35,000	34.09 ∗0	1,066,657,614 ∗118,950	32.73 ∗0	0 *0	0 *0	0 *0	0 *0	Sr. Executive VP in Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linkoping University, Sweden.	President of Far EasTone Telecom, Vice Chairman of New Century InfoComm Tech Co., Ltd. Director of Digital United Inc.	None	None	None
Managing Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	2006/ 5/26	3	1997/ 4/11	1,320,197,849 ∗73	34.09 ∗0	1,066,657,614 ∗58	32.73 ∗0	0 *731	0 *0	0 *0	0 *0	MBA, Texas A&M University, USA	Director and Senior VP of Far Eastern Textile Ltd	None	None	None
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	2006/ 5/26	3	2006/ 5/26	5,153,148 *0	0.13 *(	4,163,500 *0	0.13 ∗0	0 *80,795	0 *0	0 *0	0 *0	M.S., Operations Management, Stanford University, USA	Supervisor of Far Eastern Textile Ltd; Vice president of central procurement in Far Eastern Textile Ltd.	Chairman Director	Douglas Hsu Johnny Shih	Brother Brother-in-law
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	2006/ 5/26	3	2006/ 5/26	5,153,148 *694,880	0.13 *0.02	4,163,500 *235,017	0.13 *0.01	0 *184,466	0 *0.01	0 *0	0 *0	M.S., Computer Science, Columbia University, USA	Vice chairman and President of Far Eastern Textile Ltd; Vice chairman of Oriental Union Chemical Corp.	Chairman Director	Douglas Hsu Peter Hsu	Brother-in-law Brother-in-law
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	2006/ 5/26	3	2003/ 5/23	1,037,115 *0	*0.03 *0	837,940 *0	*0.03 *0	0 *0	0 *0	0 *0	0 *0	First Class Honors in Engineering, University of Canterbury, New Zealand	Chairman of Digital United Inc.	None	None	None
Director	Shiro Yamagishi Representative of NTT DoCoMo Inc.	2006/ 5/26	3	2004/ 6/30	190,040,265 *0	4.91 *0	153,543,573 *0	4.71 *0	0 *0	0 *0	0 *0	0 *0	MBA, University of Maryland, USA M.S., Mechanical Engineering, University of Tokyo, Japan	Executive Director, Global Business Department, NTT DoCoMo	None	None	None
Independent director	Kurt Roland Hellström	2006/ 5/26	3	2005/ 5/20	*0	*0	*0	*0	*0	*0	*0	*0	President and CEO of Ericsson Group	Director of India Bharti Televentures	None	None	None

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Shares held of		Shareholding 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	Lawrence Juen-Yee LAU	2006/ 5/26	3	2005/ 5/20	*0	*0	*0	*0	*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	President and Vice-Chancellor 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	Eli Hong, Representative of Far Eastern International Leasing Corp.	2006/ 5/26	3	2000/ 12/28	32,985,723 *0	0.85 *0	26,650,908 *0	0.82 *0	0 *0	0 *0	0 *0	0 *0	Vice President of Citibank; B.S., Economics, National Chung Hsing University	President of Far Eastern International Bank	None	None	None
Supervisor	Morton Huang, Representative of Asia Investment Corp.	2006/ 5/26	3	2006/ 5/26	1,059,844 *0	0.03 *0	856,303 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	Lawyer and M.S., Legal, National Chung Hsing University	Counselor of the Far Eastern Group and Special Assistant of Chairman, Far Eastern textile Ltd.	None	None	None
Independent Supervisor	Chen-en Ko	2006/ 5/26	3	2005/ 5/20	*0	*0	*0	*0	*0	*0	*0	*0	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, and Chang Type Industrial Co., Ltd. Chairman of Chung Hua Institution for Economic Research	None	None	None

*Number of shares and percentage of shares held by the individual

2-2. Information of Directors and Supervisors

Condition / Name	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note)										Independent Director with other Company
	An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or other wise necessary company business	1	2	3	4	5	6	7	8	9	10	
Douglas Hsu			V			V				V		V		None
Jan Nilsson			V			V	V	V	V	V	V	V		None
Champion Lee			V			V	V			V	V	V		None
Peter Hsu			V			V				V		V		None
Johnny Shih			V			V				V		V		None
Toon Lim			V	V	V	V	V	V	V	V	V	V		None
Shiro Yamagishi			V	V	V	V	V	V	V	V	V	V		None
Kurt Roland Hellström			V	V	V	V	V	V	V	V	V	V	V	None
Lawrence Juen-Yee LAU	V			V	V	V	V	V	V	V	V	V	V	None
Eli Hong			V			V	V	V		V	V	V		None
Morton Huang		V	V			V	V	V	V	V	V	V		None
Chen-en Ko	V		V	V	V	V	V	V	V	V	V	V	V	2

Note: V indicates qualified Directors and Supervisors during the two years before being elected or during the term of the appointment.

（1） Not an employee of the Company or any of its affiliates.

（2） Not a director or supervisor of the company or any its affiliates. (Unless the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)

（3） Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.

（4） Not a spouse, or relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any the persons in the preceding three subparagraphs.

（5） Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.

（6） Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.

（7） Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the company or to any affiliates of the company.

（8） Not a spouse or relative within the second degree of kinship of any directors.

（9） Not has any of the circumstance in the subparagraphs of Article 30 of the Company Law.

（10） Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Law.

2-3. Major Shareholders of the Institutional Shareholders

2007/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuang Ding Investment Co., Ltd.	Far Eastern Textile Ltd.(99.99%)
Yuang Ding Co., Ltd.	Far Eastern Textile Ltd.(37.13%)、Asia Cement Co., Ltd.(35.50%)、Der Ching Investment Corp. (14.50%)、Yuang Ding Investment Co., Ltd. (12.86%)、Yu Ming Trading Co., Ltd.(0.01%)
NTT DoCoMo Inc.	Nippon Telegraph & Telephone Corporation(60.24%)、Japan Trustee Services Bank, Ltd.(Trust Account) (2.22%)、The Master Trust Bank of Japan, Ltd.(Trust Account)(2.78%)、State Street Bank and Trust Company 505103(0.69%)、Hero & Co.(0.63%)、Societies General Paris SGOP/DAI Paris 6Z(0.54%)、Japan Trustee Services Bank, Ltd.(Trust Account4)(0.80%)、State Street Bank and Trust Company(0.79%)、Mitsubishi UFJ Trust Banking Corporation(Trust Account)(0.35%)、Nomura Securities Co., Ltd. (0.57%)
Yue Ding Industry Co., Ltd.	Fu-Da Transportation Co., Ltd.(26.95%)、An Ho Garment Co., Ltd.(26.50%) 、Yue-Tung Investment Co., Ltd.(25.36%)、Tou Fu Investment Corp.(4.61%)、Ta Juh Chemical Fibers Co., Ltd.(3.89%)、Ya-Li Precast & Prestressed Concrete Industries Corp.(3.89%)、Yu Ming Trading Co., Ltd.(2.59%)、Yuang Ding Co., Ltd. (2.59%)、Bai-Ding Investment Corp. (2.31%)、Ding Yuan International Investment Corp. (1.30%)
Far Eastern International Leasing Corp.	Bai-Yang Investment Co., Ltd.(28.88%)、Yuang Ding Investment Co., Ltd.(16.41%)、Kai Yuan International Investment Corp.(16.35%)、Yuan Ding Leasing Corp.(13.77%)、Der Ching Investment Corp.(9.87%)、Yue Yuan Investment Corp.(9.87%)、Bai-Ding Investment Corp.(4.84%)
Asia Investment Corp.	Asia Cement Co., Ltd.(100%)

2-4. Institutional Shareholder Representatives for Major Shareholders of the Institutional Shareholders

2007/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern Textile Ltd.	Asia Cement Co., Ltd. (23.77%) 、Oriental Institute of Technology (4.81%)、Far Eastern Medical Foundation(3.49%)、Far Eastern Memorial Foundation (2.99%)、Yuan-Ze University(2.74%)、Der-Ching Investment Corp. (1.41%)、HSBC Taipei Branch in Custody for the BIT Trading Corp. Fund(1.40%)、Douglas Hsu(1.13%)、Bureau of Labor Insurance(1.08%)、Taiwan Post Co., Ltd. (0.91%)
Asia Cement Co., Ltd.	Far Eastern Textile Ltd. (24.05%) 、Far Eastern Medical Foundation (5.03%) 、Yu Yuan Investment Corp. (4.98%)、Cathy Life Insurance Co., Ltd.(2.94%)、JP Morgan Chase Bank in Custody for the Emerging Markets Growth Fund(2.25%)、Far Eastern Department Stores Co., Ltd. (2.02%)、ADR-Asia Cement Co,. Ltd. (1.97%)、Bai-Ding Investment Co., Ltd.(1.95%)、Far Eastern Construction Co,. Ltd.(1.45%)、Yuan-Ze University(1.41%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd. (99.97%)、T.H. Chang (0.01%) 、R.H. Shao (0.01%) 、L.H. Fang (0.01%)
Yuang Ding Investment Co., Ltd.	Far Eastern Textile Ltd. (99.99%)
Fu-Da Transportation Co., Ltd.	Fu-Ming Transportation Co., Ltd. (99.90%)、Johnny Shih(0.03%)、T.C. Liu (0.03%) 、K.Y. Lee (0.03%)
An Ho Garment Co., Ltd.	Far Eastern Textile Ltd. (100%)
Yue Tung Investment Co., Ltd.	U-Ming Marine Transport Corp. (100%)
Tou Fu Investment Corp.	Oriental Union Chemical Corp. (100%)
Ta Juh Chemical Fibers Co., Ltd.	Yuang Ding Investment Co., Ltd.(41.86%)、Yue Ding Industry Co., Ltd(38.76%)、Yue Li Investment Corp.(19.38%)
Ya-Li Precast & Prestressed Concrete Industries Corp.	Asia Cement Co., Ltd. (83.77%) 、Far Eastern General Contractor Inc. (16.03%)
Yu Ming Trading Co., Ltd.	Bai-Ding Investment Co., Ltd.(47%)、Yuang Ding Investment Co., Ltd.(45.50%)、Yue Ding Industry Co., Ltd.(5%)、Ding & Ding Management Consultants Co., Ltd. (1%)、Yuang Ding Co., Ltd. (1%)、Yuan Ding Leasing Crp.(0.5%)
Yuang Ding Co., Ltd.	Far Eastern Textile Ltd.(37.13%)、Asia Cement Co., Ltd. (35.50%)、Der-Ching Investment Corp.(14.50%)、Yuang Ding Investment Co., Ltd.(12.86%)、Yu Ming Trading Co., Ltd(0.01%)
Bai-Ding Investment Corp.	Far Eastern Department Stores Ltd. (66.66%)、Bai-Yang Investment Corp.(33.34%)
Ding Yuan International Investment Corp.	Far Eastern Textile Ltd .(100%)
Bai-Yang Investments Corp.	Far Eastern Department Stores Co., Ltd. (100%)
Kai Yuan International Investment Corp.	Far Eastern Textile Ltd. (100%)
Yuan Ding Leasing Co., Ltd.	Yuang Ding Investment Co., Ltd.(46.20%)、Asia Cement Co., Ltd. (43.60%)、Far Eastern Department Stores Co., Ltd.(9.20%)、Yue Yuan Investment Corp.(1%)
Yue Yuan Investment Corp.	Asia Cement Co., Ltd. (36.42%)、Yuang Ding Co., Ltd.(25.02%)、Yuang Ding Investment Co., Ltd.(19.05%)、U-Ming Marine Transport Corp. (17.66%)、Yue- Tung Investment Co., Ltd.(1.84%)、T.H. Chang(0.01%)
Far Eastern Department Stores Co., Ltd.	Far Eastern Textile Ltd. (16.80%) 、Asia Cement Co., Ltd. (5.56%)、Yuang Ding Investment Co., Ltd.(5.09%)、Yuan-Ze University(4.68%)、HSBC Bank in Custody the China Investment Fund(2.86%)、Bai-Ding Investment Corp.(2.57%)、Far Eastern Department Stores Employee Retire Fund Committee(2.07%)、Yue Yuan Investment Corp.(1.93%)、HSBC Bank Trust BA Pacific Partner Corp. (1.86%)、Standard Chartered Bank Trust GMO Fund (1.61%)

Note: The Major Shareholders of the Institutional Shareholders of NTT DoCoMo Inc. can not be acquired by the limit of Japanese laws.

2-5. Executive Management

2008/4/7

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice Chairman & President	Jan Nilsson	2002.9.1	118,950	0.00	0	0.00	0	0.00	Sr. Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linkoping University	Director and President of KG Telecom Director of Far Eastern Electronic Toll Collection Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Director of KGEx.com Co., Ltd. Chairman of Far EasTron (Holding) Ltd. Chairman of Far EasTron Co., Ltd. Chairman of Yuan Cing Co., Ltd Vice Chairman of New Century InfoComm Tech Co., Ltd. Director of Digital United Inc.	None	None	None
Executive VP, NT	Herman Rao	2008.2.1	89,682	0.00	0	0.00	0	0.00	Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University	None	None	None	None
Executive VP, IT	Eton Shu	2004.5.1	0	0.00	0	0.00	0	0.00	VP of information technology in KG Telecom; MS, Computer Science and Information Engineering, National Taiwan University	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
Executive VP, F&SS	Yvonne Li	2004.5.1	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. Supervisor of Far Eastern Electronic Toll Collection Co., Ltd. Supervisor of iScreen Co., Ltd. Supervisor of KGEx.com Co., Ltd. Supervisor of Far EasTron Co., Ltd. Supervisor of Yuan Cing Co., Ltd. Chairman of Far Eastern Info Service (Holding) Ltd. Chairman of Far Eastern Tech-info Ltd.(Shanghai) Director of Q-ware Communications Co., Ltd.	None	None	None
Executive VP, CS&D	Benjamin Ho	2004.5.1	0	0.00	0	0.00	0	0.00	CMO of Motorola Asia Pacific Ltd. B.S. in Institute of Marketing, Stanford Group of College	President of Far EasTtron Co., Ltd.	None	None	None
Executive VP, BO	Philby Chen	2004.5.1	0	0.00	0	0.00	0	0.00	CFO in Tai Chia Technology Inc.; B.S., Accounting, Northern Arizona University	Supervisor of Far Eastern Department Stores Ltd. Chairman of ARCOA Communications Co., Ltd. Director of Yuan Cing Co., Ltd. Director of THI Consultants Inc. Director of Q-ware Communications Co., Ltd.	None	None	None
VP, NT	S. C. Lee	2007.7.1	75,563	0.00	0	0.00	0	0.00	Sr. Project Manager of SIEMENS; Mechanical & Electrical Engineering Dept, National Taipei Institute of Technology	Director of KGEx.com Co., Ltd.	None	None	None
VP, NT	Howard Tsao	2007.7.1	5	0.00	0	0.00	0	0.00	Manager, Industrial Technology Research	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
									Institute; B.S.E.E., Chung-Yuen University				
VP, NT	James Lee	2007.7.1	676	0.00	0	0.00	0	0.00	Director,KG Telecom; B.S., Electrical Engineering, Feng Chia University	None	None	None	None
VP, F&SS	David Tsai	2005.7.1	0	0.00	0	0.00	0	0.00	Manager of U-Ming Marine Transport Corp., EMBA of Yuan-Ze University	Supervisor of ARCOA Communications Co., Ltd.	None	None	None
VP, F&SS	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 , B.S., Legal, National Taiwan University	Director of KGEx.com Co., Ltd. Director of ARCOA Communications Co., Ltd. Director of Far EasTtron Co., Ltd. Director of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, F&SS	Sharon Lin	2007.7.7	11,076	0.00	0	0.00	0	0.00	Costing Manager of Vishay General Semiconductor Taiwan Ltd. M.S, Finance, University of Wisconsin	Supervisor of ARCOA Communications Co., Ltd. Supervisor of Q-ware Communications Co., Ltd.	None	None	None
VP, CS&D	Jennifer Liu	2003.7.1	0	0.00	0	0.00	0	0.00	Special Assistant to Chairman, Far Eeastern Textile Ltd., MBA, New York University	None	None	None	None
VP, CS&D	Roger Chen	2007.7.1	0	0.00	0	0.00	0	0.00	Director, KG Telecom; M.S., Mechanical Engineering, National Taiwan University	Director of iScreen Co., Ltd. Director of Far EasTron Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, BO	Guang Ruey Chiang	2003.7.1	158,669	0.00	0	0.00	0	0.00	Director in LONG CHENG; M.S., Marketing, University of Kansas	Director and President of ARCOA Communications Co., Ltd.	None	None	None
VP, BO	Maxwell Cheng	2003.8.1	235,018	0.01	0	0.00	0	0.00	Brand Manager in Nestle Taiwan Group; M.S., Marketing, University of Michigan	Director of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd.	None	None	None
VP, BO	Samuel Yuan	2003.7.1	0	0.00	0	0.00	0	0.00	Director in Alive Networks HK; B.S., Financial Analysis & Management Information Systems, State University of New York	President of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, BO	Maggie Mei	2006.1.1	77,419	0.00	0	0.00	0	0.00	Assistant Manager of Call Center, Citibank; International Trade, China University of Technology	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); Head of Human Resources in American Express Company (Taiwan); MBA, Leicester University	None	None	None	None
VP,ESM	Stephen Tung	2007.7.16	0	0.00	0	0.00	0	0.00	Assist Manager of Finance Dept., Walsin Liwa Corp; MBA, Management Science in Sonoma State University	None	None	None	None
Chief Auditor	Jessica Sung	2007.9.1	0	0.00	0	0.00	0	0.00	MIS Manager, Janssen Cilag Taiwan, Johnson	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
									& Johnson; EMBA, National Taiwan University; CPA of California, USA				
Director, NT	Tony Wang	2003.3.1	0	0.00	0	0.00	0	0.00	Manager, Fareast Land ; M.S., Engineering, University of Texas at Austin	None	None	None	None
Director, IT	Iris Su	2004.1.1	43,246	0.00	0	0.00	0	0.00	Manager, KG Telecom; M.S., Computer Information System, Arizona State University	None	None	None	None
Director, IT	Leon Li	2004.1.1	0	0.00	0	0.00	0	0.00	Manager, KG Telecom; M.S., Computer Science, Monmouth University	None	None	None	None
Director, IT	Hae-Shung Ju	2004.1.1	0	0.00	0	0.00	0	0.00	Senior consultant, NCR , M.S., Computer Science, East Texas State University	None	None	None	None
Director, IT	Michelle Peng	2002.11.1	596	0.00	0	0.00	0	0.00	Software development Manager, Vondelon International Corp.; Electronic data process in Ming-Chung college	None	None	None	None
Director, IT	James Chen	2005.4.14	0	0.00	0	0.00	0	0.00	Engineering Supervisor, Fujitsu Corp.; Engineering Dept., Da Hwa University,	None	None	None	None
Director, IT	D.J. Chen	2007.9.1	0	0.00	0	0.00	0	0.00	General, Taiwan Mobil Communication; M.S., of Computer Science, California State University	None	None	None	None
Director, F&SS	Robert Chu	1999.11.1	175,488	0.01	0	0.00	0	0.00	Admin Manager of Honeywell Taiwan Ltd.; B.S., Finance and Taxation Fung Chia University	None	None	None	None
Director, F&SS	Ann Chang	1997.8.4	13,352	0.00	0	0.00	0	0.00	Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University	None	None	None	None
Director, F&SS	Sharon Fan	2004.7.1	0	0.00	0	0.00	0	0.00	Management Controller of Credit Loynnais Taipei; MBA, University of Washington	None	None	None	None
Director, CS&D	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
Director, CS&D	Emily Liu	2005.7.1	8,879	0.00	0	0.00	0	0.00	Account Manager, Ogilvy & Mather Public Relation Taiwan; M.S., Public Relations, Boston University	None	None	None	None
Director, F&SS	Allan Lee	2008.3.1	0	0.00	0	0.00	0	0.00	Manager, Chung-Chie Property Management; M.S., Finance & Tax, Case Western Reserve University, US.	None	None	None	None

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

Remuneration to Directors

2007/12/31; NT$'000

Title	Name	Remuneration to Directors						(A+B+C) Percentage of net income after tax (%)		Remuneration to employees									Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Remuneration paid from distribution of earnings (B)(Note 2)		Operating allowance(C)				Salary, bonus, special allowance (D) (Note 3)		Bonus to employees from distribution of earnings (E)				Number of held employee share subscription (F)					
		The company	Con-solidated	The company	Con-solidated	The company	Con-solidated	The company	Con-solidated	The company	Con-solidated	The company		Consolidated		The company	Con-solidated	The company	Cons-olidated		
												Cash bonus	Stock bonus	Cash bonus	Stock bonus						
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.																				
Vice Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.																				
Managing Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.																				
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	0	0	100,773	100,799	5,448	5,448	0.91%	0.93%	16,062	16,062	0	0	0	0	0	0	1.05%	1.07%	None
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.																				
Director	S. T. Peng, Representative of Yue Ding Industry Co., Ltd.(Note 1)																				
Director	Shiro Yamagishi Representative of NTT DoCoMo																				
Director	Lawrence Juen-Yee LAU																				
Director	Kurt Roland HellstrÖm																				

Note 1：The Director was replaced with Toon Lim on Jan. 10, 2008.

Note 2：The remuneration from 2007 distribution of earnings is subject to approval of 2008 Shareholders' Meeting and not actual payment amount yet.

Note 3：Including salary, position compensation, pension fund, bonus, transporting allowance, other compensation, other allowance, accommodation allowance, business vehicle…etc, among which accommodation allowance is NT$1,872 thousand for house rental and business vehicle is NT$892 thousand for car rental. In addition, the compensation paid to the driver is NT$855 thousand in total, but excluding in remuneration to employees

Escalation for remuneration to Directors

Escalation for remuneration paid to individual directors of the Company (NTD)	Name of directors			
	Total of (A+B+C)		Total of (A+B+C+D+E)	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Less than 2,000,000	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm Yue Ding Industry Co., Ltd. Representative : S. T. Peng	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm Yue Ding Industry Co., Ltd. Representative : S. T. Peng	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm Yue Ding Industry Co., Ltd. Representative : S. T. Peng	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm Yue Ding Industry Co., Ltd. Representative : S. T. Peng
2,000,000～5,000,000（inclusive of 2,000,000）	None	None	None	None
5,000,000～10,000,000（inclusive of 5,000,000）	NTT DoCoMo Representative : Shiro Yamagishi	NTT DoCoMo Representative : Shiro Yamagishi	NTT DoCoMo Representative : Shiro Yamagishi	NTT DoCoMo Representative : Shiro Yamagishi
10,000,000～15,000,000(inclusive of 10,000,000）	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih
15,000,000～30,000,000(inclusive of 15,000,000）	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson, Champion Lee	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson, Champion Lee	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson, Champion Lee	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson, Champion Lee
30,000,000～50,000,000(inclusive of 30,000,000）	None	None	None	None
50,000,000～100,000,000inclusive of 50,000,000）	None	None	None	None
More than 100,000,000	None	None	None	None
Total	9	9	9	9

Note: The aforementioned remuneration paid to each seat of Director when allocating escalation is the average of total remuneration paid to the juristic Director.

The percentage of remuneration paid to Board of Directors over net income after tax in recent two years:

Year	The Company	All companies in the consolidated statement
2006	0.89%	0.90%
2007	0.91%	0.93%

Remuneration to Supervisors

2006/12/31; NT$'000

Title	Name	Remuneration to Supervisors						(A+B+C) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Remuneration paid from distribution of earnings (B) (Note)		Operating allowance(C)				
		The company	Con-solidated	The company	Con-solidated	The company	Con-solidated	The company	Con-solidated	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp. Morton Huang, Representative of Asia investment Corp. Chen-en Ko	0	0	4,250	4,258	2,140	2,140	0.05%	0.06%	None

Note: The remuneration from 2007 distribution of earnings is subject to approval of 2008 Shareholders' Meeting and not actual payment amount yet.

Escalation for remuneration to Supervisors

Escalation for remuneration paid to individual supervisors of the Company (NTD)	Name of Supervisors	
	Total of (A+B+C)	
	The Company	All companies in the consolidated statement
Less than 2,000,000	Chen-en Ko Asia investment Corp. Representative : Morton Huang	Chen-en Ko Asia investment Corp. Representative : Morton Huang
2,000,000～5,000,000 （inclusive of 2,000,000）	Far Eastern International Leasing Corp. Representative : Eli Hong	Far Eastern International Leasing Corp. Representative : Eli Hong
5,000,000～10,000,000（inclusive of 5,000,000）	None	None
10,000,000～15,000,000（inclusive of 10,000,000）	None	None
15,000,000～30,000,000（inclusive of 15,000,000）	None	None
30,000,000～50,000,000（inclusive of 30,000,000）	None	None
50,000,000～100,000,000（inclusive of 50,000,000）	None	None
More than 100,000,000	None	None
Total	3	3

The percentage of remuneration paid to Board of Supervisors over net income after tax in recent two years:

Year	The Company	All companies in the consolidated statement
2006	0.06%	0.06%
2007	0.05%	0.06%

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: compensation, remuneration paid from distribution of earnings and operating allowance. 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. Operating allowance is major of transportation allowance, which is based on consideration of high tech industry, and is approved by the Board of Directors.

Remuneration to President and Vice Presidents

2007/12/31; NT$'000

Title	Name	Salary(A)		Bonus and special allowance(B) (Note 7)		Bonus to employees from distribution of earnings in 2006(C)(Note 8)				Percentage of net income after tax (%)		Number of held employee share subscription warrants		Other remuneration from investment business except subsidiary
						The Company		Consolidated						
		The Company	Consolidated	The Company	Consolidated	Cash dividend	Stock dividend	Cash dividend	Stock dividend	The Company	Consolidated	The Company	Consolidated	
Vice Chairman & President	Jan Nilsson	$84,355	$84,355	$20,727	$20,727	$20,727	0	$20,727	0	1.08%	1.08%	0	0	None
Executive VP	Benjamin Ho													
Executive VP	Yvonne Li													
Executive VP	Philiby Chen													
Executive VP	Herman Rao (Note 1)													
Executive VP	Eton Shu													
VP	Howard Tsao													
VP	S.C. Lee													
VP	James Lee													
VP	Guang Ruey Chiang													
VP	Samuel Yuan													
VP	Maxwell Cheng													
VP	Maggie Mei													
VP	Jessica Chen													
VP	David Tsai													
VP	Sharon Lin													
VP	Jennifer Liu													
VP	Roger Chen													
VP	Patrick Wu													
VP	Stephen Tung													
Chief Auditor	Jessica Sung (Note 2)													
Executive VP	Jay Shy (Note 3)													
Chief Auditor	Doris Wu (Note 4)													
VP	Jeffey Gee (Note 5)													
VP	Peter Yen (Note 6)													

Note 1：Herman Rao was promoted on Feb. 1, 2008.
Note 2：Jessica Sung was promoted on Sep. 1, 2007.
Note 3 : Jay Shy resigned on May 1, 2007.
Note 4 : Doris Wu resigned on July 1, 2007.
Note 5 : Jeffey Gee resigned on Jan. 11, 2008.
Note 6 : Peter Yen resigned on Feb. 23, 2008.
Note 7：Including salary, position compensation, pension fund, bonus, transporting allowance, other compensation, other allowance accommodation allowance, business vehicle…etc, among which accommodation allowance is NT$3,180 thousand for house rental and business vehicle is NT$4,871 thousand for car rental. In addition, the compensation paid to the driver is NT$855 thousand in total, but excluding in remuneration to employees.
Note 8：The remuneration from 2007 distribution of earnings is subject to approval of 2008 Shareholders' Meeting and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

Escalation for remuneration paid to presidents and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents	
	The Company	All companies in the consolidated statement
Less than 2,000,000	0	0
2,000,000～5,000,000（inclusive of 2,000,000）	Patrick Wu, Doris Wu, Jessica Sung, S.C. Lee, James Lee, Sharon Lin, Samuel Yuan, Howard Tsao, Maggie Mei, Roger Chen, Jessica Chen, Stephen Tung, Jennifer Liu, David Tsai, Maxwell Cheng, Peter Yen, Jay Shy	Patrick Wu, Doris Wu, Jessica Sung, S.C. Lee, James Lee, Sharon Lin, Samuel Yuan, Howard Tsao, Maggie Mei, Roger Chen, Jessica Chen, Stephen Tung, Jennifer Liu, David Tsai, Maxwell Cheng, Peter Yen, Jay Shy
5,000,000～10,000,000（inclusive of 5,000,000）	Guang Ruey Chiang, Eton Shu, Yvonne Li, Philiby Chen, Jeffey Gee, Herman Rao	Guang Ruey Chiang, Eton Shu, Yvonne Li, Philiby Chen, Jeffey Gee, Herman Rao
10,000,000～15,000,000（inclusive of 10,000,000）	Benjamin Ho	Benjamin Ho
15,000,000～30,000,000（inclusive of 15,000,000）	Jan Nilsson	Jan Nilsson
30,000,000～50,000,000（inclusive of 30,000,000）	0	0
50,000,000～100,000,000（inclusive of 50,000,000）	0	0
More than 100,000,000	0	0
Total	25	25

Note：Names of employees with the same position are in order of Chinese last name.

The percentage of remuneration paid to President and Vice Presidents over net income after tax in recent two years:

Year	The Company	All companies in the consolidated statement
2006	0.87%	0.87%
2007	1.08%	1.08%

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

There are three kinds of remuneration: salary, bonuses and special allowance, bonuses to employees paid from distribution of earnings. As salary is the compensation based on Article 15 of the Company 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 Vice President and below managers according to related regulations of the Company."; As items like bonuses and special allowance are major of transporting allowance that three options can be chosen: fixed amount allowance or rental cars or allowance by mileage. As bonuses to employees paid from distribution of earnings, Article 26 of the Company 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." Since the bonuses are taken as fixed percentage of the annual earnings, its amount has high correlation with operational performance of the Company.

The comparison of the remuneration paid to Directors, Supervisors, President, and Vice Presidents for both the standalone and consolidated basis of the company in recent two years.

The percentage of net income paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for both the standalone and consolidated basis of the company in recent two years have no significant changes. 2.05% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2007, and 2.09% for the consolidated basis. These figures were 1.82% and 1.84% for both the standalone and consolidated basis of the company in 2006.

Bonuses to Executive Officers

2007/12/31; Unit: NT$'000

	Title	Name	Stock dividend	Cash dividend (Note 5)	Total	Percentage of Net income after tax (%)
Executive Officer	Vive Chairman President	Jan Nilsson	0	$27,368	$27,368	0.24%
	Executive VP	Yvonne Li				
	Executive VP	Herman Rao (Note 1)				
	Executive VP	Philby Chen				
	Executive VP	Benjamin Ho				
	Executive VP	Eton Shu				
	VP	Howard Tsao				
	VP	S.C. Lee				
	VP	James Lee				
	VP	David Tsai				
	VP	Sharon Lin				
	VP	Jessica Chen				
	VP	Maxwell Cheng				
	VP	Guang Ruey Chiang				
	VP	Samuel Yuan				
	VP	Maggie Mei				
	VP	Jennifer Liu				
	VP	Roger Chen				
	VP	Patrick Wu				
	VP	Stephen Tung				
	Chief Auditor	Jessica Sung				
	Director	Tony Wang				
	Director	James Chen				
	Director	Iris Su				
	Director	Leon Li				
	Director	Michelle Peng				
	Director	Hae-Shung Chu				
	Director	D.J. Chen				
	Director	Robert Chu				
	Director	Ann Chang				
	Director	Sharon Fan				
	Director	Emily Liu				
	Director	Alison Kao				
	Director	Johnson Yuh (Note2)				
	Executive VP	Jeffey Gee (Note 3)				
	VP	Peter Yen (Note 4)				

Note 1：Herman Rao was promoted on Feb. 1, 2008.
Note 2 : Johnson Yuh wasn't an executive officer from Feb.1,2008.
Note 3 : Jeffey Gee resigned on Jan. 11, 2008.
Note 4 : Peter Yen resigned on Feb. 23, 2008.
Note 5：The bonuses to employees from distribution of earnings of 2007 have not been approved by the Shareholders' Meeting, just proposed

distribution.

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

Name (Note 1)	Position	Bonuses Amount (NT$, 000)(Note 4)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Jan Nilsson	Vice Chairman & President	11,026	0	Not Applicable	0
Benjamin Ho	Executive VP				
Eton Shu	Executive VP				
Yvonne Li	Executive VP				
Philby Chen	Executive VP				
Jeffey Gee (Note 2)	Executive VP				
Herman Rao (Note 3)	Executive VP				
Patrick Wu	VP				
Guang Ruey Chiang	VP				
Maxwell Cheng	VP				

Note 1：Names of employees with the same position are in order of Chinese last name.
Note 2 : Jeffey Gee resigned on Jan. 11, 2008.
Note 3 : Herman Rao was promoted on Feb. 1, 2008.
Note 4：The bonuses to employees from distribution of earnings of 2007 have not been approved by the Shareholders' Meeting, just proposed distribution.

3 Corporate Governance Executive Status

3-1. Executive Status of the Board of Director

Holding 8 times (A) of the Board Meeting, and the attendance status of Board of Directors and Supervisors in the recent Year：

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) 【B/A】	Percentage of Attendance (%) (Proxy included) 【(B+C)/A】	Remark
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.	7	1	88	100	
Vice Chairman & President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	7	1	88	100	
Managing Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	8	0	100	100	
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	7	1	88	100	
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	4	4	50	100	
Director	S. T. Peng, Representative of Yue Ding Industry Co., Ltd.	7	1	88	100	
Director	Shiro Yamagishi, Representative of NTT DoCoMo Inc.	5	1	63	75	1. NTT DoCoMo Inc. re-appointed Mr. Shiro Yamagishi to replace Mr. Yuji Yamamoto as its new representative for the Company on Sep. 3, 2007. 2. The times of attendance is accounted based on the juristic company NTT DoCoMo Inc.
Independent director	Lawrence Juen-Yee LAU	7	1	88	100	
Independent director	Kurt Roland Hellström	3	5	38	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	5	0	63	63	
Supervisor	Morton Huang, Representative of Asia investment Corp.	8	0	100	100	

Independent Supervisor	Chen-en Ko	8	0	100	100	

Other matters of importance:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected by independent directors or subject to qualified opinion and recorded or declared in writing, should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion: None
2. If there is directors' avoidance of motions in conflict of interest, should specify the directors' names, contents of motions, causes for avoidance and voting: The Company has resolved at the 4th term of the Board of Directors, 13th Meeting on December 28, 2007 the donation of NT$200 million to Far Eastern Medical Foundation to support expansion budget of Far Eastern Memorial Hospital via subsidiary KG Telecommunications Co., Ltd. In order to avoid conflict of interests, the Company's Chairman did not join in discussion and resolution of this proposal.
3. Objectives to improve the functions of the Board of Directors in the year and recent years (e.g. establishment of audit committee, and strengthen disclosure of information, etc.) and evaluation on the execution thereof: The Company has resolved at the 3rd term of the Board of Directors, 25th Meeting on March 3, 2006 to amend the Articles of Incorporation to establish the audit committee or any other functional committees and also approved that the regulations governing authority of the committees shall be included into the authority of the Board of Directors. Meanwhile, it was resolved at the 4th term of Board of Directors, 6th Meeting on February 9, 2007 that the audit committee was changed into the quasi-audit committee otherwise it will be confused with the "audit committee" referred to in Article 14-4 of the Securities and Exchange Act.

3-2. Executive Status of the Audit Committee: The Company has not established the audit committee so it is not applicable.

3-3. Corporate Governance Execution Status and Deviations from 'Corporate Governance 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.	The Company's spokesperson and the contracted stock title transfer agent, Oriental Securities Co., Ltd. handles shareholder's suggestions or inquiries. And the Legal & Regulatory Department deals with disputes or legal cases.	Comply with the "Corporate Governance Best-Practice principles for TSEC/GTSM listed Companies".
1-2 Identifying major shareholders and/ or their ultimate controlling parties	The Finance & Shared Services 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. Operating procedures are established for "Agreement governing the relevant financial and business operations between company and affiliated enterprises". Risk control mechanism and firewall procedures have been properly established.	
2. Structure and duties of the board of directors		
2-1 Status of appointing independent directors	The Company has two independent directors, namely Lawrence Juen-Yee Lau and Kurt Roland HellstrÖm.	Comply with the "Corporate Governance Best-Practice principles for TSEC/GTSM listed Companies".
2-2 Evaluation of the independence of the Company's appointed CPA	The company evaluates the independence of the CPA engaged by the company regularly and annually, including evaluation items such as appointment and CPA public expense.	
3. Structure and duties of supervisors		
3-1 Status of appointing independent supervisors	The Company has one independent supervisor, namely Chen-en Ko.	Comply with the "Corporate Governance Best-Practice principles for TSEC/GTSM listed Companies".
3-2 Communications between supervisors and the Company's employees and shareholders	The Company has set up the supervisor's mailbox: supervisor@fareastone.com.tw, that employees and shareholders have adequate access to the supervisors for communications.	

4. Communication with the stakeholders	Suggestions or disputes by stakeholders have adequate connect with the Company's spokesperson:IR@fareastone.com.tw, supervisor's mail box: supervisor@fareastone.com.tw , and contracted stock transfer agent, Oriental Securities Co.,	Comply with the "Corporate Governance Best-Practice principles for TSEC/GTSM listed Companies".
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, in order to enhance the accuracy and timeliness of the material information disclosed. The Company has set up English web sit and appoints personnel responsible for gathering and disclosing the financial and business relevant information, process of institutional investors meeting, etc.	Comply with the "Corporate Governance Best-Practice principles for TSEC/GTSM listed Companies".
6. Establishment of nomination, compensation or any other functional committees	The Company has resolved at the 3rd term of the Board of Directors, 25th Meeting on March 3, 2006 to amend the articles of incorporation to establish the audit committee or any other functional committees and also approved that the regulations governing authority of the committees shall be included into the authority of the Board of Directors. Meanwhile, it was resolved at the 4th term of the Board of Directors, 6th Meeting on February 9, 2007 that the audit committee was changed to the quasi-audit committee otherwise it will be confused with the "audit committee" referred to in Article 14-4 of the Securities and Exchange Act.	The Company will continue to evaluate regularly and establish the functional committees on a suitable time.

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. Execution of the social responsibilities in 2007

Total involvement in corporate energy saving in the effort towards environmental protection and preservation of the planet

Energy saving has become an important issue for all modern enterprises. The Company has established a cross-departmental energy saving organization whose primary responsibilities involve the integration of the Company's internal and external resources, establishment of objectives, implementation of energy saving measures and aggressive track of the execution status. Apart from adjusting various hardware as a means to implement the concepts of energy saving, it is also crucial that every employee of the Company does their best to contribute to the cause. Concrete energy saving actions include: control of No. of parallel chillers and cooling towers; control of the usage of air-conditioning variable-speed pumps; monitoring of operational hours and temperature for air-conditioning; intensity of lighting systems; readjusting dispensed water temperature to the most energy-saving mode; define and balance future expansion capacities and control loading to work out an ideal power consumption for the contract with Taiwan Power Company; acquire additional capacitors and reactors to improve power quality and minimize circuit losses; use construction materials that are compliant with the green building material standard; lower the culmination of solar radiation heat and so forth. With total participation of all employees, the Company's effort in energy saving and reduction of CO_2

emissions has brought impressive results. In order to encourage enterprises that have achieved significant results in energy saving and to promote relevant education, the Ministry of Economic Affairs hosted the "2007 Energy Saving Award Ceremony" in August. After more than two months preliminary and second round reviews, the review committee has selected 15 enterprises and 8 schools out of a total of 86 private/public companies and 39 schools to be "the role models in energy saving" and given recognition for their efforts. The Company was the only domestic telecommunication service provider to receive this recognition. The actual statistics of the Company's energy saving efforts in 2007 are as follows:

Economic saved: NT$ 5,710, 000/year

Power saved: 3,250kWh/year

Water conserved: 3,120 metric ton/year

Reduced CO_2 emission: 2,176 metric ton/year

Active participation in social welfare; utilizing the strength of distribution channels to set an example for others to follow suit

Spreading benevolence far and wide: assisting impoverished students to attend school

The Company has participated in the "Spreading benevolence far and wide: assisting impoverished students to attend school" fundraising drive organized by World Vision Taiwan. The Company has cooperated with Arcoa by engaging in an islandwide promotion campaign involving all retail stores in Taiwan and subscribers were urged to dial 380 on their mobile phones to make donations. The funds raised already went to impoverished students in Taiwan in the form of reliefs and subsidies for accommodation and transportation allocated to the construction of Education and Recreation Classrooms for children in remote areas.

Salvage lives and lend a helping hand: aid to the abandoned children

In a joint effort with Child Welfare League Foundation, the Company co-hosted the event "Salvage lives and lend a helping hand: aid to the abandoned children". By utilizing the strength of its distribution channels, the Company has called on all the kind-hearted people to donate small money in retail stores or make donations by dialing 380 on their mobile phones. In addition, a number of our employees have also taken the initiative to join the subscription programs, raising a total of nearly NT$ 4 million. The money will be used to care for children who have been abandoned by parents with substance abuse issues or other reasons such as different skin tones and illnesses at birth. This charitable event was held to offer a future of hope for abandoned children.

Cherish our elderly: let us do our part

The Company participated in the "Cherish our elderly: let us do our part" event hosted by Far Eastern Group by offering the complimentary "880 mobile care" services at 12 major retail stores in Taipei County/City and 6 community activity centers where the seniors may have their electrocardiogram and blood pressure taken. With the convenience of mobile communication services, the Company was able to do its part in caring for the seniors' health.

Ensuring balanced mental and physical development for students; the goal of connecting to the world is no longer unattainable

Promote healthy recreation activities – sweat out your vigor and youth

The Company has been hosting its annual "FET Cup 3 on 3 Basketball Tournament" every summer to provide an opportunity for basketball lovers to demonstrate their skills. The event was created to encourage the general public to take up healthy recreational activities and to promote the trend of exercising. The event has always drawn more than 1,000 participants every year and is one of the few large-scaled sports/recreational events in Taiwan.

Sharing love across the Southern Cross-Island Highway with FET's Mobile Broadband Services

In order to assist students at Litao Elementary School in Taitung to connect to the rest of the world, the Company has overcome major obstacles in construction to successfully set up mobile broadband equipment at Litao Village, situated at an elevation of 1,068 meters above sea level. With the introduction of cutting edge technology, local students who once had only limited learning resources can now access the Internet without using a single cable. Not only would these students be able to enjoy the convenience brought by the latest technology, they would also benefit from the expanded vision of the world.

In addition, the Company has responded to NCC's call to bring broad band internet access to all rural villages in Taiwan by donating 100 PCs to disadvantage minorities residing in rural areas of eastern Taiwan and local schools. By reusing available resources, the Company has contributed to the cause of minimzing the gap between urban and rural areas and facilitating the process of information exchange.

9. Other material information that helps to explain the implementation of corporate governance:

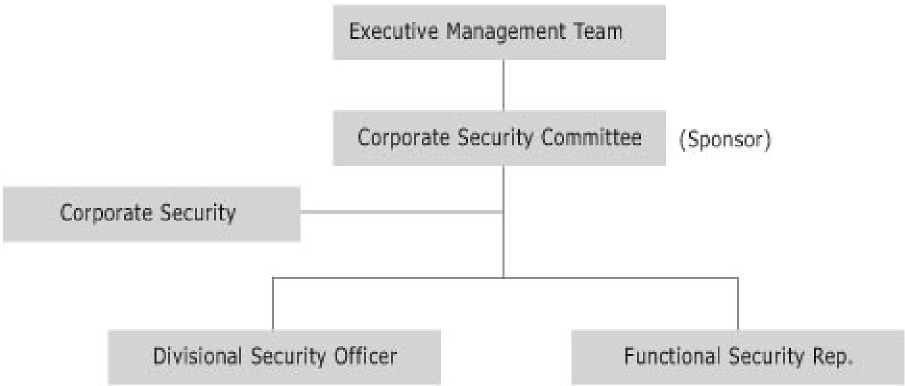
9-1 Training for board of directors and supervisors:

Information relating to finance, accounting and regulatory is regularly provided to 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		Course Name	

		From	To	Sponsoring Organization		Study hours
Chairman	Douglas Hsu	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TSEC/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Vice Chairman & President	Jan Nilsson	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TSEC/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Managing Director	Champion Lee	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TSEC/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/6/7	2007/6/7	Finical Supervisory Commission, Executive Yuan	The 4th Corporate Governance in Taipei	6
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	Johnny Shih	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	Peter Hsu	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TSEC/GTSM listed Company	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	S.T.Peng	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TSEC/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
Supervisor	Eli Hong	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TSEC/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Supervisor	Morton Huang	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3

9-2 Company's Risk management Organization:



9-2-1. Executive Management Team

This is Far EasTone's highest level of supervisory unit on corporate security policy.

9-2-2. Corporate Securities Committee

(1) This is the Company'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.

9-2-3. Corporate Security

(1) This is the top-level management unit for the Company'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 the Company'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.

9-2-4. 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 the Company business sites.

9-2-5. Functional Security Representative:

(1) To bring together all divisions within the Company 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 (F&SS / L&R);
b. Public Relations (CS&D / Public Relations);
c. Customer Fraud Management (BO / CS&C / Fraud Management);
d. Consumer Sales & Service (BO / Consumer Sales);
e. Human Resources (PO / HR);
f. General Security (F&SS / General Security);
g. Service Network Operation (N&T / NMC / SNO);
h. IT Security Technology (IT / S&QM / IT Security);
i. 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.

9-3 Execution of policies to protect consumers or customers: The Company has followed up the related policies.

9-4 The company's purchase of liability insurance for directors and supervisors: The Company has not purchased the liability insurance for Directors and Supervisors.

9-5 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 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.

9-6 The personnel related to the Company's financial information that obtained the relevant licenses designated by the competent authorities

R.O.C. CPA: 1 person in the financial and accounting departments

U.S.A. CPA: 2 persons in the financial and accounting departments and the auditing department

R.O.C. internal auditors: 4 persons in the financial and accounting departments and the auditing department

Computer internal auditor: 1 person in the auditing department

BS7799 internal auditor: 2 persons in the financial and accounting departments and the auditing department

Bond personnel's proficiency test held by Securities and Futures Institute: 1 person in the financial and accounting departments

Stock personnel's proficiency test held by Securities and Futures Institute: 1 person in the financial and accounting departments

9-7 Self-evaluation result, major defects or suggestions and improvement of corporate governance:

The Company has made a preliminary self-evaluation on its current condition according to the corporate governance evaluation:

(1) Protect shareholders' equity and interests:

a. The Company treats all shareholders fairly, ensures shareholders' rights of being fully informed of important matters and information, and provides comprehensive rules in accordance with the Company Law and relevant laws to encourage shareholders to actively participate in the corporate governance. The Company designates the personnel exclusively dedicated to handling shareholders' proposals, inquiries and suggestions.

b. The Company has also enacted the "relevant regulations governing the financial and business operations between affiliated enterprises" to conduct the risk management mechanism and establish appropriate firewalls.

(2) Strengthen functions of the Board of Directors:

a. The Company has enacted the rules for proceedings of board meetings to enhance the operational efficiency and decision-making capability of the board. There have been two independent directors elected at the shareholders' meetings to ensure that the Board of Directors will exercise its functions objectively and fairly.

b. When the board deliberates on other material financial or operational transactions, sufficient consideration shall be given to the opinion of the independent directors.

c. The Company will establish and enact the functional committees related to the corporate governance, the relevant regulations and rules governing independent directors' functions in a timely manner upon evaluation.

d. The Company has not yet purchased the liability insurance for directors, but will report it to the Board of Directors for examination after conducting thorough investigation and evaluation on the contents and essentiality of the insurance.

(3) Fulfill the function of supervisors:

a. The Company has three supervisors, including one independent supervisor. The supervisors may audit the Company's operating business from time to time and the execution of the Company's internal control system.

b. The supervisors have held meetings with the Company's management periodically and made suggestions in writing to strengthen the Company's risk management and financial/operational management.

c. The Company has not yet purchased the liability insurance for supervisors, but will report it to the Board of Directors for examination after conducting thorough investigation and evaluation on the contents and essentiality of the insurance.

(4) Ensure the management's discipline:

a. The Company has a complete internal control system and conducts the self-examine faithfully; the board of directors and the management review the result of the voluntary reviews of each department and the report of the internal audit department at least annually.

b. The Chief Auditor attended the Board of Directors Meeting regularly to carry out the internal control system and risk management.

c. Supervisors also pay attention to and exercise oversight of the internal control system to ensure that the system can be carried out effectively on a continuous basis and to fulfill the corporate governance.

(5) Respect stakeholders' rights and interests:

a. In order to protect and respect stakeholders' rights and interests, the Company has established the various fair and workable communication channels. When stakeholders legal rights are harmed upon, the company will handle such matter in a proper manner and in good faith.

b. In developing its normal business and maximizing the shareholders' interests, the Company has paid attention to consumers' interest, environmental protection of community and public interest issues, and has high regard for the social responsibility of the Company.

(6) Enhance information transparency

a. The Company has established websites in Chinese and English versions to disclose the financial, business, corporate governance information and held an institutional investor meeting in accordance with laws and regulations of the TSEC and GTSM. The Company also designated the specified personnel dedicated to collection and disclosure of the Company's information.

b. The Company has established the spokesperson system to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

3-4. Internal Control System Execution Status

(1) The declaration of internal control system

Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 26, 2008

Based on the self-examination results of the internal control system for the period of January 1, 2007 to December 31, 2007, Far EasTone Telecommunications Co., Ltd. (the Company) therefore declares the following:

I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the Company 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 safeguard of company assets)
   2. The reliability of the financial and related 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 effectiveness of internal control system could alter over time due to 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). The Guidelines are made to exam the following areas during the management and control process: (1) control environment, (2) risk management, (3) control activities, (4) information and communication, and (5) monitoring. Details of each examination 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 Guidelines.

V. The examination result indicated that the Company internal control system (including subsidiary governance) has effectively assured the following events 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 and related reports
   3. The compliance of the relevant laws/regulations and company policies

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 February 26, 2008.

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu	**Jan Nilsson**
Chairman	**Vice Chairman & President**

(2) The investigative report of entrusting CPA to examine the internal control system: None

3-5. In Recent Years until the Annual Report being Published, Violation of Internal Control Policies by Employees:

3-5-1 Penalty to the Company pursuant to laws:

The Fair Trade Commission, Executive Yuan decided on October 18, 2007 that the "FET-KGT Network Ha La 990" advertisement published by FET, which promoted "free on-the-net calls", "free on-the-net 3G calls", "50% off for off-the-net calls and local calls" and "FET and KGT form the largest network throughout the nation", made false statements or misleading representations in violation of Paragraph 3 of Article 21 of the Fair Trade Act wherein Paragraph 1 of the same Article shall apply mutatis mutandis. As a result, FET was fined NT$6 million. FET considered that the reasons of the decision did not match the facts and, therefore, filed an appeal. The appeal is now pending in the Appeal Review Commission, Executive Yuan.

3-5-2 The penalty to the internal relationship person: None.

3-6. In Recent Years until the Annual Report being Published, Major Resolution of Shareholder's Meetings and Board Meetings

Date	Resolutions of Board Meetings
February 9, 2007	**Matters to be Discussed** (1) Approval of the Company's financial statement for 2006. (2) Approval of the amendment to the Company's Articles of Incorporation. (3) Approval of the amendment to the Company's "Rules Governing the Conduct of the Board Meeting". (4) Approval of the dates and agenda of the Shareholders' Meeting in 2007. (5) Approval of the financial forecast for 1st quarter of 2007.
February 14, 2007	**Matters to be Discussed** (1) Approval of the acquisition of 36,459,930 shares of Q-Ware Communications Co., Ltd. at NTD 13.60 per share, or NTD 495,855,048 in total, for the expansion of wireless services offered.
April 19, 2007	**Matters to be Discussed** (1) Approval of the Company's financial forecast for 2nd quarter of 2007. (2) Approval of the mutual guarantee with KG Telecommunications Co., Ltd. and the provision of KGEx.com Co., Ltd. guarantee due to performance bond requirement upon telecom product / service certificate. (3) Approval of the Company's distribution of earning for 2006. (4) Approval of the amendment to "Procedures for Handling Acquisition or Disposal of Assets" of the Company. (5) Approval of the amendment to "Procedures for Making Endorsements and Guarantees" of the Company. (6) Approval of the amendment to "Rules Governing the Conduct of Board Meeting" of the Company. (7) Approval of the amendment to "Directors and Supervisors Election Guidelines" of the Company. (8) Approval of the amendment to Year 2007 Annual Shareholders' Meeting's agenda.
April 30, 2007	**Matters to be Discussed** (1) Approval of the capital reduction of the Company. (2) Approval of the amendment to Year 2007 Annual Shareholders' Meeting's agenda.
July 2, 2007	**Matters to be Discussed** Approval of the record date of the ex-cash dividend of Y2006 as July 30, 2007 (Monday).
August 15, 2007	**Matters to be Ratified** (1) Approval of the amendment to "Procedures for Handling Acquisition or Disposal of Assets" and "Procedures for Making Endorsements and Guarantees" of the Company's subsidiaries. **Matters to be Discussed** (1) Approval of the audited first half financial statements and consolidated financial statements of Y2007. (2) Approval of the 3rd quarter financial forecast and consolidated financial forecast of Y2007. (3) Approval of the proposal to fix the record date of capital reduction as December 31, 2007 (Monday). (4) Approval of the proposal to subscribe the capital call of Far Eastern Electronic Toll Collection Co., Ltd. (5) Approval of the proposal to apply for the credit line of performance bond from the Bank for WiMAX. (6) Approval of the share swap with Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited for New Century InfoComm Tech Co., Ltd.'s ("Sparq") shares by issuing new shares according to Paragraph 6, Article 156 of Company Act. (7) Approval of the issuance of new shares as the consideration payable by the Company for its acquisition of the shares of New Century InfoComm Tech Co., Ltd.'s (Sparq") through the share swap with Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited in accordance with Paragraph 6, Article 156 of Company Act.
November 28, 2007	**Matters to be Discussed** (1) Approval of the 4th quarter financial forecast and consolidated financial forecast of Y2007. (2) Approval of the proposal to provide New Century InfoComm Tech Co., Ltd. and KGEx.com Co., Ltd. guarantee due to performance bond requirement upon telecom product / service coupon.
December 28, 2007	**Matters to be Discussed** (1) Approval of the proposal to cancel 200,000,000 reserve shares (per share NT$10) for convertible bonds from the NT$42,000,000,000 registered capital of the Company. (2) Approval of the record date of capital increase for New Century InfoComm Tech Co., Ltd by share swap with SingTel as December 31, 2007 (Monday). (3) Approval of the record date of capital reduction and to amend capital reduction percentage and cash return per share. (4) Approval of the share exchange date of capital reduction as March 17, 2008(Monday). (5) Approval of the donation of NT$200 million to Far Eastern Medical Foundation to support expansion budget of Far Eastern Memorial Hospital via subsidiary KG Telecommunications Co., Ltd.
February 26, 2008	**Matters to be Discussed**

	(1) Approval of the audited annual financial statements and consolidated financial statements of Year 2007. (2) Approval of the amendment to "Rules Governing the Conduct of Board Meeting" of the Company. (3) Approval of the dates and agenda of Year 2008 Annual Shareholders' Meeting. (4) Approval of the Year 2008 business plan and financial budget. (5) Approval of the first quarter financial forecast and consolidated financial forecast of Year 2008.
April 22, 2008	**Matters to be Ratified** (1) Approved: To well catch the business opportunities from growth in web advertising market, as well as integrate resources among the telecom sector, it is proposed that FETron, whose shares are held by FET (0.67%) and FET's 100% subsidiary, FETron Holding (99.33%), is to be merged with ADCast, a subsidiary of Seednet (52.8%) and the surviving company. (2) Approval of the formulation of "Procedures for Handling Acquisition or Disposal of Assets" of the Company's subsidiaries. **Matters to be Discussed** (3) Approval of the second quarter financial forecast and consolidated financial forecast of Year 2008. (4) Approval of the dividend distribution of Year 2007. (5) Approval of the proposed amendment of Level of Authority ("LOA") of the Company.

Date	Resolutions of Shareholders' Meetings	Execution
June 12, 2007	Resolutions in the Annual Shareholders' Meeting of Year 2007	
	Matters to be Reported	
	1. Business report of Year 2006	
	2. Financial report of Year 2006	
	3. Review of the Year 2006 closing report by Supervisors	
	4. The amendment to "Rules Governing the Conduct of the Board Meeting"	
	Matters to be Approved	
	1. Approval of the Year 2006 closing report	
	2. Approval of the proposal regarding Year 2006 earnings distribution (Cash dividend per share NT$3.1)	July 30, 2007 was fixed to be the record date of ex dividend, and cash dividend was released on August 17, 2007.
	Matters to be Discussed	
	1. Approval of the amendment to the Company's Articles of Incorporation	Operating pursuant to amended Articles of Incorporation
	2. Approval of the amendment to the Company's "Procedures for Handling Acquisition or Disposal of Assets"	Operating pursuant to the amended Procedures
	3. Approval of the amendment to "Rules Governing the Conduct of Board Meeting" of the Company.	Operating pursuant to the amended Procedures
	4. Approval of the amendment to the Company's Operational Procedures for Endorsements/Guarantees	Operating pursuant to the amended Procedures
	5. Approval of the capital reduction.(Around returned NT$2 per share to shareholders)	(1) The percentage of capital reduction was around 20%. The Company issued 160,370,370 shares in total to exchange for 980,315,483 of Sparq's common shares after capital reduction from SingTel. Aforementioned share swap by issuing new shares had obtained effective registration from Financial Supervisory Commission, Executive Yuan ("FSC") on Dec. 26, 2007. Following aforementioned capital increase, the outstanding shares of the Company was changed from 3,872,663,049 shares to 4,033,033,419 shares. The percentage of capital reduction therefore was adjusted from 20% to 19.204715%, and the amount per share returning to shareholders was adjusted from NT$2 to NT$1.9204715. (2) It was proposed to fix the capital reduction record date of the company on Jan. 15, 2008 and fix the capital reduction share exchange date as March 17, 2008. The new shares have been listed and the cash have been returned to shareholders on March 28, 2008.

3-7. In Recent Years until the Annual Report being Published, Dissenting Comments on Major Board Resolutions from Directors and Supervisors：None

3-8. The Resigned Situation of the Officers (Including Chairman, President, Accounting Manager, And Internal Auditor Manager) being Relationship to Financial Report:

Title	Name	Effective Date	Resign Date	Remark
Chief Auditor	Doris Wu	June 1, 2004	July 1, 2007	Transferred to affiliated enterprise

4 Public Expenses of CPA

4-1. 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:

Accounting Firm	Name of CPA		Audit Fee (NT$'000)	Non-audit Fee					Whether the Certified Public Accountant's Audit Period Covers an Entire Fiscal Year			Note (NT$'000)
				System Design	Registration	Human Resource	Other (NT$'000)	Total (NT$'000)	Yes	No	Audit Period	
Deloitte & Touche	Annie Lin	Benjamin Shih	$10,500	None	None	None	$1,710	$1,710	V		2007.01.01~ 2007.12.31	Non-audit Fee mainly including service fee for administration succor and transfer pricing

4-2. In the event that the CPA firm is changed and the audit public expenses paid in the year when the CPA firm is less than that paid in the preceding year, reduction of the audit public expenses, percentage and causes: Not applicable

4-3. In the event that the audit public expenses reduce by 15% compared with that was charged in the preceding year, reduction of audit public expenses, percentage and causes: Not applicable

5 Information for change of CPA

5-1. Regarding the former CPA: The Company didn't change the CPA in recent 2 years.

5-2. Regarding the succeeding CPA: The Company didn't change the CPA in recent 2 years.

5-3. The former CPA's response to the issues referred to in Article 10.5.1 and Item 3 of Article 10.5.2 of the Regulations Governing Information to Be Published in Annual Reports of Public Companies: Not applicable

6 The Company's chairman, president and managers responsible for finance or accounting who have held a post in the CPA office or its affiliated within the latest one year:

None

7 Shareholding Transferred or Pledged by Directors, Supervisors, and Management, or Major Shareholders

7-1. Shareholding Variation:

Title	Name	2007		2008/4/7(Note 8)	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *0	(29,400,000) *0	(253,540,235) *0	(17,937,204) *0
Vice Chairman & President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *12,224	(29,400,000) *0	(253,540,235) *10,726	(17,937,204) *0
Managing Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *0	(29,400,000) *0	(253,540,235) *(15)	(17,937,204) *0
Director	Peter Hsu,	0	0	(989,648)	0

	Representative of Yuang Ding Co., Ltd.	*0	*0	*0	*0
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	0 *0	0 *0	(989,648) *(55,863)	0 *0
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	0 *0	0 *0	(199,175) *0	0 *0
Director	Shiro Yamagishi, Representative of NTT DoCoMo Inc.	0 *0	0 *0	(36,496,692) *0	0 *0
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	(6,334,815) *0	0 *0
Supervisor	Morton Huang, Representative of Asia investment Corp.	0 *0	0 *0	(203,541) *0	0 *0
Independent Supervisor	Chen-en Ko	0	0	0	0
Vice Chairman & President	Jan Nilsson	12,224	0	10,726	0
Executive VP	Herman Rao (Note 2)	(62,000)	(100,000)	(48,318)	(19,205)
Executive VP	Yvonne Li	0	0	0	0
Executive VP	Philby Chen	0	0	0	0
Executive VP	Benjamin Ho	0	0	0	0
Executive VP	Eton Shu	0	0	0	0
VP	Howard Tsao	0	0	(2)	0
VP	S.C. Lee	0	0	(17,962)	0
VP	James Lee	0	0	(161)	0
VP	David Tsai	0	0	0	0
VP	Sharon Lin	0	0	(2,633)	0
VP	Jessica Chen	0	0	0	0
VP	Maxwell Cheng	(89,000)	0	(64,863)	0
VP	Guang Ruey Chiang	0	0	(37,715)	0
VP	Samuel Yuan	0	0	0	0
VP	Maggie Mei	(2.000)	0	(18,403)	0
VP	Jennifer Liu	(11,198)	0	0	0
VP	Roger Chen	0	0	0	0
VP	Patrick Wu	0	0	0	0
VP	Stephen Tung	0	0	0	0
Chief Auditor	Jessica Sung	0	0	0	0
Director	Tony Wang	0	0	0	0
Director	James Chen	0	0	0	0
Director	Iris Su	(6,000)	0	(10,280)	0
Director	Leon Li	0	0	0	0
Director	Michelle Peng	0	0	(142)	0
Director	Hae-Shung Ju	0	0	0	0
Director	D.J. Chen	0	0	0	0
Director	Robert Chu	0	0	(41,713)	0
Director	Ann Chang	0	0	(3,174)	(578)
Director	Sharon Fan	0	0	0	0
Director	Emily Liu	0	0	(2,111)	0
Director	Alison Kao	0	0	0	0
Director	Allan Lee (Note 3)	0	0	0	0
Executive VP	Jeffey Gee (Note 4)	0	0	0	0
Chief Auditor	Doris Wu (Note 5)	0	0	0	0
Director	Johnson Yuh (Note 6)	0	0	0	0
VP	Peter Yen (Note 7)	0	0	0	0

Note 1: Who are the major shareholders that hold over 10% shares.
Note 2: Herman Rao was promoted on Feb.1, 2008.
Note 3: Allan Lee was promoted on March 1, 2008.
Note 4: Jeffey Gee resigned on Jan. 11, 2008.
Note 5: Doris Wu resigned on June 30, 2007.
Note 6: Johnson Yuh wasn't an executive office from Feb. 1, 2008.
Note 7: Peter Yen resigned on Feb. 23, 2008.
Note 8: The decrease is mainly from the capital reduction of the Company in early of Year 2008. Based on the shareholders' register on March17, 2008 which is the share exchange date of capital reduction, every thousand shares will reduce 192.04715 shares.
*Number of shares held and shareholding percentage of the individual representative.

7-2. Shareholding Transferred: None. Due to the counter party is not a related party

7-3. Shareholding Pledged: None. Due to the counter party is not a related party.

8 Top ten shareholders being the related party as defined in Statement of Financial Accounting Standards No. 6

2008/4/7

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders being the related party as defined in Statement of Financial Accounting Standards No. 6.		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73	0	0.00	0	0.00	An Ho Garment Co., Ltd. Yuan Tung Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	
Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	58	0.00	731	0.00	0	0.00	None	None	
Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	118,950	0.00	0	0.00	0	0.00	None	None	
NTT DoCoMo Inc.	153,543,573	4.71	0	0.00	0	0.00	None	None	
Shiro Yamagishi, Representative of NTT DoCoMo Inc.	0	0.00	0	0.00	0	0.00	None	None	
Capital World Growth and Income Fund, Inc. entrusted to JP Morgan Chase & Co.	143,233,881	4.40	0	0.00	0	0.00	None	None	
China Development Industrial Bank	94,950,506	2.91	0	0.00	0	0.00	None	None	
Yuan Tong Investment Co., Ltd.	94,652,031	2.90	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Kai Yuan International Investment Corp. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Kai Yuan International Investment Corp.	91,022,031	2.79	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
An Ho Garment Co., Ltd.	86,316,592	2.65	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
InfoCom Holding Company Pte Ltd.	81,310,309	2.50	0	0.00	0	0.00	None	None	
Na Shan Life Insurance Co., Ltd.	70,277,354	2.16	0	0.00	0	0.00	None	None	
Capital World Growth and Income Fund, Inc. entrusted to JP Morgan Chase & Co.	62,108,379	1.91	0	0.00	0	0.00	None	None	

9 Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Company

2007/12/31 Unit: shares; %

Affiliated Company	**Investment of Far EasTone**		**Directors, Supervisors, Managements Direct and Indirect Investment of Far EasTone**		**Total Investment**	
	Shares	**%**	**Shares**	**%**	**Shares**	**%**
KG Telecommunications Co., Ltd	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	157,714,020	41.18	28,805,460	7.52	186,519,4800	48.70
Ding Ding Integrated Marketing Service Co., Ltd.	4,500,000	15.00	18,000,000	60.00	22,500,000	75.00

Far Eastron Co., 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	0	4,486,988	100.00
Q-Ware Communications Co., Ltd.	36,459,930	51.00	0	0	36,459,930	51.00
New Centry InfoComm Tech Co., Ltd.	980,315,483	24.51	227,344,993	5.68	1,207,660,476	30.19

IV Fund Utilization Status

1. Capital and Shares
2. Issuance of Corporate Bonds
3. Preferred Shares
4. Issuance of Depository Receipt
5. Employee Stock Options
6. Share Issued for Merge or Acquisition
7. Fund Utilization Plans and Status

1. Capital and Shares

1-1 History of Capitalization

2008/4/30

Year. Month	Par Value (NT$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares ('000)	Amount (NT$'000)	Shares ('000)	Amount (NT$'000)	Source of Capital	Non-Monetary Capital Expansion	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	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 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)
2007.12	10	4,200,000	42,000,000	4,033,033	40,330,334	Share swap of NT$1,603,704,000	None	(Note 14)
2008.1	10	4,200,000	42,000,000	3,258,501	32,585,008	Capital reduction of NT$7,745,326,000	None	(Note 15)

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: 2004.5.18 MOEA 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 MOEA Ruling Ref. No. 09301207180
Note 12: 2005.3.4 MOEA Ruling Ref. No.09401035600
Note 13: 2005.5.3 MOEA Ruling Ref. No.09401077810
Note 14: 2008.1.14 MOEA Ruling Ref.No.09701002230
Note 15: 2008.1.22 MOEA Ruling Ref.No.09701015390

2008/4/30; Unit:'000 Shares

Type of Stock	Authorized Capital			Note
	Shares Outstanding	Un-issued	Total	
Common Shares	3,258,501	941,499	4,200,000	Listed stock

1-2 Information for Shelf Registration: Not Applicable

1-3 Shareholder Structure

2008/4/7

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	6	26	141	11,671	382	12,226
Shares	100,209,040	2,155,258,350	16,183,764,620	662,820,510	13,482,955,580	32,585,008,100
%	0.31	6.61	49.67	2.03	41.38	100.00

1-4 Share Distribution-Common Stock

2008/4/7

Level	Number of shareholders	Shares	%
1 - 999	5,669	2,390,125	0.07
1,000 - 5,000	3,967	9,693,367	0.30
5,001 - 10,000	1,001	7,421,335	0.23
10,001 - 15,000	308	3,769,311	0.12
15,001 - 20,000	221	3,755,150	0.11
20,001 - 30,000	202	4,788,334	0.15
30,001 - 50,000	186	7,237,076	0.22
50,001 - 100,000	192	13,525,308	0.42
100,001 - 200,000	101	14,300,009	0.44
200,001 - 400,000	88	24,247,824	0.74
400,001 - 600,000	36	17,307,229	0.53
600,001 - 800,000	27	18,921,163	0.58
800,001 - 1,000,000	27	24,728,997	0.76
1,000,001 and above	201	3,106,415,582	95.33
Total	12,226	3,258,500,810	100.00

This Company has not yet issued any preferred shares before April 7, 2008.

1-5 Top 10 Major Shareholders

2008/4/7

Shares / Major Shareholders	Shares	%
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73
NTT DoCoMo Inc.	153,543,573	4.71
Capital World Growth and Income Fund, Inc. entrusted to JP Morgan Chase Bank	143,233,881	4.40
China Development Industrial Bank	94,950,506	2.91
Yuang Tung Investement Co., Ltd.	94,652,031	2.90
Kai Yuan International Investment Corp.	91,022,031	2.79
An Ho Garment Co., Ltd.	86,316,592	2.65
Infocom Holding Company Pte Ltd.	81,310,309	2.50
Na Shan Life Insurance Co., Ltd.	70,277,354	2.16
Goldman Sachs International Investment account entrusted to HSBC	62,108,379	1.91

1-6 Share Price, Net Value, Earnings, Dividends and Related Information in the recent 2 years

Unit: NT$; shares

Item			2006	2007	2008 (as of March 31)
Share price (Note 1)	High		43.0	44.5	54.90
	Low		34.1	35.3	38.80
	Average		37.40	39.25	41.81
Net Value per share	Before distribution		19.09	19.67	22.72
	After distribution (Note 2)		15.90	Not Applicable	Not Applicable
Earnings per share	Weighted-average outstanding shares		3,872,663,049	3,873,102,420	3,377,659,673
	Earnings per share	Before adjustment	3.40	3.00	0.72
		After adjustment(Note3)	3.40	3.00	0.72
Dividend per share (Note 4)	Cash dividend		3.10	(Note 8) 3.10	Not Applicable
	Stock dividend	Retained earning	0	0	Not Applicable
		Capital surplus	0	0	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earning Ratio (Note 5)		11.00	13.08	Not Applicable
	Price/Dividend Ratio (Note 6)		12.06	12.66	Not Applicable
	Cash dividend yield (Note 7)		8.29%	7.90%	Not Applicable

Note 1: High/Low means the highest/lowest share price for the period and average share price is calculated 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: Earnings per share after stock dividend is distributed.

Note 4: Dividend per share of the prior year

Note 5: Price/Earning Ratio = Average closing share price of the period/Earnings per share

Note 6: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share/average closing share price of that year

Note 8: The Cash dividend of year 2007 distribution NT$3.1 per share is based on 3,258,500,810 shares after capital reduced in 2007.

1-7 Dividend Policy

1-7-1. Dividend Policies 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.

1-7-2. Proposed Dividend Allocation to be approved at the Annual Shareholders' Meeting

On April 22, 2008, the Board of Director resolved the proposed 2007 dividend distribution to be approved at 2008 Annual Shareholders' Meeting as following: 2007 earning of NT$10,101,352,511 will be distributed as cash dividends of NT$3.1 per share.

1-8 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment:

Not Applicable.

1-9 Bonuses for Employees, Directors and Supervisors

1-9-1 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.

1-9-2 Proposed bonuses for employees, directors and supervisors:

(1) The Board of Director resolved on April 22, 2008, to use the profits from the 2007 financial year to pay bonuses to employees, directors, and supervisors as the following amount:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Bonuses for directors and Supervisors
Proposed Distribution	$210,047	$105,023

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

Unit: NT$'000

Employee Cash Bonuses (A)	Employee Stock Bonuses (B)	Average Market Price of the last month during the fiscal 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)
$210,047	$0	Not Applicable	$0	$210,047

Unit: NT$'000

Net Income after Tax (F)	Earnings to be distributed (accumulated earnings in beginning of the year + net income after tax) (G)	Total amount of the reserve legal surplus, Special reserve and loss deficit (H)	50% of Net Income after Tax (I=50%*F)	50% of Earnings to be distributed (deducted legal reserve, special reserve and loss deficit) (J=50%*(G-H)
$11,619,441	$12,567,455	$1,117,111	$5,809,721	$5,725,172

(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, 2007 EPS after tax will be reduced from NT$3.0 to NT$2.92.

1-9-3 Bonuses to employees, directors and supervisors for 2006 as approved at the Board Meeting on April 19, 2007 and Shareholders' Meeting on June 12, 2007 are as follows:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Bonuses for directors and Supervisors
Proposed Distribution (A)	$235,915	$117,958
Actual Distribution (B)	$235,915	$117,958
Variance (B) - (A)	$0	$0

1-10 Share buy back by the Company: None

2. Issuance of Corporate

2-1 Corporate Bonds

2008/4/30

Corporate Bond Type		3rd Domestic Unsecured Bond
Issue Date		2003.12.12~2003.12.19
Denomination		NT$ 5,000,000
Issuance and Listing		OTC Securities Exchange (ROC)
Offering Rate		Par
Total Amount		NT$ 3,000,000,000
Coupon Rate		* Trenched A: 1.83% * Trenched B: 1.92% * Trenched 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%. (Note1)
Duration		* Trenched A: 3 year; Maturity: 2006.12.12~2006.12.16 * Trenched B: 4 year; Maturity: 2007.12.12~2007.12.16 * Trenched C: 5 year; Maturity: 2008.12.12~2008.12.19
Guarantor		None
Trustee		Trust Department of Chinatrust Commercial Bank
Underwriter		None
Legal Counsel		Mr. Morton Huang
Certified Public Accountant		Clark C.Chen, Edward Y. Way
Auditor Repayment		* Trenched A: Due upon expiration of the three years as of the issue date, and repayment of principal in lump sum * Trenched B: Due upon expiration of the four years as of the issue date, and repayment of principal in lump sum * Trenched C: Due upon expiration of the five years as of the issue date, and repayment of principal in lump sum
Outstanding Amount		NT$ 1,200,000,000
Redemption or Early Repayment Clause		None
Covenant applicable		Not applicable
Crediting Rating		Received a rating of "twAA"+ from Taiwan Ratings Corp. on June 7,2007
Other Rights of Bond Holders	Amount Converted into, exchanged or subscribed to Common Shares, ADRs or other securities	Not applicable
	Conversion Rights	Not applicable
Dilution Effect and Other Adverse		Not applicable
Custodian		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.

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

According to the covenants of the Company's 3rd issuance of domestic unsecured bond, the Company shall repay NT$200 million on Dec. 12, 2008, Dec. 15, 2008, Dec. 16, 2008, Dec.17, 2008, Dec.18, 2008 and Dec.19, 2008 respectively. Therefore, the total amount of corporate bonds to be due within one year is NT$1.2 billion.

2-3 Convertible Bond: None

2-4 Exchangeable Bond: None

2-5 Shelf Registrations for Issuing Corporate Bonds: None

2-6 Bond with Warrants: None

2-7 Issuance of Corporate Bonds Through Private Placement in the Recent 3 years: None

3 Preferred Shares

None

4 Issuance of Depository Receipt

2008/03/31

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			41,542,940
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	2007	High	US$25.6946
		Low	US$18.5654
		Average	US$22.1821
	2008 (as of March 31, 2008)	High	US$26.7961
		Low	US$21.0408
		Average	US$23.9476

5 Employee Stock Options

None

6 Share Issued for Merge or Acquisition

6-1 Completed Merger or Acquisition in the recent years until the Annual Report being published:

6-1-1 The evaluation opinion issued by the managing underwriter concerning any merger, acquisition, or issuance of new shares due to the share transfer from other companies in the most recent quarter

The evaluation made by the Yuanta Securities Co., Ltd. underwriter for the first quarter of 2008 after the share swap with Infocom Holding Company Pte Ltd. and Singapore Telecom Taiwan Limited for New Century InfoComm Tech Co., Ltd. (“NCIC”).

Date of registration completed for the share transfer from other companies:
January 14, 2008

Influence on the Company’s business for the share transfer from other companies:

For early positioning to face the coming of the age of digital convergence, Far EasTone Telecommunications, New Century InfoComm Tech (Sparq), and Digital United (Seednet) have formally formed the FEG Telecom sector after Far EasTone Telecommunications acquired 24.51% of NCIC shares. The telecom sector will, under the synergy of resource integration within the group, not only offer consumers comprehensive solutions, such as mobile, broadband, media, and international services, but also effectively enhance its sales revenue. In respect of the future planning of channel service in retail stores, the Company will accelerate the expansion of services, such as the cross selling of respective products and various customer services. And the Company will focus on the integration and promotion of products, hopefully to offer more useful and convenient digital communication services to consumers. Therefore, the synergy generated from resource integration provides a positive effect on the Company's business.

Influence on the Company’s finance for the share transfer from other companies:

After Far EasTone Telecommunications acquired NCIC shares, the strategic alliance between these two parties facilitates Far EasTone's expansion of operation scale and enhances Far EasTone's competitiveness in the market. Currently, the two companies are focusing on the integration and promotion of products and resources. This will bring positive effect on the Company's finance.

Influence on the Company's shareholders for the share transfer from other companies:
The issuance of new shares due to share transfer from other companies will increase the number of the Company's outstanding common shares. However, after the completion of the share transfer, it is expected that, through the re-integration of business resources, the alliance will enhance the market competitiveness of the two companies. Comprehensive services will be offered to satisfy customer needs for one-stop shopping. The business scale will also be expanded, which will subsequently bring continual growth in operating revenue and profitability. Therefore, it is foreseen that Far EasTone's profitability will be improved and operating costs will be reduced under circumstances that the effectiveness from cooperation gradually emerges and resources are well utilized. Overall, Far EasTone's shares swap has no significant negative impact on its EPS and ROE. Furthermore, under consideration of integration effectiveness between the two companies, resources from the two parties will be better utilized to generate the synergy, which will make positive contribution to shareholders' equity and EPS.

Will the expected effectiveness of the share transfer come out?
After Far EasTone Telecommunications acquired NCIC shares, the share swap will, through the integration of products and marketing channels between the two companies, improve Far EasTone's market competitiveness, effectively integrate business resources, reduce operating costs, follow industry trend and enhance international competitiveness. There shall be a positive contribution to the Company's finance, business and shareholders' equity through the resource integration after the share swap and the expected effectiveness of the share swap will gradually emerge.

April 10, 2008

6-1-2 If the progress or effect of the implementation is not as good as expected, please explain specifically how the situation is likely to affect shareholders' equity, and propose the corrective action:
The Company's issuance of new shares upon acquisition of shares of other companies has been registered at the Department of Commerce, Ministry of Economic Affairs on January 14, 2008. The new shares issued to increase capital have been listed on the TSEC on January 22, 2008.

6-2 Information and Impact from Shares Issued for Merge or Acquisition Approved by the Board Meeting in the recent years until the Annual Report being Published: None

7 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 Operational Highlights

1. Business Activities
2. Markets 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:

＞G901011 Type I Telecommunications Enterprise;
＞G902011 Type II Telecommunications Enterprise;
＞F213060 Retail Sale of Telecom Instruments;
＞F113070 Wholesale of Telecom Instruments;
＞JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops;
＞E701010 Telecommunications Construction;
＞E701030 Restrained Telecom Radio Frequency Equipments and Materials Construction;
＞F401010 International Trade;
＞F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products;
＞CC01070 Telecommunication Equipment and Apparatus Manufacturing;
＞I301020 Data Processing Services;
＞IZ11010 Overdue receivables management service business;
＞F201070 Retail sale of Flowers;
＞F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles;
＞F213030 Retail sale of Computing and Business Machinery Equipment;
＞F218010 Retail Sale of Computer Software;
＞IZ12010 Manpower Services;
＞JZ99050 Agency Services;
＞I301030 Digital Information Supply Services;
＞I401010 General Advertising Services;
＞IZ99990 Other Industry and Commerce Services Not Elsewhere Classified;
＞JE01010 Rental and Leasing Business;
＞I199990 Other Consultancy;
＞IE 01010 Telecommunications Number Agencies;
＞JA02990 Other Repair Shops;
＞F401021 Restrained Telecom Radio Frequency Equipments and Materials Import;
＞F301010 Department store Industry;
＞All business items that are not prohibited or restricted by law, except those that are subject to special approval.

1-1-2 Operating Revenue Breakdowns

Unit: NT$'000

Item \ Year	2006		2007	
	Amount	%	Amount	%
Mobile Service Revenue	39,891,379	92	43,025,462	93
Sales of Cellular Phones and Accessories	3,209,482	8	3,027,385	7
Others	106,656	0	119,125	0
Total	43,207,517	100	46,171,972	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

Facing the integration of fixed network and mobile services of the telecommunication market and the trends for digital convergence, the Company has committed many resources to the development of diversified multimedia services to expand telecommunication services beyond the scope of voice services. New services the Company has developed include:

- Mobile advertising services: advertising promotion involving text and multimedia short messages, sales point promotions with integrated mobile barcode features, interactive voice or short message advertising via interactive voice short code as the communication tool and focused marketing via banner ads on mobile phone websites.
- Continue to expand hardware construction to provide high speed, wireless access. In addition to the expansion of the coverage area, the Company will also offer more diverse Internet access equipment options along with customized and user-friendly operating interfaces.
- Mobile video conferencing services: apart from VOD (video on demand) services via internet, video streaming, video conferencing and interactive video phone services, the Company has also cooperated with many wireless TV stations to offer trial portable digital television broadcasting services and ventured into the domain of digital broadcasting. In the near future, the Company seeks to offer consumers video conferencing services via multiple platforms and channels.
- Multimedia content services and applications: the Company has continued to enrich the multimedia contents available on the mobile phone websites and expand the contents on other mediums such as PC, television, vehicles and large outdoor screens to provide information channels for the latest financial news, portals to integrated music, network videos and movie on demand, network communication tools, online gaming area, e-Book downloads, Internet payment tools and user generated contents. Subscribers will be able to upload contents and enjoy diversified applications and services on the shared platform.
- Facilitation of commercial launch with “FET Beep Beep Go” mobile phone sensing services: by adopting specifications consistent with standards used by international organizations, the Company has developed various application services with sensing features on mobile phones, including credit card transaction via mobile phone sensing, entrance clearance, ticket and membership pass verification, e-Coupon downloading, redeeming such coupons and so forth.
- GPS and AGPS positioning related services: apart from launching “GPS intelligence Go” services for Personal Navigation Devices (PND), the Company has also developed and utilized AGPS technologies to offer navigation services, positioning information and entertainment news for pedestrians carrying mobile phones.
- Home multimedia applications: In conjunction to the full coverage of HSDPA-3.5G network and the WiMax trial network constructed in the M-Taiwan project, the Company has developed various application services targeting home uses such as video conferencing, gaming, electronic transaction and wireless internet access so that consumers can enjoy easy-to-use interfaces together with convenient and rich digital contents right in the comfort of their homes.
- Moving on to the second phase of IP multimedia subsystems (IMS) integrated network services to develop advanced commercial applications such as multi-party network conferencing/telephone, electronic whiteboard and so forth.
- Backup and sharing of personal information and data over the internet: Apart from having the option to store information and data such as phone book, calendar schedules, multimedia files and messages on their mobile phone on designated storage space on the Internet, consumers will now be able to share multimedia contents such as photographs with their friends through an online interface.
- Remote health care services

  Integrating sensor detection and wireless communication technologies, the Company has been developing home health care equipment designed for seniors. Featuring physiological monitoring systems will collect and evaluate the physiological signals (such as blood pressure, electrocardiogram, respiratory frequency, temperature, blood oxygen saturation and so forth) and data that reflect the quality of their life (such as mobility, quality of sleep, metabolism status, quality of environment) of the elderly who require assistance at home. The collected data will then be sent wired/wirelessly to the network server or the mobile phones of caregivers or immediate family members in order to offer monitoring data of higher accuracy obtained over longer periods of time so that caregivers will be able to administer proper medical care in time.

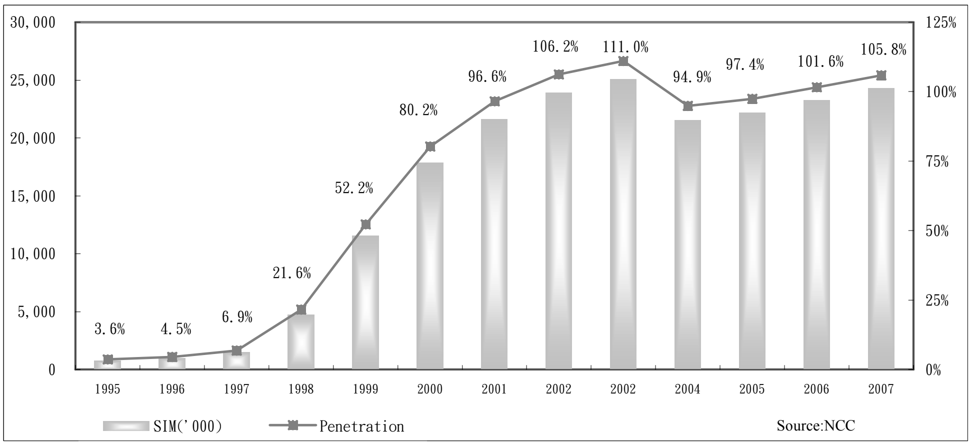
1-2 Industry Overviews

1-2-1 Industry status and development

Due deregulation and loosened government policies, the country's telecommunications industry business environment is also moving towards liberalization and greater competition. The six telecommunications providers (FET, Chunghwa Telecom, Taiwan Mobile, Asia Pacific Broadband Wireless, Vibo Telecom and First Telecom) have reached their peak at a total 24,290,000 subscribers by the end of 2007, translating to a market penetration of over 105.8%. 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.

However, one should be able to expect another wave of growth for the domestic telecommunication industry due to the gradual maturation of applications for mobile networks, fixed networks, the Internet and digital media convergence in recent years.

Mobile SIM Card Growth in Taiwan



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

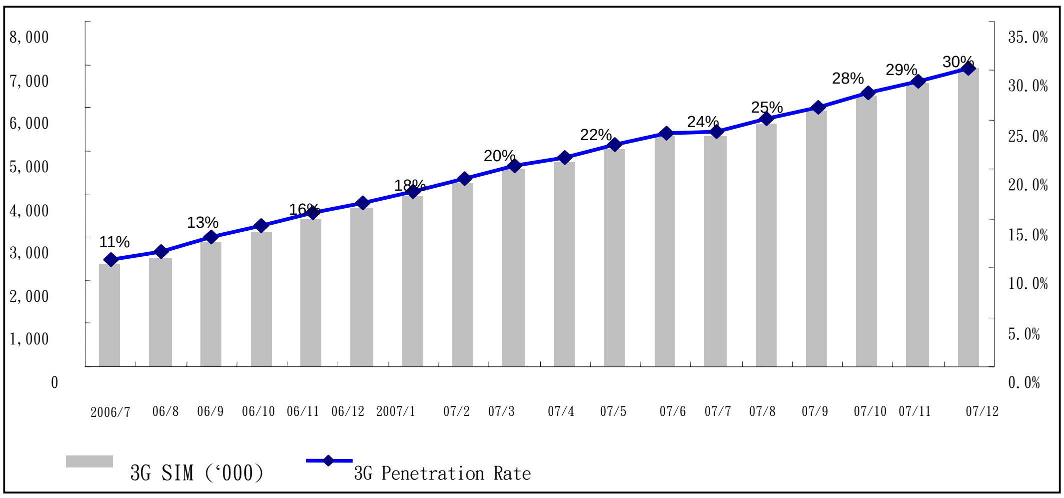
A. Non-voice services – source of revenue growth

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 due to market competition. Under such circumstances, bringing new non-voice services is becoming the key strategy for operators to increase revenue. Apart from the existing 2G services that centered on voice services, every telecommunication service provider has been aggressively promoting 3G services that emphasized fast and diversified multimedia applications in the hopes of raising the ARPU by stimulating the demands for various mobile voice value-added services following the launch of 3G services.

B. 3G – the next market focus

With various domestic telecommunication service providers launching 3G services one after the other, the total number of 3G mobile phone service subscribers has reached 6.91 million by the end of December 2007. Market penetration has also grown from 6.4% during January 2006 to the current 30.3%.

3G Subscriber Growth in Taiwan



Following the expansion of 3G/3.5G (HSPDA) network coverage and the gradual prevalence of 3G/3.5G mobile phones and USB network cards, it is inevitable that 3G will become the trend of mainstream development. Conventional value-added services that have suffered from slow growth due to transfer speed limitations will finally gain new room for growth. In addition to expanding the subscriber base, the next logical step for the domestic mobile communication service market to take would be the development of more diverse multimedia services that will cater to subscribers' needs better in order to generate more revenue. The rapid growth of WLAN (Wireless Local Area Network) will facilitate the process of consumer behavioral change as its large bandwidth can stimulate the needs for fast data access at any location and 3G mobile phone services. This will in turn lead to boisterous development of applications such as video phones, MMS (multimedia messaging services), mobile multimedia streaming services, mobile offices and so forth.

1-2-2 Development Trends 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.

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
Power Requirement	General	General	Minimum
Quality of Signal	Better	Good	Best
Reliability of Communication	Poor	General	Better
Number of Base Station	General	Fewest	Most
Construction Cost	Low	General	High

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 today are all moving towards broadband, wireless and mobile. On the road to 3G popularizations, 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.

1-2-3 Product Competitions

As operators' investment in network construction and hardware is usually enormous, all operators try to expand customer base to reach economic scale. Three national operators, FET, CHT and TCC, basically share the market. 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 stabilized. Value-added services are mobile messaging services (mobile multimedia messaging service), mobile network services (subscribers information and such as pictures, music, ring tone, e-card download) and mobile transaction services (mobile banking, mobile payment) 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 thousand

Item \ Year	2007	2008 Q1
R&D Expense	273,701	40,983
Total Operating Revenue	46,171,972	12,510,775
R&D Expense as percentage of Total Operating Revenue (%)	0.59	0.33

Products and Services Developed in the Recent Years

Striving to provide customers with leading value-added communication services, the Company has developed the following services and products in the recent years:

Year	Name of value-added service	Content of value-added service
2007	M_Taiwan Project	This project is a major 3-year infrastructure project proposed by the Industrial Development Bureau of the Ministry of Economic Affairs. It aims to turn Taiwan into an island for mobile application services and promote the development of domestic communication manufacturing industries. FET's project blue print and scope of operation can be divided into two major phases; the first phase is centered on the freeways of northern Taiwan and the establishment of a WiMax network to offer a full range of intelligent transportation services such as internet access on shuttle bus, flight schedules at the airport, real time news feed, network video telephone services and so forth. The construction of such network has been completed at the end of 2006. The second phase of the project will involve the selection of specific areas to perform trial runs for WiMax network coverage in conjunction with corresponding planning of wireless broadband application services to offer diverse multimedia services such as home entertainment, internet access, news feed, IPTV and etc.
	"FET GPS Info Go" services	Apart from offering "FET vehicle network value-added services" through internet access via mobile phones and "FET vehicle network voice services" available through voice inquiries, "FET GPS Info Go" services also feature a PND (Personal Navigation Device) as its primary vehicle. On top of offering more diversified support, a wide variety of Telematics (integration of Internet and Telecom) multimedia contents are also available including new website portals as sources for integrated information to offer subscribers travel information, real time traffic status report, discussion on popular forums and so forth.
	"FET Beep Beep Go" NFC mobile phone services	Integration of convenient functions including credit card, entrance clearance card, membership pass, e-Coupons and etc.
	3.5G Wireless Broadband Internet Access	After becoming the first domestic telecommunication service provider to offer true 3.5G HSPA (High Speed Packet Access) service with a maximum upload speed of 3.6Mbps in 2006, the Company has been hard at work in 2007 to expand network coverage and enriching the selections available for wireless data cards. Subscribers can now choose from wireless data cards of different colors and makes. In addition, these cards now feature improved compatibility with Macintosh computers and Microsoft's latest Window Vista OS for consumers to enjoy the convenience of high-speed internet access anytime, anywhere.
	FET ogo services	The Company became the first telecommunication service provider in Asia to engage in a technological collaboration with IXI Mobile to launch ogo: a personal portable communication device. With a size no larger than an electronic dictionary, subscribers will be able to perform various operations such as MSN instant messaging, sending/receiving emails and short messages, web surfing, listening to music, watching video clips and so forth on their ogo.
	China Airlines mobile phone services	The Company has collaborated with China Airlines to launch China Airlines mobile phone services. For the first time ever, consumers will be able to book plane tickets, check flight schedules, inquire about the actual departure/arrival times with their mobile phones.
	Test runs for DVB-H broadcasting	In a joint effort with broadcasting organizations that have received license to perform trial runs of DVB-H content broadcasting such as Taiwan Public Television Service, the Company has participated in the test runs of DVB-H broadcasting on portable devices. In addition, various test runs for functions such as cash flow and verification applications were also offered to subscribers in conjunction
	FET Jukebox	The FET Jukebox services is the Company's attempt to venture in the domain of PC and notebook computers' services to offer a music streaming playback service via an user interface on PC operating systems. Subscribers can log on with their existing FETnet accounts and enjoy unlimited music playback.
	Ring back tone download: Me-Too Ring	The Company became the first domestic telecommunication service provider to offer the "Me-Too Ring" service for users to download Ring back tone of calls outside the FET network. When subscribers hear the Ring back tone of the number he is dialing, he will be able to download the tone by simply dialing "2" on his mobile phone regardless of service network and configure it as his own answering tone. This service will provide more opportunities for subscribers who are fond of changing their ring back tones to do so.
	M-Bus	The Company has collaborated with Taipei and Taoyuan City Government to launch the "M-Bus" services that will allow commuters to view real time bus information and check bus routes so that consumers will have a convenient source of reference when choosing public transportation. Commuters will now be able to view the estimated arrival times of buses and reduce time wasted on waiting for buses to arrive.

2008	FET's G5	The world's first 'FET's G5' combines 'FET GPS Info Go', which offers navigation, mobile phone, mobile TV, multimedia entertainment service and provides the most up-to-date traffic report, richest travel guide and practical road information in one gadget.

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

1-4-1 Short-term plans

A. Marketing Strategy

a. Analyze different customer attributes to perform market segregation. For different target customer groups, corresponding promotions and marketing strategies will be implemented to best suit their needs. This should help the Company to secure a substantial lead in terms of new customers ahead of other competitors to expand market share.

b. Aggressively pursue planning and development of new products and added values; keep up with current efforts in developing new distribution channels, service locations and delivery methods to consolidate the Company's status in the market.

c. Reasonable rates will be designed according to subscriber needs to secure quality and high loyalty customer groups with competitive pricing strategies in the market and different needs for different customers taken into consideration.

d. Strive to establish brands and business that are trustworthy to the customers; faithfully carry out CRM (Customer Relation Management) and host various customer appreciation events regularly to maintain customer loyalty and minimize customer loss.

B. Direction for Product Development

a. Continuously 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. Our company will continue to invest in 3G mobile phone network infrastructure in order to fulfill our commitment to customers by providing higher quality voice and data services as well as richer mobile telephony services.

b. Continue to provide attractive rate-plan and promotional programs to increase mobile and active value-added-service customers.

c. Continue to focus in enterprise product development and sales, mobile advertising business development, and providing integrated value-added-service.

d. Beyond continuing to expand our points of presence and diversify our outlet formats, in 2006 and 2007 we passed the Qualicert certification process by the Swiss SGS group. We were the first mobile operator in Taiwan to achieve this certification and this is part of our effort to provide our customers with more convenient, more comprehensive and higher quality sales service and after-sales service.

1-4-2 Long-term plans

A. Marketing Strategy

Under the guidance 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 launch 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 develops new sales channels.

B. Direction for Product Development

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

C. Operation scale

With the boundaries between fixed network, mobile network, internet and digital media gradually blurring, the Company shall merge services of fixed network, mobile phone and internet access through the formation of strategic alliances and integration of internal resources to stay abreast with the trend of digital convergence. In addition, the Company shall also strengthen its human resources by enlarging its reserves of talent in the field of telecommunication to facilitate the expansion of operations.

2. Markets and Sales

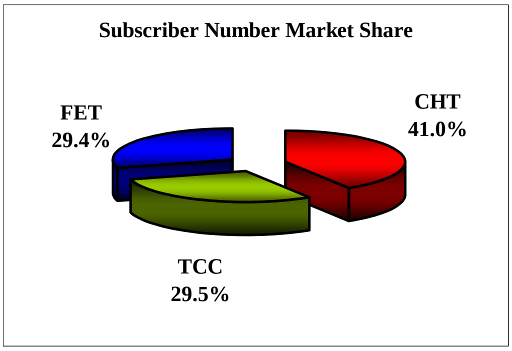
2-1 Market Analysis

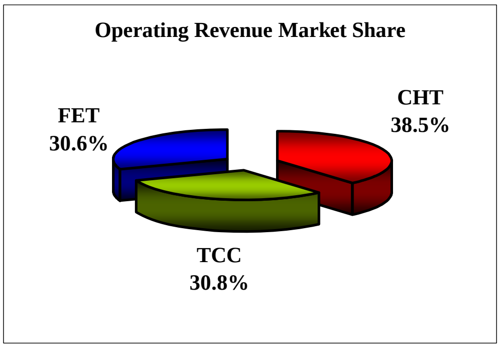
2-1-1 Main Products and Service Areas

The Company invested in ARCOA in January 2005 to further penetrate into the telecommunication distribution channels in pursuit of value chain vertical integration. In 2007, the Company was still aggressively establishing new retail stores to in the hopes of offering customers wider and more convenient service channels. By the end of December 2007, the Company and KGT's retail network has grown to 441 stores. The Company's current distribution channels cover all areas across Taiwan and through differentiation of store types for direct, franchise, concept and flagship stores, we were able to provide a rich product profile and services to achieve synergy for the Company. In addition, FET's "Mobile Van" has also been actively participating in events throughout Taiwan to deliver our services to consumers. Furthermore, it has also played an active role in social charity events to fulfill the Company's social responsibilities. The Company and KGT's total number of subscribers has reached 6.21 million by the end of December 2007. In the future, the Company will insist on its brand concept of "Eliminating the gap of communication with FET services" to offer comprehensive services for mobile phone communication, voice related services, mobile multimedia services and integrated communication services for corporate clients. With 3G-network equipment close to becoming fully operational, the Company has already developed more diverse mobile communication services of high added-value to meet customer demands.

2-1-2 Market Share

After the fierce 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. Despite the competition from private operators, Chunghwa Telecom has continued to maintain its lead in terms of its share of subscribers and telecommunications service revenues – these being 41.0% and 38.5% respectively. The two major private operators are also quite significant. Taiwan Mobile (including TransAsia and MOBITAI) controls 29.5% and 30.8% of the market respectively. The Company's and KGT's combined subscribers and telecommunication service revenues represent 29.4% and 30.6% of the market, demonstrating that these customers are mostly high-use subscribers (Source: the subscriber numbers and telecommunications revenues are based on each company's publicly available information. As other operators do not announce their operational information, they have not been included into the calculations)





2-1-3 Future Market Demands and Potential

The mobile market in Taiwan is gradually becoming saturated. Up until December 2006, mobile market penetration has reached 80%, the highest in the world.

As the market is coming to a mature stage, 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 representatives, overall image of customer service, etc) for two consecutive times within one year. It is recognition to the Company's continuous efforts in customer service improvement.

Not only that, the Company has demonstrated its insistence on quality and passion towards services by completing SGS (Société Générale Surveillance)'s Qualicert program in 2006 to become the first telecommunication service provider and customer service center in Asia and Taiwan region to receive such honor. The Company managed to receive SGS' recognition for quality service for two consecutive years by receiving the same certification in 2007.

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" and "Big on net" have created superior brand images and "Hala boss services" had received recognition of consumers from all ages. The Company was still committed to the development of new products and had launched the "Worry-free" product line in 2007 to offer consumers with more budget control functions over their bills. 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

In January 1998, the Company became the world's telecommunication service provider to fully adopt the GSM900/1800 duo band technology system and Taiwan's first company to offer EFR Hi-Fi stereo sound quality across the entire island. Being an active contributor to the development of telecommunication technologies in Taiwan, the Company was also the island's first service provider to launch the first WCDMA network for 3G videophones in 2005 with the intention to improve network communication quality and introduce advance services to consumers in Taiwan. In 2006, the Company took the lead in offering HSPA technology (Taiwan's fastest network data speed at 3.6Mbps) and commenced the new generation for 3.5G mobile communications. The Company has insisted on adopting world class standards regarding demands for its network planning, system coverage rate, call blocking rate and drop rates to ensure optimum communication quality. In order to cater to customers' needs for quality network communication, the Company has collaborated with six leading mobile communication service providers in Asia to form the "Asia-Pacific Mobile Alliance" to promote better international roaming quality and corporate customer services.

D. Marketing channel

The Company has never held back its effort in marketing channel expansion. Presently, the process of vertical integration of its direct/concept/flagship/franchise stores, mobile van and ARCOA has been completed to offer consumers more diverse distribution channels and comprehensive service coverage areas. In order to stay relevant in the trend of digital convergence in the future, the Company has established joint-strategic channels to ensure its advantages in the area of value-added services amidst the changes brought about by the blurring of boundaries between information and telecommunication sectors.

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 continues to offer wireless Internet service over GPRS network and MMS. In 2005, it went even further to integrate 3G to provide high-speed transmission 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. In addition, the Company has also received the license to provide WiMax services in the southern region in 2007. We hope to offer consumers larger bandwidth and faster transfer speed to improve overall cost effectiveness.

(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 Mobile Number Portability, competition on SIM card sales intensifies

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 through price-cutting and monopoly position

To upgrade their market share, the main competitors 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 communications; interconnection with other operators' networks
3G Service	WCDMA communications; interconnection with CHT and operators' networks

2-2-2 Manufacture Process:

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	2006				2007			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	Chunghwa Telecom	2,883,284	12.29	None	Chunghwa Telecom	3,132,726	13.01	None

2-4-2 Major Customers

Unit: NT$'000, %

Year / Item	2006 Company	2006 Amount	2006 % of Total Operating Revenue	2006 Relations with the Company	2007 Company	2007 Amount	2007 % of Total Operating Revenue	2007 Relations with the Company
1	Chunghwa Telecom	6,653,776	15.40	None	Chunghwa Telecom	6,649,560	14.40	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 the recent 2 years.

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

Quantity / Year / Item	2006 Imports Quantity	2006 Imports Amounts	2006 Exports Quantity	2006 Exports Amounts	2007 Imports Quantity	2007 Imports Amounts	2007 Exports Quantity	2007 Exports Amounts
Service revenue	*4,061,503	39,998,035	0	0	*4,672,974	43,144,587	0	0
Handset and Accessory Sales	1,102,623	3,209,482	0	0	1,257,520	3,027,385	0	0
Total	Not Applicable	43,207,517	Not Applicable	0	Not Applicable	46,171,972	Not Applicable	0

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

3. Employee Information in the Recent 2 Years until the Annual Report being Published

2008/3/31

Year		2006	2007	2008/3/31
Number of Employees	Manager and above	317	325	321
	Technical staff	824	833	829
	Customer care staff	984	987	990
	General staff	1,245	1,265	1,239
	Total	3,370	3,410	3,379
Average Age		32.78	33.45	33.67
Average Years of Service		4.45	5.01	5.20
Breakdown of Educational Level (%)	Ph. D	0.09	0.09	0.09
	Master	10.24	10.37	10.45
	College	81.84	80.51	80.50
	High School	7.83	9.03	8.96
	Below High School	0	0	0

4. Expense to the Company contaminate Environmental Protection

There was any loss or penalty due to environmental pollution in recent years until the annual report being published: None.

5. Employee Relations

5-1 Description of Policies and Programs on Welfare, Learning, Training and Retirement of Employees, As Well As Various Protections 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, employee’s consolations service, safety and health forums, cafeteria, employee handset subsidy and airtime subsidy each month. 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, holiday bonus and event subsidy 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. 795 training courses were conducted for 57,481 employees in 2007.

C. Two-ways Communications

The Company recognizes the importance of listening to 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 quarterly 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 once a year to provide opportunities for employees to communicate with the executive team directly.

5-1-2 Retirements

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 Environment and Employee Personal Safety Provisions

Regulations and documents related to labor safety and health are published on the company intranet. These are available to all employees at any time. A summary of the main measures is 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. (4) The Company provides consultation services available through a contracted professional consultation firm to solve various issues employees may encounter such as family, marriage, coping with pressure, interpersonal relationship and etc. to maintain their physical/mental well-being as a measure to ensure work safety, quality and productivity.

■ 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:

Six ex-service attendants fabricated mass short calls in the duration of their employment in violation of the working rules, whose employment contracts were terminated in November 2007. The civil division of Taipei District Court rendered the 1st instance judgment that Far EasTone should pay five out of the six service attendants the severance pay totaling NT$850,501, and both parties also agreed not to appeal the judgment.

6. Major Contracts

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Procurement	Ericsson Taiwan Ltd.	Dec.5,1996~present	BTS facilities, software and installation	None
		July.1,2006	Provide the service for expansion and installation of 3G phase 4 mobile phone system	None
		Dec.4,2006	Provide the service for expansion and installation of 3.5G mobile phone system	None
		Dec.5,2006	Provide the service for expansion and installation of IMS system	None
		Apr.1, 2008~Mar. 31,2009	Maintenance Service Contract of 2008	None
		Feb.29, 2008	Addendum No. 2 of Master Contract for Service Acquisition of UMTS System Phase III for Y2008 3G & 3.5G Network Expansion and 2G Consolidation	None
		Feb.29, 2008	Addendum No. 2 of Master Contract for Equipment and Software Acquisition of UMTS System Phase III for Y2008 3G & 3.5G Network Expansion and 2G Consolidation	None
	Sharp Corporation	Oct.9,2002~present	Mobile phones	None
	Motorola Electronics Taiwan Ltd.	Nov.27,2006~Dec.1,2007	Mobile phones	None
		Sep.26,2007~Apr.30,2009	WiMax facilities and installation	None
	Nortel Network Taiwan Co., Ltd.	Sep.10,2007~ Sep.10,2008	WiMax facilities and installation	None
	Alcatel-Lucent Taiwan	Sep.10,2007~ Sep.10,2008	WiMax facilities and installation	None
	Nokia Siemens Networks Taiwan Co., Ltd.	Apr.1,2007~ Mar.31,2008	Maintenance Service Contract of 2007	None
		May 1,2007~ May 1,2009	HSDPA phase 1.5 facilities and installation	None
Sales and Distribution	Arcoa Co., Ltd.	July.1,2005~Jun.30,2007 (Note 1)	Promotion and distribution of mobile services	None
	Tecom Co., Ltd.	July.1,2005~Jun.30,2007 (Note 1)	Promotion and distribution of mobile services	None
	Systex Corporation Ltd.	July.1, 2005~May 31, 2007 (Note 1)	Promotion and distribution of mobile services	None
	Synnex Corporation Ltd.	Apr.1, 2005~Mar.31, 2007 (Note 1)	Promotion and distribution of mobile services	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
	AURORA Telecom	Apr.1,2007~Mar.31,2008	Promotion and distribution of mobile services	None
	Tsann Kuen Taiwan	May 1,2006~Apr.30,2008	Promotion and distribution of mobile services	None
	DFASHION international Inc.	Apr.1,2007~Mar.31,2008	Promotion and distribution of mobile services	None
	OK Convenience Store (Taiwan) Ltd.	Jan.1, 2007~Dec.31,2007 (Note 1)	Promotion and sales for prepaid recharge card	None
	President Chain Store Corp.	Jan.1, 2007~Dec.31, 2007 (Note 1)	Promotion and sales for prepaid recharge card	None
	Hi-Life International Co., Ltd.	Jan.1, 2007~Dec.31, 2007 (Note 1)	Promotion and sales for prepaid recharge card	None
	Taiwan Familymart Corporation Ltd.	Jan.1, 2006~Dec.31, 2006 (Note 1)	Promotion and sales for prepaid recharge card	None
Network Interconnection	Chung Hwa Telecommunications	Dec. 1, 2004 ~ Nov. 30, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	Taiwan Fixed-Line Network	July. 1, 2005 ~ Jun. 30, 2006 negotiating for extension (Note 2)	Network Interconnection	None
	New Century InfoComm	July. 1, 2007 ~ Jun. 30, 2008	Network Interconnection	None
	Asia Pacific Broadband Telecom	Sep. 1, 2005 ~ Aug. 31, 2006 negotiating for extension (Note 2)	Network Interconnection	None
	Taiwan Cellular Corporation	Feb. 10, 2004 ~ Feb. 9, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	KG Telecommunications	Feb. 5, 2004 ~ Feb. 4, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	MOBITAI Telecommunications	Jan. 10, 2004 ~ Jan. 9, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	TransAsia Telecommunications	Apr. 29, 2004 ~ Apr. 28, 2005 negotiating for extension (Note2)	Network Interconnection	None
	Asia Pacific Broadband Wireless	July 17, 2003 ~ July 16, 2004 negotiating for extension (Note 2)	Network Interconnection	None
	First International Telecom Corporation	Aug. 1 , 2005 ~ July 31, 2006 negotiating for extension (Note2)	Network Interconnection	None
	VIBO	Sep. 29, 2005~Sep. 28, 2006 negotiating for extension (Note 2)	Network Interconnection	None
Warehousing and transportation services	Arcoa Co., Ltd.	Jan.1, 2007~Dec. 31, 2008	Warehousing and transportation services	None
	Hsin Chu Transportation	June 1, 2006~May 31, 2008	Warehousing and transportation services	None
Technology service and licensing	NTT DoCoMo Inc.	Oct. 26, 2004~present	Technology license for upgrade of DoJa 2.5 version	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
		Oct.2, 2006~Dec.31, 2008	Development and promotion of the Wireless LAN project of ''M-Taiwan''	None
Agreement for government's project	National Communications Commission	Dec.22, 2006~March.31, 2008	The experimental plan of the Digital Video Broadcasting – handheld playing	None
Shareholders' Agreement	FET President Chain Store Corp.	Feb.14, 2007	FET will subscribe the capital call shares of Q-Ware Communications Co., Ltd., setup by Q-Ware Systems & Service Corp. of Uni-President Group, if certain conditions are fulfilled.	None
Agreement for Acquisition Stake	FET Q-ware Communications Co., Ltd.	Feb.15, 2007	FET will subscribe the capital call shares of Q-Ware Communications Co., Ltd.	None
Share Swap Agreement	FET InfoCom Holding Company Pte Ltd. Singapore Telecom Taiwan Limited	Aug. 24, 2007	According to Paragraph 6, Article 156 of Company Act, the Company will issue160,370,370 shares in total to exchange for 980,315,483 of Sparq's common shares after capital reduction from Infocom Holding Company Pte Ltd. and Singapore Telecom Taiwan Limited., the share swap ratio for issuing new shares in exchange for Sparq shares held by SingTel is 1: 6.11282174. After share swap the Company will acquire around 24.51% of Sparq's total issued shares, and Infocom Holding Company Pte Ltd. and Singapore Telecom Taiwan Limited will acquire around 3.97% of FET's total issued shares.	There were specific the terms for "Earn Out" and "Income Tax Credit Utilized". If in the future years, EBITDA for Sparq enhances to meet a specific level or tax credit cumulated until Y2006 can be realized due to taxable income increases, the Company will issue other new shares to Infocom Holding Company Pte Ltd. and Singapore Telecom Taiwan Limited. However, aforementioned issuance of new shares for contingent charge shall

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
				be conducted after the completion of abovementioned conditions and obtaining the Competent Authorities' approval.
Amendment of Share Swap Agreement	FET InfoCom Holding Company Pte Ltd. Singapore Telecom Taiwan Limited	Nov. 9, 2007	There specify the clauses for "Earn Out" and "Income Tax Credit Utilized", subject to the governmental approvals and to the extent permitted by applicable laws. Due to the change of circumstance, both parties have reached an agreement to confirm that the aforementioned provisions shall no longer be applicable.	None
Strategic Consortium	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	Feb.13, 2006	Asia Pacific Strategic Consortium for Telecommunication Providers	None
Strategic Consortium	All Conexus Members	Mar. 3,2007	Related Confidential Agreement of Conexus members	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 expired, 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 NCC's arbitration, the interconnection agreement shall remain effective until the arbitration is announced.

VI Financial Information

1. Condensed Financial Statement for the Recent 5 Years
2. Financial Analysis for the Recent 5 Years
3. 2007 Supervisors' Report - Not Consolidated
4. 2007 Independent Auditors' Report, Financial Statements and Notes
5. 2007 Supervisors' Report Consolidated Report
6. 2007 Independent Auditors' Report, Consolidated Financial Statements and Notes
7. Impact of the financial distress occurred to the Company and Affiliates

1.Condensed Financial Statement for the Recent 5 Years

1-1 Condensed Balance Sheet

Unit: NT$' 000

Item \ Year		Financial Information In Recent Years (Note 1)					
		2008 Q1	2007	2006	2005	2004	2003
Current Assets		7,590,675	10,481,707	9,363,567	8,679,748	10,829,712	10,767,793
Fund and Investments		43,553,558	43,342,778	37,883,330	37,532,567	44,030,365	21,641,987
Properties		28,734,982	29,794,143	32,927,648	36,360,999	32,616,540	37,796,898
Intangible assets		7,855,095	8,037,772	8,768,479	9,499,186	-	-
Other Assets		591,073	608,036	843,013	951,211	1,391,283	1,225,601
Total Assets		88,325,383	92,264,436	89,786,037	93,023,711	88,867,900	71,432,279
Current Liabilities	Before Distribution	13,725,067	12,384,336	12,748,687	13,502,181	10,173,647	10,624,554
	After Distribution	(Note 2)	(Note 2)	25,107,815	25,904,806	22,170,799	15,594,254
Long-term Liabilities		4,180	8,360	2,764,398	5,977,100	8,714,250	17,557,378
Other Liabilities		564,060	537,740	346,250	324,328	267,937	220,119
Total Liabilities	Before Distribution	14,293,307	12,930,436	15,859,335	19,803,609	19,155,834	28,402,051
	After Distribution	(Note 2)	(Note 2)	28,218,463	32,206,234	31,152,986	33,371,751
Capital Stocks		32,585,008	40,330,334	38,726,630	38,726,630	38,423,115	26,977,860
Capital Surplus		19,487,270	19,487,270	15,003,956	15,003,956	14,506,182	5,973,600
Retained Earnings	Before Distribution	21,929,066	19,501,261	20,240,948	19,487,348	16,767,098	10,075,716
	After Distribution	(Note 2)	(Note 2)	7,881,820	7,084,723	4,769,946	3,545,755
Unrealized loss on financial product		22,297	3,309	(49,792)	-	-	-
Cumulative Translation Adjustment		8,435	11,826	4,960	2,168	15,671	3,052
Unrecognized net loss on pension		-	-	-	-	-	-
Total Shareholders' Equity	Before Distribution	74,032,076	79,334,000	73,926,702	73,220,102	69,712,066	43,030,228
	After Distribution	(Note 2)	(Note 2)	61,567,574	60,817,477	57,714,914	38,060,528

Note 1: The financial Statements for the first quarter of 2008 have been reviewed. Others have been audited.
Note 2: The appropriation of 2007 earning has not been approved by the shareholders' Meeting.

1-2 Condensed Income Statement

Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	Financial Information In Recent 5 Years (Note)					
	2008 Q1	2007	2006	2005	2004	2003
Operating Revenues	12,510,775	46,171,972	43,207,517	43,149,676	40,229,481	37,067,163
Gross Profit	6,161,826	22,096,267	19,747,593	21,256,728	20,534,347	18,456,708
Operating Income	2,776,708	10,274,570	9,403,731	11,385,325	11,046,594	8,450,666
Non-Operating Income and gain	316,523	3,873,681	5,550,647	5,048,687	4,228,055	303,918
Non-Operating Expense and loss	48,072	457,307	368,359	189,648	722,020	665,481
Income before Income Tax from Operating Business	3,045,159	13,690,944	14,586,019	16,244,364	14,552,629	8,089,103
Net Income from Operating Business	2,427,805	11,619,441	13,156,225	14,717,402	14,043,076	8,188,133
Net Income from Discontinued Business	-	-	-	-	-	-
Abnormal net income	-	-	-	-	-	-
Accumulated number from accounting policy changes	-	-	-	-	-	-
Net Income	2,427,805	11,619,441	13,156,225	14,717,402	14,043,076	8,188,133
Basic Earning per Share in NT$	0.72	3.00	3.40	3.80	3.75	3.04

Note: The financial Statements for the first quarter of 2008 have been reviewed. Others have been audited.

1-3 Impacts on the consistency of financial statements including changes of accounting principles, merger and acquisition, discontinued operations and others: None.

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

Year	Audit Firm	Auditors' Name	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
2006	Deloitte and Touche Co.	Annie Lin, Benjamin Shih	Modified Unqualified opinion
2007	Deloitte and Touche Co.	Annie Lin, Benjamin Shih	Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in Deloitte and Touche Co. auditor Clark C. Chen was replaced with Annie Lin in 2004 and 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		Financial Analysis In Recent 5 Years (Note)					
	Year	2008 Q1	2007	2006	2005	2004	2003
Financial Structure	Debt to Asset Ratio	16.18	14.01	17.66	21.29	21.56	39.76
	Long-term Funds to Fixed Assets Ratio	257.65	266.30	232.91	217.81	240.45	160.30
Liquidity Analysis	Current Ratio (%)	55.31	84.64	73.45	64.38	106.45	101.35
	Quick Ratio (%)	49.28	78.07	65.73	56.01	87.97	78.10
	Times Interest Earned (times)	1,939.36	498.04	157.70	93.24	44.17	26.59
Operating Performance	Accounts Receivable Turnover (times)	8.62	8.51	8.63	9.08	9.10	9.42
	Average Collection Days (days)	42.34	42.91	42.30	40.19	40.13	38.74
	Inventory Turnover (times)	14.80	8.67	6.77	6.73	4.96	3.82
	Accounts Payable Turnover (times)	7.57	6.34	6.51	8.00	4.64	3.19
	Inventory Turnover Days (times)	24.65	42.09	53.94	54.26	73.91	95.64
	Fixed Assets Turnover (times)	1.74	1.55	1.31	1.19	1.23	0.98
	Total Assets Turnover (times)	0.57	0.50	0.48	0.46	0.45	0.52
Profitability Analysis	Return on Assets (%)	10.76	12.79	14.47	16.33	17.84	12.94
	Return on Equity (%)	12.66	15.16	17.88	20.59	24.91	20.20
	To Capital ratio: Operating Income	34.09	25.48	24.28	29.40	28.75	31.32
	To Capital ratio: Income before Tax	37.38	33.95	37.66	41.95	37.87	29.98
	Net Income Ratio (%)	19.41	25.17	30.45	34.11	34.91	22.09
	Basic EPS in NT$	0.72	3.00	3.40	3.80	3.75	3.04
	Diluted EPS in NT$	0.72	3.00	3.40	3.80	3.61	2.95
	Earning Per Share in NT$	0.72	3.00	3.40	3.80	3.75	2.76
Cash flow	Cash Flow Ratio (%)	40.46	175.88	172.57	181.69	179.94	134.26
	Cash Flow Equivalent Ratio (%)	145.66	119.71	117.36	112.16	88.41	67.88
	Cash Reinvestment Ratio (%)	4.36	7.73	8.50	11.35	12.31	13.23
Leverage Ratio	Operating Leverage (times)	1.96	2.05	2.18	1.89	1.89	3.08
	Financial Leverage (times)	1.00	1.00	1.01	1.02	1.03	1.04

Note: The financial Statements for the first quarter of 2008 have been reviewed. Others have been audited.

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

(1) Debts to Assets Ratio：The long-term liability decrease was due to repayment of the corporate bund in 2007

(2) Times Interest Earned：The times interest earned increase was due to the decrease on interest expense in 2007.

(3) Inventory turnover Ratio：The inventory decrease was due to haven’t promotion of OEM handset in 2007.

2-2 Condensed Financial Ratio Analysis:

Item	Year	Financial Analysis In Recent 5 Years (Note) 2008 Q1	2007	2006	2005	2004	2003
Financial Structure	Debt to Asset Ratio	18.66	16.61	20.33	25.35	35.87	41.44
	Long-term Funds to Fixed Assets Ratio	159.44	164.50	142.10	130.72	131.01	154.75
Liquidity Analysis	Current Ratio (%)	116.08	136.96	112.23	80.95	81.51	186.56
	Quick Ratio (%)	107.25	127.86	101.20	68.44	71.69	165.31
	Times Interest Earned (times)	696.44	351.02	155.54	64.90	24.62	26.69
Operating Performance	Accounts Receivable Turnover (times)	8.82	8.61	8.45	8.87	10.86	9.42
	Average Collection Days (days)	41.38	42.42	43.18	41.15	33.60	38.74
	Inventory Turnover (times)	9.24	7.02	5.60	7.51	5.91	3.82
	Accounts Payable Turnover (times)	5.49	5.05	5.64	9.16	5.61	3.19
	Inventory Turnover Days	39.52	52.00	65.19	48.59	61.80	95.64
	Fixed Assets Turnover (times)	1.35	1.31	1.23	1.17	1.02	0.94
	Total Assets Turnover (times)	0.69	0.66	0.72	0.72	0.60	0.50
Profitability Analysis	Return on Assets (%)	10.76	12.79	13.55	14.28	15.98	12.61
	Return on Equity (%)	12.66	15.16	17.47	20.36	24.91	20.29
	To Captial ratio: Operating Income	34.09	25.48	42.81	47.84	47.81	30.87
	To Captial ratio: Income before Tax	37.38	33.95	41.65	46.11	42.17	30.12
	Net Income Ratio (%)	19.41	25.17	19.36	20.37	21.43	22.19
	Basic EPS in NT$	0.72	3.00	3.40	3.80	3.75	3.04
	Diluted EPS in NT$	0.72	3.00	3.40	3.80	3.61	2.95
	Earning Per Share in NT$	0.72	3.00	3.40	3.80	3.75	2.76
Cash flow	Cash Flow Ratio (%)	42.49	164.85	164.32	158.34	126.33	116.20
	Cash Flow Equivalent Ratio (%)	170.12	161.51	174.23	167.90	131.17	91.34
	Cash Reinvestment Ratio (%)	4.95	9.09	10.91	14.58	22.05	14.51
Leverage Ratio	Operating Leverage (times)	2.13	2.06	2.00	1.93	1.91	3.11
	Financial Leverage (times)	1.00	1.00	1.01	1.02	1.04	1.04

Note: The financial Statements for the first quarter of 2008 have 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 plus 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. 2006 Supervisors' Report-Not Consolidated

April 30, 2008

The Board of Directors have prepared and submitted to us the Company's 2006 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 and Article 36 of the Securities and Exchange Act, we hereby submit this report.

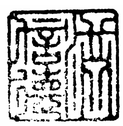
To

FET 2008 Shareholders' Meeting

Supervisors

Chen-en Ko

Eli Hong



Morton Huang

4. 2006 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, 2007 and 2006, 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, 2007 and 2006, 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, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the financial statements, on January 1, 2006, the Company adopted the newly issued ROC Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously issued Statements. In addition, based on the revised ROC SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," goodwill should be tested annually for impairment instead of being amortized.

We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2007 and 2006 and have issued a modified unqualified opinion thereon in our report dated February 15, 2008.

February 15, 2008

<u>Notice to Readers</u>

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, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 3,614,660	4	$ 3,095,929	3
Accounts and notes receivable, net (Notes 2 and 5)	4,606,696	5	3,803,080	4
Receivables from related parties (Notes 2 and 21)	908,949	1	813,591	1
Inventories, net (Notes 2 and 6)	305,359	-	475,778	-
Prepaid expenses	507,612	1	507,836	1
Deferred income tax assets - current (Notes 2 and 16)	497,413	-	612,115	1
Other current assets	41,018	-	55,238	-
Total current assets	10,481,707	11	9,363,567	10
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 7)	43,342,778	47	37,883,330	42
PROPERTIES (Notes 2, 8 and 21)				
Cost				
Land	847,138	1	847,138	1
Buildings and equipment	1,665,947	2	1,647,956	2
Operating equipment	64,124,983	69	61,172,350	68
Computer equipment	9,769,808	10	8,902,253	10
Office equipment	826,170	1	757,878	1
Leasehold improvements	1,497,895	2	1,514,262	2
Miscellaneous equipment	228,068	-	255,937	-
Total cost	78,960,009	85	75,097,774	84
Less - accumulated depreciation	52,801,756	57	45,884,705	51
	26,158,253	28	29,213,069	33
Construction-in-progress and advances for acquisition of equipment	3,635,890	4	3,714,579	4
Net properties	29,794,143	32	32,927,648	37
INTANGIBLE ASSETS				
3G concession, net (Notes 1, 2 and 9)	8,037,772	9	8,768,479	10
OTHER ASSETS				
Rental assets, net (Notes 2 and 10)	195,965	-	198,009	-
Refundable deposits (Note 21)	261,990	1	259,136	-
Deferred income tax assets - noncurrent (Notes 2 and 16)	148,890	-	383,318	1
Other	1,191	-	2,550	-
Total other assets	608,036	1	843,013	1
TOTAL	$ 92,264,436	100	$ 89,786,037	100

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable	$ 39,048	-	$ 34,729	-
Accounts payable	536,913	-	545,257	1
Payables to related parties (Note 21)	1,242,860	1	1,805,198	2
Income tax payable (Notes 2 and 16)	1,153,125	1	722,585	1
Accrued expenses (Note 11)	3,739,123	4	3,223,117	3
Hedging derivative financial liabilities - current (Notes 2 and 20)	21,601	-	-	-
Payables for acquisition of properties	1,524,549	2	1,732,319	2
Guarantee deposits received - current	646,851	1	761,462	1
Unearned revenues (Note 2)	580,155	1	714,708	1
Current portion of long-term bonds payable (Note 12)	2,670,000	3	2,960,000	3
Lease payable - current (Notes 2, 13 and 21)	19,880	-	19,880	-
Other current liabilities	210,231	-	229,432	-
Total current liabilities	12,384,336	13	12,748,687	14
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds payable (Note 12)	-	-	2,670,000	3
Hedging derivative financial liabilities - noncurrent (Notes 2 and 20)	-	-	66,158	-
Lease payable - noncurrent (Notes 2, 13 and 21)	8,360	-	28,240	-
Total long-term liabilities	8,360	-	2,764,398	3
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 14)	314,804	1	288,079	1
Guarantee deposits received - noncurrent	68,970	-	58,171	-
Other	153,966	-	-	-
Total other liabilities	537,740	1	346,250	1
Total liabilities	12,930,436	14	15,859,335	18
STOCKHOLDERS' EQUITY				
Capital stock - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding - 4,033,033 thousand shares in 2007 and 3,872,663 thousand shares in 2006	40,330,334	44	38,726,630	43
Capital surplus				
Paid-in capital in excess of par value	10,964,702	12	6,510,964	7
From business combination	8,482,381	9	8,482,381	10
From long-term equity-method investments	40,187	-	10,611	-
Total capital surplus	19,487,270	21	15,003,956	17
Total retained earnings	19,501,261	21	20,240,948	22
Other adjustments				
Cumulative translation adjustments	11,826	-	4,960	-
Unrealized gains (losses) on financial products	3,309	-	(49,792)	-
Total other adjustments	15,135	-	(44,832)	-
Total stockholders' equity	79,334,000	86	73,926,702	82
TOTAL	$ 92,264,436	100	$ 89,786,037	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 6, 2007)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007 Amount	%	2006 Amount	%
OPERATING REVENUE (Notes 2 and 21)				
Sales of cellular phone equipment and accessories, net	$ 3,027,385	7	$ 3,209,482	8
Telecommunications service revenues	43,025,462	93	39,891,379	92
Other	119,125	-	106,656	-
Total operating revenues	46,171,972	100	43,207,517	100
OPERATING COSTS (Notes 2, 18 and 21)				
Cost of sales	3,667,094	8	3,987,778	9
Cost of telecommunications services	20,408,611	44	19,472,146	45
Total operating costs	24,075,705	52	23,459,924	54
GROSS PROFIT	22,096,267	48	19,747,593	46
OPERATING EXPENSES (Notes 2, 18 and 21)				
Marketing	8,343,787	18	6,819,463	16
General and administrative	3,204,209	7	3,261,078	7
Research and development	273,701	1	263,321	1
Total operating expenses	11,821,697	26	10,343,862	24
OPERATING INCOME	10,274,570	22	9,403,731	22
NONOPERATING INCOME AND GAINS				
Equity in investees' net gains (Notes 2 and 7)	3,353,048	7	4,984,178	12
Commission (Note 21)	152,606	1	253,408	1
Management services revenue (Note 21)	125,778	-	131,902	-
Interest (Note 21)	72,805	-	30,803	-
Rent	14,909	-	15,484	-
Other (Notes 17 and 21)	154,535	1	134,872	-
Total nonoperating income and gains	3,873,681	9	5,550,647	13
NONOPERATING EXPENSES AND LOSSES				
Losses on disposal of properties, including idle properties, net (Note 2)	402,412	1	250,046	1
Interest (Notes 2, 8 and 21)	27,545	-	93,081	-
Loss on decline in value of inventories (Note 2)	17,551	-	-	-
Other (Notes 2, 7, 18 and 21)	9,799	-	25,232	-
Total nonoperating expenses and losses	457,307	1	368,359	1

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007 Amount	%	2006 Amount	%
INCOME BEFORE INCOME TAX	$13,690,944	30	$14,586,019	34
INCOME TAX (Notes 2 and 14)	2,071,503	5	1,429,794	4
NET INCOME	$11,619,441	25	$13,156,225	30

	2007 Before Income Tax	2007 After Income Tax	2006 Before Income Tax	2006 After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	$3.53	$3.00	$3.77	$3.40

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

(With Deloitte & Touche audit report dated February 6, 2007) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	Capital Stock Issued and Outstanding (Notes 7 and 15)		Capital Surplus (Notes 2, 7 and 15)			Retained Earnings (Notes 2 and 15)			Other Adjustments		
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Notes 2 and 15)	Unrealized Gains (Losses) on Financial Products (Notes 2, 3 and 15)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2006	3,872,663	$38,726,630	$6,510,964	$8,482,381	$10,611	$4,101,609	$-	$15,385,739	$2,168	$-	$73,220,102
Effect of first adoption of newly issued SFASs	-	-	-	-	-	-	-	-	-	(68,978)	(68,978)
Appropriation of the 2005 earnings											
Legal reserve	-	-	-	-	-	1,471,741	-	(1,471,741)	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(264,913)	-	-	(264,913)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(132,457)	-	-	(132,457)
Cash dividends - NT$3.1 per share	-	-	-	-	-	-	-	(12,005,255)	-	-	(12,005,255)
Net income in 2006	-	-	-	-	-	-	-	13,156,225	-	-	13,156,225
Changes in subsidiary's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(174)	(174)
Changes in subsidiary's unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	532	532
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	18,828	18,828
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	2,792	-	2,792
BALANCE, DECEMBER 31, 2006	3,872,663	38,726,630	6,510,964	8,482,381	10,611	5,573,350	-	14,667,598	4,960	(49,792)	73,926,702
Appropriation of the 2006 earnings											
Legal reserve	-	-	-	-	-	1,315,623	-	(1,315,623)	-	-	-
Special reserve	-	-	-	-	-	-	44,832	(44,832)	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(235,915)	-	-	(235,915)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(117,958)	-	-	(117,958)
Cash dividends - NT$3.1 per share	-	-	-	-	-	-	-	(12,005,255)	-	-	(12,005,255)
Net income in 2007	-	-	-	-	-	-	-	11,619,441	-	-	11,619,441
Adjustment arising from changes in percentage of ownership in investees	-	-	-	-	29,576	-	-	-	-	-	29,576
Changes in subsidiary's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	19,684	19,684
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	33,417	33,417
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	6,866	-	6,866
Issuance of common stock to acquire an equity-method investment - NCIC	160,370	1,603,704	4,453,738	-	-	-	-	-	-	-	6,057,442
BALANCE, DECEMBER 31, 2007	4,033,033	$40,330,334	$10,964,702	$8,482,381	$40,187	$6,888,973	$44,832	$12,567,456	$11,826	$3,309	$79,334,000

The accompanying notes are an integral part of the financial statements

.(With Deloitte & Touche audit report dated February 15, 2008)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 11,619,441	$ 13,156,225
Depreciation and amortization	7,494,797	7,988,612
Amortization of 3G concession	730,707	730,707
Allowance for doubtful accounts	335,746	322,415
Provision (reversal of allowance) for losses on decline in value of inventories	17,551	(1,355)
Equity in investees' net gains	(3,353,048)	(4,984,178)
Cash dividends from equity-method investees	5,011,672	4,636,033
Losses on disposal of properties, including idle properties, net	402,412	250,046
Provision for impairment loss	6,549	-
Accrued pension cost	26,725	14,161
Deferred income taxes	337,990	75,063
Net changes in operating assets and liabilities		
Accounts and notes receivable	(1,139,362)	(352,196)
Receivables from related parties	(95,475)	(56,597)
Inventories	152,868	180,007
Prepaid expenses	224	(34,956)
Other current assets	10,667	(28,272)
Notes payable	4,319	798
Accounts payable	(8,344)	(66,427)
Payables to related parties	(562,338)	1,014,706
Income tax payable	430,540	(114,370)
Accrued expenses	511,448	(562,743)
Unearned revenues	(134,553)	(87,310)
Other current liabilities	(19,201)	(80,203)
Net cash provided by operating activities	21,781,335	22,000,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equity-method investments	(1,006,495)	-
Acquisition of properties	(4,995,238)	(5,402,822)
Proceeds of the disposal of properties, including idle properties	9,844	28,520
Increase in refundable deposits	(2,854)	(9,876)
Decrease in other assets	1,113	1,352
Net cash used in investing activities	(5,993,630)	(5,382,826)

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper payable	$ -	$ (49,996)
Repayment of long-term liabilities	(2,960,000)	(3,340,000)
Decrease in guarantee deposits received	(103,812)	(165,617)
Increase in other liabilities	153,966	-
Cash dividends paid	(12,005,255)	(12,005,255)
Bonus paid to employees and remuneration paid to directors and supervisors	(353,873)	(397,370)
Net cash used in financing activities	(15,268,974)	(15,958,238)
NET INCREASE IN CASH AND CASH EQUIVALENTS	518,731	659,102
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,095,929	2,436,827
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,614,660	$ 3,095,929
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 135,138	$ 232,570
Less - interest capitalized	45,880	76,459
Interest paid, net of capitalized interest	$ 89,258	$ 156,111
Income tax paid	$ 1,302,973	$ 1,469,101
NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock to acquire an equity-method investment	$ 6,057,442	$ -
Current portion of long-term liabilities	$ 2,711,481	$ 2,979,880
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 4,767,588	$ 4,829,391
Decrease in payables for acquisition of properties	207,770	555,301
Decrease in lease payables	19,880	18,130
Cash paid for acquisition of properties	$ 4,995,238	$ 5,402,822
PROCEEDS OF THE DISPOSAL OF PROPERTIES, INCLUDING IDLE PROPERTIES		
Total amount of sold properties and idle properties	$ 6,174	$ 30,898
Decrease (increase) in receivables on properties sold	3,553	(5,022)
Decrease in receivables from related parties	117	2,644
Cash received on the disposal of properties	$ 9,844	$ 28,520

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

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 and cash equivalents	$ 496,860
Accounts and notes receivable, net	6,212
Prepaid expenses	3,811
Other current assets	2,601
Properties, net	617,161
Advances for acquisition of equipment	7,174
Refundable deposits	12,498
Accounts payable	(5,457)
Accrued expenses	(15,103)
Unearned revenues	(2,670)
Other current liabilities	(263,066)
Other liabilities	(13,864)
	846,157
Percentage of ownership acquired	51.00%
	431,540
Goodwill	64,315
Cash payment due to merger	$ 495,855

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

(With Deloitte & Touche audit report dated February 15, 2008)

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(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 (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares began to be traded on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) on December 10, 2001. Later, the Company's share ceased to be traded on the OTC exchange and became listed on the ROC Taiwan Stock Exchange on 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. As of December 31, 2006, Far Eastern Textile Co., Ltd. ("Far Eastern Textile") and its affiliates directly and indirectly owned 42.83% of the Company's shares. Since the Company's chief executive officer is appointed by Far Eastern Textile's 99.99% subsidiary, Far Eastern Textile has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern Textile 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 island-wide ("GSM" means "global system for mobile communications") - issued by the DGT of the ROC. These licenses allow the Company to provide services for 15 years from 1997, with an annual license fee of 2% of total 2G wireless communications service revenues.

The DGT also issued to the Company a type II license, allowing it to provide Internet services for 10 years from 1999 for a fixed annual license fee based on the Company's paid-in capital. In addition, the Company provides services under a type II-ISR license for 10 years from December 2001 and pays an annual license fee of 0.5% of ISR service revenues. The Company is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003, for 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 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 service and began commercial operations on July 13, 2005.

The Company had 3,370 and 3,471 employees as of December 31, 2006 and 2005, 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, Business Accounting Law, Guidelines Governing Business Accounting 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, product warranty reserve, 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 ROC. 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 are unrestricted cash or cash equivalents as well as other assets to be converted into cash or consumed within 12 months after the balance sheet date. Property and equipment, intangible assets and those not classified as current assets are noncurrent assets. Current liabilities are obligations to be settled within 12 months after the balance sheet date. All other 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. Their carrying values approximate their fair values.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to the 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.

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. This sale 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 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 using the pro forma interest rate method.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Promotion Expenses

Commissions and cellular phone equipment 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 year when the service to a subscriber is activated.

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 on the basis of the changes in marketing strategy. Losses on decline in value of inventory are evaluated on the basis of market demand and should be recognized when the net realizable value is lower than the cost.

Equity-method Investments

Long-term investments 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.

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over 3 to 5 years. As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities," starting on January 1, 2006, the cost of acquisition is subjected to an initial analysis. The investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required when there is evidence indicating that goodwill might be impaired due to an event or change in the economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets proportionately to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subjected to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

An increase in the Company's proportionate share in the net assets of its investee resulting from its subscription for additional shares of stock issued by the investee at a rate different from its existing equity ownership in the investee's net assets, capital surplus is debited. If capital surplus is not enough for debiting purposes, the different is debited to unappropriated earnings.

Properties and Rental Assets

Properties and rental assets are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Major additions, renewals and improvements as well as interest expense incurred during the construction year 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.
Equipment covered by capital lease agreements 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 price.

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48
Building and 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 and rental assets, 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.

3G Concession

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

Idle Properties

Properties not currently used in operations are transferred to idle properties at the lower of net book value or fair value, with difference charged to nonoperating expenses. However, starting on January 1, 2006, based on related regulations, depreciation of idle properties is calculated using the straight-line method over the estimated useful lives of the properties.

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, 3G concession, and equity-method investments) exceeds their recoverable amount, and this impairment loss should be charged to current income. For investees which the Company exercises significant influence but not control, the recoverable amount is calculated based on investee's individual investment value. For investees which the Company has control, the recoverable amount is assessed under the consideration of taking the consolidated financial statement as a whole. The accumulated impairment loss of an asset recognized in prior years can be reversed if, later on, the estimate of the asset's recoverable amount later has changed so as to increase the recoverable amount. Then, the asset's carrying amount can be increased to its recoverable amount; however, the recoverable amount should not exceed the carrying amount that would have been after the deduction of depreciation or amortization if it had not been impaired.

To test for impairment, goodwill should be allocated to each of the cash-generating units that are expected to benefit from the synergies of the combinations. A cash-generating unit should be tested for impairment at least annually by comparing the carrying amount of the unit with its recoverable amount. If the carrying amount exceeds the recoverable amount of the unit, the impairment loss is allocated to reduce the carrying amount of the unit in the following order: (a) reduce the carrying amount of any goodwill allocated to the unit; and (b) reduce the carrying amounts of other assets of the unit proportionally. A reversal of an impairment loss on goodwill is disallowed.

Deferral of Unrealized Intercompany Profit

The entire gains or losses from the Company's sales of products to its subsidiaries are deferred and included in deferred income, which is included in other current liabilities.

The Company defers gains or loss on its product sales in proportion to ownership percentages for sales to equity-method investees that are not majority-owned.

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.

All of the deferred gains and losses are realized on the subsequent sale of related items to third parties.

Pension Costs

The Company has two types of pension plans: defined benefit and defined contribution. Under the defined benefit pension plan, pension costs are recognized on the basis of actuarial calculations. Under the defined contribution plan, the Company should make monthly contributions to employees' individual pension accounts at a fixed percentage of monthly salaries and wages and recognize these contributions as pension cost.

Income Tax

The inter-period and intra-period allocation methods are used for income taxes. 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 for financial reporting. 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, personnel training expenses and equity-method investments are accounted for as a reduction of 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 generated since January 1, 1998 are expensed in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

The above prevailing exchange rates are based on the average of bid and ask rates of principal correspondent banks.

Hedging Derivative Financial Instruments

Hedging derivative financial instruments are measured at fair value. The changes in fair values of these instruments are debited or charged to either stockholders' equity or current income depending on the hedged items.

Hedge Accounting

Hedge accounting involves the recognition of the offsetting effects on profit or loss of changes in fair values of the hedging instrument and the hedged item.

Derivative instruments held by the Company are for cash flow hedge purposes. Under the cash flow hedge, the gains or losses from the changes in fair values of the hedging instruments are recognized under stockholders' equity and are recognized as current income if the hedged forecast transaction affects net gains or losses. If hedging would give rise to a nonfinancial asset or liability, the gain or loss will be recognized as the adjustment to the original cost or carrying amount of the hedged asset or liability. If recognized adjustments to stockholders' equity result in irreversible losses, these losses should be immediately charged to current income.

The Company uses interest rate swaps to hedge cash flow risk from interest rate fluctuations.

3. CHANGES IN ACCOUNTING PRINCIPLES

a. First time adoption of the newly announced Statements and related revisions of previously issued Statements.

ROC SFAS No.34 - "Accounting for financial Instruments" and ROC SFAS No. 36 - "Disclosure and Presentation of Financial Instruments"

On January 1, 2006, the Company adopted the new ROC SFAS No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revised Statements.

On the basis of the accounting changes, the Company reclassified derivative instruments for cash flow hedge as adjustments to stockholders' equity.

The effects of the first time adoption of the Statements are as follows:

	As Adjustments to Stockholders' Equity (After Tax)
Hedging derivative financial liabilities	$ 68,446
Hedging derivative financial liabilities recognized from subsidiaries	532
	$ 68,978

The accounting change resulted in an increase of $181 thousand in income before income tax for the year ended December 31, 2006.

ROC SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method"

The Company adopted new Statement as required by the revised ROC SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method." These revisions stated that the difference between the cost of an investment and the amount of the underlying equity in net assets of an investee should no longer be amortized. If the difference is goodwill, it should be tested for impairment loss annually instead of being amortized. The adoption of the revised Statements resulted in an increase of $864,669 thousand in income before income tax without any cumulative changes in accounting principles and an increase of NT$0.22 in basic earnings per share after income tax for the year ended December 31, 2006.

b. Newly announced Statement or accounting pronouncement with future effectiveness

Under an issuance from the Accounting Research and Development Foundation of the Republic of China in March 2007, remuneration to directors and supervisors and bonus to employees should be treated as expense rather than earnings distribution. This treatment should be applied to financial statements for the fiscal year beginning on or after January 1, 2008.

However, the effect of this new issuance on the financial statements as of and for the year ended December 31, 2008 still could not be estimated since net income for the year ended December 31, 2008 could not be estimated.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2007	2006
Cash		
Cash on hand	$ 2,731	$ 2,786
Checking and demand deposits	763,460	584,490
	766,191	587,276
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.91%-2.00% in 2007 and 1.61%-1.65% in 2006	911,579	2,508,653
Bonds purchased under resell agreements - interest of 1.88%-1.90%	1,936,890	-
	2,848,469	2,508,653
	$ 3,614,660	$ 3,095,929

As of December 31, 2006 and 2005, foreign demand deposits were as follows:

	December 31	
	2007	2006
Belgium (US$822 thousand in 2006 and US$175 thousand in 2005)	$ 10,086	$ 26,795

5. ACCOUNTS AND NOTES RECEIVABLE

	December 31	
	2007	2006
Accounts and notes receivable	$ 5,272,338	$ 4,612,283
Less - allowance for doubtful accounts	(665,642)	(809,203)
	$ 4,606,696	$ 3,803,080

The change in allowance for doubtful accounts was as follows:

	Years Ended December 31	
	2007	2006
	Accounts Receivable	Accounts Receivable
Beginning balance	$ 809,203	$ 1,204,019
Less - bad debts written off	(659,970)	(879,891)
Add - collection after write-off	180,663	162,660
accrual of bad debt expenses	335,746	322,415
	$ 665,642	$ 809,203

6. INVENTORIES

	December 31 2007	December 31 2006
Cellular phone equipment	$ 241,183	$ 421,926
Costs of SIM cards and prepaid cards	33,510	50,504
Cellular phone accessories	71,496	26,560
Others	257	324
	346,446	499,314
Less - allowance for losses	41,087	23,536
	$ 305,359	$ 475,778

7. EQUITY-METHOD INVESTMENTS

	December 31 2006		December 31 2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
KG Telecommunications Co., Ltd.	$ 36,124,571	100.00	$ 35,192,374	100.00
ARCOA Communication Co., Ltd.	1,026,383	59.10	1,171,320	59.10
Far Eastern Electronic Toll Collection Co., Ltd.	395,686	42.66	789,096	42.66
Far Eastern Info Service (Holding) Ltd.	134,999	100.00	141,174	100.00
Far EasTron Holding Ltd.	100,542	100.00	143,331	100.00
E. World (Holdings) Ltd.	73,717	85.92	66,664	85.92
Ding Ding Integrated Marketing Services Co., Ltd.	26,790	15.00	27,680	15.00
Far EasTron Co., Ltd.	642	0.67	928	0.67
	$ 37,883,330		$ 37,532,567	

	December 31 2007		December 31 2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
KG Telecommunications Co., Ltd.	$ 35,027,145	100.00	$ 36,124,571	100.00
New Century InfoComm Tech Co., Ltd.	6,062,000	24.51	-	-
ARCOA Communication Co., Ltd.	999,769	59.10	1,026,383	59.10
Far Eastern Electronic Toll Collection Co., Ltd.	644,856	41.18	395,686	42.66
Q-ware Communications Co., Ltd.	352,102	51.00	-	-
Far Eastern Info Service (Holding) Ltd.	138,977	100.00	134,999	100.00

(Continued)

	December 31 2007		December 31 2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
E. World (Holdings) Ltd.	$ 61,082	85.92	$ 73,717	85.92
Far EasTron Holding Ltd.	39,314	100.00	100,542	100.00
Ding Ding Integrated Marketing Services Co., Ltd.	17,300	15.00	26,790	15.00
Far EasTron Co., Ltd.	233	0.67	642	0.67
	$ 43,342,778		$ 37,883,330	

(Concluded)

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

KG Telecom, formerly Yuan Ho Telecommunications Co., Ltd., was incorporated in the ROC on September 25, 2003. It is a wholly owned subsidiary of the Company. On January 1, 2004, KG Telecom merged with the former KG Telecommunications Co., Ltd. (the "former KGT") through a two-step merger agreement. The merger was completed on May 20, 2004 after the registration of the shares with the Ministry of Economics Affairs (MOEA).

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 island-wide 2G wireless communications services under a type I license - GSM1800. 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.

b. New Century InfoComm Tech Co., Ltd. (NCIC)

The Company issued 100,637,444 and 59,732,926 common shares to exchange for 615,178,755 and 365,136,728, respectively, of NCIC's common shares after NCIC's capital reduction from Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited on December 31, 2007 (the record date of the share swap). The ratio for this share swap was 1:6.11282174. The share swap was approved by the Financial Supervisory Commission under the Executive Yuan on December 26, 2007 and registered with the MOEA on January 14, 2008. After the share swap, the Company acquired about 24.51% of NCIC's issued shares.

c. ARCOA Communication Co., Ltd. ("ARCOA")

The Company bought from ARCOA's stockholders 79,353 thousand shares between February 4, 2005 and July 25, 2005 for $1,278,944 thousand. As a result, the Company owned 59.10% of ARCOA's common shares and became its parent company.

d. Far Eastern Electronic Toll Collection Co., Ltd.

On February 26, 2004, Far Eastern Electronic Toll Collection Co. was selected by the Taiwan Area National Freeway Bureau ("the TANFB") as the best qualified candidate for its "Private Participation in the Electronic Toll Collection BOT Project" ("ETC Project"). On April 27, 2004, FETC and the TANFB completed the related negotiations and signed the project contract.

On February 24, 2006, however, the Taipei High Administrative Court announced its decision to revoke the status of FETC as the best qualified candidate for the ETC project. Then, on August 3, 2006, the Supreme Administrative Court ruled that the original screening process conducted by the TANFB was flawed and in violation of the principles of equality and promotion of public interest and stripped FETC of its "best qualified candidate" status. In response to the verdict, the TANFB announced a second bidding for the ETC project. On April 14, 2007, the TANFB announced that FETC was again the best qualified candidate. FETC then completed the ETC project negotiations and on August 22, 2007, signed the project contract with a term of 18 years and 4 months with the TANFB.

On August 11, 2006, the Company announced a proposal to withdraw from FETC by unconditionally donating its FETC stockholding to the Government. The Company's board of directors approved this proposal on August 22, 2006. However, the TANFB already replied officially to the Company not to accept the donation on August 17, 2007.

e. Q-ware Communications Co., Ltd. ("Q-ware Com.")

On February 14, 2007, the board of directors of the Company approved a cooperation plan with Q-ware System Inc. ("Q-ware") to operate WiFly and other businesses agreed upon by both the Company and Q-ware. After obtaining the authorities' approval of this agreement, the Company, as a specific person, subscribed for 36,460 thousand newly issued shares (NT$13.60 per share) of Q-ware Com. for $495,855 thousand on July 2, 2007. On July 3, 2007, Q-ware spun off its WiFly business, with a net worth of $349,301 thousand, to Q-ware Com. and received 34,930 thousand new shares of Q-ware Com. for this spin-off. After the completion of this spin-off, the Company owned approximately 51% of Q-ware Com.'s common stock and thus became its parent company.

f. Equity in investees' net gains or losses

Equity in investees' net gains (losses) consisted of:

	Years Ended December 31			
	2007		2006	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
KG Telecommunications Co., Ltd.	$ 3,895,307	$ 3,895,207	$ 5,568,497	$ 5,568,404
New Century InfoComm Tech Co., Ltd.	(235,630)	-	-	-
ARCOA Communication Co., Ltd.	(44,883)	(27,259)	(245,260)	(144,937)
Far Eastern Electronic Toll Collection Co., Ltd.	(717,513)	(291,046)	(982,928)	(393,410)
Q-ware Communications Co., Ltd.	(281,868)	(143,753)	-	-
Far Eastern Info Service (Holding) Ltd.	(3,319)	(3,319)	(9,169)	(9,169)
E. World (Holdings) Ltd.	(6,606)	(5,676)	8,397	7,215
Far EasTron Holding Ltd.	(61,207)	(61,207)	(42,749)	(42,749)
Ding Ding Integrated Marketing Services Co., Ltd.	(55,304)	(9,490)	(5,935)	(890)
Far EasTron Co., Ltd.	(61,358)	(409)	(42,812)	(286)
		$ 3,353,048		$ 4,984,178

The net asset values of the equity-method investees were as follows:

	December 31	
	2007	2006
Total assets of investees	$ 75,648,654	$ 45,668,244
Total liabilities of investees	8,305,709	6,685,086
Total net assets	$ 67,342,945	$ 38,983,158
The Company's equity in investees' net assets	$ 43,342,778	$ 37,883,330

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") allow the Company to exercise significant influence on these investees' 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 only 15% and 0.67%, respectively.

The financial statements as of and for the years ended December 31, 2007 and 2006 that were used as basis for calculating the carrying values of and related equity in net gains or losses of the foregoing equity-method investments had all been audited.

g. Changes in the difference between investment cost and the investee's net assets

For the years ended December 31, 2007 and 2006, the changes in the difference between investment cost and the Company's equity in its investees' net assets were as follows:

	Years Ended December 31		
	2007		2006
	Goodwill	Amortizable Assets	Goodwill
Beginning balance	$ 255,828	$ -	$ 255,828
Increase	64,315	(924,029)	-
Decrease	6,549	-	-
Ending balance	$ 313,594	$ (924,029)	$ 255,828

The impairment loss of $6,549 thousand on goodwill was included in nonoperating expenses and losses - other.

h. Consolidation

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 the revised ROC SFAS No. 7 - “Consolidated Financial Statements.” All significant intercompany accounts and transactions have been eliminated in the consolidation. For subsidiaries acquired during the year, their revenues and expenses generated before the acquisition dates will not be consolidated.

8. PROPERTIES

a. Accumulated depreciation consisted of:

	Year Ended December 31, 2007				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost					
Land	$ 847,138	$ -	$ -	$ -	$ 847,138
Buildings and equipment	1,647,956	2,532	-	15,459	1,665,947
Operating equipment	61,172,350	-	759,499	3,712,132	64,124,983
Computer equipment	8,902,253	1,396	15,966	882,125	9,769,808
Office equipment	757,878	-	31,905	100,197	826,170
Leasehold improvements	1,514,262	-	60,559	44,192	1,497,895
Miscellaneous equipment	255,937	-	29,188	1,319	228,068
	75,097,774	$ 3,928	$ 897,117	$ 4,755,424	78,960,009
Accumulated depreciation					
Buildings and equipment	491,151	$ 64,905	$ -	$ -	556,056
Operating equipment	37,073,499	6,106,971	483,271	-	42,697,199
Computer equipment	6,508,415	1,098,053	15,799	-	7,590,669
Office equipment	686,266	52,574	31,905	-	706,935
Leasehold improvements	1,035,271	138,160	36,793	-	1,136,638
Miscellaneous equipment	90,103	31,844	7,688	-	114,259
	45,884,705	$ 7,492,507	$ 575,456	$ -	52,801,756
	29,213,069				26,158,253
Construction in process and advances for acquisition of equipment	3,714,579	$ 4,763,660	$ 86,925	$(4,755,424)	3,635,890
	$ 32,927,648				$ 29,794,143

	Year Ended December 31, 2006				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost					
Land	$ 847,138	$ -	$ -	$ -	$ 847,138
Buildings and equipment	1,632,094	-	1,265	17,127	1,647,956
Operating equipment	57,177,639	-	798,772	4,793,483	61,172,350
Computer equipment	8,293,927	-	99,377	707,703	8,902,253
Office equipment	798,031	-	48,268	8,115	757,878
Leasehold improvements	1,471,169	-	1,786	44,879	1,514,262
Miscellaneous equipment	214,638	-	9,939	51,238	255,937
	70,434,636	$ -	$ 959,407	$ 5,622,545	75,097,774
Accumulated depreciation					
Buildings and equipment	408,865	$ 83,551	$ 1,265	$ -	491,151
Operating equipment	31,304,582	6,291,479	522,562	-	37,073,499

Computer equipment	5,265,265	1,338,141	94,991	-	6,508,415
Office equipment	650,659	83,739	48,132	-	686,266
Leasehold improvements	883,124	153,933	1,786	-	1,035,271
Miscellaneous equipment	69,087	30,955	9,939	-	90,103
	38,581,582	$ 7,981,798	$ 678,675	$ -	45,884,705
	31,853,054				29,213,069
Construction in process and advances for acquisition of equipment	4,507,945	$ 4,829,391	$ 212	$(5,622,545)	3,714,579
	$ 36,360,999				$ 32,927,648

b. Capitalized interest on properties was as follows:

	Years Ended December 31	
	2007	2006
Total interest expense	$ 73,425	$ 169,540
Less - interest capitalized (included in construction in process and advances for acquisition of equipment)	45,880	76,459
Interest expense, net of amounts capitalized	$ 27,545	$ 93,081
Interest rate capitalized	1.56%-2.29%	2.09%-2.51%

9. INTANGIBLE ASSETS - 3G CONCESSION, NET

	Years Ended December 31	
	2007	2006
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	1,400,521	669,814
Amortization	730,707	730,707
Ending balance	2,131,228	1,400,521
Intangible assets, net	$ 8,037,772	$ 8,768,479

10. RENTAL ASSETS, NET

	Year Ended December 31, 2007		
	Land	Buildings and Equipment	Total
Cost	$ 105,366	$ 100,136	$ 205,502
Accumulated depreciation			
Beginning balance	-	7,493	7,493
Depreciation	-	2,044	2,044
Ending balance	-	9,537	9,537
Rental assets, net	$ 105,366	$ 90,599	$ 195,965

	Year Ended December 31, 2006		
	Land	Buildings and Equipment	Total
Cost	$ 105,366	$ 100,136	$ 205,502
Accumulated depreciation			
Beginning balance	-	5,449	5,449
Depreciation	-	2,044	2,044
Ending balance	-	7,493	7,493
Rental assets, net	$ 105,366	$ 92,643	$ 198,009

Rental assets are offices 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:

11. ACCRUED EXPENSES

	December 31	
	2007	2006
Commission	$ 1,204,208	$ 797,305
License fee	600,581	728,236
Bonus	436,296	410,280
Value-added service fee	253,781	152,210
Universal service operation fee	185,241	171,636
Utilities	101,100	152,529
Other	957,916	810,921
	$ 3,739,123	$ 3,223,117

12. BONDS PAYABLE

	December 31, 2007		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 2nd	$ 1,470,000	$ -	$ 1,470,000
Domestic unsecured bonds - 3rd	1,200,000	-	1,200,000
	$ 2,670,000	$ -	$ 2,670,000

	December 31, 2006		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 1st	$ 2,060,000	$ -	$ 2,060,000
Domestic unsecured bonds - 2nd	-	1,470,000	1,470,000
Domestic unsecured bonds - 3rd	900,000	1,200,000	2,100,000
	$ 2,960,000	$ 2,670,000	$ 5,630,000

a. 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. The Company already repaid $2,060,000 thousand and $2,140,000 thousand on February 19, 2007 and 2006, respectively.

b. Domestic unsecured bonds - 2nd

These are five-year domestic unsecured bonds issued at par value from March 28 to April 3, 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.

c. 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 semiannually. The Company should redeem the full amount when the bonds become due in

2006, 2007 and 2008. The Company already repaid $900,000 thousand on December 12, 2007 and 2006, respectively.

13. LEASE PAYABLE

	December 31	
	2007	2006
Total future lease payments	$ 30,891	$ 52,097
Less - imputed interest expense	2,651	3,977
	28,240	48,120
Less - current portion of lease payable	19,880	19,880
Lease payable - noncurrent	$ 8,360	$ 28,240

The contracts of capital lease were summarized as follows:

			Rental Paid Years Ended December 31	
Lessor	Properties	Payment Terms	2007	2006
Far Eastern International Leasing Corp.	Computer equipment	July 2004 - June 2009 $15,414 thousand annually	$ 15,414	$ 15,414
Far Eastern International Leasing Corp.	Computer equipment	March 2006 - February 2011 $5,063 thousand annually	5,063	5,063
			$ 20,477	$ 20,477

14. PENSION PLAN

a. 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 subject to the Labor Standards Law before June 30, 2005 were allowed to 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. Those hired on or after July 1, 2005 automatically become subject to the Act.

b. Based on the Act, rate of monthly contributions by the Company to the employees' individual pension fund accounts starting on July 1, 2005 is at 6% of monthly wages and salaries. The pension cost under the defined contribution plan amounted to $134,253 thousand and $115,708 thousand for the years ended December 31, 2007 and 2006, respectively.

c. The Company has a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points 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 points.

   The Company (including KG Telecom, KGEx.com Co., Ltd., Far EasTron Co., Ltd. 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 the respective committees' names in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity).

d. Information about the defined benefit pension plan was as follows:

1) Net pension cost consisted of:

	Years Ended December 31	
	2007	2006
Service cost	$ 30,579	$ 30,912
Interest cost	28,567	26,078
Expected return on plan assets	(11,405)	(10,851)
Amortization of net transition obligation	911	1,213
Amortization of unrecognized pension loss	11,209	6,949
Net pension cost	$ 59,861	$ 54,301

2) Reconciliation of the funded status of the plan and accrued pension cost was as follows:

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	$ 6,016	$ 5,840
Non-vested benefit obligation	606,646	526,397
Accumulated benefit obligation	612,662	532,237
Additional benefits based on projected and future salaries	543,716	505,043
Projected benefit obligation	1,156,378	1,037,280
Fair value of plan assets	(444,996)	(388,087)
Funded status	711,382	649,193
Unrecognized net transition obligation	(28)	(7,273)
Unrecognized pension loss	(396,550)	(353,841)
Accrued pension cost	$ 314,804	$ 288,079
Vested benefit	$ 7,465	$ 4,061

3) Actuarial assumptions were as follows:

	December 31	
	2007	2006
Discount rate used in determining present value	3.00%	2.75%
Rate of future salary increase	3.50%	3.50%
Expected rate of return on plan assets	3.00%	2.75%

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, with the transfer to be made 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 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 plans to improve financial structure.

A regulation issued by the Securities and Futures Bureau requires the setting aside from the unappropriated earnings of a special reserve equal to any debit balance of an account under stockholders' equity. The balance of this special reserve is adjusted on the basis of the debit balance of the stockholders' equity account at year-end.

Under the ROC Company Law, legal reserve should be appropriated until the accumulated reserve equals the Company's paid-in capital. Legal reserve may be used to offset a deficit. When the reserve exceeds 50% of the Company's paid-in capital, the excess may be distributed as follows: (a) if the Company has no earnings, the excess may be declared as dividends or bonus; and (b) if the Company has no deficit, only the excess portion that is over 25% of the Company's paid-in capital may be declared as stock dividends.

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 tax credits 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 2006 and 2005 earnings were approved by the stockholders on June 12, 2007 and May 26, 2006, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2006	2005	2006	2005
Legal reserve	$ 1,315,623	$ 1,471,741		
Special reserve	44,832	-		
Bonus to employees - cash	235,915	264,913		
Remuneration to directors and supervisors	117,958	132,457		
Cash dividend	12,005,255	12,005,255	$ 3.10	$ 3.10

The amounts of the above appropriations of earnings for 2006 and 2005 were consistent with the propositions of the Company's board of directors held on April 19, 2007 and March 3, 2006, respectively. Had the above bonus to employees and directors been charged to net income in 2006 and 2005, the basic earnings per share for 2006 and 2005 (after tax), based on the weighted-average number of outstanding shares would have decreased from NT$3.40 to NT$3.31 and from NT$3.80 to NT$3.70, respectively.

The appropriation of the 2007 earnings of the Company had not been proposed by the board of directors as of February 15, 2008. Related information can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Global depositary receipts

The Company's Global Depositary Receipts (GDRs) as of December 31, 2007 were as follows:

		GDRs (in Thousand 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)	21,152	317,276
GDRs transferred to common stock		(28,540)	(428,099)

Outstanding GDRs issued	3,073	46,098

1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved the Company's request to sell to foreign investors 150,000 thousand shares of the Company's common stock in the form of 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 per unit.

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, 2007, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds, representing 2,473 thousand common shares.

3) In 2004, the Company issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represented 4,448 thousand common shares.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDRs re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2007, the Company had reissued 21,152 thousand units of GDR, representing 317,276 thousand common shares.

The owners of GDR have the same rights as holders of common stock, except that the GDR owners should exercise, through a depositary trust company, the following beneficial interests subject to the terms of the Deposit Agreements and the relevant ROC laws and regulations:

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

d. Capital reduction

To enhance the return of stockholders' equity, the Company's board of directors proposed on April 30, 2007 to reduce capital by returning $7,745,326 thousand in cash to stockholders and decreasing common stock by 774,533 thousand shares. This capital reduction was approved at the stockholders' meeting on June 12, 2007. However, since the Company issued 160,370 thousand shares to exchange for New Century InfoComm Tech Co., Ltd.'s common shares held by Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited on December 31, 2007 (Note 7), there were decreases in the capital reduction ratio from 20% to 19.204715% and in the cash return per share from NT$2.00 to NT$1.9204715. The paid-in capital was $32,585,008 thousand after the capital reduction on January 15, 2008. On January 22, 2008, this capital reduction was registered with the MOEA. The Company's board of directors resolved that March 17, 2008 would be the share exchange date of the capital reduction, which had been approved by the authority.

e. Cumulative translation adjustments

Cumulative translation adjustments for the years ended December 31, 2007 and 2006 were summarized as follows:

	Years Ended December 31	
	2007	**2006**
Difference due to translation of foreign-currency financial statements		
Beginning balance	$ 4,960	$ 2,168
Recorded as adjustment under stockholders' equity	6,866	2,792
	$ 11,826	$ 4,960

f. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the years ended December 31, 2007 and 2006 were summarized as follows:

	Recognized from Equity-method Investments	Unrealized Gain (Loss) on Cash Flow Hedge	Total
Year ended December 31, 2007			
Beginning balance	$ (174)	$ (49,618)	$ (49,792)
Recorded as adjustments to stockholders' equity	19,684	(8,183)	11,501
Recognized as profit or loss	-	41,600	41,600
Ending balance	$ 19,510	$ (16,201)	$ 3,309
Year ended December 31, 2006			
Beginning balance (first time adoption of newly issued SFASs)	$ (532)	$ (68,446)	$ (68,978)
Recorded as adjustments to stockholders' equity	169	(19,999)	(19,830)
Recognized as profit or loss	226	38,827	39,053
Adjusted to hedged non-financial assets	(37)	-	(37)
Ending balance	$ (174)	$ (49,618)	$ (49,792)

16. INCOME TAX

a. The Income Basic Tax Act (the "IBT Act"), which took effect on January 1, 2006, requires that the income basic tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act plus tax benefit regulated by the Income Tax Act or other laws. The tax payable of the current year would be the higher of the income basic tax and income tax payable calculated in accordance with the Income Tax Act. The effect of the IBT Act on the Company's income tax is not material.

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

	Years Ended December 31	
	2007	2006
Income tax expense computed at statutory tax (25%)	$ 3,422,736	$ 3,646,505
Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	(443,752	(999,461
Equity in investees' net gains	(855,813	(1,257,220
Other	(15,134	7,821
Temporary differences	(337,990	(89,271
Investment tax credits used	(76,000	(199,721
Unappropriated earnings tax (10%)	-	84,303
Income tax payable - current	1,694,047	1,192,956
Income tax expense on income subjected to a separate rate of 20%	13,068	5,536
Prior year's adjustment	26,398	156,239
Income tax expense - current	$ 1,733,513	$ 1,354,731

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

c. Income tax expense consisted of:

	Years Ended December 31	
	2007	2006
Income tax expense - current	$ 1,733,513	$ 1,354,731
Income tax expense - deferred		
Temporary differences	337,990	75,063
	$ 2,071,503	$ 1,429,794

d. Changes in income tax payable were as follows:

	Years Ended December 31	
	2007	2006
Beginning balance	$ 722,585	$ 836,955
Income tax expense - current	1,733,513	1,354,731
Income tax paid	(1,302,973)	(1,469,101)
Ending balance	$ 1,153,125	$ 722,585

e. Deferred income taxes assets were as follows:

	December 31	
	2007	2006
Current		
Allowance for doubtful accounts	$ 469,319	$ 594,841
Provision for losses on decline in value of inventories	10,272	5,884
Investment tax credits	26,841	3,971
Unrealized loss on financial instruments	5,400	-
Unrealized foreign exchange losses (gains), net	299	(177)
Other	12,123	11,567
	524,254	616,086
Less - valuation allowance	26,841	3,971
	$ 497,413	$ 612,115
Noncurrent		
Depreciation resulting from the differences in estimated service lives of properties	$ 34,937	$ 278,992
Accrued pension cost	88,226	81,247
Unrealized loss on financial instruments	-	16,540
Investment tax credits	-	26,841
Equity in investees' net losses	25,727	6,539
	148,890	410,159
Less - valuation allowance	-	26,841
	$ 148,890	$ 383,318

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

f. Integrated income tax information was as follows:

	December 31	
	2007	2006
Balance of imputation credit account (ICA)	$ 201,975	$ 247,789

The estimated ratio of the ICA balance as of December 31, 2007 to unappropriated earnings as of such date was 1.61%. When the dividends from the unappropriated earnings as of December 31, 2006 were distributed in 2007, the actual ratio used was 20.74%.

Based on the Income Tax Law, the imputation tax credits distributed to each stockholder are based on the ICA balance as of the date of dividend distribution. Thus, the estimated creditable ratio for the 2007 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2006 earnings appropriation had been determined, the actual ratio was disclosed.

g. Investment tax credits are as follows:

The unused investment tax credits of the Company as of December 31, 2007 are summarized as follows:

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	$ 26,841	$ 26,841	2008

h. The status of income tax returns is as follows:

Income tax returns through 2004 of the Company had been examined by the tax authorities. However, the Company disagreed with the tax authorities' assessment of its 2000 to 2004 returns. Thus, the Company filed appeals for the reexamination of its 2000 to 2004 returns. Nevertheless, the Company accrued the related tax.

17. FACTORING OF NONPERFORMING ACCOUNTS RECEIVABLE

The Company wrote off certain overdue/nonperforming accounts receivables. Under agreements signed in March 2007, the Company factored these receivables, i.e., sold them without recourse, to an asset management company. Thus, the Company was no longer responsible for collecting these receivables.

Related information for the year ended December 31, 2007 was as follows:

Counter Party	Amount of Factored Accounts Receivable	Proceeds of the Factoring of Accounts Receivable
Year ended December 31, 2007		
Hui Cheng First Asset Management Co., Ltd.	$ 1,158,871	$ 26,979

18. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2007				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 222,947	$ 1,084,214	$ -	$ 968,037	$ 2,275,198
Pension	31,078	89,292	-	73,744	194,114
Meal	5,696	34,824	-	26,610	67,130
Employee benefit	-	46,174	-	-	46,174
Insurance	16,853	85,115	-	71,499	173,467
Miscellaneous	2,594	28,889	-	21,026	52,509

	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
	$ 279,168	$ 1,368,508	$ -	$ 1,160,916	$ 2,808,592
Depreciation	$ 6,492,777	$ 999,730	$ 2,044	$ -	$ 7,494,551
Amortization	$ -	$ 246	$ -	$ -	$ 246

	Year Ended December 31, 2006				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 255,116	$ 971,701	$ -	$ 981,072	$ 2,207,889
Pension	26,726	80,325	-	62,958	170,009
Meal	5,900	34,393	-	28,482	68,775
Employee benefits	-	43,203	-	-	43,203
Insurance	17,617	88,121	-	77,238	182,976
Miscellaneous	9,531	30,270	-	23,101	62,902
	$ 314,890	$ 1,248,013	$ -	$ 1,172,851	$ 2,735,754
Depreciation	$ 6,682,216	$ 1,299,582	$ 2,044	$ -	$ 7,983,842
Amortization	$ -	$ 4,770	$ -	$ -	$ 4,770

The Company provided management services to certain equity-method invested (Note 21). The employee expenses were charged on the basis of agreed-upon terms and recorded as reductions of operating costs or expenses.

19. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2007					
Basic EPS					
Net income	$ 13,690,944	$ 11,619,441	3,873,102	$3.53	$3.00
Year ended December 31, 2006					
Basic EPS					
Net income	$ 14,586,019	$ 13,156,225	3,872,663	$3.77	$3.40

20. FINANCIAL INSTRUMENTS

a. Fair value information

	December 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Equity-method investments	$43,342,778	$ -	$ 37,883,330	$ -
Refundable deposits	261,990	260,821	259,136	258,888
Liabilities				
Hedging derivative financial liabilities (including current portion)	21,601	21,601	66,158	66,158

Bonds payable (including current portion)	2,670,000	2,670,000	5,630,000	5,630,000
Lease payable (including current portion)	28,240	28,240	48,120	48,120
Guarantee deposits received (including current portion)	715,821	715,821	819,633	819,633

b. Methods and assumptions used for estimating the fair values of financial instruments were as follows:

1) Cash and cash equivalents, accounts and notes receivable, receivables from related parties, notes payable, accounts payable, payables to related parties and payables for acquisition of properties, excluded from the financial instruments mentioned in the table above, are recorded at their carrying values because of the short maturities of these instruments.

2) If quoted market prices are available, these are used as fair values of derivative instruments. Otherwise, the fair values are evaluated by the Company using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Company.

The Company uses the long-term interest rate quotations of Reuters (or Bloomberg) to calculate the fair value of each interest rate swap based on the net cash flow.

3) The fair values of equity-method investments with no quoted market prices cannot be estimated because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost.

4) Fair values of bonds payable, lease payable, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.

c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	December 31			
	Quoted Price		Estimated Price	
	2007	2006	2007	2006
Liabilities				
Hedging derivative financial liabilities (including current portion)	$ -	$ -	$ 21,601	$ 66,158

d. As of December 31, 2007 and 2006, financial assets with fair value risk from interest rate fluctuations amounted to $3,110,459 thousand and $2,767,789 thousand, respectively, while financial liabilities with fair value risk from interest rate fluctuations amounted to $744,061 thousand and $3,827,753 thousand, respectively. As of December 31, 2007 and 2006, financial assets with cash flow risk from interest rate fluctuations amounted to $763,460 thousand and $584,490 thousand, respectively, while the financial liabilities with cash flow risk from interest rate fluctuations were $2,670,000 thousand each.

e.
Financial risks

1) Market risk

The Company 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.

Fair values of mutual funds and domestic quoted stocks held by KG Telecom and ARCOA are determined at their quoted prices in an active market; thus, market price fluctuations would result in changes in the fair values of these investments. However, since KG Telecom and ARCOA periodically evaluate the performance of these investments, market risk is expected to be immaterial.

ARCOA entered into forward contracts to hedge its exposure to exchange rate fluctuations on firm commitments for the year ended December 31, 2006. Gains or losses on exchange rates fluctuations of the forward contracts were likely to offset the gains or losses on the hedged item. As a result, no significant exposure to market risk was anticipated.

2) Credit risk

The Company and its subsidiaries are exposed to credit risk on counter-parties' default on contracts. The Company's and its subsidiaries' maximum exposure to credit risk is equal to book value. The Company conducts transactions only with selected financial institutions and corporations with good credit ratings. Thus, management does not anticipate any material loss resulting from default on contracts.

3) Liquidity risk

The Company and its subsidiaries have sufficient operating capital to meet cash requirement. Thus, the Company and its subsidiaries do not have liquidity risk.

The Company entered into interest rate swaps to hedge cash flow risks. The interest rate swap contracts are settled at net amounts; thus, the expected cash demand is not significant. However, the Company also possessed equity-method investments with no quoted prices in an active market; thus, it might face liquidity risks.

KG Telecom invested in domestic quoted stocks and mutual funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values. However, KG Telecom also invested in domestic private fund and equity-method investments with no quoted prices in an active market; thus, these investments could expose KG Telecom to liquidity risks.

ARCOA invested in mutual funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values. However, ARCOA also invested in financial bonds and equity instruments with no quoted prices in an active market; thus, these investments could expose ARCOA to liquidity risks. ARCOA entered into forward contracts, for which settlement is at predetermined exchange rates; thus, ARCOA did not have material liquidity risk.

4) Cash flow risk from interest fluctuations

The Company and subsidiaries have short-term and long-term liabilities with floating interest rates. As a result, the effective interest rates on these loans will change as the market interest rates change.

f. Cash flow hedge

The Company used interest rate swaps to hedge overall cash flow fluctuations on its liabilities:

	Designated Hedging Instruments				
		Fair Value December 31			Expected Year for Realization of Gains or Losses
Hedged Items	**Financial Instruments Designated**	**2007**	**2006**	**Expected Year of Cash Flows**	
Bonds with floating interest rates	Interest rate swap - the Company	$ (21,601)	$ (66,158)	2003-2008	2003-2008

21. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Far Eastern Textile Ltd.	Ultimate parent company
KG Telecommunications Co., Ltd. (KG Telecom)	Subsidiary
ARCOA Communication Co., Ltd. (ARCOA)	Subsidiary
Q-ware Communications Co., Ltd.	Became subsidiary since July 2007
E. World (Holdings) Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (Bermuda)	Subsidiary
Far EasTron Holding Ltd.	Subsidiary
KGEx.com Co., Ltd. (KGEx)	Subsidiary of KG Telecom
KGT International Holding Co., Ltd.	Subsidiary of KG Telecom
Yuan Cing Co., Ltd.	Subsidiary of E. World (Holdings) Ltd.
Far Eastern Tech-info Ltd. (Shanghai) (FETI)	Subsidiary of FEIS
Far EasTron Co., Ltd.	Subsidiary of Far EasTron Holding Ltd.

(Continued)

Related Party	Relationship with the Company
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman (became equity-method investee since December 31, 2007)
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee
Iscreen Technology Ltd.	Equity-method investee
Digital United Inc.	Subsidiary of NCIC (became related party since December 31, 2007)
NTT DoCoMo Inc.	Director
Far Eastern International Leasing Corp. (FEILC)	Supervisor
Far Eastern Technology Developmental Foundation (FETTDF)	The Company's donation is over one third of the foundation's fund
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Yuan Ding Co.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Far Eastern International Bank	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Memorial Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Yuan-Ze University	Same chairman
Far Eastern Construction Co., Ltd.	Same ultimate parent company
Yuang Tong Investment Corporation	Same ultimate parent company
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Yuan Ding Investment Corporation	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Taiwan Recycling Corp.	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Pacific Petrochemical (Holding) Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company

FETG Investment Antilles N.V.	Same ultimate parent company
Fashionline Saigon Ltd.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Industries (Jiu Jiang) Ltd.	Same ultimate parent company
Oriental Petrochemical (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Shanghai) Ltd.	Same ultimate parent company

(Continued)

Related Party	Relationship with the Company
Far Eastern Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Apparel (Suzhou) Ltd.	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Shanghai Far Eastern Petrochemical Logistic Ltd.	Same ultimate parent company
Shanghai Far Eastern IT Company	Same ultimate parent company
Wu Han Far Eastern New Material Ltd.	Same ultimate parent company

(Concluded)

In addition to those disclosed in Notes 13, 14 and 18, the significant transactions with the above parties are summarized as follows:

		2007		2006	
		Amount	%	Amount	%
During the year					
Operating revenue	a.				
KG Telecom	b.	$ 2,828,152	6	$ 2,794,346	6
NCIC	c.	461,167	1	464,900	1
KGEx	d.	268,304	1	238,039	1
ARCOA	e.	142,695	-	70,356	-
Other	x.	80,358	-	32,664	-
		$ 3,780,676	8	$ 3,600,305	8
Operating costs and expenses					
Cost of telecommunications service					
KG Telecom	b.	$ 1,831,295	9	$ 1,562,707	8
ARCOA	e.	46,636	-	-	-
NCIC	c.	28,764	-	30,224	-
Other	x.	22,426	-	12,813	-
		$ 1,929,121	9	$ 1,605,744	8
Purchase					
ARCOA	e.	$ 1,071,211	29	$ 262,341	7
Rental					
FETRD	f.	$ 45,399	2	$ 52,221	2
FEILC	g.	36,897	1	36,892	2
NCIC	h.	36,680	1	15,035	1
Other	x.	26,202	1	13,725	-
		$ 145,178	5	$ 117,873	5
Research and development expenses					
FETTDF	i.	$ -	-	$ 5,020	11
Service fee					
FETI	j.	$ 133,724	60	$ 115,510	55
FCHRC	k.	49,474	22	53,898	26
Other	x.	3,356	2	1,456	-
		$ 186,554	84	$ 170,864	81
Marketing expense					
ARCOA	e.	$ 562,727	7	$ 465,063	7
KG Telecom	l.	207,308	2	183,755	3
Other	x.	96,506	1	29,310	-
		$ 866,541	10	$ 678,128	10
Donation expense					
Yuan-Ze University	r.	$ 16,000	73	$ 16,000	75
Nonoperating income and gains					
Management services revenue					
KG Telecom	m.	$ 121,573	97	$ 123,314	93
KGEx	n.	-	-	7,500	6
Other	x.	4,205	3	1,088	1
		$ 125,778	100	$ 131,902	100
Commission					
KG Telecom	l.	$ 152,606	100	$ 253,408	100

(Continued)

		2007		2006	
		Amount	%	Amount	%
Guarantee services revenue					
KG Telecom	o.	$ 546	-	$ -	-
FETC	p.	285	-	-	-
KGEx	o.	50	-	-	-
		$ 881	-	$ -	-
Other revenue					
ARCOA	e.	$ 3,780	2	$ -	-
FETC	q.	-	-	17,894	12
		$ 3,780	2	$ 17,894	12
Nonoperating expenses and losses					
Guarantee services expenses					
KG Telecom	o.	$ 736	-	$ -	-
Acquisition of properties					
KG Telecom	s.	$ 16,658	-	$ 1,951	-
KGEx	t.	115	-	71,373	1
Other	x.	-	-	3,655	-
		$ 16,773	-	$ 76,979	1
Disposal of properties					
KG Telecom	u.	$ 210	3	$ -	-
KGEx	v.	-	-	24,168	78
Other	x.	-	-	145	-
		$ 210	3	$ 24,313	78
At end of year					
Receivables from related parties					
Accounts and notes receivable					
KG Telecom	b.	$ 329,351	36	$ 276,073	34
ARCOA	e.	166,627	18	100,295	12
KGEx	d.	34,750	4	41,828	5
Other	x.	16,338	2	7,315	1
		547,066	60	425,511	52
Other receivables					
KG Telecom	l. and m.	319,671	35	328,089	40
ARCOA	e.	15,021	2	12,423	2
KGEx	n.	9,883	1	4,517	1
FETC	q.	5,174	1	33,850	4
Other	x.	12,134	1	9,201	1
		361,883	40	388,080	48
		$ 908,949	100	$ 813,591	100
Refundable deposits					
DDIM	w.	$ 31,915	12	$ 25,554	10
Other	x.	8,647	4	7,674	3
		$ 40,562	16	$ 33,228	13
Payables to related parties					
KG Telecom	b., l., o. and s.	$ 789,247	64	$ 1,464,120	81
ARCOA	e.	266,558	21	229,938	13
NCIC	c. and h.	84,571	7	34,165	2
DDIM	w.	46,465	4	31,641	2
FETI	j.	25,233	2	2,280	-
Other	x.	30,786	2	43,054	2

(Continued)

		2007		2006	
		Amount	%	Amount	%
		$ 1,242,860	100	$ 1,805,198	100
Lease payable (including current portion)					
FEILC	g.	$ 28,240	100	$ 48,120	100

Financing to related parties was as follows:

Related Party	Highest Balance Held During the Year	Ending Balance (Included in Receivables from Related Parties)	Rate (%)	Interest	Collateral
Year ended December 31, 2007					
FETC	$50,000	$ -	6.685-6.915	$2,081	$ -

Descriptions of transactions with related parties were as follows:

a. Operating revenues (such as service revenues, revenues from sales of cellular phone equipments, accessories and leased-circuit revenue) from related parties were 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 vice versa. The interconnection fees received from KG Telecom for its use of the Company's network were included in telecommunications service revenues. The interconnection fee paid by the Company on its use of KG Telecom's network and related billing processing costs were included in the cost of telecommunications services.

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

d. The interconnection fees paid by KGEx for its use of the Company's network and related services provided by the Company to KGEx were included in telecommunications service 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 the telecommunications service revenues and were settled at net amounts.

e. The revenues from the sales of cellular phone equipment and accessories to ARCOA were recognized as operating revenues. The Company agreed to pay to ARCOA handset subsidies and commissions (included in marketing expenses) because of ARCOA's promotion of the Company's SIM card numbers; these payments were settled at net amounts. The Company's purchases of cellular phone units and accessories from ARCOA were recorded as purchase and payables to related parties. The Company's sales of prepaid cards and SIM cards of mobile virtual network operator services to ARCOA were recorded as receivables from related parties - accounts and notes receivable. The airtime charged to ARCOA was recorded as telecommunications service revenues. The logistics service expenses of handset and SIM cards paid by the Company to ARCOA were recorded as cost of telecommunications services. The billing processing services provided by the Company for ARCOA's mobile virtual network services were recorded as nonoperating income and gains.

f. The Company leased from FETRD several building spaces and parcels of land under contracts with terms 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, 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 Xinzhu from November 1999 to June 2004; and (c) vehicles. The contracts will remain valid unless either the Company or FEILC informs the other party to cancel the contracts.

When the related contracts expire, the Company is entitled to renew the contracts or to 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

The Company leases from FEILC computer equipment, under capital lease agreements, with annual lease payments of $20,477 thousand (Note 13).

h. The Company leased from NCIC the office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts.

i. FETTDF provided telecommunications technology researches and training programs to the Company.

j. The Company signed with FETI a service agreement, under which the Company paid FETI for its service provided to the Company. Advances to FETI, which were to be settled at net amounts against the fee paid, were recorded as a reduction of payables to related parties.

k. The Company has contracts with FCHRC for manpower dispatching services, under which the Company paid service charges for FCHRC’s providing the Company with temporary or specific personnel demands.

l. The Company and KG Telecom 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 accounts and notes payable to related parties.

m. The Company provided management services and advances to KG Telecom for its daily operating expenditures. The service revenue and advances were collected monthly.

n. The Company provided management services to KGEx and the service revenues were collected monthly. The Company also gave advances to KGEx for its daily operating expenditures and the advances were recorded as receivables from related parties.

o. Under the NCC’s policy effective April 1, 2007, the Company had provided performance guarantees amounting to $450,000 thousand to KG Telecom and $45,000 thousand to KGEx for prepaid cards and international direct dialing calling cards already bought by customers. KG Telecom had also provided the Company a similar guarantee amounting to $850,000 thousand. The guarantee service revenues and expenses were charged and paid on the basis of actual appropriation amounts multiplied at the agreed rate.

p. The Company provided FETC with $154,000 thousand as endorsement for its bank loans, with charges to FETC based on the agreed rate.

q. The Company contracted with FETC to implement the trouble ticket for handling ticket problems or customer complaints and the service fees were included in nonoperating income and gains. In addition, the

Company gave FETC advances for its daily operating expenditures and treated as receivables from related parties.

r. The Company made a donation to Yuan-Ze University for further intergration and development of telecommunications business and personnel.

s. The Company bought from KG Telecom operating equipment.

t. The Company bought from KGEx operating equipment.

u. The Company had sold properties to KG Telecom. The properties were sold at net book value and the proceeds amounted to $210 thousand.

v. The Company had sold properties to KGEx. The properties were sold at net book value and the proceeds amounted to $24,168 thousand.

w. The Company 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. The Company had given DDIM monthly refundable deposits, which were calculated at a fixed percentage of the unused reward points.

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.

22. COMMITMENTS AS OF DECEMBER 31, 2007

The Company had the following significant commitments:

a. The Company was under contracts to acquire properties and cellular phone equipment for $1,166,225 thousand and $233,159 thousand, respectively.

b. The Company's outstanding letters of credit amounted to ￥470 thousand (equivalent to $136 thousand) and US$599 thousand (equivalent to $19,427 thousand).

c. Payments for the rentals of land, buildings and cell sites for future years are summarized as follows:

Year	**Amount**
2008	$ 1,740,546
2009	1,808,270
2010	1,878,646
2011	1,951,779
2012	2,027,776

23. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

a. Important transactions and b. Information on the Company's investees.

1) Financing provided: Schedule A

2) Endorsement/guarantee provided: Schedule B

3) Marketable securities and investments held: Schedule C

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

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

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

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

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule F

9) Names, locations, and related information of investees on which the Company exercises significant influence: Schedule G

10) Derivative financial instruments of investees: Note 20

c. Investment in Mainland China:

1) 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 H

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 21

3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None

4) Financings directly or indirectly provided to the investees: None

5) Other transactions that significantly impacted current year's profit or loss or financial position: None

24. SEGMENT INFORMATION

a. Industry

The Company is comprised of 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 accounted 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. A customer accounting for at least 10% of the Company's total operating revenues was as follows:

	Years Ended December 31			
	2007		2006	
	Amount	Percentage of Operating Revenue (%)	Amount	Percentage of Operating Revenue (%)
Company A	$ 6,649,560	14	$ 6,653,776	15

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES
ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note A)	Financing Company's Financing Amount Limits (Note B)
											Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Far Eastern Electronic Toll Collection Co., Ltd.	Receivables from related parties	$50,000	$-	6.685 - 6.915% (Note C)	Business relationship	$50,092 (Note A)	-	$-	-	$-	$50,092	$39,667,000

Note A: The amount of financing provided for business relationship is limited to the transaction amounts. The transaction amounts is the higher amount within the latest two years at the time of agreement.

Note B: The maximum total financing providing amount should not exceed 50% of the Company's net worth of most current audited or reviewed financial statements.

Note C: Calculation based on the floating rate for 1-year time deposit of the Bank of Taiwan plus 4.5% risk premium.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES
ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party (Note A)	Maximum Balance for the Year (Note B)	Ending Balance (Note B)	Value of Collateral Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 39,667,000	$ 450,000	$ 450,000	$ -	0.57%	$ 79,334,000
		KGEx.com Co., Ltd.	Subsidiary of KG Telecom	39,667,000	45,000	45,000	-	0.06%	79,334,000
		Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	39,667,000	154,000	-	-	-	79,334,000
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	17,513,573	850,000	850,000	-	2.43%	35,027,145

Note A: The maximum total guarantee/endorsement amount were equal to the Company's and KG Telecom's net worth, while the limit of guarantee/endorsement amount for each receiving party should not exceed 50% of the Company's and KG Telecom's net worth.

Note B: The maximum balance for the year and the ending balance shown above were the amounts allowed, not the actual appropriations.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	$35,027,145	100.00	$35,027,145	Note A
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	980,315,483	6,062,000	24.51	6,062,000	Note A
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	79,353,013	999,769	59.10	999,769	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	644,856	41.18	644,856	Note A
	Q-ware Communications Co., Ltd.	Equity-method investee	Equity-method investments	36,459,930	352,102	51.00	352,102	Note A
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	138,977	100.00	138,977	Note A
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	61,082	85.92	61,082	Note A
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	39,314	100.00	39,314	Note A
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,500,000	17,300	15.00	17,300	Note A
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	100,000	233	0.67	233	Note A
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	186,390,714	939,042	74.56	939,042	Note A
	KGT International Holding Co., Ltd.	Equity-method investee	Equity-method investments	50,000	73,972	100.00	73,972	Note A
	iScreen	Equity-method investee	Equity-method investments	4,000,000	26,534	40.00	26,534	Note A
	UNI-PRESIDENT	-	Available-for-sale financial assets - current	550,000	24,145	-	24,145	Note E
	FPC	-	Available-for-sale financial assets - current	100,000	9,110	-	9,110	Note E
	AUO	-	Available-for-sale financial assets - current	350,000	22,225	-	22,225	Note E
	FCFC	-	Available-for-sale financial assets - current	150,000	12,450	-	12,450	Note E
	ACER	-	Available-for-sale financial assets - current	400,000	25,400	-	25,400	Note E
	RT	-	Available-for-sale financial assets - current	250,000	28,125	-	28,125	Note E
	ELAN	-	Available-for-sale financial assets - current	200,000	12,720	-	12,720	Note E
	EMC	-	Available-for-sale financial assets - current	400,000	11,840	-	11,840	Note E
	FARADAY	-	Available-for-sale financial assets - current	200,000	14,500	-	14,500	Note E
	E.TON SOLAR	-	Available-for-sale financial assets - current	25,000	7,800	-	7,800	Note E
	PT TECH.	-	Available-for-sale financial assets - current	105,000	23,205	-	23,205	Note E
	Open-ended mutual funds							
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	$ 811,265	-	$ 811,265	Note B
	JF (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	196,828	-	196,828	Note B

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	IBT 101 global mortgage securitization fund	-	Available-for-sale financial assets - current	4,734,489.80	48,955	-	48,955	Note B
	Private funds							
	FEA Long-Short Private Placement Fund	-	Financial assets carried at cost - noncurrent	10,000,000.00	100,000	-	-	Note C
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	-	Note C
ARCOA Communication Co., Ltd.	Stocks							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,134,200	13,729	18.29	-	Note C
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,830,901	6,714	4.20	-	Note C
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	2,000,000	20,000	0.13	-	Note C
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	Note C
	Open-ended mutual funds							
	Pca Well Pool Fund		Available-for-sale financial assets - current	10,268,382.27	150,663	-	150,663	Note B
	Yuanta Wan Tai Bond Fund		Available-for-sale financial assets - current	8,486,961.50	120,427	-	120,427	Note B
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds carried at amortized cost - current	3,000,000.00	3,000	-	-	Note C
Far Eastern Info Service (Holding) Ltd.	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$3,664,000	100.00	US$3,664,000	Note A
Far EasTron Holding Ltd.	Stocks							
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	14,900,000	US$1,198,000	99.33	US$1,198,000	Note A
E. World (Holdings) Ltd.	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$1,913,000	99.99	US$1,913,000	Note A
	Ideaculture (Cayman) Ltd.	-	Financial assets carried at cost - noncurrent	1,195,141	-	17.96	-	Note C
KGT International Holding Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	11,465,000	57,761	4.59	57,761	Note A

Note A: The calculation was based on audited financial statements as of December 31, 2007.
Note B: The market values of open-ended mutual funds were calculated at their net asset values as of December 31, 2007.
Note C: The calculation was based on cost because the security did not have a quoted price in an active market.
Note D: The carrying values of available-for-sale financial assets - current were equal to their market values as of December 31, 2007.
Note E: The calculation of domestic publicly traded stocks was based on their closing prices at the end of December 31, 2007. (Concluded)

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

YEAR ENDED DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				The Change due to Equity-method	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss		Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investments	Issuance of capital stock for cash	-	106,650,000	$395,686	51,064,020	$510,640	-	$-	$-	$-	$(261,470) (Note B)	157,714,020	$644,856
	Q-ware Communications Co., Ltd.	Equity-method investments	Issuance of capital stock for cash	-	-	-	36,459,930	495,855	-	-	-	-	(143,753) (Note C)	36,459,930	352,102
	New Century InfoComm Tech Co., Ltd.	Equity-method investments	Note D	-	-	-	980,315,483	6,062,000	-	-	-	-	-	980,315,483	6,062,000
KG Telecommunications Co., Ltd.	Fuh Hwa Value Added Strategy Fund	Financial assets carried at cost - noncurrent	-	-	-	-	14,866,204.20	150,000	-	-	-	-	-	14,866,204.20	150,000
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	Available-for-sale financial assets - current	-	-	46,468,833.40	500,000	27,491,660.85	300,000	-	-	-	-	-	73,960,494.25	800,000
ARCOA Communication Co., Ltd.	Capital Income Fund	Financial assets at fair value through profit or loss - current	-	-	6,145,477.50	91,500	8,024,889.30	120,000	14,170,366.80	212,428	211,500	928	-	-	-
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	12,006,806.13	140,000	12,006,806.13	140,498	140,000	498	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	1,368,578.80	20,000	6,102,652.10	90,000	7,471,230.90	110,424	110,000	424	-	-	-
	Pca Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	10,268,382.27	150,000	-	-	-	-	-	10,268,382.27	150,000
	Yuanta Wan Tai Bond Fund	Available-for-sale financial assets - current	-	-	-	-	8,486,961.50	120,000	-	-	-	-	-	8,486,961.50	120,000

Note A: Except for the disposal price, other amounts were their respective investment costs.
Note B: Including equity in investee's net losses of 291,046 thousand and the effect of change in ownership percentage due to investee's issuance of capital stock for cash amounting to 29,576 thousand.
Note C: Equity in investee's net losses.
Note D: Issuance of common stock 160,370 thousand shares for exchange of New Century InfoComm Tech Co., Ltd.'s shares held by Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited.

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

YEAR ENDED DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/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 service revenues	$(2,828,152)	(7%)	Based on agreement	-	-	Accounts receivable $329,351	6%
			Cost of telecommunications services	1,831,295	9%	Based on agreement	-	-	Accounts payable (138,458)	(15%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and telecommunications service revenues	(142,695)	-	Based on agreement	-	-	Accounts receivable 166,627	3%
			Cost of telecommunications services, marketing expenses and cost of sales	1,680,574	5%	Based on agreement	-	-	Accounts payable and accrued expense (266,558)	(6%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications service revenues	(268,304)	(1%)	Based on agreement	-	-	Accounts receivable 34,750	1%
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications service revenues	(461,167)	(1%)	Based on agreement	-	-	Accounts receivable (Note) -	-
									Accounts payable (Note) (56,247)	(6%)
	Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of Far Eastern Info Service (Holding) Ltd.	Service fee	133,724	60%	Based on agreement	-	-	Accrued expense (25,233)	(1%)
KG Telecommunications Co., Ltd. (KG Telecom)	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(1,831,295)	(9%)	Based on agreement	-	-	Accounts receivable 138,458	7%
			Cost of telecommunications services	2,828,152	26%	Based on agreement	-	-	Accounts payable (329,351)	(65%)
	ARCOA Communication Co., Ltd.	Same parent company	Marketing expenses and cost of sales	379,293	12%	Based on agreement	-	-	Accounts payable and accrued expense (54,000)	(4%)
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications service revenues	(104,043)	(1%)	Based on agreement	-	-	Accounts receivable (Note) -	-
									Accounts payable (Note) (8,080)	(2%)
	KGEx.com Co., Ltd.	Subsidiary	Telecommunications service revenues	(124,909)	(1%)	Based on agreement	-	-	Accounts receivable 16,717	1%
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(1,680,574)	(33%)	Based on agreement	-	-	Accounts receivable 266,558	84%
			Cost of sales	142,695	31%	Based on agreement	-	-	Accounts payable (166,627)	(33%)
	KG Telecommunications Co. Ltd.	Same parent company	Commission revenue and sales of cellular phone equipment and accessories	(379,293)	(8%)	Based on agreement	-	-	Accounts receivable 54,000	17%
KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Cost of telecommunications services	268,304	29%	Based on agreement	-	-	Accounts payable (34,750)	(19%)
	KG Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	124,909	14%	Based on agreement	-	-	Accounts payable (16,717)	(9%)
Far Eastern Tech-info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenue	(133,724)	(76%)	Based on agreement	-	-	Accounts receivable 25,233	93%

Note: All interconnect revenues, costs and collection of international direct dial revenues between the Company, KG Telecom and NCIC were settled at net amounts and were included in payables to related parties.

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, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	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	$649,022	(Note A)	$ -	-	$400,976	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	181,648	6.83	-	-	113,188	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	789,247	(Note B)	-	-	607,308	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	266,558	6.77	-	-	179,392	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for KG Telecom's daily operating expenditures.

Note B: The turnover rate was unavailable as the receivables from related parties were mainly due to collection of telecommunications bills by the Company for KG Telecom.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2007

(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, 2007			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2007	December 31, 2006	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	$35,027,145	$3,895,307	$3,895,207	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,062,000	-	980,315,483	24.51	6,062,000	(235,630)	-	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sale of communications products and office equipment	1,278,944	1,278,944	79,353,013	59.10	999,769	(44,883)	(27,259)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,066,500	157,714,020	41.18	644,856	(717,513)	(291,046)	Notes B and C
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	-	36,459,930	51.00	352,102	(281,868)	(143,753)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	138,977	(3,319)	(3,319)	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	61,082	(6,606)	(5,676)	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	39,314	(61,207)	(61,207)	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	17,300	(55,304)	(9,490)	Notes B and C
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	1,000	100,000	0.67	233	(61,358)	(409)	Notes B and D
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,197,794	2,197,794	186,390,714	74.56	939,042	(190,346)		Notes B and D
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	73,972	(8,941)		Notes B and D
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	26,534	13,928		Notes B and E
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer data providing service	US$2,500,000	US$2,500,000	-	100.00	US$3,664,000	(2,859)		Notes B and D
Far EasTron Holding Ltd.	Far EasTron Co., Ltd.	Taiwan	Internet service	US$4,532,000	US$4,532,000	14,900,000	99.33	US$1,198,000	(61,358)		Notes B and D
E. World (Holdings) Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	99.99	US$1,913,000	7,069		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	11,465,000	4.59	57,761	(190,346)		Notes B and D

Note A: Subsidiary.

Note B: Calculation was based on audited financial statements as of December 31, 2007.

Note C: Equity-method investee of the Company.

Note D: Subsidiary of KG Telecom, E. World (Holdings), Far Eastern Info Service (Holding), or Far EasTron Holding.

Note E: Equity-method investee of KG Telecom.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES
INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(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, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2007 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2007	Accumulated Investment in Mainland China as of December 31, 2007	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	$81,075 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$(2,859)	$118,824 (US$3,664,000)	$ -	$92,616	$92,616	$17,366,800 (Note C)

Note A: Calculation was based on audited financial statements as of December 31, 2007.

Note B: The Company made the investment through a company registered in a third region.

Note C: Based on the limit stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued by the ROC Investment Commission, MOEA on March 1, 2004.

Note D: Please refer to Note 21 for significant transactions with the investee company.

5. 2007 Supervisors' Consolidated Report

February 26, 2008

The Board of Directors have prepared and submitted to us the Company's 2007 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 Article 219 of the Company Law and Article 36 of the Securities and Exchange Act, we hereby submit this report.

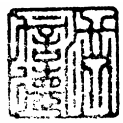
To

FET 2008 Shareholders' Meeting

Supervisors

Chen-en Ko

Eli Hong



Morton Huang

6. 2007 Independent Auditors' Report, Consolidated Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (the "Company") and subsidiaries as of December 31, 2007 and 2006, 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, 2007 and 2006, 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, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, on January 1, 2006, the Company and subsidiaries adopted the newly issued ROC Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and SFAS No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously issued Statements. In addition, based on the revised ROC SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," goodwill should be tested annually for impairment instead of being amortized.

Deloitte & Touche

February 15, 2008

<u>Notice to Readers</u>

The accompanying consolidated 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 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 auditors' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 29)	$ 10,278,313	10	$ 7,851,646	8
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	146,512	-
Available-for-sale financial assets - current (Notes 2, 6 and 29)	1,621,420	2	699,782	1
Bonds carried at amortized cost - current (Notes 2 and 7)	3,000	-	3,000	-
Accounts and notes receivable , net (Notes 2 and 8)	6,506,901	7	6,095,877	7
Receivables from related parties (Notes 2 and 28)	32,693	-	57,042	-
Inventories, net (Notes 2 and 9)	670,840	1	972,613	1
Prepaid expenses	705,983	1	769,175	1
Deferred income tax assets - current (Notes 2 and 23)	757,683	1	973,897	1
Pledged certificates of deposits - current (Note 30)	39,036	-	53,508	-
Other current assets (Note 29)	110,159	-	112,326	-
Total current assets	20,726,028	22	17,735,378	19
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 10)	6,750,690	7	449,500	1
Financial assets carried at cost - noncurrent (Notes 2 and 11)	292,061	-	177,137	-
Total long-term investments	7,042,751	7	626,637	1
PROPERTIES (Notes 2, 12, 20 and 30)				
Cost				
Land	1,467,746	2	1,490,772	2
Buildings and equipment	2,888,046	3	2,872,605	3
Operating equipment	102,139,535	106	98,300,808	105
Computer equipment	14,960,798	15	14,009,777	15
Office equipment	1,001,385	1	920,912	1
Leasehold improvements	1,709,137	2	1,715,118	2
Miscellaneous equipment	497,949	-	519,129	-
Total cost	124,664,596	129	119,829,121	128
Less - accumulated depreciation	79,671,538	82	69,252,838	74
	44,993,058	47	50,576,283	54
Construction in progress and advances for acquisition of equipment	3,935,609	4	4,089,508	4
Net properties	48,928,667	51	54,665,791	58
INTANGIBLE ASSETS				
Goodwill, net (Notes 2 and 13)	10,596,625	11	10,542,521	11
3G concession, net (Notes 1, 2 and 14)	8,037,772	8	8,768,479	10
Total intangible assets	18,634,397	19	19,311,000	21
OTHER ASSETS				
Rental assets, net (Notes 2 and 15)	225,766	-	198,009	-
Idle properties, net (Note 2)	312,815	-	338,514	-
Refundable deposits (Note 28)	412,077	1	404,847	1
Deferred charges, net (Note 2)	119,483	-	159,511	-
Deferred income tax assets - noncurrent (Notes 2 and 23)	-	-	222,566	-
Other (Notes 21 and 30)	25,339	-	18,916	-
Total other assets	1,095,480	1	1,342,363	1
TOTAL	$ 96,427,323	100	$ 93,681,169	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 6, 2007

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 30)	$ 269,215	-	$ 128,956	-
Notes payable	84,865	-	131,692	-
Accounts payable	1,129,774	1	1,155,141	2
Payables to related parties (Note 28)	201,983	-	127,029	-
Income tax payable (Notes 2 and 23)	1,565,019	2	1,834,333	2
Accrued expenses (Note 17)	5,247,621	6	4,775,531	5
Payables for acquisition of properties	1,722,988	2	1,949,357	2
Guarantee deposits received - current	837,648	1	1,047,667	1
Unearned revenues (Note 2)	999,361	1	1,082,025	1
Current portion of long-term bonds payable (Note 18)	2,670,000	3	2,960,000	3
Current portion of long-term bank loans (Notes 19 and 30)	38,095	-	38,095	-
Hedging derivative financial liabilities - current (Notes 2 and 27)	21,601	-	-	-
Lease payable - current (Notes 2, 20 and 28)	40,314	-	40,514	-
Other current liabilities (Note 29)	304,530	-	335,153	1
Total current liabilities	15,133,014	16	15,605,493	17
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds payable (Note 18)	-	-	2,670,000	3
Long-term bank loans (Notes 19 and 30)	57,143	-	95,238	-
Hedging derivative financial liabilities - noncurrent (Notes 2 and 27)	-	-	66,158	-
Lease payable- noncurrent (Notes 2, 20 and 28)	16,754	-	57,004	-
Total long-term liabilities	73,897	-	2,888,400	3
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 21)	314,804	1	293,963	-
Deferred income tax liabilities - noncurrent (Notes 2 and 27)	224,442	-	-	-
Guarantee deposits received - noncurrent	112,043	-	98,672	-
Other	153,967	-	4,672	-
Total other liabilities	805,256	1	397,307	-
Total liabilities	16,012,167	17	18,891,200	20
FAR EASTONE'S EQUITY				
Capital stock - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding - 4,033,033 thousand shares in 2007 and 3,872,663 thousand shares in 2006	40,330,334	42	38,726,630	41
Capital surplus				
Paid-in capital in excess of par value	10,964,702	11	6,510,964	7
From business combination	8,482,381	9	8,482,381	9
From long-term equity-method investments	40,187	-	10,611	-
Total capital surplus	19,487,270	20	15,003,956	16
Retained earnings				
Legal reserve	6,888,973	7	5,573,350	6
Special reserve	44,832	-	-	-
Unappropriated earnings	12,567,456	13	14,667,598	16
Total retained earnings	19,501,261	20	20,240,948	22
Other adjustments				
Cumulative translation adjustments	11,826	-	4,960	-
Unrealized gains (losses) on financial products	3,309	-	(49,792)	-
Total other adjustments	15,135	-	(44,832)	-
Total controlling interest of Far EasTone	79,334,000	82	73,926,702	79
MINORITY INTEREST	1,081,156	1	863,267	1
Total stockholders' equity	80,415,156	83	74,789,969	80
TOTAL	$ 96,427,323	100	$ 93,681,169	100

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007 Amount	%	2006 Amount	%
OPERATING REVENUES (Notes 2 and 28)				
Sales of cellular phone equipment and accessories, net	$ 5,517,101	9	$ 6,754,578	10
Telecommunications service revenues	58,242,827	91	59,882,979	89
Other	276,818	-	589,407	1
Total operating revenues	64,036,746	100	67,226,964	100
OPERATING COSTS (Notes 2, 25, 28 and 30)				
Cost of sales	6,316,967	10	7,604,492	11
Cost of telecommunications services	27,017,579	42	27,429,567	41
Other	214,471	-	518,353	1
Total operating costs	33,549,017	52	35,552,412	53
GROSS PROFIT	30,487,729	48	31,674,552	47
OPERATING EXPENSES (Notes 2, 25 and 28)				
Marketing	10,059,673	16	9,632,810	14
General and administrative	5,076,766	8	5,168,164	8
Research and development	298,815	-	295,962	-
Total operating expenses	15,435,254	24	15,096,936	22
OPERATING INCOME	15,052,475	24	16,577,616	25
NONOPERATING INCOME AND GAINS				
Interest (Note 28)	185,939	-	82,422	-
Gain from sale of nonperforming accounts receivable (Note 24)	56,264	-	23,862	-
Investment gains, net	44,519	-	-	-
Rent	20,384	-	23,834	-
Advertising income	21,386	-	33,782	-
Other (Note 28)	203,978	1	366,641	1
Total non-operating income and gains	532,470	1	530,541	1
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, including idle properties, net (Note 2)	629,519	1	408,169	1
Equity in investees' net losses (Notes 2 and 10)	295,000	1	394,160	1
Interest (Notes 2 and 12)	41,606	-	104,363	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007 Amount	2007 %	2006 Amount	2006 %
Impairment loss (Notes 2 and 13)	$ 24,425	-	$ 5,770	-
Other (Note 25)	31,454	-	67,379	-
Total nonoperating expenses and losses	1,022,004	2	979,841	2
COMBINED INCOME BEFORE INCOME TAX	14,562,941	23	16,128,316	24
INCOME TAX (Notes 2 and 23)	3,140,606	5	3,111,329	5
COMBINED NET INCOME	$ 11,422,335	18	$ 13,016,987	19
ATTRIBUTABLE TO:				
Controlling interest	$ 11,619,441	18	$ 13,156,225	19
Minority interest	(197,106)	-	(139,238)	-
	$ 11,422,335	18	$ 13,016,987	19

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic	$ 3.53	$ 3.00	$ 3.77	$ 3.40

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 15, 2008) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	Capital Stock Issued and Outstanding (Notes 10 and 22)		Capital Surplus (Notes 2, 10 and 22)			Retained Earnings (Notes 2 and 22)			Other Adjustments				
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Notes 2 and 22)	Unrealized Gains (Losses) on Financial Products (Notes 2, 3 and 22)	Controlling Interest of Far EasTone	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2006	3,872,663	$38,726,630	$6,510,964	$8,482,381	$10,611	$4,101,609	$-	$15,385,739	$2,168	$-	$73,220,102	$1,002,668	$74,222,770
Effect of first adoption of newly issued SFASs	-	-	-	-	-	-	-	-	-	(68,978)	(68,978)	(368)	(69,346)
Acquisition of KGEx.com's capital stock in 2006	-	-	-	-	-	-	-	-	-	-	-	(136)	(136)
Appropriation of the 2005 earnings													
Legal reserve	-	-	-	-	-	1,471,741	-	(1,471,741)	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(264,913)	-	-	(264,913)	-	(264,913)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(132,457)	-	-	(132,457)	-	(132,457)
Cash dividend - NT$3.1 per share	-	-	-	-	-	-	-	(12,005,255)	-	-	(12,005,255)	-	(12,005,255)
Combined net income in 2006	-	-	-	-	-	-	-	13,156,225	-	-	13,156,225	(139,238)	13,016,987
Changes in subsidiary's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(174)	(174)	-	(174)
Changes in subsidiary's unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	532	532	368	900
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	18,828	18,828	-	18,828
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	2,792	-	2,792	(27)	2,765
BALANCE, DECEMBER 31, 2006	3,872,663	38,726,630	6,510,964	8,482,381	10,611	5,573,350	-	14,667,598	4,960	(49,792)	73,926,702	863,267	74,789,969
Acquisition of Q-Ware Com. in July 2007	-	-	-	-	-	-	-	-	-	-	-	414,617	414,617
Appropriation of the 2006 earnings													
Legal reserve	-	-	-	-	-	1,315,623	-	(1,315,623)		-	-	-	-
Special reserve	-	-	-	-	-	-	44,832	(44,832)	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(235,915)	-	-	(235,915)	-	(235,915)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(117,958)	-	-	(117,958)	-	(117,958)
Cash dividend - NT$3.1 per share	-	-	-	-	-	-	-	(12,005,255)	-	-	(12,005,255)	-	(12,005,255)
Combined net income in 2007	-	-	-	-	-	-	-	11,619,441	-	-	11,619,441	(197,106)	11,422,335
Adjustment arising from changes in percentage of ownership in investees	-	-	-	-	29,576	-	-	-	-	-	29,576	-	29,576
Changes in subsidiary's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	19,684	19,684	445	20,129
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	33,417	33,417	-	33,417
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	6,866	-	6,866	(67)	6,799
Issuance of common stock to acquire an equity-method investment - NCIC	160,370	1,603,704	4,453,738	-	-	-	-	-	-	-	6,057,442	-	6,057,442
BALANCE, DECEMBER 31, 2007	4,033,033	$40,330,334	$10,964,702	$8,482,381	$40,187	$6,888,973	$44,832	$12,567,456	$11,826	$3,309	$79,334,000	$1,081,156	$80,415,156

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

(With Deloitte & Touche audit report dated February 15, 2008)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 11,422,335	$ 13,016,987
Amortization of 3G concession	730,707	730,707
Depreciation and amortization	11,276,779	11,928,782
Allowance for doubtful accounts	419,589	567,159
Gains on revaluation of financial assets	-	(12)
Provision for loss on decline in value of inventories	3,225	21,450
Gains on sale of financial assets, net	(42,006)	-
Equity in investees' net losses	295,000	394,160
Losses on disposal of properties, including idle properties, net	629,519	408,169
Provision for impairment loss	24,425	5,770
Accrued pension cost	20,841	13,597
Deferred income taxes	652,081	357,307
Net changes in operating assets and liabilities		
Financial assets held for trading	146,512	70,045
Accounts and notes receivable	(824,401)	(152,812)
Receivables from related parties	28,957	8,935
Inventories	298,548	401,039
Prepaid expenses	67,003	(36,675)
Other current assets	(9,069)	(30,158)
Notes payable	(46,827)	26,958
Accounts payable	(30,824)	(199,392)
Payables to related parties	74,954	4,969
Income tax payable	(269,313)	(297,784)
Accrued expenses	458,458	(1,117,049)
Unearned revenues	(85,334)	(17,282)
Other current liabilities	(293,689)	(136,798)
Net cash provided by operating activities	24,947,470	25,968,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(2,523,962)	(500,000)
Proceeds of the disposal of available-for-sale financial assets	1,680,289	-
Acquisition of financial assets carried at cost	(150,000)	(100,000)
Proceeds of the disposal of financial assets carried at cost	17,378	-
Acquisition of equity-method investments	(510,640)	-
Return of capital from the dissolved investees	4,939	78,133
Acquisition of properties	(5,785,911)	(6,080,520)
Proceeds of the disposal of properties, including idle properties	35,831	99,859
Decrease (increase) in refundable deposits	5,268	(414)
Increase in deferred charges	(18,363)	(24,185)
Decrease (increase) in pledged certificates of deposits	7,475	(9,941)
Decrease in other assets	574	2,672
Net cash used in investing activities	(7,237,122)	(6,534,396)

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	$ 140,259	$ (166,662)
Decrease in commercial paper payable	-	(49,996)
Repayment of long-term liabilities	(2,998,095)	(3,378,095)
Bonus paid to employees and remuneration paid to directors and supervisors	(353,873)	(397,370)
Cash dividends paid	(12,005,255)	(12,005,255)
Decrease in guarantee deposits received	(210,019)	(224,670)
Increase (decrease) in other liabilities	135,431	(4,671)
Decrease in minority interest	-	(142)
Cash payment due to merger of Q-ware Com.	(495,855)	-
Net cash used in financing activities	(15,787,407)	(16,226,861)
EFFECT OF EXCHANGE RATE CHANGES	6,866	4,533
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,929,807	3,211,348
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	496,860	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,851,646	4,640,298
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,278,313	$ 7,851,646
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 149,207	$ 243,944
Less - interest capitalized	45,880	76,459
Interest paid, net of capitalized interest	$ 103,327	$ 167,485
Income tax paid	$ 2,757,839	$ 3,051,807
NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock to acquire an equity-method investment	$ 6,057,442	$ -
Current portion of long-term liabilities	$ 2,770,010	$ 3,038,609
Reclassification of properties into rental assets and idle properties	$ 20,867	$ 30,591
Reclassification of idle properties into rental assets	$ 24,684	$ -
Reclassification of rental assets into properties	$ -	$ 26,379
Reclassification of deferred charges into properties	$ 2,853	$ -
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 5,519,092	$ 5,434,332
Decrease in payables for acquisition of properties	226,369	609,303
Decrease in lease payables	40,450	36,885
Cash paid for acquisition of properties	$ 5,785,911	$ 6,080,520

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
PROCEEDS OF THE DISPOSAL OF PROPERTIES, INCLUDING IDLE PROPERTIES		
Total amount of sold properties and idle properties	$ 30,936	$ 75,438
Decrease (increase) in receivables from properties sold	9,503	(2,726)
Decrease (increase) in receivables from related parties	(4,608)	27,147
Cash received on the disposal of properties	$ 35,831	$ 99,859

SUPPLEMENTARY INFORMATION ON A SUBSIDIARY ACQUISITION:

In July 2007, Far EasTone bought 51% of Q-ware 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 and cash equivalents	$ 496,860
Accounts and notes receivable, net	6,212
Prepaid expenses	3,811
Other current assets	2,601
Properties, net	617,161
Advances for acquisition of equipment	7,174
Refundable deposits	12,498
Accounts payable	(5,457)
Accrued expenses	(15,103
Unearned revenues	(2,670)
Other current liabilities	(263,066
Other liabilities	(13,864)
	846,157
Percentage of ownership acquired	51.00%
	431,540
Goodwill	64,315
Cash payment due to merger	$ 495,855

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

(With Deloitte & Touche audit report dated February 15, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("Far EasTone") was incorporated in the Republic of China (the ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as GreTai Securities Market) on December 10, 2001. Later, Far EasTone's shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2007, Far Eastern Textile Co., Ltd. ("Far Eastern Textile") and its affiliates directly and indirectly owned 41.08% of Far EasTone's shares. Since Far EasTone's chief executive officer is appointed by Far Eastern Textile's 99.99% subsidiary, Far Eastern Textile has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern Textile 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 island-wide ("GSM" means "global system for mobile communications") - issued by the DGT of the ROC. These licenses allow Far EasTone to provide services for 15 years from 1997, with an annual license fee of 2% of total 2G wireless communications service revenues.

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

Far EasTone merged with Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom") on May 2, 2005. 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 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.

On July 26, 2007, the National Communications Commission (NCC) awarded Far EasTone a license to have operations in worldwide interoperability for microwave access (WiMAX) in southern Taiwan. On August 30, 2007, Far EasTone paid a guarantee deposit of $40,000 thousand and a minimum advance payment of $210,000 thousand for the license fee through a guarantee provided by a bank. On October 1, 2007, Far EasTone got the NCC's permission to start preparations for the construction of WiMAX networks.

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the "Group") had 4,837 and 4,800 employees as of December 31, 2007 and 2006, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC. In preparing consolidated 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, provision for losses on decline in value of inventories, depreciation and amortization, impairment losses on tangible and intangible assets, product warranty reserve, income taxes and pension cost. Actual results may 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 ROC. 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

Investees in which Far EasTone directly or indirectly holds more than 50% of voting rights or de facto control are included in the consolidated financial statements. For subsidiaries acquired during the year, their revenues and expenses generated before the acquisition date need not be consolidated.

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

a. All assets and liabilities at the exchange rate prevailing on the balance sheet dates;

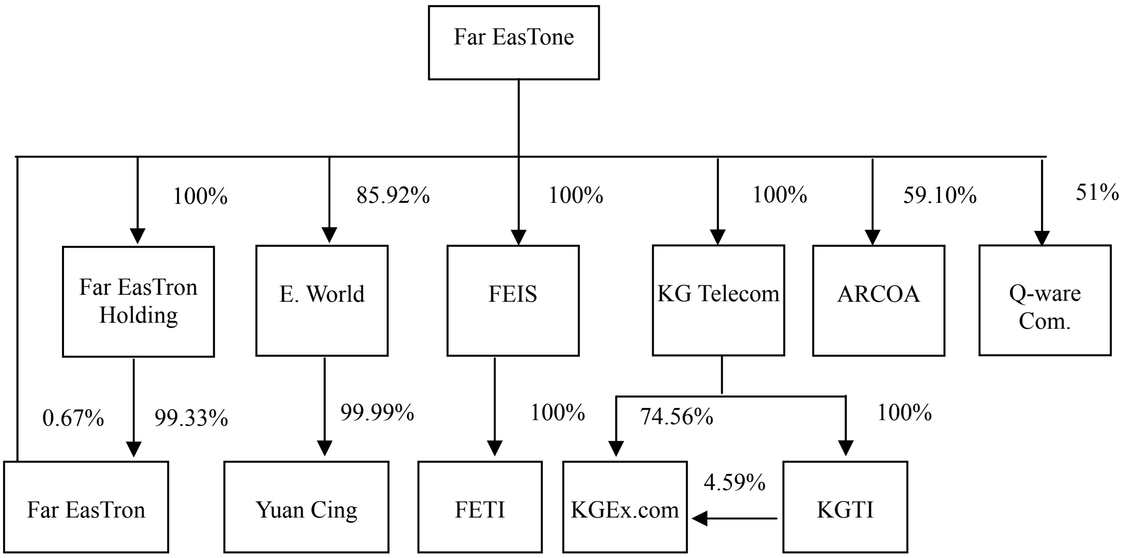
b. Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and

c. All items in the statement of income at the average exchange rates for the year.

The cumulative translation effects of the subsidiaries’ using functional currencies other than New Taiwan Dollars are included in the cumulative translation adjustments in stockholders’ equity.

All significant intercompany transactions and balances were eliminated on consolidation.

Intercompany relationships and percentages of ownership as of December 31, 2007 are shown below:



a. Entities included in the consolidated financial statements as of and for the years ended December 31, 2007 and 2006 and their major business activities were as follows:

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

KG Telecom, formerly Yuan Ho Telecommunications Co., Ltd., was incorporated in the ROC on September 25, 2003. It is a wholly owned subsidiary of Far EasTone. On January 1, 2004, KG Telecom merged with the former KG Telecommunications Co., Ltd. (the "former KGT") through a two-step merger agreement. The merger was completed on May 20, 2004 after the registration of the shares with the Ministry of Economics Affairs (MOEA).

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 island-wide 2G wireless communications services under a type I license - GSM1800. 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.

2) ARCOA Communication Co., Ltd. ("ARCOA")

ARCOA was incorporated in the ROC on May 4, 1981. ARCOA sells cellular phone units and other telecommunications equipment or accessories and provides related maintenance services. The DGT issued to ARCOA a Type II license, allowing it to provide mobile virtual network operator services for three years from July 2006 for a fixed annual fee based on ARCOA's paid-in capital.

ARCOA's shares have been listed as emerging market stock on the OTC exchange since December 27, 2002. On December 22, 2004, the Board of Directors of ARCOA decided to withdraw its stock from the OTC exchange and became a private company. Far EasTone became ARCOA's parent company since February 2005. As of December 31, 2007, Far EasTone owns 59.10% of ARCOA's common stock.

3) Q-ware Communications Co., Ltd. ("Q-ware Com.")

Q-ware Com. was incorporated on February 13, 2007. It mainly provides Type II telecommunications services. On February 14, 2007, the board of directors of Far EasTone approved a cooperation plan with Q-ware System Inc. ("Q-ware") to operate WiFly and other businesses agreed upon by both Far EasTone and Q-ware. After obtaining the authorities' approval of this agreement, Far EasTone, as a specific person, subscribed for 36,460 thousand newly issued shares (NT$13.60 per share) of Q-ware Com. for $495,855 thousand on July 2, 2007. On July 3, 2007, Q-ware spun off its WiFly business, with a net worth of $349,301 thousand, to Q-ware Com. and received 34,930 thousand new shares of Q-ware Com. for this spin-off. Q-ware Com. got the right to provide WiFly business in Taipei City through this spin-off until September 7, 2013, with an annual fee at 3% of total WiFly revenues. Moreover, the NCC issued to Q-ware Com. a Type II license, allowing it to provide Internet services for three years from 2007 for a fixed annual license fee based on Q-ware Com.'s paid-in capital. After the completion of this spin-off, Far EasTone owned approximately 51% of Q-ware Com.'s common stock and thus became its parent company.

4) E. World (Holdings) Ltd. ("E. World")

   E. World was incorporated in the Cayman Islands on April 7, 2000. E. World is primarily an investment holding company.

5) Far Eastern Info Service (Holding) Ltd. ("FEIS")

   FEIS was incorporated in the Bermuda Islands on July 17, 2002. FEIS is primarily an investment holding company.

6) KGT International Holding Co., Ltd. ("KGTI")

   KGTI was incorporated in the British Virgin Islands on January 6, 2000. KGTI is primarily an investment holding company.

7) KGEx.com Co., Ltd. ("KGEx.com")

   KGEx.com was incorporated on August 9, 2000. KGEx.com mainly provides Type II telecommunications services.

8) Yuan Cing Co., Ltd. ("Yuan Cing")

   Yuan Cing was incorporated on August 5, 2000. Yuan Cing provides call center services.

9) Far Eastern Tech-info Ltd. (Shanghai) ("FETI")

   FETI was incorporated in the People's Republic of China on November 18, 2002. FETI provides computer software, data processing and Internet content providing services.

10) Far EasTron Holding Ltd. ("Far EasTron Holding")

   Far EasTron Holding was incorporated in the Cayman Islands on August 30, 2005. Far EasTron Holding is primarily an investment holding company.

11) Far EasTron Co., Ltd. ("Far EasTron")

   Far EasTron was incorporated in the ROC on August 12, 2005. Far EasTron mainly provides Internet content providing services.

b. 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 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 are cash and cash equivalents, assets held mainly for trading and other assets to be converted into cash or consumed within 12 months after the balance sheet date. All other assets such as properties and intangible assets are classified as noncurrent. Current liabilities are obligations held for trading and those to be settled within 12 months after the balance sheet date. All other 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. Their carrying values approximate their fair values.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value with fair value changes in profit or loss. On initial recognition, the financial assets are measured at fair value, with transaction costs expensed currently. Subsequent changes in fair value are recognized as current gain or loss.

Financial assets or financial liabilities are recognized when the Group becomes a counter party to contracts. Financial assets are derecognized when the Group loses control of its contractual rights over the financial assets. Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

Fair value is determined as follows: publicly traded stocks - at the closing price on the balance sheet date, and mutual funds - at their net asset value on the balance sheet date.

Hybrid contracts involving one or more embedded derivatives are designated, on initial recognition, as financial assets or financial liabilities at fair value through profit or loss.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. Gain or loss due to changes in fair value is recognized as adjustments to stockholders' equity, and the related cumulative gain or loss should be recognized in the current year when the financial asset is derecognized. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The accounting policy on the recognition, derecognizing and the fair value bases of available-for-sale financial assets are similar to those of financial assets at fair value through profit or loss.

Any cash dividends received are recognized as income on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The cost per share is recalculated on the basis of the total number of shares held after stock dividends are received.

An impairment loss should be recognized if there is objective evidence that a financial asset is impaired. This impairment loss can be reversed to the extent of the original carrying value and recognized as an adjustment to stockholders' equity.

Bonds Carried at Amortized Cost

Bonds with fixed or determinable payments that are not quoted in an active market are carried at amortized cost. Bonds should be carried at original cost plus transaction cost on initial recognition. Gains or losses are recognized when bonds are derecognized, impaired or amortized. All regular way purchases or sales of bonds are recognized and derecognized on a trade date basis.

An impairment loss should be recognized if there is objective evidence that bonds are impaired. The impairment loss is reversed if an increase in the bonds' recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the bonds may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the bonds in prior years.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to the excess of minutes of traffic included in the fixed monthly service fees) from wireless services and mobile virtual network operator services, international simple resale services, Internet access 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 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 (d) commission revenues are accrued monthly on the basis of related airtime revenue.

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

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 using the pro forma interest rate method.

An allowance for doubtful accounts is provided on the basis of a review of the collectibles of accounts receivable. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Promotion Expenses

Commissions and cellular phone equipment subsidy costs related to the Group's promotions are treated as marketing expenses or cost of telecommunications service in the year when the service to a subscriber is activated.

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 on the basis of the changes in marketing strategy. Losses on decline in value of inventory are evaluated on the basis of market demand and should be recognized when the net realizable value is lower than the cost. When loss on scrap or slow-moving items is anticipated, these items are written down to their net realizable value, with loss on decline in value recognized under current income.

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks and emerging stocks, and private domestic mutual funds are carried at cost upon initial recognition. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets.

An impairment loss should be recognized and charged to current income if there is objective evidence that a financial asset is impaired. A reversal of this impairment loss is disallowed.

Equity-method Investments

Long-term investments 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.

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over 3 to 5 years. As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long Term Investments in Equity Securities," starting on January 1, 2006, the cost of acquisition is subjected to an initial analysis. The investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required when there is evidence indicating that goodwill might be impaired due to an event or a change in the economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets proportionately to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subjected to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

An increase in the Group's proportionate share in the net assets of its investee resulting from its subscription for additional shares of stock issued by the investee at a rate different from its existing equity ownership in the investee is credited to capital surplus. If the subscription results in a decrease in the Group's equity in an investee's net assets, capital surplus is debited. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

If the Group loses its significant influence over an investee because of a decrease in ownership percentage, it should cease using the equity method to account for the investment. In addition, the Group should apply the Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments," which states that the new cost of investment will be the carrying amount of the investment at the time of the decrease in ownership percentage.

Properties and Rental Assets

Properties and rental assets are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Major additions, renewals and 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.

Equipment covered by capital lease agreements 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 price.

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	3-10
Leasehold improvements	3-10
Miscellaneous equipment	3-10

Upon retirement or other disposal (e.g., sale) of properties and rental assets, the related costs and accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to nonoperating income or expenses.

Goodwill

Goodwill is the difference (the source of which cannot be identified) between investment costs and the equity in investees' net assets, which is amortized using the straight-line method over 3 to 15 years. However, under the revised ROC Statement of Financial Accounting Standards, goodwill is no longer amortized starting on January 1, 2006.

3G Concession

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

Deferred Charges

Deferred charges mainly include costs of retail store renovation and computer software, which are amortized using the straight-line method over the terms of lease and agreements on the rights of software use.

Idle Properties

Properties not currently used in operations are transferred to idle properties at the lower of net book value or fair value, with difference charged to nonoperating expenses. However, starting on January 1, 2006, based on related regulations, depreciation of idle properties is calculated using the straight-line method over the estimated useful lives of the properties.

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, idle properties, 3G concession, goodwill, deferred charges and equity-method investments) exceeds their recoverable amount, and this impairment loss should be charged to current income. For investees which Far EasTone exercises significant influence but not control, the recoverable amount is calculated based on investee's individual investment value. For investees which Far EasTone has control, the recoverable amount is assessed under the consideration of taking the consolidated financial statement as a whole. The accumulated impairment loss of an asset recognized in prior years can be reversed if, later on, the estimate of the asset's recoverable amount later has changed so as to increase the recoverable amount. Then, the asset's carrying amount can be increased to its recoverable amount; however, the recoverable amount should not exceed the carrying amount that would have been after the deduction of depreciation or amortization if it had not been impaired.

To test for impairment, goodwill should be allocated to each of the cash-generating units that are expected to benefit from the synergies of the combinations. A cash-generating unit should be tested for impairment at least annually by comparing the carrying amount of the unit with its recoverable amount. If the carrying amount exceeds the recoverable amount of the unit, the impairment loss is allocated to reduce the carrying amount of the unit in the following order: (a) reduce the carrying amount of any goodwill allocated to the unit; and (b) reduce the carrying amounts of other assets of the unit proportionally. A reversal of an impairment loss on goodwill is disallowed.

Deferral of Unrealized Intercompany Profit

The entire gains or losses from Far EasTone's sales of products to its subsidiaries are deferred and included in deferred income, which is included in other current liabilities.

Far EasTone defers gains or loss on its product sales in proportion to ownership percentages for sales to equity-method investees that are not majority-owned.

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.

All of the deferred gains and losses are realized on the subsequent sales of related items to third parties.

Pension Costs

Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing and Far EasTron have two types of pension plans: Defined benefit and defined contribution. Under the defined benefit plan, pension costs are recognized on the basis of actuarial calculations. Under the defined contribution plan, Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing, Far EasTron and Q-ware Com. should make monthly contributions to employees' individual pension accounts at a fixed percentage of monthly salaries and wages and recognize these contributions as pension costs.

FETI, under its government's regulations, has a defined contribution pension plan. It makes monthly contributions to employees' individual pension accounts at a fixed percentage of salaries and recognizes these contributions as pension costs.

FEIS, E. World, KGTI and Far EasTron Holding do not have pension plans because they do not have any employees.

Income Tax

The inter-period and intra-period allocation methods are used for income taxes. 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 classification of the related assets and liabilities for financial reporting. 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, personnel training expenses and equity investments are accounted for as a reduction of current year's income tax expense.

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

Income taxes (10%) on unappropriated earnings generated since January 1, 1998 are expensed in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Group. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

The above prevailing exchange rates are based on the average of bid and ask rates of principal correspondent banks.

Hedging Derivative Financial Instruments

Hedging derivative financial instruments are measured at fair value. The changes in fair values of these instruments are debited or charged to either stockholders' equity or current income depending on the hedged items.

Hedge Accounting

Hedge accounting involves the recognition of the offsetting effects on profit or loss of changes in fair values of the hedging instrument and the hedged item.

Derivative instruments held by the Group are for cash flow hedge purpose. Under the cash flow hedge, the gains or losses from the changes in fair values on the hedging instruments are recognized under stockholders' equity and are recognized as current income if the hedged forecast transaction affects net gains or losses. If hedging would give rise to a nonfinancial asset or liability, the gains or losses will be recognized as adjustments to the original cost or carrying amount of the hedged asset or liability. If recognized adjustments to stockholders' equity result in irreversible losses, these losses should be immediately charged to current income.

The Group uses interest rate swaps and forward contracts to hedge cash flow risks from interest rate and exchange rate fluctuations of liabilities and firm commitments.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2006 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the year ended December 31, 2007.

3. CHANGES IN ACCOUNTING PRINCIPLES

a. First time adoption of the newly announced Statements and related revisions of previously issued Statements.

ROC SFAS No. 34 - "Accounting for financial Instruments" and
ROC SFAS No. 36 - "Disclosure and Presentation of Financial Instruments"

On January 1, 2006, the Group adopted the new ROC SFAS No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revised Statements.

On the basis of the accounting changes, the Group reclassified financial assets and financial liabilities (including derivative instruments). The cumulative effect of changes in accounting principle should be recognized in the current year for adjustments to the carrying values of the financial assets at fair value through profit or loss. Available-for-sale financial instruments measured at fair value or derivatives for cash flow hedge are recognized as adjustments to stockholders' equity. In addition, an adjustment from assets or liabilities deferred from profit or loss under the cash flow hedge to stockholders' equity should be made for derivative instruments.

The effects of the first time adoption of the Statements are as follows:

	As Adjustments to Stockholders' Equity (After Tax)
Hedging derivative financial liabilities - Far EasTone	$ 68,446
Hedging derivative financial liabilities - ARCOA	$ 900

The accounting change resulted in an increase of $186 thousand in combined income before income tax for the year ended December 31, 2006.

ROC SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method"

The Group adopted new Statements as required by the revised ROC SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method." These revisions stated that the difference between the cost of an investment and the amount of the underlying equity in net assets of an investee should no longer be amortized. If the difference is goodwill, it should be tested for impairment loss annually instead of being amortized. The adoption of the revised Statements resulted in an increase of $864,870 thousand in combined income before income tax without any cumulative changes in accounting principles and an increase of NT$0.22 in basic earnings per share after income tax for the year ended December 31, 2006.

b. Newly announced Statement or accounting pronouncement with future effectiveness

Under an issuance from the Accounting Research and Development Foundation of the Republic of China in March 2007, remuneration to directors and supervisors and bonus to employees should be treated as expense rather than earnings distribution. This treatment should be applied to financial statements for the fiscal year beginning on or after January 1, 2008.

However, the effect of this new issuance on the consolidated financial statements as of and for the year ended December 31, 2008 still could not be estimated since combined net income for the year ended December 31, 2008 could not be estimated.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2007	**2006**
Cash		
Cash on hand	$ 6,540	$ 11,457
Checking and demand deposits	1,107,445	855,109
Certificates of deposits - interest of 1.965%- 4.87% in 2007 and 1.705%-5.13% in 2006	811,602	170,763
	1,925,587	1,037,329
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.91%- 2.00% in 2007 and 1.61%-1.65% in 2006	6,026,826	6,800,299
Bonds purchased under resell agreements - interest of 1.625%- 1.92% in 2007 and 1.465% in 2006	2,325,900	14,018
	8,352,726	6,814,317
	$ 10,278,313	$ 7,851,646

As of December 31, 2007 and 2006, foreign demand deposits were as follows:

	December 31	
	2007	**2006**
Belgium (US$516 thousand in 2007 and US$1,025 thousand in 2006)	$ 16,734	$ 33,413
Hong Kong (US$16 thousand in 2007 and US$22 thousand in 2006)	519	717
	$ 17,253	$ 34,130

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

Financial assets held for trading were as follows:

	December 31	
	2007	2006
Financial assets held for trading - mutual funds	$ -	$ 146,512

Net gains on financial assets held for trading were $2,513 thousand and $3,495 thousand for the years ended December 31, 2007 and 2006, respectively.

In September 2003, ARCOA invested $10,000 thousand in interest-linked structured deposits, which is highly correlated to interest rates, to earn interest. ARCOA pledged the deposit as collateral for its short-term bank loans.

The original maturity date of the deposits was September 15, 2010, and the contract will become invalid once the actual return reaches 8%. ARCOA was informed by the bank that the contract became invalid on March 15, 2006 since the actual return reached 8%.

Net gains of those designated financial assets to be measured at fair value through profit or loss were $57 thousand for the year ended December 31, 2006.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2007	2006
Domestic quoted stocks	$ 293,282	$ -
Open-ended mutual funds	1,328,138	699,782
	$ 1,621,420	$ 699,782

7. BONDS CARRIED AT AMORTIZED COST - CURRENT

	December 31	
	2007	2006
Bond - Ta Chong Commercial Bank	$ 3,000	$ 3,000

On July 16, 2004, ARCOA bought a five-year corporate bond at par value, amounting to $3,000 thousand with coupon interest rate of 2.55%. The interest is payable on July 16 annually. The maturity date of the bond is July 16, 2009.

8. ACCOUNTS AND NOTES RECEIVABLE

	December 31	
	2007	2006
Accounts and notes receivable	$ 7,409,346	$ 7,430,499
Less - allowance for doubtful accounts	(902,445)	(1,334,622)
	$ 6,506,901	$ 6,095,877

The change in allowance for doubtful accounts was as follows:

	Years Ended December 31		
	2007		2006
	Accounts Receivable	Other Receivables	Accounts Receivable
Beginning balance	$ 1,334,622	$ -	$ 1,962,008
Less - bad debts written off	(1,078,745)	-	(1,507,946)
Add - collection after write-off	229,069	-	313,401
accrual of bad debt expenses	417,499	2,090	567,159
	$ 902,445	$ 2,090	$ 1,334,622

9. INVENTORIES, NET

	December 31	
	2007	2006
Cellular phone equipment	$ 594,074	$ 896,464
Costs of SIM cards and prepaid cards	34,328	41,743
Cellular phone accessories	88,055	48,849
Others	34,301	62,250
	750,758	1,049,306
Less - allowance for losses	79,918	76,693
	$ 670,840	$ 972,613

10. EQUITY-METHOD INVESTMENTS

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
New Century Info Comm Tech Co., Ltd.	$ 6,062,000	24.51	$ -	-
Far Eastern Electronic Toll Collection Co., Ltd.	644,856	41.81	395,686	42.66
Ding Ding Integrated Marketing Service Co., Ltd.	17,300	15.00	26,790	15.00
iScreen Corporation	26,534	40.00	20,998	40.00
Hi Information Co., Ltd.	-	-	6,026	33.17
	$ 6,750,690		$ 449,500	

a. New Century InfoComm Tech Co., Ltd. (NCIC)

Far EasTone issued 100,637,444 and 59,732,926 common shares to exchange for 615,178,755 and 365,136,728, respectively, of NCIC's common shares after NCIC's capital reduction from Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited on December 31, 2007 (the record date of the share swap). The ratio for this share swap was 1:6.11282174. The share swap was approved by the Financial Supervisory Commission under the Executive Yuan on December 26, 2007 and registered with the MOEA on January 14, 2008. After the share swap, Far EasTone acquired about 24.51% of NCIC's issued shares.

b. Far Eastern Electronic Toll Collection Co., Ltd.

On February 26, 2004, Far Eastern Electronic Toll Collection Co. was selected by the Taiwan Area National Freeway Bureau (TANFB) as the best qualified candidate for its "Private Participation in the Electronic Toll

Collection BOT Project" ("ETC project"). On April 27, 2004, FETC and the TANFB completed the related negotiations and signed the project contract.

On February 24, 2006, however, the Taipei High Administrative Court announced its decision to revoke the status of FETC as the best qualified candidate for the ETC project. Then, on August 3, 2006, the Supreme Administrative Court ruled that the original screening process conducted by the TANFB was flawed and in violation of the principles of equality and promotion of public interest and stripped FETC of its "best qualified candidate" status. In response to the verdict, the TANFB announced a second bidding for the ETC project. On April 14, 2007, the TANFB announced that FETC was again the best qualified candidate. FETC then completed the ETC project negotiations and on August 22, 2007, signed the project contract with a term of 18 years and 4 months with the TANFB.

On August 11, 2006, Far EasTone announced a proposal to withdraw from FETC by unconditionally donating its FETC stockholding to the Government. Far EasTone's Board of Directors approved this proposal on August 22, 2006. However, the TANFB already replied officially to Far EasTone not to accept the donation on August 17, 2007.

c. Equity in investees' net gains or losses

Equity in investees' net gains (losses) consisted of:

	Years Ended December 31			
	2007		2006	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
New Century Infocom Tech Co., Ltd.	$ (235,630)	$ -	$ -	$ -
Far Eastern Electronic Toll Collection Co., Ltd.	(717,513)	(291,046)	(982,928)	(393,410)
Ding Ding Integrated Marketing Services Co., Ltd.	(55,304)	(9,490)	(5,935)	(890)
iScreen Corporation	13,928	5,536	250	49
Hi Information Co., Ltd.	-	-	1,476	490
THI Consultants Inc.	-	-	-	(399)
		$ (295,000)		$ (394,160)

The net asset values of the equity-method investees were as follows:

	December 31	
	2007	2006
Total assets of investees	$ 33,885,191	$ 2,495,368
Total liabilities of investees	3,634,632	1,302,980
Total net assets	$ 30,250,559	$ 1,192,388
The Group's equity in investees' net assets	$ 6,750,690	$ 449,500

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 DDIM's 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%.

ARCOA's investment in THI Consultants Inc ("THIC") was reclassified as financial assets carried at cost-noncurrent after THIC's capital increase for cash in September 2006. Because ARCOA did not participate in THIC's capital increase, ARCOA lost its influence on THIC's operating and financial policy decisions.

In their special meeting on October 5, 2006, the stockholders of Hi Information Co., Ltd. ("HI") resolved to liquidate the company in accordance with the Company Law. The liquidation was completed on May 1, 2007. After HI's first distribution of a cash capital return of $4,939 thousand to ARCOA, HI still had non-cash assets held for sale amounting to $3,980 thousand. ARCOA estimated that the remaining recoverable capital was about $1,087 thousand, included in other current assets.

The financial statements as of and for the years ended December 31, 2007 and 2006 that were used as basis for calculating the carrying values of and related equity in net gains or losses of the foregoing equity-method investments had all been audited, except those of THIC and HI as of and for the year ended December 31, 2006. The management believed that, had the financial statements of THIC and HI been audited, any adjustments arising would have had no material effect on the consolidated financial statements.

g. Changes in the difference between investment cost and the investee's net assets

For the year ended December 31, 2007, the changes in the difference between investment cost and the Group's equity in its investees' net assets were as follows:

	Year Ended December 31 2007
	Amortizable Assets
Beginning balance	$ -
Increase	(924,029)
Decrease	-
Ending balance	$ (924,029)

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2007	**2006**
Domestic emerging common stocks		
Taiwan Fixed Network Co., Ltd.	$ -	$ 21,000
Domestic unlisted common stocks		
VIBO Telecom Inc.	20,000	20,000
THI Consultants Inc.	13,729	13,729
Chunghwa Int'l Communication Network Co., Ltd.	6,714	6,714
Web Point Co., Ltd.	1,618	1,618
Overseas unlisted common stocks		
Ideaculture Limited - US$431 thousand in 2006	-	14,076
Domestic private funds		
FEA Long-Short Private Placement Fund	100,000	100,000
Fuh Hwa Value Added Strategy Fund	150,000	-
	$ 292,061	$ 177,137

The above equity and fund investments, which had no quoted prices in an active market and of which fair values could not be realizably measured, were carried at cost.

12. PROPERTIES

a. Changes in properties consisted of:

	Year Ended December 31, 2007						
		Movement					
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	Ending Balance
Cost							
Land	$ 1,490,772	$ -	$ 2,255	$ -	$ (20,771)	$ -	$ 1,467,746
Buildings and equipment	2,872,605	3,994	4,785	16,377	(145)	-	2,888,046
Operating equipment	98,300,808	804,251	1,291,988	4,325,759	705	-	102,139,535
Computer equipment	14,009,777	17,283	69,811	1,002,235	(48)	1,362	14,960,798
Office equipment	920,912	6,679	32,916	100,197	-	6,513	1,001,385
Leasehold improvements	1,715,118	6,036	65,725	53,708	-	-	1,709,137
Miscellaneous equipment	519,129	8,481	35,533	2,767	3,105	-	497,949
	119,829,121	$ 846,724	$ 1,503,013	$ 5,501,043	$ (17,154)	$ 7,875	124,664,596
Accumulated depreciation							
Buildings and equipment	774,271	$ 129,952	$ 313	$ -	$ (51)	$ -	903,859
Operating equipment	55,859,580	9,469,706	792,362	-	705	-	64,537,629
Computer equipment	10,486,141	1,434,654	51,377	-	-	708	11,870,126
Office equipment	791,643	80,745	32,857	-	-	4,106	843,637
Leasehold improvements	1,148,623	160,587	40,944	-	-	-	1,268,266
Miscellaneous equipment	192,580	68,923	13,991	-	509	-	248,021
	69,252,838	$ 11,344,567	$ 931,844	$ -	$ 1,163	$ 4,814	79,671,538
	50,576,283						44,993,058
Construction in process and advances for acquisition of equipment	4,089,508	$ 5,447,532	$ 89,269	$ (5,501,043)	$ (11,119)	$ -	3,935,609
	$ 54,665,791						$ 48,928,667

	Year Ended December 31, 2006						
		Movement					
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	Ending Balance
Cost							
Land	$ 1,514,204	$ -	$ 24,363	$ -	$ 931	$ -	$ 1,490,772
Buildings and equipment	2,865,633	3,311	14,431	19,720	(1,628)	-	2,872,605
Operating equipment	94,243,526	37,413	1,210,179	5,231,167	(1,119)	-	98,300,808
Computer equipment	13,222,001	48,860	177,300	916,221	-	(5)	14,009,777
Office equipment	991,606	3,433	83,646	9,461	-	58	920,912
Leasehold improvements	1,670,987	-	14,672	58,803	-	-	1,715,118
Miscellaneous equipment	456,547	7,092	19,720	73,191	2,019	-	519,129
	114,964,504	$ 100,109	$ 1,544,311	$ 6,308,563	$ 203	$ 53	119,829,121
Accumulated depreciation							
Buildings and equipment	628,907	$ 148,503	$ 2,731	$ -	$ (408)	$ -	774,271
Operating equipment	46,983,137	9,569,815	704,543	10,878	293	-	55,859,580
Computer equipment	8,921,267	1,730,960	163,953	-	(2,362)	229	10,486,141
Office equipment	764,633	108,912	83,262	-	-	1,360	791,643
Leasehold improvements	983,387	177,492	12,256	-	-	-	1,148,623
Miscellaneous equipment	145,611	64,366	19,681	-	2,284	-	192,580
	58,426,942	$ 11,800,048	$ 986,426	$ 10,878	$ (193)	$ 1,589	69,252,838
	56,537,562						50,576,283
Construction in process and advances for acquisition of equipment	4,954,996	$ 5,434,223	$ 212	$ (6,297,685)	$ (1,814)	$ -	4,089,508
	$ 61,492,558						$ 54,665,791

b. Capitalized interest on properties was as follows:

	Years Ended December 31	
	2007	2006
Total interest expense	$ 87,486	$ 180,822
Less - interest capitalized (included in construction in process and advances for acquisition of equipment)	45,880	76,459
Interest expense, net of amounts capitalized	$ 41,606	$ 104,363
Interest rate capitalized	1.56%-2.29%	2.09%-2.51%

13. GOODWILL

If an investment acquisition cost exceeds the fair value of identifiable net assets acquired, and the source of this excess cannot be identified, this excess should be recorded as goodwill.

Since January 1, 2005, in conformity with SFAS No. 35 - "Accounting for Asset Impairment," the Group is divided into four identifiable cash-generating units: Far EasTone, KG Telecom, ARCOA and Q-ware Com.

On December 31, 2007, the carrying value of the tangible and intangible assets used by the Group was $68,221,128 thousand. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with discount rates of 13.38% (Far EasTone), 14.48% (KG Telecom), 15.60% (ARCOA) and 10.00% (Q-ware Com.). 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 amounts 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 2G telecommunications services market is mature and there would be increased use of 3G telecommunications services. Therefore, the growth rate is expected to be stable.

    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, plans and the trend in the overall market, the anticipated growth rate is expected to decrease gradually.

    4) WiFly business: Based on present experience and the demand of WiFly, the growth rate is expected to be stable.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The ratio was around 50% in 2007; this ratio is expected to decrease slightly in future years.

An impairment loss of $10,211 thousand for the year ended December 31, 2007 was estimated and recorded.

14. INTANGIBLE ASSETS - 3G CONCESSION, NET

	Years Ended December 31	
	2007	2006
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	1,400,521	669,814
Amortization	730,707	730,707
Ending balance	2,131,228	1,400,521
Intangible assets, net	$ 8,037,772	$ 8,768,479

15. RENTAL ASSETS, NET

	Years Ended December 31							
	2007				2006			
	Beginning Balance	Addition	Reclassification	Ending Balance	Beginning Balance	Addition	Reclassification	Ending Balance
Cost								
Land	$ 105,366	$ -	$ 25,265	$ 130,631	$ 124,042	$ -	$ (18,676)	$ 105,366
Buildings and equipment	100,136	-	13,124	113,260	109,698	-	(9,562)	100,136
	205,502	$ -	$ 38,389	243,891	233,740	-	$ (28,238)	205,502
Accumulated depreciation								
Buildings and equipment	7,493	$ 2,139	$ 2,723	12,355	7,223	$ 2,129	$ (1,859)	7,493
	198,009			231,536	226,517			198,009
Accumulated impairment	-	$ -	$ 5,770	5,770	-	$ -	$ -	-
Rental assets, net	$ 198,009			$ 225,766	$ 226,517			$ 198,009

Rental assets 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 (Far EasTone) and through December 2011 (ARCOA), respectively. Future rental income is summarized as follows:

Year	Amount
2008	$ 15,718
2009	15,065
2010	15,055
2011	8,987
After 2011	8,604

16. SHORT-TERM BANK LOANS

	December 31	
	2007	2006
Secured bank loans - interest of 2.965% in 2007 and 2.05% in 2006	$ 224,000	$ 85,000
Unsecured bank loans - interest of 2.640% in 2007 and 2.20%-2.27% in 2006	45,215	43,956
	$ 269,215	$ 128,956

17. ACCRUED EXPENSES

	December 31	
	2007	2006
Commission	$ 1,404,127	$ 1,161,491
License fee	992,931	1,211,004
Bonus	467,684	454,446
Value-added service fee	325,682	227,167
Universal service operation fee	272,551	270,982
Utilities	154,568	200,764
Maintenance fee	95,165	93,925
Other	1,534,913	1,155,752
	$ 5,247,621	$ 4,775,531

18. BONDS PAYABLE

	December 31, 2007		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 2nd - Far EasTone	$ 1,470,000	$ -	$ 1,470,000
Domestic unsecured bonds - 3rd - Far EasTone	1,200,000	-	1,200,000
	$ 2,670,000	$ -	$ 2,670,000

	December 31, 2006		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 1st - Far EasTone	$ 2,060,000	$ -	$ 2,060,000
Domestic unsecured bonds - 2nd - Far EasTone	-	1,470,000	1,470,000
Domestic unsecured bonds - 3rd - Far EasTone	900,000	1,200,000	2,100,000
	$ 2,960,000	$ 2,670,000	$ 5,630,000

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. Far EasTone already repaid $2,060,000 thousand and $2,140,000 thousand on February 19, 2007 and 2006 respectively.

b. Domestic unsecured bonds - 2nd - Far EasTone

These are five-year domestic unsecured bonds issued at par value from March 28, 2003 to April 3, 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. 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 semiannually. Far EasTone should redeem the full amount when the bonds become due in 2006, 2007 and 2008. Far EasTone already repaid $900,000 thousand on December 12, 2007 and 2006, respectively.

19. LONG-TERM BANK LOANS

	December 31, 2007		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	$ 38,095	$ 57,143	$ 95,238

	December 31, 2006		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	$ 38,095	$ 95,238	$ 133,333

KGEx.com obtained a secured bank loan at interest rates of 2.85% in 2007 and 2.51% in 2006, payable monthly. The loan is secured and repayable quarterly from April 2005 at equal installments, with final repayment due in April 2010.

20. LEASE PAYABLE

	December 31	
	2007	2006
Total future lease payments	$ 62,412	$ 105,638
Less - imputed interest expense	5,344	8,120
	57,068	97,518
Less - current portion of lease payable	40,314	40,514
Lease payable - noncurrent	$ 16,754	$ 57,004

The contracts of capital lease were summarized as follows:

			Rental Paid Years Ended December 31	
Lessor	Properties	Payment Terms	2007	2006
Far Eastern International Leasing Corp. - Far EasTone	Computer equipment	July 2004-June 2009 $15,414 thousand annually	$ 15,414	$ 15,414
Far Eastern International Leasing Corp. - Far EasTone	Computer equipment	March 2006-February 2011 $5,063 thousand annually	5,063	5,063
Far Eastern International Leasing Corp. - KG Telecom	Computer equipment	July 2004-June 2009 $15,414 thousand annually	15,414	15,414
Far Eastern International Leasing Corp. - KG Telecom	Computer equipment	March 2006-February 2011 $5,063 thousand annually	5,063	5,063
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	November 2005-October 2008 $16 thousand monthly	192	192
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	September 2006-August 2009 $5 thousand monthly	60	20
Taiwan Telecommunication Network Services Co., Ltd. - KGEx.com	Computer equipment	July 2005-June 2008 $55 thousand monthly	660	660
			$ 41,866	$ 41,826

21. PENSION PLAN

a. 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 of Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing and Far EasTron subject to the Labor Standards Law before June 30, 2005 were allowed to 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. Those hired on or after July 1, 2005 automatically become subject to the Act.

b. Based on the Act, rate of monthly contributions by Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing, Far EasTron and Q-ware Com. to the employees’ individual pension fund accounts starting on July 1, 2005 is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan amounted to $157,654 thousand and $146,895 thousand for the years ended December 31, 2007 and 2006, respectively. FETI, under its government’s regulations, had recognized pension costs of $4,256 thousand and $5,692 thousand for the years ended December 31, 2007 and 2006, respectively.

c. Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA have a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points 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 points. Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA accrue pension costs on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity).

d. Information about the defined benefit pension plans of Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA was as follows:

1) Net pension cost consisted of:

	Year Ended December 31, 2007	
	Far EasTone, KG Telecom, KGEx.com, Far EasTron and Yuan Cing	**ARCOA**
Service cost	$ 30,579	$ 524
Interest cost	28,567	1,218
Expected return on plan assets	(11,405)	(1,589)
Amortization of net transition obligations	911	422
Amortization of unrecognized pension loss (gain)	11,209	-
Net pension cost	$ 59,861	$ 575

	Year Ended December 31, 2006		
	Far EasTone, KG Telecom, Far EasTron And Yuan Cing	**KGEx.com**	**ARCOA**
Service cost	$ 30,912	$ 284	$ 485
Interest cost	26,078	159	988
Expected return on plan assets	(10,851)	(164)	(1,192)
Amortization of net transition obligations (assets)	1,213	(302)	65
Amortization of unrecognized pension loss (gain)	6,949	-	-
Net pension cost	$ 54,301	$ (23)	$ 346

2) Reconciliation of the funded status of the plans and accrued pension cost (prepaid pension cost) was as follows:

	December 31, 2007	
	Far EasTone, KG Telecom, KGEx.com, Far EasTron And Yuan Cing	**ARCOA**
Benefit obligation		
Vested benefit obligation	$ 6,016	$ -
Non-vested benefit obligation	606,646	24,854
Accumulated benefit obligation	612,662	24,854
Additional benefits based on projected and future salaries	543,716	9,375
Projected benefit obligation	1,156,378	34,229

Fair value of plan assets	(444,996)	(50,286)
Funded status	711,382	(16,057)
Unrecognized net transition obligations	(28)	(2,108)
Unrecognized pension gain (loss)	(396,550)	8,926
Accrued pension cost (prepaid pension cost)	$ 314,804	$ (9,239)
Vested benefit	$ 7,465	$ -

	December 31, 2006		
	Far EasTone, KG Telecom, Far EasTron and Yuan Cing	KGEx.com	ARCOA
Benefit obligation			
Vested benefit obligation	$ 5,840	$ -	$ -
Non-vested benefit obligation	526,397	2,395	26,905
Accumulated benefit obligation	532,237	2,395	26,905
Additional benefits based on projected and future salaries	505,043	1,938	10,580
Projected benefit obligation	1,037,280	4,333	37,485
Fair value of plan assets	(388,087)	(6,610)	(48,900)
Funded status	649,193	(2,277)	(11,415)
Unrecognized net transition obligations (assets)	(7,273)	6,334	(2,530)
Unrecognized pension gain (loss)	(353,841)	1,827	4,131
Accrued pension cost (prepaid pension cost)	$ 288,079	$ 5,884	$ (9,814)
Vested benefit	$ 4,061	$ -	$ -

3) Actuarial assumptions were as follows:

	Year Ended December 31, 2007	
	Far EasTone, KG Telecom, KGEx.com, Far EasTron and Yuan Cing	ARCOA
Discount rate used in determining present value	3.00%	3.25%
Rate of future salary increase	3.50%	2.00%
Expected rate of return on plan assets	3.00%	3.25%

	Year Ended December 31, 2006		
	Far EasTone, KG Telecom, Far EasTron And Yuan Cing	KGEx.com	ARCOA
Discount rate used in determining present value	2.75%	2.75%	3.25%
Rate of future salary increase	3.50%	3.00%	2.00%
Expected rate of return on plan assets	2.75%	2.75%	3.50%

22. 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, with the transfer to be made 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 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 bonus 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 plans to improve financial structure.

A regulation issued by the Securities and Futures Bureau requires the setting aside from the unappropriated earnings of a special reserve equal to any debit balance of an account under stockholders' equity. The balance of this special reserve is adjusted on the basis of the debit balance of the stockholders' equity account at year-end.

Under the ROC Company Law, legal reserve should be appropriated until the accumulated reserve equals Far EasTone's paid-in capital. Legal reserve may be used to offset a deficit. When the reserve exceeds 50% of Far EasTone's paid-in capital, the excess may be distributed as follows: (a) if Far EasTone has no earnings, the excess may be declared as dividends or bonus; and (b) if Far EasTone has no deficit, only the excess portion that is over 25% of Far EasTone's paid-in capital may be declared as stock dividends.

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 tax credits 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 of the 2006 and 2005 earnings were approved by Far EasTone's stockholders on June 12, 2007 and May 26, 2006, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2006	**2005**	**2006**	**2005**
Legal reserve	$ 1,315,623	$ 1,471,741		
Special reserve	44,832	-		
Bonus to employees - cash	235,915	264,913		
Remuneration to directors and supervisors	117,958	132,457		
Cash dividend	12,005,255	12,005,255	$ 3.10	$ 3.10

The amounts of the above appropriations of earnings for 2006 and 2005 were consistent with the propositions of Far EasTone's board of directors held on April 19, 2007 and March 3, 2006, respectively. Had the above bonus to employees and directors been charged to net income in 2006 and 2005, the basic earnings per share for 2006 and 2005 (after tax), based on the weighted-average number of outstanding shares would have decreased from NT$3.40 to NT$3.31 and from NT$3.80 to NT$3.70, respectively.

The appropriation of the 2007 earnings of Far EasTone had not been proposed by the board of directors as of February 15, 2008. Related information can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of December 31, 2007 were as follows:

		GDRs (in Thousand 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)	21,152	317,276
GDRs transferred to common stock		(28,540)	(428,099)
Outstanding GDRs issued		3,073	46,098

1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell to foreign investors 150,000 thousand shares of Far EasTone's common stock in the form of 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 per unit.

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, 2007, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

3) In 2004, 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 common shares.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2007, Far EasTone had reissued 21,152 thousand units of GDRs representing 317,276 thousand common shares.

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

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

d. Capital reduction

To enhance the return of stockholders' equity, Far EasTone's board of directors proposed on April 30, 2007 to reduce capital by returning $7,745,326 thousand in cash to stockholders and decreasing common stock by 774,533 thousand shares. This capital reduction was approved at the stockholders' meeting on June 12, 2007. However, since Far EasTone issued 160,370 thousand shares to exchange for New Century InfoComm Tech Co., Ltd.'s common shares held by Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited on December 31, 2007 (Note 10), there were decreases in the capital reduction ratio from 20% to

19.204715% and in the cash return per share from NT$2.00 to NT$1.9204715. The paid-in capital was $32,585,008 thousand after the capital reduction on January 15, 2008. On January 22, 2008, this capital reduction was registered with the MOEA. Far EasTone's board of directors resolved that March 17, 2008 would be the share exchange date of the capital reduction, which had been approved by the authority.

e. Cumulative translation adjustments

Cumulative translation adjustments for the years ended December 31, 2007 and 2006 were summarized as follows:

	Years Ended December 31 2007	2006
Difference due to translation of foreign-currency financial statements		
Beginning balance	$ 4,960	$ 2,168
Recorded as adjustment under stockholders' equity	6,866	2,792
	$ 11,826	$ 4,960

f. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the years ended December 31, 2007 and 2006 were summarized as follows:

	Recognized from Equity-method Investments	Unrealized Gain (Loss) on Cash Flow Hedge	Total
Year ended December 31, 2007			
Beginning balance	$ (174)	$ (49,618)	$ (49,792)
Recorded as adjustments to stockholders' equity	19,684	(8,183)	11,501
Recognized as profit or loss	-	41,600	41,600
Ending balance	$ 19,510	$ (16,201)	$ 3,309
Year ended December 31, 2006			
Beginning balance (first time adoption of newly issued SFASs)	$ (532)	$ (68,446)	$ (68,978)
Recorded as adjustments to stockholders' equity	169	(19,999)	(19,830)
Recognized as profit or loss	226	38,827	39,053
Adjusted to hedged non-financial assets	(37)	-	(37)
Ending balance	$ (174)	$ (49,618)	$ (49,792)

23. INCOME TAX

a. The Income Basic Tax Act (the "IBT Act"), which took effect on January 1, 2006, requires that the income basic tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act plus tax benefit regulated by the Income Tax Act or other laws. The tax payable of the current year would be the higher of the income basic tax and income tax payable calculated in accordance with the Income Tax Act. The effect of the IBT Act on the Group's income tax is not material.

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

	Years Ended December 31 2007	2006
Income tax expense computed at statutory tax (25% to 33%)	$ 4,664,838	$ 5,452,901

Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	(443,752)	(999,461)
Equity in investees' net gains	(821,718)	(1,221,416)
Other	(184,739)	(3,131)
Temporary differences	(652,081)	(334,935)
Loss carryforwards used	(308)	-
Investment tax credits used	(79,171)	(203,178)
Unappropriated earnings tax (10%)	-	84,303
Income tax payable - current	2,483,069	2,775,083
Income tax expense on income subject to a separate rate of 20%	33,306	14,466
Prior year's adjustment	(27,850)	(35,527)
Income tax expense - current	$ 2,488,525	$ 2,754,022

Far EasTone's net operating income generated from the use of switches and cell sites acquired from January 1, 2000 to June 26, 2002 is exempt from income tax from June 26, 2002 to June 25, 2007.

c. Income tax expense consisted of:

	Years Ended December 31	
	2007	2006
Income tax expense - current	$ 2,488,525	$ 2,754,022
Income tax expense - deferred		
Temporary differences	652,081	357,307
	$ 3,140,606	$ 3,111,329

E. World, Far EasTron Holding, FEIS and KGTI were incorporated in Cayman Islands, Bermuda Islands and British Virgin Islands, respectively, where their incomes are tax-exempt.

d. Changes in income tax payable were as follows:

	Years Ended December 31	
	2007	2006
Beginning balance	$ 1,834,333	$ 2,132,118
Income tax expense – current	2,488,525	2,754,022
Income tax paid	(2,757,839)	(3,051,807)
Ending balance	$ 1,565,019	$ 1,834,333

e. Deferred income taxes assets (liabilities) as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	2006
Current		
Allowance for doubtful accounts	$ 736,755	$ 953,749
Loss carryforwards	53,341	36,675
Investment tax credits	26,841	3,971
Provision for losses on decline in value of inventories	18,767	17,960
Unrealized loss on financial instruments	5,400	-
Other	29,181	27,162
	870,285	1,039,517
Less - valuation allowance	112,602	65,620
	$ 757,683	$ 973,897

Noncurrent

Loss carryforwards	$ 390,865	$ 312,224
Goodwill amortization	(395,501)	(197,750)
Impairment loss on idle properties	217,021	217,021
Accrued pension cost	88,226	81,247
Equity in investees' net losses	44,386	22,963

	December 31	
	2007	**2006**
Depreciation resulting from the differences in estimated service lives of properties	$ 36,119	$ 281,071
Unrealized loss on financial instruments	3,372	16,540
Loss on disposal of properties	2,328	18,495
Investment tax credits	1,110	27,464
Other	(945)	13,776
	386,981	793,051
Less - valuation allowance	611,423	570,485
	$ (224,442)	$ 222,566

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

f. Integrated income tax information was as follows:

	December 31	
	2007	**2006**
Balance of imputation credit account (ICA)		
Far EasTone	$ 201,975	$ 247,789
KG Telecom	$ 9,856	$ 5,052
ARCOA	$ 11,595	$ 4,021

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2007 to unappropriated earnings as of such date was 1.61%. When the dividends from the unappropriated earnings as of December 31, 2006 was distributed in 2007, the actual ratio Far EasTone used was 20.74%.

Estimated ratio of the ICA balance for KG Telecom as of December 31, 2007 to unappropriated earnings as of such date was 0.25 %. When the dividends from the unappropriated earnings as of December 31, 2006 was distributed in 2007, the actual ratio KG Telecom used was 0.31%.

ARCOA, Yuan Cing, Far EasTron, KGEx.com and Q-Ware Com. had no appropriated earnings as of December 31, 2007. Thus, their ICA balances will be accumulated until dividend distribution in the future.

Based on the Income Tax Law, the imputation tax credits distributed to each stockholder are based on the ICA balance as of the date of dividend distribution. Thus, the estimated creditable ratio for the 2007 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2006 earnings appropriation had been determined, the actual ratio was disclosed.

g. Investment tax credits are as follows:

The unused investment tax credits of the Group as of December 31, 2007 are summarized as follows:

Far EasTone

Regulatory Basis of Tax Credits	**Items**	**Total Investment Tax Credits**	**Unused Investment Tax Credits**	**Expiry Year**
Statute for Upgrading Industries	Purchase of automated equipment or technology	$ 26,841	$ 26,841	2008

ARCOA

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Personnel training expenses	$ 623	$ 623	2009
	Personnel training expenses	487	487	2010
		$ 1,110	$ 1,110	

h. The unused loss carryforwards of the Group as of December 31, 2007 are as follows:

Expiry Year	ARCOA	KGEx.com	Far EasTron	Q-ware Com.
2008	$ -	$ 53,341	$ -	$ -
2009	-	70,079	-	-
2010	37,046	37,056	2,716	-
2011	50,252	48,574	10,521	-
2012	3,618	46,614	15,340	69,049
	$ 90,916	$ 255,664	$ 28,577	$ 69,049

i. The status of income tax returns is as follows:

Income tax returns through 2004 of Far EasTone had been examined by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2000 to 2004 returns. Thus, Far EasTone filed appeals for the reexamination of its 2000 to 2004 returns. Nevertheless, Far EasTone accrued the related tax.

Income tax returns through 2003 of KG Telecom and income tax returns through 2002 of the former KG Telecom had been examined by the tax authorities. However, KG Telecom disagreed with the tax authorities' assessment of the former KG Telecom's 2000 to 2002 returns and thus filed appeals for the reexamination of these returns. Nevertheless, KG Telecom accrued the related tax.

Income tax returns through 2004 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 to 2003 returns and thus filed appeals for the reexamination of these returns. Nevertheless, ARCOA accrued the related tax.

Income tax returns of KGEx.com, Yuan Cing and Far Eastron through 2005 had been examined and cleared by the tax authorities. Q-ware Com. has not filed for its income tax return since it was incorporated in 2007.

24. FACTORING OF NONPERFORMING ACCOUNTS RECEIVABLE

Far EasTone and KG Telecom wrote off certain overdue/nonperforming accounts receivables. Under agreements signed in March 2007 and 2006, Far EasTone and KG Telecom factored these receivables, i.e. sold them without recourse to an asset management company. Thus, Far EasTone and KG Telecom were no longer responsible for collecting these receivables.

Related information for the years ended December 31, 2007 and 2006 were as follows:

Counter Party	Amount of Factored Accounts Receivable	Proceeds of the Factoring of Accounts Receivable
Year ended December 31, 2007		
Hui Cheng First Asset Management Co., Ltd. - Far EasTone	$ 1,158,871	$ 26,979
Hui Cheng First Asset Management Co., Ltd. - KG Telecom	1,864,698	29,285
	$ 3,023,569	$ 56,264
Year ended December 31, 2006		
Hui Cheng First Asset Management Co., Ltd. - KG Telecom	$ 679,069	$ 23,862

25. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2007			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 584,951	$ 2,167,053	$ -	$ 2,752,004
Pension	57,292	165,054	-	222,346
Meal	17,396	74,133	-	91,529
Employee benefit	1,404	105,376	-	106,780
Insurance	53,671	174,155	-	227,826
Miscellaneous	6,479	53,534	-	60,013
	$ 721,193	$ 2,739,305	$ -	$ 3,460,498
Depreciation	$ 9,862,094	$ 1,331,644	$ 18,807	$ 11,212,545
Amortization	$ -	$ 64,234	$ -	$ 64,234

	Year Ended December 31, 2006			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 612,241	$ 2,137,564	$ -	$ 2,749,805
Pension	52,112	155,099	-	207,211
Meal	16,913	79,402	-	96,315
Employee benefit	1,408	71,915	-	73,323
Insurance	52,117	192,016	-	244,133
Miscellaneous	14,487	54,088	-	68,575
	$ 749,278	$ 2,690,084	$ -	$ 3,439,362
Depreciation	$ 10,095,498	$ 1,704,550	$ 17,721	$ 11,817,769
Amortization	$ -	$ 111,013	$ -	$ 111,013

26. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2007					
Basic EPS					
Net income - Far EasTone	$ 13,690,944	$ 11,619,441	3,873,102	$ 3.53	$ 3.00
Year ended December 31, 2006					
Basic EPS					
Net income - Far EasTone	$ 14,586,019	$ 13,156,225	3,872,663	$ 3.77	$ 3.40

27. FINANCIAL INSTRUMENTS

a. Fair value information

	December 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 146,512	$ 146,512
Available-for-sale financial assets - current	1,621,420	1,621,420	699,782	699,782
Bonds carried at amortized cost - current	3,000	-	3,000	-
Equity-method investments	6,750,690	-	449,500	-
Financial assets carried at cost - noncurrent	292,061	-	177,137	-
Refundable deposits	412,077	410,908	404,847	404,599
Liabilities				
Hedging derivative financial liabilities (including current portion)	21,601	21,601	66,158	66,158
Bonds payable (including current portion)	2,670,000	2,670,000	5,630,000	5,630,000
Long-term bank loans (including current portion)	95,238	95,238	133,333	133,333
Lease payable (including current portion)	57,068	57,068	97,518	97,518
Guarantee deposits received (including current portion)	949,691	949,691	1,146,339	1,146,339

b. Methods and assumptions used for estimating the fair values of financial instruments were as follows:

1) Cash and cash equivalents, accounts and notes receivable, receivables from related parties, pledged certificates of deposits, short-term bank loans, notes payable, accounts payable, payables to related parties and payables for acquisition of properties, excluded from the financial instruments mentioned in the table above, are recorded at their carrying values because of the short maturities of these instruments.

2) If quoted market prices are available, these are used as fair values of financial assets at fair value through profit or loss and available-for-sale financial assets.

If quoted market prices are not available, the fair values are evaluated by the Group using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Group.

The Group uses the long-term interest and exchange rate quotations of Reuters (or Bloomberg) to calculate the fair value of each interest rate swap and forward contract based on the net cash flow and the exchange rate, respectively.

3) The fair values of financial assets carried at cost - noncurrent, bonds carried at amortized cost - current and equity-method investments with no quoted market prices cannot be estimated because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost.

4) Fair values of bonds payable, lease payable, long-term bank loans, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.

c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	December 31			
	Quoted Price		Estimated Price	
	2007	2006	2007	2006
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ 146,512	$ -	$ -
Available-for-sale financial assets - current	1,621,420	699,782	-	-
Liabilities				
Hedging derivative financial liabilities (including current portion)	-	-	21,601	66,158

d. As of December 31, 2007 and 2006, financial assets with fair value risk from interest rate fluctuations amounted to $9,552,969 thousand and $7,455,537 thousand, respectively, while financial liabilities with fair value risk from interest rate fluctuations amounted to $1,006,759 thousand and $4,203,857 thousand, respectively. As of December 31, 2007 and 2006, financial assets with cash flow risk from interest rate fluctuations amounted to $1,189,016 thousand and $855,109 thousand, respectively, while financial liabilities with cash flow risk from interest rate fluctuations amounted to $3,034,453 thousand and $2,932,289 thousand, respectively.

e. Financial risks

1) Market risk

Far EasTone 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.

Fair values of mutual funds and domestic quoted stocks held by KG Telecom and ARCOA are determined at their quoted prices in an active market; thus, market price fluctuations would result in changes in the fair values of these investments. However, since KG Telecom and ARCOA periodically evaluate the performance of these investments, market risk is expected to be immaterial.

ARCOA entered into forward contracts to hedge its exposure to exchange rate fluctuations on firm commitments for the year ended December 31, 2006. Gains or losses on exchange rates fluctuations of the forward contracts were likely to offset the gains or losses on the hedged item. As a result, no significant exposure to market risk was anticipated.

2) Credit risk

The Group is exposed to credit risk on counter-parties default on contracts. The Group's maximum exposure to credit risk is equal to book value. The Group conducts transactions only with selected financial institutions and corporations with good credit ratings. Thus, management does not anticipate any material loss resulting from default on contracts.

3) Liquidity risk

The Group has sufficient operating capital to meet cash flow requirement. Thus, the Group does not have liquidity risk.

Far EasTone entered into interest rate swap to hedge cash flow risk. The interest rate swap contracts are settled at net amounts; thus, and the expected cash demand is not significant. However, Far EasTone also possessed equity-method investment with no quoted prices in an active market; thus, it might face liquidity risk.

KG Telecom invested in domestic quoted stocks and mutual funds that have quoted prices in active markets and can be sold immediately at prices close to their fair values. However, KG Telecom also invested in domestic private funds and equity-method investments with no quoted prices in an active market; thus, these investments could expose KG Telecom to liquidity risks.

ARCOA invested in mutual funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values. However, ARCOA also invested in financial bonds and equity instruments with no quoted prices in an active market; thus, these investments could expose ARCOA to liquidity risks. ARCOA entered into forward contracts, for which settlement is at predetermined exchange rates; thus, ARCOA did not have material liquidity risk.

4) Cash flow risk from interest rate fluctuations

The Group has short-term and long-term liabilities with floating interest rates. As a result, the effective interest rates on these loans will change as the market interest rates change.

f. Cash flow hedge

Far EasTone used interest rate swap to hedge overall cash flow fluctuations on its liabilities.

	Designated Hedging Instruments				Expected Year for
		Fair Value December 31		Expected	Realization
Hedged Items	Financial Instruments Designated	2007	2006	Year of Cash Flows	of Gains or Losses
Bonds with floating interest rates	Interest rate swap - Far EasTone	$ (21,601)	$(66,158)	2003-2008	2003-2008

28. RELATED-PARTY TRANSACTIONS

The Group's related parties and their relationships were as follows:

Related Party	Relationship with the Group
Far Eastern Textile Ltd.	Ultimate parent company
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman (became equity-method investee since December 31, 2007)
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 Technology Ltd.	Equity-method investee of KG Telecom
Digital United Inc.	Subsidiary of NCIC (became related party since December 31, 2007)
NTT DoCoMo Inc.	Director of Far EasTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Far Eastern Technology Developmental Foundation (FETTDF)	Far EasTone's donation is over one third of the foundation's fund
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Yuan Ding Co.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Far Eastern International Bank	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Memorial Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Medical Foundation (FEMF)	Same chairman
Yuan-Ze University	Same chairman
Far Eastern Construction Co., Ltd.	Same ultimate parent company
Yuang Tong Investment Corporation	Same ultimate parent company
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Yuan Ding Investment Corporation	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Taiwan Recycling Corp.	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Pacific Petrochemical (Holding) Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Fashionline Saigon Ltd.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Industries (Jiu Jiang) Ltd.	Same ultimate parent company
Oriental Petrochemical (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Apparel (Suzhou) Ltd.	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Shanghai Far Eastern Petrochemical Logistic Ltd.	Same ultimate parent company
Shanghai Far Eastern IT Company	Same ultimate parent company
Wu Han Far Eastern New Material Ltd.	Same ultimate parent company

In addition to those disclosed in Notes 20 and 29, the Group's significant transactions with the above parties are summarized as follows:

		2007		2006	
		Amount	%	Amount	%
During the year					
Operating revenue	a.				
NCIC	b.	$ 596,795	1	$ 608,326	1
Other	p.	110,119	-	65,068	-
		$ 706,914	1	$ 673,394	1
Operating costs and expenses					
Cost of telecommunications service					
NCIC	b.	$ 113,660	-	$ 202,986	1
Other	p.	15,907	-	7,474	-
		$ 129,567	-	$ 210,460	1
Rental					
FETRD	c.	$ 45,399	1	$ 52,221	1
FEILC	d.	36,897	1	36,892	1
NCIC	e.	36,680	1	15,035	-
Other	p.	12,413	-	13,346	-
		$ 131,389	3	$ 117,494	2
Research and development expense					
FETTDF	f.	$ 8,639	11	$ 14,979	32
Service fee					
FCHRC	g.	$ 52,232	40	$ 53,898	39
Marketing expense					
DDIM	h.	$ 142,220	1	$ 47,521	-

		2007		2006	
		Amount	%	Amount	%
Donation expense					
FEMF	i.	$ 200,000	88	$ -	-
Yuan-Ze University	l.	16,000	7	16,000	19
		$ 216,000	95	$ 16,000	19
Nonoperating income and gains					
Guarantee services revenue					
FETC	j.	$ 285	-	$ -	-
Other revenue					
FETC	k.	$ -	-	$ 17,894	5
At end of year					
Receivables from related parties					
Accounts and notes receivable					
NTT DoCoMo Inc.	m.	$ 14,229	44	$ 7,730	14
FETC	n.	7,698	24	2,224	4
NCIC	b.	1,089	3	6,843	12
Other	p.	2,014	6	1,593	3
		25,030	77	18,390	33
Other receivables					
FETC	k.	5,174	16	33,850	59
NCIC	b.	2,489	7	4,802	8
		7,663	23	38,652	67

		$ 32,693	100	$ 57,042	100
Refundable deposits					
DDIM	h.	$ 48,922	12	$ 40,256	10
Other	p.	8,950	2	7,714	2
		$ 57,872	14	$ 47,970	12
Payables to related parties					
NCIC	b. and e.	$ 97,901	48	$ 58,089	46
DDIM	h.	69,889	35	48,868	39
NTT DoCoMo Inc.	o.	4,626	2	5,219	4
FETRC	c.	3,355	2	4,294	3
FEILC	d.	2,389	1	6,588	5
Other	p.	23,823	12	3,971	3
		$ 201,983	100	$ 127,029	100
Lease payable (including current portion)					
FEILC	d.	$ 56,718	99	$ 96,654	99

Financing to related parties was as follows:

Related Party	Highest Balance Held During the Year	Ending Balance (Included in Receivables from Related Parties)	Rate %	Interest	Collateral
Year ended December 31, 2007					
FETC	$ 50,000	$ -	6.685-6.915	$ 2,081	$ -

Descriptions of transactions with related parties were as follows:

a. Operating revenues (such as service revenue and revenues from sales of cellular phone equipments, accessories 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.com and NCIC were sales of cellular phone units and accessories and interconnection activities for NCIC's use of Far EasTone's, KG Telecom's and KGEx.com's network were included in telecommunications service revenues. The interconnection fees paid by Far EasTone, KG Telecom and KGEx.com on their 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.com were included in cost of telecommunications services. The international direct dialing revenue collected by Far EasTone and KG Telecom for NCIC was treated as a reduction of telecommunications service revenues and was included in payables to related parties.

c. Far EasTone leased from FETRD several parcels of the land and building spaces under contracts with terms 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.

d. 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; and (c) vehicles. The contracts will remain valid unless either Far EasTone or FEILC informs the other party to cancel the contracts.

   When the contracts expire, Far EasTone is entitled to renew the contracts or to 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.com lease from FEILC computer equipment and office equipment under capital lease agreements, with amounts of $41,206 thousand and $41,166 thousand paid for the years ended December 31, 2007 and 2006, respectively (Note 20).

e. Far EasTone leased from NCIC the office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts.

f. FETTDF provided telecommunications technology researches and training programs to Far EasTone and KG Telecom.

g. The Group have contracts with FCHRC for manpower dispatching services, under which the Group paid for FCHRC's providing the Group with temporary or specific personnel demands.

h. 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. Far EasTone and KG Telecom had given DDIM monthly refundable deposits, which were calculated at a fixed percentage of the unused reward points.

i. KG Telecom made donation to non-profit organizations.

j. Far EasTone provided FETC with $154,000 thousand as endorsement for its bank loans, with charges to FETC based on the agreed rate.

k. Far EasTone contracted with FETC to implement the trouble ticket for handling ticket problems or customer complaints and the service fees were included in nonoperating income and gains. In addition, Far EasTone gave FETC advances for its daily operating expenditures and treated as receivables from related parties.

l. Far EasTone made donation to non-profit organizations for further integration and development of telecommunications business and personnel.

m. Far EasTone and KG Telecom provided international roaming services to the customers of NTT DoCoMo Inc. The service revenues were treated as telecommunications service revenues and receivables from related parties.

n. KGEx.com charged FETC for the providing of co-location services, which were included in receivables from related parties.

o. The payments made by Far EasTone and KG Telecom for using the I-Mode services of NTT DoCoMo Inc. were included in payables to related parties.

p. 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.

29. COMMITMENTS AS OF DECEMBER 31, 2007

The Group had the following significant commitments:

a. The Group were under contracts to acquire properties and cellular phone equipment for $1,612,567 thousand and $449,129 thousand, respectively.

b. The Group's outstanding letters of credit amounted to ￥470 thousand (equivalent to $136 thousand), US$599 thousand (equivalent to $19,427 thousand) and $141,000 thousand.

c. Payments for the rentals of land, buildings and cell sites of the Group for the future years are summarized as follows:

Year	Amount
2008	$ 2,722,140
2009	2,767,652
2010	2,819,489
2011	2,882,417
2012	2,979,041

d. Oriental Securities Investment Advisory Co. that manages KG Telecom's funds of $300,000 thousand is based on a discretionary portfolio management agreement. Under the agreement, the portfolio can include domestic quoted stocks, government bonds, corporate bonds and commercial papers or bonds under resell agreements. However, investments in the affiliates of the Group, other domestic telecommunications companies and their derivatives are prohibited. As of December 31, 2007, the carrying value of the funds was $362,014 thousand as follows:

	December 31, 2007
Cash and cash equivalent	$ 81,583
Available-for-sale financial assets - current	293,282
Receivables from the sale of securities (included in other current assets)	8,709
Payables for the purchase of securities (included in other current liabilities)	(21,320)
Other	(240)
	$ 362,014

e. Under the NCC's policy effective April 1, 2007, Far EasTone had provided performance guarantees amounting to $450,000 thousand to KG Telecom and $45,000 thousand to KGEx for prepaid cards and international direct dialing calling cards already bought by customers. KG Telecom had also provided Far EasTone a similar guarantee amounting to $850,000 thousand.

30. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for customs duties, long-term and short-term bank loans and the purchase of inventory, were as follows:

	December 31	
	2007	2006
Pledged certificates of deposits - current	$ 39,036	$ 53,508
Pledged certificates of deposits - noncurrent (included in other assets - other)	16,099	9,102
Properties, net	479,892	492,108
	$ 535,027	$ 554,718

31. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

a. Important transactions and b. information on the Group's investees.

1) Financing provided: Schedule A

2) Endorsement/guarantee provided: Schedule B

3) Marketable securities and investments held: Schedule C

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

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

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

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

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule F

9) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule G

10) Derivative financial instruments of investees: Note 27

c. Investment in Mainland China:

1) 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 H

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 28

3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None

4) Financings directly or indirectly provided to the investees: None

5) Other transactions that significantly impacted current period's profit or loss or financial position: None

d. Additional disclosure for consolidated financial statements:

1) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule I

2) Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None

32. SEGMENT INFORMATION

a. Industry: Schedule J.

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. A customer accounting for at least 10% of the Group's total operating revenue was as follows:

	2007		2006	
	Amount	**Percentage of Operating Revenue (%)**	**Amount**	**Percentage of Operating Revenue (%)**
Company A	$ 9,679,703	15	$ 10,637,096	16

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note A)	Financing Company's Financing Amount Limits (Note B)
											Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Far Eastern Electronic Toll Collection Co., Ltd.	Receivables from related parties	$50,000	$-	6.685% - 6.915% (NoteC)	Business relationship	$50,092 (Note A)	-	$-	-	$-	$50,092	$39,667,000

Note A: The amount of financing provided for business relationship is limited to the transaction amounts. The transaction amounts is the higher amount within the latest two years at the time of agreement.
Note B: The maximum total financing providing amount should not exceed 50% of Far EasTone's net worth of most current audited or reviewed financial statements.
Note C: Calculation based on the floating rate for 1-year time deposit of the Bank of Taiwan plus 4.5% risk premium.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party (Note A)	Maximum Balance for the Year	Ending Balance	Value of Collateral Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$39,667,000	$450,000	$450,000	$-	0.57%	$79,334,000
		KGEx.com Co., Ltd.	Subsidiary of KG Telecom	39,667,000	45,000	45,000	-	0.06%	79,334,000
		Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	39,667,000	154,000	-	-	-	79,334,000
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	17,513,573	850,000	850,000	-	2.43%	35,027,145

Note A: The maximum total guarantee/endorsement amount were equal to Far EasTone's and KG Telecom's net worth, while the limit of guarantee/endorsement amount for each receiving party should not exceed 50% of Far EasTone's and KG Telecom's net worth.
Note B: The maximum balance for the year and the ending balance shown above were the amounts allowed, not the actual appropriations.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note	Highest Shares/ Units Held During the Year
				Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value		
Far EasTone Telecommunications Co., Ltd.	Stocks								
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	$1,332,997,916	$35,027,145	100.00	$35,027,145	Note A	1,332,997,916
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	980,315,483	6,062,000	24.51	6,062,000	Note A	980,315,483
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	79,353,013	999,769	59.10	999,769	Note A	79,353,013
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	644,856	41.18	644,856	Note A	157,714,020
	Q-ware Communications Co., Ltd	Equity-method investee	Equity-method investments	36,459,930	352,102	51.00	352,102	Note A	36,459,930
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	138,977	100.00	138,977	Note A	1,200
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	61,082	85.92	61,082	Note A	6,014,622
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	39,314	100.00	39,314	Note A	4,486,988
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,500,000	17,300	15.00	17,300	Note A	4,500,000
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	100,000	233	0.67	233	Note A	100,000
KG Telecommunications Co., Ltd.	Stocks								
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	186,390,714	939,042	74.56	939,042	Note A	186,390,714
	KGT International Holding Co., Ltd.	Equity-method investee	Equity-method investments	50,000	73,972	100.00	73,972	Note A	50,000
	iScreen	Equity-method investee	Equity-method investments	4,000,000	26,534	40.00	26,534	Note A	4,000,000
	UNI-PRESIDENT	-	Available-for-sale financial assets - current	550,000	24,145	-	24,145	Note E	550,000
	FPC	-	Available-for-sale financial assets - current	100,000	9,110	-	9,110	Note E	200,000
	AUO	-	Available-for-sale financial assets - current	350,000	22,225	-	22,225	Note E	600,000
	FCFC	-	Available-for-sale financial assets - current	150,000	12,450	-	12,450	Note E	200,000
	ACER	-	Available-for-sale financial assets - current	400,000	25,400	-	25,400	Note E	400,000
	RT	-	Available-for-sale financial assets - current	250,000	28,125	-	28,125	Note E	250,000
	ELAN	-	Available-for-sale financial assets - current	200,000	12,720	-	12,720	Note E	350,000
	EMC	-	Available-for-sale financial assets - current	400,000	11,840	-	11,840	Note E	400,000
	FARADAY	-	Available-for-sale financial assets - current	200,000	14,500	-	14,500	Note E	200,000
	E.TON SOLAR	-	Available-for-sale financial assets - current	25,000	7,800	-	7,800	Note E	25,000

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note	Highest Shares/ Units Held During the Year
				Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value		
	PT TECH.	-	Available-for-sale financial assets - current	105,000	$23,205	-	$23,205	Note E	$105,000
	SAS	-	Available-for-sale financial assets - current	70,000	18,550	-	18,550	Note E	70,000
	CHIPBOND	-	Available-for-sale financial assets - current	500,000	16,200	-	16,200	Note E	500,000
	THEIL	-	Available-for-sale financial assets - current	150,000	14,250	-	14,250	Note E	150,000
	N.P.C	-	Available-for-sale financial assets - current	65,000	14,397	-	14,397	Note E	190,000
	SOFT-WORLD	-	Available-for-sale financial assets - current	200,000	17,540	-	17,540	Note E	400,828
	MOTECH	-	Available-for-sale financial assets - current	70,000	20,825	-	20,825	Note E	105,000
	Open-ended mutual funds								
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	811,265	-	811,265	Note B	73,960,494.25
	JF (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	196,828	-	196,828	Note B	200,000,000.00
	IBT 101 global mortgage securitization fund	-	Available-for-sale financial assets - current	4,734,489.80	48,955	-	48,955	Note B	4,734,489.80
	Private funds								
	FEA Long-Short Private Placement Fund	-	Financial assets carried at cost - noncurrent	10,000,000.00	100,000	-	-	Note C	10,000,000.00
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	-	Note C	14,866,204.20
ARCOA Communication Co., Ltd.	Stocks								
	THI consultants	-	Financial assets carried at cost - noncurrent	1,134,200	13,729	18.29	-	Note C	1,134,200
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,830,901	6,714	4.20	-	Note C	2,830,901
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	2,000,000	20,000	0.13	-	Note C	2,000,000
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	Note C	160,627
	Open-ended mutual funds								
	Pca Well Pool Fund		Available-for-sale financial assets - current	10,268,382.27	150,663	-	150,663	Note B	10,268,382.27
	Yuanta Wan Tai Bond Fund		Available-for-sale financial assets - current	8,486,961.50	120,427	-	120,427	Note B	8,486,961.50
	Bonds								
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds carried at amortized cost - current	3,000,000.00	3,000	-	-	Note C	3,000,000.00

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note	Highest Shares/ Units Held During the Year
				Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value		
Far Eastern Info Service (Holding) Ltd.	Share certificates								
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$3,664,000	100.00	US$3,664,000	Note A	$-
Far EasTron Holding Ltd.	Stocks								
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	14,900,000	US$1,198,000	99.33	US$1,198,000	Note A	14,900,000
E. World (Holdings) Ltd.	Stocks								
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$1,913,000	99.99	US$1,913,000	Note A	19,349,994
	Ideaculture (Cayman) Ltd.	-	Financial assets carried at cost - noncurrent	1,195,141	-	17.96	-	Note C	1,195,141
KGT International Holding Co., Ltd.	Stocks								
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	11,465,000	57,761	4.59	57,761	Note A	11,465,000

Note A: The calculation was based on audited financial statements as of December 31, 2007.
Note B: The market values of open-ended mutual funds were calculated at their net asset values as of December 31, 2007.
Note C: The calculation was based on cost because the security did not have a quoted price in an active market.
Note D: The carrying values of available-for-sale financial assets - current were equal to their market values as of December 31, 2007.
Note E: The calculation of domestic publicly traded stocks was based on their closing prices at the end of December 31, 2007.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				The Change Due to Equity-method	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss		Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investments	Issuance of capital stock for cash	-	106,650,000	$395,686	51,064,020	$510,640	-	$-	$-	$-	$(261,470) (Note B)	157,714,020	$644,856
	Q-ware Communications Co., Ltd.	Equity-method investments	Issuance of capital stock for cash	-	-	-	36,459,930	495,855	-	-	-	-	(143,753) (Note C)	36,459,930	352,102
	New Century InfoComm Tech Co., Ltd.	Equity-method investments	Note D	-	-	-	980,315,483	6,062,000	-	-	-	-	-	980,315,483	6,062,000
KG Telecommunications Co., Ltd.	Fuh Hwa Value Added Strategy Fund	Financial assets carried at cost - noncurrent	-	-	-	-	14,866,204.20	150,000	-	-	-	-	-	14,866,204.20	150,000
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	Available-for-sale financial assets - current	-	-	46,468,833.40	500,000	27,491,660.85	300,000	-	-	-	-	-	73,960,494.25	800,000
ARCOA Communication Co., Ltd.	Capital Income Fund	Financial assets at fair value through profit or loss - current	-	-	6,145,477.50	91,500	8,024,889.30	120,000	14,170,366.80	212,428	211,500	928	-	-	-
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	12,006,806.13	140,000	12,006,806.13	140,498	140,000	498	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	1,368,578.80	20,000	6,102,652.10	90,000	7,471,230.90	110,424	110,000	424	-	-	-
	Pca Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	10,268,382.27	150,000	-	-	-	-	-	10,268,382.27	150,000
	Yuanta Wan Tai Bond Fund	Available-for-sale financial assets - current	-	-	-	-	8,486,961.50	120,000	-	-	-	-	-	8,486,961.50	120,000

Note A: Except for the disposal price, other amounts were their respective investment costs.

Note B: Including equity in investee's net losses of 291,046 thousand and the effect of change in ownership percentage due to investee's issuance of capital stock for cash amounting to 29,576 thousand.

Note C: Equity in investee's net losses.

Note D: Issuance of common stock 160,370 thousand shares for exchange of New Century InfoComm Tech Co., Ltd.'s shares held by Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited.

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
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/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 service revenues	$(2,828,152)	(7%)	Based on agreement	-	-	Accounts receivable $329,351	6%
			Cost of telecommunications services	1,831,295	9%	Based on agreement	-	-	Accounts payable (138,458)	(15%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and telecommunications service revenues	(142,695)	-	Based on agreement	-	-	Accounts receivable 166,627	3%
			Cost of telecommunications services, marketing expenses and cost of sales	1,680,574	5%	Based on agreement	-	-	Accounts payable and accrued expense (266,558)	(6%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications service revenues	(268,304)	(1%)	Based on agreement	-	-	Accounts receivable 34,750	1%
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications service revenues	(461,167)	(1%)	Based on agreement	-	-	Accounts receivable (Note) -	-
									Accounts payable (Note) (56,247)	(6%)
	Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of Far Eastern Info Service (Holding) Ltd.	Service fee	133,724	60%	Based on agreement	-	-	Accrued expense (25,233)	(1%)
KG Telecommunications Co., Ltd. (KG Telecom)	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(1,831,295)	(9%)	Based on agreement	-	-	Accounts receivable 138,458	7%
			Cost of telecommunications services	2,828,152	26%	Based on agreement	-	-	Accounts payable (329,351)	(65%)
	ARCOA Communication Co., Ltd.	Same parent company	Marketing expenses and cost of sales	379,293	12%	Based on agreement	-	-	Accounts payable and accrued expense (54,000)	(4%)
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications service revenues	(104,043)	(1%)	Based on agreement	-	-	Accounts receivable (Note) -	-
									Accounts payable (Note) (8,080)	(2%)
	KGEx.com Co., Ltd.	Subsidiary	Telecommunications service revenues	(124,909)	(1%)	Based on agreement	-	-	Accounts receivable 16,717	1%
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(1,680,574)	(33%)	Based on agreement	-	-	Accounts receivable 266,558	84%
			Cost of sales	142,695	31%	Based on agreement	-	-	Accounts payable (166,627)	(33%)
	KG Telecommunications Co. Ltd.	Same parent company	Commission revenue and sales of cellular phone equipment and accessories	(379,293)	(8%)	Based on agreement	-	-	Accounts receivable 54,000	17%
KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Cost of telecommunications services	268,304	29%	Based on agreement	-	-	Accounts payable (34,750)	(19%)
	KG Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	124,909	14%	Based on agreement	-	-	Accounts payable (16,717)	(9%)
Far Eastern Tech-info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenue	(133,724)	(76%)	Based on agreement	-	-	Accounts receivable 25,233	93%

Note: All interconnect revenues, costs and collection of international direct dial revenues between Far EasTone, KG Telecom and NCIC were settled at net amounts and were included in payables to related parties.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
ACCOUNTS AND NOTES RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	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	$649,022	(Note A)	$-	-	$400,976	$-
	ARCOA Communication Co., Ltd.	Subsidiary	181,648	6.83	-	-	113,188	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	789,247	(Note B)	-	-	607,308	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	266,558	6.77	-	-	179,392	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for KG Telecom's daily operating expenditures.

NoteB: The turnover rate was unavailable as the receivables from related parties were mainly due to collection of telecommunications bills by Far EasTone for KG Telecom.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2007
(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, 2007			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2007	December 31, 2006	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	$35,027,145	$3,895,307	$3,895,207	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,062,000	-	980,315,483	24.51	6,062,000	(235,630)	-	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sale of communications products and office equipment	1,278,944	1,278,944	79,353,013	59.10	999,769	(44,883)	(27,259)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,066,500	157,714,020	41.18	644,856	(717,513)	(291,046)	Notes B and C
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	-	36,459,930	51.00	352,102	(281,868)	(143,753)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	138,977	(3,319)	(3,319)	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	61,082	(6,606)	(5,676)	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	39,314	(61,207)	(61,207)	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	17,300	(55,304)	(9,490)	Notes B and C
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	1,000	100,000	0.67	233	(61,358)	(409)	Notes B and D
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,197,794	2,197,794	186,390,714	74.56	939,042	(190,346)		Notes B and D
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	73,972	(8,941)		Notes B and D
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	26,534	13,928		Notes B and E
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer data providing service	US$2,500,000	US$2,500,000	-	100.00	US$3,664,000	(2,859)		Notes B and D
Far EasTron Holding Ltd.	Far EasTron Co., Ltd.	Taiwan	Internet service	US$4,532,000	US$4,532,000	14,900,000	99.33	US$1,198,000	(61,358)		Notes B and D
E. World (Holdings) Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	99.99	US$1,913,000	7,069		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	11,465,000	4.59	57,761	(190,346)		Notes B and D

Note A:Subsidiary.
Note B:Calculation was based on audited financial statements as of December 31, 2007.
Note C:Equity-method investee of Far EasTone.
Note D:Subsidiary of KG Telecom, E. World (Holdings), Far Eastern Info Service (Holding), or Far EasTron Holding.
Note E:Equity-method investee of KG Telecom.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007

(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, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2007 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2007	Accumulated Investment in Mainland China as of December 31, 2007	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	$81,075 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$(2,859)	$118,824 (US$3,664,000)	$ -	$92,616	$92,616	$17,366,800 (Note C)

Note A: Calculation was based on audited financial statements as of December 31, 2007.

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

Note C: Based on the limit stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued by the ROC Investment Commission, MOEA on March 1, 2004.

Note D: Please refer to Note 28 for significant transactions with the investee company.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	Year ended December 31, 2007						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$649,022	Note D	1%
				Inventories	14,979	Note D	-
				Payables to related parties	789,247	Note D	1%
				Unearned revenues	5,191	Note D	-
				Telecommunications service revenues	2,828,152	Note D	4%
				Cost of telecommunications services	1,831,295	Note D	3%
				Marketing expenses	207,308	Note D	-
				Nonoperating income and gains	153,152	Note D	-
				Management service revenue	121,573	Note D	-
				Nonoperating expense and losses	736	Note D	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	181,648	Note D	-
				Inventories	568	Note D	-
				Payables to related parties	266,558	Note D	-
				Unearned revenues	58,945	Note D	-
				Sales of cellular phone equipment and accessories, net	26,288	Note D	-
				Telecommunications service revenues	116,407	Note D	-
				Cost of sales	1,071,211	Note D	2%
				Other operating costs	46,636	Note D	-
				Marketing expenses	62,727	Note D	1%
				Nonoperating income and gains	3,780	Note D	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	44,633	Note D	-
				Payables to related parties	2,269	Note D	-
				Telecommunications service revenues	268,304	Note D	-
				Cost of telecommunications services	8,628	Note D	-
				General and administrative expenses	6,994	Note D	-
				Nonoperating income and gains	50	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	25,233	Note D	-
				General and administrative expenses	133,724	Note D	-
		Far EasTron Co., Ltd.	1	Receivables from related parties	4,000	Note D	-
				Management service revenues	2,400	Note D	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties		Note D	-
				Payables to related parties		Note D	-
				General and administrative expenses		Note D	-
				Management service revenue		Note D	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties		Note D	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	$789,247	Note D	1%
				Inventories	5,191	Note D	-
				Payables to related parties	649,022	Note D	1%
				Unearned revenues	14,979	Note D	-
				Telecommunications service revenues	1,831,295	Note D	3%
				Cost of telecommunications services	2,862,245	Note D	4%
				Marketing expenses	193,403	Note D	-
				General and administrative expenses	45,097	Note D	-
				Research and development expenses	1,586	Note D	-
				Nonoperating income and gains	208,044	Note D	-
				Nonoperating expense and losses	546	Note D	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	18,773	Note D	-
				Inventories	166	Note D	-
				Payables to related parties	54,000	Note D	-
				Unearned revenues	43,005	Note D	-
				Sales of cellular phone equipment and accessories, net	7	Note D	-
				Telecommunications service revenues	36	Note D	-
				Cost of sales	319,395	Note D	-
				Marketing expenses	59,898	Note D	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	47,578	Note D	-
				Payables to related parties	3,400	Note D	-
				Telecommunications service revenues	124,909	Note D	-
				Cost of telecommunications services	248	Note D	-
				General and administrative expenses	35,999	Note D	-
				Management service revenue	15,042	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	9,092	Note D	-
				General and administrative expenses	40,547	Note D	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	266,558	Note D	-
				Inventories	58,945	Note D	-
				Payables to related parties	181,648	Note D	-
				Sales of cellular phone equipment and accessories, net	2,018,097	Note D	3%
				Other operating revenues	409,066	Note D	1%
				Cost of sales	912,193	Note D	1%
				Cost of telecommunications services	119,104	Note D	-
				General and administrative expenses	227	Note D	-
				Nonoperating income and gains	139,028	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	54,000	Note D	-
				Inventories	43,005	Note D	-
				Payables to related parties	18,773	Note D	-
				Sales of cellular phone equipment and accessories, net	422,620	Note D	1%
				Other operating revenues	49,322	Note D	-
				Cost of sales	92,526	Note D	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	425	Note D	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
3	KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	$2,269	Note D	-
				Payables to related parties	44,633	Note D	-
				Telecommunications service revenues	8,628	Note D	-
				Other operating revenues	6,994	Note D	-
				Cost of telecommunications services	268,304	Note D	-
				Nonoperating expense and losses	50	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	3,400	Note D	-
				Payables to related parties	47,578	Note D	-
				Telecommunications service revenues	248	Note D	-
				Cost of telecommunications services	124,909	Note D	-
				Other operating revenues	35,999	Note D	-
				General and administrative expense	15,042	Note D	-
		Far EasTron Co., Ltd.	3	Receivables from related parties	229	Note D	-
				Telecommunications service revenues	2,699	Note D	-
		Q-ware communications Co., Ltd.	3	Receivables from related parties	1,359	Note D	-
				Telecommunications service revenues	3,071	Note D	-
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	25,233	Note D	-
				Other operating revenues	133,724	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	9,092	Note D	-
				Other operating revenues	40,547	Note D	-
5	Far EasTron Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	4,000	Note D	-
				General and administrative expenses	2,400	Note D	-
		KGEx.com Co., Ltd	3	Payables to related parties	229	Note D	-
				Service cost	2,699	Note D	-
6	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	2,754	Note D	-
				Payables to related parties	3,100	Note D	-
				Other operating revenues	3,346	Note D	-
				General and administrative expenses	1,030	Note D	-
		ARCOA communications Co., Ltd.	3	Receivables from related parties	425	Note D	-
7	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	4,839	Note D	-
		KGEx.com Co., Ltd	3	Payables to related parties	1,359	Note D	-
				Cost of telecommunications services	3,071	Note D	-
	<u>Year ended December 31, 2006</u>						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	604,162	Note D	1%
				Inventories	22,534	Note D	-
				Prepaid expenses	12,040	Note D	-
				Payables to related parties	1,464,120	Note D	2%
				Unearned revenues	8,867	Note D	-
				Telecommunications services revenue	2,794,346	Note D	4%
				Cost of telecommunications services	1,562,707	Note D	2%
				Marketing expenses	183,755	Note D	-
				Nonoperating income and gains	253,408	Note D	-
				Management service revenue	123,314	Note D	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	$112,718	Note D	-
				Payables to related parties	229,938	Note D	-
				Unearned revenues	173,342	Note D	-
				Sales of cellular phone equipment and accessories, net	62,791	Note D	-
				Telecommunications service revenue	7,565	Note D	-
				Cost of sales	262,341	Note D	-
				Other operating costs	2,718	Note D	-
				Marketing expenses	465,063	Note D	1%
				Nonoperating income and gains	1,438	Note D	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	46,345	Note D	-
				Payables to related parties	18,161	Note D	-
				Telecommunications services revenue	238,039	Note D	-
				Cost of telecommunications services	4,104	Note D	-
				General and administrative expenses	728	Note D	-
				Management service revenue	7,500	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	2,280	Note D	-
				General and administrative expenses	115,510	Note D	-
		Far EasTron Co., Ltd.	1	Receivables from related parties	1,409	Note D	-
		Yuan Cing co., Ltd.	1	Receivables from related parties	1,961	Note D	-
				Payables to related parties	1,272	Note D	-
				Management service revenue	1,088	Note D	-
		Far Eastern Info Service (Holding) Ltd.	1	Receivables from related parties	1,136	Note D	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,464,120	Note D	2%
				Inventories	20,907	Note D	-
				Prepaid expenses	5,676	Note D	-
				Payables to related parties	604,162	Note D	1%
				Unearned revenues	16,858	Note D	-
				Telecommunications services revenue	1,562,707	Note D	2%
				Cost of telecommunications services	2,827,393	Note D	4%
				Marketing expenses	290,821	Note D	-
				General and administrative expenses	50,667	Note D	-
				Research and development expenses	2,187	Note D	-
				Nonoperating income and gains	183,755	Note D	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	42	Note D	-
				Payables to related parties	37,450	Note D	-
				Unearned revenues	1,442	Note D	-
				Sales of cellular phone equipment and accessories, net	9,103	Note D	-
				Cost of sales	74,237	Note D	-
				Other operating costs	1,071	Note D	-
				Marketing expenses	120,071	Note D	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	22,565	Note D	-
				Payables to related parties	2,424	Note D	-
				Telecommunications service revenue	141,202	Note D	-
				Cost of telecommunications services	1,002	Note D	-
				General and administrative expenses	20,749	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	13,249	Note D	-
				General and administrative expenses	52,053	Note D	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	$229,938	Note D	-
				Inventories	173,342	Note D	-
				Payables to related parties	112,718	Note D	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Sales of cellular phone equipment and accessories, net	834,849	Note D	1%
				Other operating revenues	390,230	Note D	1%
				Cost of sales	604,338	Note D	1%
				Cost of telecommunications services	8,153	Note D	-
				Nonoperating income and gains	45,740	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	37,450	Note D	-
				Inventories	1,442	Note D	-
				Payables to related parties	42	Note D	-
				Sales of cellular phone equipment and accessories, net	127,470	Note D	-
				Other operating revenues	117,851	Note D	-
				Cost of sales	60,014	Note D	-
				Nonoperating income and gains	969	Note D	-
3	KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	18,161	Note D	-
				Payables to related parties	46,345	Note D	-
				Telecommunications service revenue	4,832	Note D	-
				Cost of telecommunications services	238,039	Note D	-
				General and administrative expenses	7,500	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	2,424	Note D	-
				Payables to related parties	22,565	Note D	-
				Cost of telecommunications services	141,202	Note D	-
				Telecommunications service revenue	21,751	Note D	-
		Far EasTron Co., Ltd.	3	Receivables from related parties	323	Note D	-
				Telecommunications service revenue	3,328	Note D	-
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	2,280	Note D	-
				Other operating revenues	115,510	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	13,249	Note D	-
				Other operating revenues	52,053	Note D	-
5	Far EasTron Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	1,409	Note D	-
		KGEx.com Co., Ltd.	3	Payables to related parties	323	Note D	-
				Other operating costs	3,328	Note D	-
		Yuan Cing Co., Ltd.	3	General and administrative expenses	1,771	Note D	-
6	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,272	Note D	-
				Payables to related parties	1,961	Note D	-
				General and administrative expenses	1,088	Note D	-
		Far EasTron Co., Ltd.	3	Other operating revenues	1,771	Note D	-
7	Far Eastern Info Service (Holding) Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	1,136	Note D	-

Note A: Parties to the intercompany transactions are identified and numbered as follows:
1."0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
2.Subsidiaries are numbered from "1".

Note B: The flow of related-party transactions is as follows:
1.From Far EasTone to its subsidiary.
2.From a subsidiary to its parent company, Far EasTone.
3.Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2007 and 2006; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the years ended December 31, 2007 and 2006.

Note D: Payment terms varied depending on the related agreements.

Note E: Information shown in the schedule is equivalent to the eliminated material intercompany transactions.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Years Ended December 31							
	2007				2006			
	Telecommunications Services	Sales	Adjustment and Eliminations	Combined	Telecommunications Services	Sales	Adjustment and Eliminations	Combined
Revenues generated from un-affiliates	$58,519,645	$5,517,101	$-	$64,036,746	$60,472,386	$6,754,578	$-	$67,226,964
Revenues generated from the Group (Note B)	-	-	-	-	-	-	-	-
Total revenues	$58,519,645	$5,517,101	$-	$64,036,746	$60,472,386	$6,754,578	$-	$67,226,964
Segment operating income (loss) (Note C)	$21,795,801	$(1,666,560)	$-	$20,129,241	$23,563,543	$(1,817,763)	$-	$21,745,780
Interest revenue				185,939				82,422
Other revenue				346,531				448,119
Equity in investees' net losses				(295,000)				(394,160)
Interest expense				(41,606)				(104,363)
Other expense				(685,398)				(481,318)
General and administrative expense (Note D)				(5,076,766)				(5,168,164)
Income before income tax				$14,562,941				$16,128,316
Identifiable assets (Note E)	$67,144,503	$1,194,106	$-	$68,338,609	$73,566,877	$1,505,003	$-	$75,071,880
Financial products				1,624,420				849,294
Long-term investment				7,042,751				626,637
Assets not identifiable to a specified segment				19,421,543				17,133,358
Total assets				$96,427,323				$93,681,169
Depreciation expense	$11,169,743	$23,995			$11,769,454	$30,594		
Amortization expense	$16,169	$48,065			$62,138	$48,875		
Capital expenditure	$5,486,908	$32,184			$5,403,105	$31,227		

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 are related to revenue of segments except general and administrative expense.
D. Represents general and administrative expenses of the Group.
E. Represents tangible and intangible assets which can be separately allocated to each segment. However, those assets do not include:
 a. Assets not for use by any specific segment.
 b. Advances or loans to another segment.
 c. Mutual funds and long-term investments.

7. Impact of the financial distress occurred to the Company and affiliates in the recent years until the Annual Report being Published

None

VII Review and Analysis of the Financial Condition, Operating Performance and Risk Management

1. Financial Condition
2. Operating Performance
3. Cash Flow
4. Key Performance Indicator, KPI
5. Major Capital Expenditure and Sources of Capital Analysis
6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and 2006 Investment Plan
7. Risk Management
8. Others

1. Financial Condition

Financial Condition Review and Analysis

Unit: NTD'000

Item \ Year	December 31, 2007	December 31, 2006	Variance Amount	Variance %
Current Assets	$ 10,481,707	$ 9,363,567	1,118,140	12
Investments in Shares of Stock	43,342,778	37,883,330	5,459,448	14
Fixed Assets	29,794,143	32,927,648	(3,133,505)	(10)
Intangible Assets	8,037,772	8,768,479	(730,707)	(8)
Other Assets	608,036	843,013	(234,977)	(28)
Total Assets	92,264,436	89,786,037	2,478,399	3
Current Liabilities	12,384,336	12,748,687	(364,351)	(3)
Long -term Liabilities	8,360	2,764,398	(2,756,038)	(100)
Other Liabilities	537,740	346,250	191,490	55
Total Liabilities	12,930,436	15,859,335	(2,928,899)	(18)
Capital Stocks	40,330,334	38,726,630	1,603,704	4
Capital Surplus	19,487,270	15,003,956	4,483,314	30
Retained Earnings	19,501,261	20,240,948	(739,687)	(4)
Other Shareholders' Equity Item	15,135	(44,832)	59,967	134
Total Shareholders' Equity	79,334,000	73,926,702	5,407,298	7

1-1 Analysis of variation plus and minus 20%

1. The decrease in other assets was due to the decrease in deferred income tax assets-non-current resulting from the financial tax difference in life circle of depreciation, not due to the decrease in current assets.
2. The decrease in long-term liabilities was due to the repayment of corporate bonds during the term of the contract.
3. The increase in other liabilities was due to the increase in government's subsidies received in advance.
4. The increase in capital surplus was due to the premium resulting from issuance of new shares upon the acquisition of the equity of New Century InfoComm Tech Co., Ltd.
5. The increase in stockholders' equity was due to the change in the unrealized loss on cash flow hedge and unrealized gain/loss on available-for-sale financial asset held by subsidiaries recognized in accordance with the ROC Statements of Financial Accounting Standards No. 34-"Accounting for Financial Instruments" and No 36-"Disclosure and Presentation of Financial Instruments".

1-2 Effect of change in financial condition: None

1-3 Future response actions: Not applicable

2. Operating Performances

Operating Performance Analysis

Unit: NTD '000; %

Item \ Year	2007 Subtotal	2007 Total	2006 Subtotal	2006 Total	Variance Amount	Variance (%)
Operating Revenue		$ 46,171,972		$ 43,207,517	$ 2,964,455	7
Operating Costs and Expenses		35,897,402		33,803,786	2,093,616	6
Operating Income		10,274,570		9,403,731	870,839	9
Non-Operating Income and Gains						
Equity in Investor's Net Gains					(1,631,130)	
	$ 3,353,048		$ 4,984,178		460,008	(33)
Commission Revenue	152,606		253,408		(100,802)	(40)
Management Service Revenue	125,778		131,902		(6,124)	(5)
Interest Income	72,805		30,803		42,002	136
Rental Income	14,909		15,484		(575)	(4)
Other	154,535		134,872		19,663	15
Total Non-Operating Income and Gain		3,873,681		5,550,647	(1,676,966)	(30)
Non-Operating Expenses and Losses						
Loss on Disposal of Properties, and Prosperities not Currently used in Operations , Net	402,412		250,046		152,366	61
Interest	27,545		93,081		(65,536)	(70)
Loss on Inventory	17,551		0		17,551	

Other	9,799		25,232		14,088	(61)
Total Non-Operating Expenses and Losses		457,307		368,359	88,948	24
Income Before Income Tax Expense		13,690,944		14,586,019	(895,075)	(6)
Income Tax Expense		2,071,503		1,429,794	641,709	45
Net Income		$ 11,619,441		$ 13,156,225	($ 1,536,784)	(12)

2-1 Analysis of variation

(1) The decrease in investment income recognized under the equity method was due to the decrease in profit gained of the operation of subsidiary, KG Telecommunications Co., Ltd., which was less than that in 2006.

(2) The decrease in commission income was due to the decrease in the commission income collected for sale of mobile phone numbers of KT Telecommunications Co., Ltd. on a consignment basis in 2007.

(3) The increase in interest was due to the increase in interest income from the purchase of commercial paper and bonds in 2007.

(4) The increase in net loss on disposal of fixed and idle assets was due to the increase in loss caused by relocation of base stations resulting from consolidation and dismantles of stations under site protests in 2007.

(5) The decrease in interest expenses was due to the repayment of corporate bonds and no new loans.

(6) The decrease in other loss was due to the donations to related non-profit organizations for nourishing high-tech communication talents and feedback to society in 2006.

(7) The increase in income tax expenses was due to the decrease in income from tax exemption upon expiration of the five-year tax exemption period in June 2007.

2-2 Estimated sales volume for following year and the grounds thereof, and the potential effect upon the Company's future business and the response actions: Please refer to the "Letter to Shareholders".

3. Cash Flow

3-1 2007 Cash Flow Analysis

Unit: NT$ '000

Cash and Cash Equivalents in the Beginning of 2006 (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
3,095,929	21,781,335	21,427,527	3,449,737	-	-

(1) Operating activities: the decrease in cash inflow from operating activities was due to the effect of growth in 3G subscribers less than expected in 2007.

(2) Investing activities: the increase in cash outflow was due to the reinvestment in Q-Ware Communications Co., Ltd. and capital increase in cash to acquisition of FETC's newly issued shares by original shareholders with preemptive right, totaling $1,006,495 thousand, and decrease in the capital expenditure plan by $407,584 thousand, in 2007.

(3) Cash outflow from financing activities: the decrease in cash outflow from financial activities primarily because there was no long-term loan or corporate bond in 2007 and repayment of loans during the term of the contract.

3-2 Correction actions against insufficient liquidity: not applicable

3-3 2007 Estimated Cash Flow Analysis

Unit: NT$ '000

Cash and Cash Equivalents in the Beginning (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 Equivalent	
				Investment Plan	Financing Plan
3,614,660	24,853,121	27,706,257	761,524	0	0

(1) Operating activities: Because the market of 2G has been saturated and expected to be transformed to 3G service, and it is expected that the wireless market will grow stably, the net cash and cash equivalent cash flow from operating activities is expected to be increased in the following year.

(2) Cash flows from investing activities: The net cash used in investing activities in 2008 is expected to increase due to capital expenditure on network expansion, including 3G, HSDPA, and WiMax network constructions.

(3) Financing activities: No asset disposal plan or funding plan is scheduled due to adequate cash to repay the bank loan or corporate bond due within one year, provided that the increase in cash outflow is a result of the refund of stock payment due to capital reduction in cash, $7,745,326 thousand, in 2008.

4. Key Performance Indicator，KPI

Unit: NT$

KPI	Definition	Goal in 2007	Achievement in 2007	KPI Achievement ratio
ARPU	Customer’s average monthly revenue (Unit: NT$)	$795	$804	101%
EBITDA	Earning before interest, taxes, depreciation and amortization (Unit: $1,000)	$18,406,612	$18,500,074	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 Fund Utilization Schedule	Total Capital Needed
Network Expansion: including 2G system expansion and upgrade, 3G system installation and expansion	working capital	2008	4,995,238

5-2 Expected Benefit: In the case of 2007, the total value-added services revenue is increased by 16% than that of 2006 (Including 2G &3G).

6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and 2007 Investment Plan

Unit: NT$'000

Explanation / Item	Amount*	Polices	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
KG Telecommunications Co., Ltd. (the "new KGT")	$35,207,145	Acquisition of KGT for the purpose of market share increase and enhance operational efficiency	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 2006.	None	No concrete investment plans at present
New Century InfoCom Tech Co., Ltd	$6,062,000	Integration of available resources to improve operational performance and competitiveness.	Issued new shares for the transfer of New Century InfoComm Tech. Co., Ltd’s shares held by SingTel and Singtel Taiwan Limited on December 31, 2007	None	No concrete investment plans at present
Far Eastern Electronic Toll Collection Co, Ltd.	$644,856	Renewed the “Highway Electronic Toll Collection System Construction and Operation” contract with the National Freeway Bureau on August 22, 2007. The contract will be effective for 18 years and 4 months.	Encountered difficulties in its promotion and high operational costs after official implementation of services in February 2006 due to oversights in government policies.	Apart from continuing to launch promotion solutions and expand existing channels of service to promote increased usage, finalized government policies are expected to facilitate the promotion of operations and effectively lower relevant operational costs.	No concrete investment plans at present

ARCOA Communications Co., Ltd.	$999,769	Strategic investment for vertical integration of mobile business and telecommunication service	Integrated services of mobile communication and telecommunication channel have achieved noticeable results. Although the final results for the fiscal year of 2007 still showed losses, it was a significant improvement compared to 2006. Furthermore, the company has managed to turn losses into profits in the second half of the year.	To continue improving operational performance of existing equipment and distribution channels.	No concrete investment plans at present
Q-Ware Communications Co., Ltd.	$352,102	Expansion of new operations and improve the performance of existing resources to offer strategic investment opportunities for competitive public domain internet access services	The company was initiated in February 2007 and still suffers loss as it is in the initial stage of operation.	To utilize available conglomerate strengths and focus on the development of various application services for wireless networks so as to offer rich and diverse functions and contents.	No concrete investment plans at present
Far Eastern Info Service (Holding) Ltd.	$138,977	Resource integration and efficiency improvement for the purposes of offering competitive information service and lowering group operational cost	Losses come from the recognition of Far Eastern Tech-Info (Shanghai)'s operational losses in 2007.	Far Eastern Tech-Info (Shanghai) will make adjustments to its operations accountable for the losses while incorporating prospective operational items to achieve the goal of turning a profit for the fiscal year of 2008.	No concrete investment plans at present
E.World (Holdings) Ltd.	$61,082	Diversified investment strategies to provide the group with logistic service	Stable profit returns from the invested company Yuan Cing Co., Ltd.	None	No concrete investment plans at present
Far EasTron Holding Ltd.	$39,314	Incorporating off-shore holding companies to invoice in the international digital contents industry	Far Eastron Co., Ltd. is the only reinvestment company, which is still under net loss due to starting period reaching.	Far EasTron Holding Ltd. will merge with ADCast and acquire its shares to improve business profit.	Will acquire the shares of ADCast during May, 2008.
Far EasTron Co.,Ltd.	$233	To offer digital content related services	Founded in September 2005, the company still suffers losses due to initial operations. Increased losses in 2007 mainly came from losses due to disposal of idle fixed assets.	Far EasTron Co., Ltd. will merge with ADCast during May, 2008 to well catch the business opportunities from growth in web advertising market.	Will merge with the ADCast during May, 2008.
Ding Ding Integrated Marketing Service Co., Ltd.	$17,300	Conglomerate integrated marketing and operation development	Losses suffered in 2007 mainly came from the newly purchased online shopping assets. As it was still in the stage of business expansion, the high operating costs amounted to losses.	Its operation has gradually reached economic scale; profit from online shopping operation in the second half of the year has shown continued improvement.	No concrete investment plans at present

* Note: Carrying Value as of December 31, 2007.

7. Risk Management

7-1 Impacts and Hedges against Interest Rate and Exchange Rate Fluctuation and Inflation on the Company in the Recent Years

7-1-1 Interest Rate Analyses

Interest rate fluctuation is closely linked with liabilities on floating interest rate. According to the Company's financial structure, corporate bonds with fixed interest rate and floating interest rate are roughly the same. The company adopted interest rate swap to hedge interest rate risk. Losses on the swap contracts in 2007 and Q1 2008 were NT$41,600 thousand and NT$9,307 thousand respectively. The losses were booked as add-on interest expense.

7-1-2 Exchange Rate Analyses

A. Sources of Exchange Gains/Losses

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 2007 and Q1 2008 are as follows:

Unit: NT$'000

Year / Item	2007	2008 (as of March 31)
Foreign Exchange Gains (Losses) (A)	(1,165)	(999)
Operating Revenue (B)	46,171,972	12,510,775
% of Operating Revenue (A)/(B)	(0.003%)	(0.008%)
Operating Income (C)	10,274,570	2,776,708
% of Operating Income (A)/(C)	(0.01%)	(0.036%)

As shown in the above table the foreign exchange gains/losses account for a small percentage of operating revenue (0.003% in 2007 and 0.008% in Q1 2008) and operating income (0.01% in 2007 and 0.036% in Q1 2008).

B. Hedges against Exchange Rate Fluctuation

The Company used financial instruments like spot and forward to hedge foreign exchange rate risks according to foreign currency position and exchange rate movement.

7-1-3 Inflation Analyses

Impacts and Hedges against the Company: No major impact to 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 Years

1. **High risks or high leveraged investments:** The Company did not engage in high-risk and high-leverage investment in 2007.
2. **Loan to others:** According to "Procedure for loaning to others" of the Company, the Company's board of directors had approved to provide financial support to FETC within the amount of $50,000 thousand for its use of participating in the second round bidding for "Private Participation in the Electronic Toll Collection BOT Project" on December 27, 2006. FETC had obtained the entire funding from the company on February 9, 2007. The sum has been repaid in full on September 21, 2007 and the Company didn't have any outstanding loans between the end of 2007 and the date of publication of this report.
3. **Endorsements and guarantees provided:**
   A. In the Company the 2nd Meeting of the fourth term Board of Directors dated on May 26, 2006, a discussion proposal to provide endorsements / guarantees to FETC for its bank facility application is duly approved with underneath condition: "before Dec. 31, 2006 end and within $500,000 thousand the chairman is authorized to approve". For efficiency needs, on July 11, 2006, the Company's Chairman has approved to provide $154,000 thousand guarantees/ endorsements and the proposal has been ratified in the 3rd Meeting of the fourth tern Board of Directors dated on Aug. 22, 2006. As of April 30, 2007, the balance of guarantees was $99,000 thousand. The endorsements and guarantees have been relieved on September 21, 2007.
   B. Until the end of 2007 and date of publication of the financial statement, the balance of endorsements and guarantees made by the Company, which was the telecommunication products/service performance guarantees required by NCC, has been NT$495,00,000. The joint performance guarantees made by the Company for its subsidiaries, KG Telecommunications Co., Ltd. and KGEx.com Co., Ltd., was NT$450,000,000 and NT$45,000,000 respectively.
4. **Derivative financial instruments:** The purposes of the Company's derivative transactions in 2007 were for non-trading on activities. The interest rate swap contract was signed in order to prevent the risk of fluctuation of interest rate for the liability accruing based on floating interest rate. The Company's hedging strategies are to avoid the most cash flow risk. Therefore, the purpose of the derivative transactions is for hedging and no substantial earning/ loss exists.

7-3 R&D Plans and Estimated Expenses in the Recent Years

The Company's research and development plan has been created based on several key points. An efficient approach has been adopted to integrate relevant resources of communication technologies in Far Eastern Group's possession to create a "cradle of technology" for FET. The focus rests on the establishment of a technology development team to serve as the foundation of the Company's prospective technology that will utilize the resources and energy of various communication technology development units under the wings of Far Eastern Group to achieve the best results. The Company will make full use of the fruit of its research and development to create operational value. The focus of this year's R&D plan is still centered on two axes: (1) Evaluation of new systems to meet the demand of existing 3G/IMS network operations and conduct relevant research on their optimization; (2) To conduct prospective research in accordance with potential demands for NGN/WiMAX networks and services in the future. The following section will cover the Company's R&D program:

A. Prospective Technology Research

These researches are primarily aimed at the Company's future operational requirements and its development of telecommunication technology. Through the integration of research energies from the government, academia and industries, the Company will be able to boost its technological development to create new domains of value-added services and new technologies to ensure communication quality and system reliability. Major directions for research and development of new technologies in the future include:

(1) Research on Advanced Transportation Information System (ATIS): By utilizing various sources of information, we would be able to integrate suitable information analyzing techniques to improve the accuracy of traffic information. In addition, a real time interactive information system will also be developed in conjunction with the construction of a platform for information sharing. Through the integration of mobile device interface and backend push technologies, pedestrians will be able to enjoy a real time and highly accurate transportation information system.

(2) Research on NFC technology applications: NFC involves the application of short distance wireless communications via mobile phones that resembles the technologies utilized for current touch less credit cards in a way that allows users to use their mobile phones as sensor cards in order to enjoy more advanced and convenient services. Currently, two functions have been made available for testers: A. credit card transactions and B. e-Coupon downloads. For internal testers at the Company, an additional entrance clearance card feature is also available. The trial period will expire at the end of April, 2008.

(3) Parlay Gateway and ParlayX: Parlay North Bund integration is an OSA/Parlay integrated framework that comes with an easy-to-use Parlay X API interface. It allows program developers to easily utilize current Web Service technologies to access service providers' telecommunication network so as to lower the technological requirements for relevant development and reduce the time needed for the development of advanced application programs. This will serve as an incentive to attract more telecommunication value-added service providers to take part in the development of application software while creating new sources of revenue for telecommunication service providers.

(4) Research and development of broadband related systems and application services: Since its acquisition of WiMAX operation license in the southern region in 2007, the Company has been actively involved in the preparation of WiMAX operations. At present, all relevant technological departments have been actively involved in the research and planning of integration of WiMAX wireless broadband network, 2G, 3G, HSPA and WiFi systems and services. By utilizing its high transfer speed and high coverage rate, the Company will be able to construct a cohesive and seamless network environment for convenient internet access at any time to offer consumers an alternate service model for voice and wireless data transfer. The Company's goal is to become a telecommunication service provider that will overcome the territorial gaps between telecommunication, information download, entertainment and commercial transaction and secure the leading position in the era of digital convergence.

In addition, preliminary research on next-generation mobile communication network and related technologies will be conducted. The goal is to examine the strategies and evaluate the potential risks that the Company may have to take and face in the era of NGN (Next Generation Networking) along with analyses and research on existing and potential competing technologies. This will help the Company to identify potential technical issues it may face to engage in prospective planning and investigation so that feasible solution may be drafted in advance to overcome technological bottlenecks.

B. FET Internal Development Plan

This section involves the expansion of FET's existing value-added services and development of related applications (such as multimedia services including data, commerce and entertainment) together with the extension of services into other related industries. Future trends of development will be assessed to draft corresponding strategies for the promotion of new service applications and development. The Company's objective is to become a leading provider of full spectrum services that encompass digital communication, information, entertainment and commercial services.

The key points for internal development for the current year are as follows: (1) advanced IMS services: in August 2007, the Company launched its FET Big Broadband services featuring advanced IMS platforms to offer integrated ADSL functions such as internet access and phone dialing for subscribers. It has the advantages of mobility and practicality and has generated widespread positive response from subscribers. In 2008, new IMS functions will be introduced to launch multimedia network phone services. With client-end software custom tailored for subscribers in the FET network environment or Q-ware Communication's wireless network through open communication protocols such as WiMAX, WiFi, 3G and Broadband via different reception devices such as PDAs or notebook/desktop PCs, users will be able to use the following advanced services: A. SMS/MMS; B. Ring back tone; C. Online contact presence and group management; D. SSO access control (Single Sing-On) and E. Image and voice services. (2) GPS Info On The Go: As an extension to the FET's existing vehicle service network, the Company's GPS Info On The Go involves the collaboration with several traffic information providers to offer versatile and open interface to bridge the front end device on vehicles and rear end information platforms. The interface will assist hardware developers to create diverse vehicle device systems with matching navigation software. By integrating front-end application software and rear end geological information systems, the service will be able to offer useful traffic, transportation and daily life information. (3) WI portal enhancement: WI (WAP Intelligence) is a WAP portal website that offers rich information contents. Subscribers will be able to easily located contents and SP websites they are interested in due to personalized web pages. On the other hand, WAP administrators will be able to design group pages according to subscribers' mobile phone models and user-defined conditions through a versatile recommendation mechanism and a user-friendly operating interface.

C. Technology Exchange

The Company's tradition of excellence continues with the organizing of the Unlimited Communications Conference and publishing of the "FET Journal". Through these technology exchanges the Company 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); the Company will also participate in international telecommunications organizations or associations (GSMA, WiMAX Forum, GCF, OMA......) and attend international symposiums. These will establish the Company'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 the Company 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 2007 the Company went on to take part in the Industrial Development Bureau of Ministry of Economic Affairs' M-Taiwan Phase II project. With Taipei County's Banciao City and Jhonghe City as the main axis, this project will see the creation of the "Taipei County Twin Cities Mobile Broadband Network" incorporating 3G/WiFi/WiMAX (World Interoperability for Microwave Access) communication technologies. This will provide the area with full-scale mobile lifestyle services. As a 2-year major construction project, phased roll-out of local network infrastructure will get under way in 2008. This project will also integrate the IMS (IP Multimedia Subsystem) in order to provide a greater range of communications and value-added multimedia services. At the same time, the mobile network and Wimax network will be integrated using the Company 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 2007 is estimated at around NT$199,463,000.

7-4 Impacts of Material Changes of Policies and Regulations in Taiwan and Foreign Countries and the Company in the Recent Years

(1) The National Communications Commission was established on March 1, 2006. On July 21, 2006, the written interpretation rendered by the Grand Justices Council, Judicial Yuan (Shih-Tze No. 613) declared that Article 4 of National Communications Commission Organization Act passing on October 25, 2005, requiring that "NCC commissioners shall be elected subject to the proportion of political parties in Legislative Yuan", was against the Constitution. The Grand Justices Council also set forth the sunset clauses to specify that said provision shall expire on December 31, 2008. The Legislative Yuan approved the amendments to Article 4 of National Communications Commission Organization Act upon final reading on December 20, 2007, expressly providing that the NCC commissioners were reduced from 13 persons to 7 persons, and the term of office was changed from three years to four years and the commissioners were reelectable, and the NCC commissioners should be nominated by the Premier, and appointed upon approval of the Legislative Yuan, and the commissioners' term of office shall be subject to the staggering term of office (three of the commissioners' terms overlap the terms of the other four).

The amendment of the disclosed article not only has resolved unnecessary constitutional conflicts to ensure proper functioning of the NCC but also proved to be beneficial to the development of communication and broadcasting industries and the protection of people's rights. Currently the Executive Yuan has yet to nominate candidates of the NCC in accordance with the amended article and the Company will continue to reinforce interaction with the NCC and pay close attention to the allocation of authoritative power with subordinate agencies of the Executive Yuan as well as the establishment of relevant industry policies and regulations. The Company will draft and establish corresponding plans and concrete counter implementation strategies in compliance with these policies and regulations.

(2) In light of the worldwide communication industry promotion and trends of development for telecommunication services, the Executive Yuan has officially announced the amendment of "List of Licensed Type 1 Telecommunication Operations, Coverage, Schedules and Number of Service Providers" on February 14, 2007 and added a new clause on "Wireless broadband access services". The Company then took part in the bidding and license application procedure mandated by the NCC. On July 26, 2007, a total of six licenses for six different regions (3 each for northern and southern Taiwan) were issued. The licenses are effective for six years and service providers may only apply for license renewal once. Service providers may integrate their regional licenses and apply for all region licenses.

Under harsh bidding and auction process, the Company was the only operator among the top three mobile operators granted the License at Southern Region at the lowest bid of 4.18% and grant the Establishment Permit on Oct. 1 , 2007.The Wireless Broadband Access License (the WiMAX License) enables the Company to broaden its capability to provide data, communication and internet services which will ensure the Company in leading position toward telecommunications, data download, entertainment as well as e-commence businesses.

(3) Paragraph 1 of Article 26 of the Communications Act stated that "Price controls over Type 1 telecommunication businesses shall be subjected to tariff adjustment cap". Article 5 of the Regulations Governing Tariff of Type 1 Telecommunications Businesses enacted according to Paragraph 3 of Article 26 of the same Act stated that: "The adjustment coefficient X is to be set by the Directorate-General of Telecommunications and announced at regular intervals". On December 21, 2006 the NCC approved and announced the value of the adjustment coefficients for communications businesses. In this announcement, the NCC directed that 3 service items in 2G must be reduced – these being fixed to mobile, pre-paid services and the highest per-minute rate of post-paid services. These tariffs will be subject to 4.88% yearly decrease for 3 consecutive years commencing April1, 2007. However, 2G mobile operators may provide detailed market data during the applicable period of the X coefficient value to the NCC for consideration.

The Company will decrease the price pursuant to the NCC's announcement this year. However, since the NCC's calculation method for determining the price controls is not entirely clear, no complete Regulation Impact Analysis was conducted and the impact of new technologies such as IP telephony was not taken into account, to safeguard the future development of the telecommunications industry and protect consumer rights the Company filed the administrative proceeding with High Administrative Court on June 23, 2007. The submission included the relevant supporting materials and urges the NCC take immediate action to re-exam tariff review mechanism to ensure it will be positive to industrial development, fair to market competition and to the interesting of consumers right.

7-5 Technology Developments and Impacts on the Company in the Recent Years

The development of WLAN and 3G technologies 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 the Company 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 Company 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 the Company'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 Impacts on the Company's Crisis Management in the Recent Years: None.

7-7 Expected Benefits and Risks from Mergers in the Recent Years: None.

7-8 Expected Benefits and Risks from Plant Expansion in the Recent Years: not applicable.

7-9 Risks from Concentration in Supply and Sales in the Recent Years:

The Company's major supplier and customer in 2007 was Chunghwa Telecommunications, which accounts for 13.01% of the total amount of supply and 14.40% of the total amount of sales. Therefore there are no situations of concentration in supply and sales.

7-10 Impacts and Risks from Changes in Directors, Supervisors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Yeas: None.

7-11 Impact and Risks from Change of Ownership in the Recent Year: None.

7-12 Major Lawsuits and Disputes in the Recent Year until the Annual Report being Published:

A. Litigations, non-litigations or administrative actions in Recent Years that 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 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 Company reached settlement with CHT when the appeal was pending in 2nd instance in Taiwan High Court and withdrew the appeal accordingly on June 29, 2007.

(2) Breach of trust by employees

During the 2004 yearend 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 to make profit. The Company has requested investigation from Taipei District Prosecutors Office at the end of November 2004. Criminal Section: This case condemned these people in 1st instance and on record as Taipei District Court 2006 Su No. 84. Civil Section: This case is pending examination by the Shihlin District Court and on record as Shihlin District Court 2005 Su No.644.

(3) Far EasTone Telecommunications vs. Panasonic Taiwan Co., Ltd “I-style” logo infringed trademark rights

The company discovered in December 2004 that Panasonic Taiwan Co., Ltd. and Matsushita Electric (Taiwan) Co., Ltd. used a logo substantially identical or confusingly similar to “I-style”, a logo owned by the company, in their television commercials and product advertisements and by doing so allegedly infringed the company’s trademark rights. After the negotiations between the company and the defendants, the defendants merely agreed to stop using the aforementioned logo and to modify their commercials and product advertisements, but objected to the company damage compensation claims. The company hence filed an lawsuit in Taiwan Banciao District Court in August 2005 claiming a compensation of NTD16,164,000 by the defendants. In February 2006, the court ruled against the company in this case. As a result, the company appealed the case to Taiwan High Court, but the court dismissed the company appeal on April 25, 2007. Upon research and analysis, the Company considered that the court’s opinion on the use of trademark was conventional and, therefore, it decided not to file the appeal any longer.

(4) Administrative proceeding against the coefficient X

For disagreement with the NCC’s decision on the appeal against the coefficient X, the Company filed the administrative proceeding with Taipei High Administrative Court on June 23, 2007.

(5) Administrative proceeding against market dominancy

The NCC rendered the administrative decision against the Company as the market dominant. For disagreement with the decision, the Company filed the administrative proceeding with Taipei High Administrative Court on September 13, 2007.

(6) Former employee suspected of violation Data Protection Law

In May 2007, the former employee, was suspected of revealing customers’ data to the credit service and was arrested by the police. The Company discharged the employee and worked with the prosecuting and police authorities, and also enhanced the control over the relevant systems and procedures. The former employee and other suspected policemen, credit service and insurance sale representatives were indicted by the prosecutor in March 2008.

(7) Ha La 990

Fair Trade Commission, Executive Yuan decided on October 18, 2007 that the “FET-KGT Network Ha La 990” advertisement published by FET, which promoted “free on-net call”, “free on-net 3G call”, “50% off for off-net call and local call” and “FET and KGT form the largest network throughout the nation”, made the false statement or misleading representation in violation of Paragraph 3 of Article 21 of the Fair Trade Act whereinunder Paragraph 1 of the same Article shall apply mutatis mutandis. As a result, FET was fined NT$6 million. FET considered that the reasons of the decision did not match the fact and, therefore, filed an appeal. The appeal is now pending in the Appeal Review Commission, Executive Yuan.

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:

(1) Claim by KG Telecommunications for Damage Compensation from Chunghwa Telecommunications

From December 2001 to March 2004, when Chunghwa Telecommunciations (hereinafter referred to as CHT) and KGT were in an interconnection agreement, without permission of KGT, CHT transferred the traffic of low-tier wireless service (CT2) from SoonCom Telecom and Hsin-Guo Telecom to the network of KGT, and KGT could not collect airtime charge for the traffic. Therefore KGT claimed a NT$66,660,287 payment plus interest from CHT. The Company lost in 1st instance, and filed an appeal on May 16, 2005. The Company reached settlement with CHT when the appeal was pending in 2nd instance in Taiwan High Court and withdrew the appeal accordingly on June 29, 2007.

(2) Administrative proceeding against the coefficient X

For disagreement with the NCC’s decision on the appeal against the coefficient X, the Company filed the administrative proceeding with Taipei High Administrative Court on June 23, 2007.

(3) Damages claimed by Continental Engineering Corporation and Tekken Corporation

Continental Engineering Corporation and Tekken Corporation co-contracted the “Metro Taipei MRT Neihu Line CB420 Shield Tunnel Project”, and conducted the tunneling work with a shield machine. In the process of the work, the spiral of the shield machine drew into the cables and caused the failure of the machine. Therefore, they claimed that the damages in the amount of NT$6,686,623 should be borne by KGT, NCIC, Yuan Hong Co., Taiwan International Gateway Corporation and Hold Key jointly and severally. The action is now pending in Taipei District Court.

7-13 Other Major Risks: None

8. Other

To comply with the needs for Information Disclosure Ranking, a special note is disclosed by the company regarding the objectives and methods to adopt hedge accounting, and the fair values related information about financial instruments:

A. Hedge Accounting:

Hedge accounting involves the recognition of the offsetting effects on profits or loss of changes in fair values of the hedging instrument and the hedged items. The accounting booking principles are:

(1) Fair value hedge: The gains or losses from the changes in fair values of the hedge instruments and the gains or losses from the hedge item attributable to the hedged risk are recognized immediately as profit or loss.

(2) Cash flow hedge: The gains or losses from the changes in fair values of the hedging instruments are recognized under stockholders’ equity and are recognized as current income if the hedged forecast transaction affects net gains or losses. If hedging would give rise to a non-financial asset or liability, the gain or loss will be recognized as the adjustment to the original cost or carrying amount of the hedged asset or liability. If recognized adjustments to stockholders’ equity result in irreversible losses, these losses should be immediately charged to current income.

The interest rate swap (“IRS”) held by the company is designed for a cash flow hedge purpose, and mainly aims to hedge the risk associate with floating interest rate of corporate bond. The IRS is settled every 6 months, and the amount of IRS is completely the same with corporate bond during the transaction period. As a result, it is qualified as cash flow hedge, according to the regulation of ROC SFAS. So the gains or losses from the changes in fair values of the hedge instruments are recognized directly in shareholders’ equity, and to be adjusted based on the changes of fair value each period. The net loss from IRS held by the company for year 2007 and year-to-date until March 31, 2008 are NT$41,600 thousand and NT$9,307 thousand respectively and has recognized as interest expenses.

B. Fair value information for financial instruments:

The methods and assumptions used for estimating the fair values of financial instruments are as follows:

(1) Cash and cash equivalents, accounts and notes receivable, receivables from related parties, notes payable, accounts payable, payables to related parties and payables for acquisition of properties are recorded at their carrying values because of the short maturities of these instruments.

(2) If quoted market prices are available, these are used as fair values of derivative instruments. Otherwise, the fair values are evaluated by the Company using the same estimates and assumptions used by other market participants (e.g., banks or derivatives sellers). These estimations and assumptions are available to the Company. The Company uses the long-term interest rate quotations of Reuters (or Bloomberg) to calculate the fair value of each interest rate swap based on the net cash flow.

(3) The fair values of equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost.

(4) Fair values of bonds payable, lease payable, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.

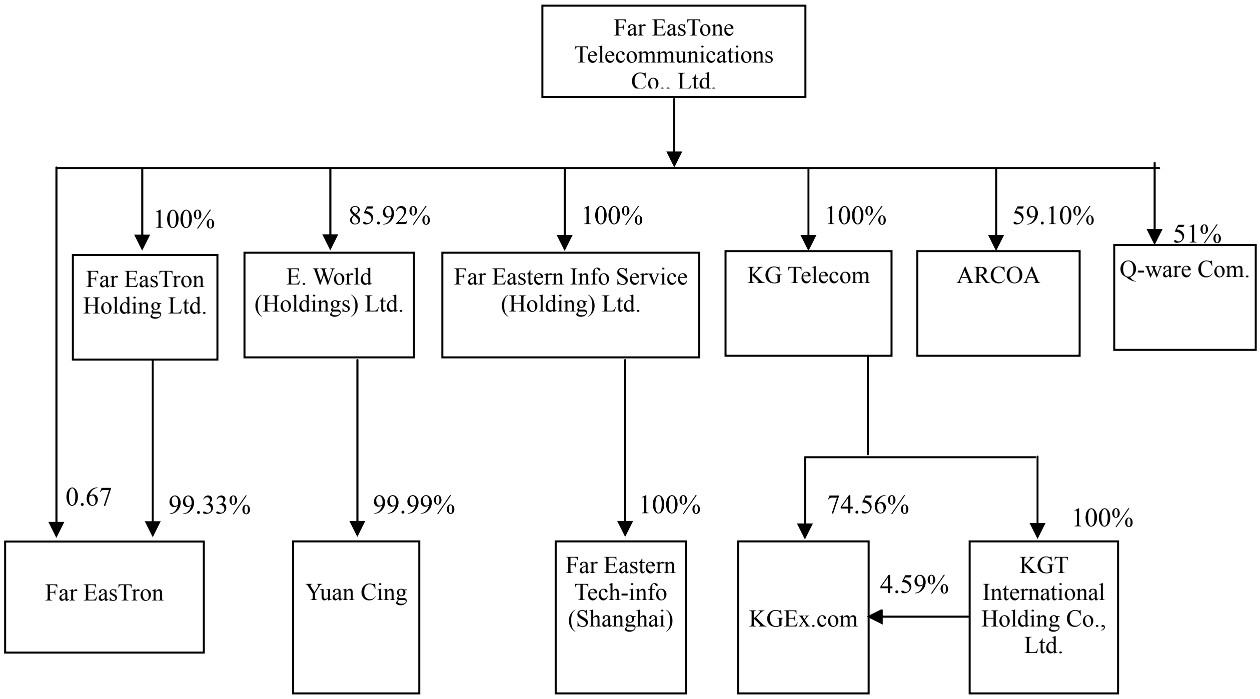
VIII Special Notes

1. Affiliates Information
2. Private Placement Securities
3. The Company's Shares Held or Disposed by Subsidiaries
4. Other Supplementary Information
5. 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:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Date of Incorporation	Address	Common Stock Issued		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.	$	40,330,334	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	2G wireless telecommunications service, leased circuit service 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 HM 11, Bermuda	US$	12,000	International investments
E. World (Holdings) Ltd. (British Cayman Islands)	April 7, 2000	4th Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands	US$	7,000,000	International investments
KGT International Holding Co., Ltd. (British Virgin Islands)	January 6, 2000	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US$	50,000	International investments
KGEx.com Co., Ltd.	August 9, 2000	11th Floor, No. 113, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan, R.O.C.		2,500,000	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.	August 5, 2000	28th Floor, No. 207, Section 2, Tun-Hwa S. Rd., Taipei, Taiwan, R.O.C.		193,500	Call center services
ARCOA Communication Co., Ltd.	May 4, 1981	36th Floor, 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.		1,342,800	Type II telecommunications service, sale of cellular

				phone units and other telecommunications equipments or accessories and related maintenance services.
Far EasTron Holding Ltd. (British Cayman Islands)	August 30, 2005	Marguee Place, Suite 300, 430 West Bay Road, P.O. Box 30691 SMB, rand Cayman, Cayman Islands, British West Indies.	US$ 4,486,988	International investments
Far EasTron Co., Ltd.	August 12, 2005	28th Floor, 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	150,000	Internet content providing services
Q-ware Communications Co., Ltd.	February 13, 2007	9th Floor, No. 399, Ruei Guang Rd. Nei Hu, Taipei, Taiwan, R.O.C.	714,901	Type II telecommunications service

(3) Companies presumed to have a relationship of control and subordination with Far EasTone under Article 369-3 of the R.O.C. Company Law: None.

(4) Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:

Far EasTone and its subsidiaries and affiliates provide wireless telecommunications service, International Simple Resale (ISR) service, leased circuit service, internet service, mobile virtual network operator services, sale of cellular phone equipments and accessories, international investments, computer software, call center services and internet content providing services.

The mutual dealings and division of work among such affiliates:

a. 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. Far EasTone also collects bills for KG Telecom.

b. Far EasTone and KG Telecom collect the international direct dialing revenue for KGEx.com through call-by-call selection service and route the traffic through KGEx.com's telecommunication facilities.

c. Far EasTone and KG Telecom purchase from/sale to ARCOA cellular phone equipments and accessories, and pay to ARCOA handset subsidies and commissions due to its promotion of Far EasTone and KG Telecom's SIM card numbers.

d. ARCOA and KGEx.com provide mobile virtual network operator services through Far EasTone's telecimmunications facilities.

e. Far Eastern Tech-info Ltd. (Shanghai) provides data processing and related consulting services to Far EasTone and KG Telecom.

(5) Directors, supervisors, and general manager of Far EasTone and affiliates:

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,320,197,849	32.73
	Vice Chairman	Yuan Ding Investment Co., Ltd. Nilsson, Nils Jan-Erik	1,320,197,849	32.73
	Managing Director	Yuan Ding Investment Co., Ltd. Champion Lee	1,320,197,849	32.73
	Director	Yuan Ding Co. Peter Hsu	5,153,148	0.13
	Director	Yuan Ding Co. Johnny J. Shih	5,153,148	0.13
	Director	Yue Ding Industry Co., Ltd. S.T. Peng	1,037,115	0.03
	Director	NTT DoCoMo Inc. Shiro Yamagishi	190,040,265	4.71
	Director	Kurt Roland Hellstrom	-	-
	Director	Lawrence Juen-Yee Lau	-	-
	Supervisor	Far Eastern International Leasing Co., Ltd. Eli Hong	32,985,723	0.82
	Supervisor	Asia Investment Corporation Morton Mate Huang	1,059,844	0.03
	Supervisor	Chen-en Ko	-	-
	General Manager	Nilsson, Nils Jan-Erik	108,224	-
KG Telecommunications Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	1,332,997,916	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Nilsson, Nils Jan-Erik	1,332,997,916	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	1,332,997,916	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Charles Wang	1,332,997,916	100.00
	General Manager	Nilsson, Nils Jan-Erik	-	-
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Peter Yen	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Samuel Yuan	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)	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

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
KGT International Holding Co., Ltd. (British Virgin Islands)	Chairman	KG Telecommunications Co., Ltd. Leslie Koo Proxy: Yvonne Li	50,000	100.00
KGEx.com Co., Ltd.	Chairman	KG Telecommunications Co., Ltd. Jeffey Gee	186,390,714	74.56
	Director	KG Telecommunications Co., Ltd. Nilsson, Nils Jan-Erik	186,390,714	74.56
	Director	KG Telecommunications Co., Ltd. Jessica Chen	186,390,714	74.56
	Director	KG Telecommunications Co., Ltd. S. C. Lee	186,390,714	74.56
	Director	Cathay Life Insurance Co., Ltd. Jenho Chang	12,500,000	5.00
	Supervisor	KG Telecommunications Co., Ltd. Yvonne Li	186,390,714	74.56
	General Manager	Jeffey Gee	-	-
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Jessica Chen	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Peter Yen	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Samuel Yuan	-	100.00
Yuan Cing Co., Ltd.	Chairman	E. World (Holdings) Ltd. Nilsson, Nils Jan-Erik	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
	Supervisor	E. World (Holdings) Ltd. Yvonne Li	19,349,994	99.99
ARCOA Communication 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. Maxwell Cheng	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
	General Manager	Guang-Ruey Chiang	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far EasTron Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Nilsson, Nils Jan-Erik	100,000	0.67
	Director	Far EasTone Telecommunications Co., Ltd. Roger Chen	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
	General Manager	Benjamin Ho	-	-
Far EasTron Holding Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Nilsson, Nils Jan-Erik	4,486,988	100.00
Q-ware Communications Co., Ltd.	Chairman	President Chain Store Co., Ltd. James Heieh	8,059,091	11.27
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	36,459,930	51.00
	Director	Far EasTone Telecommunications Co., Ltd. Phiby Chen	36,459,930	51.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	36,459,930	51.00
	Director	President Chain Store Co., Ltd. Kuo Hsuan Wu	8,059,091	11.27
	Director	President Chain Store Co., Ltd. Chia Hua Chang	8,059,091	11.27
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	36,459,930	51.00
	Supervisor	Uni-President Enterprises Co., Ltd. Jupiter Fang	9,875,060	13.81
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	36,459,930	51.00
	General Manager	Michael Lo	-	-

Note: Far EasTone Telecommunications Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

(6) Operation overview of Far EasTone and affiliates:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT$)
Far EasTone Telecommunications Co., Ltd.	$ 40,330,334	$ 92,264,436	$ 12,930,436	$ 79,334,000	$ 46,171,972	$ 10,274,570	$ 11,619,441	$ 3.00
KG Telecommunications Co., Ltd.	13,329,979	38,815,237	3,788,092	35,027,145	20,276,654	4,852,595	3,895,307	2.92
E. World (Holdings) Ltd.(British Cayman Islands)	US$ 7,000,000	US$ 2,194,204	US$ 2,131	US$ 2,192,073	-	-	US$ (201,099)	US$ (0.03)
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	US$ 12,000	US$ 3,891,848	US$ 2,131	US$ 3,889,717	-	-	US$ (101,053)	US$ (84.21)
KGT International Holding Co., Ltd. (British Virgin Islands)	US$ 50,000	US$ 2,283,366	US$ 2,158	US$ 2,281,208	-	-	US$ (272,199)	US$ (5.44)
KGEx.com Co., Ltd.	2,500,000	1,840,671	581,163	1,259,508	894,508	(167,455)	(190,346)	(0.76)
Yuan Cing Co., Ltd.	193,500	71,700	9,670	62,030	25,692	8,044	7,069	0.37
Far Eastern Tech-info Ltd. (Shanghai)	RMB 20,675,000	RMB 32,592,206	RMB 4,832,141	RMB 27,760,065	RMB 42,966,513	RMB (676,256)	RMB (662,058)	N/A
ARCOA Communication Co., Ltd.	1,342,800	2,030,499	730,059	1,300,440	4,823,961	(220,953)	(44,883)	(0.33)
Far EasTron Holding Ltd. (British Cayman Islands)	US$ 4,486,988	US$ 1,214,422	US$ 2,160	US$ 1,212,262	-	-	US$ (1,863,353)	US$ (0.42)
Far EasTron Co., Ltd.	150,000	43,798	8,841	34,957	7,990	(43,927)	(61,358)	(4.09)
Q-ware Communications Co., Ltd.	714,901	720,203	155,914	564,289	19,134	(280,522)	(281,868)	(6.95)

1-2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

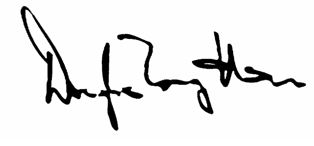
February 15, 2008

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended 2007 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 2007 dated February 15, 2008 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, 2007 (“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 2007 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2007.

February 15, 2008

(2) Declaration for the Affiliation Report of the Company

DECLARATION FOR THE AFFILIATION REPORT OF

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

February 15, 2008

We hereby declare that the Affiliation Report of 2007 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, 2007.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU

Chairman

A. The relationship between the subordinate company and the parent company: Schedule A.

B. Purchase (sale) of goods between the subordinate company and the parent company: None.

C. Property transactions between the subordinate company and the parent company: None.

D. Financing between the subordinate company and the parent company: None.

E. Asset leasing between the subordinate company and the parent company: Schedule B.

F. 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, 2007

(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	32.73	93,400,000	Chairman Vice Chairman Managing Director	Douglas Hsu Nilsson, Nils Jan-Erik Champion Lee
Far Eastern Textile Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-		-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	117,150,440	2.91	62,100,000	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	106,833,700	2.65	36,750,000	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	112,657,603	2.79	80,800,000	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Far Eastern Textile Co., Ltd.									
Leasing	BTS1522	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County	1997.07.15-2012.07.14	Operating	Same as normal leasing	Bank remittance annually	Same	$241	None
Leasing	BTS5341	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin Township, Tao-Yuan County	2004.11.15-2014.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	197	None
Leasing	Nei-Li MSC	No. 759, Yuan-Tung Section, Nei-Li Township, Tao-Yuan County	2007.05.01-2012.04.30	Operating	Same as normal leasing	Bank remittance monthly	Same	2,580	None
Leasing	BTS1588	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2015.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	194	None
								$3,212	

2. Private Placement Securities in Recent Years until the Annual Report being Published

None.

3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published

None

4. Other Supplementary Information

None

5. Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being Published

In the 12th Meeting of the Fourth Term Board of Directors, Peter Hsu had resigned the Managing Director, hereafter Board of Directors re-elected Jan Nilsson as Managing Director on November 28, 2007. The Company held the 2nd Meeting of the Fourth Term Managing Directors unanimously and re-elected Jan Nilsson as Vice Chairman on November 28, 2007. There was no material impact on shareholders' equity or share price.