



CLOSING THE DISTANCE



Mobile







Stock Code: 4904



Printed on May 17, 2010

Corporate Website: http://www.fareastone.com.tw

Disclosed information can be found at : http://newmops.twse.com.tw;

http://mopsbeta.twse.com.tw

Spokesperson: Alison Kao, Director of Public Relations

TEL:+886-2-7723-5000

e-mail:PR@fareastone.com.tw

Deputy Spokesperson: Yvonne Li, CCO

TEL:+886-2-7723-5000

e-mail:IR@fareastone.com.tw

Stock Title Transfer:Oriental Securities Corporation

ADD:3F,86,Chung Ching South Road,sec.1,Taipei,Taiwan

TEL:+886-2-2361-8608

Website:www.osc.com.tw

Independent Auditors: Annie Lin, CPA, and Tony Chang, CPA

Auditing Firm:Deloitte&Touche

ADD:12F, Hung Tai Century Tower, 156 Min Sheng East Road, sec. 3, Taipei, Taiwan

TEL:+886-2-2545-9988

Website:www.deloitte.com.tw

Listing of Foreign SecurItles:Luxemburg Stock Exchange

Disclosed information can be found at www.bourse.lu

Contents

I	Letter to Shareholders	3
II	Company Profile 1. Date of Incorporation 2. Company History	7 8 8
Ш	 Corporate Governance Organization Structure Directors, Supervisors and Executive Management Corporate Governance Executive Status Public Expenses of CPA Information for change of CPA 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 year Shareholding Transferred or Pledged by Directors, Supervisors, and Management, or Major Shareholders Top ten shareholders being the related party as defined in Statement of Financial Accounting Standards No. 6 Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies 	13 14 16 27 40 41 42 42 44
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 Merger or Acquisition 7. Fund Utilization Plans and Status	46 47 50 50 50 50 50
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	52 53 60 64 64 64 66

VI	Financial Information	70
	1. Condensed Financial Statement for the Recent 5 Years	71
	2. Financial Analysis for the Recent 5 Years	74
	3. 2009 Supervisors' Report	77
	4. 2009 Independent Auditors' Report, Financial Statements and Notes	78
	5. 2009 Independent Auditors' Report, Consolidated Financial Statements and Notes	119
	6. Impact of the Financial Distress Occurred to the Company and Affiliates	175
W	Review and Analysis of the Financial Condition,	
	Operating Performance and Risk Management	176
	1. Financial Condition	177
	2. Operating Performance	177
	3. Cash Flow	178
	4. Key Performance Indicator, KPI	179
	5. Analysis of Major Capital Expenditure and Sources of Funding	179
	6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future	
	Investment Plan	179
	7. Risk Management	180
	8. Other	187
VIII	Special Notes	188
	1. Affiliates Information	189
	2. Private Placement Securities	198
	3. The Company's Shares Held or Disposed by Subsidiaries	198
	4. Other Supplementary Information	198
	5. Material Event Impact on Shareholders' Equity or Share Price	198
	-	

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2009



Letter to Shareholders

To Our Shareholders,

The year 2009 was a year that was still reeling from the unraveling of the global economy that first reared its ugly head in 2008. Overall economic needs were adversely affected, resulting in significantly lower world trade. After the initial shock, spates of fiscal and monetary policies were launched by various governments to arrest the economic decline and to stimulate the markets. And judging from the optimistic economic indicators as released by global economic agencies and research institutions, the worst seems to be over. Or is it really? Even though there may be sustained growth momentum in emerging markets, there are still major issues of unemployment and lack of confidence in the market, which could seriously debilitate the economy. The rate of recovery also differs from country to country, region to region. In Taiwan, the jury is still out, with no prospect of immediate agreement as the government, industry representatives, academics and even the general public are divided in their verdict.

According to figures from NCC, the telecommunications industry experienced an overall decline of 1.1% in total revenue for fiscal 2009; out of which mobile communications declined by 0.8% and fixed, long distance and international calls declined by 4.3% consolidatedly. The telecommunications industry had had to grapple with multiple challenges - frequent policy changes and intense competition being two of the main contributors. In the face of adversity, Far EasTone hung on to our promise to shareholders and instead, worked even more actively to control costs and enhance the competitiveness so that we could post positive results. In fiscal 2009, Far EasTone, along with other subsidiaries, achieved a consolidated total revenue of NT\$60.062 billion, consolidated service revenue of NT\$54.837 billion, service EBITDA margin of 45.2%, net income after tax of NT\$9.23 billion and EPS of NT\$2.83.

Despite the fiercely combative nature of the industry, we have all along steadfastly held onto our conviction of delivering excellence. This applies not just to end products and services but also in the way we operate and manage, all of which did not go unnoticed by both local and international organizations and consumers. Last year, Far EasTone was ranked among Taiwan's Best Corporate Social Responsibility at and Best at Investor Relations by FinanceAsia and again topped the telecommunications category in a public survey of Top 10 Services by Global Views Magazine. Far EasTone has also been actively involved in the implementation of the energy-saving environmental protection policy. In fact, to help us better manage this responsibility, we are in the midst of including a permanent interdepartmental group that would specifically look into the company's planning as relates to energy-saving measures and also to provide regular audits to ensure compliance and build on improvements. In June 2009, Far EasTone was awarded the "Gold-Saving Award" by the Taipei City Government for successfully reducing environmental carbon footprint in the workplace. Additionally, in December 2009, Far EasTone was given an award for responding to a green movement organized for the Neihu Technology Park community, thereby setting a precedent in the telecommunications industry.

To play our part in social responsibility and to respond to NCC's campaign for "Broadband for Villages", we worked tirelessly to negotiate through the mountainous terrains, deployed the latest Power Line Technology jointly developed by the Industrial Technology Research Institute of Taiwan and Taiwan Power Company and constructed the broadband network for data communications service in Fanlu, a rural township in Chiayi County. This made us the first to complete the broadband network for a non-aboriginal village in remote Taiwan, whose residents can now enjoy communications with anyone in the world, easily. In August 2009, when typhoon Morakot left Taiwan with a devastating trail of damage and loss, Far EasTone wasted no time in lending a helping hand by utilizing our resources to the fullest. With the use of our core technologies, we were able to provide emergency communications lines that covered the spectrum of voice, data and Internet in the affected areas. Our Far EasTone mobile vans were also dispatched to various locations to provide immediate communications access. Further, to ease the burden of the victims, we gave out mobile phones and pre-paid cards to the respective local governments who in turn, distributed them to the residents.

In October 2009, the Far Eastern Group participated in a fund raiser, "Adopt A Wish, Love On Campus".

Donations poured in through the stores and SMSes and the proceeds were used to help fund the students from 5 junior and high schools in Kaohsiung County to re-allocate to the He Chun Institute of Technology, Qishan campus, all of whom were affected by the typhoon. Part of the proceeds also went into paying for oral and health care for these students. As far as we could, we gave our best in doing a part in the relief efforts for this disaster. We worked alongside the Red Cross Society and made full use of our network of stores and telecommunications services to garner donations and help for the needy.

Operating Performance and Results of 2009:

- Consolidate voice revenue, forge ahead into non-voice market
- As at end of fiscal 2009, Far EasTone has reached a total customer base of 6,240,000, of which 3G customers make up a hefty 60%.
- Non-voice revenue in 2009 accounted for 14.1% of total revenue, which represents a growth of 8% over the previous year. It remains the leader in the industry and its growth is largely attributed to mobile Internet/date card as well as other Far EasTone mobile network services.
- The launch of "FET Home Plug and Save" for a flat fee was groundbreaking and a bold move from Taiwan's traditional long distance telephone fee structure.
- Positioned ourselves as the leading integrated information and communication provider and targeted at the corporate market with a range of services that included FMC, Mobile Application, Information Security, Cross-Strait Communications, Cloud & ICTO, etc.
- Entry into the Smartphone arena with SMart Apps
- Partnered with leading phone makers and launched a series of smartphone that are powered by Windows and Android operation systems.
- Created a new resource for revenue when we launched the first SMart Apps in Chinese language in Taiwan. This received overwhelming response from the predominantly Chinese population and out of all who download Smart Apps, 65% were non-FET customers.
- Launch of WiMAX fast-tracked us into a new generation of communications
- In the second quarter of 2009, we shared the experience of the M-Taiwan Project with residents of Taichung.
- In the fourth quarter of 2009, WiMAX officially launched in Taichung. To create an overall conducive environment for quick adoption, free trial of mobile broadband in 15 public areas around the city was offered to the residents.
- A wide range of services including wireless broadband movie and music, digital multimedia, digital
 advertising, mobile Internet access are now available with the upgraded network performance of
 higher speed and enhanced transmission quality.

Operational and Strategic Plan for 2010:

Positioning ourselves as an integrated wireless multimedia service provider

- Continue to enhance cost-effectiveness, speed up network construction
- Increase data revenue so as to ward off interference from regulatory policies and as combative action in an intensely competitive industry which has been the catalyst for the decline of voice revenue.
- Accelerate the upgrade of 3G network and expand WiMAX coverage to reach out to all major cities in Taiwan.
- Continue to co-exist harmoniously with other industry players so as to maximize the full potential of
 mobile Internet technology and its related applications and services, and to this end, meet our
 consumer demand for connectivity anytime, anywhere.
- Expand our range of services through feasible external partnership
- Globalize our Smart Apps through our alliance with Conexus.
- Expand WiMAX coverage through various forms of partnerships.
- Continue our co-operation with China Mobile within legal limitations to promote value-added services in China.
- Research and engage in new media opportunities for the development of digital broadcasting so as to enhance the competitiveness and diversity of the industry.

- Focus on talent management, promotion of high-performance team
- Whenever appropriate, specialized tactical teams would be formed to meet challenges.
- Adopt a high performance cooperation-based model and deploy it in areas of decision making, strategic thinking, innovation, leadership and operations to ensure timely responses to changes in the highly competitive industry.

Without any doubt, the future is in wireless technology, and the key to success is none other than service. There are foreseeable challenges, such as mandatory rate cuts, rising cost of exposure frequency and levy for lucky numbers, all of which will have a direct impact on revenue. However, we are well poised to tackle these, thanks to all the initiatives that we already have in place that would allow us to be reactive to changes in the marketplace with minimal turnaround time, and to fine-tune our research and development to deliver products and services that accurately address the needs and demands of our consumers. The evolving external environment also serves as a constant reminder and motivation for our staff to keep up with the times.

As the year progresses, we will gear up and hasten the various business processes and strengthen our research efforts on new products and services. At Far EasTone, the spirit of hard work and quest for excellence have never once wavered. We will focus on innovation and extension of core technologies to further develop new business opportunities as well as our primary business.

Finally, we wish to express our greatest appreciation to each shareholder once again, and may you and the community continue to encourage and support us. We wish you good health and best of luck.

Douglas Hsu Chairman Jan Nilsson

Vice Chairman and President

FAREASTONE	FAREASTONE

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2009



- 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:

- 1997/01 Awarded two licenses from MOTC to provide GSM1800 services island-wide and GSM900 services in the northern region of Taiwan
- 1998/01 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
- 1999/03 Reached one million revenue-producing customers. Noted by Global Mobile Magazine for being the GSM system operator to do so in the shortest time
- 2000/02 Received "GSM in the Community Award" from GSM Association for disaster relief efforts after 921 earthquake
- 2000/05 Awarded by the Directorate of General Telecommunications (DGT) as the operator winning the best customer satisfaction for the second consecutive year
- 2000/07 Launched Mobile Virtual Private Network (MVPN) as the first operator to provide total communication solutions tailor-made for enterprise users
- Awarded by the Directorate of General Telecommunications (DGT) as the operator winning the best customer satisfaction three years in a row
- 2001/04 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)
- 2002/02 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
- 2002/03 The Company and IBM successfully launched the first GSM/GPRS CSP enabling Mobile e-Business
- 2002/06 Launched "Super i-style Mobile Internet Service"
- 2002/08 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
- 2003/03 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
- 2003/04 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
- 2004/01 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
- 2004/02 Launched FET Smart Club Card offering mobile services and exclusive value-added rewards plan
- 2004/04 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
- 2004/06 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
- 2004/12 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+
- 2005/02 Obtained a 55.3 % stake in handset chain store Arcoa Co. Ltd.
- 2005/03 Awarded the certification of the international BS 7799 Information Security
- 2005/04 First domestic telecommunications operator to be certified as compliant with the international BS 7799

 Information Security Management Systems standard
- 2005/05 Acquired its 3G mobile services subsidiary Yuan-Ze Telecommunications
- 2005/06 Launched "Mailgene Plus", the first push-email automated mail service in Taiwan
- 2005/07 Launched 3G multimedia services, becoming the first 3G WCMDA provider in Taiwan
- 2005/08 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
- 2006/01 Launched "MSN Messenger" services, becoming the first domestic mobile telecommunications operator to partner with the MSN website. Subscribers may receive and send messages at any time
- 2006/03 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-"
- 2006/04 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
- 2006/06 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
- 2006/08 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
- 2007/05 Acquired 51% of Q-ware Communications' (split from Q-ware Systems & Services Corp.) to expand the scope of the Company's wireless communication services
- 2007/06 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
- 2007/07 Awarded by Finance Asia magazine as "Best Corporate Governance in Taiwan". The Company is the only telecommunication company in Taiwan to receive the award
- 2007/07 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
- 2007/08 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
- 2007/09 Received the highest rating in the SGS (Société Générale de Surveillance) Qualicert program for two consecutive years
- 2007/09 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
- 2008/03 Reduced capital by returning NT\$7,745millions in cash to shareholders to enhance the return of shareholders' equity
- 2008/03 Established FEG Telecom Sector to provide mobile communication, broadband, media, and international services
- 2008/04 Named by the Reader's Digest as a Trusted Brand

- 2008/04 Awarded the "Corporate Social Responsibility top 50" by the Global Views Magazine
- 2008/08 Awarded the "Best Corporate Governance in Taiwan" award by Finance Asia again, the Company is the only Telecom Company to win this award for two consecutive years in Taiwan
- 2008/08 Awarded the 2008 "Excellence in Information Service Management Project of the Year Award" by the itSMA.

 The Company is the only Telecom Company to have achieved ISO 20000 IT Service Management certification in Taiwan
- 2008/11 Awarded the "e-21 Gold Web Award" by the MOEA Department of Commerce for FETnet successful integration in computer and mobile cross-platform media marketing
- 2008/11 Launched the "FET 070" to offer consumers a simple way to access the Internet and phone call at the same time
- 2008/12 Awarded 1st place among telecommunications companies in Global Views Magazine's Top 10 Service Companies in 2008
- 2008/12 Awarded "Green Procurement Enterprises" by the Taipei City Government with commitment to the green movement
- 2009/04 Received "2008 Green Procurement Excellent Enterprises" award by the Environmental Protection Administration Government of the Republic of China
- 2009/04 Far EasTone and China Mobile announced strategic cooperation agreement and share subscription agreement
- 2009/04 Awarded the "Trusted Brand-Gold Award" by the Reader's Digest again with Mobile Service Provider
- 2009/05 Awarded" Best Corporate Social Responsibility" and "Best Investor Relationship" by FinanceAsia
- 2009/06 Awarded the "Gold Award for Energy Conservation" by Taipei City Government for FET's effort in carbon reduction for Corporate Office Building
- 2009/10 FET been named again as the top company in the telecommunication industry for the 7th Service Industry Census conducted by Global Views Magazine
- 2009/12 Soft launch of WiMAX in Taichung
- 2010/01 Far EasTone merged with KG Telecommunications and becomes the surviving company

2-2. Status of Acquisitions

(1) Merger with KG Telecommunications Co., Ltd

A. KG Telecommunications Co., Ltd became 100% owned by the Company

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 first-stage merger was closed on January 1, 2004. On the closing day of the first-stage 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.

B. Merger with KGT and the Company, KGT being the dissolved company

In order to have more effective utilization of the telecom network resources and to enhance the operation performance, the Company and KGT held the board meeting simultaneously on February 26, 2009 to approve short form merger by Article 19 of the Enterprise Merger and Acquisition Law. As the Company owned 100% of KGT shares, there was no merger consideration in this case. On November 4, 2009, the Board of Directors of the Company and KGT resolved that the closing date of the merger as January 1, 2010. The Company and KGT had completed the merger smoothly on the

closing date of the merger dated January 1, 2010. The merger had been approved by National Communications Commission as the official letter No.09841056900 on August 28, 2009 and finished the amendment of corporate information by Department of Commerce of the Ministry of Economic Affairs as the official letter No.09901011060 on January 18, 2010.

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

The Board of Directors resolved on February 24, 2005 that the Company 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 dissolved company.

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

2010/3/31; Unit: share; %

		, , , , , , , , , , , , , , , , , , , ,							
Affiliated Company	Investment of the Company								
	Share	%							
ARCOA communications Co., Ltd.	82,009,242	61.07							
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.	4,725,000	15.00							
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.	695,096,070	26.74							
ADCast Interactive Marketing Co., Ltd.	386,870	8.56							
KGEx.com Co., Ltd.	89,088,478	79.25							
iScreen Corporation	4,000,000	40.00							
Yuan Cing Infocomm Tech Co., Ltd.	100,000	100.00							

- 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 Company has announced a strategic cooperation agreement and a share subscription agreement with China Mobile Limited ("China Mobile") after the Board Meeting resolution on April 29, 2009. Under the terms of share subscription agreements, China Mobile will subscribe through a private placement no more than 444,341,020 common shares of the Company. Total consideration upper limit is approximately NT\$ 17.7736 billion, or equivalent to NT\$ 40 per share. Aforementioned private placement has been approved by 2009 shareholders' meeting dated June 16, 2009. However, as current regulations have not permitted the consummation of the contemplated transaction, the private placement has not completed yet. Since the one-year period for private placement will soon expire, it is proposed to the Board of Directors on April 27, 2010 and Year 2010 Shareholders' Meeting to discuss and approve the private placement again. The basis of the private placement price is as follows: The private placement price is set at NT\$40 per share. The private placement price will be no less than 70% of the simple arithmetical average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date (exclusive), after adjustment for any distribution of stock dividends, cash dividends or capital reduction (hereinafter, the "Reference Price"). The pricing will be determined by the board of directors pursuant to the shareholders' resolution, after such resolution for pricing principle is adopted by the shareholders' meeting. An independent financial advisor, KGI, was engaged to issue the fairness opinion on the pricing basis and reasonableness. However, if the volume weighted average price of the common shares of the Company for the 14 consecutive trading days prior to and including the date on which either the place's parent company or the Company sent the notice to the other party, pursuant to the relevant agreements,

to notify the settlement date of the private placement, is beyond the range of NT\$35 (inclusive) to NT\$50 (inclusive), it is proposed that the Shareholders' Meeting hereby authorizes the Board of Director may discuss in good faith to agree a new private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT\$5 per share of the Company. However, the new private placement price shall be no less than 70% of the Reference Price of the new pricing date. The completion of this private placement is subject to the satisfaction and fulfillment of all the conditions precedent set out in the relevant transaction documents, including without limitation that it is permitted under the relevant laws and regulations and approvals from relevant competent authorities have been obtained. Upon completion of this private placement, both parties agree to establish strategic cooperation in the fields of joint procurement, voice and data roaming, value added services and future technology and research development...etc. Both parties also agree to, within the extent permitted by relevant applicable laws and/or after obtaining the approvals of relevant competent authorities, establish a joint venture to cooperate in the fields agreed by both parties. The strategic cooperation agreement will be effective from the completion date of the private placement.

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2009

Corporate Governance

- 1. Organization Structure
- 2. Directors, Supervisors and Executive Management
- 3. Corporate Governance Executive Status
- 4. Public Expenses of CPA
- 5. Information for Change of CPA
- 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 Year
- 7. Shareholding Transferred or Pledged by Directors, Supervisors, Management, and Major Shareholders
- 8. Top Ten Shareholders Being the Related Party as Defined in Statement of Financial Accounting Standards No. 6
- Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies

1 Organization Structure

1-1. Organization Chart Shareholders' Meeting Supervisor Board Board of Managing Director Chairman Vice Chairman Internal Audit President Legal & Regulatory Labor Safety & Health Office **Public Relations** Mainland Business Human Development Resources CFO CCO СТО Enterprise & Network & Sales & Information Finance & Product & Marketing Carrier Business Unit Channel Mgmt. Technology Technology Shared Service Service Delivery Mobility Network & Customer Brand & Retail Store Enterprise Treasury & Charging Solutions Solution Service & Channel Communications Sales I Credit Mgmt. Planning/Integrat Collection Mgmt. Mobility Operation Franchise Device & Media Procurement Enterprise BWA Tech. & Customer Care Service & Channel Marketing Sales II Strategy Solutions Support Indirect & Accounting Product & Service Regional Corporate Virtual Channel Broadband Carrier Business Incubation & Operations Mgmt. Solutions Enabling Facility & Administration Channel Network Mgmt. Planning Distributed Infra. Customer & Service Post-Paid Marketing & Engineering & Insights Engineering Product Mgmt. Operations Corp. Finance Channel Operation Management & Planning Service Business Project & Data Center Network Pre-Paid Operations Logistic Mgmt. Planning Engineering & Investor Operations Relations ICT Operations IT Service Governance Business Mgmt. & Strategy Wireline IT Solutions Software

Development

1-2. Roles and Responsibilities

2010/4/30

_			2010/4/30								
Department	Name	Title	Job Description								
President	Jan Nilsson	Vice Chairman & President	Responsible for developing and implementing the overall corporate strategy and directions of the company. Develop, maintain and supervise all operations and its organization.								
Legal & Regulatory	Jessica Chen	Vice President	Responsible for legal litigation, IP, regulatory, contract management, corporate security and the public affairs.								
Public Relations	Alison Kao	Director	Responsible for corporate communications, the public relations for corporate & marketing, and corporate image promotion.								
Human Resources	Patrick Wu	Vice President	Responsible for Human Resources Management, Human Resources Development and Compensation & Benefits Management, Employee Services, Employee Relations and Human Resources Information System with Payroll Administration.								
CCO Office	Yvonne Li	cco	Responsible for the mobility services, contents & media solutions, home customer services, and related business.								
Product & Service Delivery	Philby Chen	Executive Vice President	Responsible for the logistic support to consumer mobility services, the development & enabling of all new services & products, and customer services planning.								
Sales & Channel Management	Maxwell Cheng	Vice President	Responsible for developing and managing channels and market as well as all merchandizing in branded stores.								
Marketing	Benjamin Ho	Executive Vice President	Responsible for corporate strategy & development, brand & communications, and related subsidiaries.								
Mainland Business Development Office	Jeffey Gee	СТО	Responsible for strategic alliance & business development of cross-straits.								
CTO Office	Jeney Gee	CIO	Responsible for Network & Technology, Information Technology and related matters.								
Network & Technology	Herman Rao	Executive Vice President	Responsible for Mobile/ Broadband/ ISP Network planning, development and operation, technology strategy, planning and development.								
Information Technology	Eton Shu	Executive Vice President	Responsible for company information technology system strategic planning, development and operations. Providing IT services for store, customer care, billing, financial and decision analysis information to enhance business competence.								
CFO Office	T.Y. Yin	CFO	Responsible for finance, accounting, investor relations, procurement, process control, general administration.								
	David Tsai	Vice President	Responsible for loan and cash management, payment, investment, credit management, communication with stock agency, MOPS, board meeting & shareholders' meeting related matters.								
	Rober Chu	Director	Responsible for purchaising & sell out process of fixed assets, inventory, and expense.								
	Ann Chang	Director	Responsible for accounting booking, tax reporting, commission calculation & refund, and settlements with other operators and content providers.								
Finance & Shared Services	Allan Lee	Director	Responsible for the facility/security/administration planning, developing, operating, management of Office/MSC/IDC/Retail & Franchise stores, and property damage & general liability insurance management.								
	Sharon Lin	Vice President	Responsible for financial reporting, budgeting & forecasting, cost benefit analysis review & post-tracking for capital expenditure and pricing, long term investment evaluation, subsidiary management, revenue assurance and process controlling.								
	Sharon Fan	Director	Responsible for establishing two way communication channels for executive team and investment community ensuring the consistency of information disclosure, developing and maintaining company investor relations plan and performing a comprehensive competitive analysis, including financial metrics and differentiation.								
Internal Audit	Jennifer Liu	Chief Auditor	Responsible for assisting the BOD and management team to identify the deficiency of the internal control system, to assess the effectiveness and efficiency of the operation, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as for continuous improvement.								

2 Directors, Supervisors and Executive Management

2-1. Directors and Supervisors

2010/4/17

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding elected		Current Sharel		Spouse & Shareho	olding	of Oth	lame Major Education & Bers Experience	Current Position with Other Company	degrees o	f consangu other	es of within a ninity to each
at :		20001644	لبا			%	Shares	%	Shares	_	Shares			Title		Relation
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16	3	1997/4/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0			0¹ *0ı	0 *0	Of M.S., Economics, O Columbia University, USA Honorary Ph. D., Management Science, National Chiao Tung University President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation 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 New Century InfoComm Tech Co, Ltd.	Director Director	Peter Hsu Johnny Shih	Brother Brother- in-law
President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16		1997/4/11	1,066,657,614 *138,950	*0		*()		0, *0,	0,*0,	University, Sweden	Vice Chairman of New Century InfoComm Tech Co., Ltd. Director of Far Eastern Electronic Toll Collection Co. Ltd. Director of Ding Integrated Marketing Service Co., Ltd. Director of Co., Ltd. Chairman of Far EasTron Holding Ltd. Chairman of Yuan Cing Co., Ltd Director of Yuan Cing Infocomm		None	None
	Lawrence Juen-Yee LAU	2009/6/16	3	2005/5/20	0	0	0	0	0	0	0	or B.S. in Physics and Economics, Stanford University M.A. and Ph.D. in Economics University of California at Berkeley Academician, Academia Sinica, 1982 Kwoh-Ting Li Professor in Economic Development, Emeritus, Stanford University	President and Vice-Chancellor, Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong Independent Non-executive Director, CNOOC Limited Member, Board of Directors, Precoad, Inc Independent Director, Shin		None	None
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16 2009/6/16		1997/4/11 2006/5/26	1,066,657,614 *58 4,163,500	*0	1,066,657,614 *58	*0	0 *731	0 *0	0, *0	0 MBA, Texas A&I *0 University, USA President of Yuang Ding Co., Ltd.	Director and Senior VP of Far Eastern		None Douglas	None
Director	Peter HSU, Representative of Yuang Ding Co., Ltd.	2009/0/10	3	2000/3/20	*0	*0	*0	*0	*80,795	*0	*0	*0 Research, Stanford University, USA Vice President of Ding & Ding Management Consultants Co. Ltd.	Eastern New Century Corporation Senior Vice President of central procurement in Far Eastern New Century Corporation Director of Asia Cement Co., Ltd. Supervisor of U-Ming Marine Transport Corp.	Director	Hsu Johnny Shih	Brother- in-law
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	2009/6/16	3	2006/5/26	4,163,500 *235,017		4,163,500 *235,017	0.13 *0.01	0 *184,466	*0.01	0	Director of Far Eastern International Bank	Vice Chairman and President of Far Eastern New Century Corporation Vice Chairman of	1	Hsu Peter Hsu	in-law

Title	Name	Election Date	Election Tenure Election Election Current Shareholding Spouse & Minor in the Shareholding Shareholding of				ne Major Education &	with Other		Manager are Spouses degrees of consangui other							
	į.	Date	(Jear)	Date	Shares	%	Shares	%	Shares	%	Share			Company	Title	Name	Relation
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	2009/6/16	3	2003/5/23	837,940 *0	0.03	837,940	0.03	0 *0	*0		0	0, Postgraduate 10, Diploma 11 in Business 12 Administration 13 University of 14 Singapore 15 Chief Operating 16 Officer, SingTel 17 Group	None	None	None	None
Director	Kazuhiro Toda Representative of Yue Ding Industry Co., Ltd. (Note 1)		3	2003/5/23	837,940 *0	0.03			0, *0,	*0		0 0	0 L.L.M., Law *0 School, University of Pennsylvania, Philadelphia, Pennsylvania B.A., Law, Waseda University, Tokyo, Japan	Investment & Alliance, Global Business, NTT DoCoMo	None	None	None
	Kurt Roland Hellström	2009/6/16	3	2005/5/20	0	0	0	0	o	0		0	0 President and CEO of Ericsson Group M.S., Electrical Engineering, Royal Institute of Technology MBA, Stockholm School of Economics		None	None	None
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	2009/6/16	3	2000/12/28	26,650,908 *0	0.82 *0		0.82 *0	0 *0	() *()		0	0 Vice President of *0 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.	2009/6/16	3	2006/5/26	986,303 *0	0.03 *0			0 *0	() *()		0 0	0 Lawyer and M.S., *0 Legal, National Chung Hsing University	Counselor of the Far Eastern Group and Special Assistant of Chairman, Far Eastern New Century Corporation	None	None	None
Independent	Chen-en Ko	2009/6/16	3	2005/5/20	0	0	0	0	a a	O		ď	f) Dean, College of Management, National Taiwan University Chairman, Corporate Governance Association in Taiwan Doctor of Accounting of University of Minnesota	Director of GreTai Securities Market Independent Director of E. Sun Financial Holding Co., Ltd × E. Sun Bank and Chang Type Industrial Co. Ltd.	None	None	None

2-2. Information of Directors and Supervisors

2009/12/31

														2009/12/31
	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	attorney, certified public accountant, or other professional or technical	g professional qualification Having work experience in the area of commerce, law, finance, or accounting, or other wise necessary company business	1	<u>2</u>	<u>3</u>	Conform	n to Inc <u>5</u>	lepende	nt (Not	e) <u>8</u>	9	<u>10</u>	Independent Director with other Company
Name	Y	business												
Douglas Hsu	!		V			V	1			V		V		None
Jan Nilsson	:	!	V			V	V	V		V	V	V		None
Lawrence Juen-Yee LAU	V			V	V	V	V	V	V	V	V	V	V	1
Champion Lee		i	V			V	V			V	V	V		None
Peter Hsu	i	i	V			V	i			V	i	V		None
Johnny Shih	i	i	V			V	i			V	i	V		None
Toon Lim			V	V	V	V	V	V	V	V	V	V		None
Kazuhiro Toda		1 1	V	V	V	V	V	V	V	V	V	V		None
Kurt Roland Hellström	:	1 	V	V	V	V	V	V	V	V	V	V	V	None
Eli Hong		i I	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	3

^{*}Number of shares and percentage of shares held by the individual

Note 1: Represent for Yue Ding Industry Co., Ltd., after the fifth term election of Directors and Supervisors of the Company.

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 Act.
- (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 Act.

2-3. Major Shareholders of the Institutional Shareholders

2009/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.70%) \(An Ho Garment Co., Ltd.(0.3%)
Yuang Ding Co., Ltd.	Far Eastern New Century Corporation(37.13%) \(\text{Asia Cement Co., Ltd.(35.50%)} \) \(\text{Der Ching Investment Corp.} \) (14.50%) \(\text{Yuang Ding Investment Co., Ltd.(12.86%)} \(\text{Yu Ming Trading Co., Ltd.(0.003%)} \) \(\text{Far Eastern Department Store Co., Ltd.(0.001%)} \(\text{ Douglas Hsu}(0.001%)} \) \(\text{John Hsu}(0.001%) \)
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%) \ Yuang Ding Co., Ltd.(2.59%) \ Bai-Ding Investment Corp.(2.31%) \ Yu Ming Trading Co., Ltd.(1.53%) \ Ding Yuan International Investment Corp.(1.30%)
Far Eastern International Leasing Corp.	Bai-Yang Investment Co., Ltd.(29.67%) \ Yuang Ding Investment Co., Ltd.(16.87%) \ Kai Yuan International Investment Corp.(16.80%) \ Yuan Ding Leasing Corp.(11.40%) \ Der Ching Investment Corp.(10.14%) \ Yue Yuan Investment Corp.(10.14%)
Asia Investment Corp.	Asia Cement Co., Ltd.(100%)

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

2009/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern New Century Corporation	Asia Cement Co., Ltd.(22.31%) · Oriental Institute of Technology(4.81%) · Far Eastern Medical Foundation(3.59%) · Far Eastern Memorial Foundation(2.99%) · Yuan-Ze University(2.74%) · Der-Ching Investment Corp.(1.59%) · Morgan Stanley & Co. International Plc(1.58%) · JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency(1.38%) · National Financial Stabilization Fund Management Committee(1.27%) · Douglas Hsu(1.14%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation(100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation(22.33%) \(\cdot \) Far Eastern Medical Foundation(5.40%) \(\cdot \) Yu Yuan Investment Corp.(5.35%) \(\cdot \) Bai-Ding Investment Co., Ltd.(1.86%) \(\cdot \) Shin Kong Life Insurance Co., Ltd.(1.85%) \(\cdot \) Far Eastern Department Stores Co., Ltd.(1.82%) \(\cdot \) Yuan-Ze University(1.41%) \(\cdot \) The Employee Retire Fund Committee of Far Eastern New Century Corporation(1.13%) \(\cdot \) Yu Chang Investment Corp.(1.04%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd.(99.99%)
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.70%) An Ho Garment Co., Ltd.(0.3%)
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 Corp.(0.5%)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (16.80%) \ Asia Cement Co., Ltd.(5.56%) \ Yuan-Ze University (4.68%) \ Yu Yuan Investment Corp. (2.02%) \ CitiBank as Trustee for the Government of Singapore Investment Corp. (1.78%) \ JPMorgan Chase Bank N.A. Taipei Branch in custody for Schroder International Selection Fund Emerging Asia (1.61%) \ The committee of Employee Pension Fund of Far Eastern Department Store Co., Ltd. (1.60%) \ HSBC as Trustee For The China Fund Inc. (1.57%) \ Bai Ding Investment Co., Ltd. (1.48%) \ Nan Shan Life Insurance Company, Ltd. (1.15%)
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%)
Yue Tung Investment Co., Ltd.	U-Ming Marine Transport Corp.(73.54%) \ U-Ming Marine Transport (Singapore) Pte Ltd.(24.00%)
Tou Fu Investment Corp.	Oriental Union Chemical Corp.(100%)

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Ta Juh Chemical Fibers Co., Ltd.	Yuang Ding Investment Co., Ltd.(41.86%) \ Yue Ding Industry Co., Ltd(38.76%) \
Ta Juli Chemicai Tibers Co., Etu.	Yue Li Investment Corp.(19.38%)
	Asia Cement Co., Ltd.(83.81%) · Far Eastern General Contractor Inc.(16.03%) · T.H.
Ya-Li Precast & Prestressed Concrete Industries Corp.	Chang(0.03%) \(\cdot K.Y. \) Lee(0.03%) \(\cdot R.H. \) Shao(0.03%) \(\cdot H.G. \) Yang(0.02%) \(\cdot \) Douglas
	Hsu(0.01%) \cdot S.S. Hsu(0.01%) \cdot S.F. Cheng(0.01%) \cdot H.M. Yang(0.01%)
Vuona Dina Co. I td	Far Eastern New Century Corporation(37.13%) \ Asia Cement Co., Ltd.(35.50%) \
Yuang Ding Co., Ltd.	Der-Ching Investment Corp.(14.50%) Yuang Ding Investment Co., Ltd.(12.86%)
Bai-Ding Investment Corp.	Far Eastern Department Stores Ltd.(66.66%) \ Bai-Yang Investment Corp.(33.34%)
Ding Yuan International Investment Corp.	Far Eastern New Century Corporation(100%)
Bai-Yang Investments Corp.	Far Eastern Department Stores Co., Ltd.(100%)
Kai Yuan International Investment Corp.	Far Eastern New Century Corporation(100%)
Yuan Ding Leasing Co., Ltd.	Yuang Ding Investment Co., Ltd.(46.20%) \ Asia Cement Co., Ltd.(43.60%) \ Far
Tuan Ding Leasing Co., Ltu.	Eastern Department Stores Co., Ltd.(9.20%) \ Yue Yuan Investment Corp.(1%)
	Asia Cement Co., Ltd.(36.42%) \ Yuang Ding Co., Ltd.(25.02%) \ Yuang Ding
Yue Yuan Investment Corp.	'Investment Co., Ltd.(19.05%) · U-Ming Marine Transport Corp.(17.66%) · Yue- Tung
	Investment Co., Ltd.(1.84%)

2-5. Executive Management

2010/4/17

Title Name		Effective Date	Curre Sharehol	nt ding	IVIIIIOI	e &	in Nam Othe	rs of	Major Education and Experience	Current Position with Other Company	or (withi	Consan	re Spouse guinity Degree to ther
							Shares						Relation
Vice Chairman & President	Jan Nilsson	2002.9.1	138,950	0.00).00			Sr. Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linkoping University	Vice Chairman of New Century InfoComm Tech Co., Ltd. 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 Yuan Cing Co., Ltd.	None	None	None
	1	1	: :	- 1	- 1	- 1	- 1			Director of Yuan Cing	1	: :	
	1	1	1	- 1	1	- 1	- 1	1		Infocomm Tech Co., Ltd.			
CCO	Yvonne Li	2009.11.16		0.00		0.00			VP of Citibank Taiwan; M.S., 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 Corporation Supervisor of KGEx.com Co., Ltd. Supervisor of Yuan Cing Co., Ltd. Chairperson of Far Eastern Info Service (Holding) Ltd. Chairperson of Far Eastern Tech-info Ltd.(Shanghai) Director of Q-ware Communications Co., Ltd. Supervisor of New Century InfoComm Tech Co., Ltd. Supervisor of Yuan Cing Infocomm Tech Co., Ltd. Chairperson of ARCOA Communications Co., Ltd.		None	
СТО	Jeffey Gee	2010.2.25	O.	0.00	0; 0	0.00	0		New York State	President of New Century InfoComm Tech Co., Ltd. Chairman and President of KGEx.com Co., Ltd. Director of Q-ware Communications Co., Ltd. Chairman of Simple InfoComm Corporation Chairman of iScreen Corporation		None	None
CFO	T.Y. Yin	2010.3.15	0	0.00	0 0	0.00	0	0.00	CFO of KG Telecom;		None	None	None
									Finance Director of Dell Inc.				

Title	Name	Effective Date	Curro Shareho	ent olding	Shares by Spor Min	ıse &	Shares in Nas Oth	me of	Major Education and Experience	Current Position with Other Company		Consan	re Spous guinity Degree t ther
			Shares	% 5	Shares	%	Shares	%					Relatio
									M.S., Indiana University, USA				
Executive VP, Product & Service Delivery	Philby Chen	2004.5.1	0	0.00	0	0.00	0	0.00	CFO of Tai Chia Technology Inc.; B.S., Accounting, Northern Arizona University	Supervisor of Far Eastern Department Stores Ltd. Director 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
Executive VP, Marketing	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	Chairman of ADCast Interactive Marketing Co., Ltd.	None	None	None
Executive VP, NT	Herman Rao	2008.2.1	62,682	0.00	0	0.00	0		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	0.00		0.00	VP of information technology of KG Telecom; M.S., Computer Science and Information Engineering, National Taiwan University	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai) Director of ADCast Interactive Marketing Co., Ltd.	None	None	None
Chief Auditor, Internal Audit	Jennifer Liu	2009.5.1	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, L&R	Jessica Chen	2005.4.18	0	0.00	0	0.00	0		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 Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern	None	None	None
VP, HR	Patrick Wu	2006.1.2	0	0.00	0	0.00	0		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
VP, Mainland Business Development Office	Robert Liu	2009.2.1	5,349	0.00	0	0.00	0	0.00	Manager of Citibank M.S., Industrial Engineering and Management, Chiao Tung University	None	None	None	None
VP, Product & Service Delivery	Jessica Sung	2009.5.1	0	0.00	0	0.00	0		MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University; CPA of California, USA	None	None	None	None
VP, Product & Service Delivery	Maggie Mei	2006.1.1	48,419	0.00	0	0.00	0	0.00	Assistant Manager of Call Center, Citibank; International Trade, China University of Technology	Co., Ltd.	None	None	None
VP, Product & Service Delivery	Roger Chen	2007.7.1	0	0.00	0	0.00	0	0.00	Director of KG Telecom; M.S., Mechanical Engineering, National Taiwan University			None	None

Title	Name	Effective Date	Curr Shareho	ent	Shares by Spo Min	use &		me of	Major Education and Experience	Current Position with Other Company	or with	Consan	re Spouse Iguinity Degree to Other
			Shares	%	Shares	%	Shares	%			-	Name	Relation
Channel Management									Taiwan Group; M.S., Marketing, University of Michigan	Communications Co., Ltd. Director of Q-ware Communications Co., Ltd.	1		
VP, Sales & Channel Management	Samuel Yuan	2003.7.1	0	0.00	0	0.00	0		Director of Alive Networks HK; B.S., Financial Analysis & Management Information Systems, State University of New York	Director of KGEx.com Co., Ltd. Director of Far Eastern Info Service (Holding)	-	None	None
VP, Marketing	Sharon Chao	2009.5.1	0	0.00	0	0.00	0		Account Director of Lintas Taiwan; B.S., English Literature of Tamkang University	Director and President of ADCast Interactive	None	None	None
VP, Marketing	Jessie Teng	2010.3.1	0	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Southern Methodist University	None	None	None	None
VP, NT	James Lee	2007.7.1	676	0.00	0	0.00	0		Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University	None	None	None	None
VP, NT	Howard Tsao	2007.7.1	5						Manager, Industrial Technology Research Institute; B.S.E.E., Chung-Yuen University	None		None	
VP, NT	Ta Fu		258,731						VP, of NCIC; Manager of Nortel Network Co.,; M.S., Information Technology of Tamkang University				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. Supervisor of ADCast Interactive Marketing Co., Ltd.		None	None
VP, F&SS	David Tsai	2005.7.1	0	0.00	0	0.00	0		Manager of U-Ming Marine Transport Corp., EMBA of Yuan-Ze University	Supervisor of ARCOA Communications Co., Ltd.		None	None
VP	Guang Ruey Chiang	2003.7.1	158,669	0.00	0	0.00	0	0.00	Director of Long Cheng; M.S., Marketing, University of Kansas	Director and President of ARCOA Communications Co., Ltd.	None	None	None
Director, Public Relations		2005.10.24							Spokesperson of Core Pacific City Living Mall; Public Affairs Manager & Spokesperson, Carrefour; MBA, Long Island University, NY, USA	None		None	
Director, Sales & Channel Management	Amanda Huang			0.00					Researcher of Sheng Ho Securities; M.S., Management science, National Chiao Tung University	None		None	
Director, Sales & Channel Management	Scott Chuang	2008.10.1	0			0.00			Manager of Institute for Information Industry; Manager of Seednet; M.S., Electrical Engineering and Computer Science of North Carolina State University				None
Director, Sales & Channel Management	Roger Lin	2010.2.1	0			0.00			Sales Representative of Carrier Corporation, Taiwan; Environmental Engineering in Vanung Institute of Technology	None		None	
Director, Sales & Channel Management	Brian Chao	2010.2.1	0						Sales Supervisor of Shin Kong Life Insurance Co., Ltd.; B.S., Accounting, Feng Chia University	None		None	
Director, Sales & Channel Management	Andy Kuo	2010.2.1	0						Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College			None	
Director, Marketing	Shing Chu	2008.4.1	0	0.00	0	0.00	0		Sales Ass. Of Introl Co., Telecom	None	None	None	None

Title	Name	Effective Date	Curro Shareho	ent	Shares he by Spouse Minor	& in		Major Education and Experience	Current Position with Other Company	or (withi	Consan	e Spouse guinity Degree to ther
			Shares	%	Shares %	∕₀ Sha	res %					Relation
		1						M.S., Unit of Southern				
Director, Marketing	Belinda Chen	2010.3.1	5,070	0.00	0 0.	.00	0 0.00	California Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois	None	None	None	None
Director, Marketing	Emily Liu	2005.7.1	8,879	0.00	0 0.0	00		Account Manager of Ogilvy & Mather Public Relation Taiwan; M.S., Public Relations, Boston University	None	None	None	None
Director, NT	Tony Wang	2003.3.1	0	0.00	0 0.	.00		Manager of Fareast Land; M.S., Engineering, University of Texas at Austin	None	None	None	None
Director, NT	Vivian Chiang	2008.12.1	0	0.00	0 0.	.00	0 0.00	Sales manager of MiTAC; Engineer of ABS Telecom Inc.; M.S., Computer Science of University of Texas of U.S.	None	None	None	None
Director, IT	Hae-Shung Ju	2004.1.1	0	0.00	0 0.	.00		Senior consultant, NCR, M.S., Computer Science, East Texas State University	None	None	None	None
Director, IT	Leon Li	2004.1.1	0	0.00	0 0.	.00	- 1	Manager of KG Telecom; M.S., Computer Science, Monmouth University		None	None	None
Director, IT	Jennifer Shen	2009.1.19	0	0.00	0 0.	00	0 0.00	Manager of Institute for Information Industry; Manager of NCIC; M.S., Computer Information Science of Oregon State University	None	None	None	None
Director, IT	James Perng	2009.1.19	0	0.00	0 0.	.00		Manager of Institute for Information Industry; Manager of Seednet; M.S., Computer Science of Syracuse University of New York	None	None	None	None
Director, IT	Michelle Peng	2002.11.1	596	0.00	0 0.	.00		Software development Manager of 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		Engineering Supervisor of 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		General of Taiwan Mobil Communication; M.S., of Computer Science, California State University	None	None	None	None
Director, IT	Iris Su	2004.1.1	43,246	0.00	0 0.	.00		Manager of KG Telecom; M.S., Computer Information System, Arizona State University	None	None	None	None
Director, F&SS	Robert Chu	1999.11.1	175,488	0.01	0 0.	.00	0.00	Admin Manager of Honeywell Taiwan Ltd.; B.S., Finance and Taxation Feng Chia University	None	None	None	None
Director, F&SS	Allan Lee	2008.3.1	0	0.00	0 0.	00	0 0.00	Manager of Chung-Chie Property Management; M.S., Finance & Tax, Case Western Reserve University, US.	None	None	None	None
Director, F&SS		1997.8.4	13,352	0.00		.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		Management Controller of Credit Loynnais Taipei; MBA, University of Washington	None	None	None	None

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

2009/12/31; NT\$'000

					Remuneratio	on to Directo	rs			1					Ren	uneratio	to employ	iees				1	2 , 51, 11	Other
Title	Name	Comper	nsation (A)		on Fund (B)	Remuner from dist ear	ration paid ribution of nings Note 2)	Operating :	allowance (D)	of net inco	O) Percentage ome after tax %)	Salary, be	onus, special (E) (Note 3)	Pensi (F) (ion Fund (Note 4)	Bonus t	o employed earn	es from dis ings (G)			held employee scription (H)	Percen	(A+B+C+E+D+F+G) Percentage of net income after tax (%) in bu	
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash	Stock bonus	Cash	olidated Stock bonus	The Company	Consolidated	The Company	Consolidated	
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.																							
Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.		 																					
Managing Director & Independent Director	!																							
Director	Kurt Roland HellstrÖm								į	į														
	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	10,208	10,2080	0	0	77,871	77,871	5,387	5,387	1.01%	1.02%	16,987	16,987	4,266	4,266	0	0	0	0	0	0	1.24%	1.26%	Yes
	Peter Hsu, Representative of Yuang Ding Co., Ltd. Johnny Shih,																							
	Representative of Yuang Ding Co., Ltd. Toon Lim,																							
	Representative of Yue Ding Industry Co., Ltd. Kazuhiro Toda, Representative of Yue																							
	Ding Industry Co., Ltd. (Note 1)																							

Escalation for remuneration to Directors

2009/12/31

		Name of I	Directors	
Escalation for remuneration paid to individual directors of the Company (NTD)	Total of (A	A+B+C+D)	Total of (A+B	+C+D+E+F+G)
ancessor are company (1.12)	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	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm	Lawrence Juen-Yee LAU Kurt Roland HellstrÖm
2,000,000~5,000,000 (inclusive of 2,000,000)	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Kazuhiro Toda	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Kazuhiro Toda	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Kazuhiro Toda	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Kazuhiro Toda
5,000,000~10,000,000 (inclusive of 5,000,000)	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
$10,\!000,\!000\!\sim\!15,\!000,\!000$ (inclusive of $10,\!000,\!000$)	None	None	None	None
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
$30,\!000,\!000\!\sim\!50,\!000,\!000$ (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
2008	0.90%	0.91%
2009	1.01%	1.02%

Note 1: Represent for Yue Ding Industry Co., Ltd., after the fifth term election of Directors and Supervisors of the Company.

Note 2: The remuneration from 2009 distribution of earnings is subject to approval of 2010 Shareholders' Meeting and not actual payment amount yet.

Note 3: Including salary, position compensation, bonus, transporting allowance, other compensation, other allowance, accommodation allowance, business vehicle...etc, among which accommodation allowance is NTS1,594 thousand for house rental and business vehicle is NTS1,020 thousand for car rental. In addition, the compensation paid to the driver is NTS849 thousand in total, but excluding in remuneration to employees.

Note 4: The Company has no actual pension fund in 2009, the listed amount is distribution of pension fund expenses.

Remuneration to Supervisors

2009/12/31; NT\$'000

				Remunerati	on to Supervisors					Other
Title Name		Com	pensation (A)	distributi	ntion paid from on of earnings (Note 2)	Operating al	llowance (C)	(A+B+C) Perco	remuneration from investment business except	
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
	Eli Hong, Representative of Far Eastern International Leasing Corp. (Note 1)	0	0	2,000	2,000	600	600	0.03%	0.03%	None
Supervisor	Morton Huang, Representative of Asia investment Corp. Chen-en Ko	0	0	3,200	3,200	1,393	1,393	0.05%	0.05%	None

Note 1: According to the regulation of disclosure from Financial Supervisory Commission, a company that has had an average ratio of share pledging by directors or supervisors in excess of 50% in any three months during the recent years shall disclose the remuneration paid to each individual director and supervisor. Therefore, the Supervisor is disclosed individually.

Escalation for remuneration to Supervisors

2009/12/31

		2009/12/31				
Escalation for remuneration paid to individual	N	ame of Supervisors				
supervisors of the Company (NTD)		Total of (A+B+C)				
supervisors of the company (IVID)	The Company	All companies in the consolidated statement				
Less than 2,000,000	Chen-en Ko	Chen-en Ko				
	Far Eastern International Leasing Corp.	Far Eastern International Leasing Corp.				
2,000,000~5,000,000 (inclusive of 2,000,000)	Representative : Eli Hong	Representative : Eli Hong				
,000,000~3,000,000 (inclusive of 2,000,000)	Asia investment Corp.	Asia investment Corp.				
	Representative : Morton Huang	Representative : Morton Huang				
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
2008	0.07%	0.07%
2009	0.08%	0.08%

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

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. The remuneration is determined and adjusted in terms of criteria, structure and system based on not only historical operational performance but also future risk factors.

Note 2: The remuneration from 2009 distribution of earnings is subject to approval of 2010 Shareholders' Meeting and not actual payment amount yet.

Remuneration to President and Vice Presidents

2009/12/31;	NT\$'000
Number of held	Othou

Title	N		alary (A)		ion Fund (Note 3)	alle	and special owance (Note 4)	Bonus to	ear	s from distr nings Note 5)	ribution of	Percentage	B+C+D) e of net income r tax (%)	emple	per of held byee share tion warrants	Other remuneration from investment
Title	Name	The Company		The Company	Consolidated	The Company	Consolidated		mpany Stock bonus		Stock bonus	The Company	Consolidated	The Company	Consolidated	business except
Vice Chairman & President	Jan Nilsson															
CCO	Yvonne Li															
Executive VP	Benjamin Ho) :			l L		l L			:		1				
Executive VP	Philiby Chen															
Executive VP	Eton Shu															
Executive VP	Herman Rao											į				
VP	Howard Tsao	: :		: :	 		 			:		1				
VP	S.C. Lee (Note 1)															
VP	James Lee											į				
VP	Guang Ruey Chiang															
VP	Samuel Yuan											1				
VP	Maxwell Cheng	\$85,569	\$85,569	\$6,570	\$6,570	\$20,595	\$20,595	\$30,765	0	\$30,765	0	1.56%	1.57%	0	0	Yes
VP	Maggie Mei) :										1				
VP	Jessica Chen											1				
VP	David Tsai											i				
VP	Sharon Lin									i		į				
VP	Jessica Sung															
VP	Roger Chen															
VP	Patrick Wu											i				
VP	Robert Liu)						:		:		1	:		:	
VP	Ta Fu															
VP	Sharon Chao															
Chief Auditor	Jennifer Liu											į .				
VP	Heidi Huang (Note 2)															

Note 1: Who weren't executive officer after Apr. 1, 2010.

Escalation for remuneration to President and Vice Presidents

2009/12/31

	Name of President and V	Vice Presidents (Note 1)
Escalation for remuneration paid to presidents and Vice Presidents of the Company (NTD)	The Company	All companies in the consolidated statement
Less than 2,000,000	Heidi Huang (Note 2)	Heidi Huang (Note 2)
2,000,000~5,000,000 (inclusive of 2,000,000)		Samuel Yuan, Howard Tsao, Maggie Mei, Ta Fu, Sharon Chao, Roger Chen, Jessica Chen, Jennifer Liu, Robert Liu, David Tsai
5,000,000~10,000,000 (inclusive of 5,000,000)	Yvonne Li, Eton Shu, Philiby Chen, Herman Rao, Guang Ruey Chiang, Maxwell Cheng	Yvonne Li, Eton Shu, Philiby Chen, Herman Rao, Guang Ruey Chiang, Maxwell Cheng
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)	None	None
50,000,000~100,000,000 (inclusive of 50,000,000)	None	None
More than 100,000,000	None	None
Total	24	24

Note 1: 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
2008	1.17%	1.18%
2009	1.56%	1.57%

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

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 the Company Act, it is paid according to in charge tasks, macro economics and market standard which shall fully represent the working performance. 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

Note 2: Heldi Huang resigned on Sep. 26, 2009.

Note 3: The Company had no actual payment for pension fund in 2009, the figures shown in the table all belong to pension fund contribution.

Note 4: Including bonus, special allowance, transporting allowance, other allowance accommodation allowance business vehicle... and etc, among which accommodation allowance is NT\$3,031 thousand for house rental and business vehicle is NT\$5,807 thousand for car rental. In addition, the compensation paid to the driver is NT\$848 thousand in total, but excluding in remuneration to employees.

Note 5: The remuneration from 2009 distribution of earnings is subject to approval of 2010 Shareholders' Meeting and not actual payment amount yet.

Note 2: Resigned on Sep. 26, 2009.

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 remuneration is determined and adjusted in terms of criteria, structure and system based on not only industry standard and historical operational performance but also future risk factors.

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. 2.65% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2009, and 2.67% for the consolidated basis. These figures were 2.14% and 2.17% for both the standalone and consolidated basis of the company in 2008.

Bonuses to Executive Management

2009/12/31; Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus (Note 3)	Total	Percentage of Net income after tax (%)
	Vive Chairman President	Jan Nilsson				
	CCO	Yvonne Li	1			1
	Executive VP	Philby Chen	i i			1 1
	Executive VP	Benjamin Ho				
	Executive VP	Herman Rao				
	Executive VP	Eton Shu	İ			İ
	Chief Auditor	Jennifer Liu	1			
	VP	Jessica Chen				
	VP	Patrick Wu				
	VP	Robert Liu	i			i
	VP	Jessica Sung	İ			İ
	VP	Maggie Mei	1			1
	VP	Roger Chen	i i			
	VP	Maxwell Cheng				
	VP	Samuel Yuan				0.38%
	VP	Sharon Chao				
	VP	S.C. Lee (Note 1)	į	\$35,201		
	VP	James Lee	l L			
	VP	Howard Tsao	:			
	VP VP	Ta Fu Sharon Lin				
	VP VP	David Tsai	i			
Executive Officer	VP VP	Sharon Lin	0		\$35,201	
Executive Officer	VI VP	Guang Ruey Chiang	1 0			
	Director	Alison Kao				
	Direcotr	Amanda Huang (Note 2)				
	Director	Scott Chung	į			
	Director	Roger Lin (Note 2)				
	Director	Brian Chao (Note 2)	1			
	Director	Andy Kuo (Note 2)				
	Director	Shing Chu	İ			İ
	Director	Emily Liu	1			
	Director	Tony Wang				
	Director	Vivian Chiang				
	Director	Hae-Shung Chu	į			į
	Director	Leon Li	İ			
	Director	Jennifer Shen	1			
	Director	James Perng				
	Director	Michelle Peng				
	Director	James Chen				
	Director	D.J. Chen	İ			
	Director	Iris Su	1			1
	Director	D.J. Chen				
	Director Director	Robert Chu				
	Director	Allan Lee Ann Chang				
	Director	Sharon Fan	1			1
	Director	, Dianon i an	1			I .

Note 1: Who weren't executive officer after Apr. 1, 2010.

Note 2: Promoted on Feb. 1, 2010.

Note 3: The bonuses to employees from distribution of earnings of 2009 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:

2009/12/31; Unit: NT\$'000

		Bonuses Amount (Note 2)					
Name (Note 1)	Position	Cash Dividend	Stock dividend				
		Cash Dividend	Shares	Market Price	Amount		
Jan Nilsson	Vice Chairman & President						
Yvonne Li	CCO	i I	! !	l L	! !		
Benjamin Ho	Executive VP			 			
Eton Shu	Executive VP	1			1		
Philby Chen	Executive VP	16,936	0	Not Applicable	0		
Herman Rao	Executive VP						
Patrick Wu	VP						
Ta Fu	VP			 			
Guang Ruey Chiang	VP			! !			
Maxwell Cheng	VP						

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 Year and recent Year:

2010/4/30

						2010/4/30
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.	8	0	100	100	
Vice Chairman & President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	8	0	100	100	
Managing Director & Independent Director	Lawrence Juen-Yee LAU	7	1	88	100	
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	8	0	100	100	
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	8	0	100	100	
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	7	1	88	100	
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	7	1	88	100	
Director	Shiro Yamagishi, Representative of NTT DoCoMo Inc.	2	0	100	100	The tenure of the Director expired on June 15, 2009, and this is the Director of the fourth term of Board Meeting of the Company; shall present 2 times
Director	Kazuhiro Toda, Representative of Yue Ding Industry Co., Ltd.	5	1	83	100	This is the new Director of the fifth term of Board Meeting elected by the Shareholders' Meeting of the Company on June 16, 2009; shall present 6 times
Independent Director	Kurt Roland Hellström	4	4	50	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	8	0	100	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	8	0	100	100	
Independent Supervisor	Chen-en Ko	8	0	100	100	

Note 1: Names of employees with the same position are in order of Chinese last name.

Note 2: The bonuses to employees from distribution of earnings of 2009 have not been approved by the Shareholders' Meeting, just proposed distribution.

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.
- If there is Directors' avoidance of motions in conflict of interest, should specify the Directors' names, contents of motions, causes for avoidance
 and voting: Due to the personal interest, the Chairman did not vote for the proposal of Chairman's compensation at the 3rd Meeting of the 5th term
 of Board of Directors on August 27, 2009.
- 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: None.

3-2. Executive Status of the Audit Committee or the Board Meeting of Supervisors: Holding 8 times (A) of the Board Meeting, and the attendance status of Supervisors in the Year and recent Year:

2010/4/30

Title	Name Times of Attendance (B)		Actual Percentage of Attendance (%) (B/A)	Remark
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	8	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	8	100	
Independent Supervisor	Chen-en Ko	8	100	

Other matters of importance:

- Communications between supervisors and the Company's employees and shareholders: The Company has set up the supervisor's mailbox: supervisor@fareastone.com.tw disclosed on Market Observation Post System(MOPS), that employees and shareholders have adequate access to the supervisors for communications.
- 2. Communications among supervisors and the Company's Chief Auditor and CPA:
 - A. Communications with Chief Auditor: Supervisors hold Supervisors Meeting each quarter and keep the meeting minutes. The Directors, President and the Company's top managements are then notified of important discussions and resolutions. There were four Supervisors Meetings held on Apr.22, 2009, Aug. 4, 2009, Oct. 22, 2009 and Feb. 2, 2010, respectively. Besides Supervisor Huang did not attend the meeting of Oct. 22, 2009 and Supervisor Hong did not attend the meeting of Feb. 2, 2010, the related Supervisors attended each occasion and Chief Auditor also presented at the meetings to report on audit operations and major internal audit matters, including execution, reporting, and tracking of Supervisors instructions. In addition, Supervisors obtained audit reports at monthly basis which were submitted by Chief Auditor.
 - B. Communications with the CPA: Supervisors hold Supervisors Examined Meeting and got the audit results. There were two Supervisors Examined Meetings on Aug. 4, 2009 and Feb. 2, 2010 respectively. Besides Supervisor Hong did not attend the meeting of Feb. 2, 2010, another two Supervisors attended each occasion. CFO, Chief Auditor and accounting director attended the meeting as well. CPAs presented at the meetings to discuss on related subjects, including executing, reporting and tracking of Supervisors intructions.
- If there is Supervisors' avoidance of motions in conflict of interest, should specify the Supervisors' names, contents of motions, causes for avoidance and voting: None.

3-3. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM listed Companies" and Its Reasons

Item	Execution Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Its Reasons
(1) Ownership structure and shareholders' equity		
1-1 Handling of shareholder's suggestions or	The Company's spokesperson and the contracted stock	
disputes.	agency, Oriental Securities Co., Ltd. handles	
	shareholder's suggestions or inquiries. And the Legal &	
	Regulatory Department deals with disputes or legal	
	cases.	
1-2 Identifying major shareholders and/ or	The Finance & Shared Services Division is responsible	
their ultimate controlling parties		Comply with the "Corporate Governance
	C 1	Best-Practice principles for TWSE/GTSM
	This information is disclosed /registered by Article 3 of	listed Companies".
	the Regulations Governing Information Reporting by	
1-3 Risk control mechanism and firewalls	TWSE Listed Companies.	
1 2	The Company and its affiliated companies are all	
its affiliated companies	independent entities in respect of their financial and	
	business operations. Operating procedures are	
	established for "Related Party Transactions	
	Regulation". Risk control mechanism and firewall	
	procedures have been properly established.	

Item	Execution Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Its Reasons
(2) Structure and duties of the board of directors 2-1 Status of appointing independent directors 2-2 Evaluation of the independence of the Company's appointed CPA	The Company has two independent directors, namely Lawrence Juen-Yee Lau and Kurt Roland HellstrÖm. 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.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".
(3) Communication with interest-conflicting parties	In addition to having a Spokesperson, suggestions or disputes by stakeholders have adequate connectted with the Company (via mail box: IR@fareastone.com.tw), Supervisors (via supervisor's mail box disclosed on MOPS: supervisor@fareastone.com.tw), and contracted stock agency, Oriental Securities Co.,	Comply with the "Corporate Governance Best-Practice principles for TWSE/GTSM listed Companies".
4-1 The Company website discloses financial, operational and corporate governance related information 4-2 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 websit 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 TWSE /GTSM listed Companies".
(5) Establishment of nomination, compensation or any other functional committees	authority of the Board of Directors. Meanwhile, it was	Company has elected two independent directors conforming to nomination system.

(6) If the company has set up the Compensation Committee, shall disclose its composition, responsibilities and operations:

The Company has not set up the Compensation Committee, however, as to the compensation for Chairman, Vice Chairman and Executive Officer, it is operated pursuant to the Company Act and the Articles of Incorporation.

(7) If the company has set up the principles based on "Corporate Governance Best-Practice Principles for TWSE/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 TWSE/GTSM Listed Companies, as stated in the deviation of such implementation from the Corporate Governance Best-Practice Principles for TWSE /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.

(8) Other material information that helps to explain the implementation of corporate governance: 8-1 Training for board of Directors and Supervisors and Executive Management:

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.

Training for board of Directors and Supervisors

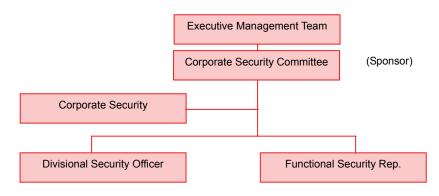
Title	Name	Stud From	y Date To	Sponsoring Organization	Course Name	Study hours
		2005/2/24	2005/2/24		Advanced Study of Securities Regulation for	3
	 	2005/2/24	2005/2/24	Cathay Securities Corp. Corporate Governance Association	TWSE/GTSM listed Company Corporate Governance and Risk Management	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Chairman	Douglas Hsu	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
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
Vice		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
Vice Chairman & President	Jan Nilsson	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
& Fresideiii		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/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
Director	Champion I as	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	Champion Lee	2007/6/7	2007/6/7	Finical Supervisory Commission, Executive Yuan	The 4 th Corporate Government Seminar in Taipei	6
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2009/7/2	2009/7/2	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
Director	Johnny Shih	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	Johnny Shin	2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2005/2/24	2005/2/24	Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	Peter Hsu	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Director	1 0001 1130	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
	 	2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
Supervisor	Eli Hong	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2007/9/28	2007/9/28		Board Operations and Corporate Government	3
		2008/11/21	2008/11/21		Board Operations and Corporate Government	3

Title	Name	Stud	y Date	Sponsoring Organization	Course Name	Study hours
Title	rvanic	From	То	Sponsoring Organization	Course realife	Study Hours
				and Finance		
		2009/7/2	2009/7/2	and Finance	Board Operations and Corporate Government	3
Supervisor Mo		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
	worton ridang	2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
Supervisor	Chen-en Ko	2009/12/2	2009/12/2		Build up the legal framework to attract the business in Asia-Pacific	6
		2010/2/24	. 2010/2/2/	Taiwan Corporate Governance Association	Why does the market need to be open?	1

Training for Executive Management:

Title	Name	Stud	y Date	Sponsoring Organization	Course Name	Study hours
TILLC	Ivailie	From	To		Course Name	otudy nours
		2005/2/24	2005/2/24		Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
Vice Chairman &		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
	Jan Nilsson	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
President		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
CCO	Yvonne Li	2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3
CCO		2009/3/6	2009/3/6	Taiwan Stock Exchange	2009 Corporate Social Responsibility and Sustainable Development	3
Executive VP, Product & Service Delivery	Philiby Chen	2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Government	3

8-2 Company's Risk Management Organization:



8-2-1. Executive Management Team

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

8-2-2. 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.

8-2-3. 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.

8-2-4. Divisional Security Officer:

- (1) The Divisional Security Officer is a full-time position that is to be filled by a director 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.

8-2-5. 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 (PO / L&R);
 - b. Public Relations (PO / Public Relations);
 - c. Customer Service & Collection Management (PSD / CS&C / Fraud Management);
 - d. Channel Management (SCM / COM);
 - e. Human Resources (PO / HR);
 - f. General Security (F&SS / F&A-General Security);
 - g. Network & Service Management (N&T / PM&OS);
 - h. IT Service Governance (IT / 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.
- **8-3 Execution of policies to protect consumers or customers:** The Company has followed up the related policies.
- 8-4 The company's purchase of liability insurance for directors and supervisors: The Company has not

purchased the liability insurance for Directors and Supervisors.

8-5 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.

8-6 The personnel related to the Company's financial information that obtained the relevant licenses designated by the competent authorities

R.O.C. CPA: 3 persons in the financial and accounting department and auditing department, F&SS-Ming Huang, May Hsu; Auditing-Jennifer Liu.

U.S.A. CPA: 3 persons in the financial and accounting department and the auditing department, F&SS-Jasmine Chiu; Auditing-Jennifer Liu.

R.O.C. internal auditors: 6 persons in the financial and accounting department and the auditing department, F&SS-Ming Huang, Linlin Yi, Jeff Su, Isable Tsao; Auditing-Ted Chang.

BS7799 internal auditor: 3 persons in the financial and accounting department and the auditing department, F&SS-Jeff Su; Auditing-Tweety Yeh.

ISO9001 internal auditor: 2 persons in the financial and accounting department, F&SS-Jeff Su, Sandra Lin.

Bond personnel's proficiency test held by Securities and Futures Institute: 1 person in the financial and accounting department, F&SS-Franny Pan.

Stock personnel's proficiency test held by Securities and Futures Institute: 1 person in the financial and accounting department, F&SS-Helen Ni.

(9) 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:

9-1 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 Act 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 "Related Party Transaction Regulation" to conduct the risk management mechanism and establish appropriate firewalls.

9-2 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.

9-3 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 audit manager and CPAs 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.

9-4 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.

9-5 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.

9-6 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 TWSE 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.

(10) Internal Major Information Disclosure Procedure:

The Company has obtained the approval of the "Internal Material Information Disclosure Procedure" in the fourth Board Meeting of the fifth term in Aug. 27, 2009 and proceeded to promote as follows:

- a. Provide "Internal Material Information Disclosure Procedure" to Directors and Supervisors at least once every year when holding Board Meeting.
- b. Provide "Internal Material Information Disclosure Procedure" to newly managers when they signed the security agreement.
- c. The Company promotes not only the "Internal Material Information Disclosure Procedure", but also the "Insider Trading" related information posted on TWSE website with the e-mail for the declaration of shareholding variation to remind the managers every month.
- d. The Company's managers and employees have to sign the security agreement when holding an office, and already posted on intranet for promoting the "Internal Material Information Disclosure Procedure" to employees in Sep. 9, 2009.

3-4. Execution of the social responsibilities in 2009

Taking an active part in the global cause of environmental protection – FET ranks top in terms of energy conservation and carbon footprint reduction performance

FET Building receives the Gold Award for Energy Conservation from Taipei City Government as recognition for FET's efforts in carbon reduction

FET has always taken an active stance on its implementation of energy conservation and environmental protection policies. Through adequate use of the corporation's core expertise, FET has initiated a standing, internal energy management committee to take charge of the company's energy conservation strategies in conjunction with relevant planning, supervision, auditing and improvement. In addition, the committee has also

offered various rewards to propel total energy conservation and has taken the initiative to disseminate the right energy saving concepts within the company. With regards to the management of the corporate building, the committee has also duly implemented various energy saving measures to regulate the use of air-conditioning and illumination facilities. By adopting an innovative automatic message alert system to achieve real time notification and monitoring for power use, the committee was able to boost the results of FET's efforts towards energy conservation. In 2008, the FET Building's power consumption for the entire year was 3.5% less compared to 2007, and the conserved power would translate to a reduction of 106 metric tons of carbon dioxide emitted and approximately 405 metric tons of tap water saved. Not only that, the annual consumption index for the building also fell by 4.2%. FET received a Gold Award for Energy Conservation (2nd place) for Corporate Office Building from Taipei City Government in June 2009 for its impressive results in energy conservation.

Safeguarding consumers' rights with a reputation extensively recognized across Taiwan

FET named No.1 in Taiwan's telecommunication sector and awarded the "Trusted Brand" Award in the Service Industry Census

Ever since its initiation, FET has endeavored to become the No.1 in telecommunication service industry. "Innovative service" is not only emphasized in the training of FET's retail store attendants but also conscientiously implemented in retail store customer service. In 2009, FET has once again been named as the No.1 company in the telecommunication service sector for its outstanding service quality in the 7th Service Industry Census conducted by Global Views Monthly Magazine along with the "Trusted Brand" in the category of "Mobile Service Provider" awarded by the Readers' Digest. The two prestigious awards bestowed to FET shall motivate FET to press forth with innovative service quality and fulfill its brand spirit of "Closing The Distance". It also goes to reflect that consumers have grown to perceive FET as a brand name that supports the disadvantaged minorities and gives back to society with its active involvement in social charity. In the future, FET shall continue to strive to achieve its goals to remain as the leading brand name in telecommunication service and deliver the most exquisite service quality to consumers.

Always a pioneer in the contribution to social charity – utilizing the corporation's resources to extend a helping hand in times of need

Active participation in the restoration of communication services and provision of material support in areas devastated by Typhoon Morakot

The severe floods that Typhoon Morakot brought have devastated rural areas in central and southern Taiwan. Not only that, the typhoon also put communication facilities in these areas out of commission. FET immediately initiated its emergency response center upon receiving the news to keep the disaster areas connected to the rest of Taiwan via emergency routing of multiple underwater cables to provide voice, internet and dedicated digital connections. At the same time, FET also dispatched its FET Mobile Vehicle to the areas that suffered the worst damages (i.e. Chiatung of Pintung County, Fanlu Township of Chiayi County, Tungpu Township of Nantou County, Chishan of Kaohsiung County and so forth) to provide immediate communication services. The FET Mobile Vehicle was fully stocked with supplies such as fresh water, masks, napkins, flashlight along with free mobile phone power charging services to help the stranded residents. In light of the needs of the flood victims during the rescue, FET also got 20 brand new mobile phones and FET prepaid cards to be distributed to Chishan Shelter and Foguangshan Shelter by Kaohsiung County Government to be used by the flood victims. Not only that, the serious destructions caused by the flood also prompted China Mobile Limited to send three mobile satellite base stations to the flood struck areas and assist the difficult rescue operations in the mountainous areas, inadvertently setting the first occasion for FET and China Mobile to collaborate in a disaster rescue operation.

"Spreading Love Across Campus" – fundraising to relocate schools for students in flood struck areas to resume their studies

FET has been working actively with the Child Welfare League Foundation in the project to rebuild schools for students whose studies have been disrupted due to the August 8th flood. Both organizations took part in the "Spreading Love Across Campus" Fundraiser hosted by Far Eastern Group. The goal of the event was to raise funds to relocate five elementary, junior high formerly situated in Taoyuan Township of Kaohsiung County where the damages from the flood were most extensive to Fortune Institute of Technology Chishan Campus. Approximately NT\$ 3 million was raised from the event and a part of the donation would go towards the purchase of stationery and miscellaneous items for students so that they could resume their studies without worries; a portion of the donation would be used to provide dental hygiene and relevant healthcare for the children in the area. Not only that, FET also collaborated with the Child Welfare League Foundation during Christmas to set up the "Cup of Hope" charity Christmas tree and called on the general populace to offer their care and love to be

delivered to the children from the flood struck areas through the "Cups of Hope".

Putting core corporate resources to good use – promoting construction of national broadband service facilities to broaden social services and community participation

Answering the government's call to broaden service coverage to rural areas

In an effort to play an active role in the "Broadband Services for All Villages" project initiated by the National Communication Committee across Taiwan in 2009, FET succeeded in overcoming the rough terrain in rural mountains and became the first domestic telecommunication service provider to complete the digital communication broadband network structures for two tribes (Neighborhood 7 and 12, non-aboriginal tribes) in Dahu Village of Fanlu Township, using the PLC technology jointly developed by the Institute of Industrial Research and Taiwan Power Company for the very first time. Witnessed by numerous distinguished guests including government/local officials and Far Eastern Group Chairman Douglas Hsu, a demonstration of the internet access via the PLC system was given. Apart from the completion of fiber construction at Fanlu Township, the renovation of Dahu Elementary School Library, the donation of computers and the provision of resources such as encyclopedias for local schools and residents allowed people of rural townships to enjoy digital communication lifestyles.

Respects the employee human rights and carries out the labor safety and health policy

Please refer the details to the part "Employee Relations" of CH5- "Operational Highlights".

3-5. 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 25, 2010

Based on the self-examination results of the internal control system for the year ended December 31, 2009, 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 objectives:
 - 1. The effectiveness and efficiency of business operation (including earnings and operating performance);
 - 2. The reliability of the financial reports;
 - 3. The compliance of the relevant laws/regulations;
 - 4. The safeguard of company assets.
- II. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above four objectives 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's 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 examine the following areas during the management and control process: (1) control environment, (2) risk management and response, (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 respective 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 that the following objectives have been reasonably achieved during the assessing period:
 - 1. The effectiveness and efficiency of business operation;
 - 2. The reliability of the financial reports;
 - 3. The compliance of the relevant laws/ regulations;
 - 4. The safeguard of company assets.
- 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 25, 2010.

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu Chairman Jan Nilsson Vice Chairman & President

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

3-6. In Recent Years until the Annual Report being Published, Violation of Internal Control Policies by Employees: None.

3-7. In Recent Years until the Annual Report being Published, Major Resolution of Shareholder's Meetings and Board Meetings

Date	Resolutions of Shareholders' Meeting	Execution
June 16, 2009	Resolutions in the Annual Shareholders'	
	Meeting of Year 2009	
	Matters to be Reported	1
	1. Business report of Year 2008	
	2. Financial report of Year 2008	
	3. Review of the Year 2008 closing report by	
	Supervisors	
	Matters to be Approved	
	1. Approval of the Year 2008 closing report	
	2. Approval of the proposal regarding Year 2008	Jul. 31, 2009 was fixed to be the record date of ex
	earnings distribution (Cash dividend per share	dividend, and cash dividend was released on Aug. 25,
	NT\$2.8)	2009.
	Matters to be Discussed and Election	
	Approval of the amendment to "Procedures	Operating pursuant to the amended Procedures
	for Making Endorsements and Guarantees"	
	2. Approval of the amendment to "Procedures	Operating pursuant to the amended Procedures
	for Loaning Capital to Others"	
	3. Approval of the issuance of common shares	Pursuant to item 7 of Article 43-6 of Securities and
	by private placement	Exchange Act, the privately placed common shares can
		be issued in several tranches within one year after the
		resolution of the Shareholders' Meeting. However, as
		current regulations have not permitted the
		consummation of the contemplated transaction, the
		private placement has not completed yet. Since the
		one-year period for private placement will soon expire,
		it is proposed that the Board of Directors approve on
		April 27, 2010 and the Year 2010 Shareholders'
		Meeting discuss the private placement again.
	4. Election of new Directors and Supervisors of	Nine Directors and three Supervisors have been elected
	the Corporation	including two Independent Directors by adopting
		candidates nomination system.
	5. Approval of the release the non-competition	Resolution being complied with
	restriction on directors in accordance with	
	Article 209 of the Company Act	

Date	Resolutions of the Board Meetings
February 26, 2009	Matters to be Ratified
	(1) Ratification of the donation of NT\$2,500,000 to Straits Exchange Foundation.
	(2) Ratification of the acquisition of 2,327,026 shares of the subsidiary Arcoa Co., Ltd.
	Matters to be Discussed
	(1) Approval of the audited annual financial statements and consolidated financial statements of Year 2008.
	(2) Approval of the amendment to "Procedure for Making Endorsements and Guarantees" of the Company.
	(3) Approval of the amendment to "Procedure for loaning capital to others" of the Company.
	(4) Approval of the election of the fifth-term Board of Directors and Supevisors of the Company in Year 2009
	Annual Shareholders' Meeting.
	(5) Approval of the release of the non-competition restruction on directors in accordance with Article 209 of the
	Company Act.
	(6) Approval of the dates and agenda of Y2009 Annual Shareholder's Meeting.
	(7) Approval of Year 2009 business plan and financial budget.
	(8) Approval of the first quarter financial forecast and consolidated financial forecast of Year 2009.
	(9) Approval of the execution of the Merger Agreement with KG Telecommunications Co., Ltd.
	(10) Approval of the "Internal Control System" modification.
	(11) Approval of the declaration of internal control system

Date	Resolutions of the Board Meetings
April 29, 2009	Matters to be Ratified
	(1) Ratification of the acquisition of 82,032,099 shares of the subsidiary New Century InfoComm Tech Co
	Ltd.
	Matters to be Discussed
	(1) Approval the dividend distribution of Year 2008.
	(2) Approval the business report of Year 2008.
	(3) Approval the qualifications of independent director candidates nominated.
	(4) Approval the second quarter financial forecast and consolidated financial forecast of Year 2009.
	(5) Approval the assignment of new Chief Internal Auditor.
	(6) Approval the change of auditing CPA (Certified Public Accountant).
	(7) Approval the issuance of common shares of the Company by private placement.
	(8) Approval the strategic cooperation proposal with China Mobile.
	(9) Approval the amendment to Year 2009 Annual Shareholders' Meeting's agenda.
June 16, 2009	Matters to be Elected
	(1) Elected Director Douglas Hsu, Director Jan Nilsson and Director Lawrence Juen-Yee Lau as the Managi
	Directors of the fifth term Board of Directors.
June 16, 2009	(Board of Managing Directors)
	Matters to be Elected
	(1) Elected Managing Director Douglas Hsu as the Chairman and Managing Director Jan Nilsson as the V
	Chairman of the fifth term Board of Directors.
June 26, 2009	Matters to be Discussed
	(1) Approval of the record date of the ex-cash dividend of Y2008 as July 31, 2009 (Friday).
	(2) Approval of the price for the issuance of common shares of private placement.
August 27, 2009	Matters to be Ratified
	(1) Ratification of the amendment to "Procedures for Handling Acquisition or Disposal of Assets" of
	Company's subsidiary ADCast Interactive Marketing Co., Ltd.
	(2) Ratification of the acquisition of 329,203 shares of the subsidiary Arcoa Co., Ltd.
	(3) Ratification of the acquisition of 560,000 shares of the invested company "New Century InfoComm Te
	Co., Ltd".
	(4) Ratification of the share subscription of 4,500,000 shares of the Ding Ding Integrated Marketing Serv
	Co., Ltd. ("DDIM") for capital increase by cash.
	Matters to be Discussed
	(1) Approval of the audited first half financial statements and consolidated financial statements of Y2009.
	(2) Approval of the third quarter financial forecast and consolidated financial forecast of Y2009.
	(3) Approval of the execution of Trust Agreement with Trust Department of Far Eastern International Bank
	the performance bond of telecom product / service certificate.
	(4) Approval of the establishment of "Procedures for Handling Internal Material Information" of the Compan
	(5) Approval of the "Internal Control System" modification.
	(6) Approval of the donation of NT\$12 million to support the disaster areas struck by Typhoon Morakot.
	(7) Approval of the release of dual jobs and non-competition restriction on managerial officers of the Compar
	(8) Approval of the compensation of the Chairman.
N	•
November 4, 2009	Matters to be Ratified
	(1) Ratification of the acquisition of 304,000 shares of the invested company "New Century InfoComm Te
	Co., Ltd".
	Matters to be Discussed
	(1) Approval of the fourth quarter summary financial forecast and consolidated financial forecast of Y2009.
	(2) Approval of the major Capital Expenditure budget for the first half of Y2010.
	(3) Approval of to execute loan agreements with the banks for working capital needs of the Company.
	(4) Approval of the amendment to "Internal Audit Charter" of the Company.
	(5) Approval of the Year 2010 Audit Plan.
	(6) Approval of the record date of the merger with KG Telecommunications Co., Ltd. as January 1, 20
	(Friday).
	(7) Approval of the assignment of Chief Commercial Officer.
	Matters to be Ratified
February 25, 2010	(1) Ratification of the acquisition of 155,000 shares of the invested company "New Century InfoComm Te
February 25, 2010	·
February 25, 2010	Co., Ltd".
February 25, 2010	(2) Ratification of the transactions with total amount around NT\$450 million, including the PCA Global Gre
February 25, 2010	(2) Ratification of the transactions with total amount around NT\$450 million, including the PCA Global Gre
February 25, 2010	(2) Ratification of the transactions with total amount around NT\$450 million, including the PCA Global Gre
February 25, 2010	(2) Ratification of the transactions with total amount around NT\$450 million, including the PCA Global Gre Solutions Fund investment, the fund switching among DFE DWS Funds, and the disposal of local blue-cl
February 25, 2010	 (2) Ratification of the transactions with total amount around NT\$450 million, including the PCA Global Gre Solutions Fund investment, the fund switching among DFE DWS Funds, and the disposal of local blue-cl stocks. (3) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS").
February 25, 2010	 (2) Ratification of the transactions with total amount around NT\$450 million, including the PCA Global Gre Solutions Fund investment, the fund switching among DFE DWS Funds, and the disposal of local blue-cl stocks. (3) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS").

Date	Resolutions of the Board Meetings				
	(1) Approval of the audited annual financial statements and consolidated financial statements of Year 2009.				
	(2) Approval of the amendment to "The Articles of Incorporation" of the Company.				
	(3) Approval of the dates and agenda of Year 2010 Annual Shareholders' Meeting.				
	(4) Approval of Year 2010 business plan and financial budget.				
	(5) Approval of the first quarter financial forecast and consolidated financial forecast of Y2010.				
	(6) Approval of the acquisition of MSC real estate from Far Eastern International Leasing Corp.(FEIL) to save				
	rental expenses.				
	(7) Approval of the "Internal Control System" modification.				
	(8) Approval of the declaration of internal control system.				
	(9) Approval of the assignment of Chief Technology Officer and the release of non-competition restriction or				
	managerial officers of the Company.				
	(10) Approval of the assignment of Chief Financial Officer of the Company.				
April 27, 2010	Matters to be Ratified				
	(1) Ratification of the acquisition of 4,000,000 shares of the invested company NCIC				
	(2) Ratification of the investment in Opas Fund Segregated Portfolio Tranche D by US\$5 million and				
	simultaneously making the investment principal fully hedged by CCS hedge transaction.				
	Matters to be Discussed				
	(1) Approval of the business report of Year 2009.				
	(2) Approval of the dividend distribution of Year 2009.				
	(3) Approval of the amendment to "Articles of Incorporation" of the Company				
	(4) Approval of the amendment to "Regulations for the Board of Directors Meeting" of the Company.				
	(5) Approval of the amendment to "Procedure for making endorsements and guarantees" of the Company.				
	(6) Approval of the amendment to "Procedure for lending capital to others" of the Company.				
	(7) Approval of the issuance of common shares of the Company by private placement.				
	(8) Approval of the added proposals to Year 2010 Annual Shareholders' Meeting's agenda.				
	(9) Approval of the capital injection to Far EasTron Holding Ltd. for indirect investments in a mainland				
	corporation to expand China market.				
	(10) Approval of the release of dual jobs and non-competition restriction on managerial officers of the Company.				

3-8. In Recent Years until the Annual Report being Published, Dissenting Comments on Major Board Resolutions from Directors and Supervisors: None.

3-9. The Resigned Situation of the Officers (Including Chairman, President, Accounting Manager, And Internal Auditor Manager) being Relationship to Financial Report:

2010/4/30

Tital	Name	Date of Assumed	Date of Relief	Reason of Relief
Chief Aduitor	Jessica Sung	Sep. 1, 2007	May 1, 2009	Transfer to Product & Service Delivery as VP
CFO	Yvonne Li	May 1, 2004	Nov. 15, 2009	Promoted to CCO
CFO (Acting)	Sharon Lin	Nov. 16, 2009	Mar. 14, 2010	New CFO on Board

4 Public Expenses of CPA

4-1. Information of CPA

2009/12/31

Accounting Firm	Name of CPA		Audit Period	Note	
Deloitte & Touche	Benjamin Shih	Tony Chang	2009.01.01 ~ 2009.04.30	The reason of change is the internal transfer and	
Deloitte & Touche	Annie Lin	Tony Chang	2009.05.01 ~ 2009.12.31	arrangement in Deloitte & Touche.	

Public Expenses of CPA

4-1-1.

Am	ount (NTD)	Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000			
2	$2,000,000 \sim 4,000,000$ (inclusive of $2,000,000$)		V	
3	4,000,000 ~ 6,000,000 (inclusive of 4,000,000)			
4	6,000,000 ~ 8,000,000 (inclusive of 6,000,000)			
5	8,000,000 ~ 10,000,000 (inclusive of 8,000,000)	V		
6	More than 10,000,000 (inclusive of 10,000,000)			V

4-1-2.

								2	2009/12/31; Unit: NT\$'000
Accounting Name of		A 114	Non-audit Fee				Audit		
Firm	CPA	Audit Fee	System Design	Registration	Human Resource		Total	Period	Note
Deloitte &	Benjamin Shih							2000 04 20	The reason of change is the internal transfer and arrangement in Deloitte & Touche.
Touche	Tony Chang	- \$8,520	520 None	e None	None	\$3,640	\$12,160	2009.04.30	Non-audit Fee mainly including service fee for transfer pricing.
Deloitte & Touch	Annie Lin		\$6,520 None					2009.05.01~ 2009.12.31	The reason of change is the internal transfer and arrangement in Deloitte & Touche.
	Tony Chang							2009.12.31	Non-audit Fee mainly including service fee for 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:

2009/12/31

			2009/12/3		
Date of change	May 2009				
Cause and explanation	The original CPA, Benjamin Shih, was changed to CPA, Annie Lin, because of the inte transfer and arrangement taking place in Deloitte & Touche.				
•					
Specify whether appointer or CPA	Concerned party	CPA	Annaintar		
terminates or rejects the appointment	Circumstance	CPA	Appointer		
· · · · · · · · · · · · · · · · · · ·	Terminate the appointment	ا			
	voluntarily	V			
	Reject (refuse to accept) the				
	appointment				
The comments and causes for issue of		-			
the audit report other than retained	No				
opinions within the latest two years					
Disagreement with the publisher			Accounting principles or practices		
	V		Disclosure of financial statement		
	Yes		Scope or steps of audit		
			Others		

Date of change	May 2009				
	No	$\sqrt{}$			
		Please specify it.			
Other information to be disclosed	!				
(to be disclosed according to Item 5(1).4		No			
of Article 10 of the Principles	l I				

5-2. Regarding the succeeding CPA:

2009/12/31

Name of office	Deloitte & Touche
Name of CPA	CPA Annie Lin
Date of appointment	Approved by Board Meeting on April 2009
Accounting measures or principles with respect to certain transactions prior to	
the appointment and inquiries and result as to the comments likely to be issued	Not applicable
with respect to the financial statement	
Succeeding CPA's written opinion towards the disagreement with the former	Not applicable
CPA	Thot applicable

- 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 Year

None.

7 Shareholding Transferred or Pledged by Directors, Supervisors, and Management, or Major Shareholders in Recent Years until the Annual Report being Published

7-1. Shareholding Variation:

2010/4/17

		2	2009	2010/4/17		
Title	Name	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	(32,318,114) *0	0	0	
Vice Chairman & President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	*0	(32,318,114) *0	0	0	
Managing Director & Independent Director	r Lawrence Juen-Yee Lau	0	0	0	0	
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	*0	(32,318,114) *0	0	0	
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	*0	0 *0	0	0	
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	*0	0 *0	0	0	
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	*0	0 *0	0	0	

		2	2009	2010/4/17		
Title	Name	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	
Director	Kazuhiro Toda, Representative of Yue Ding Industry Co., Ltd.	0 *0	0 *0	0	0	
Independent	Kurt Roland Hellström	0	0	0	0	
Director Supervisor	Eli Hong,	0	0	0	0	
Super visor	Representative of Far Eastern International Leasing Corp.	*0	*0	Ū	U	
Supervisor	Morton Huang, Representative of Asia investment Corp.	130,000 *0	0 *0	0	0	
Independent Supervisor	Chen-en Ko	0	0	0	0	
Vice Chairman & President	Jan Nilsson	0	0	0	0	
CCO	Yvonne Li	0	0	0	0	
СТО	Jeffey Gee (Note 2)	Not Applicable	Not Applicable	0	0	
CFO	T.Y. Yin (Note 3)	Not Applicable	Not Applicable	0	0	
Executive VP	Philby Chen	0	0	0	0	
Executive VP	Benjamin Ho	0	0	0	0	
Executive VP	Herman Rao	0	0	0	0	
Executive VP	Eton Shu	0	0	0	0	
Chief Auditor	Jennifer Liu	0	0	0	0	
VP VP	Jessica Chen Patrick Wu	0	0	0	0	
VP VP	Robert Liu	0	0	0	0	
VP VP	Jessica Sung	0	0	0	0	
VP	Maggie Mei	0	0	(9,000)	0	
VP	Roger Chen	0	0	0	0	
VP	Maxwell Cheng	0	0	0	0	
VP	Samuel Yuan	0	0	0	0	
VP	Sharon Chao	0	0	0	0	
VP	Jessie Teng (Note 4)	Not Applicable	Not Applicable	0	0	
VP	S.C. Lee (Note 5)	0	0	Not Applicable	Not Applicable	
VP	James Lee	0	0	0	0	
VP	Howard Tsao	0	0	0	0	
VP	Ta Fu	0	0	0	0	
VP	Sharon Lin	0	0	0	0	
VP VP	David Tsai Guang Ruey Chiang	0	0	0	0	
Director	Alison Kao	0	0	0	0	
Director	Amanda Huang (Note 6)	Not Applicable	Not Applicable	0	0	
Director	Scott Chung	0	0	0	0	
Director	Roger Lin (Note 6)	Not Applicable	Not Applicable	0	0	
Director	Brian Chao (Note 6)	Not Applicable	Not Applicable	0	0	
Director	Andy Kuo (Note 6)	Not Applicable	Not Applicable	0	0	
Director	Shing Chu	0	0	0	0	
Director	Belinda Chen (Note 4)	Not Applicable	Not Applicable	0	0	
Director	Emily Liu	0	0	0	0	
Director	Tony Wang	0	0		0	
Director	Vivian Chiang	0	0	0	0	
Director	Hae-Shung Ju	0	0	0	0	
Director	Leon Li	0	0	0	0	
Director Director	Jennifer Shen James Perng	0	0	0	0	
Director	Michelle Peng	0	0	0	0	
Director	James Chen	0	0	0	0	
	D.J. Chen	0	0	0	0	
Director				0	0	
Director Director		0	0	U I	()	
	Iris Su Robert Chu	0	0	0	0	
Director	Iris Su					
Director Director	Iris Su Robert Chu	0	0	0	0	

Note 1: Who are the major shareholders that hold over 10% share.
Note 2: On Board on Feb. 25, 2010.
Note 3: On Board on Mar. 15, 2010.

Note 4: On Board on Mar. 1, 2010.

Note 5: Who weren't executive officer after Apr. 1, 2010. Note 6: Promoted on Feb. 1, 2010.

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

2010/4/17

Name	Current Shareholdi	ng	Spous Min Childi Shareh	or ren's olding		f 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.	138,950	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	1
Yuan Tong Investment Co., Ltd.	104,216,031	3.20	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.	92,462,031	2.84	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	
Taiwan Post Co., Ltd.	85,328,696	2.62	0	0.00	0	0.00	None	None	
Cathay Life Insurance Co., Ltd.	83,062,000	2.55	0	0.00	0	0.00	None	None	
InfoCom Holding Company Pte Ltd.	81,310,309	2.50	0	0.00	0	0.00	SingTel Taiwan Limited	Subsidiary	
An Ho Garment Co., Ltd.	80,171,592	2.46	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	
SingTel Taiwan Limited	48,261,387	1.48	0	0.00	0	0.00	InfoCom Holding Company Pte Ltd.	Parent company	
Silchester International Investors International Value Equity Trust	47,589,000	1.46	0	0.00	0	0.00	None	None	

^{*}Number of shares held and shareholding percentage of the individual representative.

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

2010/3/31 Unit: shares; %

Affiliated Company	Investment of Far EasTone		Directors, Sup Managements I Indirect Inves Far EasT	Direct and tment of	Total Investment	
	Shares	%	Shares	%	Shares	%
ARCOA communication Co., Ltd.	82,009,242	61.07	0	0	82,009,242	61.07
Far Eastern I nf o 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	186,519,480	48.70
Ding Ding Integrated Marketing Service Co., Ltd.	4,725,000	15.00	18,900,000	60.00	23,625,000	75.00
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.	695,096,070	26.74	145,138,007	5.58	840,234,077	32.32
ADCast Interactive Marketing Co., Ltd.	386,870	8.56	2,734,446	60.52	3,121,316	69.08
Yuan Cing Infocomm Tech Co., Ltd.	100,000	100.00	0	0	100,000	100.00
KGEx.com Co., Ltd.	89,088,478	79.25	0	0	89,088,478	79.25
iScreen Corporation	4,000,000	40.00	0	0	4,000,000	40.00

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2009



- 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

	D	Authoriz	ed Capital	Shares Or	utstanding	Remarks		
Year. Month	Par Value (NT\$)	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		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		Increasing from ECB conversion of NT\$5,622,000	None	(Note 8)
2004.5	10	3,504,353	35,043,531	3,391,871		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	, ,	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		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

2010/4/17; Unit:'000 Shares

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

1-2 Information for Shelf Registration: Not Applicable.

1-3 Shareholder Structure

2010/4/17

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	7	28	193	22,086	388	22,702
Shares	118,707,855	392,856,946	1,635,371,652	149,458,020	944,106,337	3,258,500,810
%	3.64	12.06	50.74	4.59	28.97	100

1-4 Share Distribution-Common Stock (Par value \$10 per share)

2010/4/17

Le	vel		Number of shareholders	Shares	%
1		999	5,010	1,665,720	0.05
1,000		5,000	12,313	27,164,301	0.83
5,001		10,000	2,382	19,726,678	0.61
10,001	-	15,000	681	8,626,518	0.26
15,001	-	20,000	532	9,914,781	0.30
20,001	-	30,000	497	12,716,005	0.39
30,001		50,000	422	17,334,631	0.54
50,001	- 1	00,000	319	23,102,881	0.71
100,001	- 2	200,000	178	25,644,102	0.79
200,001	- 4	100,000	110	31,492,242	0.97
400,001	- 6	600,000	44	21,599,632	0.66
600,001	- 8	300,000	22	15,049,381	0.46
800,001	- 1,0	00,000	25	22,624,811	0.69
1,000,001	and above		167	3,021,839,127	92.74
	Total		22,702	3,258,500,810	100.00

This Company has not yet issued any preferred shares until April 17, 2010.

1-5 Top 10 Major Shareholders

2010/4/17

Shares Major Shareholders	Shares	9/0
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73
NTT DoCoMo Inc.	153,543,573	4.71
Yuang Tung Investement Co., Ltd.	104,216,031	3.20
Kai Yuan International Investment Corp.	92,462,031	2.84
Taiwan Post Co., Ltd.	85,328,696	2.62
Cathay Life Insurance Co., Ltd.	83,062,000	2.55
Infocom Holding Company Pte Ltd.	81,310,309	2.50
An Ho Garment Co., Ltd.	80,171,592	2.46
SingTel Twiwan Limited	48,261,387	1.48
Silchester International Investors International Value Equity Trust	47,589,000	1.46

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

Unit: NT\$: shares

					Unit: N1\$; shares
Item		Year	2008	2009	2010 (as of March 31)
Chara price	High		54.90	41.00	39.20
Share price (Note 1)	Low		29.25	31.20	36.90
(Note 1)	Average		43.71	36.53	37.95
Net Value	Before distribution		21.88	21.96	22.67
per share	After distribution		19.08	(Note 2)	(Note 2)
Fi	Weighted-average or	utstanding shares	3,288,127,740	3,258,500,810	3,258,500,810
Earnings per share	Earnings per share	Before adjustment	3.09	2.83	0.71
Share		After adjustment (Note3)	3.09	2.83	0.71
	Cash dividend		(Note 7) 2.80	(Note 8) 2.80	Not Applicable
Dividend	Stock dividend	Retained earning	0	0	Not Applicable
per share		Capital surplus	0	0	Not Applicable
Accumulated un-distr		tributed dividend	0	0	Not Applicable
D -4	Price/Earning Ratio	(Note 4)	14.15	12.91	Not Applicable
Return on	Price/Dividend Ratio	(Note 5)	15.61	13.05	Not Applicable
invesiment	Cash dividend yield	(Note 6)	6.41%	7.66%	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: Being resolved by Shareholders' Meeting in the subsequent year.

Note 3: Earnings per share after stock dividend is distributed.

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

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

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

Note 7: The Cash dividend of year 2008 distribution NT\$2.8 per share is based on 3,258,500,810 shares.

Note 8: The Cash dividend of year 2009 has not been approved by the Shareholder's Meeting.

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 27, 2010, the Board of Director resolved the proposed 2009 dividend distribution to be approved at 2010 Annual Shareholders' Meeting as following: 2009 earning of NT\$9,123,802,268 will be distributed as cash dividends of NT\$2.8 per share.

1-8 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment: Not Applicable.

1-9 Bonuses for Employees and Remuneration to 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 The estimation basis on Bonuses to Employees and remuneration to Directors and Supervisors, the calculating basis on the number of shares for share bonus and accounting treatment for the differences between the actual distributing amounts and estimations: The bonus to employees and remuneration to directors and supervisors represent 2% and 1% of net income (net of bonus and remuneration) less 10% legal reserve and special reserve, respectively. The amounts were estimated based on past experiences. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

1-9-3 Proposed bonuses for employees, directors and supervisors:

(1) The Board of Director resolved on April 27, 2010, to use the profits from the 2009 financial year to pay bonuses to employees and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the year these expenses are recognized, the treatment of discrepancy are as follows:

Unit: NT\$'000

Amount Item	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Recognized Estimated Amount (A)	\$166,142	\$83,071	rai la i al
Proposed Distribution (B)	\$166,577		It is proposed to recognize the differences in 2010
Variance (B) - (A)	\$435	\$217	differences in 2010

- (2) The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the current after-tax net income and total employee bonuses: It is expected to pay cash, hence not applicable.
- (3) Forecast EPS after distribution of the proposed bonuses to employees, directors and supervisors: The proposed bonuses to employees, directors and supervisors were accrued as expenses in 2009, hence not applicable.
- 1-9-4 The Board of Director resolved on April 29, 2009 and Shareholders' Meeting on June 16, 2009, to use the profits from the 2008 financial year to pay bonuses to employees and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the year these expenses are recognized, the treatment of discrepancy are as follows:

Jnit: NT\$'000

Item Amount	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Recognized Estimated Amount (A)	\$182,459	\$91,229	
Actual Distribution (B)	\$182,459	\$91,229	None
Variance (B) - (A)	0	0	

1-10 Share buy back by the Company: None.

2 Issuance of Corporate Bonds

2-1 Corporate Bonds:

The Company already repaid all of bonds payable by Dec. 19, 2008, and currently there is no any outstanding balance.

- 2-2 Corporate Bonds to be due within one year upon Publication of the Annual Report: None.
- **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

2010/3/31

			2010/3/31					
Item		Date of Issuance	June 11, 2004					
Place of is	ssuance		Luxembourg Stock Exchange					
Total Price of Issuance			US\$132,190,000					
Unit Price	of Issuance		US\$13.219					
Total num	ber of units is:	sued	10,000,000					
Type of u	nderlying secu	rities	Far EasTone Common Stock					
Amount o	f underlying so	ecurities	15 shares					
Rights and	d obligations o	f subscribers	Same as common stock shareholders					
Trustee			Not applicable					
Depositar	Depositary Bank		The Bank of New York (Luxembourg) S.A.					
Custodian	Bank		Far Eastern International Bank					
Number o	f outstanding s	shares	11,032,690 shares					
	f Related charg uance and hold		Charges of GDR issuance shall be born by sellers; Charges incurred during holding period shall be born by the Company.					
Major terr		ry Agreement	None					
		High	US\$18.67					
Market	2009	Low	US\$13.62					
Price		Average	US\$16.557					
per unit	2010 (as	High	US\$17.23					
per unit		Low	US\$16.88					
	31, 2010)	Average	US\$17.2244					

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: Not Applicable.
- 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: Not Applicable.

6-2 Information from Shares Issued for Merge or Acquisition Approved by the Board Meeting in the recent years until the Annual Report being Published:

2009/12/31; Unit: Except EPS is NT dollar; others are NT\$'000

		2007/12/31, Offit. Except E1 3 13 141 dollar, Officis are 141 \$000			
	Company name	KG Telecommunications Co., Ltd.			
Company Address		38F, No 207 Tun-Hwa South Road, Section 2, Taipei			
Chairman		Douglas Hsu			
Paid-in Capit	al	13,329,979			
Major Business Item		Type I Telecommunications Business, Wholesale of Telecom Instruments, Retail Sale of Telecom Instruments			
Major Produc	Telecommunication products and services				
	Total Assets	33,064,274			
	Total Liabilities	2,490,776			
	Total Shareholders' Equity	30,573,498			
Recent Year Financial	Operating Revenue	8,127,814			
Data	Gross Loss	(74,042)			
	Operating Loss	(1,352,299)			
	Net Loss	(1,094,787)			
	EPS	(0.82)			

6-3 Impact from Shares Issued for Merge or Acquisition Approved by the Board Meeting in the recent years until the Annual Report being Published:

The Company has obtained approval to merge with KG Telecommunications Co., Ltd. by the resolution of 19th Board Meeting of fourth term of the Company dated February 26, 2009, and formally merged on January 1, 2010. For the shareholders' equity, it will generate the synergy through the merger and will enhance the operational efficiency, particularly in the areas of operating expenses savings, including reducing the cost of operating circuits, network-building and maintainance expenses, the cost of advertising public relations, customer service and billing processing costs, as well as other related costs of personnel. Moreover, it will raise the profitability of the company. Finally, it will generate the positive effect on shareholders' equity.

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.

Far EasTone Telecommunications Co.,Ltd. **Annual Report 2009**



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

Year	2008	3	2009			
Item	Amount	%	Amount	%		
Telecommunication Service Revenue	47,904,182	93	49,615,364	92		
Sales of Cellular Phones and Accessories	3,230,915	6	3,886,720	7		
Others	206,382	1	238,207	1		
Total	51,341,479	100	53,740,291	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 postpaid and prepaid services according to the payment methods; and telecommunication lease circuit revenue mainly relates to domestic circuit lease line services. The WiMAX service was launched at the end of 2009. For enterprise customers, the Company provides MVPN service.
- (2) Type II Telecommunication Services: Non-E.164 internet phone, wholesale resale, simple voice resale (ISR), intranet communication services, internet access 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, the Company has committed many resources to the development of value-added broadband services, digital products and media integrated services, and established IMS platform to integrate mobile, wire and wireless services for consumers, enterprises and home user who enjoying communications, information, entertainment, business services. New services include for the Company under development:

■ GPS and AGPS positioning services: Apart from launching onboard navigation services, the Company is continuing to leverage AGPS positioning technology for mobile phones and integrating it with network applications to offer pedestrian navigation, positioning, entertainment and hospitality related information.

- Mobile Commerce: By combining the strengths of interactive mobile networks and the Internet, the Company is partnering with banks and credit card issuing companies for contact less payment available at virtual and physical channels.
- Smart phone related application and software services: In light of the gradual adoption of smart phones by consumers and the growing number of innovative development for relevant application software, FET launched its S Mart last year as a platform of distribution for developers to upload the software they have created. The S Mart is also built as a platform for consumers to download the software they need. Through the S mart, consumers and developers would be able to share contents or download other useful and innovative mobile phone applications created by developers from Taiwan and other parts of the Asia Pacific so as to enrich their mobile phone functions. In addition, FET will also be planning multimedia channels that are more diversified and customized for mobile playback to enrich subscribers' mobile lifestyle.
- HSPA expansion: except for further development along with state-of-the-art technology and continuously coverage expansion, the Company is offering diversified data service gadgets and friendly user interface with customization for providing the better experiences of internet access to consumers.
- Multimedia content services and applications: develop further on multimedia contents, as 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, for the availability over PC, television, vehicles, large outdoor screens or any integrated devices to consumers.
- Value-added broadband services & digital family applications: Based on the complete coverage on HSPA 3.5G network as well as the WiMAX permitted operating network obtained in 2009, the Company is developing a range of video, gaming, commercial, lifestyle information and wireless Internet application services designed for home use. Development efforts are continuing on the experimental net TV project and expanding it to include all kinds of wireless digital home appliances to provide subscribers with interactive media, on-demand, streaming and lifestyle information services. These will allow consumers to enjoy a larger and more interesting range of digital services in a shared family environment through a user-friendly interface.
- Integrated services via IMS development: Continue development on phase 3 of the IP Multimedia System's (IMS) integrated network service. For businesses users, the Company is developing the IP Centrex and unified communications service that will offer integrated enterprise IP applications such as VoIP and online video conferencing.
- Promotion of digital publishing operations: In conjunction with the government's efforts to promote its M Taiwan Project and facilitate the development of the digital publishing sector, FET has been actively involved in the development of an integrated service platform with DRM technologies, automotive application and wireless network integration to assist the domestic publishing industries to adopt digitalization so as to offer more alternatives for avid readers.

1-2 Industry Overviews

1-2-1 Industry status and development

For general consumer, deregulation and loosened government controls, telecommunications industry business environment is also moving towards liberalization and greater competition. Total mobile users (including PHS) have reached 25,210 thousand subscribers by the end of 2009; over 110% market penetration. The services, promotions and handset programs among operators caused customers apply more than one number.

With the rise of emerging fiber access to internet, FTTx shall replace ADSL as the mainstream to the next generation. Value added services to FTTx shall be key focus to ISPs per its 20M high speed download availability higher and more stable than ADSL. In addition, FET also launched broadband over WiMAX in Taichung in 2009, which shall bring new opportunities to Taiwan broadband market.

With regards to corporate mobile communication, due to the financial crisis that ravaged the world in 2008, the majority of corporations have become comparatively conservative in terms of their budget for mobile communications. Not only that, businesses have drastically cut down their manpower requirements and minimized relevant subsidies for employees. As a result, competition in the area of corporate mobile communication services became significantly tougher compared to previous years. For example, the number of PHS subscribers for a specific mobile communication service provider in Taiwan has fallen dramatically from its height of 1.5 million to less than 700,000 subscribers today. This illustrates the fact that the tactic of simply lowering mobile communication charges is no longer able to satisfy the needs of corporate clients. Integrated solutions that cover mobile networks, fixed networks and internet access

functionalities will undoubtedly become the mainstream package for corporate clients in the foreseeable future.

Ever since its launch in 2000, FET's MVPN (mobile virtual private network for corporate clients) has been adopted by many large corporations and received much positive feedback. But due to the evolution of technologies and competition in the market, simple MVPN solutions are no longer sufficient to cater to the needs of corporate clients. This led to the development of new solutions, such as IP-MVPN (integration of VoIP and mobile voice services), MVPN Office Zone (preferential rates for calls made in specific areas), Company Bill Zone (billing to company account for all calls made in specific areas) and so forth. Apart from voice services, FET also developed relevant M2M communication solutions in 2002 that have won FET the GSM Award for Best Corporate Application in the same year. In order to be ready for the trends of digital convergence and cloud computing services, FET has developed services such as IP Centrex and IP Call Center for corporate clients so as to provide various integrated IP applications that would allow corporate clients to make calls and host online video conferences and so forth.

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

A. Non-voice services – source of revenue growth

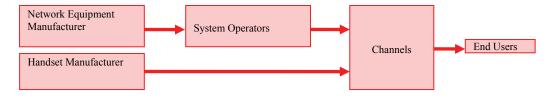
Since 2000, the average mobile phone voice usage remained flat or slight growth, while ARPU continued to drop. The main reason is the continuously tariff cut due to market competition. Under such circumstances, bringing new non-voice services is becoming the key strategy for operators to increase revenue. Besides current voice-oriented services, all telecommunication operators have been aggressively on the promoting 3G services that focus 3G data services and wireless broadband service to boost ARPU. B. 3G – the next market focus, Wireless – the power of growth

As 3G service rolled out by all operators, total 3G subscribers has reached 14.84 million by the end of December 2009. Market penetration has also grown from 6.4% during January 2006 to the current 64%.

With the prevailing of 3G/3.5G Infrastructure and the service launch of WiMAX 4G, operators will provide the full coverage wireless services to consumers by increasing bandwidth for data service revenue increase as new driving force to mobile.

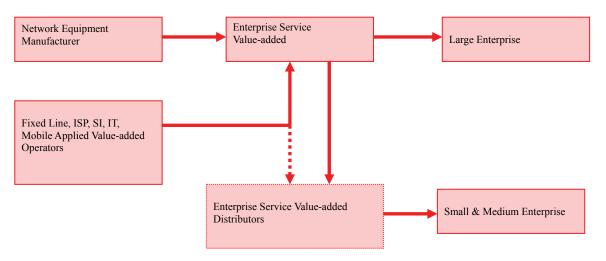
1-2-2 Industry Value Chain:

For personal mobile service communications aspects



(Including agents, distributors, retail stores of operators)

For corporate mobile service communications aspects



1-2-3 Development Trends of Products and Services

A. 3G now widespread and 4G wireless broadband access (WiMAX or LTE) now in development

Widespread 3G base station coverage as well as the increasing demand for mobile Internet access means that 3.5G has become increasingly popular. This is because 3.5G can be used anywhere while also offering better mobility, security and connection speeds than 3G. It has therefore grown more rapidly than voice services. In 2009, the number of wireless data card subscribers grew around 70 thousands, and the growth rate for wireless data cards is expected to raise in 2010 as well. The Company is also stepping up the development of related value-added services so subscribers may not only access the Internet but also enjoy the convenience of services tailored to their needs.

The future development on Wireless broadband access systems (4G) are still concerned by the gobal telecommunication companies.

Comparison of the 1st, 2nd, 3rd and 4th Generation Mobile Phone Service

Item	1G-Analog	2G-GSM	3G-WCDMA	4G
Privacy and Security	Poor	Good	Better	Better
Enhanced Function	No	Many	Many	Many
Power Requirement	General	General	Minimum	Minimum
Quality of Signal	Better	Good	Best	Best
Reliability of Communication	Poor	General	Better	Better
Number of Base Station	General	Fewest	Most	Same as 3G
Construction Cost	Low	General	High	Lower

B. Progression of the telecommunication sector to the post-voice generation – integration of multiple services

The rapidly developing telecommunication sector is constantly reconfiguring its domains, be it business models or the vertical/horizontal alliance, to generate diversified energies for sector growth. With new competitors constantly foraying into the market, the telecommunication sector has now come to a critical turning point in its development; traditional voice service providers now have to deliver more diversified services to cater to the needs of consumers in different demographics in order to become leaders in innovation.

Apart from the fundamental functions for communication, consumers' preference for continuous on-line communication applications that are more oriented toward uses for everyday life and convenient methods of contact to allow users to keep in touch with others at all times have prompted service operators to strengthen the development in this area. Such changes have in turn influenced the integration of network connection, device and application services. And as such, the domains of the telecommunication sector are going through constant reconfiguration to offer more diversified solutions.

C. Consumers shall lead the reform of the telecommunication industry

The power to drive the telecommunication industry toward reform and determine the course for the sector lies entirely in the hands of the consumers. The reform of telecommunication technologies has been steered towards the comprehensive catering to consumers' needs for communication, consumption and day-to-day living. Consumers are looking for methods of communication that are more creative (i.e. content sharing, social networks and so forth) to enrich and make their day-to-day living more convenient. Various tell-tale signs all point toward one simple fact – consumers' demand shall shape the ultimate goal of telecommunication market development.

D. Application services shall be the key to sustained development for the industry

The development of network and mobilization of consumer electronics has led to the emergence of more communication services and applications that have brought significant influence on the telecommunication industry. From the standardized inclusion of mobile broadband modules on notebook PCs and low-end laptops to the introduction of next generation navigation, gaming and image capturing products, users can foresee the trend of development for the telecommunication industry in the future and expect more infrastructural support from relevant service providers.

E. Integration of broadband media, telecommunication and technological platform

The trends of development for modern digital life technology have revolved around technologies of broadband, wireless and mobilization in order to achieve deep penetration into families and corporations. Current trends of development for mobile phone services primarily focus on catering to the diversified functions of smart phones. For example, the App Store that Macintosh has launched in 2008 for users of iPhone 3G to download the applications they need has helped to substantially boost sales for Macintosh at the end of 2009. In addition, Google also officially launched its Android phone Nexus One earlier this year. The prospects of smart phone services in 2010 are positive and one could expect significant growth in the market. And as such, FET has planned the construction of a transaction platform for smart phone application downloads to allow

users to become connected to FET's S Mart through their smart phone's mobile network access functionalities to acquire the software applications they need. Not only that, through the S Mart Platform, software developers would be able to upload priced or free application software for users to download. The establishment of the platform would enable the completion of comprehensive integrated solutions for application transaction, cash flow and profit splitting.

In addition, FET has also secured the wireless broadband access network operation license for Southern Taiwan. In order to cater to the demands for mobile broadband services, FET has already constructed a wireless broadband network with Multi-input Multi-output (MIMO) and Orthogonal Frequency Division Multiple Access (OFDMA) technologies in Taichung. The network has already been reviewed by the NCC and commercial operation has officially begun.

1-2-4 Product Competitions

As operators' investment in network infrastructure 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 segments. 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.

With regards to corporate mobile service operations, 2009 has been a year of integration. Thanks to the inclusion of fixed network and ISP operations, FET was spared from the competition to dominate the mobile voice service sector and therefore was able to cater to corporate clients' demands for one stop shopping. In 2009, FET's revenue from its MVPN services grew by 19.9% and the number of effective customers (RPS) has grown by 30%.

The Company shattered the preconception that a fixed line is required for Internet access and became the first telecommunications company to offer 3.5G broadband wireless Internet access at home. Compared to the fixed line Internet services now on the market, Big Broadband can not only be shared wirelessly among multiple people but can also be bundled with attractive price for local call services. This successfully differentiated the Company products from the other competitors on the market.

Launched in Taichung, FET's WiMAX shall provide utmost broadband service by 3.5G network leverage for full coverage at initial stage. Intel's strong support and the release of notebook with built-in WiMAX chips however suggest that WiMAX may still be worth watching in the future.

1-3 Technology Development Overviews Major R&D Expense in Recent Years

2010/3/31; Unit: NT\$'000

Year Item	2009	2010 Q1
R&D Expense	104,315	14,481
Total Operating Revenue	53,740,291	14,164,566
R&D Expense as percentage of Total Operating Revenue (%)	0.19	0.10

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							
2009	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. The Company's project blue print and scope of operation can be divided into two major phases; the first phase is mainly on the freeways of northern Taiwan and completed its acceptance trials at the end of 2006. The second phase set up WiMAX network trial operation in Taichung City and plan the wireless broadband application services before starting the commercial NW.						

Year	Name of value-added	Content of value-added service
	service	
	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. In 2009, support was continued for different user 3.5G wireless data cards while also releasing a Mobile Internet Device with built-in 3.5G data card that is portable and can connect wirelessly to the Internet in any where and at any time.
	Wireless broadband	The network has been reviewed by the NCC and passed the base station and system tests. FET received the wireless broadband access network license for Southern Taiwan on December 28 2009 and officially commenced the operation of wireless broadband service in Taichung City.
	FET smart phones	Mobile phones have become an inseparable part of consumers' lives; it allows everyone to experience enriched lifestyle through more intelligent ways. And as such, FET has collaborated with Acer and Commtiva to adopt the latest Windows Mobile 6.5 OS on three of the latest exclusive models integrated with the Android OS to accommodate the preference and habit of FET subscribers' use of internet access and mobile network service.
	FET S Mart	The S Mart by FET is a platform for application download and transaction. Users of all Android smart phones would be able to access the platform via the Internet to download all application software available on the S Mart. Not only that, through the S Mart Platform, software developers would be able to upload priced or free application software for users to download. The establishment of the platform would enable the completion of comprehensive integrated solutions for application transactions, cash flow and profit splitting.
	Miroko Anywhere	Miroko network hard disk service is available as mobile phone software on the Android OS. The software offers a variety of functions including the downloading of local and remote files, playback of multimedia files (i.e. video clips, MP3 and so forth) online and the management of files. When users access the internet through 3.5G network they will be able to conveniently transfer and manage their files remotely regardless of location for entertainment or other purposes.
		IPAY offers a variety of payment pages at different resolutions. When users make payment with the IPAY service through their smart phone or PDA phone, IPAY will automatically choose the appropriate payment page so that users will be able to operate the page and complete the transaction easily. In addition, FET has also developed the 1-Click payment option for IPAY this year so that users could use different prepayment methods (i.e. credit card, telephone bills, virtual accounts and so forth) to achieve 1-click payment.
	provisioning services	Through this brand new service, users will no longer have to manually configure WiMAX CPE. They would be able to enjoy the convenience of high speed internet access and incredible services of WiMAX just by turning on the power of their system. In addition, subscribers will also be able to remotely execute the CPE firmware for upgrade and value-added service applications. The service will reduce customer complaints and boost subscriber loyalty while lowering the cost of manual provisioning. By convincing users to subscribe to the value added services, FET will be able to net higher profits.

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

1-4-1 Short-term plans

A. Marketing Strategy

- a. Various reasonable tariffs are consistently provided to meet all customer needs against competition. Special promotion plans are offered from time to time in aim of market share expansion and high-value customer gain.
- b. Dedicate on developing and promoting new products and data services; 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. Strive to establish brands and business that are trustworthy to the customers; the Company has completed CRM (Customer Relation Management) and host various customer appreciation events regularly to maintain customer loyalty.
- d. Besides expand 3.5G coverage and optimize network aggressively, the Company will negotiate with other WiMAX operators for signing roaming agreement to provide good quality service.

B. Direction for Product Development

- a. Continuously improve network quality to reduce congestion and drop call rate and offer high quality voice service and high speed data service.
- b. Continue to promote integrated multimedia services which includes "mobile positioning", "mobile multiple on-line game", "smart phone application store" to offer customers a wider range of service choices and make mobile phone become a more personalized communication tool.
- c. Development of smart phone related application software and services: In order to further refine S Mart's user interface, the Company had provided Android system platform. In 2010, it is expected to launch more plentiful mobile application software through the closer cooperation with developer in order to provide a

- convenient means of payment for smart phone users to download. In addition, an additional user interface in English will be included for the platform so that S Mart could become a convenient platform for software upload with sound profit splitting models for developers in Taiwan and across other parts of Asia Pacific.
- d. Develop innovative multimedia services, such as mobile advertising and outdoor digital billboards, to offer clients with more media options other than television, print and Internet advertising.
- e. Expand value-added broadband services to provide digital home applications such as "digital photo frame", "070 budget calls" and "multimedia VoIP". These data services will hopefully create new business opportunities outside of voice services.
- f. Continue to develop integrated enterprise application services to provide businesses with flexible voice and data integration solutions and enhance enterprise fixed line, mobile internet voice and data integration solutions.
- g. Continue to optimize WiMAX network to offer faster and more reliable network performance.

C. Operational Scale

- a. Strengthen 3G mobile communication services to provide customers with faster and higher quality voice and data services.
- b. Tailor promotional plans and marketing strategies to each customer segment and expand the Company's market share.
- c. Continue to release rates and value-added services that meet the needs of customers in order to gain high-value as well as loyal customer base.
- d. Actively work to develop new sales channels and more extensive distribution networks in order to establish the Company's market presence.
- e. Continue to develop and market products for enterprise customers. Also develop the advertising business and provide integrated value-added services.
- f. From 2006 to 2008, receive SGS service certification for three straight years and become the first Asian telecommunications company to achieve this certification in an effort to provide customers with more speedy, comprehensive and high quality sales and after-sales service.
- g. Launch WiMAX services in 2009 for providing customers multiple choices on wireless internet access.

1-4-2 Long-term plans

A. Marketing Strategy

- a. With various loyalty programs and activities targeting different market segments evaluation, the Company expects to create high loyalty customers.
- b. The Company continuously launch new product and educate customers on new technology development to increase the economic value of its product and provide customers with a diversified sales channel, comprehensive services and extensive channel coverage.
- c. Continuously provide innovative and integrated home services, establish the Company's leadership in Home market through proper market education and communication.

B. Direction for Product Development

- a. Keep up with the trend of world's technologies and product development, the Company is dedicated to network quality and developing innovative services and products according customer needs.
- b. Develop applications based on "digital home" concept and combine them with home wireless broadband Internet access products to offer a complete home service solution.
- c. Smart phone related application software and services: With Taiwan as the starting point, FET shall gradually expand its Chinese-speaking market in Mainland China and reach out to other telecommunication service providers, mobile phone operators and system operators across Asia to form strategic alliance that cover application software and payment methods to expand the market for S Mart platform.
- d. FET shall promote its "Total Media" marketing strategy to seek innovative marketing techniques involving the use of multiple networks and screens for product promotion.

C. Operation scale

- a. 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.
- b. 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.
- c. Draw on the telecommunications group's internal resources to continue increasing the share of the home market.

2 Markets and Sales Overview

2-1 Market Analysis

2-1-1 Main Products and Service Areas

In 2009, the Company will continue to expand the number of retails to provide consumers with a diversified sales channel, comprehensive services and extensive channel coverage. Apart from complete coverage via direct owned outlets, the Company will also set up strategic channels with 3C, IT and ISP vendors. The Company currently boasts an integrated network consisting of nearly 740 direct owned, franchisee stores, distributor owned or Arcoa outlets. In terms of coverage, the Company branded stores and Arcoa stores when combined have the highest coverage of the industry. The total number of subscribers between the Company and KGT was 6.24 million at the end of December 2009. As 3G network and voice products mature, the Company is planning to offer more diversified and high value-added mobile data services to meet customer demand.

2-1-2 Market Share

Telecommunications companies are all running advertising campaigns, mobile phone subsidies and flexible rate plans to attract the consumer's attention. With the launching of 3G mobile phone services, new operators entering the market and increasing market saturation, the current market shares is the highest as CHT and the lowest as PHS. In the future, changes in market share will be determined by each operator's ability to deliver complete value-added services to their customers. The service revenues for the top three operators are generally stable. While CHT is under serious challenge telecommunication privatization, its share of telecommunications service revenue still remains leading, however, TWM and FET position behind. As for the home broadband market (including ADSL, fiber-optic and cable modems), the broadband market shares (including ADSL, fiber-optic, cable modems and 3G Data Card) released by NCC(National Communications Commission) has reached 5.58 million with 6% YoY growth at the end of December 2009.

2-1-3 Future Market Demands and Potential

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. The Company 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

FET's insistence on high quality service has once again consolidated its status as the No. 1 brand name in the domestic telecommunication service sector in the in the 7th Service Industry Census for 2009 conducted by Global Views Monthly Magazine, making FET the first telecommunication service provider and customer service center in Taiwan to win the prestigious award for two years running. Given the highly competitive nature of the industry, winning the award for two consecutive years reflects consumers' and the general public's recognition of FET's outstanding services.

B. Consolidating FET's outstanding brand image with services that touch the hearts of customers

Apart from committing to the development of new products, FET has always spared no efforts in the improvement of its service quality. It is such insistence that allowed FET to deliver services beyond customers' expectations to touch their hearts. Everyone at FET is guided by the principle to "think ahead of customers and take the customers' perspective in all endeavors" to develop exquisite services of unparalleled quality. In the future, FET shall continue to insist on such spirit so that consumers will be able to enjoy superb services from FET.

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" and "Big Broadband" had received recognition of consumers from all ages. The Company

continually launched "SmartAssist", "Plug & Save" and "S Mart" to fulfill cusomers' needs. Guided by its shared values of being "innovative, responsive, and trustworthy", the Company will continue offering superior service to the customers.

C. Communication quality

Communication quality is the basis for all application services, be it voice services or digital services. The only way to deliver satisfaction for subscribers is to ensure the best communication quality possible and it will in turn increase subscriber adoption to increase profit for the company.

There are two key factors that determine the quality of communication: system capacity and signal coverage. On the other hand, these factors are susceptible to the influence of base stations, data transfer and core network. FET's network strategy for 2010 will focus on the improvement of communication quality. In addition to consolidating its leading status in the 2G network area, the strengthening and improvement of its 3G/3.5G network would be FET's primary objectives for 2010. These include:

- 1. Continue to expand 3G stations' coverage rate, specifically for the four metropolitan areas and the three top areas of highest transmission volume in Taiwan.
- Continue to increase the number of IP base stations and secondary carrier frequency to expand the capacity of digital services and accelerate the speed of digital services.
- Continue to raise the ratio of original content upload on access networks in order to increase the bandwidth available per unit price.
- 4. Expand the capacity of core network in conjunction with the increase in the number of base stations and capacities to boost overall capacity.

With the aforementioned missions completed, one can expect a substantial increase in FET's 3G/3.5G communication quality and it will ultimately return FET to the leading position in Taiwan's mobile broadband service sector.

D. Marketing channel

Vertical integration of direct-owned channels now include the Company branded outlets (direct-owned stores, FET Convergent, paradigm stores, franchise center and counter-in-mart), the Company dealerships and ARCOA store covering nearly 700 stores around Taiwan. The Company's complete franchisee management system and sales system have also become a benchmark for the telecommunications industry. The Company will also continue to expand the number of sales channels to provide consumers with a diversified sales channel, comprehensive services and extensive channel coverage. Apart from the expansion of direct-owned channels, during 2009 the Company developed strategic channels for 3C and IT to strengthen the integration of marketing channels. In the future, the Company will continue to set up stores with product experience zones and promote the sales of data value-added services and maintain our leadership on value-added services in response to the trend towards digital convergence.

E. Seizing the Trend

Telecommunication service is developed toward 'convergence'. In early 1999 the Company launched mobile service converged with Internet access. In 2002 the Company continues to offer wireless Internet service over GPRS network, MMS and Fleet Management System. In 2005, it headed high-speed transmission data service, new products and new add-value services over 3G. In 2007, it headed FMC corporate mobile fixed line integrated service combined with 3G and fixed line services. The Company launched WiMAX commercial operation at the end of 2009. In the future, the Company expects to offer more diversified, complete and attractive services to customers, moreover, provide the consumers with more plentiful mobile life.

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

A. Advantages

(1) Dual-band system offers superior communication quality

With GSM900 and GSM1800 licenses, the Company offers superior quality by the frequencies complementation in penetration capability and transmission reach, automatic frequency switch during a call and can 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), the prevalence and application of smart phone, 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 and software application of the various creative tools for life to promote theirs value added

(5) Synergies from the integration of Far Eastern Group Resources

Provide customers with telecommunications services that integrate over 40 products such as voice, data, broadband and multimedia in order to encourage the integration of mobile and fixed networks. Also provide a wide variety of value-added services to stimulate competition on existing market plans and service quality. This will hopefully inject new blood into the increasingly saturated Taiwanese telecommunications market and contribute to the development of the overall economy in a positive way.

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) Time required for WiMAX expansion and application services

It's a must to provide full coverage to WiMax users by WiMax-3.5G duel mode support with seamless handover at WiMax initial stage. Under the fierce competition at telecom voice market, VoIP provided by WiMax operators shall impact voice market price or even become a threat to operators' revenue. These factors combined with the lack of killer value-added application services shall be the challenges to WiMAX rollout.

(3) Overall revenue shrunk due to NCC restriction on telecom market pricing

The National Communication Commission (hereinafter referred to as NCC) is vested with the administrative power over pricing regulation to Type I telecommunication operators, which leads no room for negotiation but passively followed by operators. This one-standard model without consideration of operators' various cost/profit/expenditure structure shall not only conduct operators' revenue shortage but also lead operators to capital investment tighten-up, which results in a lose-lose situation for consumers and service operators.

C. Proposed strategies:

- a. Increase the number of base station sites to improve communication quality.
- b. Increase customer loyalty through effective marketing strategies and fixed line integrated for providing more diversified value added services and brand efficiency.
- c. Integrate mobile communication with the internet and build communication with internet multimedia integrated services to provide integrated mobile internet services.
- d. Offer a variety of favorable rate plans to customer.
- e. Create differential products and services in order to avoid Red Sea strategy that leads to a price war.
- f. More precise to segment customers' needs, develop diversified internet application service aimed to the needs of the target customer groups for promoting service revenue of the whole market.
- g. Optimize the quality of internet service and aim to explore new customers and stable existing customers' loyalty.

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
WiMAX Service	WiMAX system offer mobility, wideband telecom network of IP

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

2010/3/31; Unit: NT\$'000, %

Year		200	8			2009				Mar. 31, 2010			
Item	Company	Amount	% of Total Operating Cost	•	Company	Amount	% of Total Operating Cost		Company	Amount	% of Total Operating Cost	Relations with the Company	
1	Chunghwa Telecom	3,477,549	13.61	None	Chunghwa Telecom	3,555,391	13.17	None	Chunghwa Telecom	905,091	11.78	None	

2-4-2 Major Customers

2010/3/31; Unit: NT\$'000, %

	Year		200	8		2009				Mar. 31, 2010			
I	tem	Company	Amount		Relations with the Company	Company	Amount	% of Total Operating Revenue		Company	Amount	% of Total Operating Revenue	Relations with the Company
	1	Chunghwa Telecom	6,909,796	13.46	None	Chunghwa Telecom	6,603,206	12.29	None	Chunghwa Telecom	1,777,710	12.55	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

2009/12/31; Unit: SIM card; piece; NT\$'000

Quantity Year		2008			2009					
	Imports	}	Exp	orts	Impor	ts	Exports			
Item	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts		
Service revenue	*5,131,282	48,110,564	0	0	*5,462,904	49,853,571	0	0		
Handset and Accessory Sales	960,841	3,230,915	0	0	1,193,324	3,886,720	0	0		
Total	Not Applicable	51,341,479	0	0	Not Applicable	53,740,291	0	0		

^{*}Total number of subscriber at the end of the year

3 Employee Information in the Recent 2 Years

2010/3/31

		2010/3/			
Y	ear	2008	2009	2010/3/31	
Number of Employees	Manager and above	367	375	370	
	Technical staff	1,013	1,062	1,016	
	Customer care staff	966	893	708	
	General staff	1,433	1,382	1,340	
	Total	3,779	3,712	3,434	
Average Age		34.15	35.50	35.96	
Average Years of Service		5.12	5.98	6.31	
Breakdown of Educational Level (%)	Ph. D	0.05	0.08	0.08	
	Master	11.89	12.89	13.69	
	College	80.56	79.86	79.85	
	High School	7.50	7.17	6.38	
	Below High School	0	0	0	

4 Environmental Protection Expenditure

There was any loss or penalty due to environmental pollution in recent years until the annual report being published:

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 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. 480 training courses were conducted for 10,985 employees with total expense 11,970 thousands in 2009.

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.
- A yearly employee update meetings are held 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 Bank of Taiwan 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.
- The Company provides consultation services available-EAP 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: None.

6 Major Contracts

2010/4/30

Contract type	Countan Ponty	Terms of the contract	Description	Restriction Clauses
Contract type	Counter Party	Dec.5, 1996~present	Description BTS facilities, software and installation	None None
		Jul.1, 2006~present	Provide the service for expansion and installation of 3G phase 4 mobile phone	None
		Dec.4, 2006~present	system Provide the service for expansion and installation of 3.5G mobile phone system	None
		Dec.5, 2006~present	Provide the service for expansion and installation of IMS system	None
	Ericsson Taiwan Ltd.	Feb.29, 2008~present	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~present	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
		Apr.1, 2008~Mar, 31, 2009	Maintenance Service Contract of 2008	None
		Sep.21, 2009~present	Y2009 3G/3.5G Expansion for Service Acquisition	None
		Dec.24, 2009~present	Y2010 Master Agreement of Technical Support	None
		Dec.30, 2009~present	Master Contract For Services Acquisition of 3G/3.5G Network Expansion (Y2010)	None
		Dec.30, 2009~present	Master Contract For Equipment and Software Acquisition of 3G/3.5G Network Expansion (Y2010)	None
	Sharp Corporation	Oct.9, 2002~present	Mobile phones	None
Procurement	Motorola Electronics	Sep.26, 2007~Apr.30, 2009	WiMax facilities and installation	None
	Taiwan Ltd.	Aug.1, 2008~Dec.31, 2009	WiMax facilities and installation	None
	Alcatel-Lucent Taiwan	Jan.1, 2009∼ Jan.1, 2010	Addendum No. 6 for Intelligent Network Turnkey Agreement of PRBT	None
	Nokia Siemens Networks Taiwan Co., Ltd.	May 1, 2007~ May 1, 2009	HSDPA phase 1.5 facilities and installation	None
		Apr.1, 2008~ Mar.31, 2009	Maintenance Service Contract of 2008	None
		Apr.1, 2008~ Apr.1, 2009	Letter of Agreement For Y2008 3G/3.5G Network Service Acquisition	None
		Apr.1, 2008~ Mar.31, 2010	Letter of Agreement For Y2008 3G/3.5G Network Equipment and Software Acquisition	None
		Apr.1, 2009~present	Letter of Agreement For Y2008 3G/3.5G Network Equipment and Software Acquisition	None
	Gemalto Pte. Ltd.,	Aug.11, 2008~present	Contract Amendment for NFC Commercial Project Contract	None
	Stark Technology Inc.	Feb.2, 2009~ Feb.2, 2010	FETnet Portal DCM (FatWire) upgrade	None
	Yu-Wei Co., Ltd.	Oct.1, 2008~present	3G MCPA facilities and installation	None
	CommVerge Solutions Taiwan	Mar.15, 2009~Dec.31, 2009	IP MPLS network installation and expansion	None
	Xunwei Technologies Co., Ltd.	Dec.30, 2009~present	Frame Agreement For 3G & 3.5G RAN Acquisition	None
	Apple Asia LLC	Jan.29, 2010~Mar.31, 2013	i-Phone purchase contract	None
Distribution	Arcoa Co., Ltd.	Jul.1, 2005~Jun.30, 2007 (Note 1)	Promotion and distribution of mobile services	None
	Systex Corporation Ltd.	Jun.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
	AURORA Telecom	Apr.1, 2007~Mar.31, 2008 (Note 1)	Promotion and distribution of mobile services	None
	Tsann Kuen Taiwan	May 1, 2006~Apr.30, 2008 (Note 1)	Promotion and distribution of mobile services	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
	DFASHION International Inc.	Apr.1, 2007~Mar.31, 2008 (Note 1)	Promotion and distribution of mobile services	None
	Xander International Ltd.,	Mar.1, 2008~Feb.28, 2009	Promotion and sales for prepaid recharge card	None
	OK Convenience Store (Taiwan) Ltd.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
	President Chain Store Corp.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
	Hi-Life International Co., Ltd.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
	Taiwan Familymart Corporation Ltd.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
	Digital United Inc.	Apr.1, 2008~Mar.31, 2010	Agency contract	None
	New Century InfoComm.Tech Co.,Ltd	Apr.1, 2008~Mar.31, 2010	Agency contract	None
	Chung Hwa Telecommunications	Dec.1, 2004~Nov.30, 2005 negotiating for extension (Note 2)	Network Interconnection	None
	Taiwan Fixed-Line Network	Jul.1, 2005 ~ Jun.30, 2006 negotiating for extension (Note 2)	Network Interconnection	None
	New Century InfoComm.Tech Co.,Ltd	Jul.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
Network Interconnection	Taiwan Mobile	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
	Asia Pacific Broadband Wireless	Jul.7, 2003 ~ Jul.6, 2004 negotiating for extension (Note 2)	Network Interconnection	None
	First International Telecom Corporation	Aug.1, 2005 ~ Jul.31, 2006 negotiating for extension (Note2)	Network Interconnection	None
	Vibo Telecom	Sep.29, 2005~Sep.28, 2006 negotiating for extension (Note 2)	Network Interconnection	None
Warehousing and	Arcoa Co., Ltd.	Mar.1, 2009~Feb.28, 2011	Warehousing and transportation services	None
transportation services	Hsin Chu Transportation	Sep.1, 2008~Aug.31, 2009	Warehousing and transportation services	None
Consignment for bulk	Chunghwa Post Co., Ltd., Taipei Branch	Jan.1, 2009~Dec.31, 2009 One year; automatic rollover when due	Consignment for bulk mail	None
Technology service and licensing	NTT DoCoMo Inc.	Oct.26, 2004~present	Technology license for upgrade of DoJa 2.5 version	None
Agreement for government's project	Industrial Development Bureau of the Ministry of Economic Affairs	Oct.2, 2006~Apr.30, 2009	Development and promotion of the Wireless project of 'M-Taiwan'	None
Shareholders' Agreement	FET President Chain Store Corporate	Feb.14, 2007~present	The Company 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~present	The Company will subscribe the capital call shares of Q-Ware Communications Co., Ltd.	None
Strategic Consortium	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	Feb.13, 2006~present	Asia Pacific Strategic Consortium for Telecommunication Providers	None
	All Conexus Members	Mar.1, 2007~present	Related Confidential Agreement of Conexus members	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
	China Mobile	Apr.29, 2009 (The date of contract) ~present	Both parties will establish strategic cooperation in the fields of joint purchase, voice and data roaming, value added services and future technology and research developmentetc. Both parties also agree to, within the extent permitted by relevant applicable laws and/or after obtaining the approvals of relevant competent authorities, establish a joint venture to cooperate in the fields agreed by both parties. The strategic cooperation agreement will be effective from the completion date of the private placement.	None
Share Subscription Agreement	China Mobile	Apr.29, 2009 (The date of contract) ~present	The Company will issue not more than 444,341,020 new private placement common shares which will be subscribed by the China Mobile Limited's indirect 100% subsidiary in Taiwan. The private placement price is NT\$40 per share. If the volume weighted average price of the common shares of the Company for the 14 consecutive trading days prior to and including the date on which either the place's parent company or the Company sent the notice to the other party, pursuant to the relevant agreements, to notify the settlement date of the private placement, has been beyond the range of NT\$35 (inclusive) to NT\$50 (inclusive), it is proposed that the Shareholders' Meeting hereby authorizes the Board of Director may discuss in good faith to agree a new private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT\$5 per share of the Company. The new private placement price shall be no less than 70% of the Reference Price of the new pricing date. The completion of this private placement is subject to the satisfaction and fulfillment of all the conditions precedent set out in the relevant transaction documents, including without limitation that it is permitted under the relevant laws and regulations and approvals from relevant competent authorities have been obtained.	None
Services Contract	YuanTa Financial Holdings Co., Ltd. NCIC	Nov.11, 2008~May10, 2011	Telecom services	None
Merger	KG Telecommunications Co,.Ltd	Feb.27, 2009~Dec.31, 2009	Contract for merger with KG Telecommunications Co,.Ltd	None
Media Service	Mindshare Company	Jan.1, 2010~present	Media Service	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Engineering Contract	Company	Jun.1, 2009~May 31, 2010	Construction and maintenance for base station	None
		Jun.1, 2009~May 31, 2010	Construction and maintenance for base station	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
- - a. If both parties are willing to negotiate, during the negotiation period, terms and conditions of the interconnection agreement shall remain
- b. If one party seeks NCC's arbitration, the interconnection agreement shall remain effective until the arbitration is announced. Note 3: KGT had been merged by FET as the dissolved company on January 1, 2010.

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2009

VI Financial Information

- 1. Condensed Financial Statement for the Recent 5 Years
- 2. Financial Analysis for the Recent 5 Years
- 3. 2009 Supervisors' Report
- 4. 2009 Independent Auditors' Report, Financial Statements and Notes
- 2009 Independent Auditors' Report,
 Consolidated Financial Statements and Notes
- 6. 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

2010/3/31; Unit: NT\$' 000

Year Financial Information In Recent Years (Note 1)							
Iter		2010 Q1	2009	2008	2007	2006	2005
Current Ass	sets	23,287,605	10,708,031	7,895,390	10,594,966	9,363,567	8,679,748
Fund and Ir	nvestments	8,872,571	38,251,031	39,857,195	43,342,778	37,883,330	37,532,567
Properties		37,818,595	27,629,692	29,334,104	29,794,143	32,927,648	36,360,999
Intangible a	assets	16,676,712	6,576,358	7,307,065	8,037,772	8,768,479	9,499,186
Other Asse	ts	893,229	759,454	989,559	608,036	843,013	951,211
Total Asset	S	87,548,712	83,924,566	85,383,313	92,377,695	89,786,037	93,023,711
Current	Before Distribution	12,092,744	11,247,445	13,183,044	12,384,336	12,748,687	13,502,181
Liabilities	After Distribution	- (Note 2)	- (Note 2)	22,306,846	22,800,759	25,107,815	25,904,806
Long-term	Long-term Liabilities		-	4,180	8,360	2,764,398	5,977,100
Other Liabi	Other Liabilities		1,134,534	899,887	650,999	346,250	324,328
Total	Before Distribution	13,679,924	12,381,979	14,087,111	13,043,695	15,859,335	19,803,609
Liabilities	After Distribution	- (Note 2)	- (Note 2)	23,210,913	23,460,118	28,218,463	32,206,234
Capital Sto	cks	32,585,008	32,585,008	32,585,008	40,330,334	38,726,630	38,726,630
Capital Sur	plus	19,487,349	19,487,349	19,487,349	19,487,270	15,003,956	15,003,956
Retained	Before Distribution	21,671,691	19,351,890	19,245,585	19,501,261	20,240,948	19,487,348
Earnings	After Distribution	- (Note 2)	- (Note 2)	10,121,783	9,084,838	7,881,820	7,084,723
Unrealized product	loss on financial	101,412	94,055	(50,204)	3,309	(49,792)	-
Cumulative Translation Adjustment		23,328	24,285	28,464	11,826	4,960	2,168
Unrecogniz	Unrecognized net loss on pension		-	-	-	-	-
Total Shareholder	Before Distribution	73,868,788	71,542,587	71,296,202	79,334,000	73,926,702	73,220,102
Equity	S After Distribution	- (Note 2)	- (Note 2)	62,172,400	68,917,577	61,567,574	60,817,477

Note 1: The financial statements for the first quarter of 2010 have been reviewed. Others have been audited. Note 2: The appropriation of 2009 earning has not been approved by the shareholders' Meeting.

1-2 Condensed Income Statement

2010/3/31; Unit: Except EPS is NT dollar; others are NT\$'000

Year		rs (Note)				
Item	2010 Q1	2009	2008	2007	2006	2005
Operating Revenues	14,164,566	53,740,291	51,341,479	46,171,972	43,207,517	43,149,676
Gross Profit	6,480,664	26,739,039	25,7972,276	22,096,267	19,747,593	21,256,728
Operating Income	3,102,382	13,862,628	12,985,332	10,274,570	9,403,731	11,385,325
Non-Operating Income and gain	80,998	291,650	422,863	3,873,681	5,550,647	5,048,687
Non-Operating Expense and loss	263,555	1,555,572	280,373	457,307	368,359	189,648
Income before Income Tax from Operating Business	2,919,825	12,598,706	13,127,822	13,690,944	14,586,019	16,244,364
Net Income from Operating Business	2,319,801	9,230,107	10,160,747	11,619,441	13,156,225	14,717,402
Net Income from Discontinued Business	-	-	-	-	-	-
Abnormal net income	-	-	-	-	-	-
Accumulated number from accounting principle changes	-	-	-	-	- 	-
Net Income	2,319,801	9,230,107	10,160,747	11,619,441	13,156,225	14,717,402
Basic Earning per Share in NT\$	0.71	2.83	3.09	3.00	3.40	3.80

Note: The financial statements for the first quarter of 2010 have been reviewed. Others have been audited.

1-3 The important matters, which impact the consistency of financial statements, including changes of accounting principles, merger and acquisition, discontinued operations and etc., and the impacts on the financial statements of the current year from the said matters:

1-3-1 Accounting principle for bonuses to employees and remunerations to directors and supervisors:

In March 2007, the Accounting Research and Development Foundation (ARDF) issued Interpretation No. 2007-052 that requires companies to recognize bonuses to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. This accounting change resulted in a decrease of \$205,266 thousand in net income and a decrease of NT\$0.06 in basic earnings per share after income tax for the year ended December 31, 2008.

1-3-2 Accounting principle for Inventory:

On January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories". The main revisions are (a) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (b) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change had no significant influence on the net income for the year ended December 31, 2009.

1-3-3 In order to have more effective utilization of telecom network resources and to enhance the operation performance, Far EasTone Telecommunications Co., Ltd. and its 100% owned subsidiary, KG Telecommunicatios Co., Ltd. held the board meeting simultaneously on February 26, 2009 to approve short form merger and had completed the merger on January 1, 2010. Upon the merger, Far EasTone Telecommunications Co., Ltd. is the surviving company, while KG Telecommunications Co., Ltd. was the dissolved company.

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

Year	Audit Firm	Auditors' Name	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
2008	Deloitte and Touche Co.	Benjamin Shih, Tony C. Chung	Unqualified opinion
2009	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in Deloitte and Touche Co. auditor Edward Y. Way was replaced with Shih Benjamin in 2005 and auditor Annie Lin was replaced with Tony C. Chung in 2008. The auditor Benjamin Shih was replaced with Annie Lin in 2009.

2 Financial Analysis for the Recent 5 Years

2-1 Financial Ratio Analysis

2010/3/31

		Year		Financ	ial Analysis	In Recent 5	Years (Note)	
Item			2010 Q1	2009	2008	2007	2006	2005
F: 11	Debt to Asset	t Ratio	15.63	14.75	16.50	14.12	17.66	21.29
Financial Structure	Long-term Fu Ratio	unds to Fixed Assets	195.32	258.93	243.06	266.30	232.91	217.81
T :: 1:4.	Current Ratio	(%)	192.58	95.20	59.89	85.55	73.45	64.38
Liquidity Analysis	Quick Ratio ((%)	182.52	87.82	52.60	78.99	65.73	56.01
Allalysis	Times Interes	st Earned (times)	923.83	1,631.90	1,573.57	498.04	157.70	93.24
	Accounts Rec (times)	ceivable Turnover	9.23	8.72	8.51	8.51	8.63	9.08
	Average Coll	ection Days (days)	39.54	41.85	42.89	42.91	42.30	40.19
Operating	Inventory Tu	mover (times)	13.74	11.80	8.86	8.67	6.77	6.73
Performance	Accounts Payable Turnover (times)		11.16	11.24	12.81	14.83	13.37	12.73
	Inventory Turnover Days (times)		26.56	30.93	41.19	42.09	53.94	54.26
	Fixed Assets Turnover (times)		1.50	1.95	1.75	1.55	1.31	1.19
	Total Assets	Total Assets Turnover (times)		0.64	0.60	0.50	0.48	0.46
	Return on As	sets (%)	10.83	10.91	11.44	12.78	14.47	16.33
	Return on Eq	uity (%)	12.76	12.92	13.49	15.16	17.88	20.59
	To Capital	Operating Income	38.08	42.54	39.85	25.48	24.28	29.40
Profitability	ratio	Income before Tax	35.84	38.66	40.29	33.95	37.66	41.95
Analysis	Net Income F	Ratio (%)	16.38	17.18	19.79	25.17	30.45	34.11
	Basic EPS in	NT\$	0.71	2.83	3.09	3.00	3.40	3.80
	Diluted EPS	in NT\$	0.71	2.83	3.09	3.00	3.40	3.80
	Earning Per S	Share in NT\$	0.71	2.83	3.09	3.00	3.40	3.80
	Cash Flow R	atio (%)	47.24	176.70	173.26	175.88	172.57	181.69
Cash flow	Cash Flow E	quivalent Ratio (%)	131.49	128.48	138.29	119.71	117.36	112.16
	Cash Reinves	stment Ratio (%)	3.63	8.15	10.26	7.73	8.50	11.35
Leverage	Operating Le	verage (times)	2.24	1.87	1.83	2.05	2.18	1.89
Ratio	Financial Lev	verage (times)	1.00	1.00	1.00	1.00	1.01	1.02

Note: The financial statements for the first quarter of 2010 have been reviewed. Others have been audited.

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

- (1) Current Ratio: Mainly due to the increase in bank time deposits, RP and trusted in restricted assets-current of current assets and decrease in short-term bank loans and commercial paper payable of current liabilities in 2009.
- (2) Quick Ratio: Mainly due to the increase in bank time deposits, RP and trusted in restricted assets-current of current assets and decrease in short-term bank loans and commercial paper payable of current liabilities in 2009.
- (3) Inventory Turnover: The Company devoted to reduce inventory for hedging the risk of inventory resulted in the increase of cost of goods sold, however, due to the decrease of inventory, inventory turnover was increasing in 2009.
- (4) Inventory Turnover Days: Mainly due to the increase in the inventory turnover in 2009.
- (5) Cash Reinvestment Ratio: Mainly due to the decrease in operating cash flow and increase in gross fixed assets and working capital in 2009.

2-2 Condensed Financial Ratio Analysis:

2010/3/31

	Ye	ar		Financial A	nalysis In Re	cont 5 Voors	(Note)	2010/3/31
Item			2010 Q1	2009	2008	2007	2006	2005
TO 1.1	Debt to Asset Ratio		16.62	16.30	18.22	16.70	20.33	25.35
Financial Structure	Long-term Fur Ratio	nds to Fixed Assets	188.82	180.05	159.36	164.50	142.10	130.72
	Current Ratio	(%)	191.30	170.34	118.46	137.71	112.23	80.95
Liquidity Analysis	Quick Ratio (%	%)	179.04	160.62	108.19	128.61	101.20	68.44
7 tiluly 515	Times Interest	Earned (times)	443.52	511.84	588.88	351.02	155.54	64.90
	(times)	eivable Turnover	9.29	8.88	8.58	8.59	8.45	8.87
	1	ction Days (days)	39.30	41.11	42.56	42.47	43.18	41.15
Operating	Inventory Turr	nover (times)	8.29	7.68	6.86	7.02	5.60	7.51
Performance	Accounts Paya	ble Turnover (times)	10.39	11.44	11.47	11.57	11.06	12.51
	Inventory Turr	nover Days	44.04	47.53	53.21	52.00	65.19	48.59
	Fixed Assets 7	Turnover (times)	1.48	1.49	1.38	1.31	1.23	1.17
	Total Assets T	urnover (times)	0.66	0.69	0.71	0.66	0.72	0.72
	Return on Ass	ets (%)	10.55	10.47	10.86	12.03	13.55	14.28
	Return on Equ	turn on Equity (%)		12.63	13.13	14.72	17.47	20.36
	To Captial	Operating Income	38.18	38.15	44.08	37.32	42.81	47.84
Profitability	ratio	Income before Tax	35.83	37.29	40.89	36.11	41.65	46.11
Analysis	Net Income Ra	` ′	15.75	15.21	16.03	17.84	19.36	20.37
	Basic EPS in N	NT\$	0.71	2.83	3.09	3.00	3.40	3.80
	Diluted EPS	in NT\$	0.71	2.83	3.09	3.00	3.40	3.80
	Earning Per Sh	nare in NT\$	0.71	2.83	3.09	3.00	3.40	3.80
	Cash Flow Ra	tio (%)	44.73	177.51	155.27	164.85	164.32	158.34
Cash flow	Cash Flow Eq	uivalent Ratio (%)	140.98	142.44	156.64	161.51	174.23	167.90
	Cash Reinvest	ment Ratio (%)	3.66	8.25	9.20	9.09	10.91	14.58
Leverage	Operating Lev	erage (times)	2.25	2.32	2.12	2.06	2.00	1.93
Ratio	Financial Leve	erage (times)	1.00	1.00	1.00	1.00	1.01	1.02

Note: The financial Statements for the first quarter of 2010 have been reviewed. Others have been audited.

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

- (1) Current Ratio: Mainly due to the increase in bank time deposits, available-for-sale financial assets and trusted in restricted assets-current of current assets and decrease in short-term bank loans, commercial paper payable and income tax payable of current liabilities in 2009.
- (2) Quick Ratio: Mainly due to the increase in bank time deposits, available-for-sale financial assets and trusted in restricted assets-current of current assets and decrease in short-term bank loans, commercial paper payable and income tax payable of current liabilities in 2009

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) Accounts Payable Turnover = Costs of Good Sold / Average Accounts Payable
 - (5) Inventory Turnover Days = 365 / Inventory Turnover
 - (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 2009 Supervisors' Report

Aprl 27, 2010

The Board of Directors have prepared and submitted to us the Company's 2009 Business Reports, the Proposal for Profit Distribution, and the Financial Statements (included the consolidated Financial Reports) 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 Act, we hereby submit this report.

То

FET 2010 Shareholders' Meeting

Supervisors

Chen-en Ko



Eli Hong



Morton Huang



4 2009 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, 2009 and 2008, 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, 2009 and 2008, 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.

We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2009 and 2008 and have issued an unqualified opinion thereon in our reports dated February 1, 2010 and February 18, 2009, respectively.

Deloitte 8 Touche

February 1, 2010

Notice to Readers

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

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

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	Amount	%	Amount	
			Amount	%
OPERATING REVENUES (Notes 2 and 22)				
Sales of cellular phone equipment and accessories, net	\$ 3,886,720	7	\$ 3,230,915	6
Telecommunications service revenues	49,615,364	92	47,904,182	93
Other	238,207	1	206,382	1
Total operating revenues	53,740,291	100	51,341,479	100
OPERATING COSTS (Notes 2, 7, 19 and 22)				
Cost of sales	4,738,208	9	3,653,828	7
Cost of telecommunications services	22,253,043	41	21,879,074	43
Other	10,001		11,301	
Total operating costs	27,001,252	50	25,544,203	50
GROSS PROFIT	26,739,039	50	25,797,276	50
OPERATING EXPENSES (Notes 2, 19 and 22)				
Marketing	9,361,619	18	9,161,196	18
General and administrative	3,410,477	6	3,501,722	7
Research and development	104,315		149,026	
Total operating expenses	12,876,411	24	12,811,944	25
OPERATING INCOME	13,862,628	26	12,985,332	25
NONOPERATING INCOME AND GAINS				
Government grant (Note 2)	83,883	_	74,217	_
Management services revenue (Note 22)	48,184	_	70,391	_
Commission (Note 22)	43,844	_	44,590	_
Rent (Note 22)	25,803	_	16,997	_
Interest (Note 22)	5,122	_	35,665	_
Equity in investees' net gains (Notes 2 and 8)	- · ·	_	88,449	-
Other (Note 22)	84,814		92,554	1
Total nonoperating income and gains	291,650		422,863	1
NONOPERATING EXPENSES AND LOSSES				
Equity in investees' net losses (Notes 2 and 8)	1,178,421	2	-	-
Loss on disposal of properties, net (Note 2)	229,553	1	209,209	-
Impairment loss (Notes 2 and 8)	44,315	-	20,000	-
Interest (Notes 2, 9 and 22)	7,725	_	8,348	-
Other (Notes 19 and 22)	95,558		42,816	
Total nonoperating expenses and losses	1,555,572	3	280,373	=
INCOME BEFORE INCOME TAX	12,598,706	23	13,127,822	26
INCOME TAX (Notes 2 and 18)	3,368,599	6	2,967,075	6
NET INCOME	\$ 9,230,107	<u>17</u>	<u>\$ 10,160,747</u>	20
	2009		2008	
		r Income Tax	Before Afte Income Tax	r Income Tax
EARNINGS PER SHARE (Note 20)				
Basic	\$ 3.87 \$	2.83	\$ 3.99 \$	3.09
Diluted	\$ 3.86	2.83	\$ 3.99	3.09

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

BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

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

•	2009		2008	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 22)	\$ 2,576,199	3	\$ 504,561	_
Available-for-sale financial assets - current (Notes 2 and 6)	52,050	-	· -	-
Accounts and notes receivable, net (Notes 2 and 5)	4,777,130	6	4,892,726	6
Accounts receivable - related parties, net (Notes 2 and 22)	707,426	1	656,868	1
Other receivables - related parties (Note 22)	193,370	_	234,114	-
Inventories, net (Notes 2 and 7)	299,173	-	451,304	-
Prepaid expenses	531,662	1	510,144	1
Deferred income tax assets - current (Notes 2 and 18)	393,841	1	564,882	1
Restricted assets - current (Notes 2 and 22)	1,168,330	1	72,446	_
Other current assets	8,850		8,345	
Total current assets	10,708,031	13	7,895,390	9
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 8)	38,251,031	45	39,857,195	<u>47</u>
PROPERTIES (Notes 2, 9 and 22)				
Cost				
Land	852,980	1	852,980	1
Buildings and equipment	1,769,074	2	1,702,916	2
Operating equipment	72,676,163	87	68,296,823	80
Computer equipment	12,041,119	14	10,610,449	12
Office equipment	882,992	1	828,579	1
Leasehold improvements	1,767,793	2	1,514,714	2
Miscellaneous equipment	227,144		222,836	
Total cost	90,217,265	107	84,029,297	98
Less: Accumulated depreciation	65,763,662	78	59,310,975	69
	24,453,603	29	24,718,322	29
Construction-in-progress and prepayments for equipment	3,176,089	4	4,615,782	5
Net properties	27,629,692	33	29,334,104	34
INTANGIBLE ASSETS				
3G concession, net (Notes 1, 2 and 10)	6,576,358	8	7,307,065	9
OTHER ASSETS				
Rental assets, net (Notes 2 and 11)	181,316	-	183,248	-
Refundable deposits (Note 22)	284,783	1	281,340	-
Deferred charges, net (Note 2)	7,057	-	78,764	-
Deferred income tax assets - noncurrent (Notes 2 and 18)	284,298	-	446,207	1
Pledged certificate of deposits (Notes 22 and 24)	2,000			
Total other assets	759,454	1	989,559	1

TOTAL <u>\$ 83,924,566</u> <u>100</u> <u>\$ 85,383,313</u> <u>100</u>

BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

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

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Note 12)	\$ 200,000	-	\$ 1,150,000	1
Commercial paper payable (Note 13)	· -	-	350,000	-
Notes payable	42,348	-	45,409	-
Accounts payable	1,951,968	2	1,958,422	2
Accounts payable - related parties (Note 22) Income tax payable (Note 2)	435,826 914,742	1 1	368,542	1 2
Accrued expenses (Note 14)	3,123,896	4	1,761,331 2,798,919	3
Other payables - related parties (Note 22)	1,374,853	2	1,353,011	2
Payables for acquisition of properties	1,585,100	2	1,859,201	2
Guarantee deposits received - current	475,014	1	568,608	1
Unearned revenues (Note 2)	857,399	1	758,027	1
Lease payable - current (Notes 2, 15 and 22)	4,180	-	4,180	-
Other current liabilities (Note 2)	282,119		207,394	
Total current liabilities	11,247,445	14	13,183,044	15
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Lease payable - noncurrent (Notes 2, 15 and 22)	_		4,180	
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 16)	367,740	-	346,328	-
Guarantee deposits received - noncurrent	233,914	-	79,724	-
Deferred revenue (Note 2)	394,891	1	397,944	1
Other (Note 2)	137,989		75,891	
Total other liabilities	1,134,534	1	899,887	1
Total liabilities	12,381,979	15	14,087,111	16
CAPITAL STOCK - NT\$10.00 PAR VALUE; AUTHORIZED -				
4,200,000				
THOUSAND SHARES; ISSUED AND OUTSTANDING -				
3,258,501	22 505 000	20	22 505 000	20
THOUSAND SHARES	32,585,008	39	32,585,008	38
CAPITAL SURPLUS				
Additional paid-in capital - share issuance in excess of par value	10,964,702	13	10,964,702	13
From business combination	8,482,381	10	8,482,381	10
From long-term equity-method investments	40,266		40,266	
Total capital surplus	19,487,349	23	19,487,349	23
RETAINED EARNINGS				
Legal reserve	9,066,992	11	8,050,917	10
Special reserve	21,740	-	-	-
Unappropriated earnings	10,263,158	12	11,194,668	13
Total retained earnings	19,351,890	23	19,245,585	23
OTHER ADJUSTMENTS				
Cumulative translation adjustments	24,285	-	28,464	_
Unrealized gains (losses) on financial instruments	94,055		(50,204)	
Total other adjustments	118,340		(21,740)	
Total stockholders' equity	71,542,587	<u>85</u>	71,296,202	84
TOTAL The accompanying notes are an integral part of the financial statements.	<u>\$ 83,924,566</u>	100	\$ 85,383,313	100

FAR EASTONE TELECOMMUNICATIONS CO., LTD. STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

			Capita	ıl Surplus (Note	s 2 and 17)				Other Ad	justments	
			Additional Paid-in							Unrealized Gains	
	Capital Stoc	k Issued and	Captal - Share		From				Cumulative	(Losses) on	
	Outstandir	ng (Note 17)	Issuance in Excess of	From	Long-term	Retained	Earnings (N	otes 2, 3 and 17)	Translation	Financial	Total
	Shares (Thousands)	Amount	Par Value	Business Combination	Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Adjustments (Notes 2 and 17)	Instruments (Notes 2 and 17)	Stockholders Equity
BALANCE, JANUARY 1, 2008	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
Capital reduction - NT\$1.9204715 per share	(774,532)	(7,745,326)	-	50,102,501	-	-		\$12,507,150 -	-	-	(7,745,326)
Appropriation of the 2007 earnings	(,===)	(1,7 10,000)									(1), 10,000
Legal reserve Special reserve	-	-	-	-	-	1,161,944	(44,832)	(1,161,944) 44,832	-	-	
Bonus to employees	-	-	-	-	-		-	(210,047)	-	-	(210,047
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(105,023)	-	-	(105,023)
Cash dividends - NT\$3.1 per share	-	-	-	-	-	-	-	(10,101,353)	-	-	(10,101,353)
Net income in 2008			-	-	-		-	10,160,747	-	-	10,160,747
Changes in equity-method investees' stockholders' equity	-	-	-	-	79			-			79
Changes in subsidiary's unrealized gains (losses) on available-for-sale financial assets	-	-	_	-		-		-	-	(69,714)	(69,714
Changes in unrealized loss on cash flow hedge	-	-	-	_	-	-		-	-	16,201	16,201
Translation adjustments on long-term equity-method investments									16,638		16,638
BALANCE, DECEMBER 31, 2008	3,258,501	32,585,008	10,964,702	8,482,381	40,266	8,050,917	-	11,194,668	28,464	(50,204)	71,296,202
Appropriation of the 2008 earnings (Note 3)						1.016.055		(1.016.075)			
Legal reserve Special reserve Cash dividends - NT\$2.8 per	:		-	-	-	1,016,075	21,740	(1,016,075) (21,740)	-	-	
share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)
Net income in 2009	-	-	-	-	-	-	-	9,230,107	-	-	9,230,107
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-		-	-	-	-	2,050	2,050
Changes in subsidiary's unrealized gains (losses) on financial assets	-						-	-		142,209	142,209
Translation adjustments on long-term equity-method investments									(4,179)		(4,179)
BALANCE, DECEMBER 31, 2009	3,258,501	\$32,585,008	\$10,964,702	\$8,482,381	\$40,266	\$9,066,992	\$21,740	\$10,263,158	\$24,285	\$94,055	\$71,542,587

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

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(In Thousands of New Taiwan Donals)		2009		2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$	9,230,107	\$	10,160,747
Depreciation and amortization	*	7,239,845	*	7,285,685
Amortization of 3G concession		730,707		730,707
Allowance for doubtful accounts		338,054		511,800
Reversal of provision for loss on decline in value of inventories		(1,352)		(14,208)
Equity in investees' net losses (gains)		1,178,421		(88,449)
Cash dividends from equity-method investees		911,971		3,505,651
Loss on disposal of properties, net		229,553		209,209
Provision for impairment loss		44,315		20,000
Accrued pension cost		21,412		31,524
Deferred income taxes		332,950		(370,186)
Net changes in operating assets and liabilities		332,730		(370,100)
Accounts and notes receivable		(222,458)		(797,830)
Accounts receivable - related parties		(50,558)		(109,802)
Other receivables - related parties		40,765		150,733
Inventories		153,483		(131,737)
Prepaid expenses		(21,518)		(1,355)
Other current assets		(497)		32,791
Notes payable		(3,061)		6,361
Accounts payable		(6,454)		313,816
Accounts payable - related parties		67,284		10,685
Other payables - related parties		21,842		445,044
Income tax payable		,		
		(846,589)		608,206
Accrued expenses Unearned revenues		324,977		167,489
Other current liabilities		99,372		177,872
Other current habilities		61,366	-	(13,489)
Net cash provided by operating activities		19,873,937	_	22,841,264
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets		(50,000)		-
Acquisition of equity-method investments		(390,513)		(4,616)
Acquisition of properties		(5,897,027)		(6,712,453)
Proceeds of the disposal of properties		2,827		12,762
Increase in refundable deposits		(3,443)		(19,350)
Increase in pledged certificates of deposits		(2,000)		-
Decrease (increase) in restricted assets		(1,095,884)		40,813
Net cash used in investing activities		(7,436,040)		(6,682,844)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term bank loans		(950,000)		1,150,000
Increase (decrease) in commercial paper payable		(350,000)		350,000
Repayments of bonds payable		-		(2,670,000)
				(Continued)

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(III Thousands of New Tarwari Donars)	2009	2008
Increase (decrease) in guarantee deposits received Increase (decrease) in deferred revenue Cash dividends paid Bonus paid to employees and remuneration paid to directors and supervisors Capital reduction	\$ 60,596 (3,053) (9,123,802)	\$ (67,489) 130,719 (10,101,353) (315,070) (7,745,326)
Net cash used in financing activities	(10,366,259)	(19,268,519)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,071,638	(3,110,099)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	504,561	3,614,660
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,576,199</u>	<u>\$ 504,561</u>
SUPPLEMENTARY CASH FLOW INFORMATION Interest paid Less: Interest capitalized Interest paid, net of capitalized interest Income tax paid	\$ 16,146 7,950 \$ 8,196 \$ 3,578,355	\$ 57,871 44,347 \$ 13,524 \$ 2,332,653
NONCASH INVESTING AND FINANCING ACTIVITIES Current portion of long-term liabilities Reclassification of properties to deferred charges Reclassification of rental assets into properties	\$ 4,180 \$ 8,455 \$ -	\$ 4,180 \$ 128,242 \$ 10,692
CASH PAID FOR ACQUISITION OF PROPERTIES Increase in properties Decrease (increase) in payables for acquisition of properties Decrease in lease payable Increase in other current liabilities Increase in other liabilities - other	\$ 5,694,203 274,101 4,180 (13,359) (62,098)	\$ 7,113,768 (334,652) 19,880 (10,652) (75,891)
Cash paid for acquisition of properties	<u>\$ 5,897,027</u>	<u>\$ 6,712,453</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES Total amount of sold properties Increase in receivables from properties sold Increase in other receivables - related parties	\$ 2,856 (8) (21)	\$ 12,880 (118)
Cash received from disposal of properties	<u>\$ 2,827</u>	<u>\$ 12,762</u>
The accompanying notes are an integral part of the financial statements.		(Concluded)

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(III Thousands of New Taiwan Donars, Onicss Stated Otherw

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, 2009, Far Eastern New Century Corporation ("Far Eastern New Century") (former Far Eastern Textile Co., Ltd.) and its affiliates directly and indirectly owned 41.70% of the Company's shares. Since the Company's chief executive officer is appointed by Far Eastern New Century's 99.99% subsidiary, Far Eastern New Century has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern New Century 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 Directorate General of Telecommunications (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 and ISR services until December 2012 and to pay annual license fees based on the regulations for each service. The Company is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003 for annual license fee of 1% of leased circuit service revenues.

The Company 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, the Company became licensed to provide 3G wireless communications service and began commercial operations on July 13, 2005.

On December 28, 2009, the National Communications Commission (NCC) awarded the Company the WiMAX (worldwide interoperability for microwave access) license in the southern region of Taiwan and the Company began its commercial operation of WiMAX service, which is valid for six years. The Company has to pay an annual license fee that is equal to WiMAX service revenues multiplied by the bidding percentage (4.18%), but the annual license fee should not be less than a specified minimum amount.

The Company had 3,712 and 3,779 employees as of December 31, 2009 and 2008, 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, asset retirement obligation, product warranty reserve, income taxes, pension cost, bonus to employees and remuneration to directors and supervisors. 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 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 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.

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.

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.

Fair value is determined as follows: Open-end mutual funds - at their net asset value on the balance sheet date.

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 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 and recharge call services are recognized as income based upon customer usage.

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 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 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). Inventories are written down to net realizable value item-by-item. Cost is determined using the weighted-average method. Net realizable value is determined as normal market value minus predicted selling expenses.

Government Grant

When received, the government grant is included in the restricted assets and in deferred revenue at the same time. The restricted asset is recognized as cash or cash equivalent when the Company uses the grant under the terms of the related agreement. The deferred revenue is recognized as follows: (1) if the grant is related to depreciable assets, it should be recognized as revenue over the asset economic lives in proportion to the depreciation expenses for these assets; or (2) if the grant is related to income, the grant amount should be deducted from the related expense when the revenue is realized.

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 acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. 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 is credited to capital surplus. If the subscription results in a decrease in the Company'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.

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.

Since November 2008, the Company estimates and capitalizes the costs of dismantling, removing properties and restoring the cellular site on which they are located and to record these costs as properties and accrued asset retirement cost.

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.

Deferred Charges

Deferred charges mainly include routers provided to customers, which are amortized using the straight-line method over the terms of lease.

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, 3G concession, deferred charges, and equity-method investments) exceeds their recoverable amount, and this impairment loss should be charged to current income. For investees which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing. 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.

For impairment testing, 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 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 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 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 Company uses interest rate swaps to hedge cash flow risk from interest rate fluctuations of liabilities.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2009.

3. CHANGE IN ACCOUNTING PRINCIPLE

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation (ARDF) issued Interpretation No. 2007-052 that requires companies to recognize bonuses to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. This accounting change resulted in a decrease of \$205,266 thousand in net income and a decrease of NT\$0.06 in basic earnings per share after income tax for the year ended December 31, 2009.

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories". The main revisions are (a) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (b) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change had no significant influence on the net income for the year ended December 31, 2009.

4. CASH AND CASH EQUIVALENTS

	December 31			
		2009		2008
Cash				
Cash on hand	\$	2,596	\$	2,766
Demand deposits		899,104		493,956
Checking deposits		12,609		7,839
Certificates of deposits - interest of 0.555%-0.900%		1,562,000		<u> </u>
•		2,476,309		504,561
Cash equivalents				
Commercial paper purchased under resell agreements - interests of 0.17%		99,890	-	
	\$	2,576,199	\$	504,561
As of December 31, 2009 and 2008, foreign demand deposits were as follows:				

	Decemb	December 31			
	2009	2008			
Belgium (US\$5,018 thousand in 2009 and US\$616 thousand in 2008)	<u>\$ 160,526</u>	<u>\$ 20,205</u>			

Multinational Automated Clearing House (MACH) is the Company's authorized representative to settle international roaming charges. The related proceeds are deposited in the overseas accounts stated above as recommended by MACH for the settlement.

5. ACCOUNTS AND NOTES RECEIVABLE, NET

		December 31				
		2009		2008		
Accounts and notes receivable Less: Allowance for doubtful accounts	\$	5,371,258 (594,128)	\$	5,596,442 (703,716)		
	<u>\$</u>	4,777,130	\$	4,892,726		

The change in allowance for doubtful accounts was as follows:

	Years Ended December 31				
	2009		2008		
Beginning balance	\$	703,716	\$	665,642	
Deduct: Bad debts written off		(683,398)		(683,329)	
Add: Collection after write-off		235,756		209,603	
Accrual of bad debt expenses	_	338,054		511,800	
	<u>\$</u>	594,128	\$	703,716	

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

Decemb	December 31		
2009	2008		
<u>\$ 52,050</u>	<u>\$</u>		

7. INVENTORIES

		December 31			
	2	2009		2008	
Cellular phone equipment	\$	180,400	\$	342,159	
SIM cards and prepaid cards		14,091		22,211	
Cellular phone accessories		9,726		24,852	
Others		94,956		62,082	
	\$	299,173	\$	451,304	

Allowances for losses were \$25,527 thousand and \$26,879 thousand as of December 31, 2009 and 2008, respectively.

Costs of inventories sold were \$4,738,208 thousand and \$3,653,828 thousand for the years ended December 31, 2009 and 2008, respectively. Reversal of provision for loss on decline in value of inventories, amounting to \$1,352 thousand and \$14,208 thousand for the years ended December 31, 2009 and 2008, respectively. Reversal of provision for loss on decline in value of inventories was reclassified to the reduction of the cost of sales for the year ended December 31, 2008.

8. EQUITY-METHOD INVESTMENTS

	December 31					
	2009		2008			
	% of			% of		
	Carrying	Owner-	Carrying	Owner-		
	Value	ship	Value	ship		
Common stocks with no quoted market prices		_		_		
KG Telecommunications Co., Ltd.	\$ 30,573,498	100.00	\$ 32,475,440	100.00		
New Century InfoComm Tech Co., Ltd.	6,000,018	26.59	5,490,024	24.51		
ARCOA Communication Co., Ltd.	1,116,869	61.07	1,039,987	59.78		
Far Eastern Electronic Toll Collection Co., Ltd.	232,803	41.18	408,729	41.18		
Far Eastern Info Service (Holding) Ltd.	161,358	100.00	153,851	100.00		
E. World (Holdings) Ltd.	71,337	85.92	67,305	85.92		
Ding Ding Integrated Marketing Services Co., Ltd.	39,519	15.00	5,744	15.00		
Q-ware Communications Co., Ltd.	28,440	51.00	190,370	51.00		
Far EasTron Holding Ltd.	26,022	100.00	25,575	100.00		
Yuan Cing Infocomm Tech Co., Ltd.	993	100.00	-	-		
ADCast Interactive Marketing Co., Ltd.	174	0.40	170	0.40		
	\$ 38,251,031		\$ 39,857,195			

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 Economic 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.

To integrate the resources and enhance the operating efficiency of the Company and KG Telecom, the boards of directors of both companies resolved their merger on February 26, 2009, with the Company as the survivor entity. On August 28, 2009, the National Communications Commission approved this merger, and the record date of this merger was January 1, 2010. The merger was completed on January 18, 2010 after the registration with the MOEA.

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. As of December 31, 2009, the Company owned 26.59% (691,096 thousand shares) of NCIC's common stock.

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. As of December 31, the Company owned 61.07% (82,009 thousand shares) of ARCOA's common stock.

d. Far Eastern Electronic Toll Collection Co., Ltd. (FETC)

On August 22, 2007, Far Eastern Electronic Toll Collection Co. and the Taiwan Area National Freeway Bureau signed the Electronic Toll Collection BOT Project contract with a term of 18 years and 4 months.

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. Far EasTron Co., Ltd. ("Far EasTron") and ADCast Interactive Marketing Co., Ltd. ("ADCast")

To enhance the Company's market share of Internet advertisements and integrate the Company's resources, the stockholders of Far EasTron resolved on April 21, 2008 for Far EasTron to have a share swap with ADCast Interactive Marketing Co., Ltd. ("ADCast"), a subsidiary of New Century InfoComm Tech Co., Ltd., with ADCast as the survivor entity. After ADCast's capital reduction, Far EasTron's stockholders will receive 1 share of ADCast for every 4.8526 shares of Far EasTron. However, in their special meeting on August 29, 2008, Far EasTron's stockholders revised the share swap ratio to 5.4490:1. In addition, Far EasTron's board of directors resolved to have September 3, 2008 as the merger date. The share swap was completed on September 30, 2008 after the related registration with the Taipei City Government. After the share swap, the Company and Far EasTron Holding owned 0.40% and 60.52% of ADCast's common stock, respectively.

g. Equity in investees' net gains or losses

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

	Years Ended December 31				
	200	09	2008		
	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.	\$ (1,094,787)	\$ (1,094,787)	\$ 1,013,276	\$ 1,013,206	
New Century InfoComm Tech Co., Ltd.	6,078	139,780	(2,800,811)	(567,440)	
ARCOA Communication Co., Ltd.	108,387	65,389	61,190	35,600	
Far Eastern Electronic Toll Collection Co., Ltd.	(400,580)	(175,926)	(594,577)	(236,127)	
Far Eastern Info Service (Holding) Ltd.	11,308	11,308	4,730	4,730	
E. World (Holdings) Ltd.	4,900	4,211	6,626	5,693	
Ding Ding Integrated Marketing Services Co., Ltd.	(54,785)	(11,225)	(91,562)	(11,556)	
Q-ware Communications Co., Ltd.	(230,617)	(117,615)	(277,906)	(141,732)	
Far EasTron Holding Ltd.	447	447	(13,862)	(13,862)	
Yuan Cing Infocomm Tech Co., Ltd.	(7)	(7)	-	-	
ADCast Interactive Marketing Co., Ltd.	1,065	4	(3,320)	9	
Far EasTron Co., Ltd.	· -		(10,846)	(72)	
		<u>\$ (1,178,421)</u>		<u>\$ 88,449</u>	

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM"), Far EasTron Co., Ltd. ("Far EasTron") and ADCast Interactive Marketing Co., Ltd. ("ADCast") allow the Company to exercise significant influence on these investees' operating and financial policy decisions, the investments in DDIM, Far EasTron and ADCast are accounted for by the equity method even though the Company's equity in DDIM, Far EasTron and ADCast are only 15%, 0.67% and 0.40%, respectively.

Except for the financial statements of Yuan Cing Infocomm Tech and Far EasTron as of and for the year ended December 31, 2009 and 2008, respectively, the financial statements as of and for the years ended December 31, 2009 and 2008 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. The Company believes that, had the financial statements of Yuan Cing Infocomm Tech and Far EasTron been audited, any adjustments would have had no material effect on the Company's financial statements.

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

For the years ended December 31, 2009 and 2008, 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								
		2009				2008				
Beginning balance Increase Decrease	G	Goodwill		Amortizable Assets		Goodwill		Amortizable Assets		
	\$	288,877 - 50,577	\$	(808,673) (197,575) 138,713	\$	313,594 - 24,717	\$	(924,029) - 115,356		
Ending balance	<u>\$</u>	238,300	\$	(867,535)	\$	288,877	\$	(808,673)		

Consolidation

The consolidated financial statements as of December 31, 2009 and 2008 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.

9. PROPERTIES

a. Changes in properties consisted of:

		Year Ended December 31, 2009					
	Beginning	Beginning Movement					
	Balance	Addition	Sale or Disposal	Reclassification	Balance		
Cost							
Land	\$ 852,980	\$ -	\$ -	\$ -	\$ 852,980		
Buildings and equipment	1,702,916	-	4,616	70,774	1,769,074		
Operating equipment	68,296,823	266,039	792,820	4,906,121	72,676,163		
Computer equipment	10,610,449	-	124,488	1,555,158	12,041,119		
Office equipment	828,579	-	886	55,299	882,992		
Leasehold improvements	1,514,714	-	5,281	258,360	1,767,793		
Miscellaneous equipment	222,836	-	1,233	5,541	227,144		
• •	84,029,297	\$ 266,039	\$ 929,324	\$ 6,851,253	90,217,265		

	Year Ended December 31, 2009						
	Beginning	Beginning Movement					
	Balance	Addition	Sale or Disposal	Reclassification	Balance		
Accumulated depreciation			_				
Buildings and equipment	\$ 610,607	\$ 55,101	\$ 4,616	\$ -	\$ 661,092		
Operating equipment	47,934,251	5,894,577	569,496	-	53,259,332		
Computer equipment	8,659,063	1,056,561	124,414	-	9,591,210		
Office equipment	732,930	32,555	879	-	764,606		
Leasehold improvements	1,234,972	89,421	4,426	-	1,319,967		
Miscellaneous equipment	139,152	29,536	1,233	<u>-</u> _	167,455		
• •	59,310,975	\$7,157,751	\$ 705,064	\$ -	65,763,662		
	24,718,322				24,453,603		
Construction-in-progress and							
prepayments for equipment	4,615,782	\$5,428,164	\$ 8,149	<u>\$ (6,859,708)</u>	3,176,089		
	\$29,334,104				\$ 27,629,692		

	Year Ended December 31, 2008					
	Beginning		Movement		Ending	
	Balance	Addition	Sale or Disposal	Reclassification	Balance	
Cost						
Land	\$ 847,138	\$ -	\$ -	\$ 5,842	\$ 852,980	
Buildings and equipment	1,665,947	-	181	37,150	1,702,916	
Operating equipment	64,124,983	184,561	792,187	4,779,466	68,296,823	
Computer equipment	9,769,808	-	43,371	884,012	10,610,449	
Office equipment	826,170	-	1,741	4,150	828,579	
Leasehold improvements	1,497,895	-	28,311	45,130	1,514,714	
Miscellaneous equipment	228,068	<u>-</u>	5,232		222,836	
	78,960,009	\$ 184,561	\$ 871,023	\$ 5,755,750	84,029,297	
Accumulated depreciation						
Buildings and equipment	556,056	\$ 54,052	\$ 114	\$ 613	610,607	
Operating equipment	42,697,199	5,893,960	656,908	-	47,934,251	
Computer equipment	7,590,669	1,113,516	43,371	(1,751)	8,659,063	
Office equipment	706,935	27,693	1,698	<u>-</u>	732,930	
Leasehold improvements	1,136,638	114,822	16,488	-	1,234,972	
Miscellaneous equipment	114,259	30,125	5,232	_	139,152	
	52,801,756	\$7,234,168	\$ 723,811	\$ (1,138)	59,310,975	
	26,158,253				24,718,322	
Construction-in-progress and						
prepayments for equipment	3,635,890	\$6,929,207	\$ 74,877	<u>\$ (5,874,438)</u>	4,615,782	
	\$29.794.143				\$ 29.334.104	

b. Capitalized interest on properties was as follows:

	Years Ended December 31		
	2009	2008	
Total interest expense Less: Interest capitalized (included in construction-in-progress and	\$ 15,675	\$ 52,695	
prepayments for equipment)	7,950	44,347	
Interest expense, net of amounts capitalized	<u>\$ 7,725</u>	\$ 8,348	
Interest rate capitalized	0.60%-1.56%	1.56%-2.39%	

10. 3G CONCESSION, NET

	Years Ended 1	December 31
	2009	2008
Cost	\$ 10,169,000	\$ 10,169,000
Accumulated amortization Beginning balance Amortization Ending balance	2,861,935 730,707 3,592,642	2,131,228 730,707 2,861,935
Intangible assets, net	<u>\$ 6,576,358</u>	\$ 7,307,065

11. RENTAL ASSETS, NET

	Year	Ended December 31, 2	009
		Buildings and	
	Land	Equipment	Total
Cost			
Beginning balance	<u>\$ 99,524</u>	<u>\$ 94,673</u>	<u>\$ 194,197</u>
Accumulated depreciation			
Beginning balance	-	10,949	10,949
Depreciation		1,932	1,932
Ending balance	-	12,881	12,881
Rental assets, net	<u>\$ 99,524</u>	<u>\$ 81,792</u>	<u>\$ 181,316</u>

	Year Ended December 31, 2008 Buildings and				
<u>Cost</u>	Land	Equipment Equipment	Total		
Beginning balance Reclassification Ending balance	\$ 105,366 (5,842) 99,524	\$ 100,136 (5,463) 94,673	\$ 205,502 (11,305) 194,197		
Accumulated depreciation Beginning balance Depreciation Reclassification Ending balance	- - 	9,537 2,025 (613) 10,949	9,537 2,025 (613) 10,949		
Rental assets, net	<u>\$ 99,524</u>	\$ 83,724	<u>\$ 183,248</u>		

Rental assets are offices intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through September 2012. Future rental income is summarized as follows:

Year	Amount	
2010 2011 2012	\$ 8,21 7,02 4,13	19 43

12. SHORT-TERM BANK LOANS

	December 31		
	2009		2008
Unsecured bank loans - interest of 0.60% in 2009 and 1.95%-2.20% in 2008	\$ 200,000	\$	1,150,000

The short-term bank loans at December 31, 2009 and 2008 were due and repaid in January 2010 and January to March 2009, respectively.

13. COMMERCIAL PAPER PAYABLE

The Company issued the commercial paper with discounted rate at 1.838% and was fully repaid on January 16, 2009.

14. ACCRUED EXPENSES

	December 31			
		2009		2008
Commission Bonus Bonus to employees and remuneration to directors and supervisors Advertisement Maintenance fee Utilities Billing processing fee Other	\$	1,411,630 635,797 249,213 113,636 98,341 83,061 60,269 471,949	\$	1,240,667 507,537 273,688 146,608 71,061 92,372 67,758 399,228
	<u>\$</u>	3,123,896	\$	2,798,919

15. LEASE PAYABLE

	December 31		
	2009	2008	
Total future lease payments Less: Imputed interest expense Less: Current portion of lease payable	$ \begin{array}{r} $	\$ 9,685 1,325 8,360 4,180	
Lease payable - noncurrent	<u>\$</u>	<u>\$ 4,180</u>	

The contracts of capital lease were summarized as follows:

			Rental Years I Decem	Ended
Lessor	Properties	Payment Terms	2009	2008
Far Eastern International Leasing Corp.	Computer equipment	July 2004 - June 2009 \$15,414 thousand annually (equipment were transferred unconditionally to the Company on contract expiry)	\$ -	\$ 15,414
Far Eastern International Leasing Corp.	Computer equipment	March 2006 - February 2011 \$5,063 thousand annually	5,063	5,063
			\$ 5,063	\$ 20,477

16. PENSION PLAN

- a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, 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 \$138,026 thousand and \$114,843 thousand for the years ended December 31, 2009 and 2008, respectively.
- b. 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., 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.

- c. Information about the defined benefit pension plan was as follows:
 - 1) Net pension cost consisted of:

	Years Ended December 31			
		2009		2008
Service cost	\$	34,834	\$	31,253
Interest cost		34,425		34,609
Expected return on plan assets		(14,123)		(13,849)
Amortization of net transition obligation		911		911
Amortization of prior service cost		(1,162)		-
Amortization of unrecognized pension loss		13,186		12,762
Net pension cost	<u>\$</u>	68,071	<u>\$</u>	65,686

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

	December 31			
	2009		2	2008
Benefit obligation				
Vested benefit obligation	\$	13,132	\$	5,605
Non-vested benefit obligation	69	99,360		612,900
Accumulated benefit obligation	7	12,492		618,505
Additional benefits based on projected and future salaries	4	41,718		633,737
Projected benefit obligation	1,1:	54,210		1,252,242
Fair value of plan assets	(54	43 <u>,075</u>)		(493,002)
Funded status	6	11,135		759,240
Unrecognized net transition asset		1,794		883
Unrecognized prior service cost	2	26,729		27,891
Unrecognized pension loss	(2	71,918)		(441,686)
Accrued pension cost	\$ 36	<u>67,740</u>	\$	346,328
Vested benefit	<u>\$</u>	16,280	\$	7,752

3) Actuarial assumptions were as follows:

	December 31		
	2009	2008	
Discount rate used in determining present value	2.25%	2.75%	
Rate of future salary increase	2.50%	3.50%	
Expected rate of return on plan assets	1.50%	2.75%	

17. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares and that arising from business combination) may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

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.

For the years ended December 31, 2009 and 2008, the bonus to employees was \$166,142 thousand and \$182,459 thousand, respectively, and the remuneration to directors and supervisors was \$83,071 thousand and \$91,229 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 2% and 1% of net income (net of the bonus and remuneration) less 10% legal reserve and special reserve, respectively, were recognized for the years ended December 31, 2009 and 2008, respectively. The amounts were estimated on the basis of past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the Company's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

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 2008 and 2007 earnings was approved by the stockholders on June 16, 2009 and June 5, 2008, respectively.

	A	ppropriation a		Per Share llars)		
		2008		2007	2008	2007
Legal reserve Special reserve Cash dividend Bonus to employees - cash Remuneration to directors and supervisors	\$	1,016,075 21,740 9,123,802	\$	1,161,944 (44,832) 10,101,353 210,047 105,023	\$2.80	\$3.10

The bonus to employees of \$182,459 thousand and the remuneration to directors and supervisors of \$91,229 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009, and these amounts were the same as the amounts recognized in the financial statements for the year ended December 31, 2008.

Information on the bonus to employees and remuneration to directors and supervisors can be accessed through The Market Observation Post System website of the Taiwan Stock Exchange Corporation's website.

c. Global depositary receipts

The Company's Global Depositary Receipts (GDRs) as of December 31, 2009 were as follows:

		GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering Converted from overseas unsecured convertible bonds Net decrease due to capital increase or capital reduction Reissued within authorized units GDRs transferred to common stock	1) 2) 3) 4)	10,000 165 (362) 21,959 (30,528)	150,000 2,473 (5,426) 329,379 (457,916)
Outstanding GDRs issued		1,234	<u> 18,510</u>

- 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, 2009, 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 represent 4,448 thousand common shares. Furthermore, in 2008, the Company cancelled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 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, 2009, the Company had reissued 21,959 thousand units of GDR, representing 329,379 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 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' equities, 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 774,532 thousand shares. The capital reduction was approved by the stockholders' meeting on June 12, 2007. The capital reduction ratio was 19.204715% and the cash return per share was around NT\$1.9204715. Paid-in capital after the capital reduction was \$32,585,008 thousand. The Company's board of directors resolved January 15, 2008 as the record date of the capital reduction. On January 22, 2008, this capital reduction was registered with the MOEA. The authority also approved March 17, 2008 as the share exchange date of the capital reduction. The foregoing payable amounts due to the capital reduction were fully paid on March 28, 2008.

e. Share issuance for cash - private placement

On June 16, 2009, the stockholders resolved that the Company will issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to \$17,773,641 thousand, to catch up on industry development trends and to meet the Company's future operating needs. The subscriber for these privately placed shares is China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. On June 26, 2009, the Company's board of directors resolved to set the private placement price at NT\$40.00 per share. However, based on certain agreements, if the volume weighted average price of the common shares of the Company within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or the Company sends the notice to the other party of the settlement date of the private

placement falls below NT\$35.00 or exceeds NT\$50.00, the Company's board of directors has the authorization of the stockholders' meeting to discuss in good faith to agree a new private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT\$5 per share of the Company. The private placement will proceed after obtaining the authorities' approval under the related regulation.

f. Cumulative translation adjustments

Cumulative translation adjustments for the years ended December 31, 2009 and 2008 were summarized as follows:

	Years Ended December 31					
	2009	2008				
Difference due to translation of foreign-currency						
financial statements	-					
Beginning balance	\$ 28,4	54 \$ 11,826				
Recorded as adjustment under stockholders' equity	(4,1	<u>16,638</u>				
	\$ 24.2	35 \$ 28.464				

g. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the years ended December 31, 2009 and 2008 were summarized as follows:

	Recognized from Equity-method Investments	Available-for- sale Financial Assets	Unrealized Gain (Loss) on Cash Flow Hedge	Total
Year ended December 31, 2009				
Beginning balance Recorded as adjustments to	\$ (50,204)	\$ -	\$ -	\$ (50,204)
stockholders' equity	112,533	2,050	-	114,583
Recognized as profit or loss	29,676	-		29,676
Ending balance	<u>\$ 92,005</u>	\$ 2,050	<u>\$</u>	<u>\$ 94,055</u>
Year ended December 31, 2008				
Beginning balance Recorded as adjustments to	\$ 19,510	\$ -	\$ (16,201)	\$ 3,309
stockholders' equity	(58,985)	-	3,209	(55,776)
Recognized as profit or loss	(10,729)	_	12,992	2,263
Ending balance	<u>\$ (50,204)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (50,204)</u>

18. INCOME TAX

a. 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				
		2009		2008	
Income tax expense computed at statutory tax (25%)	\$	3,149,677	\$	3,281,956	
Add (deduct) tax effects of:					
Permanent differences					
Equity in investees' net losses (gains)		273,697		(253,284)	
Other		(2,596)		64,734	
Temporary differences					
Allowance for doubtful accounts		(110,105)		72,823	
Equity in investee's net losses (gains)		(71,824)		289,297	
Other		(20,397)		8,066	
Investment tax credits used		(222,019)		(160,000)	
Unappropriated earnings tax (10%)		<u>=</u>		8,591	
Income tax payable - current		2,996,433		3,312,183	
Income tax expense on income subjected to a separate rate of 20%		342		4,530	
Prior year's adjustment		38,874		20,548	
Income tax expense - current	\$	3,035,649	\$	3,337,261	

b. Income tax expense consisted of:

		Years Ended December 31					
		2009		2008			
Income tax expense - current Income tax expense - deferred	\$	3,035,649	\$	3,337,261			
Temporary differences		332,950		(370,186)			
	<u>\$</u>	3,368,599	\$	2,967,075			

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets in accordance with this amendment and recorded the resulting difference as deferred income tax expense.

c. Deferred income taxes assets were as follows:

	December 31			
		2009		2008
Current				
Deferred income tax assets				
Allowance for doubtful accounts	\$	373,341	\$	542,142
Provision for loss on decline in value of inventories		5,105		6,720
Other		15,395		16,020
	\$	393,841	\$	564,882
Noncurrent				
Deferred income tax assets				
Equity in investees' net losses	\$	368,740	\$	610,100
Accrued pension cost		77,771		89,754
Depreciation resulting from the differences in estimated service		,		,
lives of properties		-		34,792
Other		14,173		6,637
		460,684		741,283
Less: Valuation allowance		176,386		295,076
	\$	284,298	<u>\$</u>	446,207

d. Integrated income tax information was as follows:

	Decen	nber 31
	2009	2008
Balance of imputation credit account (ICA)	<u>\$ 293,676</u>	<u>\$ 264,186</u>

The creditable ratio for distribution of earnings of 2009 and 2008 was 25.70% (estimate) and 29.45%, respectively.

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 2009 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2008 earnings appropriation had been determined, the actual ratio was disclosed.

e. 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.

19. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

				Year E	nded Dec	ember 31	, 2009			
	Operating Costs		Operating Expenses		Nonoperating Expenses and Losses		of O	eductions perating osts or openses		Total
Employee expenses										
Salaries	\$	516,992	\$	1,720,382	\$	-	\$	771,973	\$	3,009,347
Pension		43,881		110,774		-		51,442		206,097
Meal		10,535		47,384		-		18,173		76,092
Employee benefit		-		26,877		-		-		26,877
Insurance		33,162		124,907		-		52,379		210,448
Miscellaneous		1,336		13,015				10,176	_	24,527
	\$	605,906	\$	2,043,339	\$		\$	904,143	\$	3,553,388
Depreciation Amortization	<u>\$</u> \$	6,437,549 80,162	<u>\$</u>	720,202	<u>\$</u> \$	1,932	<u>\$</u>	<u> </u>	<u>\$</u>	7,159,683 80,162

				Year E	nded De	cember 31	, 2008			
	Operating Costs		Operating Expenses		Nonoperating Expenses and Losses		of O C	eductions perating osts or spenses		Total
Employee expenses				•				•		
Salaries	\$	445,398	\$	1,620,941	\$	-	\$	562,717	\$	2,629,056
Pension		46,678		84,245		-		49,606		180,529
Meal		8,854		46,100		-		15,982		70,936
Employee benefit		-		51,329		-		-		51,329
Insurance		25,990		116,359		-		44,809		187,158
Miscellaneous		3,793		30,257				17,218		51,268
	\$	530,713	\$	1,949,231	\$	<u>-</u>	\$	690,332	\$	3,170,276
Depreciation Amortization	<u>\$</u>	6,384,578 49,478	<u>\$</u> \$	849,590 14	<u>\$</u>	2,025	<u>\$</u>	<u>-</u>	<u>\$</u> \$	7,236,193 49,492

The Company provided management services to certain equity-method investees (Note 22). The employee expenses were charged on the basis of agreed-upon terms and recorded as reductions of operating costs or expenses.

To enhance their competency, the Company, New Century InfoComm Tech Co., Ltd. and Digital United Inc. (dissolved on March 16, 2009 due to merger with NCIC) made a strategic business alliance to integrate the resources of their marketing departments and operating management departments and to support each other's human resources. The related employee revenues and expenses were charged and paid on the basis of agreed-upon terms and recorded as nonoperating income and operating cost or expense.

20. EARNINGS PER SHARE (EPS)

			Common		g Per Share NT\$)						
Year ended December 31, 2009	Amount (Nu Income Before Income Tax		Before Income Tax Net Income ended		Income Before		(Denominator) Befor (In Thousand Incor		(Denominator) Before (In Thousand Income		Net Income
Basic EPS Net income Effect of dilutive potential common stock Bonus to employees	\$	12,598,706	\$	9,230,107	3,258,501	\$ 3.87	\$ 2.83				
Diluted EPS Net income including the effect of potential dilutive common stock Year ended December 31, 2008	<u>\$</u>	12,598,706	\$	9,230,107	3,265,161	\$ 3.86	<u>\$ 2.83</u>				
Basic EPS Net income Effect of dilutive potential common stock Bonus to employees	\$	13,127,822	\$	10,160,747	3,288,127 4,892	\$ 3.99	\$ 3.09				
Diluted EPS Net income including the effect of potential dilutive common stock	\$	13,127,822	<u>\$</u>	10,160,747	3,293,019	<u>\$ 3.99</u>	<u>\$ 3.09</u>				

The ARDF issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

21. FINANCIAL INSTRUMENTS

a. Fair value information

		Decem	December 31					
	20	09	2008					
	Carrying Value	Fair Value	Carrying Value	Fair Value				
<u>Assets</u>								
Available-for-sale financial assets - current Equity-method investments Refundable deposits	\$ 52,050 38,251,031 284,783	\$ 52,050 38,251,031 284,783	\$ - 39,857,195 281,340	\$ 39,857,195 281,196				
<u>Liabilities</u>								
Lease payable (including current portion) Guarantee deposits received (including current	4,180	4,180	8,360	8,360				
portion)	708,928	708,928	648,332	648,332				

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, accounts receivable - related parties, other receivables - related parties, restricted assets, pledged certificate of deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, accounts payable - related parties, other payables - 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 available-for-sale financial assets. 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 fair values of equity-method investments with no quoted market prices will be measured by net worth of
 investees or their respective carrying values.
- 4) Fair values of 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	l Price		Estimated Price						
	2009	2009 2008		2009		2008				
Assets										
Available-for-sale financial assets - current	\$ 52,050	\$	-	\$	-	\$	-			

d.

	December 31									
	<u> </u>	200		2008						
Risk of interest rate change	Fina	ncial Assets	Financial Liabilities		Financial Assets		Financial Liabilities			
Fair value risk Cash flow risk	\$	1,554,673 2,461,434	\$	913,108	\$	281,340 566,402	\$	2,156,692		

e. Financial risks

1) Market risk

Fair values of mutual funds held by the Company 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, the Company periodically evaluates the performance of these investments; thus, the market risk is not material.

Fair values of mutual funds, bonds and domestic quoted stocks held by KG Telecom and fair values of mutual funds held by 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.

For the year ended December 31, 2009, KG Telecom used cross-currency swap contracts to hedge against the effect of exchange rate fluctuations. The gains or losses on the changes in fair values on these contracts will offset the results of the exchange rate fluctuations of the hedged items. Thus, market risk is expected to be immaterial.

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

KG Telecom invested in domestic quoted stocks, bonds 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.

For the year ended December 31, 2009, KG Telecom used cross-currency swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other; thus, the expected cash demand is not significant.

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.

4) Cash flow risk from interest fluctuations

The Company and subsidiaries have partial short-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

KG Telecom used cross-currency swaps to hedge against cash flow fluctuation on its assets:

	Designated Hedging Instruments									Expected Year for Realization	
Hedged Items	Financial Instruments Designated	Notional Amount December 31 2009 2008		Fair Value December 31 2009 2008				Expected Year of Cash Flows	of Gains or		
Foreign-currency denominated asset	Cross currency swap - KG Telecom	2009 US\$ 10,000,000	\$	-	\$	2,750	\$	-	2010	Losses 2010	

22. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Far Eastern New Century Corporation (former Far Eastern Textile Co., Ltd.)	Ultimate parent company
KG Telecommunications Co., Ltd. (KG Telecom)	Subsidiary
ARCOA Communication Co., Ltd. (ARCOA)	Subsidiary
O-ware Communications Co., Ltd. (O-ware)	Subsidiary
E. World (Holdings) Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (Bermuda)	Subsidiary
Far EasTron Holding Ltd.	Subsidiary
Yuan Cing Infocomm Tech Co., Ltd.	Subsidiary
KGEx.com Co., Ltd. (KGEx)	Subsidiary of KG Telecom
KGT International Holding Co., Ltd.	Subsidiary of KG Telecom (dissolved in May 27, 2008)
Yuan Cing Co., Ltd.	Subsidiary of E. World (Holdings) Ltd.
Far Eastern Tech-info Ltd. (Shanghai) (FETI)	Subsidiary of FEIS
ADCast Interactive Marketing Co., Ltd. (ADCast)	Subsidiary of NCIC (became subsidiary since September 2008)
Far EasTron Co., Ltd.	Subsidiary of Far EasTron Holding Ltd. (merged with ADCast and dissolved since September 2008)
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee
Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee
iScreen Corporation	Equity-method investee of KG Telecom
Digital United Inc. (DU)	Subsidiary of NCIC (dissolved due to merger with NCIC on March 16, 2009)
Information Security Service Digital United, Inc.	Subsidiary of NCIC
NTT DoCoMo Inc.	Director (became an unrelated party since June 2009)
Far Eastern International Leasing Corp. (FEILC)	Supervisor
Telecommunication and Transportation Foundation (TTF)	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 ultimate parent company
Yuan Ding Co.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation (FETSTMF)	Same chairman

(Continued)

Related Party	Relationship with the Company
Far Eastern International Bank (FEIB)	The Company's chairman is FEIB's vice 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
Oriental Petrochemical (Taiwan) Co., Ltd.	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
Oriental Resources Development Limited	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
Far EasTone Fibertech Co., 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
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Far Eastern Apparel (Vietnam)	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
Sino Belgium (Suzhou) Limited	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Martens Beer (Shanghai) Ltd.	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
Suzhou An He Apparel Ltd.	Same ultimate parent company
	(Concluded)

b. In addition to those disclosed in other notes, the significant transactions with the above parties are summarized as follows:

			2009		2008	
		I	Amount	%	Amount	%
<u>During the year</u>						
Operating revenue	1)					
KG Telecom	2)	\$	3,128,129	6	\$ 3,007,573	6
NCIC	3)		603,718	1	454,324	1
ARCOA	4)		315,215	1	245,153	-
KGEx	5)		198,362	-	208,035	-
NTT DoCoMo Inc.	6)		46,438	-	114,572	-
Other	23)		5,170		 2,734	
		\$	4,297,032	8	\$ 4,032,391	7
Operating costs and expenses						
Cost of telecommunications service						
KG Telecom	2)	\$	1,073,889	5	\$ 1,658,786	8
NCIC	3) and 7)		532,217	3	325,106	2
ARCOA	4)		57,343	-	57,345	-
Other	23)		39,133		 46,777	
		<u>\$</u>	1,702,582	8	\$ 2,088,014	10
Purchase						
ARCOA	4)	\$	1,783,304	38	\$ 1,583,993	<u>43</u>

			2009			2008		
		A	mount	%	A	mount	%	
Rental								
NCIC	7)	\$	46,490	2	\$	40,357	1	
FETRD	8)		45,511	1	*	45,266	2	
FEILC	9)		39,765	1		40,324	1	
Other	23)		62,824	2		18,801	1	
	ŕ	\$	194,590	6	\$	144,748	5	
a : a		1	<u> </u>		Ψ	144,740	<u> </u>	
Service fee FETI	10)	\$	144,930	50	\$	146,383	57	
FCHRC	11)	Ψ	57,970	20	Ψ	51,865	20	
Other	23)		921			4,042	2	
Other	23)							
		<u>\$</u>	203,821	<u>70</u>	\$	202,290	<u>79</u>	
Marketing expense		Ф	405.164	5				
ARCOA	4)	\$	485,164	5	\$	588,370	6	
DDIM	12)		140,535	2		128,396	2	
KG Telecom Other	13) 23)		43,770	-		192,714 20,981	2	
Out.	23)	_			_			
		_\$	669,469	<u>7</u>	<u>\$</u>	930,461	<u> 10</u>	
Telephone fee NCTC	14)	\$	26,297	<u>11</u>	\$	30,042	12	
	14)	<u> </u>	20,271		<u> </u>	30,042	12	
Donation TTF	15)	\$	9,000	42	\$		_	
	10)							
Nonoperating income and gains Management services revenue								
NCIC	17)	\$	26,226	54	\$	3,475	5	
KG Telecom	17)		19,698	41	*	63,124	90	
Other	23)		2,260	5		3,792	5	
		<u>\$</u>	48,184	<u>100</u>	<u>\$</u>	70,391	100	
Commission			12.011	100				
KG Telecom	13)	<u>\$</u>	43,844	<u>100</u>	\$	44,590	<u>100</u>	
Rent	7)	\$	5,225	20	¢.	2.700	1.6	
NCIC Other	7) 23)	3	3,223 3,187	13	\$	2,700 633	16 4	
Other	23)							
		\$	8,412	33	\$	3,333	20	
Interest FEIB	18)	\$	2,262	44	\$	51 <u>5</u>	1	
LEID	10)	<u> 1</u>	2,202		<u>3</u>	313	1	
Guarantee services revenue KG Telecom	19)	\$	1,469	2	\$	1,348	2	
Q-ware	20)	Ψ	111	-	Ф	1,346	_	
KGEx	19)		75			114		
		<u>\$</u>	1,655	2	\$	1,462	2	
Other revenue						·		
Q-ware	21)	\$	11,212	13	\$	11,212	12	
ARCOA	4)		4,051	5		3,861	4	
		\$	15,263	18	\$	15,073	16	
Nonoperating expenses and losses								
Guarantee services expenses								
KG Telecom	19)	<u>\$</u>	4,181	54	\$	2,242	<u>27</u>	
Donation								
FETSTMF	16)	<u>\$</u>	90,000	94	\$	<u> </u>		

		2009		2008	
	-	Amount	%	Amount	%
Acquisition of properties					
NCIC	22)	\$ 40,778	1	\$ 45,620	1
Other	23)	22,259		26,321	=
		\$ 63,037	1	\$ 71,94 <u>1</u>	1
At end of year				7 1,57 12	
Demand deposits and certificates of					
deposits	10)	4 (40 (50		210.500	2.6
FEIB	18)	<u>\$ 1,648,650</u>	44	<u>\$ 210,588</u>	<u> 36</u>
Accounts receivable - related parties					
KG Telecom	2)	\$ 438,482	62	\$ 398,046	61
ARCOA	4)	203,027	29	174,080	26
KGEx	5)	32,649	4	40,953	6
Other	23)	33,268	5	43,789	7
		<u>\$ 707,426</u>	<u>100</u>	\$ 656,868	100
Other receivables - related parties					
NCIC	17)	\$ 156,597	81	\$ 83,506	36
KG Telecom	13), 17) and 19)	10,846	6	85,293	36
DU	17)	-	-	29,467	13
Other	23)	25,927	13	35,848	15
		<u>\$ 193,370</u>	100	\$ 234,114	100
Refundable deposits					
DDIM	12)	\$ 36,192	13	\$ 32,500	11
Other	23)	10,360	3	10,355	4
		\$ 46,552	<u>16</u>	\$ 42,85 <u>5</u>	15
				,	
Accounts payable - related parties	40	¢ 170.620	20	05.456	
ARCOA	4)	\$ 170,630 142,806	39 33	\$ 85,456	23
KG Telecom NCIC	2) 3)	119,766	27	145,294 135,219	39 37
Other	23)	2,624	1	2,573	1
omer	23)			2,313	
		<u>\$ 435,826</u>	<u>100</u>	<u>\$ 368,542</u>	<u>100</u>
Other payables - related parties					
KG Telecom	13) and 19)	\$ 1,049,764	76	\$ 1,115,978	83
NCIC	7), 14) and 22)	121,206	9	48,941	4
DDIM	12)	63,021 55,125	5 4	58,309	4
ARCOA	4)	24,755	2	56,726	4
FETI Other	10) 23)	60,982	4	16,797 56,260	1 4
Other	23)				
Lease payable (including current portion)		<u>\$ 1,374,853</u>	<u> 100</u>	<u>\$ 1,353,011</u>	<u>100</u>
FEILC	9)	<u>\$ 4,180</u>	100	<u>\$ 8,360</u>	<u>100</u>

Descriptions of transactions with related parties were as follows:

- 1) Operating revenues (such as service revenues, revenues from sales of cellular phone equipment, accessories and leased-circuit revenue) from related parties were based on normal service rates, selling prices and collection terms.
- 2) 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.
- 3) The transactions between the Company and NCIC consisted of 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 and accounts payable - related parties.

- 4) 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 accounts payable related parties. The Company's sales of prepaid cards and SIM cards of mobile virtual network operator services to ARCOA were recorded as accounts receivable related parties. 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.
- 5) 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 accounts receivable 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.
- 6) The Company provided international roaming services to the customers of NTT DoCoMo Inc. The service revenues were treated as telecommunications service revenues.
- 7) The Company leased from NCIC the leased line, office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts. Also, the Company rented some spaces of mobile switch centers to NCIC.
- 8) 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.
- 9) 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. Some of these contracts will be automatically renewed unless either the Company or FEILC informs the other party of contract termination.

When the related contracts expire, the Company is entitled to renew the contracts or to buy the buildings or land at the following prices:

	Purc	hase 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 leased from FEILC computer equipment under capital lease agreements, with amounts of \$5,063 thousand and \$20,477 thousand paid for the year ended December 31, 2009 and 2008, respectively. A part of the agreement on the computer equipment was expired and ownership of the related equipment was transferred to the Company without condition (Note 15).

- 10) 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 other payables - related parties.
- 11) 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.
- 12) 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 other payables related parties. The Company had given DDIM monthly refundable deposits, which were calculated at a fixed percentage of the unused reward points.
- 13) 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 other payables related parties.
- 14) The Company used the service of fixed network and internet access provided by NCIC.
- 15) The Company made donation to TTF for telecommunications technology researches.

- 16) In order to honor Mr. You-Shiang Hsu's contributions to the foundation of the Far Eastern Group and for his spirit of industrial and public welfare development, the Company made donation to the construction fund of his Memorial.
- 17) The Company provided management services and advances to KG Telecom, NCIC and DU for its daily operating expenditures.
- 18) The Company had demand deposits and certificates of deposits (CDs) in FEIB. These deposits include the proceeds of the Company's sale of prepaid cards, which were consigned to FEIB as a trust fund and were included in the restricted assets current. Some of these CDs had been pledged with tax authority and were thus included in the pledged certificates of deposits.
- 19) 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. Moreover, KG Telecom had also provided its certificate of deposits amounting to \$390,000 thousand to the National Tax Administration of Taipei as collaterals for the Company's administrative tax remedies for certain tax assessments. The guarantee service revenues and expenses were charged and paid on the basis of actual appropriation amounts multiplied at the agreed rate.
- 20) The Company provided a \$149,480 thousand guarantee for Q-ware Com.'s bank loans and charged it the guarantee service revenues based on the agreed rate.
- 21) The Company provided call center service for Q-ware Com.'s clients and charged service fee.
- 22) The Company bought computer equipment and operating equipment from NCIC.
- 23) 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.

c. Compensation of directors, supervisors and management personnel:

	Years Ended	December	r 31
	 2009	:	2008
Salary and bonus	\$ 116,372	\$	95,874
Remuneration paid from distribution of earnings	83,071		91,229
Bonus paid from distribution of earnings	30,765		17,137
Operation allowance of directors	 7,380		7,264
	\$ 237,588	\$	211,504

23. COMMITMENTS AS OF DECEMBER 31, 2009

In addition to those disclosed in Note 22, the Company had the following significant commitments:

- a. The Company was under contracts to acquire properties and cellular phone equipment for \$3,189,422 thousand and \$110,061 thousand, respectively.
- b. The Company's outstanding letters of credit amounted to US\$288 thousand (equivalent to \$9,213 thousand) and JPY250 thousand (equivalent to \$87 thousand), respectively.
- c. Payments for the rentals of land, buildings and cell sites for future years are summarized as follows:

Year	Amount
2010	\$ 2,048,750
2011	2,128,195
2012	2,210,743
2013	2,296,515
2014	2,385,638

24. ASSETS PLEDGED OR MORTGAGED

Assets pledged as collaterals for administrative tax remedies were as follows:

	Decemb	per 31
	2009	2008
Pledged certificates of deposits	\$ 2,000	<u>\$</u>

25. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

- a. Important transactions and b. information on the Company's investees.
 - 1) Financing provided: None
 - 2) Endorsement/guarantee provided: Schedule A
 - 3) Marketable securities and investments held: Schedule B
 - 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 C
 - 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
 - Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
 - Names, locations, and related information of investees on which the Company exercises significant influence: Schedule F
 - 10) Derivative financial instruments of investees: None 21
- c. Investment in Mainland China:
 - 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 G
 - Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 22
 - 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

26. 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.

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 I	Decemb	er 31	
	 2009			2008	
	 Amount	Percentage of Operating Revenue (%)	1	Amount	Percentage of Operating Revenue (%)
Company A	\$ 6,603,206	12	\$	6,909,796	13

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2009

		Counter-par	rty	Limits on Endorsement/ Guarantee	Maximum	Ending	Amount of Endorsement/	Ratio of Accumulated	Maximum Total Endorsement/ Guarantee
No.	Endorser/ Guarantor	Name	Nature of Relationship	Amount Provided to Each Counter-party (Note A)	Balance for the Year (Note B)	Balance (Note B)	Guarantee Collateralized by Properties	Endorsement/ Guarantee to Net Equity per Financial Statement	
0	Far EasTone	KGTelecommunications Co., Ltd.	Subsidiary	\$35,771,294	\$450,000	\$ 450,000	\$ -	0.63%	\$71,542,587
	Telecommunications	Q-ware Communications Co., Ltd.	Subsidiary	35,771,294	149,840	149,840	-	0.21%	71,542,587
		KGEx.com Co., Ltd.	Subsidiary of KG Telecom	35,771,294	45,000	45,000	-	0.06%	71,542,587
1		Telecommunications	Parent	15,286,749	1,240,000	1,240,000	-	4.06%	30,573,498
	Telecommunications Co., Ltd.	Co., Ltd.	Company	 				 	

Note A: The maximum total endorsement/guarantee amount were equals the Company's and KG Telecom's net worth, while the limit of endorsement/guarantee amount for each counter-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, 2009

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

	!	Relationship	!	-	December	31, 2009		<u></u>
Holding Company Name	Type and Issuer/Name of Securities	with the Holding Company	Financial Statement Account	Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
Far EasTone Telecommunications Co., Ltd.	Stocks KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	\$30,573,498	100.00	\$30,573,498	Notes A and C
	New Century InfoComm Tech Co., Ltd.	Equity-method Investee	Equity-method investments	691,096,070	6,000,018	26.59	6,000,018	Notes A and C
	ARCOA Communication Co., Ltd.	Equity-method Investee	Equity-method Investments	82,009,242	1,116,869	61.07	1,116,869	Notes A and C
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method Investee	Equity-method Investments	157,714,020	232,803	41.18	232,803	Notes A and C
	Far Eastern Info Service (Holding) Ltd.	Equity-method Investee	Equity-method Investments	1,200	161,358	100.00		Notes A and C
	E. World (Holdings) Ltd.	Equity-method Investee	Equity-method Investments	6,014,622		! ! !		Notes A and C
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method Investee	Equity-method Investments	4,725,000			ĺ	Notes A and C
	Ltd	Equity-method Investee	Equity-method Investments	36,459,930				Notes A and C
	!	Equity-method Investee	Equity-method Investments	4,486,988			ĺ	Notes A and C
	Yuan Cing Infocomm Tech Co., Ltd.	Equity-method Investee	Equity-method Investments	100,000		!		Notes C and C
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method Investments	18,351	174	0.40	174	Notes A and C
	Open-ended mutual funds DEF DWS Global Multiasset Income Plus FOF-A	i 	Available-for-sale financial assets – current	5,000,000.00	52,050	-	52,050	Note B
KG Felecommunications Co., Ltd.	Stocks KGEx.com Co., Ltd.	Equity-method	Equity-method Investments	89,088,470	794,752	79.25	794,752	Notes A and C
,	iScreen Corporation	investee Equity-method Investee	Equity-method Investments	4,000,000	30,030	40.00	30,030	Notes A and O
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	368,519	3,501	8.16	3,501	Notes A and C
	TYG		Available-for-sale financial assets – current	50,000	2,940	 - 	2,940	Note E
	SANYO	-	Available-for-sale financial assets – current	200,000	6,820	-	6,820	Note E
	YC	-	Available-for-sale financial assets – current	150,000	4,125	-	4,125	Note E
	HIWIN	i - 	Available-for-sale financial assets – current	140,000	5,859	- - -	5,859	Note E
	NANTEX	-	Available-for-sale financial assets – current	250,000	6,100	- !		Note E
	СНТ	-	Available-for-sale financial assets – current	166,773		i !		Note E
	LIEN CHANG	- !	Available-for-sale financial assets – current	500,000		- -		Note E
	Highwealth	-	Available-for-sale financial assets – current	209,185		- ! !		Note E
	CAL	-	Available-for-sale financial assets – current	750,000		- !		Note E
	T.C.C.B.	-	Available-for-sale financial assets – current	300,000				Note E
	E.S.F.H.	- -	Available-for-sale financial assets – current	300,000		! !		Note E
	ESMT	- !	Available-for-sale financial assets – current	170,000		! !		Note E
	AVC	-	Available-for-sale financial assets – current	100,000		! !		Note E
	CHINESEGAMER	-	Available-for-sale financial assets – current	9,000		<u>.</u>		Note E
	Ardentec	-	Available-for-sale financial assets –current	160,000	ŕ	! ! !		Note E
	SHENMAD	-	Available-for-sale financial assets – current	150,000	10,575	- !	10,575	Note E

(Continued)

	}	Relationship			December 3				
Holding Company Name	Type and Issuer/Name of Securities	with the Holding Company	Financial Statement Account	Shares	Carrying Value (Note D)	Percentage of Ownership (%)	warket value	Note	
	ENTIRE	-	Available-for-sale financial	20,000	\$4,600	-	\$4,600	Note E	
	GEMTEK	-	assets - current Available-for-sale financial assets - current	80,948	4,679	-	4,679	Note E	
	LSC	-	Available-for-sale financial assets - current	500,000	12,075	-	12,075	Note E	
	SOFT-WORLD	-	Available-for-sale financial assets - current	50,249	10,226	-	10,226	Note E	
	LASERTEK	-	Available-for-sale financial assets - current	150,000	4,245	-	4,245	Note E	
	DYNAMIC	-	Available-for-sale financial assets - current	150,000	5,797	-	5,797	Note E	
	HU LANE	-	Available-for-sale financial assets - current	70,000	4,886	-	4,886	Note E	
	AV TECH	-	Available-for-sale financial assets - current	35,000	3,762	-	3,762	Note E	
	CSI	-	Available-for-sale financial assets - current	180,000	4,536	-	4,536	Note E	
	HOLIDAY	-	Available-for-sale financial assets - current	350,000	11,427	-	11,427	Note E	
	Open-ended mutual funds PCA Well Pool Fund	-	Available-for-sale financial assets - current	19,276,261.40	250,271	-	250,271	Note B	
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	16,539,533.00	250,337	-	250,337	Note B	
	Hua Nan Phoenix Bond Fund	-	Available-for-sale financial	16,072,953.40	250,352	-	250,352	Note B	
	Deutsche Far Eastern DWS Taiwan Bond Security	-	Available-for-sale financial assets - current	67,798,918.35	757,416	-	757,416	Note B	
	Investment Trust Fund Deutsche Far Eastern DWS Glb Multi Asset Inc Pls	-	Available-for-sale financial assets - current	4,766,444.20	49,619	-	49,619	Note B	
	FoF-Acc Cathy Bond Fund	-	Available-for-sale financial	1,673,472.10	20,007	-	20,007	Note B	
	PCA Global Green Solutions Fund	-	assets - current Available-for-sale financial assets - current	1,972,455.70	20,001	-	20,001	Note B	
	Private funds Opas Fund Segregated Portfolio Tranche B	-	Available-for-sale financial assets - current	10,000.00	358,938	-	358,938	Note B	
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	150,000	Note C	
	Bonds Asia cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,567	-	199,172	Note F	
RCOA mmunication Co.,	Stocks								
i.	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729	Note C	
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714	Note C	
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	840,000	8,400	0.04	8,400	Note C	
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note C	
	Open-ended mutual funds PCA Well Pool Fund	-	Available-for-sale financial	4,635,690.50	60,187	-	60,187	Note B	
	Prudential Financial Bond	-	assets - current Available-for-sale financial	5,302,403.60	80,256	-	80,256	Note B	
	Fund Capital Safe Income Fund	-	assets - current Available-for-sale financial	1,946,307.90	30,000	-	30,000	Note B	
	Fuh Hwa Bond Fund	-	assets - current Available-for-sale financial	2,171,536.90	30,000	-	30,000	Note B	
	Fuh Hwa Global Fixed Inc	-	assets - current Available-for-sale financial	1,664,032.90	20,418	-	20,418	Note B	
	FoFs UPAMC JAMES Bond Fund	<u>.</u>	assets - current Available-for-sale financial	5,019,795.88	80,249	_	80.249	Note B	

(Continued)

		Relationship	:		December 31, 2009							
Holding Company Name	Type and Issuer/Name of Securities	with the Holding Financial Statement Account Company		Shares	Carrying	Percentage of Ownership (%)	Market Value or Net Asset Value	Note				
	Union Bond Fund	-	Available-for-sale financial assets –current	4,764,682.59	\$60,063	- -	\$60,063	Note B				
	Bonds The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.		Held-to-maturity financial assets – noncurrent	10.00	10,000	- -	10,000	Note F				
Far Eastern Info Service (Holding) Ltd.	Share certificates Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$4,427,000	100.00	US\$4,427,000	Notes A and C				
Far EasTron Holding Ltd.	Stocks ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US\$812,000	60.52	US\$812,000	Notes A and C				
E. World (Holdings) Ltd.	Stocks Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$2,334,000	100.00	US\$2,334,000	Notes A and C				

Note A: The calculation was based on audited financial statements as of December 31, 2009.

Note B: The market values of mutual funds were calculated at their net asset values as of December 31, 2009.

Note C:

Note D:

Note E:

The financial assets carried at cost and equity-method investments without quoted prices were measured by net worth of investees or their respective carrying values. The carrying values of available-for-sale financial assets - current were equal to market values as of December 31, 2009.

The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2009.

The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of December 31, 2009. Note F:

The bonds without quoted prices were measured by their carrying values.

Note G: The calculation was based on unaudited financial statements as of December 31, 2009.

(Concluded)

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES 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, 2009

(In Thousands of New Taiwan Dollars)

	:	i	i	i	Beginning	Balance	Acquisit	tion		Disposa	l		The	Ending B	alance
Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Change Due to Equity- method Investment	Share/Units	Amount
Telecommunications Co., Ltd.		Equity-method investments	Concord Comm Co., Ltd. and Concord Financial Co., Ltd. etc.	-	980,315,483	\$5,490,024	83,051,099	\$333,041	372,270,512 (Note B)	\$ -	\$ -	s -	\$176,953 (Note C)		\$6,000,018
	:	1	1	:		;		;	:	;	;	<u>; </u>	:		;
	Oriental Union	Available-for- sale financial assets - current Available-for- sale financial	-	-	3,449,000 500,000	93,081 6,657	891,500 4,850,000	23,516 68,182		159,297 103,252	116,597 74,839		-	- -	- - -
	Corporation Opas Fund Segregated Portfolio	Available-for- sale financial assets - current	Opas Fund Segregated Portfolio	-	-	 	10,000.00	328,700	-	- -	- -	- -	-	10,000.00	328,700
	Tranche B PCA Well Pool Fund	Available-for- sale financial	:	-	-	-	19,276,261.40	250,000	-	-	-	-	-	19,276,261.40	250,000
	Financial	assets - current Available-for- sale financial assets - current	-	-	-	-	16,539,533.00	250,000	-	-	-	-	-	16,539,533.00	250,000
	Hua Nan Phoenix	Available-for- sale financial assets - current	-	-	- !	-	16,072,953.40	250,000	-	-	-	-	-	16,072,953.40	250,000
	Eastern DWS	Available-for- sale financial assets - current	į	-	10,000,000.00	100,000	-	-	10,000,000.00	113,825	100,000	13,825	-	-	-
	Taiwan Thematic Fund JPM (Taiwan) European	Available-for- sale financial assets - current	-	-	20,000,000.00	199,956	-	-	20,000,000.00	198,295	199,956	(1,661)	-	-	-
	Bond Fund	Available-for- sale financial assets - current	-	-	73,960,494.25	800,000	58,191,627.10	650,000	64,353,203.00	718,828	700,000	18,828	-	67,798,918.35	750,000
			Asia Cement Corporation	Same chairman	-	-	200.00	199,540	-	 	 	 	-	200.00	199,540
	Bond Issue In 2009		! ! !		i i i	! !				! ! !	! !	! !	! ! !		! ! !

Note A: Except for the disposal price, other amounts were their respective investment costs.

Note B: The shares owned by Far EasTone decreased because New Century InfoComm Tech Co., Ltd. reduced its capital to offset the accumulated loss in August 2009.

Note C: Including equity in investee's net gains of \$139,780 thousand and adjustments to change in equity-method investee's stockholders' equity of \$37,173 thousand.

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, 2009

Purchaser (Seller) of	Related Party	Nature of	1	Transaction De	tails			normal nsaction		ccounts or (Payable)	
Goods	i	Relationship	Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balar	ice	% to Total
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications Service revenues	\$(3,128,129)	(6%)	Based on agreement	-	! !	Accounts receivable	\$438,482	7%
Co., Eta.	1 ! ! !	1 1 1 1	Cost of telecommunications services	1,073,889	5%	Based on agreement	-		Accounts payable	(142,806)	(6%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and telecommunications service revenue	(315,215)	(1%)	Based on agreement	-	- ! !	Accounts receivable	203,027	3%
			Cost of telecommunications services, marketing expenses and cost of sales	2,325,811	6%	Based on agreement	-		Accounts payable and accrued expense	(225,755)	(4%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications service revenues	(198,362)	-	Based on agreement	-	-	Accounts receivable	32,649	1%
	New Century InfoComm Tech Co., Ltd.	Equity-method Investee	Telecommunications service revenues	(603,718)	(1%)	Based on agreement	-	-	Accounts receivable (Not	e) -	-
	1 1 1	1 1 1 1	Cost of telecommunication services	532,217	2%	Based on agreement	-	-	Accounts payable (Note)	(206,153)	(4%)
	Ding Ding Integrated Marketing Co., Ltd.	Equity-method investee	Marketing expenses	140,535	2%	Based on agreement	-	-	Accrued expense	(63,021)	(2%)
	Far Eastern Tech-Info Ltd. (Shanghai)	Subsidiary of Far Eastern Info Service (Holding) Ltd.	Service expenses	144,930	50%	Based on agreement	- - 	! - ! !	Accrued expense	(24,755)	(1%)
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(1,073,889)	(14%)	Based on agreement	-	-	Accounts receivable	142,806	17%
Co., Eu.	CO., Eld.	 	Cost of telecommunications services	3,128,129	40%	Based on agreement	-	! ! - ! !	Accounts payable	(438,482)	(60%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and	(2,325,811)	(44%)	Based on agreement	-	- ! !	Accounts receivable	225,755	72%
	! ! ! !	! ! ! ! !	service revenues Purchase and cost of Telecommunications services	315,215	7%	Based on agreement	-	! ! - !	Accounts payable	(203,027)	(43%)
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	investee of the	Telecommunications service revenues	(592,431)	(48%)	Based on agreement			Accounts receivable	113,439	53%
	Far EasTone Telecommunications Co., Ltd.	company Ultimate parent company	Cost of telecommunications services	198,362	15%	Based on agreement	-	! ! - ! !	Accounts payable	(32,649)	(16%)
Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenue	(144,930)	(93%)	Based on agreement	-	-	Accounts receivable	24,755	86%

Note: All interconnect revenues, costs and collection of international direct dial revenues between the Company and NCIC were settled at net amounts and were included in accounts payable - related parties.

SCHEDULE E

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, 2009

		!	!		Over	due	Amounts	Allowance
Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Amount	Action Taken	Received in Subsequent Period	for
	KG Telecommunications Co., Ltd.	Subsidiary	\$449,328	(Note A)	\$-	-	\$449,328 (Note C)	
Co., Etc.	ARCOA Communication Co., Ltd.	Subsidiary	205,974	8.01	-	-	137,616	-
	New Century Infocomm Tech Co., Ltd.	Equity-method investee	161,962	(Note A)	-	-	64,982	-
_	i	Parent company	1,192,570	(Note B)	-	-	1,192,570 (Note C)	
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	225,755	12.64	-	-	186,186	-
KGEx Com Co., Ltd.	New Century Infocomm Tech Co., Ltd.	Equity-method investee of the Company	113,439	7.86	-	-	55,373	-

- 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.
- Note C: The Company had merged KG Telecom on January 1, 2010. Thus, the receivables between both were regarded as received.

SCHEDULE F

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, 2009

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

mpany Location Inications Taiwan afoComm Taiwan a Co., tronic co., Ltd. s Service Bermuda	Main Businesses and Products Type I telecommunications services Type I, II telecommunications services Type I telecommunications services services, sales of communications products and office equipment Electronic toll	\$29,629,139 6,395,041 1,295,035	2008	Shares 1,332,997,916 691,096,070 82,009,242	Percentage of Ownership (%) 100.00 26.59	6,000,018	Net Gain (Loss) of the Investee \$(1,094,787) 6,078		Notes A and B Notes B and C
tronic Co., Ltd. Service Bermuda	telecommunications services Type I, II telecommunications services Type II telecommunications services Type II telecommunications services, sales of communications products and office equipment Electronic toll	6,395,041 1,295,035	6,062,000	691,096,070	26.59	6,000,018			! !
ttronic Taiwan Co., Ltd. Service Bermuda	Type I, II telecommunications services Type II telecommunications services, sales of communications products and office equipment Electronic toll	1,295,035					6,078	139,780	Notes B and C
ctronic Taiwan Co., Ltd. Service Bermuda	Type II telecommunications services, sales of communications products and office equipment Electronic toll		1,283,563	82,009,242	61.07	!	l		
Co., Ltd. Service Bermuda	Electronic toll				31.07	1,116,869	108,387	65,389	Notes A and B
		1,577,140	1,577,140		41.18	232,803	(400,580)		Notes B and C
ings) Ltd. Cayman	Investment Investment	92,616 82,883	92,616 82,883		100.00 85.92	161,358 71,337	-		Notes A and B Notes A and B
Islands grated Taiwan ice Co.,	Marketing	90,000	45,000		15.00	39,519	(54,785)	(11,225)	Notes B and C
inications Taiwan	Type II telecommunications	495,855	495,855	36,459,930	51.00	28,440	(230,617)	(117,615)	Notes A and B
olding Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	26,022	447	447	Notes A and B
comm Taiwan	Production and sales of communications	1,000	-	100,000	100.00	993	(7)	(7)	Notes A and D
tive Taiwan Ltd.	Internet advertisements and marketing	1,000	1,000	18,351	0.40	174	1,065	4	Notes B and E
, Ltd. Taiwan		2,355,649	2,355,649	89,088,470	79.25	794,752	(121,296)		Notes B and E
ation Taiwan tive Taiwan Ltd.	Information service Internet advertisements and marketing	100,000 3,652	100,000 3,652		40.00 8.16	30,030 3,501			Notes B and F Notes B and E
h-info Shanghai	Computer data providing service	US\$2,500,000	US\$2,500,000	-	100.00	US\$4,427,000	11,624		Notes B and E
tive Taiwan Ltd.	Internet advertisements and marketing	US\$4,532,000	US\$4,532,000	2,734,446	60.52	US\$812,000	1,065		Notes B and E
Ltd. Taiwan	Call center services	193,500	193,500	19,349,994	100.00	US\$2,334,000	5,378		Notes B and E
ti L	ications Taiwan ding Cayman Islands omm Taiwan tve Taiwan tion Taiwan tion Taiwan tue Taiwan tue Taiwan tue Taiwan tue Taiwan tue Taiwan tue Taiwan	nications Taiwan type II telecommunications services Investment Islands Taiwan Production and sales of communications products Internet advertisements and marketing Ltd. Taiwan Type II telecommunications services Internet Inte	tications Taiwan Type II 495,855 telecommunications services services Taiwan Taiwan Production and sales of communications products Taiwan Internet 1,000 advertisements and marketing Taiwan Taiwan Information services Taiwan Information service 100,000 Information service 100,000 Internet 3,652 advertisements and marketing Taiwan Information service 100,000 Internet 3,652 advertisements and marketing Taiwan Internet 3,652	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan Production and sales of communications products we Taiwan Infernet Information service 100,000 1,000	Taiwan Production and sales of communications products we Taiwan Infernet and marketing Taiwan Post-line Taiwan Information service 100,000 10

Note A: Note B: Note C: Note D: Note E: Note F:

Subsidiary.
The calculation was based on audited financial statements as of December 31, 2009.
Equity-method investee of the Company.
The calculation was based on unaudited financial statements as of December 31, 2009.
Subsidiary of KG Telecome, E. World (Holdings), Far Eastern Info Service (Holding) or Far EasTron Holding.
Equity-method investee of KG Telecome.

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2009

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Type (e.g.,	Outflow of			Accumulated Outflow of Investment from Taiwan as of December 31, 2009	of Direct or Indirect	Investment Gain (Loss) (Note A)	Dogombor 21	Inward Remittance of Earnings as of		Amounts Authorized by Investment	Upper Limit on Investment
Far	Computer	\$79,975	Note B	\$92,616		\$ -	\$92,616	100%	\$11,624	\$141,620	\$ -	\$92,616	\$92.616	\$42,925,552
			ı	372,010		Ψ -	\$72,010	10070			I	372,010	372,010	
Eastern	software,	(US\$2,500,000)			:		;	;		(US\$4,427,000)				(Note C)
Tech-info	data	¦			:	!	¦	¦	l I	;				
Ltd.	processing	!			!	!	! !	:		:				
(Shanghai)	and	; !			į		; !	į						
	network	;	 		:	1	:	;	! !	;				
	information	1			!		!	!						
	providing				į			:						
	services	! !			! !		! !	:						

Note A: The calculation was based on audited financial statements as of December 31, 2009.

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

Note C: Based on the limit, which is 60% of the Company's net worth, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA, ROC.

Note D: Please refer to Note 22 for significant transactions with the investee company.

5 2009 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, 2009 and 2008, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

Deloitte 8 Touche

February 1, 2010

Notice to Readers

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, 2009 AND 2008

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

	2009		2008	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 5, 28 and 29)	\$ 9,673,568	11	\$ 7,235,872	8
Available-for-sale financial assets - current (Notes 2, 6 and 29)	2,541,012	3	1,745,767	2
Hedging derivative assets - current (Notes 2 and 27)	2,750	-	-	-
Bonds carried at amortized cost - current (Notes 2 and 7)	· -	_	3,000	-
Accounts and notes receivable, net (Notes 2 and 8)	5,568,662	6	6,181,007	7
Accounts receivable - related parties, net (Notes 2 and 28)	127,264	-	79,324	-
Other receivables - related parties (Note 28)	165,602	-	137,024	-
Inventories, net (Notes 2 and 9)	613,857	1	852,667	1
Prepaid expenses	587,881	1	695,889	1
Deferred income tax assets - current (Notes 2 and 24)	501,516	1	738,618	1
Restricted assets (Notes 2 and 28)	1,168,330	1	72,446	-
Pledged certificates of deposits - current (Notes 28 and 30)	23,128	-	20,000	-
Other current assets (Notes 8 and 29)	93,302	=	99,272	
Total current assets	21,066,872	24	17,860,886	20
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 10)	6,302,370	8	5,933,262	7
Held-to-maturity financial assets - noncurrent (Notes 2, 11 and 28)	209,567	-	-	_
Financial assets carried at cost - noncurrent (Notes 2 and 12)	180,461	-	180,461	-
,			· · · · · · · · · · · · · · · · · · ·	<u> </u>
Total long-term investments	6,692,398	8	6,113,723	7
PROPERTIES (Notes 2, 13 and 30)				
Cost				
Land	1,471,284	2	1,473,588	2
Buildings and equipment	3,069,444	4	2,935,661	3
Operating equipment	110,140,318	127	106,295,730	120
Computer equipment	17,217,479	20	15,770,006	18
Office equipment	1,039,877	1	998,804	1
Leasehold improvements	1,987,333	2	1,736,987	2
Miscellaneous equipment	500,674	1	496,817	1
Total cost	135,426,409	157	129,707,593	147
Less: Accumulated depreciation	98,437,473	114	89,238,433	101
Less: Accumulated impairment	2,023		40.460.160	<u>-</u>
	36,986,913	43	40,469,160	46
Construction-in-progress and prepayments for equipment	3,320,754	4	4,880,523	6
Net properties	40,307,667	47	45,349,683	52
INTANGIBLE ASSETS				
Goodwill, net (Notes 2 and 14)	10,521,331	12	10,571,909	12
3G concession, net (Notes 1, 2 and 15)	6,576,358	8	7,307,065	8
Total intangible assets	17,097,689	20	17,878,974	20
OTHER ASSETS				
Rental assets, net (Notes 2 and 16)	210,630	-	212,797	-
Idle properties, net (Note 2)	210,915	-	296,328	-
Refundable deposits (Note 28)	366,481	-	409,363	1
Deferred charges, net (Note 2)	83,739	-	189,572	-
Pledged certificates of deposits - noncurrent (Note 30)	421,595	1	15,164	-
Other (Note 22)	10,506	=	10,769	
Total other assets	1,303,866	1	1,133,993	1
TOTAL	<u>\$ 86,468,492</u>	100	<u>\$ 88,337,259</u>	100

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

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

(In Thousands of New Taiwan Dollars, Except Par Value)			2000			
LIABILITIES AND STOCKHOLDERS EQUITY	2009	%	2008	%		
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%0	Amount	%0		
CURRENT LIABILITIES						
Short-term bank loans (Notes 17 and 30)	\$ 716,500	1	\$ 1,689,450	2		
Commercial paper payable (Note 18)	· -	-	379,964	1		
Notes payable	56,923	-	83,824	-		
Accounts payable	2,647,223	3	2,743,132	3		
Accounts payable - related parties (Note 28)	137,573	-	156,687	-		
Income tax payable (Note 2)	1,304,165	2	2,011,999	2		
Accrued expenses (Note 19)	3,482,344	4	3,432,129	4		
Other payables - related parties (Note 28)	247,286	-	186,460	-		
Payables for acquisition of properties	1,694,883	2	1,988,287	2		
Guarantee deposits received - current	561,727	1	713,367	1		
Unearned revenues (Note 2)	1,102,930	1	1,154,126	1		
Current portion of long-term bank loans (Notes 20 and 30)	19,048	-	238,095	-		
Lease payable - current (Notes 2, 21 and 28)	8,360	-	8,394	-		
Other current liabilities (Notes 2 and 29)	388,657		291,290	1		
Total current liabilities	12,367,619	14	15,077,204	17		
LONG-TERM LIABILITIES, NET OF CURRENT PORTION						
Long-term bank loans (Notes 20 and 30)	200,000	-	19,048	-		
Lease payable - noncurrent (Notes 2, 21 and 28)	_		8,360			
Total long-term liabilities	200,000	-	27,408			
OTHER LIABILITIES						
OTHER LIABILITIES	267.740		246 220			
Accrued pension costs (Notes 2 and 22)	367,740	1	346,328	-		
Guarantee deposits received - noncurrent Deferred income tax liabilities - noncurrent (Notes 2 and 24)	243,648 345,002	-	118,487 31,445	-		
Deferred revenue (Note 2)	394,891	1	397,944	1		
Other (Note 2)	174,451	1	97,140	1 -		
Office (Note 2)	174,431					
Total other liabilities	1,525,732	2	991,344	1		
Total liabilities	14,093,351	<u>16</u>	16,095,956	18		
FAR EASTONE'S EQUITY						
Capital stocks - NT\$10.00 par value; authorized - 4,200,000						
thousand shares						
Issued and outstanding - 3,258,501 thousand shares	32,585,008	38	32,585,008	37		
Capital surplus						
Additional paid-in capital - share issuance in excess of par value	10,964,702	13	10,964,702	12		
From business combination	8,482,381	10	8,482,381	10		
From long-term equity-method investments	40,266		40,266			
Total capital surplus	19,487,349	23	19,487,349	22		
Retained earnings						
Legal reserve	9,066,992	10	8,050,917	9		
Special reserve	21,740	-	-	-		
Unappropriated earnings	10,263,158	12	11,194,668	13		
Total retained earnings	19,351,890	22	19,245,585	22		
Other adjustments	24.205		20.464			
Cumulative translation adjustments	24,285	-	28,464	-		
Unrealized gains (losses) on financial instruments	94,055		(50,204)			
Total other adjustments	118,340		(21,740)			
Total controlling interest of Far EasTone	71,542,587	83	71,296,202	81		
MINORITY INTEREST	832,554	1	945,101	1		
Total stockholders' equity	72,375,141	84	72,241,303	82		
TOTAL	<u>\$ 86,468,492</u>	<u>100</u>	<u>\$ 88,337,259</u>	100		

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

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

, , ,		<u>%</u>	Amount	08 %
	Amount	70	Amount	%0
OPERATING REVENUES (Notes 2 and 28)				
Sales of cellular phone equipment and accessories, net Telecommunications service revenues	\$ 5,225		\$ 5,198,9	
Other	54,362	2,420 90 4,601 1	56,955, 363,	
Other	4/4	5,001 1		129 1
Total operating revenues	60,062	2,128100	62,517,	910100
OPERATING COSTS (Notes 2, 9, 25, 28 and 30)				
Cost of sales	6,047		5,698,	
Cost of telecommunications services	27,027		27,233,	
Other	245		264,	817
Total operating costs	33,320),451 55	33,197,	014 53
GROSS PROFIT	26,741	,677 45	29,320,	896 47
OPERATING EXPENSES (Notes 2, 25 and 28)				
Marketing	9,510	,177 16	10,044,	411 16
General and administrative	4,695	5,402 8	4,759,	751 8
Research and development	104	-,331	154,0	007
Total operating expenses	14,309	9,910 24	14,958,	16924
OPERATING INCOME	12,431	,767 21	14,362,	727 23
NONOPERATING INCOME AND GAINS				
Gain from sale of financial assets, net (Note 2)	183	,694 -		
Government grant (Note 2)		,883 -	74,3	217 -
Interest (Note 28)		,606 -	179,	
Rent (Note 28)		,939 -	25,	
Management service revenues (Note 28)		,264 -	4,	811 -
Other	203	,609 1	191,	5181
Total nonoperating income and gains	605	5,9951	475,	4301
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	636	5,672	407,	782 1
Equity in investees' net losses (Notes 2 and 10)	46	,106 -	812,	892 2
Impairment loss (Note 2)	44	,315 -	35,0	017 -
Interest (Notes 2 and 13)	23	,784 -	22,	
Loss from sale of financial assets, net (Note 2)			146,	
Other (Note 25)	136	,9891	89,	966
Total nonoperating expenses and losses	887	<u>2,866</u> <u>2</u>	1,514,	5153
COMBINED INCOME BEFORE INCOME TAX	12,149	0,896 20	13,323,	.642 21
INCOME TAX (Notes 2 and 24)	3,014	5,578 5	3,301,	
,	· · · · · · · · · · · · · · · · · · ·			
COMBINED NET INCOME	<u>\$ 9,135</u>	5,31815	<u>\$ 10,021,</u>	<u>821</u> <u>16</u>
ATTRIBUTABLE TO:	e 0.220	107 15	e 10.160	747 16
Controlling interest	\$ 9,230	*	\$ 10,160,	
Minority interest	(94,	<u> - </u>	(138,9	926)
	<u>\$ 9,135</u>	5,31815	\$ 10,021,	<u>821</u> <u>16</u>
	20		200	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic (Note 20)	\$ 3.87	\$ 2.83	\$ 3.99	\$ 3.09
Diluted	\$ 3.86	\$ 2.83	\$ 3.99	\$ 3.09
The accompanying notes are an integral part of the consolidated	financial statements.			·

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	Capital Stoc Outst	ck Issued and anding	Additional Paid-in Capital Share	1 Surplus (Notes	2 and 23) From				Other Ad	Unrealized Gains (Losses) on			
	(Not	te 23)	Issuance	From	Long-term	Retained	Earnings (No	otes 2, 4 and 23)	Translation	Financial	Controlling		Total
	Shares (Thousands)	Amount	in Excess of Par Value	Business Combination	Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Adjustments (Notes 2 and 23)	(Notes 2 and 23)	Interest of Far EasTone	Minority Interest	Stockholders Equity
BALANCE, JANUARY 1, 2008	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
Acquisition of KGEx.com's capital stock in 2008		_				_		_	_	_	_	(1,414)	(1,414
Holdings of Far EasTron's capital stock swapped into ADCast's									_			13,538	13,53
capital stock Acquisition of ARCOA's capital stock in 2008												(9,333)	(9,333
Capital reduction - NT\$1.9204715 per share	(774,532)	(7,745,326)			_	-	-	_			(7,745,326)	(7,555)	(7,745,326
Appropriation of the 2007 earnings						1,161,944		(1,161,944)					
Legal reserve Special reserve	-	-	-	-	-	1,161,944	(44,832)	44,832	-	-	-	-	
Bonus to employees Remuneration to	-	-	-	-	-	-	-	(210,047)	-	-	(210,047)	-	(210,047
directors and supervisors	-	-	-	-	-	-	-	(105,023)	-	-	(105,023)	-	(105,023
Cash dividend - NT\$3.1 per share	-	-	-	-	-	-	-	(10,101,353)	-	-	(10,101,353)	-	(10,101,353
Combined net income in 2008	-	-	-	-	-	-	-	10,160,747	-	-	10,160,747	(138,926)	10,021,82
Changes in equity-method investees' stockholders' equity		-			79	-		-	-	-	79	_	7
Changes in subsidiary's unrealized gains (losses) on available-for-sale financial assets		-		_	-	_		-	_	(69,714)	(69,714)	(6)	(69,720
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-		-	-	16,201	16,201	-	16,20
Translation adjustments on long-term equity-method									17,720		17,720	07	16 70
BALANCE, DECEMBER 31,									16,638		16,638	86	16,72
2008 Acquisition of ARCOA's	3,258,501	32,585,008	10,964,702	8,482,381	40,266	8,050,917	-	11,194,668	28,464	(50,204)	71,296,202	945,101	72,241,30
capital stock in 2009 Appropriation of	-	-	-	-	-	-	-	-	-	-	-	(17,734)	(17,734
the 2008 earnings (Note 4)						1 014 075	_	(1,016,075)					
Legal reserve Special reserve	-	-	-	-	-	1,016,075	21,740	(21,740)	-	-	-	-	
Cash dividend - NT\$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)	-	(9,123,802
Combined net income in 2009	-	-	-	-	-	-	-	9,230,107	-	-	9,230,107	(94,789)	9,135,318
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	2,050	2,050	-	2,05
Changes in subsidiary's unrealized gains (losses) on available-for-sale financial assets	_		-		-	-		-		142,209	142,209	6	142,215
Translation adjustments on long-term equity-method investments	-	-	-	-	-		-		(4,179)	_	(4,179)	(30)	(4,209
BALANCE, DECEMBER 31,										4			
2009	3,258,501	\$32,585,008	\$10,964,702	\$8,482,381	\$40,266	\$9,066,992	\$21,740	\$10,263,158	\$24,285	\$94,055	\$71,542,587	\$832,554	\$72,375,14

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009		2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Combined net income	\$	9,135,318	\$	10,021,821
Depreciation and amortization	Ψ	10,781,756	Ψ	10,911,688
Amortization of 3G concession		730,707		730,707
Allowance for doubtful accounts		488,697		678,231
Reversal of provision for loss on decline in value of inventories		(7,605)		(21,920)
Loss (gain) from sale of financial assets, net		(183,694)		146,194
Equity in investees' net losses		46,106		812,892
Provision for impairment loss		44,315		35,017
Amortization of discount on the held-to-maturity financial assets		(27)		33,017
Loss on disposal of properties, net		636,672		407,782
Gain on disposal of rental assets, net		(853)		407,762
Deferred income of hedging derivative assets		6,050		-
Accrued pension cost		21,412		31,524
Deferred income taxes		550,659		(179,332)
Net changes in operating assets and liabilities		330,039		(179,332)
Accounts and notes receivable		141,150		(339,341)
Accounts receivable - related parties		(47,722)		(54,294)
Other receivables - related parties		(37,107)		(116,188)
Inventories		246,415		(159,907)
		108,008		13,561
Prepaid expenses Other current assets		21,337		(150,911)
		(26,901)		(3,715)
Notes payable				
Accounts payable		(95,909)		(53,893)
Accounts payable - related parties		(19,114)		87,110
Other payables - related parties		60,826		54,054
Income tax payable		(707,834)		608,287
Accrued expenses		52,384		(152,807)
Unearned revenues		(68,916)		153,900
Other current liabilities		78,140	-	(50,030)
Net cash provided by operating activities		21,954,270	-	23,410,430
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets		(2,780,183)		(3,820,954)
Proceeds of the disposal of available-for-sale financial assets		2,254,822		3,500,411
Acquisition of equity-method investments		(378,041)		-
Proceeds of the disposal of bonds carried at amortized cost		3,000		-
Acquisition of held-to-maturity financial assets		(209,540)		-
Proceeds of the disposal of financial assets carried at cost		-		87,509
Acquisition of properties		(6,410,993)		(7,470,417)
Proceeds of the disposal of properties		19,654		29,505
Proceeds of the disposal of rental assets		16,493		-
Decrease in refundable deposits		42,882		3,616
Decrease (increase) in pledged certificates of deposits		(406,431)		19,971
		. , ,		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

(III THOUSANDS OF NEW TAIWAN DONATS)	2009	2008
Increase in deferred charges	\$ (12,821)	\$ (14,781)
Decrease (increase) in restricted assets	(1,095,884)	40,813
Decrease (increase) in other assets	<u> 263</u>	(222)
Net cash used in investing activities	(8,956,779)	(7,624,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	(972,950)	1,420,235
Increase (decrease) in commercial paper payable	(379,964)	379,964
Proceeds of long-term bank loans	-	200,000
Repayment of bonds payable	-	(2,670,000)
Repayment of long-term bank loans	(38,095)	(38,095)
Decrease in guarantee deposits received	(26,479)	(118,008)
Increase (decrease) in deferred revenue	(3,053)	130,719
Bonus paid to employees and remuneration paid to directors and supervisors	-	(315,070)
Cash dividends paid	(9,123,802)	(10,101,353)
Capital reduction	-	(7,745,326)
Decrease in minority interest	(11,472)	(9,674)
Net cash used in financing activities	(10,555,815)	(18,866,608)
EFFECT OF EXCHANGE RATE CHANGES	(3,980)	16,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,437,696	(3,064,086)
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	-	21,645
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,235,872	10,278,313
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,673,568</u>	\$ 7,235,872
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 28,901	\$ 73,810
Less: Interest capitalized	7,950	44,347
Interest paid, net of capitalized interest	<u>\$ 20,951</u>	\$ 29,463
Income tax paid	\$ 3,596,234	\$ 3,034,172
		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 27,408</u>	<u>\$ 246,489</u>
Reclassification of properties into deferred charges	<u>\$ 16,099</u>	\$ 38,702
Reclassification of properties into idle properties	<u>\$ 3,583</u>	<u>\$</u>
Reclassification of rental assets into properties	<u>\$</u> -	<u>\$ 10,692</u>
Reclassification of idle properties into properties	<u>\$ 57,878</u>	<u>\$</u>
Reclassification of idle properties into rental assets	<u>\$ 15,641</u>	<u>\$</u>
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 6,203,153	\$ 7,806,176
Decrease (increase) in payables for acquisition of properties	293,404	(265,299)
Decrease in lease payables	8,394	40,314
Increase in other current liabilities	(16,647)	(13,634)
Increase in other liabilities - other	(77,311)	(97,140)
Cash paid for acquisition of properties	<u>\$ 6,410,993</u>	<u>\$ 7,470,417</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 12,009	\$ 42,575
Decrease (increase) in receivables from properties sold	(884)	103
Decrease (increase) in other receivables - related parties	8,529	(13,173)
Cash received from disposal of properties	<u>\$ 19,654</u>	\$ 29,505
		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

SUPPLEMENTARY INFORMATION ON SUBSIDIARIES ACQUIRED:

In the year ended December 31, 2008, Far EasTone and Far EasTron Holding Ltd. swapped their holdings of Far EasTron's common shares for ADCast Interactive Marketing Co., Ltd.'s ("ADCast") common shares. KG Telecom also bought ADCast's common shares by cash. As a result, the group acquired about 69.08% of ADCast's common stock; the fair value of ADCast's total assets and total liabilities at the time of acquisition was as follows:

	Am	nount
Cash and cash equivalents	\$	22,434
Accounts and notes receivable, net		32,673
Prepaid expenses		2,306
Other current assets		4,054
Properties, net		1,725
Goodwill		3,417
Refundable deposits		907
Deferred charges, net		30
Other assets		1,307
Notes payable		(2,674)
Accounts payable		(8,228)
Accrued expenses		(12,038)
Unearned revenues		(865)
Other current liabilities		(1,091)
Guarantee deposits received		(171)
		43,786
Percentage of ownership acquired		69.08%
		30,248
Goodwill		1,717
Total acquisition cost of ADCast	<u>\$</u>	31,965
Total acquisition cost of ADCast		
Carrying value of swapped equity-method investments	\$	28,313
Cash payment		3,652
	<u>\$</u>	31,965
The accompanying notes are an integral part of the consolidated financial statements.	(Cor	ncluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("Far EasTone") was incorporated in the Republic of China (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, 2009, Far Eastern New Century Corporation ("Far Eastern New Century") (former Far Eastern Textile Co., Ltd.) and its affiliates directly and indirectly owned 41.70% of Far EasTone's shares. Since Far EasTone's chief executive officer is appointed by Far Eastern New Century's 99.99% subsidiary, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century 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 Directorate General of Telecommunications (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 and ISR services until December 2012 and to pay annual license fees based on the regulations for each service. Far EasTone is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003 for 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 December 28, 2009, the National Communications Commission (NCC) awarded Far EasTone the WiMAX (worldwide interoperability for microwave access) license in the southern region of Taiwan and Far EasTone began its commercial operation of WiMAX service, which is valid for six years. Far EasTone has to pay an annual license fee that is equal to WiMAX service revenues multiplied by the bidding percentage (4.18%), but the annual license fee should not be less than a specified minimum amount.

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the "Group") had 4,812 and 5,079 employees as of December 31, 2009 and 2008, 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 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 loss on decline in value of inventories, depreciation and amortization, impairment losses on tangible and intangible assets, asset retirement obligation, product warranty reserve, income taxes, pension cost, bonus to employees and remuneration to directors and supervisors. 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.

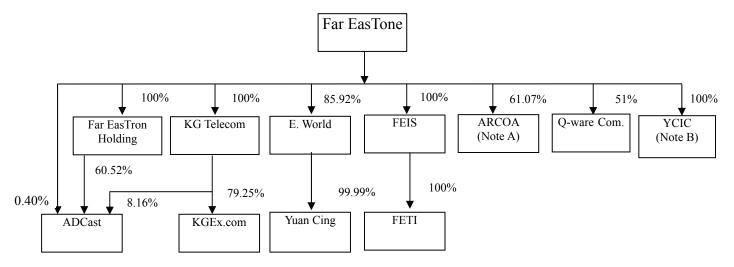
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries were translated from their respective functional currencies into New Taiwan dollars as follows:

- 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, 2009 and 2008 are shown below:



Note A: Far EasTone owned 59.78% of ARCOA's common stock as of December 31, 2008.

Note B: YCIC was incorporated in December 2009.

a. Entities included in the consolidated financial statements as of and for the years ended December 31, 2009 and 2008 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 with the Ministry of Economic 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.

To integrate the resources and enhance the operating efficiency of Far EasTone and KG Telecom, the boards of directors of both companies resolved their merger on February 26, 2009, with Far EasTone as the survivor entity. On August 28, 2009, the National Communications Commission approved this merger, and the record date of this merger was January 1, 2010. The merger was completed on January 18, 2010 after the registration with the MOEA.

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. The term of validity of Arcoa's Type II license was approved to extend until July 2013.

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, 2009, Far EasTone owned 61.07% 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) KGEx.com Co., Ltd. ("KGEx.com")

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

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

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

6) 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.

7) Far EasTron Co., Ltd. ("Far EasTron") and ADCast Interactive Marketing Co., Ltd. ("ADCast")

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

To enhance the Group's market share of Internet advertisements and integrate the Group's resources, the stockholders of Far EasTron resolved on April 21, 2008 for Far EasTron to have a share swap with ADCast Interactive Marketing Co., Ltd. ("ADCast"), a subsidiary of New Century Info Comm Tech Co., Ltd., with ADCast as the survivor entity. After ADCast's capital reduction, Far EasTron's stockholders will receive 1 share of ADCast for every 4.8526 shares of Far EasTron. However, in their special meeting on August 29, 2008, Far EasTron's stockholders revised the share swap ratio to 5.4490:1. In addition, Far EasTron's board of directors resolved to have September 3, 2008 as the merger date. The share swap was completed on September 30, 2008 after the related registration with the Taipei City Government. After the share swap, Far EasTone, Far EasTron Holding and KG Telecom owned 69.08% of ADCast's common stock; thus, Far EasTone became ADCast's parent company. ADCast's revenues and expenses were included in the consolidated financial statements since the merger date and Far EasTron's revenues and expenses before the merger date were also included in the consolidated statements.

8) Yuan Cing Infocomm Tech Co., Ltd. ("YCIC")

YCIC was incorporated on December 30, 2009. It is wholly owned by Far Eastone. YCIC provides production and sales of communications products.

 E. World (Holdings) Ltd. ("E. World"), Far Eastern Info Service (Holding) Ltd. ("FEIS"), KGT International Holding Co., Ltd. ("KGTI") and Far EasTron Holding Ltd. ("Far EasTron Holding")

E. World, FEIS, KGTI and Far EasTron Holding are primarily investment holding companies.

On May 7, 2008, KGTI's stockholders approved the board of directors' proposal to dissolve KGTI, and on May 27, 2008, the authorities of the British Virgin Islands approved this dissolution. The dissolution was also approved by ROC Investment Commission of the MOEA on August 21, 2008.

- b. Except for the financial statements of YCIC's financial statements as of and for the year ended December 31, 2009 and KGTI's (dissolved on May 7, 2008) and Far EasTron's (dissolved on September 3, 2008 due to a merger) financial statements as of and for the year ended December 31, 2008, all of the financial statements of subsidiaries had been audited.
- c. The entities in the "Consolidated Financial Statements of Far EasTone and Affiliates" are the same as those in the consolidated financial statements as required under ROC 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.

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.

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.

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.

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 derecognition, 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 and recharge 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 collectibility 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). Inventories are written down to net realizable value item-by-item. Cost is determined using the weighted-average method. Net realizable value is determined as normal market value minus predicted selling expenses.

Government Grant

When received, the government grant is included in the restricted assets and in deferred revenue at the same time. The restricted asset is recognized as cash and cash equivalent when Far EasTone uses the grant under the terms of the related agreement. The deferred revenue is recognized as follows: (1) if the grant is related to depreciable assets, it should be recognized as revenue over the asset economic lives in proportion to the depreciation expenses for these assets; or (2) if the grant is related to income, the grant amount should be deducted from the related expense when the revenue is realized.

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 acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. 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.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

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

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.

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.

Since November 2008, the Group estimates and capitalizes the costs of dismantling, removing properties and restoring the cellular site on which they are located and to record these costs as properties and accrued asset retirement cost.

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	3-5
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.

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.

Deferred Charges

Deferred charges mainly include routers provided to customers, 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.

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 the Group has significant influence but with no control, the carrying value amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing. For investees which the Group has control, the recoverable amount is accessed 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.

For impairment testing, 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, Q-ware Com., and ADCast 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, Far EasTron Holding and YCIC 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 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 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 Far EasTone and KG Telecom 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.

Far EasTone uses interest rate swaps to hedge cash flow risks from interest rate fluctuations of liabilities.

KG Telecom used cross-currency swap contracts to hedge against the effect of exchange rate fluctuations of foreign-currency denominated assets.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2008 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the year ended December 31, 2009.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the combined balance sheets and statements of income of the Group as of and for the years ended December 31, 2008. The pro forma financial information based on the assumption that Far EasTone acquired the majority interest of ADCast on January 1, 2008 is as follows:

	(In Thousands, F	Except EPS)
		r Ended per 31, 2008
Current assets	\$	17,860,886
Properties, net		45,349,683
Current liabilities		15,077,204
Operating revenue		62,536,014
Combined income before income tax		13,322,245
Combined net income		10,020,424
EPS		3.09

The pro forma combined balance sheet and statement of income are presented for illustrative purposes only. That is, this information does not necessarily show the financial position and results of operations under the assumption that Far EasTone acquired the majority interest of ADCast on January 1, 2008, nor is it necessarily indicative of future financial position or results of operations of the Group.

4. CHANGE IN ACCOUNTING PRINCIPLE

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation (ARDF) issued Interpretation No. 2007-052 that requires companies to recognize bonuses to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. This accounting change resulted in a decrease of \$205,266 thousand in combined income attributable to controlling interest and a decrease of NT\$0.06 in basic earnings per share after income tax for the year ended December 31, 2008.

Accounting for Inventories

On January 1, 2009, the Group adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories". The main revisions are (a) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (b) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change had no significant influence on the combined net income for the year ended December 31, 2009.

5. CASH AND CASH EQUIVALENTS

	Deceml	ber 31	-
	2009	2008	
Cash			
Cash on hand	\$ 6,438	\$	7,086
Checking deposits	15,721		10,003
Demand deposits	1,535,549		891,629
Certificates of deposits - interest of 0.14%-2.25% in 2009 and 1.00%-2.71% in			
2008	 4,169,730		2,483,961
	 5,727,438		3,392,679
Cash equivalents			
Commercial paper purchased under resell agreements - interest of 0.17%-0.20% in			
2009 and 0.50%-1.30% in 2008	3,946,130		3,753,173
Bonds purchased under resell agreements - interest of 0.50%-0.60% in 2008	<u> </u>		90,020
	 3,946,130		3,843,193
	\$ 9,673,568	\$	7,235,872

As of December 31, 2009 and 2008, foreign demand deposits were as follows:

	December 31				
		2	2008		
Belgium (US\$5,163 thousand in 2009 and US\$752 thousand in 2008) Hong Kong (US\$3 thousand in 2009 and US\$10 thousand in 2008)	\$	165,172 96	\$	24,666 328	
	\$	165,268	\$	24,994	

Multinational Automated Clearing House (MACH) is Far EasTone's and KG Telecom's authorized representative to settle international roaming charges. The related proceeds are deposited in Belgium accounts stated above as recommended by MACH for the settlement.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

		December 31				
		2008				
Domestic quoted stocks Open-ended mutual funds Private funds	\$	170,848 2,011,226 358,938	\$	316,751 1,429,016		
	\$	2,541,012	\$	1,745,767		

7. BONDS CARRIED AT AMORTIZED COST - CURRENT

	December 31				
	2009	2008			
Bond - Ta Chong Commercial Bank	<u>\$</u>	\$ 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. ARCOA already redeemed the bond in par value on maturity date.

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	Dec	December 31				
	2009	2008				
Accounts and notes receivable Less: Allowance for doubtful accounts	\$ 6,276,58 (707,92					
	\$ 5,568,66	<u>\$ 6,181,007</u>				

The change in allowance for doubtful accounts was as follows:

		,	Years Ended	Decei	nber 31		
	 200	09			200	08	
	 Re (In Accounts Othe		Other Receivables (Included in Other Current Assets)		t Accounts Receivable		Other eivables luded in · Current ssets)
Beginning balance Deduct: Bad debts written off Add: Acquired from ADCast Collection after write-off Accrual of bad debt expenses	\$ 866,639 (988,716) - 341,301 488,697	\$	2,090 (2,090)	\$	920,509 (1,018,546) 135 286,310 678,231	\$	2,090
	\$ 707,921	\$		\$	866,639	\$	2,090

9. INVENTORIES, NET

		December 31					
	2009			2008			
Cellular phone equipment SIM cards and prepaid cards Cellular phone accessories Others	\$	477,902 16,699 15,848 103,408	\$	687,649 28,204 35,151 101,663			
	\$	613,857	\$	852,667			

Allowances for losses were \$50,393 thousand and \$57,998 thousand as of December 31, 2009 and 2008, respectively.

Costs of inventories sold were \$6,047,693 thousand and \$5,698,812 thousand for the years ended December 31, 2009 and 2008, respectively. Reversal of provision for loss on decline in value of inventories, amounting to \$7,605 thousand and \$21,920 thousand for the years ended December 31, 2009 and 2008, respectively. Reversal of provision for loss on decline in value of inventories was reclassified to the reduction of the cost of sales for the year ended December 31, 2008.

10. EQUITY-METHOD INVESTMENTS

	December 31					
		2009			2008	
			% of			% of
	C	Carrying Value	Owner- ship	C	Carrying Value	Owner- ship
Common stocks with no quoted market prices New Century InfoComm Tech Co., Ltd.	\$	6,000,018	26.59	\$	5,490,024	24.51
Far Eastern Electronic Toll Collection Co., Ltd.	Φ	232,803	41.18	Φ	408,729	41.18
Ding Ding Integrated Marketing Service Co., Ltd.		39,519	15.00		5,744	15.00
iScreen Corporation		30,030	40.00		28,765	40.00
	\$	6,302,370		\$	5,933,262	

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. After the share swap, Far EasTone acquired about 24.51% of NCIC's issued shares. As of December 31, 2009, Far EasTone owned 26.59% (691,096 thousand shares) of NCIC's common stock.

b. Far Eastern Electronic Toll Collection Co., Ltd. (FETC)

On August 22, 2007, Far Eastern Electronic Toll Collection Co. and the Taiwan Area National Freeway Bureau signed the Electronic Toll Collection BOT Project contract with a term of 18 years and 4 months.

c. Equity in investees' net gains or losses

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

	Years Ended December 31							
		200)9			200	8	
		ain (Loss) of Investee		iity in Net iin (Loss)		Gain (Loss) of te Investee		uity in Net ain (Loss)
New Century InfoComm Tech Co., Ltd. Far Eastern Electronic Toll Collection Co.,	\$	6,078	\$	139,780	\$	(2,800,811)	\$	(567,440)
Ltd. Ding Ding Integrated Marketing Services		(400,580)		(175,926)		(594,577)		(236,127)
Co., Ltd.		(54,785)		(11,225)		(91,562)		(11,556)
iScreen Corporation		3,161		1,265		5,362		2,231
			\$	(46,016)			\$	(812,892)

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%.

The equity in net gain (loss) for the years ended December 31, 2009 and 2008 was based on the investees' audited financial statements.

d. Changes in the difference between investment cost and the investees' net assets

For the years ended December 31, 2009 and 2008, the changes in the difference between investment cost and the Group's equity in its investees' net assets were as follows:

		December 31				
		2009		2008		
	Amortiz	Amortizable Assets		Amortizable Assets		
ning balance	\$	(808,673)	\$	(924,029)		
		(197,575)		-		
		138,713		115,356		
	<u>\$</u>	(867,535)	\$	(808,673)		

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2009 2008	
Bonds		
Asia Cement Co., Ltd.	\$ 199,567 \$	-
Yuan Ding Investment Corporation	10,000	_=
	<u>\$ 209,567</u> <u>\$</u>	<u>=</u>

On September 2009, KG Telecom bought a five-year corporate bond of Asia Cement Co., Ltd., amounting to \$199,540 thousand, with effective interest rate of 2.004% and coupon interest rate of 1.95%.

On August 2009, ARCOA bought a three-year corporate bond of Yuan Ding Investment Corporation at par value, amounting to \$10,000 thousand with effective interest rate and coupon interest rate of 2.00% each.

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

		December 31				
	2009		2	2008		
Domestic unlisted common stock						
THI Consultants Inc.	\$	13,729	\$	13,729		
VIBO Telecom Inc.		8,400		8,400		
Chunghwa Int'l Communication Network Co., Ltd.		6,714		6,714		
Web Point Co., Ltd.		1,618		1,618		
Domestic private fund						
Fuh Hwa Value Added Strategy Fund		150,000		150,000		
	<u>\$</u>	180,461	<u>\$</u>	180,461		

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.

13. PROPERTIES

a. Changes in properties consisted of:

	Year Ended December 31, 2009									
		Movement								
	Beginning Balance	Addit	tion	Sale Disp		Recla	ssification	Cumu Trans Adjust	lation	Ending Balance
Cost Land	\$ 1,473,588	\$	-	\$	-	\$	(2,304)	\$	-	\$ 1,471,284
Buildings and equipment Operating equipment	2,935,661 106,295,730	34	380 -7,630	1,8	7,819 76,243	5	141,222 ,373,201		-	3,069,444 110,140,318

			Year Ended De	ecember 31, 2009		
			Mov	ement		
Computer equipment	Beginning Balance 15,770,006	Addition 2,508	Sale or Disposal 159,260	Reclassification 1,604,794	Cumulative Translation Adjustments (569)	Ending Balance 17,217,479
Office equipment	998,804	2,008	18,157	59,697	(2,475)	1,039,877
Leasehold improvements Miscellaneous	1,736,987	482	14,225	264,089	-	1,987,333
equipment	496,817	3,725	5,280	5,412	<u>-</u>	500,674
	129,707,593	\$ 356,733	\$ 2,080,984	<u>\$ 7,446,111</u>	<u>\$ (3,044)</u>	135,426,409
Accumulated depreciation Buildings and						
equipment	1,020,177	\$ 96,451	\$ 5,556	\$ 10,546	\$ -	1,121,618
Operating equipment	72,444,975	8,993,854	1,246,333	77	-	80,192,573
Computer equipment	13,204,592	1,331,296	158,950	-	(460)	14,376,478
Office equipment Leasehold	880,293	40,330	16,980	-	(2,093)	901,550
improvements Miscellaneous	1,380,762	104,298	10,228	-	-	1,474,832
equipment	307,634 89,238,433	67,964 \$10,634,193	5,176 \$ 1,443,223	\$ 10,623	<u>(2,553)</u>	370,422 98,437,473
Accumulated impairment Buildings and						
equipment	40,469,160	<u>\$</u>	<u>\$</u>	<u>\$ 2,023</u>	<u>\$</u>	2,023 36,986,913
Construction-in-progress and prepayments for						
equipment	4,880,523	<u>\$ 5,846,420</u>	<u>\$ 10,920</u>	<u>\$(7,395,269)</u>	<u>s -</u>	3,320,754
	<u>\$45,349,683</u>					<u>\$40,307,667</u>

	Year Ended December 31, 2008						
			Mov	ement			
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Cumulative Translation Adjustments	Ending Balance	
Cost							
Land Buildings and	\$ 1,467,746	\$ -	\$ -	\$ 5,842	\$ -	\$ 1,473,588	
equipment	2,888,046	7,571	181	40,225	-	2,935,661	
Operating equipment	102,139,535	231,953	1,438,081	5,362,323	-	106,295,730	
Computer equipment	14,960,798	7,689	100,450	900,084	1,885	15,770,006	
Office equipment Leasehold	1,001,385	93	16,503	4,603	9,226	998,804	
improvements Miscellaneous	1,709,137	57	29,554	57,347	-	1,736,987	
equipment	497,949	7,711	8,670	(173)		496,817	
	124,664,596	\$ 255,074	\$ 1,593,439	\$ 6,370,251	<u>\$ 11,111</u>	129,707,593	
Accumulated depreciation Buildings and							
equipment	903,859	\$ 115,819	\$ 114	\$ 613	\$ -	1,020,177	
Operating equipment	64,537,629	9,005,935	1,099,100	511	-	72,444,975	
Computer equipment	11,870,126	1,421,870	86,891	(1,803)	1,290	13,204,592	
Office equipment Leasehold	843,637	40,571	11,008	-	7,093	880,293	
improvements Miscellaneous	1,268,266	130,227	17,731	-	-	1,380,762	
equipment	248,021	68,625	8,553	(459)	-	307,634	
	79,671,538	\$10,783,047	\$ 1,223,397	\$ (1,138)	\$ 8,383	89,238,433	
	44,993,058					40,469,160	
Construction-in-progress and prepayments for							
equipment	3,935,609	<u>\$ 7,552,870</u>	<u>\$ 80,315</u>	<u>\$(6,527,641)</u>	<u>\$</u>	4,880,523	
	\$48,928,667					\$45,349,683	

b. Capitalized interest on properties was as follows:

	Years Ended December 31			
	2009	2008		
Total interest expense Less: Interest capitalized (included in construction-in-process and prepayments for	\$ 31,734	\$ 67,011		
equipment)	7,950	44,347		
Interest expense, net of amounts capitalized	<u>\$ 23,784</u>	<u>\$ 22,664</u>		
Interest rate capitalized	0.60%-1.56%	1.56%-2.39%		

14. 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.

In conformity with SFAS No. 35 - "Accounting for Asset Impairment," the Group was divided into several identifiable cash-generating units: To enhance the operating effectiveness, the Group integrated its telecommunications resources actively in 2009 and 2008. Thus, in 2009 and 2008, the identifiable cash-generating units were defined as mobile telecommunications service business, telecommunication equipment business and WiFly business, which were divided by distinct business functions.

On December 31, 2009 and 2008, the carrying values of the tangible and intangible assets used by the Group were \$57,910,640 thousand and \$63,927,354 thousand, respectively. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with the following discount rates: Mobil telecommunications service business - 10.61% and 12.64% on December 31, 2009 and 2008; Telecommunications equipment business - 10.42% and 16.88% on December 31 2009 and 2008; WiFly business- both 10.00% on December 31, 2009 and 2008. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the prospective advancement of the business.

The principal assumptions and the relevant measurement of the recoverable amounts of the Group are summarized as follows:

- a. Expected future growth rate of each business
 - 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.
 - 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 telecommunication equipment: 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: There was no significant change in the ratio in 2009 and 2008; this ratio is expected to decrease slightly in future years.
- c. Through evaluate mentioned above, estimated impairment losses of \$44,315 thousand for 2009 and \$20,000 thousand for 2008 were recorded, respectively.

15. INTANGIBLE ASSETS - 3G CONCESSION, NET

	Years Ended December 31			
	2009		2008	
Cost	\$ 10,169,000	\$	10,169,000	
Accumulated amortization Beginning balance	2,861,935		2,131,228	
Amortization	 730,707		730,707	
Ending balance	 3,592,642		2,861,935	
Intangible assets, net	\$ 6,576,358	\$	7,307,065	

16. RENTAL ASSETS, NET

	Year Ended December 31					Year Ended December 31				
			2009					2008		
	Beginning Balance	Addition	Sale	Reclassification	Ending Balance	Beginning Balance	Addition	Reclassification	Ending Balance	
Cost										
Land										
Buildings and					****					
equipment	\$124,789	\$ -	\$15,555	\$15,555	\$124,789	\$130,631	\$ -	\$ (5,842)	\$124,789	
	107,797		145	145	107,797	113,260		(5,463)	107,797	
	232,586	<u>\$ -</u>	<u>15,700</u>	<u>\$15,700</u>	232,586	243,891	\$ -	<u>\$(11,305</u>)	232,586	
Accumulated depreciation Buildings and										
equipment	14,019	\$ 2,168	\$60	\$ 59	16,186	12,355	\$ 2,277	\$ (61 <u>3</u>)	14,019	
equipment	218,567	<u>\$ 2,100</u>	<u>\$00</u>	<u> </u>	216,400	231,536	<u> </u>	<u> </u>	218,567	
Accumulated										
impairment	5,770	<u>\$ -</u>	<u>\$-</u>	<u>\$ -</u>	5,770	5,770	<u>\$</u> -	<u>\$ -</u>	5,770	
Rental assets, net	\$212,797				\$210,630	\$225,766			\$212,797	

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 September 2012 (Far EasTone) and through December 2011 (ARCOA), respectively. Future rental income is summarized as follows:

Year	Amount	_
2010 2011	\$ 9,465 7,866	
2011 2012	7,866 4,158	

17. SHORT-TERM BANK LOANS

	December 31				
		2009 200		2008	
Secured bank loans - interest of 1.25%-2.00% in 2009 and 2.29%-2.42% in 2008 Unsecured bank loans - interest of 0.60%-1.99% in 2009 and 1.95%-4.19% in 2008	\$	466,500 250,000	\$	433,500 1,255,950	
	\$	716,500	\$	1,689,450	

The short-term bank loans at December 31, 2009 and 2008 will be due and repaid by August 2010 and December 2009, respectively.

18. COMMERCIAL PAPER PAYABLE

Far EasTone issued the commercial paper and Q-ware Com. issued the commercial paper guaranteed by the financial institution, which were discounted at interest rate of 1.838% and 2.900%, respectively, and both were fully repaid on January 16, 2009.

19. ACCRUED EXPENSES

	December 31			
		2009		2008
Commission	\$	1,517,088	\$	1,458,616
Bonus		668,370		541,971
Bonus to employees and remuneration to directors and supervisors		254,090		273,688
Advertisement		113,712		149,150
Maintenance fee		140,985		141,295
Utilities		107,407		119,216
Billing processing fee		64,148		77,509
Other		616,544		670,684
	<u>\$</u>	3,482,344	\$	3,432,129

20. LONG-TERM BANK LOANS

	December 31, 2009						
	Due Within One Year	Due After One Year	Total				
Secured bank loan - KGEx.com Unsecured bank loan - Q-ware Com.	\$ 19,048 	\$ - 200,000	\$ 19,048 200,000				
	<u>\$ 19,048</u>	<u>\$ 200,000</u>	\$ 219,048				

		December 31, 2008					
	Due Within One Year	Due After One Year	Total				
Secured bank loan - KGEx.com Unsecured bank loan - Q-ware Com.	\$ 38,095 <u>200,000</u>	\$ 19,048 	\$ 57,143 200,000				
	<u>\$ 238,095</u>	<u>\$ 19,048</u>	<u>\$ 257,143</u>				

a. Secured bank loan - KGEx.com

 $KGEx. com\ obtained\ a\ secured\ bank\ loan\ at\ interest\ rates\ of\ 1.80\%\ in\ 2009\ and\ 2.54\%\ in\ 2008,\ payable\ monthly.$ The loan is secured and repayable quarterly from April 2005\ at\ equal\ installments, with\ final\ repayment\ due\ in\ April\ 2010.

b. Unsecured bank loan - Q-ware Com.

Q-ware Com. obtained an unsecured bank loan at interest rates of 3.20% in 2009 and 3.15% in 2008, payable monthly. The loan will be due on December 2011. Moreover, Far EasTone's equity in Q-ware Com. should not be less than 51% before the maturity.

21. LEASE PAYABLE

	December 31			
	2009	2008		
Total future lease payments	\$ 9,686	\$ 19,406		
Less: Imputed interest expense	1,326	2,652		
	8,360	16,754		
Less: Current portion of lease payable	8,360	8,394		
Lease payable - noncurrent	<u>\$ -</u>	<u>\$ 8,360</u>		

Loren	Lessor Properties Payment Terms			
Lessor	Properties	Payment Terms	2009	2008
Far Eastern International Leasing Corp Far EasTone	Computer equipment	July 2004-June 2009 \$15,414 thousand annually (equipment were transferred unconditionally to Far Easton on contract expiry)	\$ -	\$ 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 (equipment were transferred unconditionally to KG Telecom on contract expiry)	-	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 (equipment were transferred unconditionally to KGEx.com on contract expiry)	-	160
Far Eastern International Leasing Corp KGEx.com	Office equipment	September 2006-August 2009 \$5 thousand monthly (equipment were transferred unconditionally to KGEx.com on contract expiry)	40	60
Taiwan Telecommunication Network Services Co., Ltd KGEx.com	Computer equipment	July 2005-June 2008 \$55 thousand monthly (equipment were transferred unconditionally to KGEx.com on contract expiry)		330
			<u>\$ 10,166</u>	<u>\$ 41,504</u>

22. PENSION PLAN

- a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, rate of monthly contributions by Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing, Far EasTron, Q-ware Com. and ADCast 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 \$160,361 thousand and \$138,827 thousand for the years ended December 31, 2009 and 2008, respectively. FETI, under its government's regulations, had recognized pension costs of \$3,635 thousand and \$3,378 thousand for the years ended December 31, 2009 and 2008, respectively.
- b. 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.
- c. Information about the defined benefit pension plan was as follows:
 - 1) Net pension cost consisted of:

	Years Ended December 31					
	2009	2008				
Service cost	\$ 35,127	\$ 31,659				
Interest cost	35,277	35,721				
Expected return on plan assets	(15,303)	(15,483)				
Amortization of net transition obligation	1,333	1,128				
Amortization of prior service cost	(1,162)	-				
Amortization of unrecognized pension loss	13,100	12,762				
Net pension cost	<u>\$ 68,372</u>	<u>\$ 65,787</u>				

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

	December 31				
	2009		2008		
Benefit obligation					
Vested benefit obligation	\$ 15,	096	\$	5,605	
Non-vested benefit obligation	730,	251		645,232	
Accumulated benefit obligation	745,	347		650,837	
Additional benefits based on projected and future salaries	446,	868		639,283	
Projected benefit obligation	1,192,	215		1,290,120	
Fair value of plan assets	(595,	907)		(545,450)	
Funded status	596,	308		744,670	
Unrecognized net transition asset (obligation)		530		(803)	
Unamortized of prior service cost	26,	729		27,891	
Unamortized pension loss	(265,	025)		(434,891)	
Included in prepaid pension cost	9,	198		9,461	
Accrued pension cost	<u>\$ 367,</u>	<u>740</u>	\$	346,328	
Vested benefit	<u>\$ 18,</u>	330	\$	7,752	

3) Actuarial assumptions were as follows:

	Dece	mber 31
	2009	2008
Discount rate used in determining present value	2.25%	2.25%-2.75%
Rate of future salary increase	1.00%-2.50%	1.00%-3.50%
Expected rate of return on plan assets	1.50%-2.25%	2.25%- 2.75%

23. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares and that arising from business combination) may be capitalized, which however is limited to a certain percentage of Far EasTone's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

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.

For the years ended December 31, 2009 and 2008, the bonus to employees was \$166,142 thousand and \$182,459 thousand, respectively and the remuneration to directors and supervisors was \$83,071 thousand and \$91,229 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, representing 2% and 1% of net income (net of bonus and remuneration) less 10% legal reserve and special reserve, respectively, were recognized for the years ended December 31, 2009 and 2008. The amounts were estimated based on past experiences. Material differences between these estimated and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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.

Legal reserve shall be appropriated until it has reached Far EasTone's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the Far EasTone's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

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 2008 and 2007 earnings was approved by the stockholders on June 16, 2009 and June 5, 2008, respectively.

	Appropriation and Distribution			Dividend Per St (Dollars)			
		2008		2007		2008	2007
Legal reserve	\$	1,061,075	\$	1,161,944			
Special reserve		21,740		(44,832)			
Cash dividend		9,123,802		10,101,353	\$	\$ 2.80	\$3.10
Bonus to employees - cash		-		210,047			
Remuneration to directors and supervisors		-		105,023			

The bonus to employees of \$182,459 thousand and the remuneration to directors of \$91,229 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009, and these amounts were the same as the amounts recognized in the financial statements for the year ended December 31, 2008.

Information on the bonus to employees and remuneration to directors and supervisors can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange Corporation's website.

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of December 31, 2009 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
Net decrease due to capital increase or capital reduction	3)	(362)	(5,426)
Reissued within authorized units	4)	21,959	329,379
GDRs transferred to common stock		(30,528)	(457,916)
Outstanding GDRs issued		1,234	18,510

- 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, 2009, 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. Furthermore, in 2008, Far EasTone cancelled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 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 re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2009, Far EasTone had reissued 21,959 thousand units of GDRs representing 329,379 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' equities, 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 774,532 thousand shares. The capital reduction was approved by the stockholders' meeting on June 12, 2007. The capital reduction ratio was 19.204715% and the cash return per share was around NT\$1.9204715. Paid-in capital after the capital reduction was \$32,585,008 thousand. Far EasTone's board of directors resolved January 15, 2008 as the record date of the capital reduction. On January 22, 2008, this capital reduction was registered with the MOEA. The authority also approved March 17, 2008 as the share exchange date of the capital reduction. The foregoing payable amounts due to the capital reduction were fully paid on March 28, 2008.

e. Share issuance for cash - private placement

On June 16, 2009, the stockholders resolved that Far EasTone will issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to \$17,773,641 thousand, to catch up on industry development trends and to meet Far EasTone's future operating needs. The subscriber for these privately placed shares is China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. On June 26, 2009, Far EasTone's board of directors resolved to set the private placement price at NT\$40.00 per share. However, based on certain agreements, if the volume weighted average price of the common shares of Far EasTone within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or Far EasTone sends the notice to the other party of the settlement date of the private placement falls below NT\$35.00 or exceeds NT\$50.00, Far EasTone's board of directors has the authorization of the stockholders' meeting to discuss in good faith to agree a new private placement price per share of Far EasTone; provided that any upward or downward adjustment (if any) shall not be more than NT\$5 per share of Far EasTone. The private placement will proceed after obtaining the authorities' approval under the related regulation.

f. Cumulative translation adjustments for the years ended December 31, 2009 and 2008 were summarized as follows:

	Years Ended D	ecember 31
	2009	2008
Difference due to translation of foreign-currency		
financial statements		
Beginning balance Recorded as adjustment under stockholders' equity	\$ 28,464 (4,179)	\$ 11,826 16,638
	<u>\$ 24,285</u>	<u>\$ 28,464</u>

g. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the years ended December 31, 2009 and 2008 were summarized as follows:

	E	nized from Equity- nethod estments	sale F	able-for- 'inancial ssets	Unrealize (Loss) of Flow H	n Cash	Total
Year ended December 31, 2009							
Beginning balance Recorded as adjustments to stockholders' equity Recognized as profit or loss	\$	(50,204) 112,533 29,676	\$	2,050	\$	- - -	\$ (50,204) 114,583 29,676
Ending balance	<u>\$</u>	92,005	\$	2,050	\$	_	\$ 94,055

	F	gnized from Equity- nethod estments	Availab sale Fir Ass	nancial	(Los	alized Gain s) on Cash w Hedge	Total
Year ended December 31, 2008							
Beginning balance Recorded as adjustments to stockholders' equity Recognized as profit or loss	\$	19,510 (58,985) (10,729)	\$	- - <u>-</u>	\$	(16,201) 3,209 12,992	\$ 3,309 (55,776) 2,263
Ending balance	<u>\$</u>	(50,204)	\$		\$	<u> </u>	\$ (50,204)

24. INCOME TAX

 a. 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 1	Years Ended December 31		
		2009		2008	
Income tax expense computed at statutory tax (25% to 33%)	\$	2,823,308	\$	3,635,696	
Add (deduct) tax effects of:					
Permanent differences					
Equity in investees' net losses (gains)		273,381		(253,841)	
Other		80,225		99,844	
Temporary differences					
Amortization of goodwill		(197,750)		(197,750)	
Allowance for doubtful accounts		(141,800)		(18,642)	
Equity in investee's net losses (gains)		(172,597)		368,609	
Other		(9,110)		27,115	
Loss carryforwards used		(33,950)		(12,965)	
Investment tax credits used		(222,753)		(160,392)	
Unappropriated earnings tax (10%)		1,468		8,596	
Income tax payable - current		2,400,422		3,496,270	
Income tax expense on income subject to a separate rate of 20%		1,811		20,943	
Prior year's adjustment		61,686		(36,060)	
Income tax expense - current	<u>\$</u>	2,463,919	\$	3,481,153	

b. Income tax expense consisted of:

	Years Ended December 31				
	2009		2008		
Income tax expense - current Income tax expense - deferred	\$ 2,463,919	\$	3,481,153		
Temporary differences	 550,659		(179,332)		
	\$ 3,014,578	\$	3,301,821		

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.

In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years.

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Group recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting difference as deferred income tax benefit or expense.

c. Deferred income taxes assets (liabilities) were as follows:

	December 31			
		2009	2008	
Current				
Deferred income tax assets				
Allowance for doubtful accounts	\$	496,837	\$	715,982
Provision for losses on decline in value of inventories		9,490		13,762
Investment tax credits		2,020		6,773
Other		21,375		39,364
		529,722	-	775,881
Less: Valuation allowance		28,206		37,263
	\$	501,516	\$	738,618
Noncurrent				
Deferred income tax assets				
Loss carryforwards	\$	471,000	\$	533,975
Equity in investees' net losses		365,931		713,071
Impairment loss on idle properties		100,970		144,334
Accrued pension cost		77,771		89,754
Depreciation resulting from the differences in estimated service lives of		,		,
properties		1,418		36,269
Investment tax credits		2,535		3,192

	Decembe	er 31
	2009	2008
Other	25,137	25,338
	1,044,762	1,545,933
Less: Valuation allowance	757,740	984,962
	287,022	560,971
Deferred income tax liabilities		
Goodwill amortization	(632,024)	(592,416)
	<u>\$ (345,002)</u>	\$ (31,445)

d. Integrated income tax information was as follows:

	Decem	ber 31
	2009	2008
Balance of imputation credit account (ICA)		
Far EasTone	\$ 293,676	\$ 264,186
KG Telecom	\$ 1,741	\$ 6,781
ARCOA	\$ 11,583	\$ 12,584
Yuan Cing	\$ 4,287	\$ 3,047

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2009 to unappropriated earnings as of such date was 25.70%. When the dividends from the unappropriated earnings as of December 31, 2008 were distributed in 2009, the actual ratio that Far EasTone used was 29.45%.

KG Telecom had no unappropriated earnings as of December 31, 2009. When the dividends from the unappropriated earnings as of December 31, 2008 were distributed in 2009, the actual ratio that KG Telecom used was 1.15%.

Estimated ratio of the ICA balance for ARCOA as of December 31, 2009 to unappropriated earnings as of such date was 9.88%. When the dividends from the unappropriated earnings as of December 31, 2008 were distributed in 2009, the actual ratio that ARCOA used was 33.33%.

Yuan Cing, KGEx.com, Q-ware Com., ADCast and YCIC had no unappropriated earnings as of December 31, 2009. 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 ratios for the 2009 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratios for the earnings appropriation of 2008 had been determined, the actual ratios were disclosed.

e. Investment tax credits are as follows:

The unused investment tax credits of the Group as of December 31, 2009 are summarized as follows:

ARCOA

Regulatory Basis of Tax Credits	Items	Total Unused Investment Investment Tax Credits Tax Credits			Expiry Year	
Statute for Upgrading Industries	Personnel training expenses	\$	487	\$	376	2010
	Personnel training expenses		420		420	2011
	Personnel training expenses		798		798	2012
	Purchase of automated equipment or technology		351		351	2012
	Purchase of automated equipment or technology		440		440	2013
		\$	2,496	\$	2,385	

ADCast

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	<u>\$ 264</u>	<u>\$</u> 2	2010

Q-ware Com.

Regulatory Basis of Tax Credits	Items	Inve	Total estment Credits	Inve	nused estment Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	\$	1,642	\$	1,642	2010
	Purchase of automated equipment or technology		526		526	2012
		\$	2,168	\$	2,168	

f. The unused loss carryforwards of ARCOA, KGEx.com, Q-ware Com. and ADCast as of December 31, 2009 are as follows:

Year	Remaining Creditable Amount	Expiry Year			
2003	\$ 42,673	2013			
2004	58,325	2014			
2005	31,654	2015			
2006	75,303	2016			
2007	105,990	2017			
2008	85,438	2018			
2009	71,617	2019			
	<u>\$ 471,000</u>				

g. Status of income tax returns are 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 2004 of KG Telecom and the former KG Telecom had been examined by the tax authorities. However, KG Telecom disagreed with the tax authorities' assessment of it's 2001 to 2004 returns and thus filed appeals for the reexamination of these returns. Nevertheless, KG Telecom accrued the related tax.

Income tax returns through 2007 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 returns and thus filed appeals for reexamination of these returns. Nevertheless, ARCOA accrued the related tax.

Income tax returns through 2007 of Q-ware Com., Far EasTron, Yuan Cing, KGEx.com and ADCast had been examined and cleared by the tax authorities. YCIC has not filed for its income tax return since it was incorporated in 2009.

25. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

				Year l	Ended Dec	ember 31,	2009			
							As R	eductions		
					Nonope	rating	of O	perating		
	Op	erating	O	perating	Expe	nses	C	osts or		
	•	Costs	E	xpenses	and L	osses	Ex	penses		Total
Employee expenses										
Salaries	\$	645,368	\$	2,344,359	\$	-	\$	455,720	\$	3,445,447
Pension		53,679		149,501		-		29,188		232,368
Meal		16,253		71,340		-		9,919		97,512
Employee benefit		499		34,548		-		-		35,047
Insurance		53,571		178,000		-		29,892		261,463
Miscellaneous		4,622		27,353				833		32,808
	\$	773,992	\$	2,805,101	\$		\$	525,552	\$	4,104,645
Depreciation Amortization	<u>\$</u> \$	9,669,168 80,199	<u>\$</u>	965,025 49,721	<u>\$</u> \$	17,643	<u>\$</u>	<u> </u>	<u>\$</u> \$	10,651,836 129,920

			Year l	Ended Dec	ember 31,	2008		
		erating Costs	perating xpenses	Nonope Exper	nses	of O _J	eductions perating osts or penses	Total
Employee expenses								
Salaries	\$	677,990	\$ 2,335,847	\$	-	\$	77,711	\$ 3,091,548
Pension		65,166	136,079		-		6,747	207,992
Meal		16,872	75,287		-		1,876	94,035
Employee benefit		719	69,808		-		-	70,527
Insurance		52,096	178,582		-		5,576	236,254
Miscellaneous		8,616	 54,225				464	 63,305
	\$	821,459	\$ 2,849,828	\$		\$	92,374	\$ 3,763,661
Depreciation Amortization	<u>\$</u>	<u>9,664,881</u> 53,263	\$ 1,117,552 57,227	\$	18,765	\$	<u> </u>	\$ 10,801,198 110,490

To enhance their competency, Far EasTone, New Century InfoComm Tech Co., Ltd. and Digital United Inc. (dissolved on March 16, 2009 due to merger with NCIC) made a strategic business alliance to integrate the resources of their marketing departments and operating management departments and to support each other's human resources. The related employee revenues and expenses were charged and paid on the basis of agreed-upon terms and recorded as nonoperating income and operating cost or expense.

26. EARNINGS PER SHARE (EPS)

					Common		Per Share T\$)
		Amount (No Income Before come Tax		et Income	Stock (Denominator) (In Thousand Shares)	Income Before Income Tax	Net Income
Year ended December 31, 2009							
Basic EPS Net income - Far EasTone Effect of dilutive potential common stock Bonus to employees	\$	12,598,706	\$	9,230,107	3,258,501	\$ 3.87	<u>\$ 2.83</u>
Diluted EPS Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$</u>	12,598,706	<u>\$</u>	9,230,107	3,265,161	<u>\$ 3.86</u>	<u>\$ 2.83</u>
Year ended December 31, 2008							
Basic EPS Net income - Far EasTone Effect of dilutive potential common stock Bonus to employees	\$	13,127,822	\$	10,160,747	3,288,127 4,892	\$ 3.99	\$ 3.09
Diluted EPS Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$</u>	13,127,822	<u>\$</u>	10,160,747	3,293,019	<u>\$ 3.99</u>	<u>\$ 3.09</u>

The ARDF issued Interpretation No. 2007-052 that requires Far EasTone to recognizes bonuses paid to employees, remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If Far EasTone may settle the bonus to employees by cash or shares, Far EasTone should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

27. FINANCIAL INSTRUMENTS

a. Fair value information

d.

	December 31							
	20	09	20	08				
	Carrying	Fair	Carrying	Fair				
	Value	Value	Value	Value				
Assets								
Available-for-sale financial assets - current	\$ 2,541,012	\$ 2,541,012	\$ 1,745,767	\$ 1,745,767				
Hedging derivative assets - current	2,750	2,750		-				
Bonds carried at amortized cost - current	-	· -	3,000	3,000				
Equity-method investments	6,302,370	6,302,370	5,933,262	5,933,262				
Held-to-maturity financial assets - noncurrent	209,567	209,172	· -	-				
Financial assets carried at cost - noncurrent	180,461	180,461	180,461	180,461				
Refundable deposits	366,481	366,481	409,363	409,219				
<u>Liabilities</u>								
Long-term bank loans (including current portion)	219,048	219,048	257,143	257,143				
Lease payable (including current portion)	8,360	8,360	16,754	16,754				
Guarantee deposits received (including current portion)	805,375	805,375	831,854	831,854				

- 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, accounts receivable related parties, other receivables related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, accounts payable related parties, other payables 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 financial instruments 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.
 - 3) The fair values of bonds carried at amortized cost current, financial assets carried at cost noncurrent and equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.
 - 4) If quoted market prices are available, these are used as fair values of held-to-maturity financial assets noncurrent; otherwise, fair values will be measured by carrying values.
 - 5) Fair values of long-term bank loans, 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:

		d Price iber 31	Estimated Price December 31				
Assets	2009	2008	2009	2008			
Available-for-sale financial assets - current Hedging derivative assets - current	\$ 2,541,012	\$ 1,745,767	\$ - 2,750	\$			
Held-to-maturity assets - noncurrent	199,172	-	2,730				

		December 31									
		200			2008						
Risk of interest rate change	Ī	Financial Assets]	Financial Assets		Financial Liabilities			
Fair value risk Cash flow risk	\$	6,290,172 5,550,338	\$	1,263,735 485,548	\$	5,483,606 2,255,150	\$	2,907,072 268,093			

e. Financial risks

1) Market risk

Fair values of mutual funds and domestic quoted stocks held by Far EasTone, 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 Far EasTone, KG Telecom and ARCOA periodically evaluate the performance of these investments; thus, market risk is expected to be immaterial.

For the year ended December 31, 2009, KG Telecom used cross-currency swap contracts to hedge against the effect of exchange rate fluctuations. The gains or losses on the changes in fair values on these contracts will offset the results of the exchange rate fluctuations of the hedged items. Thus, market risk is expected to be immaterial.

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 invested in open-end mutual funds that have quoted price in an active market and can be sold immediately at prices close to their fair values. However, Far EasTone also possessed equity-method investments with no quoted prices in an active market; thus, it might face liquidity risk.

KG Telecom invested in domestic quoted stocks, bonds 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 some private fund and equity-method investments with no quoted prices in an active market; thus, these investments could expose KG Telecom to liquidity risks.

For the year ended December 31, 2009, KG Telecom used cross-currency swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other; thus, the expected cash demand is not significant.

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.

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

KG Telecom used cross-currency swaps to hedge against cash flow fluctuation on its assets:

		Designated Hedging Instruments								Expected Year	
	Financial Instruments	Notional Amount December 31		Fair Value December 31				Expected Year	for Realization of Gains or		
Hedged Items	Designated	2009	2008			2009	200	08	of Cash Flows	Losses	
Foreign - currency denominated asset	Cross currency swap - KG Telecom	US\$ 10,000,000	\$	-	\$	2,750	\$	-	2010	2010	

28. RELATED-PARTY TRANSACTIONS

a. The group's related parties and their relationships were as follows:

Related Party	Relationship with the Group
Far Eastern New Century Corporation (former Far Eastern Textile Ltd.)	Ultimate parent company
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee of Far EasTone
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EasTone
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of Far EasTone
iScreen Corporation	Equity-method investee of KG Telecom
Digital United Inc. (DU)	Subsidiary of NCIC (dissolved due to merge with NCIC on March 16, 2009)
	(Continued)

Related Party Relationship with the Group Information Security Service Digital United Inc. Subsidiary of NCIC NTT DoCoMo Inc. Director of Far EasTone (became an unrelated party since June 2009) Far Eastern International Leasing Corp. (FEILC) Supervisor of Far EasTone Telecommunication and Transportation Foundation (TTF) 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 ultimate parent company Yuan Ding Co., Ltd. Same chairman Far Eastern Department Stores Co., Ltd. Same chairman Asia Cement Co., Ltd. (ACC) Same chairman Oriental Union Chemical Corporation Same chairman Far Eastern Geant Company Ltd. Same chairman Oriental Institute of Technology Same chairman Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation Same chairman (FETSTMF) Yuan-Ze University (YZU) Same chairman Far Eastern International Bank (FEIB) Far EasTone's chairman is FEIB's vice chairman Far Eastern Construction Co., Ltd. Same ultimate parent company Yuang Tong Investment Corporation Same ultimate parent company Same ultimate parent company Kai Yuan International Investment Corp. An-Ho Garment Corp. Same ultimate parent company Fu Kwok Garment Manufacturing Co. Same ultimate parent company Oriental Petrochemical (Taiwan) Co., Ltd. Same ultimate parent company Yuan Ding Investment Corporation (Yuan Ding) 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 Oriental Resources Development Limited 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 Far Eastone Fibertech Co., 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 Far Eastern (China) Investment Limited Same ultimate parent company Same ultimate parent company Sino Belgium (Holding) Limited. Pet Far Eastern (M) Sdn Bhd. Same ultimate parent company FETG Investment Antilles N.V. Same ultimate parent company Far Eastern Apparel (Vietnam) 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 Sino Belgium (Suzhou) Limited Same ultimate parent company Waldorf Service B.V. Same ultimate parent company Marten Beer (Shanghai) Ltd. 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 Suzhou An He Apparel Ltd. Same ultimate parent company

(Concluded)

b. In addition to those disclosed in other notes, the Group's significant transactions with the above parties are summarized as follows:

		2009		2008	
		Amount	%	Amount	%
During the year					
Operating revenue	1)				
NCIC	2)	\$ 1,222,334	2	\$ 772,622	2
NTT DoCoMo	3)	46,835	-	117,340	-
Other	19)	54,288		55,713	
		<u>\$ 1,323,457</u>	<u> </u>	<u>\$ 945,675</u>	2
Operating costs and expenses					
Cost of telecommunications so	ervice				
NCIC	2)	\$ 587,913	2	\$ 450,679	2
Other	19)	10,274		20,051	
		<u>\$ 598,187</u>	2	<u>\$ 470,730</u>	2
Rental					
NCIC	4)	\$ 49,537	1	\$ 40,357	1
FETRD	5)	45,511	1	45,266	1
FEILC	6)	39,909	1	40,468	1
Other	19)	11,346	-	11,791	
		<u>\$ 146,303</u>	3	<u>\$ 137,882</u>	3
Marketing expense					
DDIM	7)	\$ 163,416	2	\$ 165,352	2
Other	19)	2,999		<u> </u>	
		<u>\$ 166,415</u>	2	<u>\$ 165,352</u>	2
Service fee					
FCHRC	8)	\$ 66,771	29	\$ 57,703	40
Other	19)	156	-	\$ 37,703	-
	,				
		\$ 66,927	<u>29</u>	<u>\$ 57,703</u>	<u>40</u>
Telephone fee					
NCIC	9)	\$ 26,720	8	\$ 30,368	9
Other	19)	15		92	
		\$ 26,735	8	\$ 30,460	9
Donation					
TTF	10)	\$ 9,000	44	\$ 14,391	29
YZU	11)	<u> </u>		15,000	30
		\$ 9,000	<u>44</u>	\$ 29,391	59
		<u> </u>	-17	<u> </u>	

			2009			2008		
		Aı	nount	%	A	Amount	%	
Nonoperating income and gains								
Interest								
FEIB	12)	<u>\$</u>	23,932	<u>36</u>	<u>\$</u>	24,470	14	
Management services revenue								
NCIC	13)	\$	26,226	96	\$	3,475	72	
Other	19)		1,038	4		1,336	28	
		<u>\$</u>	27,264	100	<u>\$</u>	4,811	100	
Rent								
NCIC	4)	\$	5,377	13	\$	2,898	11	
Other	19)	<u></u>	308	1	Ψ			
		<u>\$</u>	5,685	<u>14</u>	\$	2,898	<u>11</u>	
					-			
Nonoperating expense and losses								
Donation FETSTMF	1.43	ø	00.000	"	ø			
FEISIMF	14)	<u>\$</u>	90,000	<u>66</u>	<u>\$</u>		===	
Acquisition of properties								
NCIC	15)	\$	40,778	1	\$	45,620	1	
Other	19)		11,343			18,352		
		<u>\$</u>	52,121	1	\$	63,972	1	
Disposal of properties								
NCIC NCIC	16)	\$		_	\$	7,928	19	
Other	19)	Φ	-	-	Þ	7,928 82		
	27)					<u></u> _		
		\$			\$	8,010	<u>19</u>	
Acquisition of bonds								
ACC	17)	\$	199,540	95	\$	_	_	
Yuan Ding	17)	Ψ	10,000	5	Ψ	=	_	
Ç	,							
At end of year		\$	209,540	<u>100</u>	<u>\$</u>	-	===	
Demand deposits and certificates of								
deposits FEIB	12)	\$	3,300,138	29	\$	2,101,923	29	
	,							
Accounts receivable - related parties	2)		101 450	0.5	•	25.545	45	
NCIC	2)	\$	121,458	95	\$	37,547	47	
FETC	18)		3,433	3		5,360	7	
NTT DoCoMo Inc.	3)		2 272	-		25,970	33	
Other	19)		2,373	2		10,447	13	
		<u>\$</u>	127,264	<u>100</u>	<u>\$</u>	79,324	<u>100</u>	
Other receivables - related parties								
NCIC	13)	\$	157,253	95	\$	91,878	67	

		2009		2008	·
		Amount	%	Amount	%
DDIM	7)	1,671	1	10,254	7
DU	13)	-	-	29,467	22
Other	19)	6,678	4	5,425	4
		<u>\$ 165,602</u>	<u>100</u>	<u>\$ 137,024</u>	100
Refundable deposits					
DDIM	7)	\$ 43,233	12	\$ 43,693	11
Other	19)	11,377	3	10,357	2
		<u>\$ 54,610</u>	<u>15</u>	<u>\$ 54,050</u>	13
Accounts payable - related parties					
NCIC	2)	\$ 135,060	98	\$ 153,906	98
Other	19)	2,513	2	2,781	2
		<u>\$ 137,573</u>	<u>100</u>	\$ 156,687	100
Other payables - related parties					
NCIC	4), 9) and 15)	\$ 128,937	52	\$ 52,593	28
DDIM	7)	75,166	30	72,729	39
YZU	11)	15,080	6	15,000	8
Other	19)	28,103	12	46,138	25
		<u>\$ 247,286</u>	<u>100</u>	\$ 186,460	<u>100</u>
Lease payable (including current portion)					
FEILC	6)	\$ 8,360	100	<u>\$ 16,754</u>	100

Descriptions of transactions with related parties were as follows:

- Operating revenues (such as service revenue and revenues from sales of cellular phone equipment, accessories and customer service revenues) from related parties were based on normal service rates, selling prices and collection terms
- 2) 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 revenue and was included in accounts payable related parties.
- 3) Far EasTone and KG Telecom provide international roaming services to the customers of NTT DoCoMo Inc. The service revenues are treated as telecommunications service revenues and accounts receivable related parties.
- 4) The Group leases from NCIC the leased line, office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts. Also, Far EasTone rented some spaces of mobile switch centers to NCIC.
- 5) Far EasTone leases 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.
- 6) 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. Some of these contracts will be automatically renewed unless either Far EasTone or FEILC informs the other party of contract termination.

When the contracts expire, Far EasTone is entitled to renew the contracts or to buy the buildings or land at the following prices:

	Purc	chase 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 \$10,166 thousand and \$41,174 thousand paid for the years ended December 31, 2009 and 2008, respectively (Note 21).

- 7) Far EasTone and KG Telecom authorized DDIM to manage the accumulation and redemption of customers' reward points. The related service charges were treated as marketing expense and other payables related parties. Reduced amounts of Far EasTone's and KG Telecom's telecommunication bills by redemption of customers' reward points resulting from their consumption in other stores were included in other receivables related parties. In addition, Far EasTone and KG Telecom give DDIM monthly refundable deposits for the points accumulated but not yet redeemed, and these deposits are calculated at a fixed percentage of the unused reward points.
- 8) The Group has contracts with FCHRC for manpower dispatching services, under which the Group paid for FCHRC's providing the Group with temporary or specific personnel demands.
- 9) The Group used the service of fixed network and internet access provided by NCIC and was included in other payables - related parties.
- 10) Far EasTone and KG Telecom made donation to TTF for telecommunications technology researches.
- 11) KG Telecom made donation to non-profit organizations for further integration and development of telecommunications business and personnel.
- 12) The Group had demand deposits and certificates of deposits (CDs) in FEIB. These deposits include the proceeds of Far EasTone's sale of prepaid cards, which were consigned to FEIB as a trust fund and were included in the restricted assets current. Some of these CDs had been pledged with tax authority and were thus included in the pledged certificates of deposits.
- 13) Far EasTone provided management services and advances to NCIC and DU for their daily operating expenditures.
- 14) In order to honor Mr. You-Shiang Hsu's contributions to the foundation of the Far Eastern Group and for his spirit of industrial and public welfare development, Far EasTone made donation to the construction fund of his Memorial.
- 15) Far EasTone bought computer equipment and operating equipment from NCIC.
- 16) KG Telecom had sold properties to NCIC. The proceeds amounted to \$7,928 thousand, and the gain of \$2,410 thousand on this disposal was included in nonoperating income and gains.
- 17) KG Telecom and ARCOA acquired the bonds of ACC and Yuan Ding, respectively.
- 18) KGEx.com and Arcoa charged FETC for the providing of co-location service, manpower service and logistics service, which were included in accounts receivable related parties.
- 19) 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.

c. Compensation of directors, supervisors and management personnel:

		Years Ended December 31					
		2008					
Salary and bonus	\$	116,372	\$	95,874			
Remuneration paid from distribution of earnings		83,071		91,238			
Bonus paid from distribution of earnings		30,765		17,137			
Operation allowance of directors		7,380		7,264			
	\$	237,588	\$	211,513			

29. COMMITMENTS AS OF DECEMBER 31, 2009

The Group had the following significant commitments:

- a. The Group was under contracts to acquire properties and cellular phone equipment for \$3,412,764 thousand and \$366,632 thousand, respectively.
- b. The Group's outstanding letters of credit amounted to JPY250 thousand (equivalent to \$87 thousand), US\$288 thousand (equivalent to \$9,213 thousand) and \$20,375 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
2010	\$ 2,615,877
2011	2,681,333
2012	2,756,032
2013	2,834,988
2014	2,926,114

d. Oriental Securities Investment Advisory Co. manages KG Telecom's funds of \$350,000 thousand, which are based on two separate discretionary portfolio management agreements through January 2010 and March 2010, respectively. Under the agreements, 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 and other domestic telecommunications companies' (except Chunghwa Telecom Co., Ltd.) and related derivatives are prohibited. As of December 31, 2009, the carrying value of the funds was \$343,381 thousand as follows:

	Decem	ber 31, 2009
Cash and cash equivalent		155.500
Demand deposits	\$	175,502
Available-for-sale financial assets - current		170,848
Receivable from the sale of securities (included in other current assets)		22,708
Payables for the purchase of securities (included in other current liabilities)		(25,143)
Other		(534)
	\$	343,381

- 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.com for prepaid cards already bought by customers. KG Telecom had also provided Far EasTone a similar guarantee amounting to \$850,000 thousand. Moreover, KG Telecom had also provided certificates of deposits amounting to \$390,000 thousand to the National Tax Administration of Taipei as collaterals for Far EasTone's administrative tax remedies for certain tax assessments.
- f. Far EasTone provided a \$149,840 thousand guarantee for Q-ware Com.'s bank loans by signing promissory notes on July 22, 2009.

30. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for the guarantee provided by banks, long-term and short-term bank loans and the purchase of inventory and administrative tax remedies, were as follows:

		December 31					
		2008					
Pledged certificates of deposits - current Pledged certificates of deposits - noncurrent Properties, net	\$	23,128 421,595 455,460	\$	20,000 15,164 467,676			
	<u>\$</u>	900,183	\$	502,840			

31. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

- a. Important transactions and b. information on the Group's investees.
 - 1) Financing provided: None
 - 2) Endorsement/guarantee provided: Schedule A
 - 3) Marketable securities and investments held: Schedule B
 - 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 C
 - 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 D
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule F
- 10) Derivative financial instruments of investees: Note 27

b. Investment in Mainland China:

- 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 G
- Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Schedule H
- 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
- c. Additional disclosure for consolidated financial statements:
 - 1) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule H
 - 2) Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None

32. SEGMENT INFORMATION

- a. Industry: Schedule I
- 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:

	2009		2008	
	Amount	Percentage of Operating Revenue (%)	Amount	Percentage of Operating Revenue (%)
Company A	\$ 7,646,083	13	\$ 8,737,467	14

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

	 	Counter-party		Limits on					Maximum Total
No.	Endorser/ Guarantor	Name	Nature of Relationship	Endorsement/ Guarantee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Year (Note B)	Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Endorsement/ Guarantee to Net Equity per Financial Statement	Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)
0	Telecommunications Co., Ltd			\$35,771,294 35,771,294 35,771,294	149,840	149,840	-	0.63% 0.21% 0.06%	71,542,587
	Telecommunications	Far EasTone Telecommunications Co., Ltd.	Parent Company	15,286,749	1,240,000	1,240,000	-	4.06%	30,573,498

Note A: The maximum total endorsement/guarantee amount were equals Far EasTone's and KG Telecom's net worth, while the limit of endorsement/guarantee amount for each counter-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.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES MARKETABLE SECURITIES HELD DECEMBER 31, 2009 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	T.	Dalasi anakin	, <u> </u>	I I	December	31, 2009		i	Highest
Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value	Note	Shares/ Units Held During the Year
	†	:				(70)			
Far EasTone Telecommunications Co., Ltd.	Stocks KG Telecommunications	Equity-method investee	Equity-method investments	1,332,997,916	\$30,573,498	100.00	\$30,573,498	Notes A and C	1,332,997,916
	Co., Ltd. New Century InfoComm Tech Co.,	Equity-method investee	Equity-method investments	691,096,070	6,000,018	26.59	6,000,018	Notes A and C	1,063,211,582
	Ltd. ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,116,869	61.07	1,116,869	Notes A and C	82,009,242
		Equity-method investee	Equity-method investments	157,714,020	232,803	41.18	232,803	Notes A and C	157,714,020
	Far Eastern Info	Equity-method investee	Equity-method investments	1,200	161,358	100.00	161,358	Notes A and C	1,200
	E. World (Holdings)	Equity-method	Equity-method investments	6,014,622	71,337	85.92	71,337	Notes A and C	6,014,622
	Marketing Services Co.,	investee Equity-method investee	Equity-method investments	4,725,000	39,519	15.00	39,519	Notes A and C	4,725,000
		Equity-method investee	Equity-method investments	36,459,930	28,440	51.00	28,440	Notes A and C	36,459,930
		Equity-method investee	Equity-method investments	4,486,988	26,022	100.00	26,022	Notes A and C	4,486,988
	Yuan Cing Infocomm	Equity-method	Equity-method investments	100,000	993	100.00	993	Notes C and G	100,000
	Tech Co., Ltd. ADCast Interactive Marketing Co., Ltd.	investee Equity-method investee	Equity-method investments	18,351	174	0.40	174	Notes A and C	18,351
	Open-ended mutual funds DEF DWS Global Multiasset Income Plus FOF-A	- - - - - -	Available-for-sale financial assets - current	5,000,000.00	52,050	-	52,050	Note B	5,000,000.00
KG Telecommunications	Stocks KGEx.com Co., Ltd.	Equity-method	Equity-method investments	89,088,470	794,752	79.25	794 752	Notes A and C	198,136,425
Co., Ltd.	iScreen Corporation	investee Equity-method	Equity-method investments	4,000,000				Notes A and C	4,000,000
		investee Equity-method investee	Equity-method investments	368,519	3,501	8.16	3,501	Notes A and C	368,519
	TYG	-	Available-for-sale financial assets - current	50,000	2,940	-	2,940	Note E	600,000
	SANYO	-	Available-for-sale financial assets - current	200,000	6,820	-	6,820	Note E	200,000
	YC	-	Available-for-sale financial assets - current	150,000	4,125	-	4,125	Note E	150,000
	HIWIN	-	Available-for-sale financial	140,000	5,859	-	5,859	Note E	140,000
	NANTEX	-	assets - current Available-for-sale financial	250,000	6,100	-	6,100	Note E	250,000
	СНТ	-	assets - current Available-for-sale financial	166,773	9,923	-	9,923	Note E	181,500
	LIEN CHANG	-	assets - current Available-for-sale financial	500,000	12,525	-	12,525	Note E	500,000
	Highwealth	-	assets - current Available-for-sale financial	209,185	9,884	-	9,884	Note E	209,185
	CAL	-	assets - current Available-for-sale financial assets - current	750,000	8,513	-	8,513	Note E	1,600,000
	T.C.C.B.	<u> </u>	Available-for-sale financial	300,000	2,508	-	2,508	Note E	300,000
	E.S.F.H.	-	assets - current Available-for-sale financial assets - current	300,000	4,005	-	4,005	Note E	300,000

	î 1	Relationship	î I	i	December 3	31, 2009			Highest
Holding Company Name	Type and Issuer/Name of Securities	with the Holding Company	Financial Statement Account	Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value	Note	Shares/ Units Held During the Year
	ESMT	-	Available-for-sale financial assets - current	170,000	\$ 9,622	` ′	\$ 9,622	Note E	250,00
	AVC	-	Available-for-sale financial	100,000	4,000	-	4,000	Note E	180,0
	CHINESEGAMER	-	Available-for-sale financial assets - current	9,000	3,816	-	3,816	Note E	50,0
	Ardentec	-	Available-for-sale financial assets - current	160,000	3,400	-	3,400	Note E	160,0
	SHENMAD	-	Available-for-sale financial assets - current	150,000	10,575	-	10,575	Note E	250,0
	ENTIRE	-	Available-for-sale financial assets - current	20,000	4,600	-	4,600	Note E	20,0
	GEMTEK	-	Available-for-sale financial assets - current	80,948	4,679	-	4,679	Note E	120,0
	LSC	-	Available-for-sale financial assets - current	500,000	12,075	-	12,075	Note E	500,0
	SOFT-WORLD	-	Available-for-sale financial assets - current	50,249	10,226	-	10,226	Note E	60,0
	LASERTEK	-	Available-for-sale financial assets - current	150,000	4,245	-	4,245	Note E	150,0
	DYNAMIC	-	Available-for-sale financial assets - current	150,000	5,797	-	5,797	Note E	150,0
	HU LANE	-	Available-for-sale financial assets - current	70,000	4,886	-	4,886	Note E	70,0
	AV TECH	-	Available-for-sale financial assets - current	35,000	3,762	-	3,762	Note E	35,0
	CSI	-	Available-for-sale financial assets - current	180,000	4,536	-	4,536	Note E	180,0
	HOLIDAY	-	Available-for-sale financial assets - current	350,000	11,427	-	11,427	Note E	350,0
	Open-ended mutual			i ! !					
	funds PCA Well Pool Fund	-	Available-for-sale financial	19,276,261.40	250,271	-	250,271	Note B	19,276,261
	Prudential Financial	-	assets - current Available-for-sale financial	16,539,533.00	250,337	-	250,337	Note B	16,539,533
	Bond Fund Hua Nan Phoenix Bond	-	assets - current Available-for-sale financial	16,072,953.40	250,352	-	250,352	Note B	16,072,953
	Fund Deutsche Far Eastern DWS Taiwan Bond Security Investment	-	assets - current Available-for-sale financial assets - current	67,798,918.35	757,416	-	757,416	Note B	91,871,048
	Trust Fund Deutsche Far Eastern DWS Glb Multi Asset Inc Pls FoF-Acc	-	Available-for-sale financial assets - current	4,766,444.20	49,619	-	49,619	Note B	4,766,444
	Cathy Bond Fund	-	Available-for-sale financial assets - current	1,673,472.10	20,007	-	20,007	Note B	1,673,472
	PCA Global Green Solutions Fund	-	Available-for-sale financial assets - current	1,972,455.70	20,001	-	20,001	Note B	1,972,455
	Private funds Opas Fund Segregated	-	Available-for-sale financial	10,000.00	358,938	-	358,938	Note B	10,000
	Portfolio Tranche B Fuh Hwa Value Added Strategy Fund	-	assets - current Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	150,000	Note C	14,866,204
	Bonds Asia cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,567	-	199,172	Note F	200
ARCOA	Stocks	<u>:</u>	1	:					1
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729	Note C	1,213,
	Chunghwa Int'l Communication	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714	Note C	2,086,
	Network Co., Ltd. VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	840,000	8,400	0.04	8,400	Note C	840,0

	1	Relationship		1	December	31, 2009		:	Highest
Holding Company Name	Type and Issuer/Name of Securities	with the Holding Company	Financial Statement Account	Shares	Carrying Value (Note D)	Percentage of Ownership (%)	Market Value or Net Asset Value	Note	Shares/ Units Held During the Year
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	\$ 1,618	0.63	\$ 1,618	Note C	160,627
	Open-ended mutual funds	; !	: : :						
	PCA Well Pool Fund	U	Available-for-sale financial assets - current	4,635,690.50	60,187	-	60,187	Note B	7,741,190.30
	Prudential Financial Bond Fund		Available-for-sale financial assets - current	5,302,403.60	80,256	-	80,256	Note B	7,294,066.70
	Capital Safe Income Fund	-	Available-for-sale financial assets - current	1,946,307.90	30,000	-	30,000	Note B	1,947,824.30
	Fuh Hwa Bond Fund	-	Available-for-sale financial assets - current	2,171,536.90	30,000	-	30,000	Note B	2,171,536.90
	Fuh Hwa Global Fixed Inc FoFs	-	Available-for-sale financial assets - current	1,664,032.90	20,418	-	20,418	Note B	1,664,032.90
	UPAMC JAMES Bond Fund	-	Available-for-sale financial	5,019,795.88	80,249	-	80,249	Note B	6,921,565.30
	Union Bond Fund	-	assets - current Available-for-sale financial	4,764,682.59	60,063	-	60,063	Note B	4,764,682.59
	Bonds The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.	-	assets - current Held-to-maturity financial assets - noncurrent	10.00	10,000	-	10,000	Note F	10.00
Far Eastern Info Service (Holding) Ltd.	Share certificates Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$4,427,000	100.00	US\$4,427,000	Notes A and C	-
Far EasTron Holding Ltd.	<u>Stocks</u>								
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US\$812,000	60.52	US\$812,000	Notes A and C	2,734,446
E. World (Holdings) Ltd.	<u>Stocks</u>	:	: :	 			: 		
Liu.	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$2,334,000	100.00	US\$2,334,000	Notes A and C	19,349,994

(Concluded)

Note A: The calculation was based on audited financial statements as of December 31, 2009.

Note B: The market values of mutual funds were calculated at their net asset values as of December 31, 2009.

Note C: The financial assets carried at cost and equity-method investments without quoted prices were measured by net worth of investees or their respective carrying values.

Note D: The carrying values of available-for-sale financial assets - current were equal to market values as of December 31, 2009.

Note E: The calculation of domestic publicly traded stocks was based on the closing price at the end of December 31, 2009.

Note F: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of December 31, 2009.

The bonds without quoted prices were measured by their carrying values.

Note G: The calculation was based on unaudited financial statements as of December 31, 2009.

SCHEDULE C

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, 2009

(In Thousands of New Taiwan Dollars)

	Marketable	!	:	!	Beginning	Balance	Acquis	ition		Dispo	osal		The Change	Ending Ba	alance
Company Name	Securities Issuer/Name	Account	Related Party	Nature of Relationship	Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Due to Equity-method Investment	Share/Units	Amount
Telecommunications	New Century InfoComm Tech Co., Ltd.		Concord Comm Co., Ltd. and Concord Financial Co., Ltd. etc.	- - - - - - - - - - - - - - - - - - -	980,315,483	\$5,490,024	83,051,099	\$333,041	372,270,512 (Note B)		\$ -	\$ -	\$176,953 (Note C)		\$6,000,018
KG	ACC	Available-for-sale	-		3,449,000	93,081	891,500	23,516	4,340,500	159,297	116,597	42,700		_	
Telecommunications Co., Ltd.	Oriental Union Chemical	financial assets - current Available-for-sale financial assets -	-	-	500,000		4,850,000			:	:	! !	;	-	-
	Opas Fund Segregated Portfolio Tranche	financial assets - current	Opas Fund Segregated Portfolio	-	-	-	10,000.00	328,700	-	-	-	-	-	10,000.00	328,700
	Fund	Available-for-sale financial assets - current	Company -	-	-	-	19,276,261.40	250,000	-	-	-	- ! -	-	19,276,261.40	250,000
	Prudential Financial Bond	Available-for-sale financial assets - current	-	-	-	-	16,539,533.00	250,000	-	-	-	-	-	16,539,533.00	250,000
	Hua Nan Phoenix Bond Fund	Available-for-sale financial assets - current	-	-	-	-	16,072,953.40	250,000	-	-	-	-	-	16,072,953.40	250,000
	Deutsche Far Eastern DWS	Available-for-sale financial assets - current	-	-	10,000,000.00	100,000	-	-	10,000,000.00	113,825	100,000	13,825	-	-	-
		Available-for-sale financial assets -	-	-	20,000,000.00	199,956	-	-	20,000,000.00	198,295	199,956	(1,661)	-	-	-
	Eastern DWS	current Available-for-sale financial assets - current	-	i - 	73,960,494.25	800,000	58,191,627.10	650,000	64,353,203.00	718,828	700,000	18,828	-	67,798,918.35	750,000
	Fund Asia Cement Corporation 1st	financial assets - noncurrent		Same chairman	-	-	200.00	199,540	 	 	 	-	-	200.00	199,540

Note A: Except for the disposal price, other amounts were their respective investment costs.

Note B: The shares owned by Far EasTone decreased because New Century InfoComm Tech Co., Ltd. reduced its capital to offset the accumulated loss in August 2009.

Note C: Including equity in investee's net gains of \$139,780 thousand and adjustments to change in equity-method investee's stockholders' equity of \$37,173 thousand.

SCHEDULE D

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, 2009

(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of	Related Party	Nature of	1	Transaction D	etails			normal nsaction	Notes/Acc Receivable or		
Goods	Related Farty	Relationship	Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balanc	ce	% to Total
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications service revenues	\$(3,128,129)	(6%)	Based on agreement	-	-	Accounts receivable	\$438,482	7%
co., Eta.	Co., Eta.		Cost of telecommunications services	1,073,889	5%	Based on agreement	-	-	Accounts payable	(142,806)	(6%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and telecommunications	(315,215)	(1%)	Based on agreement	-	-	Accounts receivable	203,027	3%
			service revenue Cost of telecommunications services, marketing expenses and cost of sales	2,325,811	6%	Based on agreement	-	-	Accounts payable and accrued expense	(225,755)	(4%)
	KGEx.com Co., Ltd.	Subsidiary of	Telecommunications	(198,362)		Based on	-	-	Accounts receivable	32,649	1%
	New Century InfoComm Tech Co., Ltd.	KG Telecom Equity-method investee	Service revenues Telecommunications service revenues	(603,718)	(1%)	agreement Based on agreement	-	-	Accounts receivable (No	ote) -	- ! - !
			Cost of telecommunication services	532,217	2%	Based on agreement	-	-	Accounts payable (Note)) (206,153)	(4%)
	Ding Ding Integrated	Equity-method investee		140,535	2%	Based on	-	- 	Accrued expense	(63,021)	(2%)
	Marketing Co., Ltd. Far Eastern Tech-Info Ltd. (Shanghai)		Service expenses	144,930	50%	agreement Based on agreement	-	-	Accrued expense	(24,755)	(1%)
KG	Far EasTone	Parent	Telecommunications	(1,073,889)	(14%)	Based on	-	<u>-</u>	Accounts receivable	142,806	17%
Telecommunications Co., Ltd.	Telecommunications Co., Ltd.	company	Service revenues Cost of telecommunications	3,128,129	40%	agreement Based on agreement	-	- -	Accounts payable	(438,482)	(60%)
	! !		services			i i	:	! ! !	1 1 1		: :
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and	(2,325,811)	(44%)	Based on agreement	-	-	Accounts receivable	225,755	72%
			service revenues Purchase and cost of telecommunications services	315,215	7%	Based on agreement	-	-	Accounts payable	(203,027)	(43%)
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(592,431)	(48%)	Based on agreement			Accounts receivable	113,439	53%
	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Cost of telecommunications services	198,362	15%	Based on agreement	-	-	Accounts payable	(32,649)	(16%)
Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenue	(144,930)	(93%)	Based on agreement	-	-	Accounts receivable	24,755	86%

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

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

	1		i I	i I		Overdue	Amounts	Allowance
Company Name	Related Party	Nature of Relationship	Ending Balance		Amount	Action Taken	Received in Subsequent Period	
Telecommunications	Telecommunications	Subsidiary	\$449,328	(Note A)	\$ -	-	\$449,328 (Note C)	
ŕ	Co., Ltd. ARCOA Communication Co., Ltd.	Subsidiary	205,974	8.01	-	-	137,616	-
	I '	Equity-method investee	161,962	(Note A)	-	-	64,982	-
Telecommunications	Far EasTone Telecommunications Co., Ltd.	Parent company	1,192,570	(Note B)	-	-	1,192,570 (Note C)	1
Communication	Far EasTone Telecommunications Co., Ltd.	Parent company	225,755	12.64	-	-	186,186	-
Ltd.	New Century Infocomm Tech Co., Ltd.	Equity-method investee	113,439	7.86	- - 	-	55,373	- - - - - -

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 Far EasTone for KG Telecom.

Note C: Far EasTone had merged KG Telecom on January 1, 2010. Thus, the receivables between both were regarded as received.

SCHEDULE F

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, 2009

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

	:		Main	Investmen	t Amount	Balance a	s of December	31, 2009	Net Gain	Equity in	
Investor Company	Investee Company	Location	Businesses and Products	December 31, 2009	December 31, 2008	Shares	Percentage of Ownership (%)	Carrying Value	(Loss) of the Investee	Net Gain (Loss)	Note
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications		Type I telecommunications	\$29,629,139	\$29,629,139	1,332,997,916	100.00	\$30,573,498	\$(1,094,787)	\$(1,094,787)	Notes A and B
	Co., Ltd. New Century InfoComm Tech Co.,	Taiwan	services Type I, II telecommunications	6,395,041	6,062,000	691,096,070	26.59	6,000,018	6,078	139,780	Notes B and C
	Ltd. ARCOA Communication Co., Ltd.	Taiwan	services Type II telecommunications services, sales of communications products and office equipment	1,295,035	1,283,563	82,009,242	61.07	1,116,869	108,387	65,389	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,577,140	157,714,020	41.18	232,803	(400,580)	(175,926)	Notes B and C
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	161,358	11,308	11,308	Notes A and B
		Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	71,337	4,900	4,211	Notes A and B
		Taiwan	Marketing	90,000	45,000	4,725,000	15.00	39,519	(54,785)	(11,225)	Notes B and C
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	28,440	(230,617)	(117,615)	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	26,022	447	447	Notes A and B
	Yuan Cing Infocomm Tech Co., Ltd.	Taiwan	Production and sales of communications products	1,000	-	100,000	100.00	993	(7)	(7)	Notes A and D
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	1,000	1,000	18,351	0.40	174	1,065	4	Notes B and E
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.		Type II telecommunications services	2,355,649	2,355,649	89,088,470	79.25	794,752	(121,296)		Notes B and E
	iScreen Corporation ADCast Interactive Marketing Co., Ltd.	Taiwan Taiwan	Information service Internet advertisements and marketing	100,000 3,652		4,000,000 368,519		30,030 3,501			Notes B and F 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\$4,427,000	11,624		Notes B and E
Far EasTron Holding Ltd.	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	US\$4,532,000	US\$4,532,000	2,734,446	60.52	US\$812,000	1,065		Notes B and E
E. World (Holdings) Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	100.00	US\$2,334,000	5,378		Notes B and E

Note A: Note B:

Subsidiary. The calculation was based on audited financial statements as of December 31, 2009.

Note C: Note D:

Equity-method investee of Far EasTone.

The calculation was based on unaudited financial statements as of December 31, 2009.

Subsidiary of KG Telecom, E. World (Holdings), Far Eastern Info Service (Holding) or Far EasTron Holding. Equity-method investee of KG Telecom.

Note E: Note F:

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES INVESTMENT IN MAINLAND CHINA YEAR ENDED DECEMBER 31, 2009

(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.,	from Taiwan	Flo	ws		% Ownership	(Loss)	Carrying Value as of December 31, 2009 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2009	December	Authorized by	Upper Limit on Investment
Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	\$79,975 (US\$2,500,000)		\$92,616	s -	s -	\$92,616	100%		\$141,620 (US\$4,427,000)		\$92,616	\$92,616	\$42,925,552 (Note C)

Note A: The calculation was based on audited financial statements as of December 31, 2009.

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

Note C: Based on the limit, which is 60% of Far EasTone's net worth, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA, ROC.

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

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	1 1	1 1	1	Trans	action Deta	ails	
Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	Year ended December 31, 2009		! ! ! ! !				
0	Far EasTone	KG Telecommunications	1	Receivables from related parties	\$449,328		1%
	Telecommunications Co.,	Co., Ltd.	1	Inventories		Note D	-
	Ltd.	! ! !	1	Payables to related parties	1,192,570		1%
	1 1 1 1	1 1 1 1	!	Telecommunications service revenues	3,128,129		5%
	 	 		Cost of telecommunications services	1,073,889		2%
	! ! !	! ! !		General and administrative expenses	28,891	Note D	-
	:	:	:	Nonoperating income and gains	45,313	Note D	-
	; ;	; ;	į	Management service revenue		Note D	-
	! ! !	! ! !	!	Nonoperating expenses and losses	4,181	Note D	-
	1 ! !	ARCOA Communication	1	Receivables from related parties	205,974	Note D	-
		Co., Ltd.		Inventories	930	Note D	-
	į	į	į	Payables to related parties	225,755	Note D	-
	! ! !	! ! !		Unearned revenues		Note D	-
	! !	! !		Sales of cellular phone	65,510	Note D	-
	: !	: !	į	equipment and accessories, net	:		
	! ! !	! ! !	! ! !	Telecommunications service revenues	249,705	Note D	-
	! !	! !	:	Cost of sales	1,783,304	Note D	3%
	i !	i !	İ	Other operating cost	57,343	Note D	-
	! !	! !	-	Marketing expenses	485,164	Note D	1%
	!	!		Nonoperating income and gains		Note D	-
	i !	KGEx.com Co., Ltd.	1	Receivables from related parties		Note D	-
	:	:	;	Payables to related parties		Note D	-
	1 ! !	1 ! !	!	Telecommunications service	198,362	Note D	-
	!	!	1	revenues			
	i ! !	i ! !	; !	Cost of telecommunications services	30,205	Note D	-
	: ! !	: ! !	!	General and administrative expenses	19,701	Note D	-
				Nonoperating income and gains	1,235	Note D	-
	! ! !	Far Eastern Tech-Info	1	Payables to related parties		Note D	-
		Ltd. (Shanghai)		General and administrative expenses	144,930	Note D	-
	i !	ADCast Interactive	1	Receivables from related parties		Note D	-
	! !	Marketing Co., Ltd.		Payables to related parties		Note D	-
	!	!	!	Marketing expenses	38,877	Note D	-
	; !	; !	į	General and administrative	885	Note D	-
	 	 	 	expenses Management service revenue	65	Note D	-
	!	Yuan Cing Co., Ltd.	1	Receivables from related parties	:	Note D	-
	į		į	Payables to related parties	2,528	Note D	-
	!	!	!	General and administrative	36	Note D	-
	!	!	!	expenses	!		
	<u>.</u>	<u>.</u>		Management service revenue		Note D	-
		Q-ware Communications	1	Receivables from related parties		Note D	-
	1 1	Co., Ltd.	1	Nonoperating income and gains	11,323	Note D	<u>-</u>

	!	!	Flower	Tran	saction Deta	ails	
Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	!	!	! ! !	 			
1	KG Telecommunications	Far EasTone	2	Receivables from related parties	\$1,192,570	Note D	1%
	Co., Ltd.	Telecommunications Co.,	<u> </u>	Payables to related parties	1	Note D	1%
		Ltd.	! ! !	Unearned revenues	-	Note D	-
	:	:	! !	Telecommunications service	1,073,889	Note D	2%
			i !	revenues	2 121 504	N. D	50/
			i ! !	Cost of telecommunications services	3,131,594	Note D	5%
			! !	Marketing expenses	48 671	Note D	_
			: !	General and administrative	-	Note D	_
			: !	expenses	11,100	Note B	
		į	<u>.</u>	Nonoperating income and gains	33,072	Note D	-
			: !	Nonoperating expenses and		Note D	-
			: !	losses			
		ARCOA Communication	3	Receivables from related parties	407	Note D	-
		Co., Ltd.	<u> </u>	Payables to related parties	-	Note D	-
		:	! ! !	Unearned revenues	· ′	Note D	-
		:	! ! !	Other operating revenues	ll .	Note D	-
	<u> </u>	;	! ! !	Cost of sales	-	Note D	-
		roe o tal		Marketing expenses		Note D	-
		KGEx.com Co., Ltd.	3	Receivables from related parties Telecommunications service		Note D Note D	-
	:	· •	! !	revenues	37,383	Note D	•
		•	:	General and administrative	9 215	Note D	_
		:	<u> </u>	expenses	,,213	Note B	
	:	:	! !	Management service revenue	1,980	Note D	-
		•	! !	Nonoperating income and gains	2,196	Note D	-
		Far Eastern Tech-Info	3	Receivables from related parties	300	Note D	-
	:	Ltd. (Shanghai)	1 [1	! ! !			
	:	:	! ! !	Payables to related parties	i	Note D	-
		!	:	General and administrative	9,439	Note D	-
			[expenses			
2	ARCOA Communication	Far FasTone	2	Receivables from related parties	225 755	Note D	_
-	Co., Ltd.	Telecommunications Co.,	-	Inventories		Note D	-
	!	Ltd.	! ! !	Payables to related parties	-	Note D	-
		:	<u> </u>	Sales of cellular phone		Note D	5%
		:	<u> </u>	equipment and accessories, net			
	į	į	! !	Other operating revenues		Note D	1%
			! !	Cost of sales	1,275,984		2%
			<u> </u>	Cost of telecommunications	252,266	Note D	-
	:	:	! ! !	services	20.005	N . D	
		VG Talacammuni	2	Nonoperating income and gains Receivables from related parties		Note D	-
		KG Telecommunications Co., Ltd.	3	Inventories	1	Note D Note D	-
		I.	: !	Payables to related parties	1	Note D	-
		į	! ! !	Sales of cellular phone		Note D	-
		į	! ! !	equipment and accessories, net	,		
	:	:	! ! !	Other operating revenues	26,323	Note D	-
		!	 - -	Cost of sales	95,520	Note D	-
	!	Yuan Cing Co., Ltd.	3	Payables to related parties		Note D	-
	:	:	1 1 1	Marketing expenses	6,854	Note D	-
	1	!	!	! !	i I		

Number (Note A)	Company Name KGEx.com Co., Ltd.	Counter Party	Flow of Transactions (Note B)	Financial Statement Account			% to
3]	KGEx.com Co., Ltd.	i		rmanciai Statement Account	Amount	Payment Terms	Consolidated Assets/Revenue (Note C)
		Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties Payables to related parties Telecommunications service revenues	\$14,227 38,479 30,205		- - -
į				Cost of telecommunications services Nonoperating expenses and losses		Note D Note D	-
		KG Telecommunications Co., Ltd.	3	Other operating revenues Payables to related parties Other operating revenues	19,701 8,555 9,215		- - -
		1 1 1 1 1 1 1 1		Cost of telecommunications services General and administrative expenses		Note D Note D	-
		Q-ware communications Co., Ltd.	3	Receivables from related parties Telecommunications service revenues	766 9,002	Note D Note D	-
				Telecommunications service cost		Note D	-
1		Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	ĺ	Note D	-
		KG Telecommunications Co., Ltd.	3	Other operating revenues Receivables from related parties	144,930 714	Note D	-
5	Yuan Cing Co., Ltd.	Far EasTone	2	Payables to related parties Other operating revenues Receivables from related parties	9,439 2,528		-
, , , , , , , , , , , , , , , , , , ,	ruan Cing Co., Liu.	Telecommunications Co., Ltd.	2	Payables to related parties Other operating revenues General and administrative	3,005 36		- - -
		ARCOA communications Co., Ltd.	3	expenses Receivables from related parties Other operating revenues	1,479 6,854		- -
	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd. KGEx.com Co., Ltd.	3	Payables to related parties General and administrative expenses Payables to related parties	11,323	Note D Note D Note D	-
		KOLAJOH CU., LIU.	J	Telecommunication service revenues Cost of telecommunications services	1,109		-
	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.		Receivables from related parties Payables to related parties Other operating revenues General and administrative expenses	16,630 151 39,762 65	Note D Note D	- - -

				Transaction Details					
Number (Note A)	(amnany Name	Counter Party	Flow of Transactions (Note B)			Payment Terms	% to Consolidated Assets/Revenue (Note C)		
	Year ended December 31,	1 1 1	1 1 1	! !					
	2008	! !	 	1					
0	Far EasTone	KG Telecommunications	1	Receivables from related	\$483,339	Note D	1%		
	Telecommunications Co., Ltd.	Co., Ltd.	! !	parties Inventories	3,666	Note D	_		
	I I	i ! !	! !	Payables to related parties	1,261,272	Note D	1%		
	1 1 1	1 1 1	i ! !	Unearned revenues Telecommunications service	2,250 3,007,573		- 5%		
	! ! !	! ! !		revenues					
	! !	! !		Cost of telecommunications services	1,658,786	Note D	3%		
	! !	! !	i	Marketing expenses	192,714		-		
				Nonoperating income and gains	45,938	Note D	-		
	i !	i !	; !	Management service revenue	63,124		-		
	i ! !	i ! !	i !	Nonoperating expenses and losses	2,242	Note D	-		
	! ! !	ARCOA Communication		Receivables from related	178,036	Note D	-		
	! ! !	Co., Ltd.		parties Inventories	462	Note D	_		
	! !	! !		Payables to related parties	142,182	Note D	-		
	!	!		Unearned revenues Sales of cellular phone	46,028 41,738	Note D Note D	-		
	! ! !	! ! !	1 1	equipment and accessories, net					
				Telecommunications service revenues	203,415	Note D	-		
	i !	i !	!	Cost of sales	1,583,993		3%		
	i ! !	i ! !		Other operating cost Marketing expenses	57,345 588,370		- 1%		
	i ! !	i ! !	! ! !	Nonoperating income and	3,861	i e	-		
	1 1 1	KGEx.com Co., Ltd.		gains Receivables from related	46,403	Note D	_		
	!	1	!	parties					
	1 1 1	1 1 1		Payables to related parties Telecommunications service	2,902 208,035		-		
	:	:	i i	revenues					
				Cost of telecommunications services	30,305	Note D	-		
	i ! !	i ! !	; !	General and administrative	7,558	Note D	-		
	i ! !	i ! !		expenses Nonoperating income and	1.356	Note D	_		
	! ! !		! ! :	gains					
	!	Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties General and administrative	16,797 146,383		- -		
	! !			expenses					
		ADCast Interactive Marketing Co., Ltd.		Receivables from related parties	1,173	Note D	-		
	i !	ly G. G. Ivi		Management service revenue		Note D	-		
	1 ! !	Yuan Cing Co., Ltd.	1	Receivables from related parties	4,487	Note D	-		
	:	:		Payables to related parties	3,697		-		
	! !	! !		General and administrative expenses	3,869	Note D	-		
	: :	O-ware Communications		Management service revenue Receivables from related	890	l .	-		
	: ! !	Co., Ltd.		parties	23,463	Note D	-		
	i !	i !		Nonoperating income and gains	11,212	Note D	-		
	1 1 1	1 1 1	i i !	gailis					
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co.,		Receivables from related parties	1,261,272	Note D	1%		
	ico., Liu.	Ltd.		Inventories	2,250		-		
			, ! !	Payables to related parties Unearned revenues	483,339 3,666		1%		
				Telecommunications service	3,000 1,658,786	i e	3%		
	; !	; !		revenues Cost of telecommunications	3,026,389	Note D	5%		
	1 1 1	1 1 1	!	services			370		
	1 1 1	1 1 1		Marketing expenses General and administrative	57,922 30,532		-		
	1 1 1	1 1 1	•	expenses	50,552	11010 15			
							(Continued)		

			El- e	Transaction Details					
Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)		
		1 1 1 1 1		Research and development expenses	\$444	Note D	-		
		 		Nonoperating income and gains Nonoperating expenses and losses		Note D Note D	- -		
		ARCOA Communication Co., Ltd.	3	Receivables from related parties		Note D	-		
į		i !	i !	Inventories		Note D	-		
:		!		Payables to related parties Unearned revenues	33,450 4 502	Note D Note D	_		
:		1 ! !	!	Other operating revenues		Note D	-		
į		; i !	; ; !	Cost of sales		Note D	1%		
-		! ! !		Marketing expenses		Note D	-		
		KGEx.com Co., Ltd.	3	Receivables from related parties	·	Note D	-		
į		; !	; !	Payables to related parties Telecommunications service		Note D	-		
:		! ! !	! ! !	revenues	70,303	Note D	-		
		 		General and administrative expenses	38,848	Note D	-		
:		!	!	Management service revenue	2,726		-		
į		Far Eastern Tech-Info	3	Payables to related parties	5,034		-		
		Ltd. (Shanghai)	! ! ! !	General and administrative expenses	27,137	Note D	-		
	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co.,	2	Receivables from related parties	142,182	Note D	-		
:	,	Ltd.	! ! !	Inventories	46,028	Note D	-		
		i !	i !	Payables to related parties		Note D	-		
		1 1 1 1	! ! !	Sales of cellular phone equipment and accessories, net	3,170,872		5%		
:		! !	! !	Other operating revenues		Note D	1%		
;		; ; ;		Cost of sales Cost of telecommunications services	1,469,867 207,153	Note D Note D	2%		
!		1 		General and administrative expenses	1	Note D	-		
į		! ! !	! !	Nonoperating income and gains	107,347	Note D	-		
:		KG Telecommunications Co., Ltd.	3	Receivables from related parties	33,450	Note D	-		
-		i !	i !	Inventories	4,502		-		
;		! !	, , ,	Payables to related parties Sales of cellular phone	12,203 686 413	Note D Note D	- 1%		
:		! ! !	! ! !	equipment and accessories, net	000,413	NOIE D	170		
į		! !	! !	Other operating revenues		Note D	-		
:		! ! !	 - -	Cost of sales	190,283	Note D	-		
		Yuan Cing Co., Ltd.	3	Payables to related parties Marketing expenses	1,939	Note D Note D	- -		
		Far EasTone Telecommunications Co.,	2	Receivables from related parties	2,902	Note D	-		
; ;		Ltd.	 	Payables to related parties Telecommunications service		Note D Note D	-		
				revenues Cost of telecommunications		Note D	-		
		; ; ; ; ;		services Nonoperating expenses and		Note D	-		
!		1 1 1	! ! !	losses					
į		VC Talagam		Other operating revenues	7,558		-		
į		KG Telecommunications Co., Ltd.	3	Receivables from related parties Payables to related parties	3,537	Note D Note D	-		
1		! !	! !	Other operating revenues	18,614 38,848		-		
		1							
		 		Cost of telecommunications services		Note D	-		

				Transaction Details				
Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)	
		Far EasTron Co., Ltd.	3	Telecommunications service revenues	\$644	Note D	-	
		Q-ware communications Co., Ltd.	3	Receivables from related parties	753	Note D	-	
				Telecommunications service revenues	9,163	Note D	-	
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co.,	2	Receivables from related parties	16,797	Note D	-	
		Ltd.		Other operating revenues	146,383	Note D	-	
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	5,034		-	
				Other operating revenues	27,137	Note D	-	
5	Far EasTron Co., Ltd.	KGEx.com Co., Ltd.	3	Service cost	644	Note D	-	
6	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co.,	2	Receivables from related parties	3,697	Note D	-	
		Ltd.		Payables to related parties	4,487		-	
				Other operating revenues	3,869		-	
				General and administrative expenses	890	Note D	-	
		ARCOA communications Co., Ltd.		Receivables from related	1,939	Note D	-	
				Other operating revenues	6,394	Note D	-	
7	Q-ware Communications	Far EasTone	2	Payables to related parties	23,463	Note D	-	
	Co., Ltd.	Telecommunications Co., Ltd.		General and administrative expenses	11,212	Note D	-	
		KGEx.com Co., Ltd.	3	Payables to related parties	753		-	
				Cost of telecommunications services	9,163	Note D	-	
	ADCast Interactive	Far EasTone	2	Payables to related parties	1,173		-	
	Marketing Co., Ltd.	Telecommunications Co., Ltd.		General and administrative expenses	250	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 the parent company to its subsidiary.

2. From a subsidiary to its parent company.

3. Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2009 and 2008; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the years ended December 31, 2009 and 2008.

Note D: Payment terms varied depending on the related agreements.

Note E: The information shown in the schedule is equivalent to the eliminated material intercompany transactions.

(Concluded)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES **SEGMENT INFORMATION**

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

				Years Ended	December 31			
	Telecommuni- cations	200	9 Adjustment and Eliminations	Combined	Telecommuni- cations Services	200	Adjustment and Eliminations	Combined
	Services	Sales	Eliminations	Combined	Services	Sales	Eliminations	Combined
Revenues generated from un-affiliates Revenues generated from the Group (Note B)	\$54,837,021 	\$5,225,107 	\$ - 	\$60,062,128	\$57,318,993 	\$5,198,917 	\$ - 	\$62,517,910
Total revenues	<u>\$54,837,021</u>	<u>\$5,225,107</u>	<u>\$</u>	\$60,062,128	\$57,318,993	<u>\$5,198,917</u>	<u>\$</u>	<u>\$62,517,910</u>
Segment operating income (loss) (Note C) Interest revenue Other revenue Equity in investees' net	<u>\$18,777,093</u>	<u>\$(1,649,924)</u>	<u>s -</u>	\$17,127,169 66,606 539,389 (46,106)	<u>\$20,457,655</u>	<u>\$(1,335,177</u>	<u>\$ -</u>	\$19,122,478 179,558 295,872 (812,892)
losses Interest expense Other expense General and administrative expense (Note D)				(23,784) (817,976) (4,695,402)				(22,664) (678,959) (4,759,751)
Income before income tax				\$12,149,896				\$13,323,642
Identifiable assets (Note E) Financial products Long-term investment Assets not identifiable to a specified segment	<u>\$57,059,105</u>	<u>\$1,043,847</u>	<u>\$</u>	\$58,102,952 2,543,762 6,692,398 19,129,380	<u>\$62,939,803</u>	<u>\$1,331,093</u>	<u>\$</u>	\$64,270,896 1,748,767 6,113,723 16,203,873
Total assets				\$86,468,492				\$88,337,259
Depreciation expense Amortization expense Capital expenditure Impairment loss Notes A: The Groun is distingu	\$10,611,446 \$93,155 \$6,176,193 \$44,315	\$22,747 \$36,765 \$26,960 \$	a business and!-	\$44,31 <u>5</u>	\$10,758,297 \$62,551 \$7,771,909 \$23,417	\$24,136 \$47,939 \$34,267 \$11,600		<u>\$35,017</u>

None.

Impairment loss \$\frac{\\$44,315}{\\$5.} \frac{\\$5.0}{\\$5.0}\$

Notes A: The Group is distinguished into telecommunications services business and sales business.

Notes B: Represents sales between segments.

Notes C: Represents revenue minus costs and operating expenses. Costs and operating expenses are related to revenue of segments except general and administrative expense and interest expense.

Notes D: Represents general and administrative expenses of the Group.

Notes E: Represents tangible and intangible assets which can be separately allocated to each segment.

Assets not for use by any specific segment.

A dyagness or loans to another segment.

b.Advances or loans to another segment.

c.Mutual funds and long-term investments.

⁶ Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being Published

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2009



- 1. Financial Condition
- 2. Operating Performance
- 3. Cash Flow
- 4. Key Performance Indicator, KPI
- Analysis of Major Capital Expenditure and Sources of Funding
- 6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan
- 7. Risk Management
- 8. Others

1 Financial Condition

Financial Condition Review and Analysis

2009/12/31; Unit: NTD'000

Year			Variance				
Item	December 31, 2009	December 31, 2008	Amount	%			
Current Assets	\$ 10,708,031	\$ 7,895,390	\$ 2,812,641	36			
Investments in Shares of Stock	38,251,031	39,857,195	(1,606,164)	(4)			
Fixed Assets	27,629,692	29,334,104	(1,704,412)	(6)			
Intangible Assets	6,576,358	7,307,065	(730,707)	(10)			
Other Assets	759,454	989,559	(230,105)	(23)			
Total Assets	83,924,566	85,383,313	(1,458,747)	(2)			
Current Liabilities	11,247,445	13,183,0440	(1,935,599)	(15)			
Long -term Liabilities	-	4,180	(4,180)	(100)			
Other Liabilities	1,134,534	899,887	234,647	26			
Total Liabilities	12,381,979	14,087,111	(1,705,132)	(12)			
Capital Stocks	32,585,008	32,585,008	0	0			
Capital Surplus	19,487,349	19,487,349	0	0			
Retained Earnings	19,351,890	19,245,585	106,305	1			
Other Shareholders' Equity Item	118,340	(21,740)	140,080	(644)			
Total Shareholders' Equity	71,542,587	71,296,202	246,385	0			

1-1 Analysis of variation plus and minus 20%

- 1. The increase in current assets was due to the increase in bank time deposits, RP and trusted in restricted assets-current of current assets.
- 2. The increase in other assets was due to the increase in deferred income tax assets-non-current resulting from the difference in life year of depreciation between financial accounting and tax accounting.
- 3. The decrease in long-term liabilities was due to the repayment of lease payable in accordance with the term of the contract.
- 4. The increase in other liabilities was due to the increase in guarantee deposits received-noncurrent.
- 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

2009/12/31; Unit: NTD '000; %

Year	20	09	2008		Variance	
Item	Subtotal	Total	Subtotal	Total	Amount	(%)
Operating Revenue		\$ 53,740,291		\$ 51,341,479	\$ 2,398,812	5
Operating Costs and Expenses		39,877,663		<u>38,356,147</u>	1,521,516	4
Operating Income		13,862,628		12,985,332	877,296	7
Non-Operating Income and Gains Equity in Investor's Net Gains Government Grant Management Service Revenue Commission Revenue Interest Income Rental Income Other Total Non-Operating Income and	\$ - 83,883 48,184 43,844 5,122 25,803 84,814	201.650	\$ 88,449 74,217 70,391 44,590 35,665 16,997 92,554	422.972	(\$ 88,449) 9,666 (22,207) (746) (30,543) 8,806 (7,740)	13 (32) (2) (86) 52 (8)
Gain Non-Operating Expenses and		291,650		422,863	(131,213)	(31)
Losses Equity in Investor's Net Losses Loss on Disposal of Properties,	\$ 1,178,421		\$ -		\$ 1,178,421	-
net	229,553		209,209		20,344	10
Impairment Loss	44,315		20,000		24,315	122
Interest	7,725		8,348		(623)	(7)

Year	20	09	2008		2008 Variance	
Item	Subtotal	Total	Subtotal	Total	Amount	(%)
Other	95,558		42,816		52,742	123
Total Non-Operating Expenses and						
Losses		1,555,572		280,373	1,275,199	455
Income Before Income Tax						
Expense		12,598,706		13,127,822	(529,166)	(4)
Income Tax Expense		3,368,599		2,967,075	401,524	14
Net Income		\$ 9,230,107		\$ 10,160,747	(\$ 930,640)	(9)

2-1 Analysis of variation

- 1. The investment income turns to loss 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 2008 resulted from loss.
- 2. The decrease in non-operating income of service revenue was due to the decrease in the service revenue from subsidiary in 2009.
- 3. The decrease in interest was due to the decrease in interest income from the repurchase of commercial paper and bonds in 2009.
- 4. The increase in rental income was due to the increase in the system equipment leased to subsidiary and rental income from co-located base stations in 2009.
- 5. The increase in impairment loss was due to the loss for recognized the carrying value of subsidiary and their recoverable amount with the ROC Statements of Financial Accounting Standards No. 35-"Accounting for Impairment Loss".
- 6. The increase in other expense was due to the donations to the Far Eastern Y.Z. Hsu Science and Technology Memorial Foundationin 2009.
- 2-2 For the estimated sales volume and the underlying rationale for the following year, and the potential impacts on the Company's future business and action plans: Please refer to the "Letter to Shareholders".

3 Cash Flow

3-1 2009 Cash Flow Analysis

Unit: NT\$ '000

Cash and Cash Equivalents in	Total Cash Inflows	Total Cash	Balance of Cash and Cash	Remedy Plans for Neg and Cash E	
the Beginning (1)	from Operating Activities (2)	Outflows (3)	Equivalents (1) + (2) - (3)	Investment Plan	Financing Plan
504,561	19,873,937	17,865,722	2,512,776	0	0

- 1. Operating activities: The decrease in cash flow from operating activities was due to a saturated mobile communications market and financial crisis, negative economic growth and consumers reduced their expenditures in 2009.
- 2. Investing activities: The increase in cash outflow was due to the increase in trust fund in 2009.
- $3.\ Financing\ activities: In\ 2008\ capital\ reduction\ and\ return\ \$7,745,326\ thousand\ in\ cash\ to\ shareholders,\ no\ capital\ reduction\ in\ 2009.$

3-2 Remedy plans for insufficient liquidity:

Not applicable.

3-3 2010 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)	Remedy Plans for Neg and Cash E Investment Plan	
2,576,199	19,728,979	20,218,214	2,086,964	0	0

- 1. Operating activities: Because of the effects of a saturated and stable mobile communications market, estimated flows in net cash and cash equivalents from operating activities are expected to have no significant difference in 2009
- 2. Investing activities: The net cash used in investing activities in 2010 is expected to increase due to the higher capital expenditure on network expansion, including 3G, HSPA, and WiMAX constructions.
- 3. Financing activities: No asset disposal plans or funding plan are scheduled because there will be sufficient cash to repay the bank loans due within one year.

4 Key Performance Indicator, KPI

Unit: NT\$

KPI	Definition	2009 Target	Achievement in 2009	KPI Achievement ratio
ARPU	Customer's average monthly revenue (Unit: NT\$)	\$822	\$780	95%
EBITDA	Earning before interest, taxes, depreciation and amortization (Unit: \$1,000)	\$23,350,352	\$21,831,247	93%

The reason for KPI unachievement: Because of the effects of a saturated mobile communications market and the financial crisis resulted in the reducing consumers' expenditures, ARPU & EBITDA failed to achieve the target.

5 Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2009

Unit: NT\$ '000

Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed
Network Expansion: including 2G & 3G system expansion and upgrade, 3G& WiMAX system installation and expansion	Working Capital	2010	5,897,027

⁵⁻² Expected Benefit: In the year of 2009, total operating revenue has increased by 4.7% in comparison with that of 2008.

6 Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan

Unit: NT\$'000

					Unit: NT\$'000
Explanation Item	Amount (Carrying Value as of 12/31/2009)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
KG Telecommunications Co., Ltd. (KGT hereinafter)	\$30,573,498	Merged into Far Eastone Telecommunications Co., Ltd. (FET hereinafter) on Jan. 1, 2010.	Because KGT has no 3G service, its customers continuously migrated to FET, which turned KGT from making money in previous year into loss in 2009.	None	Already merged into FET on Jan. 1, 2010.
New Century InfoCom Tech Co., Ltd (NCIC hereinafter)	\$6,000,018	Integrate the network resources to improve operational performance and competitiveness.	Performance of the core fixed line business has been improving continuously. Improvement in the overall economy also brought NCIC non-operating gain in 2009.	To continue the improvement in its core business for increasing the profit of the company.	No concrete investment plans at present.
Far Eastern Electronic Toll Collection Co, Ltd.	\$232,803	To expand businesses dimensions beyond FET's core to enhance the productivity of existing resources for increasing FET shareholders' overall returns.	Although the company still posted a loss in 2009, nonetheless, the loss amount has been reduced by over 30% in comparison to that in 2008.	Will continue to increase consumer utilization and thus operating revenue, combined with reduced operating costs from productivity enhancement to improve bottom-line.	No concrete investment plans at present.
ARCOA Communications Co., Ltd.	\$1,116,869	Implementing strategic investments to vertically integrate the mobile business with the telecommunication channel services.	Have enjoyed even better results from the integration of telecommunications business and channel services in 2009, which resulted in higher profits than those in 2008.	None	No concrete investment plans at present.
Q-Ware Communications	\$28,440	To expand businesses dimensions beyond FET's core to enhance	Although the company still posted a loss in 2009, the loss amount has been smaller year		No concrete investment plans at present.

Explanation	Amount				Future
	(Carrying	Policies	Descens for Drofit/Loss	Plans for	Investment
Item	Value as of	Policies	Reasons for Profit/Loss	Improvement	
	12/31/2009)				Plans
Co., Ltd.		the productivity of existing resources for increasing FET	by year, mainly from better control in operating cost control and the increasing	offering of the public wireless internet service and in	
		shareholders' overall returns.	revenue from business collaboration in virtual mobile service with 7-11.	business collaboration with 7-11, combined with better operating expenses control, to improve the overall operating results.	
Far Eastern Info Service (Holding) Ltd.	\$161,358	Integrating resources and improving efficiency in offering information service competitively to lower overall group operational cost.	profitable in 2009.	None	No concrete investment plans at present.
E.World (Holdings) Ltd.	\$71,337	Implementing diversified investment strategy and providing logistic services to the Group.		None	No concrete investment plans at present.
Far EasTron Holding Ltd.	\$26,022	holding company to set foot in the international digital contents industry.	It was profitable in 2009 because ADCast, its sole investment, was also profitable in 2009.	None	Plan to conduct capital injection in 2010 for investing information services, management consultancy services and other investment items permitted by laws.
ADCast Interactive Marketing Co., Ltd.	\$174	To utilize its expertise in internet marketing to enhance the competiveness in integrated marketing of the telecom group.		None	No concrete investment plans at present.
Yuan Cing Infocomm Tech Co., Ltd.		Integrate resources of the telecom group in the future to improve overall operational performance and competitiveness.	No significant gain or loss, because the company was founded in the end of December, 2009.	None	No concrete investment plans at present.
Ding Ding Integrated Marketing Service Co., Ltd.	\$39,519		Loss in 2009 still came from the online shopping business, but the amount was lower than that in 2008.	Continue to expand revenue, while managing operating cost wisely.	No concrete investment plans at present.

7 Risk Management

7-1 Impacts and Hedges against Interest Rate and Exchange Rate Fluctuation and Inflation on the Company in the Recent Years until the Annual Report being published

7-1-1 Interest Rate Analyses

Since the Company has the amount of NT\$200 millions of interest – bearing liability which accounts for the total asset ratio under 0.3%, the change of interest rate has the smaller impact on the Company's interest expense. However, due to the lower interest rate in current market, the Company's interest revenue will be reduced. In consideration of risk control, the Company keeps the conservative and steady principle in cash management.

7-1-2 Exchange Rate Analyses

A. Sources of Exchange Gains/Losses

The Company's foreign currency positions are mainly 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 2009 and Q1 2010 are as follows:

2010/3/31; Unit: NT\$'000

Year Item	2009	2010 (as of March 31)
Foreign Exchange Gains (Losses) (A)	(3,625)	(740)
Operating Revenue (B)	53,740,291	14,164,566
% of Operating Revenue (A)/(B)	(0.007%)	(0.005%)
Operating Income (C)	13,862,628	3,102,382
% of Operating Income (A)/(C)	(0.026%)	(0.024%)

As shown in the above table the foreign exchange gains/losses account for a small percentage of operating revenue (0.007% in 2009 and 0.005% in Q1 2010) and operating income (0.026% in 2009 and 0.024% in Q1 2010).

B.Other Expected Gains or Losses Caused by Foreign Exchange Fluctuation

Till March 31, 2010, the Company has hold (short-term investments) foreign financial assets in total US\$15 million. It is expected that both investment gains or losses and exchange gains or losses, when executing disinvestment, will directly affect the Company's net income. The Company has made currency hedge for aforesaid foreign financial assets.

C. Hedges against Exchange Rate Fluctuation

The Company used financial instruments like spot, forward and financial derivative products to hedge foreign exchange rate risks according to foreign currency position and exchange rate movement.

7-1-3 Inflation Analyses

Because the global economy is stepping into relatively stable stage from recession and the demand for oil and raw material are increasing moderately, which lead to a small rise in oil and raw material prices. Besides, the global central banks are continuing to concern and manage the issue of inflation, the lower inflationary pressure currently has no effect on the Company's profit and loss.

7-2 Hedge Accounting

For achieving the target of risk management, major hedging activity of the Company is to reduce the effect of cash flow movement for foreign exchange assets held owing to the risk of foreign exchange rate. Hedge accounting involves the recognition of the offsetting effects on profits or losses from changes in fair values of the hedging instrument and the hedged items. The accounting treatments are: (The Company adopts cash flow hedge in 2009 until March 31, 2010)

- (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 hedged 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 cross currency swap ("CCS") held by the Company and its subsidiary, KG Telecommunications(being merged by the Company on January 1, 2010), are designed for the cash flow hedge purpose, and mainly aim to hedge the risk of foreign exchange rate fluctuation for its foreign financial assets. It is needed to process the CCS contract rollover in accordance with duration of hedged assets. The foresaid CCS are needed to rollover and settled every 3 or 6 months. Because the period, currency and amount of CCS are completely the same with hedged foreign assets on the beginning and ending of hedging, the movement of cash flow resulted from the risk of foreign exchange rate fluctuation could be offset completely. As a result, it is qualified as cash flow hedge, according to the regulation of ROC SFAS. In that, the gains or losses from the changes in fair values of the hedging instruments are recognized directly in shareholders' equity, and to be adjusted based on the changes of fair value in each period, and recognized as current income if the hedged item affects net gains or losses.

7-3 Policies for High Risk or High Leveraged Investments, Lending, Endorsement, Derivative Financial Instruments, and Related for Gains or Losses in the Recent Years until the Annual Report being Published

1. High risks or high leveraged investments: The Company did not engage in high-risk and high-leverage investment in 2009

- 2. Loan to others: The Company had no outstanding loans in the end of 2009 until the annual report being published.
- 3. Endorsements and guarantees provided: For the end of 2009 until the annual report being published, the balance of endorsements and guarantees made by the Company were NT\$644,840,000 and NT\$194,840,000 respectively. In the end of 2009, to comform with NCC's regulation for the telecommunication products/service performance guarantees, the Company made the joint performance guarantees for its subsidiaries, KG Telecommunications Co., Ltd. and KGEx.com Co., Ltd. with the amount of NT\$450,000,000 and NT\$45,000,000 respectively. Until the annual report being published, the Company provided the performance guarantee amounting to NT\$50,000,000 for its subsidiary, KG Telecommunications Co., Ltd. to comform with NCC's regulation for the telecommunication products/service performance guarantee, moreover, the Company provided the NT\$149,840,000 guarantee for the bank loan facilities of O-Ware.
- 4. Financial derivative instruments: The Company and its subsidiary, KG Telecommunications(being merged by the Company on January 1, 2010), dealed the amount of US\$5 million and US\$10 million of derivative transactions for the non-trading purpose in March, 2010 and 2009 respectively. The cross currency swap contracts were signed in order to prevent the risk of foreign exchange rate fluctuation for the foreign financial assets. The Company's hedging strategies are to avoid the most cash flow risks. Due to hedging purpose for the derivative transactions, it is recognized the offsetting effects on profits or losses of changes in fair values of the hedging instrument and the hedged items. In that, no substantial earning/ loss exists.

7-4 R&D Plans and Estimated Expenses in the Recent Years A. R&D Plans

I Strategic Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
M-Taiwan Project	This project is a major three-year infrastructure project proposed by the MOEA Industrial Development Bureau. Its objective is to develop Taiwan into a Mobile Application Service Island and promote the development of the domestic communications manufacturing & service industries. The Company's proposal consists of two phases. Phase I centers around the northern freeways and the acceptance trials were completed at the end of 2006; phase II will involved the set up of a network trial in Taichung City before WiMAX enters commercial operation and wireless broadband application services are planned.	The network rollout and other application services for phase II are now undergoing final acceptance testing as well.	June 30, 2009	Experience gained from phase I as well as continued improvements in technology will allow phase II to proceed more smoothly.
Wireless Broadband Access (WiMAX or LTE)	The Company has secured the network license for wireless broadband access in southern Taiwan. To meet the demand for large mobile broadband, the Company is now working quickly to set up the MIMO (Multiple-Input, Multiple-Output) and OFDMA (Orthogonal Frequency-Division Multiple Access) wireless broadband networks.	Initial wireless broadband access network roll-out and network performance testing now have been finished in Taichung City. After approved by NCC for base station and system test in Dec. 28, 2009, the commercial operation has been launched to provide the newer wireless broadband experience for citizen in Taichung.	Dec. 31, 2009	Experience from phase I and phase I I of the II of the M-Taiwan project means greater confidence about the network rollout and technology.
NGN/4G Network Format Research	This project involves pioneering Research into the NGN/4G network format and service requirements including 802.16m and LTE advance related technologies. The Company's NGN (Next Generation Network) communication strategies and risk assessments are developed, with existing and potential competitor technologies analyzed and studied in order to identify any technical difficulties associated with NGN/4G network roll-outs. This will allow advance planning to be carried out for	The wireless broadband network has been constructed and finished commercial operation in Taichung City. Now is proceeding to optimize and adjust network to understand characteristics of 4G network for using in future assessment and	Dec. 31, 2009	Experiences from M-Taiwan and wireless broadband access network in Taichung City mean we now have a faster understanding of NGN/4G.

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	resolving bottlenecks.	planning.		

II System Projects

II Syst	cm r rojects	-		
Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
3.5G Wireless Broadband Internet Access and Equipment	In 2006, the Company launched the first 3.5G (High Speed Packet Access: HSPA) service to truly offer transmission rates of up to 3.6Mbps. In 2008, support users various 3G data cards became available. A Mobile Internet Device with an integrated 3.5G wireless data card was also released that is easy to carry and allows for Internet access any where, any time.	Provide a variety of wireless data cards and MID terminal devices. Maintain the quality of network service in order to promote wireless broadband Internet access services. The Company launched the latest smart phones with Windows mobile 6.5 operating system and Android operating system in 2010.	Dec. 31, 2009	A wide variety of low-cost wireless data cards and a high quality broadband network will encourage the adoption of wireless broadband Internet service. Various smart phones are provided for customers to select.
Expansion of the 3G/3.5G network	Expansion of the 3G/3.5G capacity and coverage of the four metropolitan areas, the three top areas with highest transmission capacities and the 22 townships with high transmission capacities across Taiwan along with various hot spots and work order improvement areas.	Implementation plan for base station and transmission network details.	Nov. 30, 2010	Control over customers' demands and information for the enhancement of network areas.

III Value-adding Service Projects

III value	adding Service Frojects			
Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
Advanced IMS Service	In August 2007, the Company launched the Big Broadband Service. By using the advanced IMS platform, the Company released multimedia VoIP service using custom the Company client software. Where there is the Company network coverage or Q-ware wireless networks, an open communications protocol such as WiMAX, WiFI, 3G and Broadband can be accessed through PDAs, notebooks, desktops and mobile phones. New IMS functions will be added in 2009 to offer the following advanced services: a. SMS and MMS messaging; b. Ringtones; c. Online friends' status and group management system.	Already finished on line for system.	May 31, 2009	Key technologies and integration experience already mastered for the IMS platform.
FET Smart Services	In an effort to promote the market for smart phones and the APP Smart Market Platform, FET has built its Smart service website to provide relevant information and services for specific consumer demographic in the hopes of turning them into FET subscribers. The website offers the latest smart phone information, discussion forums, subscription package solutions and seminars relevant to smart phones.	Services available from October 15, 2009.	Oct., 2009	A rich source of information and latest news on smart phones; ample software information, interactive discussion groups and routine seminars.
FET Smart Phone	Mobile phones have become an inseparable part of consumers' lives; they allow everyone to experience enriched lifestyle through more intelligent ways. And as such, FET has collaborated with Acer and	Services are complete and operational.	Oct., 2009	Profound experience in the development of smart phones and IT equipment;

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	Commtiva to adopt the latest Windows Mobile 6.5 OS on three of the latest exclusive models integrated with the Android OS to accommodate the preference and habit of FET subscribers' use of internet access and mobile network service.			interactive discussion groups and routine seminars.
FET Broadband WiMAX 4G	FET Broadband WiMAX 4G services are now available in Taichung. The introduction of the WiMAX 4G network means that subscribers will no longer have to pay two different network subscription fees for optical access at home and 3.5G network card rental for mobile use. Subscribers can choose from two different network access equipment at the initial stage of the service: 1. WiMAX 4G wireless router, which is suitable for families with multiple users and 2. WiMAX 4G wireless network card, designed for users with needs for home and mobile network access.	Presently, the service at its first stage is already operational. The second stage shall involve the launch of various network access peripherals and FET is currently surveying consumer needs for relevant planning.	Dec. 31, 2009	The FET Broadband WiMAX 4G is capable of reaching up to 5.3Mbps of data transfer. Subscribers will be able to enjoy an entirely different lifestyle of mobile broadband convenience.
iPhone	FET announced on February 12 that the company has reached an agreement with Macintosh and will be distributing iPhone series products into Taiwan, including iPhone 3G and the premium model iPhone3GS so as to deliver superb mobile communication services to users in Taiwan.	Already launched for sale from March 2010.	Mar., 2010	iPhone3GS is currently the fastest model in the iPhone lineup with most comprehensive functionalities.
IPAY Value Added Service Enhancement	IPAY is an integrated payment service designed for mobile network subscribers that offers a variety of payment pages at different resolutions. When users make payment with the IPAY service through their smart phone or PDA phone, IPAY will automatically choose the appropriate payment page so that users will be able to operate the page and complete the transaction easily. In addition, FET has also developed the 1-click payment option for IPAY this year so that users could use different prepayment methods (i.e. credit card, telephone bills, virtual accounts and so forth) to achieve 1-click payment.	System integration test has been scheduled for March 2010.	Apr., 2010	FET is equipped with the key technologies and experience for mobile phone and cash flow service integration.
eBook	The project is part of the "3rd Phase Mobile Application Service Construction" initiated by MOEA's Industry Development Bureau. The objective of this project is to integrate different domains of expertise between the publishing industry and telecommunication service industries to jointly promote the development of content digitalization for domestic publishing industries and the telecommunication manufacturing service industries. The blueprint and scope of operation proposed by FET is divided into two phases. The first phase mainly involves the provision of integrated platforms and experimental digital contents for notebook PC, smart phones and eReader for the construction of pilot run before official commercial operation. The inspection for the first phase shall be completed at the end of February 2010. The second phase shall involve the construction of commercial	Presently, planning for the first and the second phases are underway at the same time. Confirmation for the final requirements and relevant planning for the network and the system are currently ongoing along with active development of applications.	May 20, 2010	Profound experiences from the M-Taiwan, IMS and eStore operation; better understanding and learning of eBook.

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	operation along with the planning of integrated application services covering cashflow, automotives and platforms.			

B. The projected R&D funding for 2010 is estimated at around NT\$125,334 thousand.

7-5 Impacts and responses of the Company of Material Changes of Policies and Regulations in Taiwan and Foreign Countries in the Recent Years until the Annual Report being Published

(1) Telecommunciations numbers allocations and charges

To realize the effective use of telecommunications numbers, in 2008 the NCC commissioned the Telecom Technology Center to begin the development of the "Telecommunications Number Management System". The NCC also requested industry input on "reducing number allocations" and "auctioning of prime numbers or fee-based number selection" schemes in preparation for future adjustments to the rates charged for number allocations. In Dec. 1, 2009, NCC predicted to establish a protocol "Special Telecommunications Number Usage Fee Charged Criteria" aimed to charge for operators to use prime numbers and specific ID. As the number allocation and number fees will direct affect the company's operating costs, the Company do not only negotiate actively and reflect the operators' standpoints but also study amply the possible crash for company to provide the concrete strategies aimed to numbers usage fee charged criteria protocol and numbers allocations and resources management. The Company will be follow-up to closely monitor the NCC's handling of the matter and make any necessary adjustments to how telecommunications numbers are handled in the future.

(2) Adjustment of X (variable) in the mobile service rate pricing formula

The National Communications Commission (NCC) announced the "adoption of pricing adjustment variable for the regulation of mobile communication service charges" on January 29 2010 and set the variable at 5% in the pricing formula. The adjustment will be effective starting from April 1 2010 and expire on March 31, 2013 and it is applicable to all mobile communication services and 3rd generation mobile communication services.

Pursuant to Article 26 of the Telecommunications Act, the tariff regulation of telecommunications enterprises shall adopt the price cap method, which means the percentage of adjustment of control tariffs of the regulated telecommunications enterprises shall not exceed the annual increase rate of Consumer Price Index (\triangle CPI) of Taiwan area announced by the Directorate General of Budget, Accounting and Statistics of the Executive Yuan. Since the \triangle CPI in Taiwan for 2009 came to -0.87%, the margin of annual reduction for mobile voice charges will be set at 5.87% between April 1 2010 and March 31, 2011 for all mobile communication and 3rd generation mobile communication services

As the adjustment of the pricing formula variable would lead to a significant impact on the company's operation, FET shall strive to communicate with the NCC in order to play an active role in the future amendment of relevant laws in the hopes that amendments would be oriented towards lifting the control on retail prices in favor of wholesale pricing control. In addition, the company shall assess the feasibility of seeking other legal alternatives to minimize the potential impact on the company's operation in light of the establishment and implementation of the pricing formula variable.

(3) GSM license post-expiry policies

The expiry of licenses for first generation GSM operation in Taiwan at the end of 2012 is soon approaching. In an effort by the Ministry of Transportation and Communication to prepare for the event in advance, so as to provide a basis for reference for service providers, consumers and relevant organizations, MOTC convened the "Deliberation of GSM License Post-Expiry Policies Conference" on February 11, 2009 and commissioned Nomura Research Institute Taipei Branch to conduct relevant studies in order to formulate corresponding policies and solutions. In addition, as the implementer of policies and the competent authority for domestic telecommunication sector, NCC also convened the "Mobile Phone (2G) Operating License Expiry Policy Planning Seminar" on December 10, 2009 to illustrate NCC's position.

Since the renewal of the GSM license will affect the privileges of approximately 9.7 million mobile phone service and international roaming service subscribers, FET shall take an active stance to follow up on the development of relevant policies and continue to provide the company's opinions and views with competent government agencies in the hopes of continuing to deliver quality mobile phone services for all FET subscribers.

(4) 19XX public welfare numbers

With regards to the allocation and use of the 19XX public welfare numbers, the Company has always set reasonable prices and cooperated with the government's welfare policy in accordance with the requirements of the NCC and other relevant resolutions. Apart from actively studying ways of reducing costs or offering discounts for the public welfare numbers, the Company is also cooperating fully with all related government measures.

Taipei City Government's 1999 number is problematic because it mixes the use of government business and public welfare services. Government business was originally conducted through the 080 toll-free numbers that the public could call for free, with communications cost met out of the government budget. The 1999 number is, however, significantly different from pure welfare applications such as the "1980 Teacher Chang" and "1995 Lifeline" so it should be handled differently from dedicated charity numbers as well. In order to arrive at a mutually satisfactory outcome for members of the public, operators and the government, the Company is now negotiating with the Taipei City Government on the use of 1999 government business and public welfare number.

Based on the principle of service, the Company continues to negotiate for the use of 1999 bussiness and public

welfare numbers of Taipei City, Kaoshsiung City Government and so on. At present, the Company has finished negotiating for the manner provided of related service with Taipei City, Taipei County, Kaoshsiung City, Miaoli County, Taichung City, Taichung County, Nantou County, Tainan County and Taoyuan County Governments, and provides the related preferential tariff for supporting the above-mentioned Governments to provide the service which can satisfy the demand of citizens and governments at the same time.

7-6 Technology Developments and Impacts on the Company in the Recent Years until the Annual Report being Published

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. After approved by NCC for base station and system test in Dec. 28, 2009, the operation has been launched to provide the newer wireless broadband experience for citizen in Taichung.

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 focuses on the development of services that offer high mobility and high coverage. WLAN/WiMAX technology currently emphasizes the provision of Hotspot/Nomadic wireless network services. As wireless broadband access technology focuses on high bandwidth and mobility, the three types of technology not only deliver distinctly different services but also have a complementary effect. For the Company, it is important to develop and integrate the company's own advantages in 2G and 3G operations as well as our expertise in international network services and wireless broadband access technology. To this end, we will gradually integrate our 2G/3G/WLAN/WiMAX services in response to the needs of enterprise and personal market. By reinforcing the Company's advantage in mobile network communications, we will create a diversified and integrated service that can meet all the different service and bandwidth requirements.

For 2010, in light of the prevalence of 3.5G mobile services, telecom service providers have to improve the coverage and quality of service network while integrating diversified services to develop application solutions that are aligned to consumer demands in order to make profit. FET is fully aware of the transition of network service formats and demands of the market, and has thus injected substantial funds to expand its backbone network, increase its 3G base stations and capacities, raise the ratio of self-built transport network and gradually expand the company's operational status and diversified developments. This will ensure the effective improvement of the company's turnover and market share and ultimately return FET to the leading position in Taiwan's mobile broadband service sector.

7-7 Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years: None.

7-8 Expected Benefits and Risks from Mergers in the Recent Years until the Annual Report being Published

The Board of Directors was approved the short form merger of the Company and KGT on February 26, 2009. KGT was merged into the Company and the Company became the surviving company and both had finished merging on January 1, 2010. Due to the Company owns 100% KGT shares, there was no any merge consideration. After the merger, due to the integration of resources which was expected helpful for the Company's NBV per share and EPS, there was no significant risk in this short form merger.

7-9 Expected Benefits and Risks from Plant Expansion in the Recent Years until the Annual Report being Published: Not applicable.

7-10 Risks from Concentration in Supply and Sales in the Recent Years until the Annual Report being Published:

The Company's major supplier and customer in 2009 was Chunghwa Telecommunications, which accounted for 13.17% of the total amount of supply and 12.29% of the total amount of sales. Therefore, there are no situations of concentration in supply and sales.

- 7-11 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 until the Annual Report being Published: None.
- 7-12 Impact and Risks from Change of Ownership in the Recent Year until the Annual Report being Published:

 None
- 7-13 Material Impacts on Shareholders' Equity or Share Price from Litigations, non-Litigations or Administrative actions in Directors, Supervisors, Chairman, President, Shareholders with Greater than 10% Shareholding and Subsidiaries in the Recent Year until the Annual Report being Published: None.
- 7-14 Other Major Risks: None.

8 Other

In accordance with the request for information disclosure evaluation, the related information for the fair values of financial instruments are disclosed as follows:

Methods and assumptions used for estimating the fair values of financial instruments for the Company and its subsidiaries are as follows:

- 1) Cash and cash equivalents, accounts and notes receivable, accounts receivable related parties, other receivables related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, accounts payable related parties, other payables 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 financial derivative instruments 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 Company and its subsidiaries calculate the fair values of independent contract by the future cash flow of single CCS contract (hedging cost excluded) according to interest rate and swap points shown on Reuters and spot rate released in Taiwan Bank. The discount rate of the Company is 0%~2% for these financial instruments.
- 3) The fair values of bonds carried at amortized cost current, financial assets carried at cost noncurrent and equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.
- 4) Fair values of corporate bond 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. The discount rate of the Company is 0%~2% for these financial instruments.

FAREASTONE	FAREASTONE

Far EasTone Telecommunications Co.,Ltd. **Annual Report 2009**



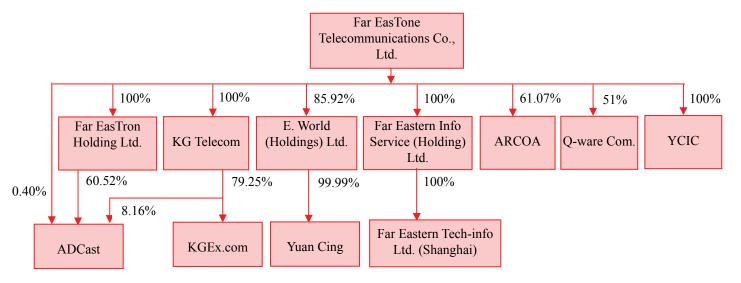
Special Notes

- 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, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.		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, No. 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
KGEx.com Co., Ltd.	August 9, 2000	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	1,124,080	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 Tun-Hwa S. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.		Call center services
ARCOA Communication Co., Ltd.	May 4, 1981	36th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.		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, Grand Cayman, Cayman Islands, British West Indies.	US\$ 4,486,988	International investments
Q-ware Communications Co., Ltd.	February 13, 2007	8th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	714,901	Type II telecommunications service
ADCast Interactive Marketing Co., Ltd.	June 12, 2000	1st Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	45,182	Internet advertisements and marketing services
Yuan Cing Infocomm Tech Co., Ltd.	December 30, 2009	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.		Production and sales of communications products.

- (3) Companies presumed to have a relationship of control and subordination with Far EasTone under Article 369-3 of the R.O.C. Company Act: 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, production and sales of communications products and internet advertisements and marketing 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.
- f. Yuan Cing provides call center services to Far EasTone and ARCOA.
- g. Q-ware Com. provides marketing, activation and customer services to Far EasTone's mobile virtual network operator.

Unit: Number of Charge: 0/

h. ADCast provides internet advertising planning and production to Far EasTone as an advertisement agent.

(5) Directors, supervisors, and general managers of Far EasTone and affiliates:

			Unit: Number of	Shares; %	
			Registered Shares Owned		
Company	Title	Name of Representative	Shares	% of Owner- ship	
	Chairman	Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73	
		Douglas Hsu			
	Vice Chairman	Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73	
		Nilsson, Nils Jan-Erik			
	Director	Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73	
		Champion Lee			
	Director	Yuan Ding Co.	4,163,500	0.13	
		Peter Hsu			
Far EasTone	Director	Yuan Ding Co.	4,163,500	0.13	
Telecommunications Co.,		Johnny J. Shih			
Ltd.	Director	Yue Ding Industry Co., Ltd.	837,940	0.03	
	T	Toon Lim	027 040	0.02	
	Director	Yue Ding Industry Co., Ltd.	837,940	0.03	
	Director	Kazuhiro Toda	İ		
	Director	Kurt Roland Hellstrom Lawrence Juen-Yee Lau	-	-	
		·	26,650,908	0.82	
	Supervisor	Far Eastern International Leasing Co., Ltd. Eli Hong	20,030,908	0.82	
	Supervisor	Asia Investment Corporation	856,303	0.03	
	Supervisor	Morton Mate Huang	000,505	0.05	
	Supervisor	Chen-en Ko	-	-	
	General Manager	Nilsson, Nils Jan-Erik	138,950	-	
KG Telecommunications	Chairman	Far EasTone Telecommunications Co., Ltd.	1,332,997,916	100.00	
Co., Ltd. (Note 1)		Douglas Hsu			

			Registered Shares Owned		
Company	Title	Name of Representative	Shares	% of Owner- ship	
	Director	Far EasTone Telecommunications Co., Ltd.	1,332,997,916	100.00	
	Director	Nilsson, Nils Jan-Erik Far EasTone Telecommunications Co., Ltd.	1,332,997,916	100.00	
	Supervisor	Campion Lee Far EasTone Telecommunications Co., Ltd. Charles Wang	1,332,997,916	100.00	
	General manager	Nilsson, Nils Jan-Erik	-	-	
	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,200	100.00	
Far Eastern Info Service	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	1,200	100.00	
(Holding) Ltd. (British Bermuda Islands)	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	1,200	100.00	
(Bittisti Berinda Islands)	Director	Far EasTone Telecommunications Co., Ltd. Roger Chen (Note 2)	1,200	100.00	
	Director	Far EasTone Telecommunications Co., Ltd. Samuel Yuan (Note 2)	1,200	100.00	
	Chairman	Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92	
	Director	Douglas Hsu Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92	
E. World (Holdings) Ltd. (British Cayman Islands)	Director	Laurence Yang (Note 3) Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92	
KGEx.com Co., Ltd.	Director	Champion Lee Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92	
	Director	Jordan M. Roderick Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92	
	Chairman	Joseph O'Konek KG Telecommunications Co., Ltd.	89,088,470	79.25	
	Director	Jeffey Gee KG Telecommunications Co., Ltd.	89,088,470	79.25	
	Director	Nilsson, Nils Jan-Erik KG Telecommunications Co., Ltd.	89,088,470	79.25	
KGEx.com Co., Ltd.	Director	S. C. Lee KG Telecommunications Co., Ltd.	89,088,470	79.25	
	Director	Jessica Chen KG Telecommunications Co., Ltd	89,088,470	79.25	
	Supervisor	Samuel Yuan KG Telecommunications Co., Ltd.	89,088,470	79.25	
		Yvonne Li			
	General Manager Chairman	Jeffey Gee Far Eastern Info Service (Holding) Ltd.	-	100.00	
	Director	Yvonne Li Far Eastern Info Service (Holding) Ltd.	-	100.00	
Far Eastern Tech-info Ltd.		Jessica Chen	-		
(Shanghai)	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	100.00	
	Director	Far Eastern Info Service (Holding) Ltd. Roger Chen (Note 4)	-	100.00	
	Director	Far Eastern Info Service (Holding) Ltd. Samuel Yuan (Note 4)	-	100.00	
	Chairman	E. World (Holdings) Ltd.	19,349,994	99.99	
	Director	Nilsson, Nils Jan-Erik E. World (Holdings) Ltd.	19,349,994	99.99	
Yuan Cing Co., Ltd.	Director	Phiby Chen E. World (Holdings) Ltd.	19,349,994	99.99	
	Supervisor	Jessica Chen E. World (Holdings) Ltd.	19,349,994	99.99	
	Canaral	Yvonne Li			
	General manager Chairman	Maggie Mei Far EasTone Telecommunications Co., Ltd.	82,009,242	61.07	
	Vice chairman	Philby Chen (Note 5) Wan-Shih-Shin Co., Ltd.	470,325	0.35	
ARCOA Communication	Director	Gary Lin Far EasTone Telecommunications Co., Ltd.	82,009,242	61.07	
Co., Ltd.	Director	Alan Tsai Far EasTone Telecommunications Co., Ltd.	82,009,242	61.07	
	Director	Maxwell Cheng Far EasTone Telecommunications Co., Ltd.	82,009,242 82,009,242	61.07	
		Guang-Ruey Chiang	02,007,242	01.07	

			Registered Shares Owned		
Company	Title	Name of Representative	Shares	% of Owner- ship	
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen (Note 5)	82,009,242	61.07	
	Director	Taiwan Incubator SME Development Co.	1,122,979	0.84	
	Supervisor	Far EasTone Telecommunications Co., Ltd. Francies Chen	82,009,242	61.07	
	Supervisor	Far EasTone Telecommunications Co., Ltd. David Tsai	82,009,242	61.07	
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	82,009,242	61.07	
	General manager	Guang-Ruey Chiang	-	-	
Far EasTron Holding Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Nilsson, Nils Jan-Erik	4,486,988	100.00	
	Chairman	President Chain Store Co., Ltd.	8,059,091	11.27	
		James Heieh			
	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	
Q-ware Communications	Director	President Chain Store Co., Ltd.	8,059,091	11.27	
Co., Ltd.	Director	President Chain Store Co., Ltd.	8,059,091	11.27	
	Director	Chia Hua Chang Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	36,459,930	51.00	
	Supervisor	rvisor Uni-President Enterprises Co., Ltd.		13.81	
	Supervisor	Jupiter Fang Far EasTone Telecommunications Co., Ltd.	36,459,930	51.00	
	General Manager	Sharon Lin			
	Chairman	Pai Ling Chiang New Century InfoComm Tech Co., Ltd.	932,327	20.63	
		Benjamin Ho			
	Director	New Century InfoComm Tech Co., Ltd. Sharon Chao	932,327	20.63	
	Director	New Century InfoComm Tech Co., Ltd. Erica Wang	932,327	20.63	
ADCast Interactive Marketing Co., Ltd.	Director	KG Telecommunications Co., Ltd.	368,519	8.16	
	Director	KG Telecommunications Co., Ltd.	368,519	8.16	
	Supervisor	Roger Chen Far EasTone Telecommunications Co., Ltd. Sharon Lin	18,351	0.40	
	General Manager	Sharon Chao	-	-	
	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	100,000	100.00	
Yuan Cing InfoComm Tech	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	100,000	100.00	
Co., Ltd	Director	Far EasTone Telecommunications Co., Ltd.	100,000	100.00	
	Supervisor	Nilsson, Nils Jan-Erik Far EasTone Telecommunications Co., Ltd. 'Yvonne Li	100,000	100.00	

Note 1: KG Telecommunications Co., Ltd. was merged by Far EasTone Telecommunications Co., Ltd. as the dissolved company on January 1, 2010.

Note 2: Far EasTone Telecommunications Co., Ltd. re-appointed Maggie Mei and Robert Liu as representative on April 27, 2010.

Note 3: Far EasTone Telecommunications Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

Note 4: Far Eastern Info Service(Holding) Ltd. re-appointed Maggie Mei and Robert Liu as representative on April 27, 2010.

Note 5: Far EasTone Telecommunications Co., Ltd. re-appointed Yvonne Li as representative on March 5, 2010. ARCOA Communication Co., Ltd. also elected Yvonne Li as Chairman on Board Meeting dated March 17, 2010 and on board date is March 18, 2010.

(6) Operation overview of Far EasTone and affiliates:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

				Unit. In Thousands of New		W Turwun Do	nars, emess st		
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.	\$ 32,585,008	\$ 83,924,566	\$ 12,381,979	\$ 71,542,587	\$ 53,740,291	\$ 13,862,628	\$ 9,230,107	\$ 2.83	
KG Telecommunications Co., Ltd.	13,329,979	33,064,274	2,490,776	30,573,498	8,127,814	(1,352,299)	(1,094,787)	(0.82)	
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	US\$ 12,000	US\$ 4,506,179	US\$ 2,122	US\$ 4,504,057	-	-	US\$ 342,254	US\$ 285.21	
E. World (Holdings) Ltd.(British Cayman Islands)	US\$ 7,000,000	US\$ 2,601,456	US\$ 6,141	US\$ 2,595,315	-	-	US\$ 148,305	US\$ 0.02	
KGEx.com Co., Ltd.	1,124,080	1,635,842	633,058	1,022,784	1,248,741	(96,761)	(121,296)	(1.08)	
Far Eastern Tech-info Ltd. (Shanghai)	RMB20,675,000	RMB36,163,855	RMB 5,938,437	RMB 30,225,418	RMB 34,026,984	RMB 3,824,715	RMB 2,403,299	N/A	
Yuan Cing Co., Ltd.	193,500	83,257	8,597	74,660	30,521	6,459	5,378	0.28	
ARCOA Communication Co., Ltd.	1,342,800	2,109,482	639,442	1,470,040	5,331,293	79,948	108,387	0.81	
Far EasTron Holding Ltd. (British Cayman Islands)	US\$ 4,486,988	US\$ 815,573	US\$ 2,121	US\$ 813,452	-	-	US\$ 13,500	-	
Q-ware Communications Co., Ltd.	714,90	494,031	438,265	55,766	84,711	(204,650)	(230,617)	(3.23)	
ADCast Interactive Marketing Co., Ltd.	45,182	62,213	19,286	42,927	55,806	569	1,065	0.24	
Yuan Cing InfoComm Tech Co., Ltd.	1,000	1,000	7	993	-	(7)	(7)	(0.07)	

1-2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

February 1, 2010

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended 2009 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 2009 dated February 1, 2010 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, 2009 ("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 2009 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2009.

February 1, 2010

(2) Declaration for the Affiliation Report of the Company

DECLARATION FOR THE AFFILIATION REPORT OF FAR EASTONE TELECOMMUNICATIONS CO., LTD.

February 1, 2010

We hereby declare that the Affiliation Report of 2009 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, 2009.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

Ву

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, 2009

(Unit: Share, %) Parent Company Appointed Parent Company's Shareholding Directors, Supervisors or For the Control **Information** Parent Company **Managerial Officer** Reason Share Shareholding % Pledged Title Name Yuan Ding Indirect control over the Chairman Douglas Hsu 1,066,657,614 32.73 43,144,682 management of the Vice Chairman Nilsson, Nils Investment Co., personnel, financial or Jan-Erik Ltd. business operation of Champion Lee Director Far EasTone Far Eastern New Indirect control over the Century management of the Corporation personnel, financial or (Former Far business operation of Eastern Textile Far EasTone Co., Ltd.) Indirect control over the 112,002,031 Yuan Tong 3.44 72,673,872 Investment Co., management of the Ltd. personnel, financial or business operation of Far EasTone An Ho Garment 80,171,592 Indirect control over the 2.46 44,328,526 Co., Ltd. management of the personnel, financial or business operation of Far EasTone Kai Yuan Indirect control over the 100,057,031 3.07 75,784,445 International management of the Investment Co., personnel, financial or business operation of Ltd. Far EasTone

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

		Target Asset	1				Comparison		
Transaction	Name	Location Lease	Period	Туре	Rental Terms	Payment Method	with Ordinary Leasing Price Level	for This Period	Other Special Stipulations
Far Eastern New Century Corporation									
	BTS1522	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County	1997.07.15-2012.07.14	Operating		Bank remittance annually	Same	\$251	None
Leasing	BTS5341, Y1355A	· · · · · · · · · · · · · · · · · · ·	2008.11.15-2013.11.14	Operating	normal	Bank remittance monthly	Same	206	None
	•	No. 759, Yuan-Tung Section, Nei-Li Township, Tao-Yuan County	2007.05.01-2012.04.30	Operating	normal	Bank remittance monthly	Same	2,617	None
Leasing		No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County		1 0	normal	Bank remittance monthly	Same	202	None
								\$3,276	

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

Please refer the details to 2-6 of "Directors, Supervisors and Executive Management" of CH3- "Corporate Governance".

FAR EASTONE \



只有遠傳沒有距離

Far EasTone
Telecommunications Co., Ltd.
No.468,Ruei Guang Rd., Nei Hu,
Taipei, Taiwan
TEL:+886-2-7723-5000
FAX:+886-2-7723-5199
http://www.fareastone.com.tw
http://www.fetnet.net