

Far EastTone Telecommunications Co.,Ltd.

2012 Annual Report



只有遠傳沒有距離



Mobile



Broadband



Media



International
Service

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Listing of Foreign Securities / Website:

(1) **Luxemburg Stock Exchange** / www.bourse.lu

(2) **London Stock Exchange** / www.londonstockexchange.com

Contents

I	Letter to Shareholders	3
II	Company Profile	7
	1. Date of Incorporation	8
	2. Company History	8
III	Corporate Governance	11
	1. Organization Structure	12
	2. Directors, Supervisors and Executive Management	14
	3. Corporate Governance Executive Status	28
	4. CPA Audit Fee	47
	5. Information for change of CPA	48
	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	49
	7. Shareholding Transferred or Pledged by Directors, Supervisors, Management, or Major Shareholders in Recent Years until the Annual Report being Published	49
	8. The Relationship Between Top Ten Shareholders (With Major Institutional Shareholders)	
	9. Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies	51
		53
IV	Fund Utilization Status	54
	1. Capital and Shares	55
	2. Issuance of Corporate Bonds	57
	3. Preferred Shares	58
	4. Issuance of Depository Receipt	58
	5. Employee Stock Options	58
	6. New Restricted Employee Shares	58
	7. Share Issued for Merge or Acquisition	58
	8. Fund Utilization Plans and Status	59
V	Operational Highlights	60
	1. Business Activities	61
	2. Markets and Sales Overview	69
	3. Employee Information in the Recent 2 Years until the Annual Report being Published	74
	4. Environmental Protection Expenditure	74
	5. Employee Relations	74
	6. Major Contracts	76

VI	Review and Analysis of the Financial Condition, Financial Performance and Risk Management	79
	1. Financial Condition	80
	2. Financial Performances	80
	3. Cash Flow	81
	4. Key Performance Indicator, KPI	81
	5. Analysis of Major Capital Expenditure and Sources of Funding	82
	6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan	82
	7. Risk Management	83
	8. Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being Published	90
	9. Others	90
VII	Special Notes	91
	1. Affiliates Information	92
	2. Private Placement Securities in Recent Years until the Annual Report being Published	103
	3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published	103
	4. Other Supplementary Information	103
	5. Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being Published	104
VIII	Financial Information	105
	1. Condensed Financial Statement for the Recent 5 Years	108
	2. Financial Analysis for the Recent 5 Years	112
	3. 2012 Supervisors' Report	113
	4. 2012 Independent Auditors' Report, Financial Statements and Notes	148
	5. 2012 Independent Auditors' Report, Consolidated Financial Statements and Notes	

I Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

Stepping into 2013, the global economy is still uncertain, but there have been signs of recovery as a whole. Looking into the new year, FAREASTONE hopes the public power of consumption can increase and it will keep moving towards its goal of service centric, innovation and profitable growth. Despite the lackluster business environment in 2012 as a result of the international political and economic situation and the livelihood and telecom related policies, FAREASTONE continued to launch various innovative products, actively created “360-degree attentive and sincere services” and also invested heavily in the network construction, in a bid to create more superior core communication services.

Along with the rapid growth of smart devices, FAREASTONE’s combined total revenues reached NT\$86.745 billion in 2012, with a combined EBITDA (earnings before interest, taxes, depreciation and amortization) of NT\$24.36 billion as well as after-tax profits of NT\$ 10.6 billion. The EPS was NT\$ 3.25. The revenues from mobile non-voice services grew 44.3% in the full year, accounting for 29.8% in the total revenues from mobile services.

Operating performance and achievements of FAREASTONE in 2012

► *Proactively improving networks to provide faster and better services*

In view of the fast-growing smart device market, FAREASTONE has been investing heavily in network construction in recent years, in a bid to improve speed and service quality of its mobile networks. Apart from upgrading and expanding base stations, it has been building more Wi-Fi hotspots throughout Taiwan. The group will continue to upgrade its services in Taiwan to cater to different needs of customers.

► *FAREASTONE obtained the SGS service certifications for seven consecutive years and its “360-degree attentive and sincere services” won the Taiwan Service Survey 2012-Gold Award*

Two years ago, FAREASTONE took the lead to launch four major attentive services, namely “100% satisfaction and 100% commitment”, “store reservation service”, “door-to-door maintenance service for VIP customers”, and “self-service payment machine in stores”. In 2012, FAREASTONE stuck to the goal and offered advanced services including “60-minute quick maintenance”, “free Wi-Fi” and “monthly free courses”. At the same time, FAREASTONE proactively set up stores with local characteristics in shopping malls, night markets and traffic hubs. The store number of FAREASTONE, Arcoa and Data Express has come close to 900. In addition, “360-degree attentive and sincere services” was granted Taiwan Service Survey 2012-Gold Award by Commercial Times, a well-known newspaper in Taiwan.

► *Supporting Taiwan high quality software developers and expanding value-added service market across the Strait*

In order to support high quality software developers in Taiwan and enhance soft power of the cultural and creative industry, FET SMart has been active to hold the “FET Partner Conference” since its establishment, inviting software developers to share their experiences. In the third conference held in August 2012, the developers of world-renowned apps “LINE” and “Angry Birds” were invited to share their successful experience. Meanwhile, FET also tried hard to develop new value-added service. FET Video Store had been updated and launched “one-cloud and four-screen” multi-platform service, integrating smart phone, tablet, home PC and smart TV. FET eBook Town also boosted e-book earnings to new highs via O2O (online to offline) marketing activities. As for Omusic, it continued to cooperate with well-known Chinese singers to launch digital music content, which is well received by customers in both Taiwan and mainland China.

► *FAREASTONE grasps corporate cloud business opportunities with FET Super Cloud winning “cloud innovation award 2012”*

Following the eight smart services, FAREASTONE teamed up with ASUS to focus on large, medium and small-sized enterprise market and launched the “FET Super Cloud”, a corporate cloud storage service featuring flexibility, integration and security. The service won the “cloud innovation award 2012” organized by Cloud Computing Association in Taiwan and co-organized by Ministry of Economic Affairs, indicating the innovations of FAREASTONE have been recognized by the industrial, governmental and academic

communities. As the cloud business booms, FAREASTONE will proactively develop more revolutionary cloud services to expand its market landscape.

► ***The official completion of Cross-Straits Submarine Cable “Taiwan Strait Express-1” lays foundation for Taiwan to become telecommunications hub in Asia-Pacific region***

Cross-Straits Submarine “Taiwan Strait Express-1”, the first cross-strait telecommunications submarine cable between mainland China and Taiwan, was officially completed in January 2012. The cable, which directly connects FAREASTONE’s submarine cable station at Danshuei, Taiwan with Changle, Fuzhou, has become the shortest and most stable submarine cable with the most business opportunities. It will bring new business opportunities for the cross-strait telecom business in the Asia-Pacific market, and help Taiwan become a telecommunications hub in Asia-Pacific region. In addition to investing in international submarine cable construction, FAREASTONE has actively deepened its cloud and network deployment in recent years such as investing in the development of the Taipei Far Eastern Telecom Park and IDCs. Looking into the future, FAREASTONE will center on Taiwan and continuously tap other markets including Asia-Pacific region, Europe, the US, New Zealand and Australia and strengthen the quality of international telecom services and the communication platform services, maximizing the economic benefits of the submarine cable communications and cloud technology.

► ***Implementing the philosophy of “eco-fashion and creative responsibility” and sparing no efforts to reward the society***

Apart from strengthening corporate governance, FAREASTONE will strive to implement corporate social responsibility in a bid to realize the concept of business continuity and “what’s taken from the society should be given back to the society”. Since the establishment of the corporate social responsibility committee, FAREASTONE has been sticking to the philosophy of “eco-fashion and creative responsibility”. According to industrial resources and creative ideas, it launched the “Green Kung-Fu” campaign and designed a special APP to invite the public to shoot environment protection practices in daily life anytime and anywhere and upload them for competition. FAREASTONE fully demonstrated humanistic care by making the best of its communications technology strength, together with environmental awareness. FAREASTONE’s first corporate social responsibility report was awarded the Outstanding Newcomer Award of the 2012 Taiwan Corporate Sustainability Report Awards by Taiwan Institute for Sustainable Energy (TAISE).

FAREASTONE Operation Status Quo and Strategic Planning for 2013

► ***FAREASTONE pledges to provide top-notch ICT and digital application services***

Amid the ever-changing global mobile communication market where the smart mobile devices are gaining popularity and driving the development of app services and cross-platform integration services, FAREASTONE will uphold its vision of “FET Connects and Enriches Life” and keep its commitments of “Always exceeding customer expectation thru innovation and passion, Becoming the first choice of employee, Maximizing shareholder value, Driving community engagement and environment sustainability” to meet the diversified demands of customers and fulfill its mission of

To best integrate Communication services, Information Technology & Digital applications with footprint in and beyond Taiwan.

► ***Key to stable growth lies in integration, innovation and foresight***

Looking ahead, FAREASTONE will continue to go from strength to strength, develop more creative products and push ahead the development of forward-looking industries through persistent optimization of network construction, exploration of business opportunities in cloud computing industry, vertical integration of ICT industry and deepening into the telecommunications market for household users. FAREASTONE is presently expanding corporate user base and value-added services as part of its efforts to foray into the burgeoning Chinese market. It will continue to take an “re-think, re-built, and re-invent” attitude in the future to ensure stable growth amid multiple challenges.

► ***People-oriented; put priority on talent training and strengthen core competence***

Facing the rapid development and rat race in the telecom sector, FAREASTONE believes that only talents can help an enterprise consolidate its competitive edge and leading position in the fast-changing business environment, and only a favorable environment can retain talents. So the company will focus on recruiting talents with integrated service and all-round thinking capabilities in the future. With respect to the talent

training, the company will put the priority on cultivating key talents, managerial talents and specialized talents in terms of operational strategies, corporation value, core function as well as telecom industry development. The company expects to establish a far-reaching talent output program to reinforce its core competence through a well-established welfare system, full-range skill training scheme and transparent communication channel.

Looking into 2013, FAREASTONE will uphold its spirit of profession, enthusiasm, sincerity and friendliness to be a company that not only provides quality telecommunication services, but also strives to meet customers' highest expectations, shoulders corporate social responsibility and pursues sustainable development. Our company attaches great importance to the commitments to brand spirit and value as well as aspires to offer high-quality network services, first-rate customer services, best user experience and excellent corporate solutions, so as to win a leading position on the market, enhance users' loyalty, boost corporate growth and maximize shareholder value.

Last but not least, we would like to thank you all again, very sincerely, and hope you could continue to support and encourage us. Wish you good health and all the best.



Douglas Hsu
Chairman



Yvonne Li
President

Company Profile

1. Date of Incorporation
2. Company History

1. Date of Incorporation

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

2. Company History

2-1. Milestones:

- 1997/01 Awarded two licenses from MOTC to provide GSM1800 services island-wide and GSM900 services in the northern region of Taiwan
- 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
- 2002/02 Awarded the Best Corporate Wireless Service for Application by the GSM World Congress for its innovative solution-Fleet Management
- 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, creating Taiwan's largest mobile operator in the private sector
- 2004/06 Issued GDR and became Taiwan's first telecom operator to be successfully listed on European stock market
- 2005/02 Obtained a 55.3 % stake in handset chain store ARCOA
- 2005/04 First domestic telecommunications operator to be certified as compliant with the international BS 7799 Information Security Management Systems standard
- 2005/07 Launched 3G multimedia services, becoming the first 3G WCDMA 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
- 2006/04 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
- 2007/07 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
- 2008/04 Awarded the "Corporate Social Responsibility top 50" by the Global Views Magazine and the "Trusted Brand Award" by the Reader's Digest
- 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
- 2008/12 Awarded 1st place among telecommunications companies in Global Views Magazine's Top 10 Service Companies in 2008
- 2009/04 FET and China Mobile announced strategic cooperation agreement and share subscription agreement
- 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 FET started WiMAX operations in Taichung city
- 2010/05 FET made the first cloud service center of green energy IDC in Taiwan

2010/06	Acquired remaining stake in NCIC through Yuan Cing Infocomm Tech, its wholly-owned subsidiary
2011/01	FET set a precedent to build the first submarine cable of cross-strait with China Unicom Limited
2011/09	Strategic alliance between the world's largest mobile alliance – Vodafone Group and Conexus Mobile Alliance, of which FET is a member
2011/10	FET “bella” App was awarded the 5th GTA for being the best value-added service
2012/01	FET was laurelled with Corporate Governance Asia's four awards- Best Investor Relations Website / Promotion, Best Investor Relations Company, Taiwan, Asia's Best CEO and Asia's Best CFO
2012/01	The online edition of FET's first CSR report, which was based on the concept of “eco-fashion and creative-responsibility”, was published, signaling that FET is marching towards a direction of combining corporate sustainable development with social responsibility
2012/05	FET was awarded seven prizes in the 12th FinanceAsia Asia's Best Company, including Best managed company, Best corporate governance, Best investor relations, Best corporate social responsibility, Most committed to a strong dividend policy, Best CEO and Best CFO
2012/06	FET was awarded the Top 10 of INFO TECH 100 Taiwan and INFO TECH 100 Asia by “Business Next” magazine
2012/07	FET is committed to creating reliable mobile life and its accounting service passed the ISO 9001 Quality Certification of the world renowned Swiss firm, SGS. It is the only telecom operator in Taiwan to be awarded this certification
2012/09	FET allied with ASUS to launch “FET Super – Cloud”, a cloud storage service that provides enterprise clients with one-step cloud-to-end integrated technology and flexible service mode. It realizes the vision of seamless connection between work environments and creates business opportunities in enterprise cloud
2012/11	FET's first CSR Report (Corporate Social Responsibility Report) was awarded the Outstanding Newcomer Award of the 2012 Taiwan Corporate Sustainability Report Awards by Taiwan Institute for Sustainable Energy (TAISE)
2013/01	Taiwan Strait Express-1 (TSE-1) was completed by six Telecommunications between Taiwan and China. The express lands on ground from our expression station in Danshui to link up both sides of the Taiwan Strait with this co-construction station and minimize the distance of communication worldwide and across the strait
2013/04	FET signs a Business cooperation framework agreement with China Mobile Limited

2-2. Status of Acquisitions

To acquire NCIC to be a 100% subsidiary of FET

In preparation for the era of service convergence, the integration of fixed-line and mobile communications has been a long term strategy for FEGTS, and in order to provide more complete telecom service to consumers and even to reach the long term synergy in operating cost, the Company decided to acquire NCIC by tender offer via the subsidiary Yuan Cing Infocomm Tech Co., Ltd. (“YCIC” hereafter) and then continue to conduct two-stage M&A to achieve the ultimate target to acquire NCIC as 100% shareholding subsidiary after strategic evaluation.

A. YCIC acquires NCIC via tender offer :

YCIC was resolved by Board Meeting dated June 25, 2010 to acquire NCIC common shares via tender offer with NT\$10.93 per share. Until the tender offer expiration date, August 16, 2010, YCIC has acquired 1,762,945,436 shares of NCIC. After added 695,096,070 shares which the Company originally holds, the Company and its subsidiary YCIC totally owned 94.56% of NCIC issued shares after tender offer.

B. NCIC conducts share exchange with YCIC :

The subsidiary YCIC and NCIC were resolved by Board Meeting dated August 31, 2010 and Special Shareholders' Meeting dated October 5, 2010 respectively to conduct share exchange in accordance with Article 29 of Enterprise Merger and Acquisition Law. The exchange ratio is set as 1:1. The share exchange has been completed smoothly on the share exchange record date January 17, 2011 and the Company also obtained the corporate information registration amendment by MOEA with MOEA official letter no. 10001022430 on February 16 of the same year. After the share exchange, all original shareholders of NCIC (except YCIC) have transferred to shareholders of YCIC. YCIC holds NCIC up to 100%.

C. FET conducts cash merger with YCIC :

After aforementioned share exchange, the Company holds YCIC (after capital increase) shareholding up to 93.95%. Therefore, the Company and YCIC were resolved by each Board Meeting dated February 23, 2011 to conduct short form merger pursuant to Article 19 of Enterprise Merger and Acquisition Law. FET will become the surviving company and YCIC will be dissolved. The merger consideration was set as NT\$10.93 per share. The cash merger had been completed on merger record date March 1, 2011. The Company also obtained the corporate information registration amendment by MOEA with MOEA official letter No.10001053040 on March 22, 2011 of the same year. After this stage, NCIC has become a 100% shareholding subsidiary of the Company.

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

2013/3/31; 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.	254,239,581	39.42
Ding Ding Integrated Marketing Service Co., Ltd.	1,725,000	15.00
Far EasTron Holding Ltd.	4,486,988	100.00
Q-ware Communications Co., Ltd.	33,982,812	81.46
New Century InfoComm Tech Co., Ltd.	2,599,448,983	100.00
KGEx.com Co., Ltd.	112,375,356	99.97
iScreen Corporation	4,000,000	40.00
O music Co., Ltd.	2,500,000	50.00
Far Eastern Electronic Commerce Co., Ltd.	4,202,000	13.98
Yuan Cing Co., Ltd.	19,349,995	99.99
Yuan Hsin Digital Payment Co., Ltd.(Note 1)	9,000,000	-

Note1: The Company has not been established until Mar. 31, 2013.

2-4. Status of the Reorganization of the Company 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 and Company 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 not more than 444,341,020 common shares of the Company. Total consideration upper limit was tentatively set approximately NT\$ 17.7736 billion, or equivalent to a tentative price of NT\$ 40 per share. Aforementioned private placement has been approved to complete within one year by 2009 shareholders' meeting dated June 16, 2009. However, as current regulations had not permitted the consummation of the contemplated transaction, the private placement had not completed yet. At the time since the one-year period for private placement expired in succession, it had been re-proposed to the Board of Directors in Year 2010, 2011 and 2012 Shareholders' Meeting to approve the one-year rollover again.

The private placement resolution submitted to and approved by the annual general meeting of shareholders in 2012 will expire on June 12, 2013. As Taiwan laws and regulations have not yet permitted China investors to invest in Type I Telecommunications Enterprise, such private placement cannot be completed prior to such deadline. The Share Subscription Agreement signed by and between FET and China Mobile Limited on April 29, 2009 has been terminated due to lack of certain conditions precedent to the obligations under the Share Subscription Agreement, and as a result, the Strategic Cooperation Agreement executed between both parties on the same date has not come to effect and lost its effectiveness.

In order to meet the needs for the development of telecommunication business in China, Hong Kong and Taiwan, FET has established closed business cooperation relationship with China Mobile Limited. FET expects that, following the improvement of techniques and various needs of the customers, the needs for more and better telecommunication products will increase. FET will continue extensively exchanging and exploring the new fields, products and contents of telecommunication business development with China Mobile Limited. FET has signed a Business cooperation framework agreement with China Mobile Limited on April 18, 2013 and agreed that FET and China Mobile Limited will continue exploring opportunities for long-term extensive cooperation between both parties in various fields of mobile communication business, and after the Taiwan laws and regulations permit investment in Type I Telecommunications Enterprise by China investors, both parties may reconsider the possibility of equity cooperation.

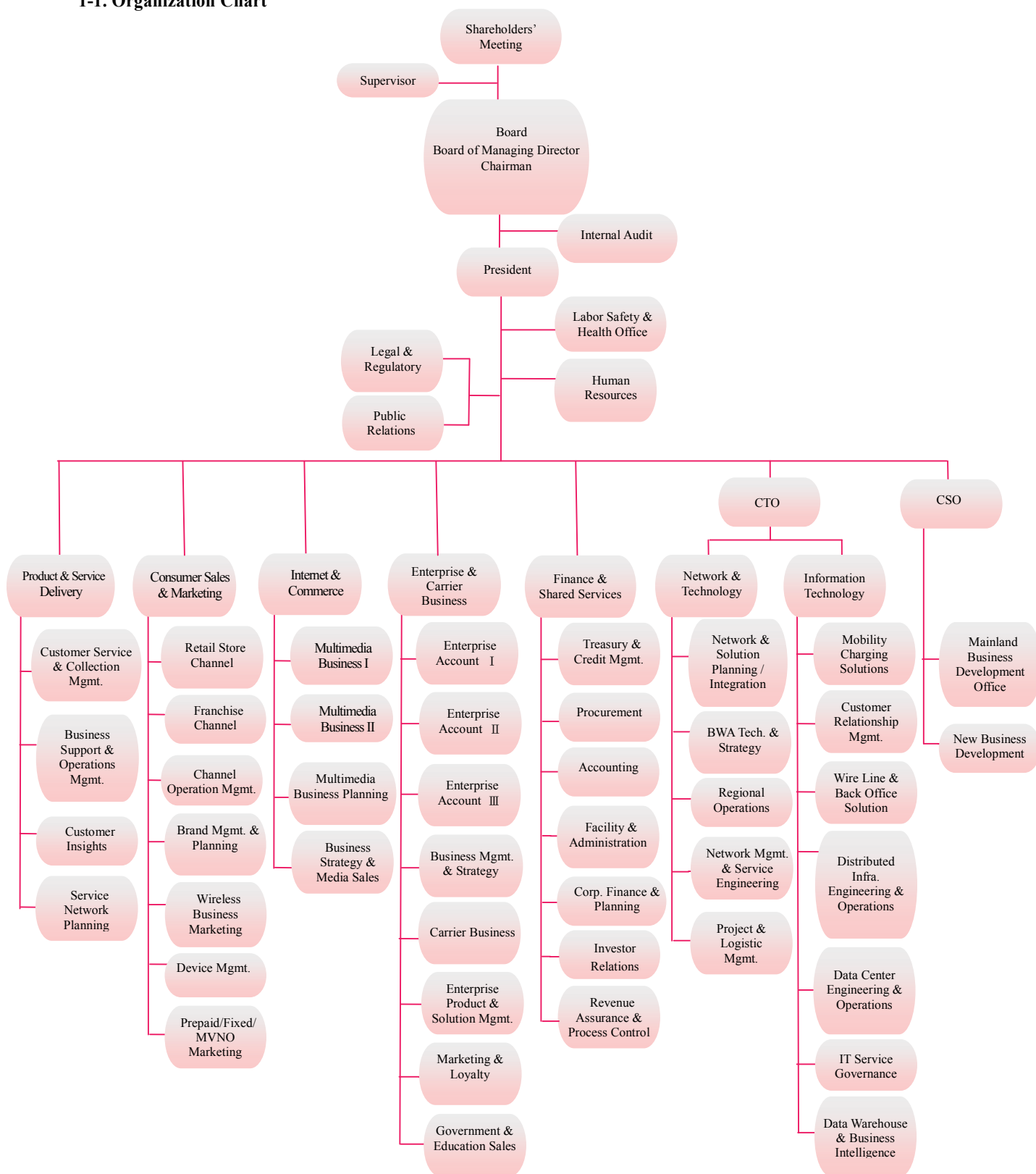
Far EasTone Telecommunications Co.,Ltd.
Annual Report 2012

 Corporate Governance

1. Organization Structure
2. Directors, Supervisors and Executive Management
3. Corporate Governance Executive Status
4. CPA Audit Fee
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, or Major Shareholders in Recent Years until the Annual Report being Published
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1. Organization Structure

1-1. Organization Chart



1-2. Roles and Responsibilities

2013/4/30

Department	Name	Title	Job Description
President Office	Yvonne Li	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 and corporate image promotion.
Human Resources	Joann Chang	Vice President	Responsible for Human Resources Management, Human Resources Development, Compensation & Benefits Management, Employee Services, Employee Relations and Human Resources Information System with Payroll Administration.
Product & Service Delivery	Eton Shu	Executive Vice President	Responsible for the logistic support to consumer mobility services, the development & enabling of all new services & products, and customer services planning.
Consumer Sales & Marketing	Maxwell Cheng	Executive Vice President and Chief Sales & Marketing Officer	Responsible for developing and managing channels and consumer marketing as well as all merchandizing in branded stores.
Internet & Commerce	Charlene Hung	Executive Vice President	Responsible for creating synergy on eCommerce and developing business opportunities.
Enterprise & Carrier Business	Mike Lee	Executive Vice President	Responsible for the business (ICT) planning & sales of Enterprise BU, customer relationship management, also define the operation strategies for Carrier function.
Finance & Shared Services	T.Y. Yin	Executive Vice President & CFO	Responsible for finance, accounting, investor relations, procurement, process control and general administration.
CSO Office			Responsible for strategic alliance & business development.
CTO Office	Jeffrey Gee	CSO & CTO	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	Magdalena Lin	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.
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



2013/4/15

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Douglas Hsu, Representative of Yang Ding Construction Company	2012/6/13	3	2003/5/23 *1997/4/11	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0	0 *0	0 *0	0 *0	0 *0	M.S., Economics, Columbia University, USA; Honor Ph. D., Management, 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. Vice Chairman of Far Eastern International Bank	Director Director	Peter Hsu Johnny Shih	Brother Brother-in-law
Managing Director	Jan Nilsson, Representative of Yang Ding Investment Co., Ltd.	2012/6/13	3	1997/4/11 *2003/5/26	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	Vice Chairman of Far Eastone Telecommunications Co., Ltd.; President of Far Eastone Telecommunications Co., Ltd.; Sr Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linköping University, Sweden	Director of Far Eastern Electronic Toll Collection Co., Ltd. Chairman of Far EastTron Holding Ltd.	None	None	None

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Managing Director & Independent Director	Lawrence Juen-Yee LAU	2012/6/13	3	2005/5/20	0	0	0	0	0	0	0	0	Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University; Vice-Chancellor (President) of The Chinese University of Hong Kong; B.S. in Physics and Economics, Stanford University; M.A. and Ph.D. in Economics, University of California at Berkeley	Chairman of CIC International (Hong Kong) Co., Limited; Landau Professor of Economics, the Chinese University of Hong Kong; Vice Chairman of CITIC Capital Holdings Limited in Hong Kong; Non-executive Director of CNOOC Limited in Hong Kong; Non-executive Director of Semiconductor Manufacturing International Corporation in Hong Kong	None	None	None
Independent Director	Kurt Roland Hellström	2012/6/13	3	2005/5/20	0	0	0	0	0	0	0	0	President and CEO of Ericsson Group; M.S. Electronics, Royal Institute of Technology; MBA, Stockholm School of Economics	Director of the Swedish Trade Council (Sweden) and the European Institute for Japanese Studies (Sweden); Director of International Advisory Board of Altimio (Russia)	None	None	None
Director	Champion Lee, Representative of Yang Ding Investment Co., Ltd.	2012/6/13	3	1997/4/11 *1997/4/11	1,066,657,614 *58	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	MBA, Texas A&I University, USA; President of Yang Ding Co., Ltd.; Sr. VP of Far Eastern New Century Corporation	Supervisor of Far Eastern New Century Corporation; Supervisor of Asia Cement Co., Ltd.; Director of U-Ming Marine Transport Corp.	None	None	None
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	2012/6/13	3	2012/6/13 *1997/4/11	919,653 *0	0.03 *0	919,653 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	M.S. Operations Research, Stanford University, USA; Vice President of Ding & Ding Management Consultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Supervisor of U-Ming Marine Transport Corp.	Chairman	Douglas Hsu Johnny Shih	Brother-in-law
Director	Johnny Shih, Representative of Yang Ding Construction Company	2012/6/13	3	2003/5/23 *2006/5/26	4,163,500 *235,017	0.13 *0.01	4,163,500 *235,017	0.13 *0.01	0 *184,466	0 *0.01	0 *0	0 *0	M.S., Computer Science, Columbia University, USA; Director of Far Eastern International Bank	Vice Chairman of Far Eastern New Century Corporation; Vice Chairman of Oriental Union Chemical Corp.; Chairman of Everest Textile; Director of Asia Cement Co., Ltd.	Chairman	Douglas Hsu Peter Hsu	Brother-in-law Brother-in-law
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd.	2012/6/13	3	1997/4/11 *2008/1/10	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	Postgraduate Diploma in Business Administration, University of Singapore; Chief Operating Officer, SingTel Group	None	None	None	None
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	2012/6/13	3	2012/6/13 *2010/7/26	331,000 *0	0.01 *0	331,000 *0	0.01 *0	0 *0	0 *0	0 *0	0 *0	LL.B. Waseda University, Tokyo, Japan	Executive Director, Global Business Division, NTT DoCoMo	None	None	None
Independent Supervisor	Chen-en Ko	2012/6/13	3	2005/5/20	0	0	0	0	0	0	0	0	Dean, College of Management, National Taiwan University; Chairman, Corporate Governance Association in Taiwan; Doctor of Accounting, of University of Minnesota	Independent Director of E. Sun Financial Holding Co., Ltd.; E. Sun Bank; Chang Type Industrial Co., Ltd. and Novatek Co., Ltd.	None	None	None
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	2012/6/13	3	2000/12/28 *1997/4/11	26,650,908 *0	0.82 *0	26,650,908 *0	0.82 *0	0 *0	0 *0	0 *0	0 *0	Vice President of Citibank; B.S., Economics, National Chung Hsing University	Director & President of Far Eastern International Bank	None	None	None

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	C.K. Ong, Representative of Asia Investment Corp.	2012/6/13	3	2006/5/26 *2012/6/13	986,303 *0	0.03 *0	986,303 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	Business administration, Nanyang Technological University, Singapore	President of U-Ming Marine Transport Co., Ltd. President of U-Ming Marine Transport Co., Ltd.(Singapore)	None	None	None

*Number of shares and percentage of shares held currently and first election date by the individual

2-2. Information of Directors and Supervisors

2012/12/31

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

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 third degree of kinship, of any the persons in the preceding three subparagraphs.

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

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

(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.(Unless the member of remuneration committee who has exercised the Article 7 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"

(8) Not 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

2012/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.40%)、Ta Juh Chemical Fibers Co., Ltd. (0.3%)、An Ho Garment Co., Ltd. (0.3%)
Yuang Ding Construction Company	Far Eastern New Century Corporation(37.13%)、Asia Cement Co., Ltd.(35.50%)、Der Ching Investment Corp. (14.50%)、Yuang Ding Investment Co., Ltd.(12.86%)、Yu Ming Trading Co., Ltd.(0.002%)、Far Eastern Department Store Co., Ltd.(0.001%)、Douglas Hsu(0.001%)
Ding Yuan International Investment Corp.	Far Eastern New Century Corporation (100%)
U-Ming Marine Transport Corp.	Asia Cement Co., Ltd. (38.66%)、Fund of Labor Insurance (2.63%)、Nan Shan Life Insurance Co., Ltd (1.50%)、Public Service Pension Fund Management Board (1.43%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (0.96%)、Yue Yuan Investment Corp. (0.93%)、Asia Investment Corp.(0.91%)、Ya Li Transportation Co. Ltd. (0.74%)、Peter Company account in the custody of HSBC (Taiwan) Commercial Bank (0.72%)、Yuang Ding Investment Co., Ltd. (0.62%)
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%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C. and disclosure details of each company.

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

2012/12/31

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%)、Taiwan Post Co., Ltd.(2.36%)、Shin Kong Life Insurance Co., Ltd.(1.77%)、Douglas Hsu(1.75%)、China Trust Commercial Bank as Trustee for Asia Cement Co. Ltd.(DPM)(1.46%)、Der-Ching Investment Corp.(1.44%)
Ta Juh Chemical Fibers Co., Ltd.	Yuang Ding Investment Co., Ltd. (41.86%)、Yue Ding Industry Co., Ltd.(38.76%)、Yue Li Investment Corp.(19.38%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation (100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation(22.33%)、Far Eastern Medical Foundation(5.40%)、Yue Yuan Investment Corp.(5.3%)、Fubon Life Insurance Co., Ltd. (3.21%)、Far Eastern Department Stores Co., Ltd.(1.81%)、Cathay Life Insurance Co., Ltd. (1.71%)、Nan Shan Life Insurance Co., Ltd (1.62%)、Fund of Labor Insurance(1.52%)、Yuan-Ze University(1.41%)、Bai-Ding Investment Co., Ltd.(1.39%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd. (99.99%)、Asia Investment Corp. (0.001%)、Peter Hsu (0.001%)
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.40%)、Ta Juh Chemical Fibers Co., Ltd. (0.3%)、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 Construction Company(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%) Citi(Taiwan) Bank in custody for Government of Singapore (2.51%)、Yuan Tong Investment Co., Ltd (2.42%)、The committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (2.19%)、Chunghwa Post Co., Ltd. (2.15%)、Yu Yuan Investment Co., Ltd (2.02%)、Kai Yuan International Investment Co., Ltd. (1.35%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.27%)
Nan Shan Life Insurance Co., Ltd	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (83.11%)、Ruen Chen Investment Holding Co., Ltd. (7.55%)、Y. T. Du (3.25%)、Taishin International Bank Trustee Account For Nan Shan Life Insurance Co., Ltd. (2.07%)、Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%)、Ruentex Leasing Co., Ltd. (0.15%)、Boon-Teik Koay (0.11%)、Chi-Pin Investment Company (0.11%)、Pou Chi Investments Co., Ltd. (0.05%)、Pou Yih Investments Co., Ltd. (0.05%)、Pou Huei Investments Co., Ltd. (0.05%)、Pou Hwang Investments Co., Ltd. (0.05%)、Walter H.C. Chang (0.0001%)、Stan Shih (0.00007%)、Philip T.C. Fei (0.00005%)
Yue Yuan Investment Co., Ltd	Asia Cement Co., Ltd.(29.92%)、Yuan Ding Construction Company. (25.02%)、Yuan Ding Investment Company (18.96%)、U-Ming Marine Transport Corp. (17.66%)、Ding Shen Investment Co., Ltd. (6.50%)、Yu Tung Investment Co., Ltd.(1.84%)、Yue Ding Industry Co., Ltd. (0.1%)
Asia Investment Corp.	Asia Cement Co., Ltd.(100%)
Ya Li Transportation Co. Ltd.	Asia Cement Co., Ltd.(49.39%)、Yue Yuan Investment Corp.(40%)、Ding Yuan International Investment Corp.(10%)、T.H. Chang(0.14%)、Y.F. Chang(0.14%)、C.K. Chang(0.14%)、Z.P. Chang(0.1%)、K.Y. Lee(0.1%)
Bai-Yang Investments Corp.	Far Eastern Department Stores Co., Ltd.(100%)
Kai Yuan International Investment Corp.	Far Eastern New Century Corporation (100%)

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuan Ding Leasing Co., Ltd	Yuang Ding Investment Co., Ltd.(46.20%)、Asia Cement Co., Ltd.(43.60%)、Far Eastern Department Stores Co., Ltd.(9.20%)、Yue Yuan Investment Corp.(1%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C. and disclosure details of each company

2-5. Executive Management

2013/4/15

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Yvonne Li	2010.9.10		0.00%		0.00%		0.00%	VP of Citibank Taiwan; CFO of Far Eastone Telecommunications Co., Ltd.; CCO of Far Eastone Telecommunications Co., Ltd.; M.S., Accounting, University of Illinois at Urbana-Champaign	Supervisor of Oriental Union Chemical Corp. Chairwoman of Far Eastern Info Service (Holding) Ltd. Chairwoman of Far Eastern Tech-info Ltd.(Shanghai) Chairwoman of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd. Director of New Century InfoComm Tech Co., Ltd. Director of O music Co., Ltd. Chairwoman of Far Eastern Electronic Commerce Co., Ltd.	None	None	None
CSO & CTO	Jeffrey Gee	2010.9.10		0.00%		0.00%		0.00%	VP of KG Telecom; M.S., Computer Science, New York State University	Director & President of New Century InfoComm Tech Co., Ltd. Chairman & President of KGEx.com Co., Ltd. Director of Q-ware Communications Co., Ltd. Chairman of New Diligent Co., Ltd. Chairman of Simple InfoComm Corporation Chairman of iScreen Corporation Director of Information Security Service Digital United, Inc. Director of O music Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Chairman of Digital United (Cayman) Ltd. Director of FarEastern New Diligent Company Ltd. Chairman of Far Eastern New Century Information Technology (Beijing) Limited Chairman of Digital United Information Technology(Shanghai) Co., Limited	None	None	None
Executive VP, Product & Service Delivery	Eton Shu	2010.7.1		0.00%		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 O music Co., Ltd. Chairman of Yuan Cing Co., Ltd. Director of Far Eastern New Century Information Technology (Beijing) Limited	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive VP and Chief Sales & Marketing Officer, Consumer Sales & Marketing	Maxwell Cheng	2013.1.1	1,018	0.00	0	0.00	0	0.00	Manager of Nestle Taiwan Group; M.S., Marketing, University of Michigan	Director of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd.	None	None	None
Executive VP, Internet & Commerce	Charlene Hung	2012.06.01	0	0.00	0	0.00	0	0.00	VP, Amazon.com MBA, University of Taiwan.	Director of O music Co., Ltd.	None	None	None
Executive VP, Enterprise & Carrier Business	Mike Lee	2012.05.01	0	0.00	0	0.00	0	0.00	President of Far Eastern Electronic Toll Collection Co., Ltd. M.S., E.E., SUNY at Stony Brook.	Chairman of Sino Lead Enterprise Limited Director of New Diligent Co., Ltd. Chairman of Information Security Service Digital United, Inc. Director of FarEastern New Diligent Company Ltd. Manager of Far EasTone Telecommunications Co., Ltd. System Integration Branch Office	None	None	None
Executive VP & CFO, Finance & Shared Services	T.Y. Yin	2010.3.15	0	0.00	0	0.00	0	0.00	CFO of KG Telecom; Finance Director of Dell Inc.; M.S., Business Administration, Indiana University, USA	Chairman of YDT Technology International Company Supervisor of KGEx.com Co., Ltd. Supervisor of iScreen Corporation Supervisor of O music Co., Ltd. Supervisor of Yuan Cing Co., Ltd. Supervisor of New Century InfoComm Tech Co., Ltd. Supervisor of Ding Ding Integrated Marketing Service Co., Ltd. Supervisor of New Diligent Co., Ltd. Supervisor of Simple InfoComm Co., Ltd. Supervisor of Information Security Service Digital United, Inc. Supervisor of Digital United Information Technology Co., Ltd. (Shanghai) Director of Digital United (Cayman) Ltd. Director of FarEastern New Diligent Company Ltd. Director of Far Eastern New Century Information Technology (Beijing) Limited Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai) Supervisor of Far Eastern Electronic Toll Collection Co., Ltd.	None	None	None
Executive VP, NT	Herman Rao	2008.2.1	16,682	0.00	0	0.00	0	0.00	Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University	None	None	None	None
Executive VP, IT	Magdalena Lin	2010.7.16	0	0.00	0	0.00	0	0.00	Practice Partner of Teradata Inc., Taiwan; B.S., Commercial Mathematics, Providence University	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chief Auditor, Internal Audit	Jennifer Liu	2009.5.1	0	0.00	0	0.00	0	0.00	Special Assistant to Chairman, Far Eastern 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	0.00	Prosecutor of Prosecutors Office; Lawyer of Lee and Li; Judge of Taipei District Court; B.S., Department of Law, National Taiwan University	Director of KGEx.com Co., Ltd. Director of Yuan Cing Co., Ltd.	None	None	None
VP, HR	Joann Chang	2011.11.7	0	0.00	0	0.00	0	0.00	VP of HR of IBM; M.S., HR, Cornell University, USA	None	None	None	None
VP, Product & Service Delivery	Jessica Sung	2009.5.1	0	0.00	0	0.00	0	0.00	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	President of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, Consumer Sales & Marketing	Samuel Yuan	2003.7.1	0	0.00	65	0.00	0	0.00	Director of Alive Networks; B.S., Financial Analysis & Management Information Systems, State University of New York	Director of Yuan Cing Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	Belinda Chen (Note 1)	2013.4.1	5,070	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois	Director of Q-ware Communications Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	Sharon Chao	2009.5.1	9,000	0.00	0	0.00	0	0.00	Account Director of Lintas Taiwan; B.S., English Literature of Tamkang University	None	None	None	None
VP, Consumer Sales & Marketing	Brian Chao (Note 2)	2013.4.1	0	0.00	0	0.00	0	0.00	Sales Supervisor of Shin Kong Life Insurance Co., Ltd.; B.S., Accounting, Feng Chia University	Director of DataExpress Infotech Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	Jessie Teng	2010.3.1	0	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University	Director of ARCOA Communications Co., Ltd.	None	None	None
VP, Internet & Commerce	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	Director of iScreen Corporation	None	None	None
VP, Enterprise & Carrier Business	PL Chiang	2010.10.5	0	0.00	2,073	0.00	0	0.00	Manager, Software Development, Siemens Limited; VP of New Century InfoComm Tech Co., Ltd.; Master of Computer Science, University of Southern Mississippi	Director of KGEx.com Co., Ltd. Director of New Diligent Co., Ltd. Director of Simple InfoComm Co., Ltd.	None	None	None
VP, Enterprise & Carrier Business	Eric Li	2010.10.5	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; VP of New Century InfoComm Tech Co., Ltd.; Master of Information Management, National Sun Yat-Set University	Director of Digital United Information Technology Co., Ltd. (Shanghai) Director of DataExpress Infotech Co., Ltd. Director of Information Security Service Digital United, Inc.	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
VP, Enterprise & Carrier Business	Johnson Hsieh	2010.10.5	0	0.00	0	0.00	0	0.00	VP of SaveCom International Inc.; VP of New Century InfoComm Tech Co., Ltd.; MBA of Business Administration, Murdoch University, Australia	Director of Simple InfoComm Co., Ltd.	None	None	None
VP, F&SS	Sharon Lin	2007.7.1	11,076	0.00	0	0.00	0	0.00	Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin	Supervisor of ARCOA Communications Co., Ltd. Supervisor of Q-ware Communications Co., Ltd.	None	None	None
VP, F&SS	David Tsai	2005.7.1	0	0.00	0	0.00	0	0.00	Manager of U-Ming Marine Transport Corp.; EMBA of Yuan-Ze University	Supervisor of ARCOA Communications Co., Ltd.	None	None	None
VP, NT	James Lee	2007.7.1	676	0.00	0	0.00	0	0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University	None	None	None	None
VP, NT	Bruce Yu (Note 3)	2013.4.1	0	0.00	0	0.00	0	0.00	Telecom engineer of Siemens Telecom Systems Ltd.; B.S., Computer Science, National Chiao Tung University	None	None	None	None
VP, NT	James Lin	2012.4.1	0	0.00	0	0.00	0	0.00	Director of DBTEL; B.S., Electronic Engineering, National Taiwan University of Science and Technology	None	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	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, New Business Development	Dick Lin	2011.2.14	0	0.00	0	0.00	0	0.00	Regional General Manager of UTStarcom Inc.; Master of The Grand Canyon University	President of Q-ware Communications Co., Ltd.	None	None	None
VP	Charlene Lin	2010.10.5	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; VP & CFO of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, National Taiwan University	Chairwoman of DataExpress Infotech Co., Ltd.	None	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	Alison Kao	2005.10.24	0	0.00	0	0.00	0	0.00	Spokesperson of Core Pacific City Living Mall; Public Affairs Manager & Spokesperson, Carrefour; MBA, Long Island University, NY, USA	None	None	None	None
Director, Product & Service Delivery	Amanda Huang	2010.2.1	0	0.00	0	0.00	0	0.00	Researcher of Sheng Ho Securities; M.S., Management science, National Chiao Tung University	None	None	None	None
Director, Product & Service Delivery	Scott Chuang	2008.10.1	0	0.00	0	0.00	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	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director, Consumer Sales & Marketing	Roger Lin	2010.2.1	0	0.00	0	0.00	0	0.00	Sales Representative of Carrier Corporation, Taiwan; Environmental Engineering in Vanung Institute of Technology	None	None	None	None
Director, Consumer Sales & Marketing	Andy Kuo	2010.2.1	0	0.00	0	0.00	0	0.00	Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College	None	None	None	None
Director, Internet & Commerce	Marvin Lee	2013.04.01	0	0.00	0	0.00	0	0.00	RD, JDisc MBA., National Cheng Kung University	None	None	None	None
Director, Internet & Commerce	Richard Chang	2013.03.25	772	0.00	0	0.00	0	0.00	Chief Director, Asia Pacific Telecom M.S., Institute of Traffic and Transportation	None	None	None	None
Director, Internet & Commerce	Janice Chang	2013.01.01	0	0.00	0	0.00	0	0.00	Senior manager, Far East Shopping Centre planning headquarter MBA, Warwick Business School (UK)	None	None	None	None
Director, Enterprise & Carrier Business	Johnny Wang	2010.10.5	0	0.00	695	0.00	0	0.00	Special assistant to CEO of Chii Yan Electronic Technology Co., Ltd.; Director of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, TungHai University	None	None	None	None
Director, Enterprise & Carrier Business	Mark Lee	2011.10.1	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; B.S., Information Technology of Chung-Yuen University	None	None	None	None
Director, Enterprise & Carrier Business	Andy Kuo	2011.10.1	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; Department of Architecture of Chinese Junior College of Industrial and Commercial Management	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; PHD of Economics, Nankai University, China	None	None	None	None
Director, F&SS	Jason Chen	2011.6.1	0	0.00	0	0.00	0	0.00	Manager of KG Telecom Co., M.S., E.E., Polytechnic University	None	None	None	None
Director, F&SS	Ann Chang	2006.1.1	13,352	0.00	0	0.00	0	0.00	Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University	Supervisor of DataExpress Infotech Co., Ltd.	None	None	None
Director, F&SS	Gary Lai	2010.7.1	0	0.00	0	0.00	0	0.00	Director of MrTaiwan.com; Finance Master of George Washington University	None	None	None	None
Director, NT	Tony Wang	2003.3.1	0	0.00	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	0	0.00	Senior consultant, NCR; M.S., Computer Science, East Texas State University	Director of KGEx.com Co., Ltd.	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director, IT	Leon Li	2004.1.1	0	0.00%	0	0.00%	0	0.00%	Manager of KG Telecom; M.S., Computer Science, Monmouth University	None	None	None	None
Director, IT	George Chiu	2012.4.1	0	0.00%	25	0.00%	0	0.00%	Engineer of Hitachi Asia (Taiwan) Co., Ltd.; M.S., Information Management, University of Wisconsin-Madison	None	None	None	None
Director, IT	Andy Weng	2102.04.16	308	0.00%	0	0.00%	0	0.00%	Senior Director, TDC US Electronic Computer Science, Soochow University	None	None	None	None
Director, IT	D.J. Chen	2007.9.1	0	0.00%	0	0.00%	0	0.00%	General of Taiwan Mobil Communication; M.S., Computer Science, California State University	None	None	None	None
Director, IT	James Chen	2005.4.14	0	0.00%	0	0.00%	0	0.00%	Engineering Supervisor of Fujitsu Corp.; Engineering Dept., Da Hwa University,	None	None	None	None
Director, IT	Iris Su	2004.1.1	43,246	0.00%	0	0.00%	0	0.00%	Manager of KG Telecom; M.S., Computer Information System, Arizona State University	None	None	None	None

Note : The Company has not issued employee stock options.

Note 1: Who was promoted on Apr. 1, 2013.

Note 2: Who was promoted on Apr. 1, 2013.

Note 3: Who was promoted on Apr. 1, 2013.

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

Remuneration to Directors

2012/12/31; NTS'000

2012/12/31, RMB 000																								
Title	Name	Remuneration to Directors										Remuneration to employees											Other remuneration from investment business except subsidiary	
		Compensation (A)		Pension Fund (B)		Remuneration paid from distribution of earnings (C)(Note 1)		Operating allowance (D) (Note 2)		(A+B+C+D) Percentage of net income after tax (%)		Salary, bonus, special allowance (E)		Pension Fund (F)		Bonus to employees from distribution of earnings (G)				Number of held employee share subscription (H)		(A+B+C+E+D+F+G) Percentage of net income after tax (%)		
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Consolidated	The Company		Consolidated
Chairman	Douglas Hsu, Representative of Yang Ding Construction Company																							
Managing Director	Jan Nilsson, Representative of Yang Ding Investment Co., Ltd.																							
Managing Director & Independent Director	Lawrence Juen-Yee LAU																							
Independent Director	Kurt Roland Hellström																							
Director	Champion Lee, Representative of Yang Ding Investment Co., Ltd.	37,784	37,784	3,750	3,750	90,199	90,211	7,846	7,846	1.32%	1.32%	0	0	0	0	0	0	0	0	0	0	1.32%	1.32%	6,480
	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.																							
	Johnny Shih, Representative of Yang Ding Construction Company																							
	Toon Lim, Representative of Yang Ding Investment Co., Ltd.																							
	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.																							

Note 1 : The remuneration from 2012 distribution of earnings is proposed amount, not actual payment amount yet.

Note 2 : Including salary, position compensation, bonus, transporting allowance, other compensation, other allowance, accommodation allowance, business vehicle...etc.

Escalation for remuneration to Directors

2012/12/31

Escalation for remuneration paid to individual directors of the Company (NTD)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement	The Company	All Affiliated Companies
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)	None	None	None	None
5,000,000~10,000,000 (inclusive of 5,000,000)	U-Ming Marine Transport Co., Ltd. Representative :Michiya Shinagawa Yuang Ding Investment Co., Ltd. Representative : Toon Lim	U-Ming Marine Transport Co., Ltd. Representative :Michiya Shinagawa Yuang Ding Investment Co., Ltd. Representative : Toon Lim	U-Ming Marine Transport Co., Ltd. Representative :Michiya Shinagawa Yuang Ding Investment Co., Ltd. Representative : Toon Lim	U-Ming Marine Transport Co., Ltd. Representative :Michiya Shinagawa Yuang Ding Investment Co., Ltd. Representative : Toon Lim
10,000,000~15,000,000 (inclusive of 10,000,000)	Ding Yuan International Investment Co., Ltd. Representative : Peter Hsu Yuang Ding Investment Co., Ltd. Representative : Champion Lee	Ding Yuan International Investment Co., Ltd. Representative : Peter Hsu Yuang Ding Investment Co., Ltd. Representative : Champion Lee	Ding Yuan International Investment Co., Ltd. Representative : Peter Hsu Yuang Ding Investment Co., Ltd. Representative : Champion Lee	Ding Yuan International Investment Co., Ltd. Representative : Peter Hsu Yuang Ding Investment Co., Ltd. Representative : Champion Lee
15,000,000~30,000,000 (inclusive of 15,000,000)	Yuang Ding Construction Company. Representative : Johnny Shih	Yuang Ding Construction Company. Representative : Johnny Shih	Yuang Ding Construction Company. Representative : Johnny Shih	Yuang Ding Construction Company. Representative : Johnny Shih
30,000,000~50,000,000 (inclusive of 30,000,000)	Yuang Ding Construction Company. Representative :Douglas Hsu Yuang Ding Investment Co., Ltd. Representative : Jan Nilsson	Yuang Ding Construction Company. Representative :Douglas Hsu Yuang Ding Investment Co., Ltd. Representative : Jan Nilsson	Yuang Ding Construction Company. Representative :Douglas Hsu Yuang Ding Investment Co., Ltd. Representative : Jan Nilsson	Yuang Ding Construction Company. Representative :Douglas Hsu Yuang Ding Investment Co., Ltd. Representative : Jan Nilsson
50,000,000~100,000,000 (inclusive 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
2011	1.39%	1.39%
2012	1.32%	1.32%

Remuneration to Supervisors

2012/12/31; NTS'000

Title	Name	Remuneration to Supervisors						(A+B+C) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Remuneration paid from distribution of earnings (B) (Note 2)		Operating allowance (C)				
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp. (Note 1)	0	0	2,000	2,000	600	600	0.02%	0.02%	None
	C.K. Ong, Representative of Asia investment Corp.	0	0	3,200	3,200	1,351	1,351	0.04%	0.04%	None
	Chen-en Ko									

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.

Note 2 : The remuneration from 2012 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to Supervisors

2012/12/31

Escalation for remuneration paid to individual supervisors of the Company (NTD)	Name of Supervisors	
	Total of (A+B+C)	
	The Company	All companies in the consolidated statement
Less than 2,000,000	Chen-en Ko	Chen-en Ko
2,000,000~5,000,000 (inclusive of 2,000,000)	Far Eastern International Leasing Corp. Representative : Eli Hong Asia investment Corp. Representative : C.K. Ong	Far Eastern International Leasing Corp. Representative : Eli Hong Asia investment Corp. Representative : C.K. Ong
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
2011	0.08%	0.08%
2012	0.06%	0.06%

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. The Company has proposed to amend the Item 4 of Article 15 of Articles of Incorporation of the Company: "The recommendations in connection with remuneration for directors and supervisors shall be submitted for deliberation by Remuneration Committee and the Board of Directors" at the 15th Meeting of the 5th term of Board of Directors on April 20, 2012 and has been approved by Shareholders' Meeting of 2012. 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, i.e. if it is during the economic downturn or the operational risk for the Company is rising, the remuneration for the Board of Directors and Supervisors will be adjusted lower accordingly. The remuneration of the Company's Directors and Supervisors is distributed in accordance with "the Articles of Incorporation" of the Company. The number of votes each one has got in the election of directors and supervisors, and the effort each has made to the Company's affairs are carefully considered for the remuneration arrangement. Besides, the Remuneration Committee of the Company will also review and evaluate the salary and remuneration for Directors and Supervisors periodically and submit the suggestion to the Board Meeting in order to achieve the balance between immortal business and risk control.

Remuneration to President and Vice Presidents

2012/12/31; NTS'000

Title	Name	Salary (A)		Pension Fund (B) (Note 8)		Bonus and special allowance (C) (Note 9)		Bonus to employees from distribution of earnings (D) (Note 10)				(A+B+C+D) Percentage of net income after tax (%)		Number of held employee share subscription warrants		Number of held New Restricted Employee Shares		Other remuneration from investment business except subsidiary
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
President	Yvonne Li																	
CSO & CTO	Jeffrey Gee																	
Executive VP	Eton Shu																	
Executive VP, Chief Sales & Marketing Officer	Maxwell Cheng																	
Executive VP	Benjamin Ho (Note 1)																	
Executive VP	Charlene Hung																	
Executive VP	Mike Lee																	
Executive VP & CFO	T.Y. Yin																	
Executive VP	Herman Rao																	
Executive VP	Magdalena Lin																	
Chief Auditor	Jennifer Liu																	
Sr. Consultant	Patrick Wu (Note 2)																	
Sr. Consultant	Daniel Chang (Note 3)																	
VP	Jessica Chen	121,816	121,816	2,898	2,898	49,006	49,006	38,653	0	38,653	0	2.00%	2.00%	0	0	0	0	40
VP	Joann Chang																	
VP	Jessica Sung																	
VP	Maggie Mei																	
VP	Samuel Yuan																	
VP	Sharon Chao																	
VP	Jessie Teng																	
VP	J.J. Fu (Note 4)																	
VP	Roger Chen																	
VP	PL Chiang																	
VP	Eric Li																	
VP	Johnson Hsieh																	
VP	Sharon Lin																	
VP	David Tsai																	
VP	James Lee																	
VP	James Lin																	
VP	Howard Tsao (Note 5)																	
VP	Ta Fu (Note 6)																	

Title	Name	Salary (A)		Pension Fund (B) (Note 8)		Bonus and special allowance (C) (Note 9)		Bonus to employees from distribution of earnings (D) (Note 10)		(A+B+C+D) Percentage of net income after tax (%)		Number of held employee share subscription warrants		Number of held New Restricted Employee Shares		Other remuneration from investment business except subsidiary
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
VP	Daniel Wang (Note 7)															
VP	Robert Liu															
VP	Dick Lin															
VP	Charlene Lin															
VP	Guang Ruey Chiang															

Note 1 : Who resigned on Jan. 16, 2013.

Note 2 : Who retired on Jul. 1, 2012

Note 3 : Who retired on Sep. 1, 2012.

Note 4 : Who retired on Mar. 16, 2012.

Note 5 : Who retired on Mar. 1, 2012

Note 6 : Who retired on Apr. 1, 2012.

Note 7 : Who resigned on Apr. 1, 2013

Note 8: The figures shown in the table include actual payment for pension fund in 2012 and pension fund contribution.

Note 9: Including bonus, special allowance, transporting allowance, other allowance, accommodation allowance, business vehicle...and etc, among which accommodation allowance is NT\$1,564 thousand for house rental and business vehicle is NT\$6,892 thousand for car rental. In addition, the compensation paid to the driver is NT\$1,558 thousand in total, but excluding in remuneration to employees.

Note 10: The remuneration from 2012 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

2012/12/31

Escalation for remuneration paid to presidents and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents*	
	The Company	All investment business companies
Less than 2,000,000	Howard Tsao (Note 1), J.J. Fu (Note 2)	Howard Tsao (Note 1), J.J. Fu (Note 2)
2,000,000~5,000,000 (inclusive of 2,000,000)	Mike Lee, Daniel Wang (Note 3), PL Chiang, Jessica Sung, Eric Li, James Lee, Sharon Lin, Dick Lin, Charlene Lin, James Lin, Patrick Wu (Note 4), Samuel Yuan, Joann Chang, Maggie Mei, Roger Chen, Jessica Chen, Ta Fu (Note 5) Sharon Chao, Jennifer Liu, David Tsai, Jessie Teng, Johnson Hsieh	Mike Lee, Daniel Wang (Note 3), PL Chiang, Jessica Sung, Eric Li, James Lee, Sharon Lin, Dick Lin, Charlene Lin, James Lin, Patrick Wu (Note 4), Samuel Yuan, Joann Chang, Maggie Mei, Roger Chen, Jessica Chen, Ta Fu (Note 5) Sharon Chao, Jennifer Liu, David Tsai, Jessie Teng, Johnson Hsieh
5,000,000~10,000,000 (inclusive of 5,000,000)	T.Y. Yin, Eton Shu, Magdalena Lin, Charlene Hung, Maxwell Cheng, Herman Rao, Daniel Chang(Note 6), Robert Liu, Guang Ruey Chiang	T.Y. Yin, Eton Shu, Magdalena Lin, Charlene Hung, Maxwell Cheng, Herman Rao, Daniel Chang(Note 6), Robert Liu, Guang Ruey Chiang
10,000,000~15,000,000 (inclusive of 10,000,000)	Jeffrey Gee, Benjamin Ho(Note 7)	Jeffrey Gee, Benjamin Ho(Note 7)
15,000,000~30,000,000 (inclusive of 15,000,000)	Yvonne Li	Yvonne Li
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	36	36

Note 1 : Who retired on Mar. 1, 2012.

Note 2 : Who retired on Mar. 16, 2012.

Note 3 : Who resigned on Apr. 1, 2013..

Note 4 : Who retired on Jul. 1, 2012.

Note 5 : Who retired on Apr. 1, 2012.

Note 6 : Who retired on Sep. 1, 2012.

Note 7 : Who resigned on Jan. 16, 2013.

* 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
2011	1.97%	1.97%
2012	2.00%	2.00%

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, macroeconomics 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 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 flexibly adjusted in terms of criteria; structure and system based on not only industry standard and historical operational performance but also actual operating situation and laws / regulations amendment and shall not guide the managerial officers to risk the Company just for higher remuneration. Besides, the Remuneration Committee of the Company will

evaluate the salary and remuneration for President and Vice Presidents periodically and submit the suggestion to the Board Meeting in order to achieve the balance between immortal business and risk control.

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. 3.38% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2012, and 3.38% for the consolidated basis. These figures were 3.44% and 3.44% for both the standalone and consolidated basis of the company in 2011.

Bonuses to Executive Management

2012/12/31; Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus (Note 9)	Total	Percentage of Net income after tax (%)
Executive Officer	President	Yvonne Li				
	CSO & CTO	Jeffrey Gee				
	Executive VP	Eton Shu				
	Executive VP, Chief Sales & Marketing Officer,	Maxwell Cheng				
	Executive VP	Benjamin Ho(Note 1)				
	Executive VP	Charlene Hung				
	Executive VP	Mike Lee				
	Executive VP & CFO	T.Y. Yin				
	Executive VP	Herman Rao				
	Executive VP	Magdalena Lin				
	Chief Auditor	Jennifer Liu				
	VP	Jessica Chen				
	VP	Joann Chang				
	VP	Jessica Sung				
	VP	Maggie Mei				
	VP	Samuel Yuan				
	VP	Belinda Chen(Note 2)				
	VP	Sharon Chao				
	VP	Brian Chao(Note 3)				
	VP	Jessie Teng				
	VP	Roger Chen	0	\$49,431	\$49,431	0.47%
	VP	PL Chiang				
	VP	Eric Li				
	VP	Johnson Hsieh				
	VP	Sharon Lin				
	VP	David Tsai				
	VP	James Lee				
	VP	Bruce Yu (Note 4)				
	VP	James Lin				
	VP	Daniel Wang(Note 5)				
	VP	Robert Liu				
	VP	Dick Lin				
	VP	Charlene Lin				
	VP	Guang Ruey Chiang				
	Director	Alison Kao				
	Director	Amanda Huang				
	Director	Scott Chuang				
	Director	Roger Lin				
	Director	Ming-chang Ko(Note 6)				
	Director	Janice Chang (Note 7)				
	Director	Johnny Wang				
	Director	Mark Lee				

	Title	Name	Stock bonus	Cash bonus (Note 9)	Total	Percentage of Net income after tax (%)
	Director	Andy Kuo				
	Director	Allan Lee				
	Director	Jason Chen				
	Director	Ann Chang				
	Director	Gary Lai				
	Director	Tony Wang				
	Director	Vivian Chiang				
	Director	Hae-Shung Chu				
	Director	Leon Li				
	Director	George Chiu				
	Director	Andy Weng (Note 8)				
	Director	D.J. Chen				
	Director	James Chen				
	Director	Iris Su				

Note 1 : Who resigned on Jan. 16, 2013.

Note 2 : Who was promoted on Apr. 1, 2013.

Note 3 : Who was promoted on Apr. 1, 2013..

Note 4 : Who was promoted on Apr. 1, 2013.

Note 5 : Who resigned on Apr. 1, 2013.

Note 6 : Who weren't executive management from Apr. 1, 2013.

Note 7 : Who was promoted on Jan. 1, 2013.

Note 8 : Who was on board on Apr. 16, 2012.

Note 9 : The bonuses to employees from distribution of earnings of 2012 have not been approved by the Shareholders' Meeting, just the proposed distribution.

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

2012/12/31; Unit: NT\$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Yvonne Li	President				
Jeffrey Gee	CSO & CTO				
T.Y. Yin	Executive VP & CFO				
Benjamin Ho (Note 3)	Executive VP				
Eton Shu	Executive VP				
Magdalena Lin	Executive VP	21,189	0	Not Applicable	0
Maxwell Cheng	Executive VP & Chief Sales & Marketing Officer				
Herman Rao	Executive VP				
Daniel Chang (Note 4)	Sr.Consultant				
Guang Ruey Chiang	VP				

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

Note 2: The actual distributing amounts of earnings of 2011.

Note 3: Who resigned on Jan. 16, 2013.

Note 4: Who retired on Sep. 1, 2012.

3. Corporate Governance Executive Status

3-1. Executive Status of the Board of Director

Holding 7 times (A) of the Board Meeting, and the attendance status of Board of Directors and Supervisors in the Year and recent Year :

2013/4/30

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 Construction Company.	7	0	100	100	

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
Managing Director	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	7	0	100	100	
Managing Director & Independent Director	Lawrence Juen-Yee LAU	6	1	86	100	
Independent Director	Kurt Roland Hellström	6	1	86	100	
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	7	0	100	100	
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	7	0	100	100	
Director	Johnny Shih, Representative of Construction Company.	4	3	57	100	
Director	Toon Lim, Representative of Yuang Ding Investment Co., Ltd.	6	0	86	86	
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	7	0	100	100	
Independent Supervisor	Chen-en Ko	7	0	100	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	7	0	100	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	2	0	100	100	This is the Supervisor of the fifth term of Board Meeting of the Company; The tenure of the Supervisor expired on June 12, 2012, shall present 2 times
Supervisor	C.K. Ong, Representative of Asia investment Corp.	4	0	80	80	This is the new Supervisor of the sixth term of Board Meeting, who was on board on June 13, 2012; shall present 5 times

Other matters of importance:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected by Independent Directors or subject to qualified opinion and recorded or declared in writing, should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion: None.
2. If there is Directors' avoidance of motions in conflict of interest, should specify the Directors' names, contents of motions, causes for avoidance and voting: Due to the conflict of director's interest, there are two motions needed to avoid at the 15th Meeting of the 5th term of Board of Directors on April 20, 2012. a) The Company subscribed the capital call of Far Eastern Electronic Toll Collection Co., Ltd.: Due to the Chairman Douglas Hsu, Directors Jan Nilsson and Champion Lee being the Chairman and Directors of Far Eastern Electronic Toll Collection Co., Ltd., they must withdraw themselves from discussion and resolution for avoiding interest conflict; b) Examine the qualifications of independent director candidates nominated: Due to the Independent Director Lawrence Juen-Yee LAU and Kurt Roland Hellström being the candidates of this motion, they must withdraw themselves from discussion and resolution for avoiding interest conflict.
3. Objectives to improve the functions of the Board of Directors in the year and recent years (e.g. establishment of audit committee, and strengthen disclosure of information, etc.) and evaluation on the execution thereof: The Company has elected 2nd members of Remuneration Committee at the 2nd Meeting of the 6th term of Board of Directors on July 25, 2012. It is approved to appoint Mr. Lawrence Juen-Yee LAU, Mr. Champion Lee and Mr. Edward Y. Way to be the new term members of Remuneration Committee by all attending Directors without objection. Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee at preparatory meeting on Nov. 8, 2012.
4. Status of the Company's major operational plan execution and financial statement preparation under the supervision of Independent Directors: The Company holds a Financial and Business Conference before the quarterly Board of Directors meeting and also strategy meeting involving top level management at the end of every year. To strengthen the Company's operation and substantiate their supervisory responsibility, Independent Directors will attend the above meetings to understand the Company's financial and business conditions as well as the execution of its significant business plans. Moreover, the Independent Directors offer their experience and value-added recommendations to the executive management. At least one Independent Director of the Company possesses professional accounting or financial background, and engages in the review and communication of the Company's financial statements with dedicated accounting unit.

3-2. Execution Status of Corporate Governance by Supervisors:

Holding 7 times (A) of the Board Meeting, and the attendance status of Supervisors in the Year and recent Year :

2013/4/30

Title	Name	Times of Attendance (B)	Actual Percentage of Attendance (%) (B/A)	Remark
Independent Supervisor	Chen-en Ko	7	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	7	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	2	100	This is the Supervisor of the fifth term of Board Meeting of the Company; The tenure of the Supervisor expired on June 12, 2012, shall present 2 times
Supervisor	C.K. Ong, Representative of Asia investment Corp.	4	80	This is the new Supervisor of the sixth term of Board Meeting, who was on board on June 13, 2012; shall present 5 times

1. The composite and responsibility of supervisors:

1-1 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), in that employees and shareholders have adequate access to the supervisors for communications.

1-2 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 this year. Supervisors attended each occasion and Chief Auditor also reported at the meetings audit operations and major internal audit matters, including execution, reporting, and tracking of Supervisors instructions. In addition, Supervisors obtained audit reports on monthly basis which were submitted by Chief Auditor.

B. Communications with the CPA: Supervisors regularly hold Supervisors' Audit Meeting, in which CPAs report the audit results to Supervisors. There were two Supervisors' Audit Meetings, in which three Supervisors, CFO, Chief Auditor and accounting director were all present to discuss on related subjects, including executing, reporting and tracking of Supervisors' instructions.

2. 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. The Company has not set up the Audit Committee, hence the Independent Directors has not attended the Audit Committee.

3-3. Implementation Status and Measures of Ethical Corporate Management

Item	Implementation Status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
I. Establishment of Business conduct policy and plans	"The Code of Ethics" and "The Code of Business Conduct" have been approved by Board Meeting on April 26, 2011 and been reported at Shareholders' Meeting on June 9, 2011.	
(i) Regulations and external documents expressly business conduct policy, as well as the board of directors and management is committed to actively implement the circumstances.	In order to certainly fulfill "The Code of Ethics" and "The Code of Business Conduct", the Company has posted the guidance of "The Code of Ethics" and "The Code of Business Conduct" on intranet for employees both on May 25, 2011 & December 12, 2012 and promoted the concept of business conduct for daily operation to all employees. Further, the Company also declared the new "Supplier Information Form" on intranet on Feb. 22, 2012. Since then, all new suppliers must sign "The Code of Business Conduct Agreement" attached on "Supplier Information Form" to follow "The Code of Business Conduct" of the Company.	
(ii) Establishment of unethical conduct prevention plan and its standard operating procedure (SOP), business conduct guide, and education/training.	To establish an ethical corporate culture and prevent unethical conduct, apart from communicating "The Code of Ethics" and "The Code of Business Conduct" through the FET e-Paper, we have included the Agreement on the FET Code of Business Conduct in the Supplier Datasheet to remind the stakeholder groups of FET to follow and respect the moral and ethical standards of FET. Related SOPs and standards are disclosed on the FET official website at: http://www.fareastone.com.tw/Home/CompanyInformation/CorporateGovernance/ArticlesofIncorporationandothers .	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

Item	Implementation Status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
(iii) Measures to prevent corruption and acceptance of illegal political donations for business activities with higher risk of unethical conduct in the unethical conduct prevention plan.	At FET, we have established an Internal Audit Division under the Board of directors in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies. The major missions of the Internal Audit Division are to audit the implementation of FET’s annual audit plan, assist the board of directors and managers in inspecting and auditing the defects in the internal control system of FET and its subsidiaries, measure the operational effectiveness and efficiency, and make timely suggestions for improvement. The division also implements project audits to timely discover potential defects in the internal control system, so as to ensure continuous and effective implementation of the internal audit system. The Management of Prevention of Insider Trading section has been added to the internal control system to provide a reference for directors, supervisors, and managers. The chief auditor reports the status of audit at the quarterly supervisor and director meeting for top management to understand the status of audit implementation. The establishment and approval of FET’s annual audit plan is disclosed on the FET official website at: http://www.fetnet.net/cs/Satellite/Corporate/coInspect	
II. Implementation of the Code of Business Conduct		
(i) Avoidance of business activities with businesses having unethical conduct records and defining ethical conduct clauses in business contracts.	In order to certainly implement “The Code of Ethics” and “The Code of Business Conduct”, the Company has posted the guidance of “The Code of Ethics” and “The Code of Business Conduct” on intranet for employees both on May 25, 2011 & December 12, 2012 and promoted the concept of business conduct for daily operation to all employees. Further, the Company also declared the new “Supplier Information Form” on intranet on Feb. 22, 2012. Since then, all new suppliers must sign “The Code of Business Conduct Agreement” attached on “Supplier Information Form” to follow “The Code of Business Conduct” of the Company.	
(ii) Establishment of dedicated/responsible unit for the promotion of business conduct and its status of operation.	Trustworthy is one of FET’s five core values. The Company has promoted the concept of business conduct by e-Paper yearly. The Company held several times the camp of core values consensus in 2012, and promoted advocacy core values through the head of each business group. Meanwhile, the company held the election of “Let’s nominate” and “FET Excellence Award” to communicate the importance of five core values, also to encourage the concrete implementation of excellent employees. Human Resources Department is responsible for the promotion of business conduct. The related criteria (such as “The Code of Ethics” and “The Code of Business Conduct”) should be approved by the board of Directors and be implemented certainly.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(iii) Promulgation of Policies for preventing conflicts of interests and offer channels for reporting conflicts of benefits.	At FET, employees can express their opinions or report offences of related regulations with the “I Want To Complain” function on the intranet. Other reporting channels include: Opinions for supervisor e-mail: supervisor@fareastone.com.tw Opinions for Internal Audit e-mail: ia@fareastone.com.tw Complaint on supplier e-mail: feg_complaint@feg.com.tw	
(iv) Effective operation of the accounting and internal audit systems established to enforce the code of business conduct and internal audits by internal auditors.	The Company has set up rigorous accounting systems and dedicated department. Financial statements are audited (or reviewed) by CPA and be announced and uploaded in compliance with legal requirement to ensure the accuracy and transparency of financial information. At FET, apart from establishing the Internal Audit Division and related internal audit systems, we review and revise these systems periodically to ensure their effectiveness, so as to enforce the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Code of Business Conduct. In addition, the Internal Audit Division establishes and implements the annual internal audit plan based on the risk assessment and reports the audit outcomes to the chairperson, directors, general manager, and competent authorities to enforce the code of business conduct.	

Item	Implementation Status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
III. Establishment of reporting channels and disciplinary and petition mechanisms for violations of the code of business conduct.	At FET, employees can express their opinions or report offences of related regulations with the “I Want To Complain” function on the intranet. Other reporting channels include: Opinions for supervisor e-mail: supervisor@fareastone.com.tw Opinions for Internal Audit e-mail: ia@fareastone.com.tw Complaint on supplier e-mail: feg_complaint@feg.com.tw	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
IV. Improvements in information disclosure		
(i)The Company’s website discloses business conduct related information	Regarding “The Code of Ethics” and “The Code of Business Conduct”, please refer the FET’s corporate website for the details. (Website :http://www.fareastone.com.tw,Home>Company Information>Corporate Governance>Articles of Incorporation and others.)	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii)Other disclosure channels(i.e. English website; designated personnel in charge of company information collection and disclosure on company web site)	The Company has set up English website and appoints personnel responsible for collecting and disclosing business conduct relevant information, please refers the FET’s corporate website for the details. (Website: http://www.fareastone.com.tw,Home>Company Information>Corporate Governance>Articles of Incorporation and others.)	
V. If you have established your own guidelines for the Code of Business Conduct” according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy: No different.		

VI. Other important information revealing the company’s ethical operations (e.g., the determination and policy to convince business partners to implement ethical operations; inviting them to participate in related education and training; and review and revision of the company’s code of business conduct):

- The Company’s public disclosure of the information is quite transparently and immediately. FET has been rated, the highest score, six times in the Information Transparency and Disclosure Ranking System (IDTRS) by the Securities and Futures Institute (SFI), ranking Top 10 among all listing and OTC companies in Taiwan.
- The following code of procurement conduct is added in each purchasing order to ensure suppliers to comply: “Either FET employees or FET suppliers are observed in high-standard code of ethics. Suppliers bribing FET employees or FET employees asking bribes from suppliers shall be referred to a court of law. Please strictly follow this code.”
- We also make the following announcement on our procurement system to provide suppliers with a clear petition channel. Suppliers with doubts about any harm to their rights and interests in the process of a procurement project may write to the “Customer Complaint Box” of the Supplier Management Team of the Far Eastern Group Procurement Planning Committee.

3-4. Corporate Social Responsibility and Corporate Governance Execution Status

A) Corporate Social Responsibility Execution Status and Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
I. Implementation and promotion of corporate governance		
(i) Establishment of corporate social responsibility policies or systems and review of its results/performance.	The Company has established “FET CSR committee”, whose director and CEO were acted by the Chairman and President respectively, and set up the CSR (Corporate Social Responsibility) secretariat for the sole responsible unit.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
(ii) Establishment of dedicated/responsible unit for the promotion of corporate social responsibility and its status of operation.	FET CSR committee shall hold a meeting regularly once a year and each committee member proposes to discuss in view of the related domain. The committee members come from core member of each department, push together and execute FET CSR 5 big goals included responsible governance, sustainable environment, social participation, digital inclusion, health workplace and so on action plans.	
(iii) Routine implementation of corporate ethic training and dissemination for board members, auditors and employees along with its incorporation with employees’ performance evaluation to establish a clearly defined reward and punishment system.	“The Code of Ethics” and “The Code of Business Conduct” have been approved by Board Meeting and been reported at Shareholders’ Meeting. The Codes stipulating FET, along with all its board members, supervisors, managers, employees and individuals with de facto control, are strictly forbidden from directly or indirectly offer, promise, request or accept inappropriate benefits when conducting their duties. This includes kickbacks, commissions, bribes or any other form of inappropriate benefits given or received from customers, agents, subcontractors, suppliers, civil servants and other stakeholders. The Company has promoted the concept of business conduct by e-Paper yearly. For internal, the Company has declared on intranet for promoting “The Code of Ethics” and “The Code of Business Conduct” to employees. For external, the Company has attached “The Code of Business Conduct Agreement” on the supplier information form. The whole relating procedures and codes have been disclosed on FET website. In addition, new employees have been fully briefed on relevant disciplines and regulations on professional conduct before they were asked to sign a contract of employment. Meanwhile, Trustworthy is one of FET’s five core values (Trustworthy, Innovative, Proactive, Accountability, and Teamwork).The company actively requires employees to implement the core values in the daily operation. Not only hold several core values consensus Camp in 2011 to promote and strengthen the advocacy and communication, but core values and functions with staff performance appraisal system and reward system is also closely integrated.	
II. Development of a sustainable environment	We implemented the Green Network Long-Term Construction Plan emphasizing energy saving and carbon reduction and enforced energy saving and carbon reduction by stage within the operation network to minimize impacts on the environment and ecology.	
(i) Efforts in improving the utilization rate of various resources and usage of recyclable materials to minimize impact on the environment.	A. The outcomes in 2012 included: 3.64 mega kWh of electricity was saved, and 2,323 tons of CO₂-e was reduced, equivalent to six times of the annual carbon absorption of Daan Forest Park. - We completed a solar-cell-operated demo base station to assess the long-term effectiveness of solar cells in energy saving and carbon reduction. B. Major targets for energy saving and carbon reduction in 2013 - Air-conditioning systems will be replaced by ventilation systems to cool down telecommunication equipment in new base stations to reduce about 40% electricity consumption each station. - Energy saving re-engineering will be implemented on existing base stations (targeted at 500 stations) to reduce 25% electricity consumption each station. - The energy conversion efficiency of power supply in existing base stations will be enhanced (targeted at 2500 stations) to reduce 10% electricity consumption each station.	
(ii) Establishment of a suitable system for environment management based on the characteristics of its business.	Taking the characteristics of telecommunication industry into account, the Company has established the Online Environment Monitoring System, which is designed to monitor various environmental status and routinely measure environmental quality indicators such as temperature, humidity, illumination, indoor CO ₂ concentration, hydrogen concentration in battery chamber and so forth.	
(iii) Establishment of dedicated unit/personnel in charge of environmental management to maintain the working environment.	The Company has appointed 12 qualified energy supervisors to ensure that energy is used in a reasonable fashion by the company as they monitor various energy-saving operations implemented by FET.	

Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
(iv) Establishment of energy-saving, carbon/GHG emission reduction strategies and policies from the awareness of impact on company operations brought about by climate change.	In 2012, FET’s GHG (carbon dioxide) emission (derived from conversion from power consumed) came to 133,141 metric tons – a reduction of 2,275 metric tons (1.68%) from 2011.	
III. Maintenance of social charity		
(i) Compliance with relevant labor regulations and to respect internationally recognized labor principles of human rights, to safeguard employees’ privileges with non-discrimination employment policies by instituting appropriate management and procedures.	The Company has complied with all pertinent labor regulations with regards to all measures and policies that relate to employees. The company has also convened labor-management meetings to enable the addition or changes to affairs that affect employees’ rights so that decisions would only be made after both parties have sufficiently communicated the issue. The Company has also set up dedicated channels for employees to file complaints as a measure to safeguard their rights.	
(ii) Provision of a safe and healthy working environment for employees and implement routine health and safety education.	Smoking is prohibited on company premises. The company’s premises are also complete with nursing rooms, attended by qualified medical staff to provide rudimentary medical care, health consultation services and information on health along with annual CPR training, screening for major illnesses and seminars on staying health. All offices are equipped with first aid kits and nursery rooms, in addition to massage services by visually impaired massage therapists and various employee assistance solutions to promote employees’ physical and mental health. The Company has also implemented occupational safety and health training as stipulated by law to help employees become aware of the potential hazards in their line of work. The company also performs work environment audits and employee health check up on a regular basis. A blood donation drive is also a major annual event that involves everyone at the company.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(iii) The company establishes regular communication mechanism of the employees, also with reasonable notice if any changes caused significant impact on the staff.	In order to strengthen the efficacy and efficiency of communication with employees, this company provides diverse communication modes to interact and reach a consensus with employees. Please refer page 38 - Employee Care for the details.	
(iv) Establishment and disclosure of policy on consumers’ rights in addition to offering a transparent and effective channel for customer complaints on products and services.	The Company greatly values the input from its customers and has thus offered various channels of services. In addition to FET and ARCOA branded stores that provide direct and immediate services to resolve customers’ problems, the Company also operates a 24-hour customer service center to serve its customers. The Company also has appointed dedicated personnel to receive and manage comments and input that customers have made online in order to provide comprehensive A+ customer services.	

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
(v) Collaboration with suppliers to jointly work towards the promotion of corporate social responsibilities.	Green purchasing is part of corporate social responsibility. In order to capture the results of green purchasing, FET established in 2012 in its purchasing system the tracing mechanism for each purchasing order in 2012. From related reports, we can trace the efforts that suppliers and FET taken to fulfill green purchasing. With these reports, the purchasing department can encourage more suppliers to supply eco-label-compliant quality products. The purchasing system entered the new milestone of green purchasing, and 2012 was a fruitful year of green purchasing at FET. Based on the latest green purchasing information, FET and its subsidiary, New Century Infocomm Tech Co., Ltd., completed in 2012 a total of NT\$551 million of eco-labeled products, which was more than a double of 2011. The product categories further revealed the outcomes of FET’s effort to fulfill energy saving and environmental protection from office equipment to computer room facilities. On 28 December 2012, the Department of Environmental Protection of the Taipei City Government awarded the Certificate of Green Purchasing Benchmark Enterprise to FET and New Century Infocomm Tech Co., Ltd.,	
(vi) Participation in community development and charity events through commercial activities, donation of materials, volunteer services or other complimentary services.	FET places great emphasis on corporate social responsibility and continues to contribute for improving social issues such as abandoned children or abandonment of adopted children. Since 2006, FET has teamed up with the Children’s Welfare League Foundation to launch the donation initiative “Saving Lives and Abandoned Children,” and capitalized on its core competency to invite customers to donate loose change through its 380 hotline or at its stores. With charity support from society, the funds raised reached NT\$10 million and benefited 4,588 children, and this is the most warm and practical care for disadvantaged children. In October 2012, FET once again held the 380 Donation initiatives and rolled out the charity sale at its stores and loose change donation to encourage society to contribute to good causes wherever possible. To expand the influence, over one hundred of FET volunteered employees to join on streets and raised funds for caring abandonment of children. Except sponsoring the Children’s Welfare League Foundation for abandoned children, from 2012, FET also in cooperation with the White Ribbon Care Association, to promote youth action network security and digital services. Also, FET holds staff charity bazaar annual, and contributes all donations to child welfare agencies registered with the Ministry of the Interior. FET net also periodically hosts blood donation events and donates computer equipment to rural communities to close the digital divide.	
IV. Improvements in information disclosure		
(i) Method of disclosing relevant and reliable corporate social responsibility information.	The Company has also constructed a section titled “FET Corporate Social Responsibility” on its website to disclose relevant information including Charity & Sponsorships, Awards & Recognition and FET corporate social responsibility statement for download. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/coSociety	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Compilation of corporate social responsibility statement and disclosure of promotion of corporate social responsibility.	Corporate social responsibility statement of the Company are already completed conforming to GRI (Self-declared) application level B in December, 2011 and obtained the double certified declaration for GRI B+ and AA1000 in March, 2012. The Company posted the corporate social responsibility statement for download on its company website to disclose the relating information for fulfilling the stakeholders’ information demand.	
V. If you have established your own guidelines for corporate social responsibility according to the Corporate Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy: The Company “Corporate Social Responsibility Policy” have been approved by the 5th Meeting of the Sixth Term Board of Directors on April 26, 2013		

VI. Please state any other important information that would facilitate better understanding on your current status in fulfilling corporate social responsibility (i.e. the company's system, measures or status of implementation on environmental protection, community participation, contribution to society, social services, charity, consumer rights, human rights, safety and health and so forth):

► **Corporate Social Responsibility Committee to publish report, cultivating sustainable development in Taiwan**

In 2011, FET established a CSR Committee focused on “eco-fashion, responsible innovation” that utilized innovative exchange initiatives and platforms, based on daily living and popular fashion to invite young people to participate in events and stimulate creativity. In the future, we will further influence FET customers to change their attitudes towards sustainability, environmentalism, and energy conservation. Spreading environmental conservation can be a form of fashion where responsibility is expressed through creativity. In order to create comprehensive communication channels between everyone, FET Corporate Social Responsibility Report is posted on our corporate website.

► **FET energy conservation sees results, green procurement persists in response, and a telecommunications energy conservation benchmark continues to be forged**

In order to fulfill corporate social responsibility and continuously improve energy performance, we are committed to achieving the following items to provide available resources:

- Continuous improvement of energy performance and demonstration of energy value.
- Observance of energy management regulations and promotion of energy saving.
- Support for purchasing energy-saving products and building an energy-saving environment.

To ensure effective energy management, our headquarters and communication component room implemented the ISO50001 EnMS in 2012. Based on ISO50001, we implemented the PDCA management cycle to establish an effective energy management system within the organization through related procedures and systems. Also, we established the Energy Management Committee and Energy Management Regulations to enable systemic realization of our energy management policy and to achieve the continuous improvement of energy performance.

The energy management representative holds the Energy Management Committee meeting every quarter to discuss and report the energy system operation and energy performance in the previous quarter.

► **FET received a number of financial performance enhancements and prestigious investor related awards, demonstrating that responsible enterprises are highly acclaimed**

In January 2012, FET was awarded four prizes from Corporate Governance Asia Best investor website, Best investor relations Best CEO and Best CFO. In May 2012, FET was awarded seven prizes in the 12th FinanceAsia Asia's Best Company, including Best managed company, Best corporate governance, Best investor relations, Best corporate social responsibility, Most committed to a strong dividend policy, Best CEO and Best CFO. FET believe, only does the implementation of corporate governance, enhance the company's evaluation, create a higher return on investment for the shareholders, also allow enterprises to sustainable development.

► **FET was energetic to raise funds through core corporate competence to expand care for disadvantaged children**

Over the years, we have been involved in child issues with our core resources, hoping to create a better environment and future for the next generation. Upholding such belief, we continuously work with Child Welfare League Foundation, and it has been seven years now since our involvement in the Saving the Lives of Abandoned Children fund-raiser. For these years, we set up the change donation mechanism at our stores across Taiwan and a dedicated donation hotline “380” for FET subscribers to make donations. FET employees even organized street charity sales, hoping to gather money bit by bit to help abandoned and orphaned children to find a home. In 2012, we helped Child Welfare League Foundation to achieve the annual raising target at NT\$2 million for the care, baby-sitting, NHI, immunization, milk powder, OPD, and diapers of abandoned and orphaned children.

► **FET leads the industry to invest in Ethic Chinese cultural and creative businesses to forge an Ethnic Chinese Cultural and Creative Center in Taiwan**

Aiming to provide customers with innovative services, we have been aggressively promoting the development of Taiwan's mobile phone apps. After it was launched, the S-Mark has since attracted increasing contestants, including a great number of international teams. This suggests that the Star APP Awards have become a platform for the international exchange of creative software. In 2012, we invited a great number of internationally heavyweight industrialists to the event, including NHN, issuer of the rapidly rising LINE, and Rovio, developer of Angry Birds. We hope that the successful experience of these internationally renowned software developers can help to broaden the international vision of Taiwan's mobile phone app developers.

With the rise of smart devices, apps, and social networking service, mobile devices have become part of our daily life. In our observation, recording and sharing what have been seen and heard over mobiles and tablets have formed part of our daily life. Therefore, by combining this behavior with environmental protection, we can maximize the effect of promoting environment protection. For this reason, we launched the 1st Link Your Green Gravity-Defying Moves micro movie recruitment. It was Taiwan's first micro movie contest integrating mobile devices with video shooting apps. In this event, we emphasized the 30-second-take rule to encourage contestants to observe and recommend simpler, fun green ideas, enhance the purity of image creativity, and improve the quality of Taiwan's cultural creative outputs.

VII. If the company's products or corporate social responsibility statement have/has been accredited by relevant accreditation institutions, please elaborate:

The Company entrusted SGS Taiwan Limited (SGS) to verify data focused on “2011 FET corporate social responsibility statement” and obtained the double certified declarations for GRI B+ and AA1000 in March, 2012.

B) Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM listed Companies" and Reasons

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
(1) Ownership structure and shareholders' equity		
1-1 Handling of shareholder's suggestions or disputes.	The Company's spokesperson and the contracted stock agency, Oriental Securities Co., Ltd. handles shareholder's suggestions or inquiries. And the Legal & Regulatory Department deals with disputes or legal cases.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies"
1-2 Identifying major shareholders and/ or their ultimate controlling parties	The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and/or their ultimate controlling parties. This information is disclosed /registered by the Regulations Governing Information Reporting by TWSE Listed Companies.	
1-3 Risk control mechanism and firewalls established between the Company and its affiliated companies	The Company and its affiliated companies are all independent entities in respect of their financial and business operations. Operating procedures are established for "Related Party Transactions Regulation" and approved by Board meeting. Risk control mechanism and firewall procedures have been properly established.	
(2) Structure and duties of the board of directors		
2-1 Status of appointing independent directors	The Company has two independent directors, namely Lawrence Juen-Yee LAU and Kurt Roland Hellström. The company has set up the "Guidance of Certified Public Accountant Performance Assessment".	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".
2-2 Evaluation of the independence of the Company's appointed CPA	Accounting department evaluates the independence of the CPA appointed by the company regularly and annually. And it is approved by the 14 th Meeting of the 5 th term of Board of Directors and the 5 th Meeting of the 6 th term of Board of Directors. Current appointed CPA are all independent.	
(3) Communication with interest-conflicting parties		
	In addition to having a Spokesperson, suggestions or disputes by stakeholders have adequate connected 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) Information disclosure		
4-1 The Company's website discloses financial, operational and corporate governance related information	FET's corporate website address is: www.fareastone.com.tw.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".
4-2 Other disclosure channels (i.e. English website; 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 is real-time to disclose the financial, operational and corporate governance related information on the website. The Company has set up English website and appoints personnel responsible for gathering and disclosing the financial and business relevant information, process of institutional investors meeting, etc.	
(5) Establishment of nomination, compensation or any other functional committees		
	The Company has elected 2 nd members of Remuneration Committee at the 2th Meeting of the 6th term of Board of Directors on July 25, 2012. It is approved to appoint Mr. Lawrence Juen-Yee LAU, Mr. Champion Lee and Mr. Edward Y.Way to be the new term members of Remuneration Committee by all attending Directors without objection. Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee at preparatory meeting on Nov.8, 2012. The Remuneration Committee operates favorable.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".

(6) 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:

The Company has established "FET Corporate Governance Best-Practices Principles" of total 59 clauses in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the principles have been approved by Board of Directors. So far, there are no differences.

(7) Other material information that helps to explain the implementation of corporate governance (i.e. employee rights and interests, employee care, investor relations, supplier relation, stakeholder's rights, status for training of Directors and Supervisors, executions status for risk management policy and risk measure criteria, status for execution of customer policy, status for the company's purchase of liability insurance for Directors and Supervisors and so on):

7-1 Employee rights and interests:

Handled according to the Labor Standards Act and the personnel regulations of this company.

7-2 Employee Care:

FET has always placed importance on the communication with employees, which is our power to progress and grow. Based on responding to employees' opinions by EOS, "communication" should be our important point to improve in 2013, the existing communication channels are as follows:

Physical Communication Channel

Lantern Legend Meeting	Meetings for making constructive suggestions are held each quarter or as necessary to respond to special situations to promote organizational harmony, demonstrate core value, and enhance corporate competitiveness, so as to build a better future for FET together.
Employee Conference	The employee general meeting is hosted by the general manager to share operational outcomes and communicate new policies to enable better understanding in employees.
Employee Benefits Committee Meeting	The employee welfare committee holds meetings either every quarter or whenever necessary to promote welfare improvement and organizational harmony.
Management Two-way Communication Conference	At the two-way quarterly meeting with officers, the operational policies and implementation effectiveness are communicated. Officers propose operation-related issues for discussions, and higher-level officers responded to these issues at the meeting to develop interactive communication.
Employee Opinion Survey(EOS)	The employee work satisfaction survey is held irregularly by external organizations to discover and understand the voice of employees for the reference of continuous organizational improvement.

Electronic Communication Channel

e Newsletter	Publishes every month to encourage learning and sharing within the organization.
e-Paper	Publishes on Wednesdays to summarize important FET news and industrial information.
e-Express	Sends real-time and important information or information needed immediate employee attention at any time.
Pops-up window	Pops up automatically in the intranet when selected by employees to increase the exposure of important information.
Employee Suggestions	Recommends creative proposals benefiting organizational operations.
Complaint	Employees may seek assistance through the opinion box for unanswered cases reported to responsible units or communicated with their supervisors.

Internal Communication Meeting : It holds regular or irregular , also the important channel to communicate direct and build up the good relationship between employees.

7-3 Investor Relations:

High quality investor relations are built on effective communication. Our company has established an "Investor Relations Division" responsible for communicating with institutional investors and shareholders to establish communication channels between management and external investors. Through such communication, investor's valuable suggestions can be brought to management as a reference for our long term strategy.

Furthermore, in order to ensure the symmetry of information disclosure, we regularly hold investor conferences every quarter, where questions and suggestions offered by institutional investors and shareholders may be addressed. We have also established an email dedicated to investor service to facilitate quick and effective communication with institutional investors and shareholders.

7-4 Vendor Relations:

Vendor evaluation is an important task of procurement in supplier management. The hundreds of vendors in different categories are evaluated for the performance by FET related department every year. There were 122 vendors evaluated in 2012, the total order amount is up to 95.3% of annual totally purchase amount sufficient to indicate the importance of this evaluation. Vendors will be rewarded or punished by the evaluation results. Because of the continuing requirements of the vendor evaluation, the vendors could continue to improve the quality of products and services as well, and ensure FET's commitment to our customers.

7-5 Rights of Interested Parties:

In order to provide the investing public with transparent and timely information, data related to finance, operations, and corporate governance messages can be found on the Far Eastone corporate website as a reference for the investing public. Furthermore, to take into account the ease in which foreign and domestic shareholders and investors can obtain information, we provide information in Chinese and English on both our market observation post and company website.

7-6 The continuing education status of directors and supervisors:

Handled according to the "Key Points of Implementation for the Continuing Education of Directors and Supervisors in Listed Companies" of the Taiwan Stock Exchange Corporation. The Company's domestic directors and supervisors pursue further courses regularly. Due to the region and language is restricted, overseas directors did not participate in the courses, but still through the foreign seminars to learn new knowledge.

A. Board of Directors and Supervisors:

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
Chairman	Douglas Hsu	2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Managing Director	Jan Nilsson	2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Champion Lee	2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Johnny Shih	2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Peter Hsu	2010/12/10	2010/12/10	Taiwan Corporate Governance Association	Dissect Corporate Fraud to improve Corporate Governance performance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Independent Supervisor	Chen-en Ko	2010/2/24	2010/2/24	Taiwan Corporate Governance Association	Why does the market need to be open?	1
		2010/12/3	2010/12/3	Taiwan Corporate Governance Association	Build up Culture and Practice of Taiwan Corporate Social Responsibility	6
		2011/4/26	2011/4/26	Taiwan Corporate Governance Association	The trend for electronic voting and voting on one agenda by one agenda basis in the shareholders' Meetings	1
		2011/7/21	2011/7/21	Taiwan Corporate Governance Association	Technical innovation and practice experience for corporate governance	1
		2011/10/20	2011/10/20	Taiwan Corporate Governance Association	The expectation of domestic and foreign institutional investor for Taiwan capital market	3
		2011/10/21	2011/10/21	Taiwan Corporate Governance Association	Corporate Governance and Mergers & Acquisitions	3
		2012/4/18	2012/4/18	Taiwan Corporate Governance Association	Stan Shih Talks: Business and corporate governance.	1
		2012/10/25	2012/10/25	Financial Supervisory Commission, R.O.C.	The 8th term Taipei Corporate Governance Forum(TAICGOF)	3
		2012/11/29	2012/11/30	Taiwan Corporate Governance Association	Director of professional transformation and challenges to enhance the corporate governance of the family business and strengthening corporate governance	9
		2013/1/30	2013/1/30	Taiwan Corporate Governance Association	IFRS import and the responsibilities on financial reporting of directors and supervisors	1

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
Supervisor	Eli Hong	2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Supervisor	C.K. Ong	2012/11/15	2012/11/15	Securities & Futures Institute	Directors and supervisors (including independent) Practice Advanced Seminar	3

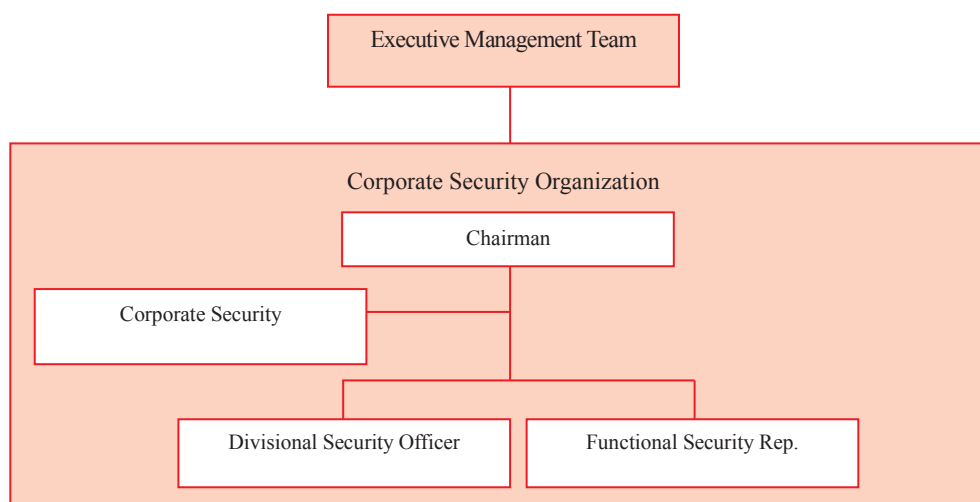
B. Executive Management:

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
President	Yvonne Li	2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/11/24	2011/11/24	Financial Supervisory Commission Executive Yuan	The 7th term Taipei Corporate Governance Forum	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Executive VP & CFO	T.Y. Yin	2010/6/30	2010/6/30	Accounting Research and Development Foundation in Taiwan	《Tax Affairs concern of Corporate Governance》 Discuss Tax affairs Management from Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

7-7 Corporate Risk Management Policy and Organizational Structure:

In order to protect company assets, reduce corporate damages, enhance business profit and ensure corporate sustainability, FET set up the "Corporate Security Policy" as the guiding principle for risk management and implement by the operation of the corporate security organizations to achieve solid risk management.

The Corporate Security Organization and responsibilities are as follows:



For Far EasTone's Risk Management Organization Structure and Responsibilities, please refer to page 59.

7-8 Implementation Status of Customer Policies:

In order to uphold the vision of "FET Connects and Enriches Life" we are committed to provide customers with the highest quality and most diverse service to forge a convenient and rich mobile lifestyle.

In order to master customer usage experience and customer feedback, we regularly implement various survey projects, and continue tracking the satisfaction levels of various product and services. Only by listening to our customers' voice as a reference for future improvement, can we hope to provide the consumer with the most thoughtful and satisfying service.

7-9 The company's purchase of liability insurance for directors and supervisors:

The Company has not purchased the liability insurance for Directors and Supervisors yet.

7-10 The personnel related to the Company's financial information that obtained the relevant licenses designated by the competent authorities:

R.O.C. CPA: 5 persons in the financial and accounting department and auditing department, F&SS-Andrea Shen; Jessica Fan; Wendy Yu; Ming Huang, Auditing-Jennifer Liu.

U.S.A. CPA: 4 persons in the financial and accounting department and auditing department, F&SS-Jasmine Chiu; Wendy Yu; Auditing-Jennifer Liu, Wendy Luong.

R.O.C. internal auditors: 7 persons in the financial and accounting department and auditing department, F&SS- Andrea Shen; Jeff Su, Ming Huang, Isable Tsao; Auditing-Ted Chang, Joy Chen; Wendy Luong.

ISO 27001 internal auditor: 5 persons in the financial and accounting department and auditing department, F&SS- ;Jeff Su, Isable Tsao; Auditing-Tweety Yeh, Jack Mei, Joy Chen.

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

Stock personnel's proficiency test held by Securities and Futures Institute: 3 persons in the financial and accounting department, F&SS-Helen Ni; Jerry Hsu; Auditing-Joy Chen.

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

(8) Enterprises conducting autonomous evaluation of corporate governance or commissioning other professional institutions to perform an evaluation of corporate governance are required to state the results in detail, significant flaws (or suggestions) and status of improvement in the autonomous/external evaluation:

The Company has been certified to the "CG6006 Advanced Corporate Governance System Evaluation" accreditation by the Taiwan Corporate Governance Association on March 23, 2011. The accreditation is valid for two years, effective immediately on March 23, 2011 and will expire on March 22, 2013.

The following is a summary of the comments from the Taiwan Corporate Governance Association on FET's existing system of corporate governance:

Overall strengths:

- (1) The Company deserves acknowledgement for its active participation in the corporate governance system evaluation, and the enthusiasm and sincerity have been demonstrated during the interview.
- (2) The Company deserves acknowledgement for the selection of its board members, who are independent, equipped with expertise in the field of telecommunication, vision for international operation, and an adequate understanding of the company's operational strategies.
- (3) FET's quarterly supervisor meetings allow appointed supervisors to remain fully functional and serve the company as they are expected.
- (4) FET's management has demonstrated adequate respect for the system, thereby reflecting their integrity as professional management staffs.

Suggestions:

- (1) In light of the fact that a fair percentage of FET's Board of Directors comprises in-house members, the Taiwan Corporate Governance Association has recommended the company to increase the number of independent board members to strengthen the board's diversity and independence. In addition, FET could also boost the board's influence by establishing various functional committees in the board.
- (2) The Company should establish objective self-evaluating scheme for its board and individual members for key indicators such as the board's operating discipline, key decisions and performance in order to facilitate self-discipline amongst board members.
- (3) The Company should establish performance evaluation systems for the president and other key managers approved by the board and implement the system on a regular basis to further promote the concept of accountability.
- (4) The Company should establish comprehensive risk management policies and systems based on its vision and management strategies for the board will periodically monitor its status of implementation to ensure effective management of the company's operational risks.

(9) If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:

The Company has established "FET Corporate Governance Best-Practices Principles" that has been approved at the 14th Meeting of the 5th term of Board of Directors on February 16, 2012 and uploaded to MOPS with Chinese and English versions to facilitate shareholders' inquiries.

(10) Other information of corporate governance:

10-1 Execution of policies to protect consumers or customers: The Company has followed up the related policies.

10-2 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.

(11) The Company has obtained the approval of the “Internal Material Information Disclosure Procedure” in the third Board Meeting of the fifth term on 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 on board, and already posted on intranet for promoting the “Internal Material Information Disclosure Procedure” to employees on August. 29, 2012.

3-5. The Composition of the Remuneration Committee Member, and the Official Powers of the Remuneration Committee.

(A) Information of the Remuneration Committee Members

Role (Note1)	Condition	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note2)								Independent Director with other Company	Remark (Note3)
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or other wise necessary company business	1	2	3	4	5	6	7	8		
Independent Director	Lawrence Juen-Yee LAU	V			V	V	V	V	V	V	V	V	None	
Director	Champion Lee			V			V	V			V	V	None	Compliant with the fifth item, the Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter
Others	Edward Y. Way		V	V	V	V	V	V	V	V	V	V	13	

Note1: Fill out independent, Directors and others.

Note2: V indicates qualified members during the two years before being elected or during the term of the appointment.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any 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 third degree of kinship, of any the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.
- (6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.
- (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. (Unless the member of remuneration committee who has exercised the Article 7 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter")
- (8) Not has any of the circumstance in the subparagraphs of Article 30 of the Company Act.

Note3: If the member is a director, need to expose the member compliant with the fifth item, the Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter or not.

(B) Executive Status of the Remuneration Committee

1. Number of the compensation committee is three.

2. Current term from Jul. 25, 2012 until Jun. 12, 2015. Holding 2 times (A) of the Remuneration Committee, and the attendance status of members in the Recent Year till now :

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee LAU	2	0	100	This is the member of the second term of the Remuneration Committee of the Company, who was elected again on July 25, 2012, shall present 2 times
Committee member	Champion Lee	2	0	100	This is the member of the second term of the Remuneration Committee of the Company, who was elected again on July 25, 2012, shall present 2 times
Committee member	Edward Y. Way	2	0	100	This is the new member of the second term of the Remuneration Committee of the Company, who was elected on July 25, 2012, shall present 2 times
Committee member	Jan Nilsson	2	0	100	This is the member of the first term of the Remuneration Committee of the Company, whose tenure expired on June 12, 2012. This member had presented 100% attendance during his 2012 tenure.

Other matters of importance:

1. If the board of directors will decline to adopt, or will modify, a recommendation of the remuneration committee, should specify the dates of meetings, sessions, contents of motion, resolution by the board of director, and the company's response to remuneration committee's opinion (eg., the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) : None.
2. Resolutions of the remuneration committee objected by members or subject to qualified opinion and recorded or declared in writing, should specify the date of meetings, sessions, contents of motions, all members' opinion and the response to members' opinion: None.

3-6. Internal Control System Execution Status

(1) The declaration of internal control system

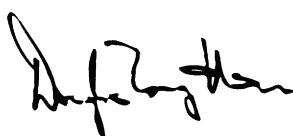
Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 7, 2013

Based on the self-examination results of the internal control system for the period of January 1, 2012 to December 31, 2012, 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's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives:
 1. The effectiveness and efficiency of business operation (including earnings, operating performance and the safeguard of company assets);
 2. The reliability of the financial reports; and
 3. The compliance of the relevant laws/regulations.
- II. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three 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, (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's internal control system (including subsidiary governance) has effectively assured that the following objectives have been reasonably achieved during the assessing period:
 1. The degree that effectiveness and efficiency of business operation;
 2. The reliability of the financial reports;
 3. The compliance of the relevant laws/ regulations.
- VI. This Declaration is a significant item in the Company annual report and prospectus available to the general public. If it contains false information or omits any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Security and Exchange Law.
- VII. The board of 9 directors has approved the Declaration of Internal Control System in the board meeting held on February 7, 2013.

Far EasTone Telecommunications Co., Ltd.



Douglas Hsu
Chairman



Yvonne Li
President

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

3-7. In Recent Years until the Annual Report is Published, Violation of Internal Control Policies by Employees: None.

3-8. 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 13, 2012	Resolutions in the Annual Shareholders' Meeting of Year 2012 Matters to be Reported 1. Business report of Year 2011 2. Financial report of Year 2011 3. Review of the Year 2011 closing report by Supervisors Matters to be Approved 1. Approval of the Year 2011 closing report (Including business report) 2. Approval of the proposal regarding Year 2011 earnings distribution (Cash dividend per share NT\$2.469) Matters to be Discussed 1. Approval of the cash distribution from Capital Surplus(Cash dividend per share NT\$0.531). 2. Approval of the amendment to "the Articles of Incorporation" of the Company 3. Approval of the amendment to "Handling Procedure for Acquisition and Disposal of Assets" of the Company. 4. Approval of the amendment to "Regulations Governing Shareholders' Meeting" of the Company. 5. Approval of the issuance of common shares by private placement 6. Election of new Directors and Supervisors of the Company (Nine directors and three supervisors are elected. The new elected directors are including two independent directors and one independent supervisor. 7. Approval of the release the non-competition restriction on directors in accordance with Article 209 of the Company Law.	Jul. 30, 2012 was fixed to be the record date of ex dividend, and cash dividend was released on Aug. 22, 2012. Jul. 30, 2012 was fixed to be the record date of ex dividend, and cash dividend was released on Aug. 22, 2012. Operating pursuant to the amended Procedures. Operating pursuant to the amended Procedures. Operating pursuant to the amended Procedures. Pursuant to item 7 of Article 43-6 of Securities and 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. It will be expired on June 12, 2013. Nine Directors (including two Independent Directors) and three Supervisors. Has followed the resolution.

Date	Resolutions of the Board Meetings
February 16, 2012	Matters to be Ratified (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the disposal of KGI EM Trend ETF fund. (4) Ratification of the acquisition of 23,123,926 common shares of "KGEx. Co., Ltd." (5) Ratification of the appointment of Vice Presidents and above of the Company. Matters to be Discussed (1) Approval of the business report of Year 2011. (2) Approval of annual financial statements and consolidated financial statements of Year 2011.

Date	Resolutions of the Board Meetings
	(3) Approval of the election of the sixth-term Board of Directors and Supervisors of the Company in Year 2012 Annual Shareholders' Meeting. (4) Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Act. (5) Approval of the dates and agenda of Year 2012 Annual Shareholders' Meeting. (6) Approval of Year 2012 business plan and financial forecast (including consolidated financial forecast). (7) Approval of the renewal of the loan agreements with the bank. (8) Approval of the declaration of internal control system. (9) Approval of the "Audit Plan" modification. (10) Approval of the setup of the "Code of Corporate Governance" and the "Procedures of Related Party Transaction Management" of the Company. (11) Approval of the appointment of auditors and audit fee for Year 2012. (12) Approval of the "Internal Control System" modification. (13) Approval of the recommendation of guaranteed bonus, Performance Incentive Plan for Non-Sales (PIPNS) and merit increase process for managerial officers of the company.
April 20, 2012	Matters to be Ratified (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the disposal of 386,870 common shares of the "ADCast Interactive Marketing Co., Ltd." (4) Ratification of the appointment of Vice President and above of the Company. Matters to be Discussed (1) Approval of the appointment of Executive Vice President of the Company. (2) Approval of the cash distribution from Retained Earnings and Capital Surplus of Year 2011. (3) Approval of the amendment to "the Articles of Incorporation" of the Company. (4) Approval of the amendment to "Handling Procedure for Acquisition and Disposal of Assets" of the Company. (5) Approval of the amendment to "Regulations Governing Shareholders' Meeting" of the Company. (6) Approval of the issuance of common shares of the Company by private placement. (7) Approval of the qualifications of independent director candidates nominated. (8) Approval of the added proposals to the agenda of Year 2012 Annual Shareholders' Meeting. (9) Approval of the subscription of the capital call of Far Eastern Electronic Toll Collection Co., Ltd. (10) Approval of the subscription of the capital call of Q-ware Communications Co., Ltd. (11) Approval of the current remuneration distribution of directors and supervisors of the Company.
June 13, 2012	Matters to be Elected (1) Elected Director Douglas Hsu, Director Jan Nilsson and Director Lawrence Juen-Yee Lau as the Managing Directors of the sixth term Board of Directors.
June 13, 2012	(Board of Managing Directors) Matters to be Elected (1) Elected Managing Director Douglas Hsu as the Chairman and Managing Director Jan Nilsson as the Vice Chairman of the sixth term Board of Directors.
July 25, 2012	Matters to be Ratified (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the acquisition of 162,960 common shares of "KGEEx.com Co., Ltd." (4) Ratification of the appointment of Vice President and above of the Company. Matters to be Discussed (1) Approval of the appointment of members of the Company's Remuneration Committee. (2) Approval of the "Internal Control System" modification. (3) Approval of the appointment of representative of the Company System Integration Branch Office. (4) Approval of the release of newly dual jobs and non-competition restriction on managerial officers of the Company. (5) Approval of the first half financial statements and consolidated financial statements of Year 2012. (6) Approval to subscribe the capital call with NT\$180M of Yuan Hsin Digital Payment Co., Ltd.
November 8, 2012	Matters to be Ratified (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the amendment to "Handling Procedure for Acquisition or Disposal of Assets" and "Procedure for Loaning Capital to Others" of the Company's subsidiaries. Matters to be Discussed (1) Approval of the Year 2013 Audit Plan. (2) Approval of the major Capital Expenditure budget for the first half of Y2013.
February 7, 2013	Matters to be Ratified (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the acquisition of 19,349,994 common shares of "Yuan Cing Co., Ltd."

Date	Resolutions of the Board Meetings
	Matters to be Discussed (1) Approval of the business report of Year 2012. (2) Approval of annual financial statements and consolidated financial statements of Year 2012. (3) Approval of the dates and agenda of Year 2013 Annual Shareholders' Meeting. (4) Approval of Year 2013 business plan and consolidated financial forecast. (5) Approval to execute the loan agreements with the bank. (6) Approval to subscribe the capital call with NT\$300M of "Yuan Hsin Digital Payment Co., Ltd." (the investment amount will be increased to NT\$300M from NT\$180M.) (7) Approval of the change of auditing CPA (Certified Public Accountant). (8) Approval of the revised Level of Authority (LOA) of the Company. (9) Approval of the declaration of internal control system. (10) Approval of the additional audit tasks of Year 2013 Audit Plan.
April 26, 2013	Matters to be Ratified (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the disposal of Eastspring Investments Global Green Solutions Fund NT\$50 million. (3) Ratification of subscription of the capital call with NT\$30M of "NFC (Near Field Communication) TSM (Trusted Service Management) Joint Venture". (4) Ratification of the appointment of Vice Presidents and above of the Company. Matters to be Discussed (1) Approval of the cash distribution from Retained Earnings and Capital Surplus of Year 2012. (2) Approval of the amendment to "Articles of Incorporation", "Directors and Supervisors Election Guidelines", "Procedure for capital lending to others", "Procedure for Making Endorsements and Guarantees" and "Regulations for the Board of Directors Meeting" of the Company. (3) Approval of the added proposals to the agenda of Year 2013 Annual Shareholders' Meeting. (4) Approval to execute the loan agreements with the banks. (5) Approval of the issuance of domestic unsecured corporate bond not exceeding NT\$10 billion. (6) Approval of the capital lending to the Company's subsidiary, Q-Ware, not exceeding NT\$250M to replace current endorsements. (7) Approval to set up the "The guidance of CPA Performance Assessment" and "Corporate Social Responsibility Policy" of the Company, and the assessment result of independence of auditor. (8) Approval of the revised audit tasks of Year 2013 Audit Plan.

3-9. In Recent Years until the Annual Report is Published, Dissenting Comments on Major Board Resolutions from Directors and Supervisors: None.

3-10. The Resigned Situation of the Officers (Including Chairman, President, Accounting Manager, And Internal Auditor Manager) being Relationship to Financial Report: None.

4. CPA Audit Fee

4-1. Information of CPA

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Annie Lin Tony Chang	2012.01.01 ~ 2012.12.31	2012/12/31

4-2. Public Expenses of CPA

4-2-1.

Unit: NT\$'000

Amount (NTD)	Item	Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000			
2	2,000,000 ~ 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

4-2-2.

2012/12/31; Unit: NTS'000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Registration	Human Resource	Other	Total		
Deloitte & Touch	Annie Lin	\$8,860	None	None	None	\$3,000	\$3,000	2012.01.01~2012.12.31	Non-audit Fee is mainly the service fee for transferring pricing and administrative remedies for taxation.
	Tony Chang							2012.01.01~2012.12.31	

4-3. If the audit fee in the year CPA firm changes is lower than that in the prior year, specify the amount of audit fee before and after and the reason:: Not applicable.

4-4. If the audit fee dropped year on year by more than 15%, specify the amount, percentage, reason of the reduction: Not applicable.

5. Information for change of CPA

5-1. Regarding the former CPA:

2013/4/30

2013/4/30

Date of change	February 2013		
Cause and explanation	Due to the internal adjustment within Deloitte & Touche, the original CPA, Annie Lin, was changed to CPA, Denny kuo		
Specify whether appointer or CPA terminates or rejects the appointment	Concerned party		
	Circumstance	CPA	Appointer
	Terminate the appointment voluntarily	V	
	Reject (refuse to accept) the appointment		
The comments and causes for issue of the audit report other than unqualified opinions within the latest two years	No		
Disagreement with the publisher	Yes		Accounting principles or practices
			Disclosure of financial statement
			Audit scope or procedure
			Others
	No	V	
	Please specify it.		
Other information to be disclosed (to be disclosed according to Item 5(1).4 of Article 10 of the Principles	No		

5-2. Regarding the succeeding CPA:

2013/4/30

Name of office	Deloitte & Touche
Name of CPA	CPA Denny Kuo
Date of appointment	Approved by Board meeting in February 2013
Consultation results and opinions that CPA might issue prior the engagement on accounting treatments or principles with respect to certain transactions and financial reports	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not 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:

		2013/4/15			
Title	Name	2012		2013/4/15	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Construction Company.	0 *0	0 *0	0 *0	0 *0
Managing Director	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 0	0 *0	0 *0	0 *0
Managing Director & Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Independent Director	Kurt Roland Hellström	0	0	0	0
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *(58)	0 *0	0 *0	0 *0
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Johnny Shih, Representative of Yuang Ding Construction Company.	0 *0	0 *0	0 *0	0 *0
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0 *0	0 *0
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Independent Supervisor	Chen-en Ko	0	0	0	0
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	0 *0	0 *0	0 *0	0 *0
Supervisor	C.K. Ong, Representative of Asia investment Corp.	0 *0	0 *0	0 *0	0 *0

Title	Name	2012		2013/4/15	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
President	Yvonne Li	0	0	0	0
CTO & CSO	Jeffrey Gee	0	0	0	0
Executive VP	Eton Shu	0	0	0	0
Executive VP and Chief Sales & Marketing Officer	Maxwell Cheng	(9,000)	0	0	0
Executive VP	Benjamin Ho(Note 2)	0	0	N/A	N/A
Executive VP	Charlene Hung	0	0	0	0
Executive VP	Mike Lee	0	0	0	0
Executive VP & CFO	T.Y. Yin	0	0	0	0
Executive VP	Herman Rao	0	0	0	0
Executive VP	Magdalena Lin	0	0	0	0
Chief Auditor	Jennifer Liu	0	0	0	0
VP	Jessica Chen	0	0	0	0
VP	Joann Chang	0	0	0	0
VP	Jessica Sung	0	0	0	0
VP	Maggie Mei	0	0	0	0
VP	Samuel Yuan	0	0	0	0
VP	Belinda Chen(Note 3)	0	0	0	0
VP	Sharon Chao	9,000	0	0	0
VP	Brian Chao(Note 4)	0	0	0	0
VP	Jessie Teng	0	0	0	0
VP	Roger Chen	0	0	0	0
VP	PL Chiang	0	0	0	0
VP	Eric Li	0	0	0	0
VP	Johnson Hsieh	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	David Tsai	0	0	0	0
VP	James Lee	0	0	0	0
VP	Bruce Yu (Note 5)	0	0	0	0
VP	James Lin	0	0	0	0
VP	Daniel Wang(Note 6)	0	0	N/A	N/A
VP	Robert Liu	0	0	0	0
VP	Dick Lin	0	0	0	0
VP	Charlene Lin	0	0	0	0
VP	Guang Ruey Chiang	0	0	0	0
Director	Alison Kao	0	0	0	0
Director	Amanda Huang	0	0	0	0
Director	Scott Chuang	0	0	0	0
Director	Roger Lin	0	0	0	0
Director	Ming-Chang Ko(Note 7)	0	0	N/A	N/A
Director	Andy Kuo	0	0	0	0
Director	Marvin Lee(Note 8)	N/A	N/A	0	0
Director	Richard Chang(Note 9)	N/A	N/A	0	0
Director	Janice Chang(Note 10)	N/A	N/A	0	0
Director	Johnny Wang	0	0	0	0
Director	Mark Lee	0	0	0	0
Director	Andy Kuo	0	0	0	0
Director	Allan Lee	0	0	0	0
Director	Jason Chen	0	0	0	0
Director	Ann Chang	0	0	0	0
Director	Gary Lai	0	0	0	0
Director	Tony Wang	0	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	George Chiu	0	0	0	0
Director	Andy Weng	0	0	0	0
Director	D.J. Chen	0	0	0	0
Director	James Chen	0	0	0	0
Director	Iris Su	0	0	0	0

Note 1: Who are the major shareholders that hold over 10% share.

Note 2: Who resigned on Jan. 16, 2013.

Note 3: Who was promoted on Apr. 1, 2013.

Note 4: Who was promoted on Apr. 1, 2013.

Note 5: Who was promoted on Apr. 1, 2013.
 Note 6: Who resigned on Apr. 1, 2013.
 Note 7: Who weren't executive management form Apr. 1, 2013.
 Note 8: Who was promoted on Apr. 1, 2013.
 Note 9: Who was on board on Mar. 25, 2013.
 Note 10: Who was promoted on Jan. 1, 2013.
 *Number of shares held and shareholding percentage of the individual representative.

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

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

8. The Relationship Between Top Ten Shareholders (With Major Institutional Shareholders)

2013/4/15

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Major Institutional Shareholders (Note 1)
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73	N/A	N/A	0	0.00	An Ho Garment Co., Ltd. Yuan Tung Investment Co., Ltd.	Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation(99.40%) 、Ta Juh Chemical Fibers Co., Ltd.(0.3%)、An Ho Garment Co., Ltd. (0.3%)
Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Lim Toon, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Fubon Life Insurance Co., Ltd.	186,785,696	5.73	N/A	N/A	0	0.00	None	None	Fubon Financial Holding Company(100%)
Chairman: Cheng Ben-Yuan	0	0.00	0	0.00	0	0.00	None	None	N/A
NTT DoCoMo Inc.	153,543,573	4.71	N/A	N/A	0	0.00	None	None	NIPPON TELEGRAPH AND TELEPHONE CORPORATION (63.32%)、THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)(1.91%)、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)(1.84%)、SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS(0.83%)、THE BANK OF NEW YORK MELLON AS DEPOSITARY

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Major Institutional Shareholders (Note 1)
	Shares	%	Shares	%	Shares	%	Name	Relationship	
									BANK FOR DR HOLDERS(0.57%)、STATE STREET BANK AND TRUST COMPANY(0.49%)、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9)(0.40%)、STATE STREET BANK AND TRUST COMPANY 505225(0.38%)、MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION(0.37%)、BARCLAYS CAPITAL INC.(0.36%)
Chairman: Kaoru Kato	0	0.00	0	0.00	0	0.00	None	None	N/A
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuang Ding Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation(100%)
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	N/A
Cathay Life Insurance Co., Ltd.	98,955,000	3.04	N/A	N/A	0	0.00	None	None	Cathay Financial Holding Company(100%)
Chairman: Hong-tu Tsai	0	0.00	0	0.00	0	0.00	None	None	N/A
Taiwan Post Co., Ltd.	94,020,696	2.89	N/A	N/A	0	0.00	None	None	Ministry of Transportation and Communications, R.O.C(100%)
Chairman: Jih-Chu Lee	0	0.00	0	0.00	0	0.00	None	None	N/A
Shin Kong Life Insurance Co., Ltd.	76,094,000	2.34	N/A	N/A	0	0.00	None	None	Shin Kong Financial Holding Company (97.28%)
Chairman: Tung-Chin Wu	0	0.00	0	0.00	0	0.00	None	None	N/A
An Ho Garment Co., Ltd.	40,817,592	1.25	N/A	N/A	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd.	Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation(100%)
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	N/A
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Columbia Acorn Trust - Columbia Acorn International	39,747,000	1.22	N/A	N/A	0	0.00	None	None	N/A
Morgan Stanley & Co. International Plc	38,986,405	1.20	N/A	N/A	0	0.00	None	None	N/A

Information Sources: Mops, Commerce Industrial Services Portal and NTT DoCoMo Website

Note 1: Major Institutional Shareholders indicates Top Ten Shareholders and Shareholders holding more than 5%.

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

2013/3/31 Unit: shares; %

Affiliated Company (Note 1)	Investment of Far EasTone		Directors, Supervisors, Managements Direct and Indirect Investment of Far EasTone		Total Investment	
	Shares	%	Shares	%	Shares	%
ARCOA communication Co., Ltd.	82,009,242	61.07	0	0	82,009,242	61.07
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
E. World (Holding) Ltd.	6,014,622	85.92	0	0	6,014,622	85.92
FarEastern Electronic Toll Collection Company	254,239,581	39.42	96,311,915	14.93	350,551,496	54.35
Ding Ding Integrated Marketing Service Co., Ltd.	1,725,000	15.00	7,475,000	65.00	9,200,000	80.00
Far Easton (Holding) Ltd.	4,486,988	100.00	0	0	4,486,988	100.00
Q-Ware Communications Co., Ltd.	33,982,812	81.46	0	0	33,982,812	81.46
New Centry InfoComm Tech Co., Ltd.	2,599,448,983	100.00	0	0	2,599,448,983	100.00
KGEx.com Co., Ltd.	112,375,356	99.97	0	0	112,375,356	99.97
iScreen Corporation	4,000,000	40.00	0	0	4,000,000	40.00
O music Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00
Far Eastern Electronic Commerce Co.,Ltd.	4,202,000	13.98	16,528,000	55.00	20,730,000	68.98
Yuan Cing Co., Ltd.	19,349,995	99.99	2	0.00	19,349,997	99.99
Yuan Hsin Digital Payment Co., Ltd.(Note 2)	9,000,000	-	6,000,000	-	15,000,000	-

Note 1 : Equity-method investee of the Company.

Note 2 : The company has not been established until Mar. 31, 2013.

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

1. Capital and Shares

1-1 History of Capitalization

2013/4/15

Year. Month	Par Value (NT\$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares (‘000)	Amount (NT\$’000)	Shares (‘000)	Amount (NT\$’000)	Source of Capital	Non-Monetary Capital Expansion	Effective Date & Cert. No.
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 1)

Note 1: 2008.1.22 MOEA Ruling Ref.No.09701015390

Current Capital Sources :

Unit:NT\$’000

Source of Capital	Initial capital	Capital increase through cash paid-in	Capitalization of earnings	Capitalization of additional paid-in capital	Others (Including ECB Conversion & Acquisition of the issue of new shares)	Total
Amount	9,000,000	4,112,570	12,926,063	4,331,098	2,215,277	32,585,008
Percentage of Capital	27.62	12.62	39.67	13.29	6.80	100

2013/4/15; Unit:’000 Shares

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

1-2 Information for Shelf Registration: Not Applicable.

1-3 Shareholder Structure

2013/4/15

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	7	35	151	19,587	729	20,509
Shares	70,544,840	573,917,973	1,435,938,414	85,937,591	1,092,161,992	3,258,500,810
%	2.16	17.61	44.07	2.65	33.51	100

Note: According to the official letter No.0990002770 of Financial Supervisory Commission (“FSC”) on January 15, 2010, the Telecommunications Enterprise was prohibited investment industry. The individuals, juristic persons, organizations, other institutions from Mainland can’t invest the Company, hence the percentages of ownership of China investors is 0.

1-4 Share Distribution-Common Stock

2013/4/15

Level	Number of shareholders	Shares	%
1 - 999	4,968	1,464,472	0.04
1,000 - 5,000	11,770	23,813,140	0.75
5,001 - 10,000	1,560	12,408,490	0.38
10,001 - 15,000	472	6,038,869	0.19
15,001 - 20,000	316	5,848,157	0.18
20,001 - 30,000	305	7,637,103	0.23
30,001 - 50,000	252	10,123,376	0.31
50,001 - 100,000	225	16,061,736	0.49
100,001 - 200,000	147	21,218,296	0.65
200,001 - 400,000	142	39,774,245	1.22
400,001 - 600,000	74	35,968,027	1.10
600,001 - 800,000	40	27,792,228	0.85
800,001 - 1,000,000	33	29,780,999	0.91
1,000,001 and above	205	3,020,571,672	92.70
Total	20,509	3,258,500,810	100.00

The Company has not yet issued any preferred shares until April 15, 2013.

1-5 Top 10 Major Shareholders

2013/4/15

Major Shareholders	Shares	Shares	%
Yuang Ding Investment Co., Ltd.		1,066,657,614	32.73
Fubon Life Insurance Co., Ltd.		186,785,696	5.73
NTT DoCoMo Inc.		153,543,573	4.71
Yuang Tung Investment Co., Ltd.		100,237,031	3.08
Cathay Life Insurance Co., Ltd.		98,955,000	3.04
Taiwan Post Co., Ltd.		94,020,696	2.89
Shin Kong Life Insurance Co., Ltd.		76,094,000	2.34
An Ho Garment Co., Ltd.		40,817,592	1.25
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Columbia Acorn Trust - Columbia Acorn International		39,747,000	1.22
Morgan Stanley & Co. International Plc		38,986,405	1.20

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

Unit: NT\$; shares

Item	Year	2011	2012	2013 (as of March 31)
Share price (Note 1)	High	61.10	76.10	75.90
	Low	41.55	53.00	66.80
	Average	46.89	66.56	70.92
Net Value per share	Before distribution	22.09	22.38	23.14
	After distribution	19.09	(Note 2)	(Note 2)
Earnings per share	Weighted-average outstanding shares	3,258,500,810	3,258,500,810	3,258,500,810
	Earnings per share Before adjustment	2.73	3.25	0.85
	After adjustment (Note3)	2.73	3.25	0.85
Dividend per share	Cash dividend	(Note 7) 3.00	(Note 8) 3.50	Not Applicable
	Stock dividend	Retained earning 0	0	Not Applicable
		Capital surplus 0	0	Not Applicable
	Accumulated un-distributed dividend	0	0	Not Applicable
Return on Investment	Price/Earnings Ratio (Note 4)	17.18	20.48	Not Applicable
	Price/Dividend Ratio (Note 5)	15.63	19.02	Not Applicable
	Cash dividend yield (Note 6)	6.40%	5.26%	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: To be Being resolved by Shareholders' Meeting in the subsequent year.

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

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

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

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

Note 7: The Cash dividend of year 2011 distribution NT\$3.00 per share is based on 3,258,500,810 shares.

Note 8: The Cash dividend of year 2012 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.

It is distributed cash dividend from the capital surplus-additional paid-in capital-share issuance in excess of par value at NT\$0.531 per share, totally cash NT\$3.00 per share of Year 2011. The percentage of payout ratio is 110%. It is also distributed cash dividend from the capital surplus-additional paid-in capital-share issuance in excess of par value at NT\$0.572 per share, totally cash NT\$3.50 per share of Year 2012. The percentage of payout ratio is 108%. The cash dividend were not less than 50% of the dividend of the year. It is in accordance with the Articles of Incorporation.

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

On April 26, 2013, the Board of Director resolved the proposed 2012 dividend distribution to be approved at 2013 Annual Shareholders' Meeting as following: To distribute cash dividend of NT\$9,540,890,372 from the retained earnings at NT\$2.928 per share and cash of NT\$1,863,862,463 from the capital surplus-additional paid-in capital-share issuance in excess of par value at NT\$0.572 per share, totally cash NT\$3.50 per share of Year 2012.

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:

10% of net income less any accumulated deficit should be appropriated as legal reserve every year. 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.

1-9-2 The accounting treatment for the differences between actual and accrued amount of bonuses to employees and remuneration to Directors and Supervisors: 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 shareholders' meeting differ from the proposed amounts, the differences are recorded in the year of the shareholders' 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 preceding the shareholders' meeting.

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

- (1) The differences between the bonuses to employees and remuneration to directors & supervisors distributed from earnings of year 2012 resolved by the Board of Directors on April 26, 2013, and the accrued amount in the year these were recognized as expenses are as follows:

Unit: NT\$'000

Amount \ Item	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Accrued Amount (A)	\$190,798	\$95,399	None
Proposed Distribution (B)	\$190,798	\$95,399	
Variance (B) - (A)	\$0	\$0	

- (2) Proposed employee stock bonuses as percentage of net income and total employee bonuses: It is expected to pay cash, hence not applicable.
- (3) 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 2012, hence not applicable.

1-9-4 The differences between the bonuses to employees and remuneration to directors & supervisors distributed from earnings of year 2011 resolved by the Board of Directors and Shareholders' meeting on April 20, 2012 and June 13, 2012, respectively, and the accrued amount in the year these were recognized as expenses are as follows:

Unit: NT\$'000

Amount \ Item	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Recognized Estimated Amount (A)	\$159,858	\$79,929	None
Actual Distribution (B)	\$159,858	\$79,929	
Variance (B) - (A)	\$0	\$0	

1-10 Share buyback 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 Depositary Receipt

2013/3/31

2013/3/31

Date of Issuance			June 11, 2004	
Item				
Total Price of Issuance			US\$132,190,000	
Unit Price of Issuance			US\$13.219	
Total number of units issued			10,000,000	
Type of underlying securities			Far EasTone common stocks	
Amount of underlying securities			15 shares	
Rights and obligations of subscribers			Same as common stock holders	
Trustee			Not applicable	
Depositary Bank			The Bank of New York (Luxembourg) S.A.	
Custodian Bank			Far Eastern International Bank	
Number of outstanding shares			3,736,750 shares	
Bearers of Related charges incurred during issuance and holding period			Charges of GDR issuance shall be born by sellers; charges incurred during holding period shall be born by the Company.	
Major terms of Depositary Agreement and Custodian Agreement			None	
Place of issuance			Luxembourg Stock Exchange	London Stock Exchange
Market Price per unit	2012	High	US\$38.685	US\$36.00
		Low	US\$27.02	US\$26.78
		Average	US\$33.629	US\$32.021
	2013 (as of March 31, 2013)	High	US\$38.685	US\$36.00
		Low	US\$33.925	US\$36.00
		Average	US\$36.135	US\$36.00

5. Employee Stock Options

None.

6. New Restricted Employee Shares

None.

7. Share Issued for Merge or Acquisition

7-1 Completed Merger or Acquisition in the recent years until the Annual Report being published:

7-1-1 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.

7-1-2 If the progress or effect of the implementation did not meet the goal, please specify the influence on shareholders' equity and the improvement plan: Not Applicable.

7-2 Information from Shares Issued or Acquired for Merge and Acquisition Approved by the Board Meeting until the Annual Report being Published: None.

7-3 Impact from Shares Issued for Merge or Acquisition Approved by the Board Meeting in the recent years until the Annual Report being Published: None.

8. 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.

9. Other Disclosure

In accordance with the request for information disclosure evaluation, FarEasTone's Risk Management Organization Structure and Responsibilities are as below :

Risk Management Org. & Structure	Responsibility
Executive Management Team	The meeting shall be chaired by president and is the highest level of supervisory unit on corporate security policy.
Corporate Security Committee	- Corporate Security Committee reports directly to the Executive Management Team and is the company's cross-divisional security policy decision-making unit, composed of each divisional EVP. The chairperson of the committee is elected by members and holds at least one meeting every quarter. - Management Objectives : 1. Establish and maintain the excellent corporate security governance. 2. Considering the importance of information assets, possible exposure to security risk and the impact when serious damages occurs, the committee needs to monitor and provide the guidance for risk treatment, including risk acceptance, risk avoidance and risk mitigation. 3. To balance the company's operational flexibility and security protection. 4. Effectively supervise the risk management and operational information security relevant activities. 5. Ensure the adequacy of resources invested for the security operation efficiency. 6. Supervise the establishment of the culture of security risk management and security awareness. - Main management activity included : 1. Establish and maintain the corporate security governance framework. 2. Monitor corporate security risk and determine the acceptable risk level. 3. Monitor corporate security authority. Be responsible for the build - up and maintenance of corporate operational capability. 4. Oversee corporate security activities, including the strategic security policy setting and implementation, information assets management, security metrics setting and management, security event management and control, business continuity management, advocacy of security awareness, crisis and issues management, international standard certificate planning and execution status..etc. 5. Review and approve the plan of corporate security, integration of operations and security, resources and budget requirements.
Operation Security Committee	- A security policy management unit composed of Divisional Security Officers and department's security representatives. The chairperson of this committee is elected by the members and holds at least one meeting every month. Main responsibilities are as follows : 1. Regularly report to Corporate Security Committee. 2. Establish the company security objectives. 3. Manage and certify the progress and results of security activities. 4. Manage security-related policies and regulations planning, , establish, implementation and review. 5. Direct the working group. 6. Plan resources with consideration of risk categories and security roadmaps. - The Divisional Security Officer and department's security representatives are appointed by Division Heads. The main duties are as follows : 1. Establish and maintain the business division's security management mechanisms, including the formulation, implementation and auditing of relevant policies. 2. Assist the investigation of corporate security incidents, and for the responsible incidents, the division shall, on their behalf, recommend subsequent improvements and track results after improvements have been completed. 3. Serve as the channel for communications between colleagues in their business division and the Corporate Security Committee / Operation Security Committee, and communicate related resolutions or announcements to colleagues within the division. 4. Serve as each division's contact window when the Committee is implementing various programs. 5. Review and approve the applications from own division's colleagues for complying with security policies and regulations. 6. Review and approve the division's use and management of customer data. 7. Supervise the business division's security management of non-FET employees when they are working on the company business sites.
Corporate Security Team	- A team which advocates corporate security policy, main duties include : 1. Convene Corporate Security Committee / Operation Security Committee meetings and is responsible for executive matters and administrative tasks. 2. Facilitate the implementation of security policy and boost the security awareness. 3. The coordination unit for Information Security Management System Certification and the convener of implementation groups.



Far EasTone Telecommunications Co.,Ltd.
Annual Report 2012

 Operational Highlights

1. Business Activities
2. Markets and Sales Overview
3. Employee Information in the Recent 2 Years
until the Annual Report being Published
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;
- 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;
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

1-1-2 Operating Revenue Breakdowns

Unit: NT\$'000

Item	Year	2011		2012	
		Amount	%	Amount	%
Telecommunication Service Revenue		54,204,144	87	58,458,619	82
Others		8,204,815	13	13,187,029	18
Total		62,408,959	100	71,645,648	100

1-1-3 Existing Products and Services

The company and the subsidiaries provide telecom services as follows:

A. Mobile Service Communications Revenue:

- (1) Type I Telecommunication Services: Provide mobile phone, 2G or 3G voice and data communication services and value-added services, and the voice services are categorized as postpaid and prepaid services according to the payment methods; value-added services includes FET eBook town, S Mart, FET Video Store, FET Mobile TV and so forth. Besides, 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 and adds the Ethernet VPN service (ELAN) at the end of 2011.
- (2) Type II Telecommunication Services: Non-E.164 internet phone, wholesale resale, simple voice resale (ISR), intranet communication services and internet access services.

B. Internet Access Services Revenue:

ISP Service for FET "Big Broadband" by ADSL and optic fiber.

C. Fixed Line Communications Revenue:

Including domestic call service, long-distance internet call service, 007 international call service, and 070 software call service and Plug & Save and so forth.

D. Sales of Mobile Communications Equipment and Accessories: Mobile communications and digital convergence equipments and accessories sales alone or bundled with SIM card sales.

1-1-4 New Products /or Services under Development

The demand for multimedia content and mobile broadband access has escalated as most feature-phone users have turned to smart phones in recent years. The digitization and Internet access of contents, such as online shopping, online music, online video, online games, and online bookstores, were accelerated to fulfill the consumer's demand for entertainment, information collection, and online transactions over mobile networks. Also, with the rise of digital TV, the demand for online entertainment and online transactions by integrating TV with the Internet has been increasing. These developments have presented new challenges as well as new opportunities to traditional telecommunication service providers. FET has always been a leader in the sector for its creativity and speed of innovation, FET has responded to the aforementioned opportunities with its products and services in order to fulfill customer needs so as to create value, generate revenue and bring profit to the stakeholders. The following is an overview of FET's services and product development in the future:

- **Aggregation of smart device application & management of app store:** Ever since FET launched its S-Mart services in October 2009, it was met with very positive responses. In 2012, we launched the S-Mart App and S-Mart Games in collaboration with quality application developers, so as to respond to the market demand for quality apps. In the same time, we continuously developed different multimedia applications to serve customers and create revenues.
- **Expansion of eBook Town operation:** In July 2010, FET launched the FET eBook Town services, which features a platform with multi-device and multi-screen cloud capability to consolidate its leading status in the domestic sector. FET has already engaged in partnership with large publishing houses, in order to launch e-book packages suitable for different customer groups to fulfill the customer's reading aspiration.
- **Digital music services:** In September 2010, FET invited 9 major label companies in Taiwan to take part in the joint venture of Omusic; a company that will focus specifically on the promotion of digital music adoption and development of digital music business models. Continue to increase digital music sales with diversified product portfolios integrating current and popular topics over Omusic.
- **Online video services:** FET launched "Online Cinema" service in 2011 to foray into the development of online video services with products from the movie rental market. In addition to the continuation of "multi-screen cloud" strategy that is already implemented for FET e-Bookstore and Omusic services to support different devices, FET's online video services would also be made available on both webpage and app formats in order to reach out to the maximum number of users possible. Presenting the model of "Online video rental and viewing" to serve subscribers, FET will better serve consumers with diversified content in higher quality.
- **Big Screen Services:** The digitization of cable TV and video content has been accelerated after the full digitization of terrestrial television to continuously stimulate the consumer's demand for digital multimedia contents. At the same time, users are interested in interacting with one another on big screens with apps as smart-phones and handheld devices are increasingly popular. We will plan and develop related products and services that meet consumer demands based on these trends.
- **IP Messaging:** After the smart-phone has become market mainstream, convenient internet access has brought new possibilities to telecommunication. The increasing popularity of over-the-top (OTT) service, such as WhatsApp and Line which have successfully attracted user attention, will certainly be a challenge to traditional telecommunication operators. However, the thriving of OTT messaging also brings worries about communication safety and reliability. The Global System for Mobile Communications Association (GSMA) has suggested a solution—Rich Communication Services (RCS). With RCS, users can enjoy the communication functions and experiences as found in OTT messaging, and telecommunication operators can ensure communication safety and reliability. Interested and willing to adopt this standard, we are exchanging opinions and discussing with the GSMA expert team.
- **Location-related services** such as navigation, information on sights of interest, shopping message services and so forth: With devices such as mobile phones and tablet PCs as a vehicle, FET will be offering derivative services or advertisements based on a variety of location information. We continuously observe the best timing for developing online-to-offline (O2O) to timely launch corresponding services.
- **Mobile commerce:** This year, we will establish the new field communication (NFC) business in collaboration with Chunghwa Telecom, Taiwan Mobile, Asia Pacific Telecom, VIBO Telecom, and EASYCARD Investment Holdings to operate the NFC TSM (Trusted Service Management) platform. NFC is still a new area across the world, and its scope of application covers payment application and non-payment application. The TSM platform plays a key role in NFC application enabling service providers to securely deliver services to mobile phones.

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 29,450 thousand subscribers by January end of 2012; over 127% 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 50~100M high speed download availability higher and more stable than ADSL. With the growing popularity of mobile devices such as smart phones and tablet PCs, demands for wireless internet access from consumers have also risen correspondingly. In addition to the 3.5G HSPA services that competitors are currently offering, FET is planning to deliver LTE services for improved speed and bandwidth to better accommodate subscribers' mobile internet access needs.

With regards to corporate mobile communication, under the Europe sovereign debt crisis in 2011, global economy was headed into the downturn, and following the contagion of Europe debt crisis, serious fiscal deficits in US and turbulent global financial markets in 2012, all aforesaid factors induced the global economy growth slowdown. Consequently, corporations have become more prudent and cautious with their investments and made the management of corporate mobile communication market more challenging than ever. Fortunately, the sales of smart mobile devices (mobile phone, tablet PC and etc.) boomed for the past two years with applications becoming more and more prevalent. IDC forecasts predicted that the population of mobile workers utilizing smart mobile devices and technology around the world would exceed 1.19 billion in 2012, translating to approximately 34.9% of the world's working population. On the other hand, BYOD (Bring Your Own Device) is sweeping across the world. According to the Ovum report, BYOD has become a popular mode of multinationals in Asia-Pacific, and mobile application has doubtlessly become the key for enterprises to enhance productivity and competitiveness. And as such, many corporations are now actively involved in the development of mobile applications that would enhance productivity for their employees. On the other side, we are also concerned about the application and development of MDM (Mobile Device Management) and mobile safety. In a time when mobile devices keep coming out and innovation of mobile application and management continues, the needs of corporate clients are no longer restricted to simple discounts on mobile communication subscription; the development of fixed mobile convergence (FMC) and value-added mobile solution will be more important than ever.

A few years down the road, FET shall commit itself to the development of mobile and cloud technology integrations so as to deliver more integrated solutions of application services tailored to the characteristics of different sectors. This would accommodate clients' ubiquitous, mobile and real time needs that would boost their corporate competitiveness.

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 multimedia data services and wireless broadband service. With widespread of wireless broadband services, it will continue to enhance the use of various value-added services and also to boost ARPU.

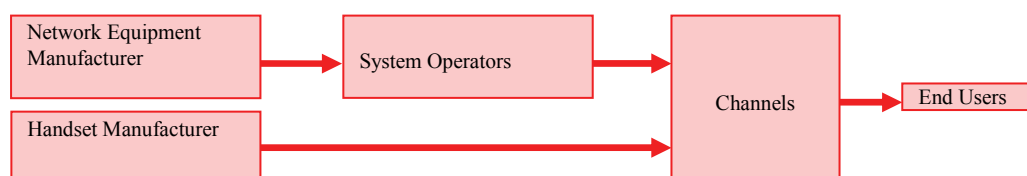
B. 3G – the next market focus, Wireless – the power of growth

As 3G service rolled out by all operators, total 3G subscribers has reached 22,670 thousand by the end of December 2012. Market penetration has also grown from 6.5% during January 2006 to the current 78.6%.

With the prevailing of 3G/3.5G Infrastructure and the service launch of future 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.

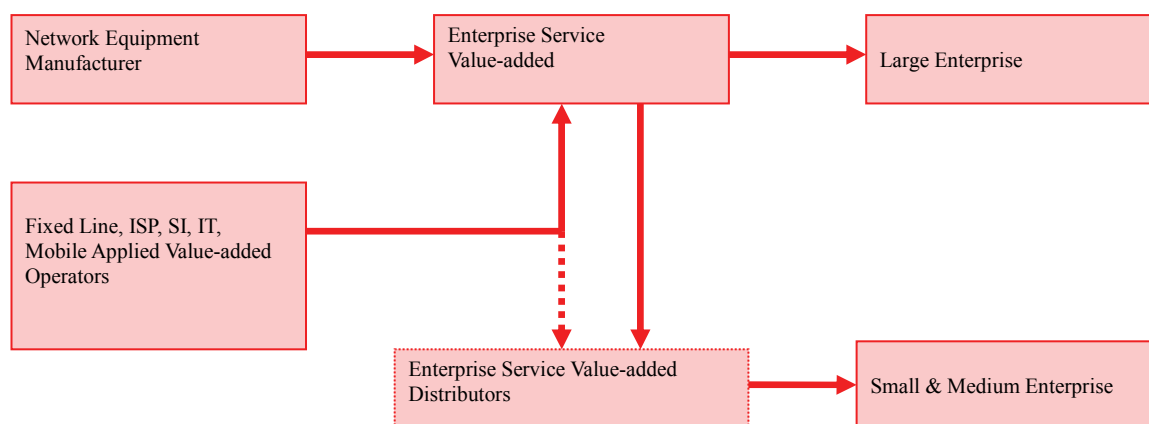
1-2-2 Industry Value Chain:

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

1-2 Industry Overviews

1-2-3 Development Trends of Products and Services

A. Widespread 3G drives the rapid growth of mobile internet access

The Increasing 3G coverage and increasing number of high-speed downlink/uplink packet access (HSDPA/HSUPA) base stations significantly accelerate the speed of internet access for mobile phone users and, in turn, lead to the rapid growth in smart phone penetration. Up to last year, several millions of subscribers utilize smart phones, with more than 50% of them utilizing relevant data services. The percentage of subscribers using data services is expected to rise as smart phones become more prevalent. In addition to internet access, FET shall continue to strengthen the development of relevant value-added services so that users could enjoy more services with ease of use from customer perspective.

With more mature development in industry of Wireless broadband access systems (4G, also called “LTE”), the future development on LTE will be a major focus of global telecommunication operators.

B. Telecommunication business turns from the voice-centric era into the multi-service integration era

Telecommunication industry is developing rapidly and reshaping the business model and creating vertical/horizontal integration, which bring variety of growth momentum for industry. With new service providers join the competition in the market, the telecommunication industry has now come to a critical turning point in its development; traditional voice service providers now have to be more innovative in a leading position to deliver more diversified services to cater to the needs of various types of customers.

As popularity of iPad, iPhone, smart phone and tablet, it shows customers’ needs of always-on-line communication and convenient way to contact for them to keep in touch with others. This drives the telecommunication operators to offer various devices and variety of services over their network and service platforms, As such, the integration of network connection, device, and application services lead to more diversified business in telecommunication market.

C. Digital Convergence and Application services shall be the key to sustained development for the industry

The development of networking and mobility capability of consumer electronics is stimulating the creation of more communication services and applications, which also greatly influence the development of telecommunication industry. With notebook PCs featuring built-in mobile broadband modules, we have witnessed the emergence of more and more communication applications for entry-level PCs, next-generation navigation devices, gaming devices and even camera products. It can be foreseen the terminal device support will continuously affect the future development of telecommunication industry.

Judging from the fact that Apple has seen 40 billion App downloads from the Apple Store, with the number of Apps exceeding 500,000, with over 300,000 Apps specifically designed for iPad and more than US\$ 7 billion of licensing fees paid to developers, it can be expected the revenues and growth from application services will undoubtedly rise as smart phones and tablet become more prevalent. Consequently, telecommunication service providers will have to provide faster wireless networks and better coverage to accommodate the needs of new subscribers. It is reasonable to expect there will be more diversified customer devices, multiple wireless networks, the increase of customer utilized bandwidth

and more application services available in the future.

Along with the prevalence of wireline/wireless broadband services, the trend of digital convergence also gradually take shape. In the past, the development of communication, networks, radios and television sectors has been independent. But with the initiation of digital convergence, the sectors have been engaging in various collaboration, expansion and cross-domain competition. In the foreseeable future, these industries will be competing the services under an integrated network environment and for the telecommunication operators, their competitors will no longer be limited to other operators, but also relevant service providers in digital convergence.

D. 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. Following the launch of evolving smart phones such as iPhone and other mobile phones running on Android OS and tablet PCs such as the iPad, Samsung Galaxy, ViewSonic ViewPad and so forth, sales of smart mobile devices have risen significantly. Looking towards the future, one can reasonably expect the market of smart mobile devices and services to demonstrate significant growth, and more smart TVs will be launched in the second half of 2013, it is expected that the demand for big-screen multimedia carriers will thrive. In addition to “FET eBook Town”, which serves as a channel for subscribers to purchase and other various books and publications, FET will also launch other online multimedia services such as Omusic, Online Cinema and think about the business opportunity of application services brought by Smart TV to further cater to the needs of smart mobile device subscribers.

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 smartphone App and Multimedia content 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.

In terms of innovative corporate service development, except for continuing to develop innovative cloud IOT services along with iaaS (infrastructure as a Service) solutions such as “Computing as a Service”, “Storage as a Service” as well as medical cloud, transportation cloud, management cloud and e-Tag parking management system. This year, we also announced the Super Cloud solution for the private cloud market. These included enterprise mobility solutions such as cloud storage, multimedia cloud, and MDM to create business opportunities and product differentiation, so as to continuously lead the industry. Continuing the 20% RPS growth of the MVPN business in 2011, the RPS growth of the MVPN business in 2012 was nearly 20%.

With regards to broadband internet access, in addition to continuing to expand the FTTx ISP subscriber base, FET will also launch more diversified products such as 3.5G portable broadband, 3.5G network cards bundled with different mobile devices to cater to the demands of the rapidly growing market for wireless broadband services at reasonable prices to maintain its market competitiveness. Furthermore, FET will also work towards improving the quality of its internet access along with the planning for 3.75G base stations to sustain customer loyalty with higher internet access speed.

Launched in Taichung, FET's WiMAX shall provide utmost broadband service by 3.5G network leverage for full coverage at initial stage. FET's WiMAX provides the variety mobile networks to customer.

1-3 Technology Development Overviews

Major R&D Expenditure in Recent Years until the Annual Report being published

2013/3/31; Unit: NTS'000

Item	Year	2012	2013 Q1
R&D Expenditure		522,220	103,032
Total Operating Revenue		71,645,648	22,085,787
R&D Expenditure as percentage of Total Operating Revenue (%)		0.73	0.47

Products and Services Developed in the Recent Years

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

Year	Name of Plan	Content of Plan
2012	Optimization of network service quality	Upgrading the mobile communication core network technology and its equipments, enhancing the network management system function, upgrading the data servicing technology and the value-added services platform, to provide the best integrated network service.
	FET VOD service	FET VOD service is the online multimedia platform that FET has constructed to provide video on demand (VOD) and movie channel streaming services. Subscribers can access the service via multimedia devices (i.e. PC, smart phone, tablet, Smart TV and etc) to enjoy the contents for unlimited number of times and experience online multimedia entertainment. This service was brand-newly launched in August 2012.
	FET Mobile TV	FET Mobile TV is specifically design for those who need to capture real-time worldwide information. Consumers can conveniently watch worldwide popular TV channels anytime from a smart-phone or tablet.
	S Mart	S Mart is the App download and transaction platform that FET has constructed for App developers to upload/distribute contents they have created. Local smart phone users can concurrent fun with World-Class Game Apps. In September 2012, S-Mart distributed the "Bad Piggies" in collaboration with the world-leading Rovio Entertainment. In this project, we were exclusive in Taiwan and launched the game one day earlier than Google Play Store. This project enabled us to integrate local store marketing, extend our brand image in promoting digital content development with this international App, and provide users with the best app content in ahead of others, so as to further cooperation with worldwide app providers and as a way to incorporate the most popular and creative Apps available.
	Omusic	As a flat-rate music service, Omusic supports both iOS- and Android-based computers, mobiles and tablets. With one account, users can enjoy unlimited music on different support devices. With professionally categorized music, we fulfill the demand of different users. In May 2012, we started the digital star track activity to invite singers to edit their playlists for users to directly share the playlist recommended by their idol singers, so as to interact with singers more closely, enjoy new songs from their idols at zero time difference, sharing good music with their friends, and enjoy the most popular music.
	FET eBook Town	FET eBook Town provides a friendly and convenient mobile reading platform. The Bestseller On-Demand monthly rental service launched in November 2012 enabled FET subscribers to enjoy unlimited ebook reading through an annual contract. The service includes the current issue of a wide variety of magazines and bestsellers. The service will be extended to non-FET subscribers from Q2 of 2013. In addition, the annual magazine subscription service will be launched to fulfill the mobile reading demand of individual users with comprehensive customized packages.
	FET Mobile Navigation	FET Mobile Navigation delivers multifaceted navigation services integrating professional automatic vehicle location (AVL), traffic information, public transport information, hot scenic spot information, and e-coupon to meet the travel demands of all consumers. In 2012, we introduced the "broadcast" function to remind subscribers to update information and services. The "Call Cab" and "Road Rescue" services provided extra services for drivers. The "Nearby Facilities" function displays all nearby and local facilities at the point of search in the map. The "Recommendation of the Month" module was developed to enhance theme replacement efficiency. The navigation function and speeding camera locations were added to the scenic spot page to remind users.
	FET eStock	FET eStock provides multifaceted quotations of popular financial products, including Taiwanese stocks, Chinese stocks, mutual funds, and foreign exchange, to keep you posted with all investment opportunities. No matter how long it is, it needs no transmission fee for reading the domestic tape, so that users will never need to worry about getting off the chart whenever they want to read the tape. FET eStock also provides a wide variety of text reminders to remind users of different critical moments. Whether it is iOS or Android, FET eStock will remind you with text as long as the condition meets the settings. With FET e-Stock, you can capture investment opportunities without the need to keep any eye on the market.
	FET Enterprise Cloud Mail Upgrade	This service provides enterprises with dedicated mail servers and mail management from professional IT personnel. Subscribers can immediately possess email accounts using their enterprise domain name without the need to purchase any software and hardware equipment or engage in network management. We also provide antivirus and anti-spam functions to ensure good protection of enterprise mail.

Year	Name of Plan	Content of Plan
	RBT enhancement	We pioneered to enable the two-way SMS service for subscribers to apply jukebox service, so as to save the time and fee of the original interactive voice response (IVR) function and thereby fulfill the quick application needs from customers.
	PGC multiline service	To respond to the international roaming fee went down as the prevailing of instant messaging apps, FET provides “FET-Philippines Multisim” service which is able to adjust roaming fee quickly by shortening FET internal operation time. This enables consumers can immediately enjoy high quality service with reasonable price . In addition, we also provided 7-day free trial for customers to experience the product before subscribing it.
	MMS Upgrade	In order to provide customers with better services, we upgraded the system and expanded the capacity to avoid potential traffic congestion in message transmission which can make more customers to use the service at the same time.
	FET eNews Expansion	Enhancing the service functionalities to enable consumers to receive FET e-News more concurrently and more rich content.
	ipay Upgrade	By upgrading the ipay system functions, we provided business teams with automatic refund and unbilled order cancellation functions to enhance processing efficiency, so as to shorten the refund lead-time for consumers after cancelling an order.

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

1-4-1 Short-term plans

A. Marketing Strategy

- 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.
- 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.
- 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.
- Besides expand 3.5G/3.75G coverage and optimize network aggressively, the Company will negotiate with other WiMAX operators for signing roaming agreement to provide good quality service.
- In light of the growing popularity of smart phones and tablet PCs, FET will collaborate with its partners in the development of various mobile applications to provide comprehensive services to corporate clients.
- Given the latest developments driven by the signing of ECFA, FET shall strive towards the goal of achieving cross-strait FMC with its foundation on “uni-code” FMC(Fixed Mobile Convergence).
- Focus on the trend of the enterprise ICT(Information Communication Technology) integrated service to enter the enterprise communication market with ICT project integration ability.

B. Direction for Product Development

- Continuously improve network quality to reduce congestion and drop call rate and offer high quality voice service and high speed data service.
- Continue to promote integrated multimedia services which includes “digital music streaming”, “mobile multiple on-line game”, “smartphone security service” to offer customers a wider range of service choices and make mobile phone become a more personalized communication tool. In terms of network based operation services, FET shall continue to strengthen the contents of services such as MMS, SMS, ring back tone and so forth in conjunction with diversified marketing combinations to expand subscriber base and enhance subscriber experience.
- With regards to internet-based multimedia services:
 - FET’s S Mart app store will meet user’s needs by increasing app in quality and quantity, enhancing user’s experience and enlarging user segments based on core theme of Practical & Fun. In the meantime, diversified commercial model shall be planned for more consumption.
 - FET eBook town services adopt the various consumption models and popular books and magazines to attract the users. FET eBook town also tries to proceed the virtual-physical integration and extract the availability of eBook and paper copy to provide the best consumption and reading for users.
 - As for music content, FET continues to launch the integrated access for the music streaming services of multiple screens to expand the market with extensive Chinese pop-song content, high quality music, latest information on music.
 - With regards to video content, FET continues updating the content and user interface of FET Video Store to provide “multi-screen cloud” movie streaming services through devices such as tablet PC, desktop/notebook PC and mobile phone displays.
 - As for games, FET will continue the introduction of domestic and international popular products and multi-player on-line game over mobile, plus new play method and content to increase the gamers through

networking game social group.

- Finally, for the aforementioned online multimedia content and distribution channels, optimized cash flow system, comprehensive multi-screen cloud and portal website, FET will also establish and maintain storage space for subscribers in the cloud and incorporate social networking functionalities to deliver the satisfaction of one-stop shopping for subscribers in the hopes of enhancing user stickiness through peer interaction and cloud storage content.

- d. FET shall continue to develop innovative mobile multimedia services to provide media that are “real time, precise and local” to advertisers and differentiate from other traditional media. Development for information oriented media would focus on “Real Time Location Based Message Push” to establish FET’s presence in the domain of mobile multimedia. At the same time, FET will also keep developing new formats of media advertising (i.e. mobile web, in-apps, outdoor digital signage and so forth) to consolidate its lead in digital media.
- e. Expand value-added broadband services to provide digital home applications such as “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. Control the trend of cloud service development and explore the application of the cloud and the internet of things of each industry; meanwhile, continue to develop the enterprise ICT integrated application service to create the service difference and meet the enterprise’s needs.

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, receive SGS service certification for six 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. In addition to the expansion of 3G and 3.5G service coverage area across Taiwan, FET will also be working towards increasing the speed of data transmission to accommodate the trend of online multimedia consumption initiated by the popularity of smart phones and tablet PCs. In addition, FET will also be aggressively establishing WiFi hotspots in regions of heavy use to create an intricate parallel network structure with both WiFi and 3.5G to satisfy consumers’ needs by achieving the operational objectives of traffic streaming and cost control.
- h. Besides the exiting ISO27001 certified from BSI, FET internet data center also obtained the certification of ISO 27011 at the ending of 2011 in order to continually provide the service of the higher quality to customers.

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.
- d. With regards to corporate clients’ needs for integrated telecom and application services, FET is working to provide ICT (Information Communication Technology) Total Solutions based to develop FMC, mobile application, information security, electricity saving services and so forth to bring corporate clients to boost their competitiveness in the new era.

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. FET shall pursue a dual-tracked strategy that emphasizes telecommunication network-based value-added services

and internet-based multimedia services and continue to expand compatibility of multimedia services to more devices (i.e. mobile phones, tablet PCs, desktop/notebook PC, connected TVs and so forth) and more end-user markets (outputting quality multimedia content from Taiwan to the rest of Asia).

- c. FET shall carefully assess and formulate strategies for social network services, consumer cloud and IP integrated telecommunication services to capitalize the opportunities of disruptive innovation so as to deliver services of the best quality and most advantageous to consumers to ensure long-term customer retention.
- d. FET shall capitalize the opportunities from the rapid growth of e-commerce and business to develop more payment functionalities with through the development of NFC mobile phones for physical distribution channels, paired with the optimization of cash flow service platform for online distribution channels to deliver optimized convenience and versatility to consumers. In addition, FET will also continue to improve the process of user interaction on various interfaces of multi-screen cloud and user experience to take full advantage of opportunities from digital merchandize distribution channels.

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 and well position at home-broadband market.

2. Markets and Sales Overview

2-1 Market Analysis

2-1-1 Main Products and Service Areas

FET continues to expand retail stores located among metropolitan areas in 2012. Based on the objective of “aggressive innovation, best service, and continuous growth”, apart from continuously introducing integrated ICT services, we have been developing related mobile application products and improving the service quality of local stores. Approx. one hundred retail stores were developed in 2012 with the fifth generation of store type to enrich customer’s experience on mobile device, wireless broadband, and value-added services.

Along with a prosperous advance on smart mobile device and digital life, FET distribution channels keep renovating the store environment from interior design to external display; on the basis of store demassification, apart from setting up stores in department stores, MRT stations, and around night markets, we established telecommunication stores specifically for women consumers, so as to grasp the opportunities in the women digital market. Through the quality 360° Store Heartfelt Service, we provide services beyond consumers’ expectations on specialty and convinces.

In addition, there is strong and growing interest in tablets coming with a variety of sales opportunities. Given the sales support from strategic channels as ARCOA and Data Express, the tablet and wireless service is completed.

Currently, the total number of FET stores including retail, franchise, and ARCOA is close to 900. FET, with 695 million of cumulative subscribers by the end of Dec, 2012, will scheme for a broader choice of mobile internet, content service and bundled offerings dedicated to customers’ needs.

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 services, new operators entered the market and increased market saturation. Mobile subscriber market share by the end of 2012 are CHT at 34.8%, TWM at 23.7% and FET at 23.5%, APTG at 9.7% and VIBO at 5.7% and PHS at 2.6%. In the future, changes in market share will be determined by offering customers the good network and communication quality, the varied rate plans and content service and application, and the bundlings of various smart phones, tablet PCs and so forth. Mobile service revenue for the top three operators are generally stable. While the service revenue of CHT still remains leading to reach 32.9%, FET at 27.6% and TWM at 26.9%, however, APTG Telecom and VIBO totally at 12.6% by the end of 2012. As for the home broadband market (including ADSL, fiber-optic and Cable Modem), CHT(Hinet) accounts for around 70% of market share while Far Eastern Group accounts for around 4% by the end of 2012. If Cable Modem excluded, the broadband market share of CHT(Hinet) is around 85% while Far Eastern Group is around 5% by the end of 2012. (Source: The subscribers and telecommunications service revenues were statistics from NCC as well as the announcement of each company by the end of 2012)

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 enterprise ICT convergent services, cloud application and the application for internet of things with the enterprise application service suppliers of each industry..

2-1-4 Competitive Advantages

FET is committed to deliver high quality service to our customers and which is the key to success. Therefore, customer service, brand image, network quality, marketing channels, and good understand of future trend are the keys for us to be success in the market.

A. Proactive, Professional and Passionate Customer Service

We continuously provided customers with premium customer service by upholding our insistence on high-quality service. In addition to the 24/7 call center service, we integrated mobile communication service and broadband data service, which makes our customers can reach our service representatives by one call or by e-mail. We also launched the “FET 360° Mobile Customer Service App” for customers to access service information anywhere and anytime. Besides that, with the penetration of smartphone and mobile internet getting high, call center also established Data service expert team to help our customers to access related information and offer troubleshooting. We are aiming to be the industry standard on call center data service.

B. Brand Image with Professional Certification

Apart from continuously new product development, we also strive toward service excellence all the time. We provide services exceed our customer's expectation, we provide high-quality and delicate services to better serve our customers. FET introduced SGS Qualicert for both branded stores and call center, and passed it consecutively for seven years. We are the only telecommunication service provider passed SGS Qualicert for seven consecutive years and the first telecommunication service provider passed the ISO certification. All these efforts are intended to provide our customers with A+ services.

Successful marketing strategy, the brand names of its postpaid service, prepaid service “IF” cards, “Big on net”, “Hala boss services” and “Big Broadband” have created superior brand images and had received recognition of consumers from all ages. The Company continually launched “Omusic”, “Plug & Save”, “S Mart”, “eBook town”, “FET Video Store” and “FET Mobile Navigation” to fulfill customers' needs. Guided by its shared values of being “innovative, responsive, and trustworthy”, the Company will continue offering superior service to the customers.

C. Network quality

Network quality is the basis for all application services regardless of voice services or data services. Customer satisfaction is always fulfilled only in good condition of network quality and will in turn increase subscriber usage to increase revenue for the company.

In current growing market of mobile internet, there are three key factors that determine the network quality: signal coverage, system capacity and data speed. Those factors are dependent on base stations, transmission, core network and optimization. FET's network strategy for 2013 will focus on the enhancement of network quality, which includes:

1. Continue to increase 3G coverage, capacity and data speed:
 - (1) FET will continue to construct new 3G base stations to cover rural areas, urban areas, indoors, and also to increase the capacity and data speed in urban areas.
 - (2) FET will continue to expand its IP base stations and second, third carrier frequency to enhance its data service capacity and speed (such as: 42Mbps).
 - (3) FET will also continue to expand the quantity of high speed base stations (HSDPA, HSUPA) in order to meet the user's needs for smart phone and tablet.
2. Strengthen the capacity and reliability of IP backbone and internet border router to satisfy millions of mobile internet users.
3. Expand the coverage and capacity (10Gbps & 100Gbps) of Ethernet network to decrease the unit cost per bandwidth.
4. Expand the capacity of core networks in association with the increased number and capacity of base stations to achieve increase in overall capacity.
5. Continue to expand IP network infrastructure and bandwidth to accommodate the demand for 3G/3.5G mobile data services.
6. Continuous planning and deployment of the next-generation (4G) network infrastructure and base station to provide

faster and more reliable data service and network quality.

With the aforementioned missions completed, FET 3G/3.5G network quality will be improved significantly and become the No. 1 quality in Taiwan's telecommunication industry.

D. Marketing channel

Currently, the total number of FET stores including retail, franchise, and ARCOA is close to 900. To develop leadership innovation, FET promoted major 4 special services featuring "100% Satisfaction and Commitment". In 2012, FET applied the 360° Store Heartfelt Service aiming to provide customers with comprehensive high-quality service and build a convenient and rich mobile lifestyle is the only service in Asia Pacific to pass the SGS Qualicert for seven consecutive years. Over 3,000 sales representatives among FET retail and franchise stores, FET monthly provide 2.5 million of service amount and hope to offer a no-distance, warm, proactive and professional services. FET will continue to provide the best quality and variety of services and so forth to create a more convenient and abundant mobile life to meet customers, shareholders, and employees' needs based on the "FET Connects and Enriches Life" of corporate vision.

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 2010, the Company offered HSPA plus high-speed mobile internet service and increased the value-added service of enterprise MVPN-MVPN meeting. In 2011, the Company released the self-built WiFi internet service, Fleet Management platform, cloud computing service, cloud mobile website establishment service and so on, besides more cloud and the internet of things services are developing actively. In the future, the Company will be positive to acquire 4G license and expected 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 of Future Developments

(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) 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 tool, they can also be the integrated media for information transmissions and software application of the various creative tools for life to promote their value added.

(4) 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.

Bella App launched in Oct, 2011 with successful via cooperation among ELLE magazine, SOGO department store, Far Eastern department store, GOHAPPY website, Happy Go points and Far Eastern International Bank to serve users on-line shopping with hot-selling as well as exclusive products. This product with high group synergy effect will continue in 2012. The Company will propose to fully consolidate the physical department store channels and

sale plans of GOHAPPY for all selling channels to real-time update their sales products and promotions through app, moreover, provide the updated and preferential product information for facilitating customers to order by demand at any moment.

B. Disadvantages of Future Developments

(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, since the Mobile Number Portability was launched in November 2005, in order to increase number sales operators compete with each other by raising commission and handset subsidies or deploying "Same price for on-net and off-net" rate plan. 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 dual 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.

(4) CHT's "last-mile" advantages in broadband network and fixed net services

In light of the sluggish pace at which the competent authorities governing telecommunication services had been moving towards the creation of a fair competitive environment in the domestic telecommunication market and the fact that CHT has imposed various restrictions on network interconnectivity and subscriber lines, FET's attempts at lowering relevant costs have been met with little success, and significant breakthroughs in the expansion of subscriber base had been limited at best. Not only that, cable TV operators have been capitalizing their advantages in broadcasting system and broadband network integration to secure their share in the broadband service market with extremely low prices and they pose significant threat to FET's development of broadband business operations.

C. Proposed strategies:

- a. Increase the number of base station sites to improve communication quality.
- b. Integrate application service sales with the enterprise ICT and create the service difference and customer value; meanwhile, consolidate the cloud developmental trend and cooperate with the industries to develop the cloud and the internet of things services fitted the industries to apply in order to explore new revenue and upgrade the value for customers.
- c. Consolidate 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. To continue to upgrade 3G and 3.5G coverage islandwide and improve transmission speed in order to accommodate internet multimedia consumption trend brought by smartphone devices and tablets. Additionally, more WiFi hotspots will be expanded to provide excellent user experience in highly densely populated and high usage areas. Thus, the data traffic can be diverted through WiFi and 3.5G network in order to control usage flow and lower costs.

2-2 Main Features and Production Process of Major Products

2-2-1 Main Features of Major Services

Major Service	Main features
Voice Communication	GSM900/1800 communications; interconnection with other domestic operators' networks
Data Communication	GSM900/1800 communications; interconnection with other domestic operators' networks
GPRS Service	GSM900/1800 packet-switch data communication service
Short message service	GSM900/1800 communications; interconnection with other operators' networks
3G Service	WCDMA communications; interconnection with domestic and operators' networks
3.5G & HSPA Service	WCDMA high speed wireless access function, provide 7M bps/21M bps/42 Mbps high speed wireless access
WiMAX Service	WiMAX system offer mobility, wideband IP communication network

2-2-2 Production 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 for the recent 2 years

2013/3/31; Unit: NT\$'000, %

Year Item	2011				2012				Mar. 31, 2013			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	ARCOA	3,294,687	9.46	Subsidiary	ARCOA	11,084,607	27.28	Subsidiary	Apple	2,784,769	20.74	None

Note: Consolidated Financial Statements for the quarter ended March 31, 2013.

2-4-2 Major Customers for the Recent 2 Years

2013/3/31; Unit: NT\$'000, %

Year Item	2011				2012				Mar. 31, 2013			
	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company
1	Chunghwa Telecom	5,507,046	8.82	None	Chunghwa Telecom	5,239,148	7.31	None	Chunghwa Telecom	1,078,086	4.88	None

Note: Consolidated Financial Statements for the quarter ended March 31, 2013.

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

There was no significant change in major customer purchasing and sales in these two years. However, due to the continuous popularization of smart-phones in 2012, customer demand increased significantly, and the purchasing cost of phone supplier Arcoa also increased significantly.

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

2-6 Sales Volumes for the Recent 2 Years

2012/12/31; Unit: SIM card; piece; NT\$'000

Quantity Item	Year	2011				2012			
		Imports		Exports		Imports		Exports	
		Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts
Service revenue		*6,526,194	54,204,144	0	0	*6,867,044	58,458,619	0	0
Other operating revenue		Not Applicable	8,204,815	0	0	Not Applicable	13,187,029	0	0
Total		Not Applicable	62,408,959	0	0	Not Applicable	71,645,648	0	0

*Total number of subscriber at the end of the year

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

2013/3/31

Year		2011	2012	2013/3/31
Number of Employees	Manager and above	349	349	343
	Technical staff	1,110	1,142	1,105
	Customer care staff	971	1,285	1,305
	General staff	2,510	3,097	3,162
	Total	4,940	5,873	5,960
Average Age		35.4	34.61	34.62
Average Years of Service		6.84	6.29	6.36
Breakdown of Educational Level (%)	Ph. D	0.01	0.01	0.02
	Master	12.09	10.94	10.81
	College	79.85	79.18	78.89
	High School	8.05	9.87	10.28
	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: None.

5. Employee Relations

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

5-1-1 Employee Welfare

A. Compensation and Benefit

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

B. Advanced Studies and Training

To keep up with the ever changing and advancing technology in the telecommunications industry, Human resources are the growth momentum of organizations. In 2011, we determined the qualification for future leaders and implemented the organizational talent inventory and communication and provided the required development plans. At the same time, multidimensional development methods were applied to cultivate leaders to strengthen organizational capacity, so as to cope with competitions and changes to maintain organizational competitiveness.

Since the inception 15 years ago, FET has been rendering services upon the aim for "communication without distance" out of the vision for "Zero Distance Communication and Richer Life with FET". In order to cope with the changes in the worldwide business environment and the main trend of telecommunication, we adjusted our mission: The best ICT service and digital content provider in the Chinese world; and all new core values were introduced to accomplish this mission.

The organization started a series of projects by first defining the content of the five core values. The general manager defined the content of each core value through interviews, meetings, and discussions with

operational officers. The concept map was applied to guide officers to in-depth discussions. Two consensuses were reached based on the past successful experience of FET and viewpoint of customers, so as to further determine the behavior for demonstrating the core values to create value for material stakeholder groups. Core values were realized by integrating with operational decisions, examples set by officers, the demonstration of target accomplishment process, and organizational encouragement, as well as by closely combining with corporate visions and missions.

Based on the core competencies identified, the Company provides five themes of training programs: management, service, selling, technology and Employee Workshops. Others trainings include, orientation program for newcomers, personal effectiveness program for all employees, and tailored training for specific teams addressing specific requirements. 997 training courses were conducted for 66,422 employees with total expense 25,282 thousand in 2012.

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 aperiodically.
- A yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly..
- The employee welfare committee held meetings either every quarter or whenever necessary to promote welfare improvement and organizational harmony.
- At the two-way quarterly meeting with officers, the operational policies and implementation effectiveness were communicated. Officers proposed operation-related issues for discussions, and higher-level officers responded to these issues at the meeting to develop interactive communication.
- 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.
- Employees are also able to voice their creative proposals or seek assistances through Employee Suggestion Box or Appealing Box on the Intranet.
- The departmental communication meeting was held either regularly or irregularly for employees in the same department to directly communicate their ideas, so as to promote mutual trust and cooperation among employees.

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, and disclose the estimated amounts and action plans of recent and future possible labor disputes in the recent year until the Annual Report being Published: None.

6. Major Contracts

2013/4/30

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Procurement	Ericsson Taiwan Ltd.	Dec. 5, 1996~present	Purchase for cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause
	Nokia Siemens Networks Taiwan Co., Ltd.	Apr. 1, 2009~present	Letter of Agreement For Y2009 3G/3.5G Network Equipment and Software Acquisition	Confidential Clause
	Xunwei Technologies Co., Ltd.	Dec. 30, 2009~present	Frame Agreement For 3G & 3.5G RAN Acquisition and Technical support	Confidential Clause
	Apple Asia LLC	Jan. 29, 2010~Mar. 31, 2013	iPhone purchase contract	Confidential Clause
Strategic Alliance	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	Feb. 13, 2006~present	Strategic alliance among Asia Pacific Telecommunication operators	Confidential Clause
	All Conexus Members	Mar. 1, 2007~present	Confidential Agreement among Conexus members	Confidential Clause
		Jun. 15, 2010~present	Collaboration Agreement with Conexus Members	Confidential Clause
		Jun. 15, 2010~present	Supplemental Agreement #4 to Conexus Mobile Alliance Agreement	Confidential Clause
		Jul. 1, 2010~present	Amended and Restated Conexus Mobile Alliance Agreement	Confidential Clause
	Vodafone Sales & Service Limited	Jul. 30, 2011~present	Conexus-Vodafone MoU	Confidential Clause

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Commercial Cooperation	China Mobile	Apr. 29, 2009 ~Apr. 17, 2013	Both parties will establish strategic cooperation in the fields of joint purchase, 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. The Share Purchase Agreement signed by and between the Company and China Mobile Limited on April 29, 2009 has been terminated due to lack of certain conditions precedent to the obligations under the Share Purchase Agreement, and as a result, the Strategic Cooperation Agreement executed between both parties on the same date has also become invalid.	Confidential Clause
	Apple Asia LLC	Sep. 30, 2010~Sep. 30, 2013	Wireless Service License for Apple's iPad Product Promotion of iPad wireless internet contract	Confidential Clause
	China Mobile	Apr. 18, 2013 ~ present	It's a business cooperation framework agreement. Based on Business Cooperation Frame Agreement, the Company and China Mobile Limited will continue exploring opportunities for long-term extensive cooperation between both parties in various fields of mobile communication business, and after the Taiwan laws and regulations permit investment in Type I Telecommunications Enterprise by China investors, may reconsider the possibility of equity cooperation.	Confidential Clause
Merger & Share Acquisition	FET 7-ELEVEN	Feb. 14, 2007~present	7-ELEVEN assigned Q-Ware Systems & Services Corp. to establish Q-Ware Communications, for FET plans to subscribe the capital call shares of Q-Ware Communications after finished the promissory conditions upon this agreement.	Confidential Clause
	FET Q-ware Communications Co., Ltd.	Feb. 15, 2007~present	The Company will subscribe the capital call shares of Q-Ware Communications Co., Ltd.	Confidential Clause
	China Mobile	Apr. 29, 2009 ~Apr. 17, 2013	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.	Confidential Clause

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
			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. The private placement resolution submitted to and approved by the annual general meeting of shareholders in 2012 will expire. As Taiwan laws and regulations have not yet permitted China investors to invest in Type I Telecommunications Enterprise, such private placement cannot be completed prior to such deadline. The Share Purchase Agreement signed by and between the Company and China Mobile Limited on April 29, 2009 has been terminated due to lack of certain conditions precedent to the obligations under the Share Purchase Agreement.	
Distribution	ARCOA Co., Ltd.	Jul. 1, 2008~present	Promotion and distribution of mobile services	Confidential Clause
	Systech Corporation Ltd.	Jun. 1, 2005~present	Promotion and distribution of mobile services	Confidential Clause
	Synnex Corporation Ltd.	Jan. 1, 2011~Present	Promotion and distribution of mobile services	Confidential Clause
	AURORA Telecom	Apr. 1, 2007~present	Promotion and distribution of mobile services	Confidential Clause
	Tsann Kuen Taiwan	May 1, 2006~present	Promotion and distribution of mobile services	Confidential Clause
	DFASHION International Inc.	Apr. 1, 2007~present	Promotion and distribution of mobile services	Confidential Clause
	OK Convenience Store (Taiwan) Ltd.	Jan. 1, 2011~present	Promotion and sales for prepaid recharge card	Confidential Clause
	7-ELEVEN	Jan. 1, 2008~present	Promotion and sales for prepaid recharge card	Confidential Clause
	Hi-Life International Co., Ltd.	Jan. 1, 2008~present	Promotion and sales for prepaid recharge card	Confidential Clause
Network Interconnection	Chung Hwa Telecommunications	Jun. 1, 2011~present	Network Interconnection	Confidential Clause
	Taiwan Fixed-Line Network	Jan. 1, 2012~present	Network Interconnection	Confidential Clause
	New Century InfoComm.Tech Co.,Ltd	Jul. 1, 2007~present	Network Interconnection	Confidential Clause
	Asia Pacific Broadband Wireless	Jan. 1, 2012~present	Network Interconnection	Confidential Clause
	Taiwan Mobile	Feb. 10, 2004~present	Network Interconnection	Confidential Clause
	Asia Pacific Broadband Telecom	Jan. 1, 2012~present	Network Interconnection	Confidential Clause
	First International Telecom	Jul. 1, 2011~present	Network Interconnection	Confidential Clause
	Vibo Telecom	Sep. 29, 2005~present	Network Interconnection	Confidential Clause
	Global Mobile Corp.	Jun. 1, 2011~present	Network Interconnection	Confidential Clause
	Vee Telecom Multimedia Co., Ltd.	Jun. 1, 2010~present	Network Interconnection	Confidential Clause

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2012

**VI Review and Analysis of
the Financial Condition,
Financial Performance
and Risk Management**

1. Financial Condition
2. Financial Performances
3. Cash Flow
4. Key Performance Indicator, KPI
5. 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. Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being Published
9. Others

1. Financial Condition

Financial Condition Review and Analysis

2012/12/31; Unit: NTD'000

Item	Year	December 31, 2012	December 31, 2011	Variance	
				Amount	%
Current Assets		\$ 12,004,004	\$ 10,657,324	\$ 1,346,680	13
Long-term Investments		33,030,138	30,192,560	2,837,578	9
Fixed Assets		32,120,399	32,865,294	(744,895)	(2)
Intangible Assets		14,667,270	15,397,976	(730,706)	(5)
Other Assets		749,184	719,017	30,167	4
Total Assets		92,570,995	89,832,171	2,738,824	3
Current Liabilities		17,817,030	15,754,390	2,062,640	13
Other Liabilities		1,831,086	2,100,914	(269,828)	(13)
Total Liabilities		19,648,116	17,855,304	1,792,812	10
Capital Stocks		32,585,008	32,585,008	0	0
Capital Surplus		17,867,334	19,546,610	(1,679,276)	(9)
Retained Earnings		22,366,064	19,811,394	2,554,670	13
Other Shareholders' Equity Item		104,473	33,855	70,618	209
Total Shareholders' Equity		72,922,879	71,976,867	946,012	1

1-1 Analysis of variation plus and minus 20%

1. The increase in other shareholders' equity item is mainly because of the unrealized gain/loss on available-for-sale financial asset held by subsidiaries recognized by the Company in accordance with the ROC Statements of Financial Accounting Standards No. 34-"Accounting for Financial Instruments," No. 36-"Disclosure, Presentation of Financial Instruments" and No 5-"Long-term Investments under Equity Method."

1-2 Effect of change in financial condition: None.

1-3 Future response actions: Not applicable.

2. Financial Performances

Financial Performance Analysis

2012/12/31; Unit: NTD '000; %

Item	Year	2012		2011		Variance	
		Subtotal	Total	Subtotal	Total	Amount	(%)
Operating Revenue			\$ 71,645,648		\$ 62,408,959	\$ 9,236,689	15
Operating Costs and Expenses			59,819,662		51,473,540	8,346,122	16
Operating Income			11,825,986		10,935,419	890,567	8
Non-Operating Income and Gains							
Equity in Investees' Net Gains		\$ 1,829,982		\$ 248,162		1,581,820	6
Government Grant		88,645		91,494		(2,849)	(3)
Management Service Revenue		58,730		62,485		(3,755)	(6)
Rental Income		56,169		48,928		7,241	15
Interest Income		36,014		37,558		(1,544)	(4)
Other		102,615		152,204		(49,589)	(33)
Total Non-Operating Income and Gains			2,172,155		640,831	1,531,324	239
Non-Operating Expenses and Losses							
Loss on Disposal of Properties, Net		\$ 1,076,455		\$ 691,606		\$ 384,849	56
Equity in Investees' Net Losses		-		72,176		(72,176)	(100)
Other		15,593		25,810		(10,217)	(40)
Total Non-Operating Expenses and Losses			1,092,048		789,592	302,456	38
Income Before Income Tax Expense			12,906,093		10,786,658	2,119,435	20
Income Tax Expense			2,306,185		1,905,665	400,520	21
Net Income			\$10,599,908		\$8,880,993	1,718,915	19

2-1 Analysis of variation

1. The increase in Equity in Investees' Net Gains: Mainly because the subsidiary NCIC operating performance in 2012 was better than 2011, it has showed a turn from loss to profits.
2. The decrease in other income: Because of the decrease of commission income and project penalty income in 2012.
3. The increase loss on disposal of properties: Because of dedicating to network optimization, inducing more loss from dismantling base stations.
4. The decrease in equity in investees' net loss: Because of no disposal of available-for-sale financial assets in 2012.
5. The decrease in other expense: Because of the decrease of interest expense in 2012.
6. The increase in income tax expense: Because of the increase of income before income tax in 2012 than in 2011.

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 2012 Cash Flow Analysis

Unit: NT\$'000; %

Item	2011	2012	Variance	
			Amount	%
Net cash provided by operating activities	20,480,144	20,161,551	(318,593)	(1.56)
Net cash used in investing activities	(7,471,505)	(8,299,232)	(827,727)	(11.08)
Net cash used in financing activities	(12,220,217)	(11,631,672)	588,545	4.82
Net increase in cash	788,422	230,647	(557,775)	(70.74)

1. Operating activities: Cash inflows from operating activities have no significant difference in 2012.
2. Investing activities: the increase in cash outflow was due to reduction in the disposal of available for sale in financial assets in 2012.
3. Financing activities: the decrease in cash outflow was due to less repay for commercial paper payable in 2012.

3-2 Remedy plans for insufficient liquidity:

Not applicable.

3-3 2013 Estimated Cash Flow Analysis

Unit: NT\$ '000

Cash and Cash Equivalents in the Beginning (1)	Expected Total Cash Flows from Operating Activities (2)	Expected Total Cash Outflows(3)	Expected Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
1,696,129	19,492,254	19,790,483	1,397,900	0	0

1. Operating activities: Because of the effects of a saturated mobile communications market, estimated cash flows from operating activities are expected to have no significant difference in 2013.
2. Investing activities: The net cash used in investing activities in 2013 is expected to increase due to higher capital expenditure on network expansion, including 3G, HSPA constructions.
3. Financing activities: Mainly for cash dividend distribution.

4. Key Performance Indicator, KPI

Unit: NT\$

KPI	Definition	2012 Target	Achievement in 2012	KPI Achievement ratio
ARPU	Customer's average monthly revenue (Unit: NT\$)	\$743	\$748	100.6%
EBITDA	Earning before interest, taxes, depreciation and amortization (Unit: \$1,000)	\$20,815,324	\$20,674,477	99.3%

The reason for KPI achievement: Because of Data revenue continuous growth, ARPU succeeded to achieve the target. However, higher smart phone handset subsidy and Sell & Marketing expenses resulted in 99.3% achievement rate of EBITDA.

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2012

Unit: NT\$ '000

Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed
Network Expansion: including 3G and HSPA system expansion and upgrade, and Value added system implementation and expansion	Working Capital	2013	6,788,309

5-2 Expected Benefit: In the year of 2012, total revenue has increased by 14.8% in comparison with that of 2011.

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

Unit: NT\$'000

Explanation Item	Amount (Carrying Value as of 12/31/2012)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
New Century InfoComm Tech Co., Ltd. ("NCIC" hereinafter)	\$29,407,288	Integrate the network resources to improve operational performance and competitiveness.	Focus on profitable core business and realization of integration benefits in network resources.	None	No concrete investment plans at this moment.
Far Eastern Electronic Toll Collection Co., Ltd. ("FETC" hereinafter)	\$995,311	To Expand businesses dimensions to enhance overall returns for FarEastone shareholders.	Promotion and transformation related expenses in migrating to distance based e-Tag ETC (Electronic Toll Collection) system caused higher net loss in 2012.	Distance based eTag system will enhance ETC utilization rate and company prospects.	No concrete investment plans at this moment.
ARCOA Communications Co. Ltd.	\$1,257,870	Strategic investment for vertical integration of the mobile business and the telecommunication channel service.	Continuous growth in smartphone sales and related business of telecommunication industry.	None	No concrete investment plans at this moment.
Q-Ware Communications Co., Ltd.	\$5,482	To expand WiFi business dimensions and enhance FET shareholders' overall returns.	Increase in revenue from "Taipei Free WiFi" project, but expenses for the implementation of the project were high. Bottom line remains negative; however, it shows much improvement.	To continue the business development and maximise network utilization to provide roaming or other services in order to improve the overall performance results.	No concrete investment plans at this moment.
KGEx.com Co., Ltd.	\$870,403	To increase utilization rate of network resources and overall company competitiveness.	Turn into profit this year via continual cost and expense control.	None	No concrete investment plans at present.
iScreen Corporation	\$18,568	To expand FET's business dimensions and enhance company's competitiveness.	The converting process of value added service to smart phones slower than expectation resulted in the loss.	Speeding up the converting process of its services to smart phones to improve profit.	No concrete investment plans at this moment.
Far Eastern Info Service (Holding) Ltd.	\$124,400	Diversified investment strategy to increase company competitiveness.	Loss from Far Eastern Tech Info (Shanghai), its 100% subsidiary.	Continue the business development and enhance operating efficiency and profit.	No concrete investment plans at this moment.

Explanation Item	Amount (Carrying Value as of 12/31/2012)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
E.World (Holdings) Ltd.	\$90,460	Diversified investment strategy to increase company competitiveness.	Stable profit comes from its subsidiary, Yuan Cing Co., Ltd.	None	Completed the transfer of Yuan Cing shares to FarEastone by Feb. 2013 for reorganization of investment structure.
Far EasTron Holding Ltd.	\$25,105	An offshore holding company for investment in digital contents.	Operating expenses in company maintenance.	None	No concrete investment plans at this moment.
Omusic Corporation Ltd.	\$8,161	Enter the music content provider industry to expand business scopes of the company.	Have not yet achieved the operation economies of scale and thus not yet be able to break even financially.	To continue the business development and expense control to improve the overall performance results.	No concrete investment plans at this moment.
Ding Ding Integrated Marketing Service Co., Ltd.	\$24,542	Integrate marketing and operation development of the Conglomerate.	Stable business growth in HappyGo cards and profits.	None	No concrete investment plans at this moment.
FarEastern E Commerce Co., Ltd.	\$6,298	Consolidate the strength of the Conglomerate to explore e-Commerce business opportunity.	Have not yet achieved the operation economies of scale.	Enhance the economic scale of business.	No concrete investment plans at this moment.
Yuan Cing Co., Ltd.	\$96,379	Expanding out-sourcing care service market.	Care revenue increased from customers growth of Far Eastern Electronic Toll Collection Co., Ltd.	None	No concrete investment plans at this moment.

7. Risk Management

7-1 Impacts and solutions for 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

The Company has no interest-bearing debts (including bank loans) as of March 31, 2013; therefore, the current interest expenses of the Company shall not be significantly impacted by the interest rate fluctuation. Nonetheless, with global economy gradually regaining its momentum in the future, it is expected that the market interest rate shall be on a gradual uphill as well. For risk consideration, the cash management of the Company will be operated in a conservative manner. Meanwhile, the Company will also issue corporate bonds with fixed interest rate to fund its future working capital and growth needs, so as to lower the impact on future funding costs caused by interest rate increase. Calculated based on the upcoming issuance of corporate bonds not exceeding NT\$5billion, and under the assumption that the debts were to be borrowed with a floating rate scheme, the interest expenses for one year would be increased by NT\$12,500 thousand for every 25bps of interest rate hike.

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 on roaming service charges. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2012 and Q1 2013 are as follows:

2013/3/31; Unit: NT\$'000		
Item	2012	2013 (as of March 31)
Foreign Exchange Gains (Losses) (A)	(3,559)	1,616
Operating Revenue (B)	71,645,648	17,963,230
% of Operating Revenue (A)/(B)	(0.005%)	0.009%
Operating Income (C)	11,825,986	3,018,916
% of Operating Income (A)/(C)	(0.030%)	0.054%

As shown in the above table the foreign exchange gains/losses account for a small percentage of operating revenue (0.005% in 2012 and 0.009% in Q1 2013) and operating income (0.03% in 2012 and 0.054% in Q1 2013).

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

Till March 31, 2013, the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., have held (short-term investments) foreign financial assets (including redemption proceeds in transit) in total US\$76 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 and its subsidiary, New Century InfoComm Tech Co., Ltd., have made currency hedge for aforesaid foreign financial assets.

C. Solutions for 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

Impacted by the implements of local oil and electricity price rises in 2012, and the slow recovery of global economy and the uncertainty of economic outlook to affect the demand of real consumption, it's expected the inflation will be more moderate than last year. Meanwhile, governments all stated to conduct the loosening interest rate to maintain the growth, and the global central banks continue to concern the issue of inflation (or set inflationary targets) and propose strategies; meanwhile, the Company also controls the cost. It is expected the future inflationary pressure shall be under control and which has no significant impact for 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 fluctuation 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 and its subsidiaries adopts cash flow hedge in 2012 until March 31, 2013)

Cash flow hedge: The gains or losses from the changes in fair values of the hedging instruments, belonging to hedge effective portion, are recognized under stockholders' equity (being recognized as Other Comprehensive Income from 2013), and are recognized as current income if the hedged expected forecast transaction affects net profits or losses for the period. If foresaid gains or losses do not belong to the hedge effective portion, it shall be recognized into current incomes. 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 the expected transaction would not occur as expectation, the gains or losses previously recognized as adjustments to stockholders' equity (other comprehensive income) should be immediately charged to current income.

The cross currency swap ("CCS") and foreign exchange swap ("FX swap") held by the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., 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 and FX swap contract rollover in accordance with duration and hedged cost of hedged assets. The foresaid CCS and FX swap are needed to mainly rollovered and settled every 1 to 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 (Other Comprehensive Incomes), 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 profits or losses for the period.

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 2012 until the annual report being published.
2. Loan to others: The Company has not loaned to others at the end of 2012. The 5th Meeting of the Sixth Term Board of Directors of the Company, held on April 26, 2013, approved the capital lending to the Company's subsidiary, Q-Ware, not exceeding NT\$250M to replace the original endorsements / guarantees of Q-Ware.
3. Endorsements and guarantees provided: For the end of 2012 and until the annual report being published, the balance of endorsements and guarantees made by the Company were NT\$206,020 thousand and NT\$205,720 thousand respectively. Mainly to conform with NCC's regulation for the telecommunication products/service performance guarantees, the Company made the joint performance guarantees for its subsidiaries, KGEx with the amount of NT\$45,000 thousand at the end of 2012 and until the annual report being published. Moreover, the

Company provided the guarantee of NT\$161,020 thousand and NT\$160,720 thousand, respectively, for the bank loan facilities of Q-Ware at the end of 2012 and until the annual report being published.

4. Financial derivative instruments: The Company and its subsidiary, New Century InfoComm Tech Co., Ltd., dealt the amount of US\$73 million and US\$76 million respectively of derivative transactions for the non-trading purpose in 2012 and until March 31, 2013. The cross currency swap or foreign exchange swap contracts were signed in order to prevent the risk of foreign exchange rate fluctuation for the foreign currency assets. The hedging strategies of the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., 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 happened.

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

A. R&D Plans

I Strategic Projects

2013/3/31

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
4G network technology study	This plan aims to integrate 2G/3G/4G LTE access. The objective is to utilize MSR (Multi Standard Radio) technologies to integrate wireless access functionalities for 2G/3G/4G into a single base station so as to lower costs and operational expenses. Based on such a trial, it will conduct further evaluations for 3G/4G core network consolidation. It would also provide valuable information on the performance of 4G LTE network and the compatibility of technologies and different band frequencies.	By leveraging the valuable resources from T-Park, FET has currently completed system construction and trial for four major system vendors. FET will conduct field trials to better understand the performance of 4G network in a real environment.	1. The performance tests for 4G LTE have been completed. 2. 4G LTE field trials and interoperability tests with existing networks are planned to be completed before December 31, 2013.	FET boasts many years of experience in 2G/3G wireless network operation and continuously pay attention on the development of new emerging technologies with associated study through experimental network.

II System Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
3.5G Wireless Broadband Access and Device	After launching various 3.5G wireless data cards and mobile internet devices with built-in 3.5G wireless modules in 2012, FET will now focus on constructing more high speed (7.2Mbps/21Mbps/42Mbps) base stations in 2013 to work with more variety of mobile phones, tablets and notebook PCs so that subscribers could enjoy faster and more convenient wireless internet access anytime, anywhere.	Provide a variety of wireless data cards and MID terminal devices with quality of network service in order to promote wireless broadband access services. FET launched the latest smart phones with Windows mobile 8 operating system, Android and iPhone 5 operating system in 2013.	Expected on December 31, 2013	A wide variety of low-cost wireless data cards and a high quality broadband network will encourage the adoption of wireless broadband service. Various smart phones are provided for customers to select.
3G/3.5G network expansion and upgrade	Expand 3G/3.5G capacity and coverage in high traffic areas and the towns without 3G coverage to achieve the 99% of population coverage in Taiwan.	Increase 3.5G base stations, transmission network expansions and plan to execute annual network upgrade..	Expected on December 31, 2013	Keep aware of customers' demands to fulfill the network improvement areas.

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
100G Backbone Readiness	By introducing advanced transmission network equipment, the bandwidth of each channel can be increased to 100Gbps with ROADM to significantly enhance the bandwidth and efficiency of backbone.	Follow the Transmission Network Detailed Implementation Plan	Expected on December 31, 2013	Keep aware of customer demands to fulfill the network and backbones improvement areas.
LTE Core Network Implementation	To provide customers with faster mobile broadband access and fulfill the future LTE commercial launch, we will initiate and complete the implementation of LTE core networks complying with 3GPP specifications and complete the integration test between LTE core networks and existing 2G/3G core networks, so as to provide the core infrastructure for the seamless switch across all FET mobile networks	Preparation of the technical specifications for LTE core network procurement and integration with the existing networks.	Expected to complete LTE core network implementation and the integration test with existing 2G/3G networks by December 31, 2013. Completion of full-range network integration for LTE commercial network.	Build the LTE core network complying with 3GPP specifications. Support the seamless switch between 3G network and LTE network. Provide E2E network with different data access based on customer service needs.

III Value-adding Service Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
FET VOD 2013 Upgrade	To provide customers with better user experience, we plan to design brand new website and App service interface for customers to enjoy seamless user experience.	Under planning	June 2013	Provide customers with better user experience by designing brand new interfaces and processes.
i-pay Upgrade	Target to launch online game point top-up kiosk in FET branded stores. This service will provide consumers more quick and convenient approach to top up their online game points.	Under system consolidation	March 2013	By integrating virtual products with physical stores, we extend the service scope of stores for customers to conveniently purchase telecommunication services and virtual products at FET stores.
FET Smart MVPN Service	Help our enterprise customers to be more efficient from using our Smart MVPN app service, which leverage cloud service to provide mobile group conferencing, MVPN short code SMS, and smart IT management.	Under system consolidation	August 2013	Support majority high-to-med tier smart phone in the market and fine tune the interface to improve user experience

B. The projected R&D expense is estimated at around NT\$50,797 thousand in 2013.

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) Reduction of broadband access circuits and internet access subscription fees

Subject to the Adjustment of price adjustment X value for Type 1 Telecommunication Business announced by the NCC on 7 February 2013, the targets included the following five types of wholesale businesses provided by Chunghwa Telecom, the fixed network operator with significant market power: xDSL circuit monthly fee, local

and long-distance data circuits, internet peering price, and the monthly fee of the connecting circuit. From 2013 to 2016, the rates of these businesses should be reduced by X value, i.e. 5.1749%. This policy can help us to reduce the cost of various wholesale services rented from Chunghwa Telecom.

(2) Adjustment of Tariff X value

Pursuant to the “X value Adjustment Announcement” promulgated by the NCC on January 29, 2010, FET has made its third annual adjustments for tariff of 2G/3G business since April 1, 2012. Except for this reduction in domestic text-messaging, off-net mobile calls and mobile-to-local calls, we also introduced limited free off-net mobile/local call minutes for 2G/3G monthly plans to respond to social expectation and benefit consumers. The reduction of the above plans ranges 3.58-3.78%.

NCC announced the amendment to the “Administrative Regulation Governing Tariffs of Type I Telecommunications Enterprises” to revise the tariff X value, with SMP (Significant Market Power) and their major tariff items as the targets. NCC also announced the tariff X value for Type I Telecommunication Business to specify the tariff adjustment factor of fixed networks at 5.1749% and SMP of mobile networks at Δ CPI. In consideration of market competitions and effective promotion of Taiwan’s tariff ratings in the world, we voluntarily adjusted our list price to protect the rights and benefits of consumers.

On 17 July 2012, NCC announced that Chunghwa Telecom, Taiwan Mobile, and FET were the SMP of 3G business and were under the control of related regulations of tariff X value. In addition, as 2G business will be terminated in June 2017, we aggressively transferred 2G subscribers to 3G service. On 30 November 2012, we were unlisted as a SMP of 2G business.

(3) Policy governing follow-up operations after GSM license expiry

In light of the fact that GSM business licenses issued in Taiwan would soon expire starting from the end of 2012, the Executive Yuan published the “Policy Governing Follow-up Operations after GSM License Expiry in Taiwan” in November 2010. According to the Executive Yuan’s planning, the expiry date for current GSM business licenses may be extended to June 2017; all spectrums would be reclaimed in a one-time operation.

With the extension of GSM business licenses operations, the NCC published its pertinent amendment to “Regulations for Administration of Mobile Communications Businesses” on September 19, 2011. The Regulation stipulates that “The effective period of the renewed license of applied technology and band in accordance with the procedure shall be valid until June 30, 2017; after expiration, the license shall be void”.

FET has followed the process of license renewal pursuant to the “Contents, Format and Other Notices for the Documentations Submitted by Mobile Telephone Business Applying for License Renewal”, published by the NCC on December 2, 2011. FET has three GSM business licenses (KG Telecom DCS-1800, all region, FET DCS-1800, all region and FET GSM-900, northern Taiwan) pending renewal and the extension of GSM business licenses had been completed by the end of December 18, 2012.

(4) Approval from the government for the construction of direct submarine cable between Taiwan and China

In light of the close cross-strait exchanges in recent years, the Ministry of Transportation has completed relevant planning and announced the policy on September 13, 2010, stating the government’s approval for the construction of direct submarine cable between Taiwan and China in an effort to strengthen cross-strait telecommunication infrastructure. In addition, the NCC published its amendment of Regulations for Administration on Fixed Network Telecommunications Business on November 23, 2010 in conjunction with the policy. Applications for direct submarine cable construction between China and Taiwan would officially be accepted starting from December 10, 2010.

FET, along with Taiwan Fixed Network, CHT and Taiwan International Gateway Corporation have committed to the joint-venture of direct submarine cable running from Fuzhou (China) and Danshui (Taiwan). The project is symbolic due to the fact that it will be the first oceanic submarine cable to be jointly constructed by the three major telecommunication service providers in Taiwan and Mainland Chinese telecommunication companies. The submarine cable 「TSE-1 (Danfu Express)」 is expected to accommodate cross-strait data traffic for the next two to three years and it will cut down costs for the service providers while enhancing transmission quality.

Taiwan Strait Express-1 (TSE-1, or Danfu Express) was officially completed on 18 January 2013. TSE-1 links up Danshui of Taiwan with Changle in Fuzhou, China, across the Taiwan Strait with state-of-the-art optical technology. The express lands on ground from our expression station in Danshui to link up both sides of the Taiwan Strait with this co-located station. The route runs away from the earthquake belt to minimize damage from natural disasters and ensure stable service. As the shortest, most reliable, and most promising express linking up

Taiwan and China, TSE-1 will certainly increase the bandwidth and improve the voice and data communication quality for across the strait; lay a solid foundation for Taiwan to continuously develop broadband and cloud computing services; and minimize the distance of communication worldwide and across the strait.

Although TSE-1 was completed, it needs to pass the information security inspection of NCC. It is projected that official operations will begin in May to June 2013. By expanding the communication bandwidth across the strait, TSE-1 will bring better international roaming, mobile networking, and enterprise dedicated line services at a better price.

(5) Amendments to Telecommunications Act

Laws and regulations related to digital convergence were amended in two stages under the “Digital Convergence Development Plan” announced by the Executive Yuan. The target of the first stage was to complete the amendment draft of the Telecommunications Act/Radio and Television Act, Cable Radio and Television Act and Satellite Broadcasting Act. In July 2012, NCC submitted the amendment draft to the Telecommunications Act to the Executive Yuan. As the article concerning “functional separation” of Chunghwa Telecom was highly argumentative, the Executive Yuan returned in early October 2012 the amendment draft to NCC for revision. In February 2013, NCC completed the revision and re-submitted the draft to the Executive Yuan for review.

(6) Releasing 700MHz, 900MHz, and 1800 MHz spectrum for Mobile Broadband Businesses Licenses

The Executive Yuan announced on 28 September 2012 “The Table of Type 1 Telecommunication, Businesses Scope, Schedule, and Number of Operators” (The Table) to open the “mobile broadband business”. It is projected that the licenses for a total of 270MHz, including 3 bands covering 700MHz, and 900MHz, and 1800MHz, will be released by December 2013. NCC announced the request for comments on releasing licenses for mobile broadband business on 26 November 2012 to initiate the administrative process. As it is the first time for Taiwan to release multiple bands under technology neutrality principle stipulated in Article 10 of the “Fundamental Communications Act” and The Table, and spectrum recovery resulted from licenses expiration is also included, we are aggressively preparing auction to provide high-speed services at reasonable cost.

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

Thanks to the development of WLAN and 3G technologies in recent years, wireless broadband network fulfills the broadband multimedia services as part of our lives. To cater for the trend of service change and market needs, FET made an enormous investment to obtain a 3G business operation license. After obtaining the WiMax wireless broadband license for South area, FET has been expanding the business model with diversified development so as to increase the revenue and market share.

Along with the rapid growth and prevalence of smart phones in the market, the revenue and data traffic showed an explosive growth in the past year. With consumers becoming more demanding for network access speed, the focus of future telecommunication technologies will no doubt be on the provision of faster data services, and it is inevitable trend to evolve toward 4G. Presently, the majority of global telecommunication service operators have adopted LTE technologies for the construction of their 4G networks, which proves LTE will become the mainstream standard in the future. In 2011, FET has already collaborated with four major telecommunication system providers to conduct relevant LTE trials in T-Park (Taipei) for a full assessment of the system’s capabilities and performance. The test result so far reveals that LTE access can achieve at maximum 3-5 times faster than existing network technologies with 3 times of latency improvement. The technology will be the key for FET to provide a wider variety of high quality services to rapidly growing subscriber base in the near future.

On a related note, the construction and deployment of WLAN (wireless local area networks) in the urban areas have been ongoing at a feverish pace. The rise of mobile business application has allowed WiMAX to prove its advantages. With VoIP becoming more mature and more standardized, operators relying on traditional circuit lines to provide simple call services will face the greatest impact. The trend of communication technology development also lead to a blur boundary between Telecom and Datacom. FET shall build the IP based mobile communication network architecture (All IP) to deliver a wide range of diversified value-added data applications. FET shall also integrate heterogeneous networks, expand its wireless broadband service footprint and conduct network optimization as the focuses of the company’s operations in the future.

3G mobile communications technology focuses on the network services with high mobility and wide coverage. WLAN/WiMAX technology currently emphasizes the provision of Hotspot/Nomadic wireless network services, while 4G/LTE wireless broadband access technology focuses on high bandwidth and mobility, thus the three types of technology not only deliver distinctly different services but also have a complementary effect. FET will take

advantage of existing 2G/3G operation experience as well as our expertise in international network services and WiMax wireless broadband access technology to gradually integrate our 2G/3G/WLAN/WiMAX to cater for the market needs. By reinforcing the advantage in mobile network communications, we will be able to deliver diversified and integrated services to meet all the different service and bandwidth requirements.

FET is the only telecommunication service operator in Taiwan with comprehensive multi-technology experimental networks including GSM, WCDMA, WiMAX, LTE and fixed line. As a complete and independent experimental network for validation of new systems and value-added services before launch, FET also establish it as an IOT environment for 2G, 3G, TD-SCDMA and FDD/TDD-LTE at T-Park with multiple independent test environments to assist local terminal manufacturers, chipset manufacturers, digital content providers and academic institutions to perform relevant tests locally with saved costs and time. Presently, FET has worked with different terminal/chipset makers in various IOT and collaborated with institutions including NCTU, Yuan Ze University, ITRI, III and etc. in multiple research projects. Through the tripartite collaboration between the industry, academia and research institutions, FET strives to pave way towards a promising future for domestic companies in advanced wireless access technologies and application supply chains with the most economical solution and secure the key to strategic global deployment.

FET's laboratory has also been chosen as the designated venue and platform for numerous visits by local and foreign guests and international telecommunication exhibitions. The laboratory has also successfully showcased demonstrations for LTE technologies and services in the "Taiwan TDLTE Experimental Network Activation Ceremony" and the "ITS Annual Conference", thereby consolidating FET's presence as Taiwan's leading company in LTE technology developments.

For the coming year, in light of the prevalence of 3.5G mobile services, telecom service operators have to improve the coverage and quality of service network while integrating diversified services to develop application solutions and build, integrate and maintain the more diversified networks efficiently (i.e. quality, service and efficiency) that are aligned to customer demands in order to make profit. FET is fully aware of the transition of network service types and demands of the market, moreover, hold the consistent operating strategy to satisfy customer, maintain growth and innovate actively and has thus injected substantial funds to expand the backbone network, increase 3G base stations and capacities, raise the ratio of self-own backhaul and gradually expand the company's operational model with 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. Besides, for NCC 4G licenses releasing, we will obtain the new license successfully to fulfill our customers demands thru proving higher speed data services and superior user experiences.

7-7 Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years:

The Company has good corporate image and has no image changes so as to result in the Company's crisis.

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

None.

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 was ARCOA communications Co., Ltd. which accounted for 27.28% of the total amount of supply in 2012. AROCA is a subsidiary of the Company. Major customer was Chunghwa Telecommunications Co., Ltd. which accounted for 7.31% of the total amount of sales in 2012. Therefore, there are no issues of concentration for 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 Years until the Annual Report being Published: None.

7-12 Impacts and Risks from Changes 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 the Company, Directors, Supervisors, President, Chairman, 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. Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being Published

None.

9. Others

9-1 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 excluded from financial instruments and 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 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%~1% for these financial instruments.
- 3) The 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 1%~2% for these financial instruments.

9-2 Accounts receivable are assessed for impairment at the end of each reporting period. Accounts receivable that are assessed not to be impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable is mainly based on the Company's past experience of collecting payments.

Provision Item	Method	Evaluative Base
Bad debt provision	Experience of collecting payments	A. Unexpired bill provision rate 1%~3%
		B. Overdue 1-30 days provision rate 2%~6%
		C. Overdue 31-60 days provision rate 7%~16%
		D. Overdue 61-90 days provision rate 35%~55%
		E. Overdue 91-120 days provision rate 60%~90%
		F. Overdue 120 days provision rate 100%

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2012

VII Special Notes

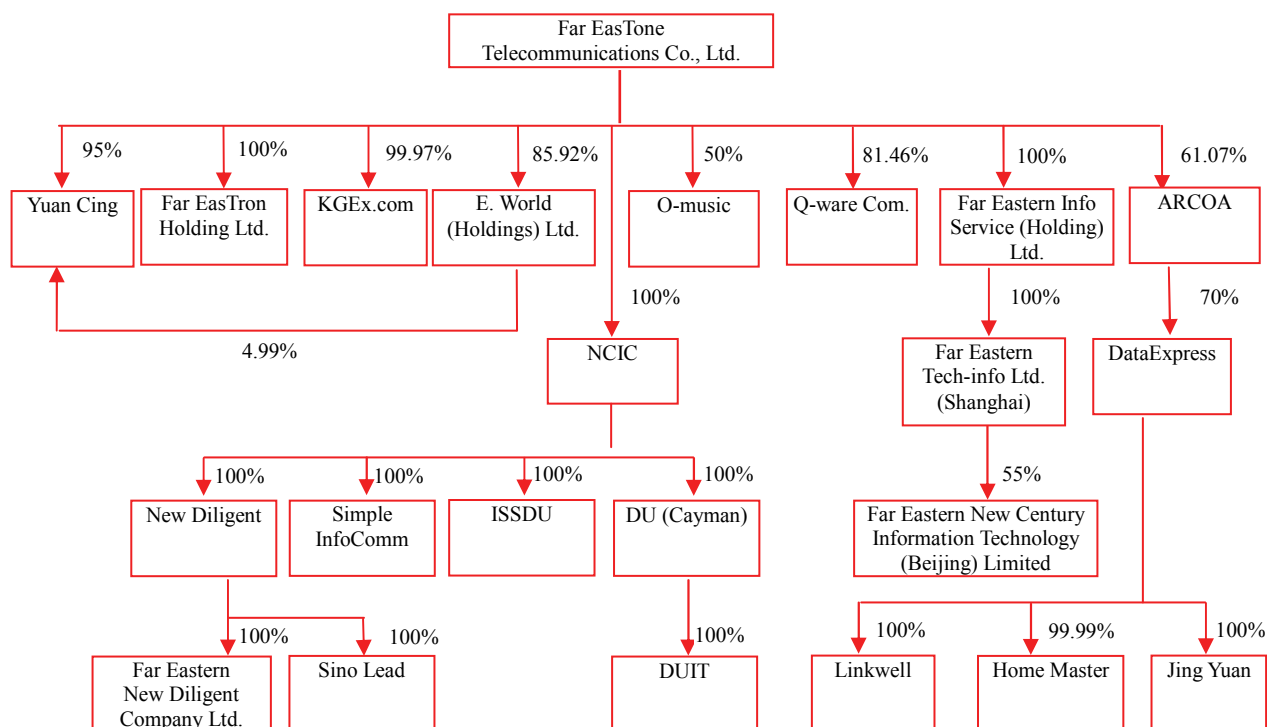
1. Affiliates Information
2. Private Placement Securities in Recent Years until the Annual Report being Published
3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published
4. Other Supplementary Information
5. Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being Published

1. Affiliates Information

1-1 Consolidated Business Report of Affiliates

(1) Organizational chart of the affiliates:

December 31, 2012



(2) General information of Far EasTone Telecommunications Co., Ltd. and affiliates:

Unit: In Thousand 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, Taiwan, R.O.C.	\$ 32,585,008	Wireless telecommunications service, leased circuit service, ISR and internet services and sale of cellular phone equipments and accessories
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	July 17, 2002	Clarendon House 2, Church Street Hamilton 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 services
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, Taiwan, R.O.C.	193,500	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.	1,342,800	Type II telecommunications services, 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

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Q-ware Communications Co., Ltd.	February 13, 2007	8th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	417,149	Type II telecommunications services
O-music Co., Ltd.	October 5, 2010	12th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	50,000	Electronic information providing services
Data Express Infotech Co., Ltd.	July 22, 2004	6th Floor,-1, No.778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	131,625	Sale of communications products
Linkwell Technology Ltd.	April 8, 2005	6th Floor,-1, No.778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	18,344	Sale of communications products
Home Master Technology Ltd.	August 11, 2011	1F., No. 24, Ln. 241, Jingping Rd., Zhonghe Dist., New Taiwan (R.O.C.)	10,000	Sale of communications products
Jing Yuan Technology Ltd.	September 5, 2011	4F., No. 18, Aly. 1, Ln. 768, Sec. 4, Bade Rd., Nangang Dist., Taiwan (R.O.C.)	10,000	Data processing services
New Century InfoComm Tech Co., Ltd.	June 1, 2000	1-11 Floor., No.218, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	25,994,490	Type I, II telecommunications services
New Diligent Co., Ltd.	May 2, 2001	1 Floor., No.207, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	800,000	Investment
Simple InfoComm Co., Ltd.	October 23, 2001	12 Floor., No.468, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	34,000	Type II telecommunication services
Sino Lead Enterprise Limited	April 11, 2006	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	HKD 30,000	Telecommunication services
Information Security Service Digital United	December 22, 2004	2F., No. 218, Ruei Guang Rd., Nei Hu., Taiwan (R.O.C.)	148,777	Internet security and monitor services
Digital United (Cayman) Ltd.	August 16, 2000	P.O.Box 2681,Zephyr House,Mary Street,George Town,Grand Cayman,British West Indies	US\$ 3,320,000	Investment
Digital United Information Technology (Shanghai) Co., Ltd.	October 8, 2000	Room 22301-918, Building No. 14, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 17,382,383	Computer software and the system design, research and development
Far Eastern New Diligent Company Ltd.	July 27, 2010	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	-	Electronic information providing services
Far Eastern New Century Information Technology (Beijing) Limited	July 23, 2010	11/F, 9 Building, Wan Da Square, No. 93 Jian Guo Street, Chaoyang District, Beijing	RMB 1,326,943	Electronic information providing services

(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 and general investments, computer software, call center services, security and monitoring service via internet, and design and research of computer system.

The mutual dealings and division of work among such affiliates:

- Far EasTone collects the international direct dialing revenue for KGEx.com through call-by-call selection service and routes the traffic through KGEx.com's telecommunication facilities.
- Far EasTone purchases from/sells to ARCOA cellular phone equipments and accessories, and pays to ARCOA handset subsidies and commissions due to its promotion of Far EasTone's SIM card numbers.
- ARCOA and KGEx.com provide mobile virtual network operator services through Far EasTone's telecommunications facilities.
- Far Eastern Tech-info Ltd. (Shanghai) provides data processing and related consulting services to Far EasTone and NCIC.

- e. Yuan Cing provides call center services to Far EasTone and ARCOA.
- f. Q-ware Com. provides marketing, activation and customer services to Far EasTone's mobile virtual network operator.
- g. Far EasTone purchases computers and accessories products from Data Express.
- h. Far EasTone rents backbone/Access, office and telecommunication equipments from NCIC. Meanwhile, Far EasTone also leases telecommunication equipments to NCIC. Network interconnection services are provided between Far EasTone and NCIC.
- i. Sino Lead Enterprise Limited provides international lease circuit service to NCIC.
- k. Information Security Service Digital United sells security & monitoring equipments to Far EasTone and NCIC.
- l. O-music provides electronic information services to Far EasTone.

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

Company	Title	Name of Representative	Unit: Number of Shares; %	
			Registered Shares	Owned % of Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Co., Ltd.	4,163,500	0.13
	Vice-chairman (note 1)	Douglas Hsu	1,066,657,614	32.73
		Yuan Ding Investment Co., Ltd.		
	Director	Jan Nilsson	1,066,657,614	32.73
	Director	Yuan Ding Investment Co., Ltd.	919,653	0.03
		Champion Lee		
	Director	Ding Yuan International Investment Co., Ltd.	4,163,500	0.13
	Director	Peter Hsu	1,066,657,614	32.73
		Yuan Ding Co., Ltd.		
	Director	Johnny J. Shih	331,000	0.01
		Yuan Ding Investment Co., Ltd.		
	Director	Toon Lim	-	-
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Director	U-Ming Marine Transport Corporation	-	-
	Director	Michiya Shinagawa	26,650,908	0.82
		Kurt Roland Hellstrom		
	Director	Lawrence Juen-Yee Lau	-	-
	Supervisor	Far Eastern International Leasing Co., Ltd.	986,303	0.03
		Eli Hong		
E. World (Holdings) Ltd. (British Cayman Islands)	Supervisor	Asia Investment Corporation	-	-
	Supervisor	C. K. Ong	-	-
		Chen-en Ko		
	General manager	Yvonne Li	1,200	100.00
		Far EasTone Telecommunications Co., Ltd.		
	Chairman	Yvonne Li	1,200	100.00
KGEx.com Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00
		T. Y. Yin		
	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00
		Eton Shu		
	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00
		Robert Liu		
Far EasTone Telecommunications Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00
		Maggie Mei		
	General manager	Yvonne Li	-	-
		Far EasTone Telecommunications Co., Ltd.		
	Chairman	Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92
		Douglas Hsu		
Far EasTone Telecommunications Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92
		Laurence Yang (Note 2)		
	Director	Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92
		Champion Lee		
	Director	Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92
		Jordan M. Roderick		
Far EasTone Telecommunications Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd.	6,014,622	85.92
		Joseph O'Konek		
	Chairman	Far EasTone Telecommunications Co., Ltd.	112,375,356	99.97
		Jeffrey Gee		
	Director	Far EasTone Telecommunications Co., Ltd.	112,375,356	99.97
		S. C. Lee		
Far EasTone Telecommunications Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd.	112,375,356	99.97
		PL Chiang		
	Director	Far EasTone Telecommunications Co., Ltd.	112,375,356	99.97
		Jessica Chen		
	Director	Far EasTone Telecommunications Co., Ltd.	112,375,356	99.97
		Hae-Shung Ju		
Far EasTone Telecommunications Co., Ltd.	Supervisor	T.Y. Yin	-	-
	General manager	Jeffrey Gee	-	-

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. (British Cayman Islands) Yvonne Li	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. (British Cayman Islands) T.Y. Yin	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. (British Cayman Islands) Eton Shu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. (British Cayman Islands) Robert Liu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. (British Cayman Islands) Maggie Mei	-	100.00
	General manager	Alton Wang	-	-
Far Eastern New Century Information Technology (Beijing) Limited	Chairman	Far Eastern Tech-info Ltd. (Shanghai) Jeffrey Gee	-	55.00
	Director	Yuan Dong New Century Company Ltd. Jack Deng	-	45.00
	Director	Far Eastern Tech-info Ltd. (Shanghai) L.T. Chang	-	55.00
	Director	Far Eastern Tech-info Ltd. (Shanghai) T.Y. Yin	-	55.00
	Director	Far Eastern Tech-info Ltd. (Shanghai) Eton Shu	-	55.00
	Supervisor	Far Eastern Tech-info Ltd. (Shanghai) Alton Wang	-	55.00
	General manager	Jack Deng	-	-
Yuan Cing Co., Ltd. (note 3)	Chairman	E. World (Holdings) Ltd. (British Cayman Islands) Eton Shu	967,494	4.99
	Director	E. World (Holdings) Ltd. (British Cayman Islands) Samuel Yuan	967,494	4.99
	Director	E. World (Holdings) Ltd. (British Cayman Islands) Jessica Chen	967,494	4.99
	Supervisor	T.Y. Yin	-	-
	General manager	Maggie Mei	-	-
ARCOA Communication Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	82,009,242	61.07
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Guang-Ruey Chiang	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Jessie Teng	82,009,242	61.07
	Director	Taiwan Incubator SME Development Co. Far EasTone Telecommunications Co., Ltd.	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. Jan Nilsson	4,486,988	100.00
Q-ware Communications Co., Ltd.	Chairman	President Chain Store Co., Ltd. Chia Hua Chang	4,172,422	10.00
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Belinda Chen	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	33,982,812	81.46
	Director	President Chain Store Co., Ltd. Nan Bey Lai	4,172,422	10.00
	Director	President Chain Store Co., Ltd. Bing Yun Wang	4,172,422	10.00
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	33,982,812	81.46
	Supervisor	Uni-President Enterprises Co., Ltd. Jin-Xing Chen	3,337,192	8.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	33,982,812	81.46
	General manager	Dick Lin	-	-

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
O-music Co., Ltd.	Chairman	Universal Music Ltd. Sunny Chang	225,000	4.50
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Benjamin Ho (note 4)	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
	Director	Eton Shu Gold Typhoon Music Co., Ltd.	225,000	4.50
	Director	Pong Wai Yan Louis Forward Music Co., Ltd.	225,000	4.50
	Supervisor	Barry Lee Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
	Supervisor	T.Y. Yin Otiga Technologies Limited	1,375,000	27.50
	Supervisor	Ipang Lin HIM International Music Inc.	225,000	4.50
	General manager	Lydia Ho Belung Chang	-	-
DataExpress Infotech Co., Ltd. (note 5)	Chairman	ARCOA Communication Co., Ltd. Benjamin Ho	9,213,750	70.00
	Director	Jing Ho Tech Grace Chu	2,499,750	18.99
	Director	ARCOA Communication Co., Ltd. Eric Li	9,213,750	70.00
	Director	ARCOA Communication Co., Ltd. Brian Chao	9,213,750	70.00
	Supervisor	ARCOA Communication Co., Ltd. Charlene Lin	9,213,750	70.00
	General manager	Grace Chu	-	-
Linkwell Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
	General manager	Grace Chu	-	-
Home Master Technology Ltd.	Chairman	Su-Ching, Lin	-	0.01
	General manager	Grace Chu	-	-
Jing Yuan Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
	General manager	Grace Chu	-	-
New Century InfoComm Tech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,599,448,983	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,599,448,983	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	2,599,448,983	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	2,599,448,983	100.00
	General manager	Jeffrey Gee	-	-
	General manager	Jeffrey Gee	-	-
New Diligent Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	80,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Mike Lee	80,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. P.L. Chiang	80,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	80,000,000	100.00
	General manager	Jeffrey Gee	-	-
	General manager	Jeffrey Gee	-	-
Simple InfoComm Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	3,400,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. P.L. Chiang	3,400,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Johnson Hsieh	3,400,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	3,400,000	100.00
	General manager	Jeffrey Gee	-	-
	General manager	Jeffrey Gee	-	-
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. Mike Lee	-	100.00
Far Eastern New Diligent Company Ltd.	Director	New Diligent Co., Ltd. Jeffrey Gee	-	100.00
	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
	Director	New Diligent Co., Ltd. Mike Lee	-	100.00
	Director	New Diligent Co., Ltd. Mike Lee	-	100.00

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Mike Lee	14,877,747	100.00
	Director	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	14,877,747	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	14,877,747	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	14,877,747	100.00
	General manager	Alan Chang	-	-
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	3,320,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. T. Y. Yin	3,320,000	100.00
Digital United Information Technology (Shanghai) Co., Ltd.	Chairman	Digital United (Cayman) Ltd. Jeffrey Gee	-	100.00
	Director	Digital United (Cayman) Ltd. Daniel Wang	-	100.00
	Director	Digital United (Cayman) Ltd. Eric Li	-	100.00
	Supervisor	Digital United (Cayman) Ltd. T. Y. Yin	-	100.00
	General manager	Daniel Wang	-	-

Note 1 : Since February 7, 2013, Executive Director Jan Nilsson has resigned the 6th term of Vice Chairman of The Company, while he still acts as the 6th term of Executive Director of the Company.

Note 2 : Far EasTone Telecommunications Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

Note 3: Yuan Cing Co., Ltd. had conducted the reelection of the entire Board of Directors and Supervisors on January 22, 2013.

Representatives of corporate directors were all appointed by Far EasTone Telecommunications Co., Ltd with the Chairman was unchanged and 19,349,995 share holdings. An individual was elected as the supervisor.

Note 4: Far EasTone Telecommunications Co., Ltd re-appointed Charlene Hung as the representatives of Director on January 10, 2013.

Note 5. ARCOA Communication Co., Ltd. re-appointed Charlene Hung as the representatives of Directors and Ann, Chang as the representatives of Supervisors on January 10, 2013. The director Charlene Lin was also elected as the Chairman at the Board meeting of Directors on January 17, 2013.

(6) Operation overview of Far EasTone and affiliates:

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

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT\$)
Far EasTone Telecommunications Co., Ltd.	\$ 32,585,008	\$ 92,570,995	\$ 19,648,116	\$ 72,922,879	\$ 71,645,648	\$ 11,825,986	\$ 10,599,908	\$ 3.25
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	US\$ 12,000	US\$ 5,089,899	US\$ 2,133	US\$ 5,087,766	-	-	US\$ (1,173,265)	US\$ (977.72)
E. World (Holdings) Ltd. (British Cayman Islands)	US\$ 7,000,000	US\$ 3,627,772	US\$ 2,410	US\$ 3,625,362	-	-	US\$ 218,918	US\$ 0.03
KGEx.com Co., Ltd.	1,124,080	1,252,713	387,966	864,747	1,033,286	3,504	3,485	0.03
Far Eastern Tech-info Ltd. (Shanghai)	RMB20,675,000	RMB71,677,994	RMB39,982,210	RMB31,695,784	RMB27,805,649	RMB 6,003,750	RMB(3,294,884)	N/A
Yuan Cing Co., Ltd.	193,500	109,991	8,539	101,452	36,666	11,057	10,058	0.52
ARCOA Communication Co., Ltd.	1,342,800	4,006,150	2,290,869	1,715,281	15,782,757	265,233	264,377	1.97
Far EasTron Holding Ltd. (British Cayman Islands)	US\$ 4,486,988	US\$ 866,924	US\$ 2,410	US\$ 864,514	-	-	US\$ (45,179)	US\$ (0.01)
Q-ware Communications Co., Ltd.	417,149	501,338	494,609	6,729	216,776	(89,507)	(107,475)	(2.58)
O-music Co., Ltd.	50,000	48,650	32,329	16,321	52,686	(19,989)	(18,111)	(3.62)
Data Express Infotech Co., Ltd.	131,625	796,811	596,416	200,395	2,441,001	47,072	63,600	4.83
Linkwell Technology Ltd.	18,344	279,713	237,264	42,449	1,272,389	27,089	23,178	N/A
Home Master Technology Ltd.	10,000	71,696	64,445	7,251	263,057	(290)	(280)	N/A
Jing Yuan Technology Ltd.	10,000	9,995	-	9,995	-	(5)	11	N/A
New Century InfoComm Tech Co., Ltd.	25,994,490	30,491,680	2,976,483	27,515,197	12,211,251	1,356,513	1,560,140	0.60
New Diligent Co., Ltd.	800,000	733,741	369	733,372	-	(608)	10,787	0.13
Simple Infocomm Co., Ltd.	34,000	20,900	170	20,730	-	(199)	131	0.04
Information Security Service Digital United Inc.	148,777	144,311	45,892	98,419	255,905	1,143	1,204	0.08
Digital United (Cayman) Ltd.	US\$ 3,320,000	US\$ 911,642	US\$ 2,386	US\$ 909,256	-	-	US\$ 44,316	US\$ 0.01
Sino Lead Enterprise Limited	HK\$ 30,000	HK\$ 8,690,437	HK\$ 8,583,880	HK\$ 106,557	HK\$ 25,457,272	HK\$ (25,563)	HK\$ (32,525)	N/A
Digital United Information Technology (Shanghai) Co., Ltd.	RMB17,382,383	RMB 2,306,380	RMB 567,889	RMB 1,738,491	RMB 833,020	RMB (542,714)	RMB (523,672)	N/A
Far Eastern New Diligent Company Ltd.	-	RMB 65,373	RMB 66,344	RMB (971)	-	-	RMB (971)	N/A
Far Eastern New Century Information Technology (Beijing) Limited	RMB 1,326,943	RMB36,267,564	RMB40,498,716	RMB(4,231,152)	RMB18,015,117	RMB(8,951,266)	RMB(9,542,265)	N/A

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

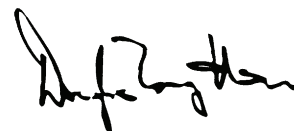
February 7, 2013

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended 2012 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 consolidated 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 2012 dated February 7, 2013 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, 2012 ("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 2012 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2012.

February 7, 2013

By

Deloitte and Touche Co.

CPA, Annie Lin



CPA, Tony C. Chung



(2) Declaration for the Affiliation Report of the Company

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

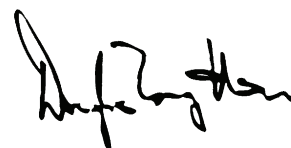
February 7, 2013

We hereby declare that the Affiliation Report of 2012 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, 2012.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By



DOUGLAS HSU

Chairman

- A. The relationship between the subordinate company and the parent company: Schedule A.
- B. Purchase (Sale) of goods between the subordinate company and the parent company: None.
- C. Property transactions between the subordinate company and the parent company: None.
- D. Financing between the subordinate company and the parent company: None.
- E. Asset leasing between the subordinate company and the parent company: Schedule B.
- F. Endorsements and guarantees between the subordinate company and the parent company: None.
- G. Financial derivatives transactions 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, 2012

(Unit: Number of Shares, %)

Parent Company	For the Control Reason	Parent Company's Shareholding Information			Parent Company Appointed Directors, Supervisors or Managerial Officer	
		Shareholding	%	Share Pledged	Title	Name
Yuan Ding Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	4,163,500	0.13%	-	Chairman	Douglas Hsu
					Director	Johnny J. Shih
Yuan Ding Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,066,657,614	32.73%	43,144,682	Vice-chairman	Jan Nilsson
					Director	Champion Lee
					Director	Toon Lim
Far Eastern New Century Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-	-	-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	100,237,031	3.08%	42,800,000	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	45,021,592	1.38%	28,859,646	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	37,130,031	1.14%	31,167,599	-	-
Fu Kwok Garment Manufacturing Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	520,000	0.02%	-	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2012

(In Thousand of New Taiwan Dollars)

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Far Eastern New Century Corporation									
Leasing	BTS00006744	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County	1997.07.15-2017.07.14	Operating	Same as normal leasing	Bank remittance annually	Same	\$264	None
Leasing	BTS00007807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin Township, Tao-Yuan County	2008.11.15-2013.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	218	None
Leasing	Nei-Li MSC	No. 759, Yuan-Tung Section, Nei-Li Township, Tao-Yuan County	2007.05.01-2017.04.30	Operating	Same as normal leasing	Bank remittance monthly	Same	2,682	None
Leasing	BTS00007979	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2015.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	214	None
								<u>\$3,378</u>	

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 "Material Impact Event on the Shareholders' Equity and Company from Change of Ownership, Business Operating, Business Content and Others in the Recent Years until the Annual Report being Published" of CH2 "Company Profile" on page 10.

1. Condensed Financial Statement for the Recent 5 Years

1-1. Condensed Consolidated Balance Sheet and Consolidated Income Statement - International Financial Reporting Standards

1-1-1 Condensed Consolidated Balance Sheet

2013/3/31; Unit: NT\$' 000

Item \ Year		2013/1/1 ~ 2013/3/31 (Note 1)
Current Assets		30,072,939
Properties, Plants and Equipment		48,807,646
Intangible assets		18,112,643
Other Assets		3,206,100
Total Assets		100,199,328
Current Liabilities	Before Distribution	20,708,894
	After Distribution	(Note 2)
Non-current Liabilities		3,308,908
Total Liabilities	Before Distribution	24,017,802
	After Distribution	(Note 2)
Total controlling interest of FET		75,413,494
Capital Stocks		32,585,008
Capital Surplus		17,790,049
Retained Earnings	Before Distribution	24,932,326
	After Distribution	(Note 2)
Other Equities		106,111
Treasury Stocks		-
Non-controlling interest		768,032
Total Shareholders' Equity	Before Distribution	76,181,526
	After Distribution	(Note 2)

Note:1 The financial statements for the first quarter of 2013 have been reviewed by CPA.

Note:2 The appropriation of 2012 earning has not been approved by the shareholders' Meeting.

1-1-2 Condensed Consolidated Income Statement

2013/3/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Year	2013/1/1 ~ 2013/3/31 (Note 1)
Operating Revenues		22,085,787
Gross Profit		8,634,786
Operating Income		3,567,380
Non-Operating Income and Expenses		(133,087)
Income before Tax		3,434,293
Net Income from Operating Business		2,808,045
Loss from Discontinued Business		-
Net Income (Loss)		2,808,045
Other Comprehensive Income (Income after tax)		8,434
Total Comprehensive Income		2,816,479
Net Income Attribute to Controlling Interest		2,780,578
Net Income Attribute to Non-Controlling Interest		27,467
Comprehensive Income Attribute to Controlling Interest		2,789,370
Comprehensive Income Attribute to Non-Controlling Interest		27,109
Earning Per Share		0.85

Note 1: The financial statements for the first quarter of 2013 have been reviewed by CPA.

1-2. Condensed Balance Sheet and Income Statement – ROC GAAP

1-2-1 Condensed Balance Sheet

2012/12/31; Unit: NT\$' 000

Item	Year	Financial Information In Recent 5 Years				
		2012	2011	2010	2009	2008
Current Assets		12,004,004	10,657,324	14,625,272	10,653,659	7,895,390
Fund and Investments		33,030,138	30,192,560	23,883,565	38,251,031	39,857,195
Properties		32,120,399	32,865,294	35,707,574	27,629,692	29,334,104
Intangible assets		14,667,270	15,397,976	16,128,682	6,576,358	7,307,065
Other Assets		749,184	719,017	940,623	759,454	989,559
Total Assets		92,570,995	89,832,171	91,285,716	83,870,194	85,383,313
Current Liabilities	Before Distribution	17,817,030	15,754,390	18,396,775	11,193,073	13,183,044
	After Distribution	- (note 1)	25,529,892	26,543,027	20,316,875	22,306,846
Long-term Liabilities		-	-	-	-	4,180
Other Liabilities		1,831,086	2,100,914	1,608,109	1,134,534	899,887
Total Liabilities	Before Distribution	19,648,116	17,855,304	20,004,884	12,327,607	14,087,111
	After Distribution	- (Note 1)	27,630,806	28,151,136	21,451,409	23,210,913
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution	17,867,334	19,546,610	19,536,368	19,487,349	19,487,349
	After Distribution	- (Note 1)	17,816,346	19,536,368	19,487,349	19,487,349
Retained Earnings	Before Distribution	22,366,064	19,811,394	19,076,653	19,351,890	19,245,585
	After Distribution	- (Note 1)	11,766,156	10,930,401	10,228,088	10,121,783
Unrealized loss on financial product		99,244	26,824	70,692	94,055	(50,204)
Cumulative Translation Adjustment		5,299	7,031	12,111	24,285	28,464
Unrecognized net loss on pension		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	72,922,879	71,976,867	71,280,832	71,542,587	71,296,202
	After Distribution	- (Note 1)	62,201,365	63,134,580	62,418,785	62,172,400

Note 1: The appropriation of 2012 earning has not been approved by the shareholders' Meeting.

1-2-2 Condensed Income Statement

2012/12/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Financial Information In Recent 5 Years				
	2012	2011	2010	2009	2008
Operating Revenues	71,645,648	62,408,959	58,177,343	53,740,291	51,341,479
Gross Profit	31,014,266	27,592,813	25,812,140	26,739,039	25,797,276
Operating Income	11,825,986	10,935,419	11,204,863	13,862,628	12,985,332
Non-Operating Income and gain	2,172,155	640,831	474,428	291,650	422,863
Non-Operating Expense and loss	1,092,048	789,592	755,330	1,555,572	280,373
Income before Income Tax from Operating Business	12,906,093	10,786,658	10,923,961	12,598,706	13,127,822
Net Income from Operating Business	10,599,908	8,880,993	8,848,565	9,230,107	10,160,747
Net Income from Discontinued Business	-	-	-	-	-
Abnormal net income	-	-	-	-	-
Accumulated number from accounting principle changes	-	-	-	-	-
Net Income	10,599,908	8,880,993	8,848,565	9,230,107	10,160,747
Basic Earning per Share in NT\$	3.25	2.73	2.72	2.83	3.09

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 Financial Instruments:

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change had no significant influence on the net income for the year ended December 31, 2011.

1-3-2 Operating Segments:

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information about the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting."

1-3-3 In preparation for the era of service convergence, the subsidiary of the Company, YCIC was resolved by Board Meeting dated June 25, 2010 to acquire NCIC common shares via tender offer with NT\$10.93 per share. Until the tender offer expiration date, August 16, 2010, the NCIC shares YCIC has acquired, together with the shares the Company already owns, reaches 94.56% of NCIC total issued shares. Furthermore, the Company was resolved to conduct two-stage M&A with NCIC by the Board Meeting dated August 31, 2010 and has merged YCIC on March 1, 2011. Upon the completion of the two-stage M&A, NCIC has become a 100% shareholding subsidiary of the Company.

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

Year	Audit Firm	Auditors' Name	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
2010	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Modified Unqualified opinion
2011	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Modified Unqualified opinion
2012	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 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 -International Financial Reporting Standards

2-1-1. Consolidated Financial Ratio Analysis

Year		2013/3/31
Item		Present Year until 2013/3/31 (Note)
Financial Structure (%)	Debt to Asset Ratio	23.97
	Long-term Funds to Properties, Plants and Equipment Ratio	162.86
Liquidity Analysis	Current Ratio (%)	145.22
	Quick Ratio (%)	125.10
	Times Interest Earned (times)	324.29
Operating Performance	Accounts Receivable Turnover (times)	10.97
	Average Collection Days (days)	33.27
	Inventory Turnover (times)	8.82
	Accounts Payable Turnover (times)	9.35
	Inventory Turnover Days (times)	41.38
	Properties, Plant and Equipment Turnover (times)	1.81
	Total Assets Turnover (times)	0.89
Profitability Analysis	Return on Assets (%)	11.34
	Return on Equity (%)	15.02
	To Capital ratio	Operating Income 43.79 Income before Tax 42.16
	Net Income Ratio (%)	12.71
	EPS in NT\$	0.85
Cash flow	Cash Flow Ratio (%)	20.96
	Cash Flow Equivalent Ratio (%)	112.83
	Cash Reinvestment Ratio (%)	2.08
Leverage Ratio	Operating Leverage (times)	2.13
	Financial Leverage (times)	1.00

Note: The consolidated financial statements for the first quarter of 2013 have been reviewed by CPA.

The formulas for the above table:

1. Financial Structure

(1) Debts to Assets Ratio = Total Liabilities / Total Assets

(2) Long-term Funds to Properties, Plants and Equipment Ratio = (Total Shareholders' Equity plus Noncurrent Liabilities) / Net of Properties, Plants and Equipment

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) Properties, Plants and Equipment Assets Turnover Ratio = Net Sales / Average of Net Properties, Plants and Equipment.
- (7) Total Assets Turnover Ratio = Net Sales / Average of 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 Attribute to Controlling Interest - 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 Properties, Plants and Equipment + Long-term Investment + Other Noncurrent 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)

2-2 Financial Ratio Analysis - ROC GAAP

2-2-1 Non-consolidated Financial Ratio Analysis

2012/12/31

Item	Year	Financial Analysis In Recent 5 Years				
		2012	2011	2010	2009	2008
Financial	Debt to Asset Ratio	21.22	19.88	21.91	14.70	16.50
Structure (%)	Long-term Funds to Fixed Assets Ratio	227.03	219.01	199.62	258.93	243.06
Liquidity Analysis	Current Ratio (%)	67.37	67.65	79.50	95.18	59.89
	Quick Ratio (%)	58.01	59.20	73.27	87.76	52.60
	Times Interest Earned (times)	1,691.16	531.24	409.22	1,631.90	1,573.57
Operating Performance	Accounts Receivable Turnover (times)	10.48	9.74	9.43	8.75	8.51
	Average Collection Days (days)	34.82	37.47	38.70	41.71	42.89
	Inventory Turnover (times)	19.18	17.23	17.53	11.80	8.86
	Accounts Payable Turnover (times)	9.46	9.96	11.46	11.24	12.81
	Inventory Turnover Days (times)	19.03	21.18	20.82	30.93	41.19
	Fixed Assets Turnover (times)	2.23	1.90	1.63	1.95	1.75
	Total Assets Turnover (times)	0.77	0.69	0.64	0.64	0.60
Profitability Analysis	Return on Assets (%)	11.63	9.83	10.13	10.91	11.44
	Return on Equity (%)	14.63	12.40	12.39	12.92	13.49
	To Capital ratio	Operating Income	36.29	33.56	34.39	39.85
		Income Before Tax	39.61	33.10	33.52	40.29
	Net Income Ratio (%)	14.79	14.23	15.21	17.18	19.79
	Basic EPS in NT\$	3.25	2.73	2.72	2.83	3.09
	Diluted EPS in NT\$	3.25	2.72	2.71	2.83	3.09
	Earning Per Share in NT\$	3.25	2.73	2.72	2.83	3.09

Item	Year	Financial Analysis In Recent 5 Years				
		2012	2011	2010	2009	2008
Cash flow	Cash Flow Ratio (%)	113.16	130.00	113.80	177.56	173.26
	Cash Flow Equivalent Ratio (%)	105.08	106.90	107.70	128.48	138.29
	Cash Reinvestment Ratio (%)	5.83	7.24	7.34	8.15	10.26
Leverage Ratio	Operating Leverage (times)	2.29	2.33	2.34	1.87	1.83
	Financial Leverage (times)	1.00	1.00	1.00	1.00	1.00

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

(1) Times Interest Earned : Mainly due to the decrease of interest expenses in 2012.

2-2 Consolidated Financial Ratio Analysis:

2012/12/31

Item	Year	Financial Analysis In Recent 5 Years				
		2012	2011	2010	2009	2008
Financial Structure	Debt to Asset Ratio	24.95	23.74	24.67	16.23	18.22
	Long-term Funds to Fixed Assets Ratio	144.53	141.21	136.18	180.05	159.36
Liquidity Analysis	Current Ratio (%)	131.16	125.30	105.31	170.76	118.46
	Quick Ratio (%)	116.39	111.40	97.38	160.99	108.19
	Times Interest Earned (times)	280.60	179.11	233.72	511.84	588.88
Operating Performance	Accounts Receivable Turnover (times)	10.99	10.43	9.50	8.93	8.58
	Average Collection Days (days)	33.23	35.00	38.43	40.89	42.56
	Inventory Turnover (times)	9.39	9.16	9.57	7.68	6.86
	Accounts Payable Turnover (times)	8.73	9.63	10.55	11.44	11.47
	Inventory Turnover Days	38.85	39.83	38.15	47.53	53.21
	Fixed Assets Turnover (times)	1.70	1.47	1.17	1.49	1.38
	Total Assets Turnover (times)	0.88	0.79	0.65	0.70	0.71
	Return on Assets (%)	11.02	9.30	9.67	10.48	10.86
Profitability Analysis	Return on Equity (%)	14.52	12.20	12.15	12.63	13.13
	To Capital ratio	Operating Income	42.19	35.34	34.29	38.15
		Income Before Tax	39.91	33.37	37.29	40.89
	Net Income Ratio (%)	12.25	11.78	13.97	15.21	16.03
	Basic EPS in NT\$	3.25	2.73	2.72	2.83	3.09
	Diluted EPS in NT\$	3.25	2.72	2.71	2.83	3.09
	Earning Per Share in NT\$	3.25	2.73	2.72	2.83	3.09
	Cash Flow Ratio (%)	108.36	112.75	102.51	178.58	155.27
Cash flow	Cash Flow Equivalent Ratio (%)	128.23	131.87	135.45	142.44	156.64
	Cash Reinvestment Ratio (%)	6.87	7.57	7.46	8.25	9.20
Leverage Ratio	Operating Leverage (times)	2.19	2.43	2.42	2.32	2.12
	Financial Leverage (times)	1.00	1.01	1.00	1.00	1.00

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

(1) Times Interest Earned : Mainly due to the decrease of interest expenses in 2012.

(2) Fixed Assets Turnover Ratio : Mainly due to the great increase of net sales in 2012.

(3) Total Assets Turnover Ratio : Mainly due to the great increase of net sales in 2012.

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. 2012 Supervisors' Report

May 3, 2013

The Board of Directors have prepared and submitted to us the Company's 2012 Business Reports, the Financial Statements (Included the consolidated Financial Reports which audited by the CPAs of Deloitte & Touche Co. and the Proposal for Profit Distribution and issued audit opinions).

The above reports, financial statements, and proposal have been further examined as conforming the Company Act and related law by the undersigned Supervisors of Far EasTone Telecommunications Co., Ltd. According to Article 219 of the Company Act, we hereby submit this report.

To

FET 2013 Shareholders' Meeting

Supervisors

Chen-en Ko



Eli Hong



C.K. Ong



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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011 and have issued thereon an unqualified opinion and modified unqualified opinion, respectively, in our reports dated February 7, 2013 and February 16, 2012, respectively.

Deloitte & Touche

February 7, 2013

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS

BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 5 and 24)	\$ 1,696,129	2	\$ 1,465,482	2	Short-term bank loans (Note 15)	\$ 114,000	-	\$ 1,862,000	2
Available-for-sale financial assets - current (Notes 2 and 6)	281,153	-	270,426	-	Notes payable	29,403	-	28,912	-
Held-to-maturity financial assets - current (Notes 2 and 10)	100,000	-	-	-	Accounts payable	3,649,457	4	2,709,615	3
Hedging derivative financial assets - current (Notes 2 and 23)	4,650	-	-	-	Income tax payable - related parties (Note 24)	1,138,344	1	1,031,018	1
Notes receivable (Note 2)	18,784	-	3,956	-	Income tax payable (Note 2)	2,127,207	2	1,363,270	2
Accounts receivable, net (Notes 2 and 7)	5,891,337	6	5,368,481	6	Accrued expenses (Note 16)	4,003,986	4	3,703,927	4
Accounts receivable - related parties (Notes 2 and 24)	336,543	-	350,315	-	Other payables - related parties (Note 24)	784,524	1	536,924	1
Other receivables - related parties (Notes 2 and 24)	352,016	1	340,117	1	Hedging derivative financial liabilities - current (Notes 2 and 23)	-	-	-	-
Inventories, net (Notes 2 and 8)	918,958	1	719,630	1	Payables for acquisition of properties	2,886,522	3	1,241,609	1
Prepaid expenses	750,077	1	611,181	1	Guarantee deposits received - current	325,513	1	394,739	1
Deferred income tax assets - current (Notes 2 and 20)	314,505	-	297,871	-	Unearned revenues (Notes 2 and 17)	2,455,330	3	2,561,947	3
Restricted assets - current (Notes 17 and 24)	1,319,763	2	1,195,839	2	Other current liabilities (Note 2)	322,744	-	320,354	-
Other current assets (Notes 2 and 24)	20,089	-	34,026	-	Total current liabilities	17,817,030	19	15,754,390	18
Total current assets	12,004,004	13	10,657,324	12					
LONG-TERM INVESTMENTS					OTHER LIABILITIES				
Equity-method investments (Notes 2, 9 and 24)	32,930,267	35	29,992,792	34	Accrued pension costs (Notes 2 and 18)	448,337	1	456,128	-
Held-to-maturity financial assets - noncurrent (Notes 2 and 10)	99,871	-	199,768	-	Guarantee deposits received - noncurrent	337,032	-	283,161	-
Total long-term investments	33,030,138	35	30,192,560	34	Deferred income tax liabilities - noncurrent (Notes 2 and 20)	622,181	1	568,253	1
					Deferred revenue (Note 2)	165,638	-	258,453	-
PROPERTIES (Notes 2, 11 and 24)					Other (Notes 2 and 9)	257,898	-	534,919	1
Cost					Total other liabilities	1,831,086	2	2,100,914	2
Land	1,175,798	1	1,175,798	1	Total liabilities	19,648,116	21	17,855,304	20
Buildings and equipment	2,203,498	2	2,181,408	2					
Operating equipment	118,124,426	128	114,885,535	128	STOCKHOLDERS' EQUITY				
Computer equipment	20,510,571	22	19,367,175	22	Capital stock - NTS 10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding 3,258,501 thousand shares	32,585,008	35	32,585,008	36
Office equipment	939,331	1	967,004	1	Capital surplus	-	-	-	-
Leasehold improvements	2,450,724	3	2,014,371	2	Additional paid-in capital - share issuance in excess of par value	9,234,438	10	10,964,702	12
Miscellaneous equipment	490,200	1	440,291	1	From business combination	8,482,381	10	8,482,381	10
Total cost	145,894,548	158	141,031,582	157	From long-term equity-method investments	150,513	-	99,527	-
Less: Accumulated depreciation	118,172,439	128	111,650,339	125	Total capital surplus	17,867,334	20	19,546,610	22
	27,722,109	30	29,381,243	32	Retained earnings	11,762,957	13	10,874,858	12
Construction-in-progress and prepayments for equipment	4,598,290	5	3,484,051	4	Legal reserve	10,603,107	11	8,936,536	10
Net properties	32,120,399	35	32,865,294	36	Unappropriated earnings	22,366,064	24	19,811,394	22
					Total retained earnings	-	-	-	-
INTANGIBLE ASSETS					Other adjustments	5,229	-	7,031	-
3G concession, net (Notes 1, 2 and 12)	4,384,239	5	5,114,945	6	Cumulative translation adjustments	99,244	-	26,824	-
Goodwill, net (Notes 2 and 13)	10,283,031	11	10,283,031	11	Unrealized gains on financial instruments	104,473	-	33,855	-
Total intangible assets	14,667,270	16	15,397,976	17	Total other adjustments	-	-	-	-
					Total stockholders' equity	72,922,879	79	71,976,867	80
OTHER ASSETS									
Rental assets, net (Notes 2 and 14)	328,582	-	332,979	-					
Refundable deposits (Note 24)	393,936	1	349,901	1					
Deferred charges, net	-	-	1,575	-					
Lease receivables - noncurrent (Notes 2 and 24)	26,666	-	34,562	-					
Total other assets	749,184	1	719,017	1					
TOTAL	\$ 92,570,995	100	\$ 89,832,171	100	TOTAL	\$ 92,570,995	100	\$ 89,832,171	100

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

(With Deloitte & Touche audit report dated February 7, 2013)

FAR EASTONE TELECOMMUNICATIONS

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 24)	\$ 71,645,648	100	\$ 62,408,959	100
OPERATING COSTS (Notes 2, 8, 21 and 24)	40,631,382	56	34,816,146	56
GROSS PROFIT	31,014,266	44	27,592,813	44
OPERATING EXPENSES (Notes 2, 21 and 24)				
Marketing	14,760,303	21	12,730,308	21
General and administrative	4,376,960	6	3,873,355	6
Research and development	51,017	-	53,731	-
Total operating expenses	19,188,280	27	16,657,394	27
OPERATING INCOME	11,825,986	17	10,935,419	17
NONOPERATING INCOME AND GAINS				
Equity in investees' net gains (Note 2)	1,829,982	3	248,162	1
Government grant (Note 2)	88,645	-	91,494	-
Management services revenue (Note 24)	58,730	-	62,485	-
Rent (Notes 2 and 24)	56,169	-	48,928	-
Interest (Note 24)	36,014	-	37,558	-
Other (Note 24)	102,615	-	152,204	-
Total nonoperating income and gains	2,172,155	3	640,831	1
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	1,076,455	2	691,606	1
Loss from sale of financial assets, net (Note 2)	-	-	72,176	-
Other (Notes 2, 11 and 21)	15,593	-	25,810	-
Total nonoperating expenses and losses	1,092,048	2	789,592	1
INCOME BEFORE INCOME TAX	12,906,093	18	10,786,658	17
INCOME TAX (Notes 2 and 20)	2,306,185	3	1,905,665	3
NET INCOME	\$ 10,599,908	15	\$ 8,880,993	14

FAR EASTONE TELECOMMUNICATIONS

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	\$ 3.96	\$ 3.25	\$ 3.31	\$ 2.73
Diluted	\$ 3.96	\$ 3.25	\$ 3.31	\$ 2.72

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

(With Deloitte & Touche audit report dated February 7, 2013)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock		Capital Surplus (Notes 2 and 19)			Retained Earnings (Note 19)		Unrealized Gains		Total Stockholders' Equity
	Issued Shares (Thousands)	Amount	Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Financial Instruments (Notes 2 and 19)	
BALANCE, JANUARY 1, 2011	3,258,501	\$ 32,585,008	\$ 10,964,702	\$ 8,482,381	\$ 89,285	\$ 9,990,002	\$ 9,086,651	\$ 12,111	\$ 70,692	\$ 71,280,832
Appropriation of the 2010 earnings	-	-	-	-	-	884,856	(884,856)	-	-	-
Legal reserve	-	-	-	-	-	-	(8,146,252)	-	-	(8,146,252)
Cash dividends - NT\$2.5 per share	-	-	-	-	-	-	8,880,993	-	-	8,880,993
Net income in 2011	-	-	-	-	(13)	-	-	-	-	(13)
Changes in equity-method investees' stockholders' equity	-	-	-	-	-	-	-	-	-	-
Adjustment to changes in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	10,255	-	-	-	-	10,255
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(3,308)	(3,308)
Changes in unrealized gains (losses) on cash flow hedge	-	-	-	-	-	-	-	-	(6,920)	(6,920)
Changes in investees' unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	-	(33,640)	(33,640)
Translation adjustments of long-term equity-method investments	-	-	-	-	-	-	-	(5,080)	-	(5,080)
BALANCE, DECEMBER 31, 2011	3,258,501	32,585,008	10,964,702	8,482,381	99,527	10,874,858	8,936,536	7,031	26,824	71,976,867
Appropriation of the 2011 earnings	-	-	-	-	-	888,099	(888,099)	-	-	-
Legal reserve	-	-	-	-	-	-	(8,045,238)	-	-	(8,045,238)
Cash dividends - NT\$2.469 per share	-	-	-	-	-	-	-	-	-	-
Cash dividend from capital surplus - additional paid in capital - NT\$0.531 per share	-	-	(1,730,264)	-	-	-	-	-	-	(1,730,264)
Net income in 2012	-	-	-	-	-	-	10,599,908	-	-	10,599,908
Changes in equity-method investees' stockholders' equity	-	-	-	-	11	-	-	-	-	11
Adjustment to changes in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	50,977	-	-	-	-	50,977
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	11,159	11,159
Changes in unrealized gains (losses) on cash flow hedge	-	-	-	-	-	-	-	-	6,579	6,579
Changes in investees' unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	-	54,682	54,682
Translation adjustments of long-term equity-method investments	-	-	-	-	-	-	-	(1,802)	-	(1,802)
BALANCE, DECEMBER 31, 2012	3,258,501	\$ 32,585,008	\$ 9,234,438	\$ 8,482,381	\$ 150,515	\$ 11,762,957	\$ 10,603,107	\$ 5,229	\$ 99,244	\$ 72,922,879

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 7, 2013)

FAR EASTONE TELECOMMUNICATIONS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10,599,908	\$ 8,880,993
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	8,120,606	8,450,990
Amortization	1,575	3,448
Amortization of 3G concession	730,706	730,706
Allowance for doubtful accounts	249,083	146,723
Allowance for loss on decline in value of inventories	18,803	6,000
Loss from sale of financial assets, net	-	72,176
Equity in investees' net gains	(1,829,982)	(248,162)
Cash dividends from equity-method investees	90,210	77,909
Amortization of discount on held-to-maturity financial assets	(103)	(102)
Loss on disposal of properties, net	1,076,455	691,606
Accrued pension cost (pension benefit payments)	(7,791)	7,935
Deferred income on hedging derivative financial assets	1,450	7,100
Deferred income taxes	38,130	325,771
Other	(167)	-
Net changes in operating assets and liabilities		
Notes receivable	(14,828)	4,735
Accounts receivable	(771,939)	(325,440)
Accounts receivable - related parties	13,772	367
Other receivables - related parties	(12,006)	176,325
Inventories	(218,131)	(214,024)
Prepaid expenses	(138,896)	21,101
Other current assets	2,150	64,146
Notes payable	491	(28,989)
Accounts payable	939,842	(253,054)
Accounts payable - related parties	107,326	831,098
Income tax payable	763,937	(339,192)
Accrued expenses	300,059	372,951
Other payables - related parties	231,975	157,436
Unearned revenues	(126,617)	818,089
Other current liabilities	(4,467)	41,502
	<u>9,561,643</u>	<u>11,599,151</u>
Net cash provided by operating activities	<u>20,161,551</u>	<u>20,480,144</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(1,274,009)
Proceeds of the disposal of available-for-sale financial assets	3,990	1,809,425
Acquisition of equity-method investments	(1,393,280)	(1,746,808)
Proceeds of the disposal of equity-method investments	3,815	-
Acquisition of properties	(6,788,309)	(6,627,740)
Proceeds of the disposal of properties	40,211	24,917
		(Continued)

- 7 -

FAR EASTONE TELECOMMUNICATIONS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
Increase in refundable deposits	\$ (44,035)	\$ (25,655)
Decrease in pledged certificates of deposits	2,300	389,700
Increase in restricted assets	<u>(123,924)</u>	<u>(21,355)</u>
Net cash used in investing activities	<u>(8,299,232)</u>	<u>(7,471,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(1,748,000)	(1,078,000)
Decrease in commercial paper payable	-	(2,848,739)
Decrease in guarantee deposits received	(15,355)	(73,438)
Decrease in deferred revenue	(92,815)	(73,788)
Cash dividends paid	<u>(9,775,502)</u>	<u>(8,146,252)</u>
Cash used in financing activities	<u>(11,631,672)</u>	<u>(12,220,217)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>230,647</u>	<u>788,422</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,465,482</u>	<u>669,743</u>
CASH AND CASH EQUIVALENTS, ARISING FROM MERGER	<u>-</u>	<u>7,317</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,696,129</u>	<u>\$ 1,465,482</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 17,714	\$ 49,347
Less: Interest capitalized	10,228	21,786
Interest paid, net of capitalized interest	<u>\$ 7,486</u>	<u>\$ 27,561</u>
Income tax paid	<u>\$ 1,504,119</u>	<u>\$ 1,919,389</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties to rental assets	\$ -	\$ 157,376
Reclassification of credit balance on the carrying value of long-term equity-method investments to other liabilities - other	<u>\$ -</u>	<u>\$ 295,797</u>
CASH PAID FOR THE ACQUISITION OF PROPERTIES		
Increase in properties	\$ 8,474,480	\$ 6,473,851
(Increase) decrease in other payables - related parties	(15,625)	1,867
(Increase) decrease in payables for the acquisition of properties	(1,644,913)	207,815
(Increase) decrease in other current liabilities	(6,857)	12,025
Increase in other liabilities - other	(18,776)	(67,818)
Cash paid for the acquisition of properties	<u>\$ 6,788,309</u>	<u>\$ 6,627,740</u>
		(Continued)

- 8 -

FAR EASTONE TELECOMMUNICATIONS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 26,711	\$ 19,940
Decrease (increase) in receivables on properties sold	5,544	(4,796)
Decrease (increase) in other receivables - related parties	107	(151)
Decrease in lease receivables	<u>7,849</u>	<u>9,924</u>
Cash received on the disposal of properties	<u>\$ 40,211</u>	<u>\$ 24,917</u>
On March 1, 2011, the Company completed the merger with Yuan Cing Infocomm Tech Co., Ltd. (YCIC), with the Company as the surviving entity; the fair values of total assets and total liabilities upon completion of the merger were as follows:		
		YCIC
Cash and cash equivalents		\$ 7,317
Prepaid expenses		82
Other current assets		60,137
Equity-method investments		<u>27,081,916</u>
		<u>\$ 27,149,452</u>
Accrued expenses		\$ 383
Other payables - related parties		4,305,563
Other current liabilities		<u>569</u>
		<u>\$ 4,306,515</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 7, 2013)

FAR EASTONE TELECOMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far Eastone Telecommunications Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares began to be traded on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) on December 10, 2001. Later, the Company's shares 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, 2012, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.48% of the Company's shares. Since Far Eastern New Century and its subsidiaries have power to cast majority of votes at the meeting of the Company's board of directors, 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, in February 2012, the Company applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, 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 to provide Internet and ISR services until December 2015 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 an 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 from 2005.

In 2004, the Company incorporated KG Telecommunications Co., Ltd., ("KG Telecom," formerly Yuan Ho Telecommunications Co., Ltd.) to proceed with the merger with the former KG Telecommunications Co., Ltd. (the "former KGT") in 2004. Through the completion of the merger with the former KGT, KG Telecom became licensed to provide island-wide 2G wireless communications services under a type I license - GSM1800. In February 2012, the Company applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, with an annual license fee at 2% of total 2G wireless communications service revenues. The DGT also issued the former KGT a type I license 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 (formerly the Company's 100% subsidiary), the boards of directors of both companies resolved to approve their merger on February 26, 2009, with the Company as the survivor entity. On August 28, 2009, the National Communications Commission (NCC) approved this merger, and the record date of this merger was January 1, 2010.

On December 28, 2009, the NCC awarded the Company the WiMAX (worldwide interoperability for microwave access) license, which is valid for six years, in the southern region of Taiwan and the Company began its commercial operation of the WiMAX service soon after. 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 amount.

The Company had 5,873 and 4,940 employees as of December 31, 2012 and 2011, respectively.

2. 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.

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:

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the 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:

- Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- 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 which exchange rates are used for assets and liabilities, stockholders' equity, dividends and income and expense.

Accounting Estimates

Under the above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on decline in value of inventories, depreciation and amortization, impairment loss on tangible and intangible assets, asset retirement obligation, product warranty reserve, income tax, pension cost, bonuses to employees and remuneration to directors and supervisors. Actual results may differ from these estimates.

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 is 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. When an asset is disposed of, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. 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 the decrease in impairment loss is 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.

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.

Hedge Accounting

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 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 cross-currency swaps contracts to hedge against the adverse effect of exchange rate fluctuations of foreign currency-denominated assets.

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, 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 on which the Company has significant influence but over which it has 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 determined after the deduction of depreciation or amortization had no impairment loss been recognized.

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 pro rata on the basis of the carrying amount of each asset in the unit. A reversal of an impairment loss on goodwill is disallowed.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is determined as the estimated selling price minus predicted selling expenses. Cost is determined using the weighted-average method.

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 acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the excess 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 postretirement benefit costs), and any excess remaining should be recognized as extraordinary gain.

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.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other stockholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all the losses in excess of the capital contributed by stockholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company.

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.

Profits from upstream transactions with equity method investees are eliminated in proportion to the Company's percentage of ownership in the investee.

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

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. The interest included in lease payments is expensed when paid.

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	41-55
Building equipment	5-10
Operating equipment	2-15
Computer equipment	3-10
Office equipment	3-10
Leasehold improvements	3-11
Miscellaneous equipment	3-10

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.

Leases

Under Statement of Financial Accounting Standards No. 2 - "Leases," a lease is identified as either an operating lease or a lessor's capital lease based on the lease contract terms and the collectability of the leasehold and the non-reimbursable costs to be incurred by the lessor.

The asset held under operating lease is stated at cost and depreciated on the straight-line basis over its estimated useful life. Receivables collected are periodically recognized as rental income during the lease contract.

On the starting date of a lessor's sales-type capital lease, total leasehold receivables to be recognized are all the rental receivables plus (a) the predetermined bargain purchase option offered to the lessee or (b) estimated residual value. For a lessor's financing capital lease, leasehold receivables to be recognized are the sum of present value derived from each future rental receivable based on an interest rate in the lease. The total lease payment receivable in excess of the carrying value of the leased property is the unrealized interest income, which should be amortized by the effective interest method upon each collection.

3G Concession

The 3G concession, which was stated at cost, has been amortized on a straight-line basis from the issuance date of the concession license to the expired date.

Goodwill

Goodwill, which is the difference (the source of which cannot be identified) between investment costs and the equity in an investee's net assets, was due to KG Telecom's (dissolved upon a merger with the Company on January 1, 2010) merger with the former KGT.

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 in accordance with the expected realization date of the temporary difference.

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.

Revenue Recognition

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.

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.

Usage revenues from cellular services and data services as well as interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized on the basis of the minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenues are recognized as follows: (a) monthly fees are accrued every month and (b) prepaid and recharge services are recognized as income on the basis of the actual usage by customers or when the right to use those services expires.

Where the Company enters into transactions involving both the provision of air time bundled with products such as 3G data cards and handsets, the total consideration received from handsets in these arrangements are allocated and measured using units of accounting within the arrangement based on relative fair values limited to the amount that is not contingent upon the delivery of other items or services.

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.

Government Grant

When received, the government grant is included in 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.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the balance sheets and statements of income as of and for the year ended December 31, 2011. The pro forma financial information based on the assumption that the Company merged with Yuan Qing Infocomm Tech Co., Ltd. (YCIC) on January 1, 2011 is as follows:

	(In Thousands, Except Earnings Per Share)
Year Ended December 31, 2011	
Current assets	\$ 10,657,324
Long-term investments	30,192,560
Properties, net	32,865,294
Current liabilities	15,754,390
Operating revenues	62,408,959
Income before income tax	10,786,658
Net income	8,880,993
Earnings per share	2.73

The pro forma balance sheets and statements of income are presented for illustrative purposes only. That is, as mentioned above, this information does not necessarily show the financial position and results of operations under the assumption that the Company merged with YCIC on January 1, 2011, nor does it necessarily show the Company's future financial position or results of operations.

4. CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change had no significant influence on the net income for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information about the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Company restated the segment information.

5. CASH AND CASH EQUIVALENTS

	December 31 2012	December 31 2011
Cash		
Cash on hand	\$ 7,159	\$ 4,844
Checking deposits	18,795	19,828
Demand deposits	972,411	1,048,810
Certificates of deposits	297,616	392,000
	<u>1,295,981</u>	<u>1,465,482</u>
Cash equivalents		
Commercial paper purchased under resell agreements	400,148	-
	<u>\$ 1,696,129</u>	<u>\$ 1,465,482</u>

As of December 31, 2012 and 2011, demand deposits overseas were as follows:

	December 31 2012	December 31 2011
Belgium (US\$601 thousand in 2012 and US\$1,141 thousand in 2011)	<u>\$ 17,453</u>	<u>\$ 34,544</u>

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2012	2011
Domestic quoted stocks	\$ 82,047	\$ 72,512
Open-end mutual funds	49,233	45,500
Private funds - placement shares	<u>149,873</u>	<u>152,414</u>
	<u>\$ 281,153</u>	<u>\$ 270,426</u>

7. ACCOUNTS RECEIVABLE, NET

	December 31	
	2012	2011
Accounts receivable	\$ 6,810,974	\$ 6,152,651
Less: Allowance for doubtful accounts	<u>(919,637)</u>	<u>(784,170)</u>
	<u>\$ 5,891,337</u>	<u>\$ 5,368,481</u>

8. INVENTORIES

	December 31	
	2012	2011
Cellular phone equipment	\$ 727,238	\$ 553,983
Cellular phone accessories	73,238	31,729
SIM cards and prepaid cards	8,298	6,757
Others	<u>110,184</u>	<u>127,161</u>
	<u>\$ 918,958</u>	<u>\$ 719,630</u>

Allowances for inventory devaluation were \$43,142 thousand and \$24,339 thousand as of December 31, 2012 and 2011, respectively.

Costs of inventories sold were \$16,360,372 thousand in 2012 and \$10,975,529 thousand in 2011. The allowances of \$18,803 thousand and \$6,000 thousand for loss on decline in value of inventories were included in the cost of sales for 2012 and 2011, respectively.

9. EQUITY-METHOD INVESTMENTS

	December 31		
	2012	% of Owner-ship	2011
	Carrying Value		Carrying Value
Common stocks with no quoted market prices			
New Century InfoComm Tech Co., Ltd.	\$ 29,407,288	100.00	\$ 27,410,135
ARCOA Communication Co., Ltd.	1,257,870	61.07	1,193,275
Far Eastern Electronic Toll Collection Co., Ltd.	995,311	39.42	269,609
			(Continued)

- 19 -

December 31

	2012		2011	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
KGEx.com Co., Ltd.	\$ 870,403	99.97	\$ 771,403	89.25
Far Eastern Info Service (Holding) Ltd.	124,400	100.00	157,506	100.00
E. World (Holdings) Ltd.	90,460	85.92	84,898	85.92
Far EastTron Holding Ltd.	25,105	100.00	26,441	100.00
Ding Ding Integrated Marketing Service Co., Ltd.				
iScreen Corporation	24,542	15.00	11,299	15.00
O-music Co., Ltd.	18,568	40.00	21,094	40.00
Far Eastern Electronic Commerce Co., Ltd.	8,161	50.00	17,216	50.00
Q-ware Communications Co., Ltd.	6,298	13.98	26,101	13.98
ADCast Interactive Marketing Co., Ltd.	5,482	81.46	(295,797)	51.00
	-	-	3,815	8.56
	<u>32,833,888</u>		<u>29,696,995</u>	
Credit balance on carrying values of long-term investments reclassified to other liabilities - other	-		295,797	
Prepayment for long-term investments		95.00	-	
Yuan Cing Co., Ltd.	<u>96,379</u>		<u>-</u>	
	<u>\$ 32,930,267</u>		<u>\$ 29,992,792</u>	(Concluded)

a. Tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. (NCIC)

To prepare for service convergence, the Company aims to enhance the business cooperation between its fixed-line and mobile components by group integration to provide more comprehensive telecom services to consumers as well as have long-term synergy in operating costs. To achieve this target, Yuan Cing InfoComm Tech Co., Ltd. (YCIC), a 100% subsidiary of the Company, conducted a tender offer to acquire the common shares of NCIC. On June 25, 2010, YCIC's board of directors resolved to set the tender offer price at NT\$10.93 per share. As of August 16, 2010, the expiry date of the tender offer, YCIC had acquired 1,762,945 thousand shares of NCIC. Through the tender offer and with the Company's own holding of 695,096 thousand shares, the Company and YCIC became joint owners of 94.56% of NCIC's issued common shares.

On August 31, 2010, the boards of directors of the Company and YCIC resolved to merge NCIC and YCIC through a two-stage process. In the first stage, YCIC made a share swap with NCIC, with a swap ratio of 1:1; thus, NCIC became a 100% subsidiary of YCIC on January 17, 2011, the record date of the share swap. The Company owned 2,195,196,070 shares of YCIC, representing 93.95% ownership. In the second stage, on March 1, 2011, the record date, the Company merged with YCIC by cash at NT\$10.93 per share, with the Company as the survivor entity. Thus, NCIC became a 100% subsidiary of the Company. Earlier, this two-stage merger was approved by the National Communications Commission on December 29, 2010.

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

Far Eastern Electronic Toll Collection Co., Ltd. (FETC) provides electronic toll collection (ETC) services on national freeways. As of June 30, 2011, the utilization rate of ETC did not reach the requirement stated in the contract of the Electronic Toll Collection BOT Project (ETC Project). Thus, FETC entered into a negotiation with the Taiwan Area National Freeway Bureau (TANFB) and proposed an improvement plan. TANFB consented to the improvement plan and set six inspection

- 20 -

points. On August 14, 2012, the Negotiation Committee made a conclusion that TANFB should be in compliance with the six inspection points of the above-mentioned improvement plan during 2012 and check the utilization rate of ETC reach the requirement regulated in the contract or not. FETC accomplished the six inspection points during 2012.

On a taxpayer system infrastructure that FETC committed to complete as part of the above ETC project, there was a delay in construction as of October 3, 2012. On January 31, 2013, the Negotiation Committee concluded that the reasons for the delay in construction could not be foreseen or controlled; thus, both the FETC and TANFB should allow for a reasonable extension of the construction period. However, the amount of the required penalty for the construction delay (\$500 thousand for each day of construction delay) could not be calculated because the determination of the starting date and ending date of the penalty period depends on whether FETC can complete the infrastructure by June 30, 2013. As of February 7, 2013, the date of the accompanying auditors' report, FETC was still negotiating with TANFB through the Negotiation Committee on the amount of penalty, therefore the final result of the penalty FETC should pay can not be reasonably estimated.

To enhance operational efficiency of the Company and support the Government's strategy to expand the distance-based toll scheme through the increased use of ETC lanes and enhanced provision by the Company of telecommunications services to FETC, the board of directors of the Company resolved on April 20, 2012 to subscribe for FETC's new common shares amounting to \$865,192 thousand; thus, the Company's ownership of FETC decreased to 39.42%.

c. Q-ware Communications Co., Ltd. (Q-ware Com.)

The Company committed to provide further financial support to Q-ware Communications Co., Ltd. ("Q-ware Com.") and continued applying the equity method, thus, the credit balance of \$295,797 thousand on the book value of Q-ware Com. as of December 31, 2011, was included in other liabilities - other.

To strengthen Q-ware Com.'s capital structure and fulfill the operating cash needs for "Taipei Free WiFi" project, the Company's board of directors resolved to subscribe for Q-ware com.'s new shares in the amount of \$336,183 thousand on April 20, 2012; thus, the Company's ownership increased to 81.46%.

d. Yuan Hsin Digital Payment Co., Ltd.

To provide a new micro payment mechanism and support digital content development, the Company's board of directors resolved on July 25, 2012 to subscribe for Yuan Hsin Digital Payment Co., Ltd.'s ("Yuan Hsin") common shares. On February 7, 2013, the Company's board of directors resolved to increase its holding of Yuan Hsin's shares the amount to \$300,000 thousand, representing 30% ownership of Yuan Hsin.

e. Equity in investees' net gains or losses

The equity interests of the Far Eastern Group in Far Eastern Electronic Commerce Co., Ltd. (FEEC), Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) and ADCast Interactive Marketing Co., Ltd. (ADCast), dissolved due to the merger with NCIC on March 31, 2012 allowed the Company to exercise significant influence on these investees' operating and financial policy decisions. Thus, the investments in FEEC, DDIM and ADCast were accounted for by the equity method even though the Company's equity interests in FEEC and DDIM were only 13.98% and 15%, respectively, as of December 31, 2012 and 2011, and the Company's equity interests in ADCast was only 8.56% as of December 31, 2011.

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Company's investments, had been audited, except those of the subsidiary of ARCOA for 2012 and 2011. The Company believes that, had the financial statements of the subsidiary of ARCOA been audited, any adjustments would have had no material effect on the Company's financial statements.

f. Consolidation

The consolidated financial statements as of December 31, 2012 and 2011 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.

10. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2012	2011
Bonds		
Asia Cement Co., Ltd.	\$ 199,871	\$ 199,768
Less: Due within one year	(100,000)	-
	<u>\$ 99,871</u>	<u>\$ 199,768</u>

In September 2009, KG Telecom (dissolved due to the merger with the Company on January 1, 2010) bought a five-year corporate bond of Asia Cement Co., Ltd. amounting to \$199,540 thousand (par value of \$200,000 thousand), with the effective interest rate of 2.004% and coupon interest rate of 1.95%. The interest is payable on September 22 annually.

11. PROPERTIES

a. Changes in properties consisted of:

	Year Ended December 31, 2012				
	Beginning Balance	Addition	Disposal or Movement	Reclassification	Ending Balance
Cost					
Land	\$ 1,175,798	\$ -	\$ -	\$ -	\$ 1,175,798
Buildings and equipment	2,181,408	-	3,912	26,002	2,203,498
Operating equipment	114,885,535	16,279	2,496,777	5,719,389	118,124,426
Computer equipment	19,367,175	-	104,476	1,247,872	20,510,571
Office equipment	967,004	-	59,955	32,282	939,331
Leasehold improvements	2,014,371	5,489	17,514	448,378	2,450,724
Miscellaneous equipment	440,291	-	-	49,009	490,200
	<u>141,031,582</u>	<u>21,768</u>	<u>2,682,634</u>	<u>7,523,832</u>	<u>145,894,548</u>
Accumulated depreciation					
Buildings and equipment	837,946	\$ 52,596	\$ 3,912	\$ -	886,630
Operating equipment	91,618,060	6,672,228	1,409,478	-	96,880,810
Computer equipment	16,482,254	1,196,347	104,469	-	17,574,132
Office equipment	845,630	41,729	59,925	-	827,434
Leasehold improvements	1,477,179	132,857	16,325	-	1,593,711
Miscellaneous equipment	389,270	20,452	-	-	409,722
	<u>111,650,339</u>	<u>8,116,209</u>	<u>1,594,109</u>	<u>-</u>	<u>118,172,439</u>
Construction-in-progress and prepayments for equipment	29,381,243	-	-	-	27,722,109
	<u>3,484,051</u>	<u>8,452,712</u>	<u>14,641</u>	<u>(7,523,832)</u>	<u>4,398,290</u>
	<u>\$ 32,865,294</u>				<u>\$ 32,120,399</u>

Under Statement of Financial Accounting Standards No. 35 - "Impairment of Assets," the Company has identified itself as a cash-generating unit.

As of December 31, 2012 and 2011, the carrying values of the tangible and intangible assets used by the Company were \$47,116,251 thousand and \$48,597,824 thousand, respectively. The Company's management estimated the recoverable amounts of core assets at their expected useful lives and made a cash flow forecast at the discount rates of 7.20% and 9.31% on December 31, 2012 and 2011, respectively. The operating revenue forecast was based on the expected growth rate of the telecom industry along with the projected advancement of the Company's own business.

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

- Expected future growth rate of the telecommunications industry
 - 1) Mobile voice service (MVS): The anticipated MVS is measured on the basis of the actual effective customer base and minutes of usage of previous years, with the development trend of the market is taken into account.
 - 2) Mobile data service (MDS): The anticipated MDS is measured on the basis of the proportion of MDS to the total telecommunications service revenues of previous years, with the demands and changes in the market taken into account.
- b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is calculated on the basis of the historical ratio of EBITDA to operating revenues, with the possible influence of each revenue, cost and expense taken into account.

Using the key assumptions of each cash-generating unit, the Company's management believes that, for the years ended December 31, 2012 and 2011, the carrying amounts of operating assets and goodwill did not exceed their recoverable amounts even if there were reasonable changes in the critical assumptions used to estimate recoverable amounts.

14. RENTAL ASSETS, NET

	Year Ended December 31, 2012		
	Land	Buildings and Equipment	Total
Cost	\$ 151,640	\$ 216,275	\$ 367,915
Accumulated depreciation			
Beginning balance	-	34,936	34,936
Reclassification	-	4,397	4,397
Ending balance	-	39,333	39,333
Rental assets, net	\$ 151,640	\$ 176,942	\$ 328,582

Year Ended December 31, 2011

	Movement		Reclassification	Ending Balance
	Beginning Balance	Addition		
Cost	\$ 1,227,914	\$ -	\$ (52,116)	\$ 1,175,798
Land	2,286,335	-	(102,004)	2,184,331
Buildings and equipment	111,332,726	40,118	5,069,051	116,441,885
Operating equipment	18,221,049	-	1,182,835	19,403,884
Computer equipment	1,000,729	-	18,649	1,019,378
Office equipment	1,913,554	17,344	118,161	2,049,059
Leasehold improvements	422,506	-	17,785	440,291
Miscellaneous equipment	136,404,813	\$ 40,118	\$ 6,252,361	142,707,292
Accumulated depreciation				
Buildings and equipment	800,699	\$ 56,367	\$ (16,342)	837,946
Operating equipment	85,436,781	7,049,527	-	92,486,308
Computer equipment	15,341,181	1,177,782	-	16,518,963
Office equipment	856,068	41,936	-	898,004
Leasehold improvements	1,381,841	104,948	-	1,486,789
Miscellaneous equipment	372,621	16,649	-	389,270
	104,189,191	\$ 8,447,209	\$ (16,342)	112,620,058
	32,215,622	-	-	32,215,622
Construction-in-progress and prepayments for equipment	3,491,952	\$ 6,433,733	\$ (6,426,079)	3,499,606
	\$ 35,707,574	-	-	\$ 35,707,574

- b. Capitalized interest on properties was as follows:

	Year Ended December 31	
	2012	2011
Total interest expense	\$ 17,864	\$ 42,129
Less: Interest capitalized (included in construction-in-progress and prepayments for equipment)	10,228	21,786
Interest expense, net of amounts capitalized	\$ 7,636	\$ 20,343
Interest rate capitalized	0.88%-1.05%	0.36%-0.92%

12. 3G CONCESSION, NET

	Year Ended December 31	
	2012	2011
Cost	\$ 10,169,000	\$ 10,169,000
Accumulated amortization		
Beginning balance	5,054,055	4,323,349
Amortization	730,706	730,706
Ending balance	5,784,761	5,054,055
Intangible assets, net	\$ 4,384,239	\$ 5,114,945

13. GOODWILL

On January 1, 2010, the Company merged with KG Telecom, with the Company as the survivor entity, and acquired goodwill amounting to \$10,283,031 thousand resulting from KG Telecom's merger with the former KGT.

16. ACCRUED EXPENSES

	December 31	
	2012	2011
Commission	\$ 1,716,490	\$ 1,486,499
Bonus	591,753	762,646
Bonus to employees and remuneration to directors and supervisors	286,197	239,787
Maintenance fee	233,927	168,753
Advertisement	129,249	98,286
Utilities	122,511	117,059
Billing processing fee	64,130	62,462
Rental	61,013	61,149
Other	795,716	707,286
	<u>\$ 4,003,986</u>	<u>\$ 3,703,927</u>

17. UNEARNED REVENUES

	December 31	
	2012	2011
Unearned telecom revenues from prepaid cards	\$ 1,191,966	\$ 1,036,506
Unearned telecom revenues from postpaid cards	1,106,282	1,408,591
Other	137,082	116,850
	<u>\$ 2,435,330</u>	<u>\$ 2,561,947</u>

The Company entered into contracts with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card regulations under the mandatory and prohibitory provisions of standard contracts of telecommunication product (service) certificates. The Company consigned to FEIB the proceeds of its sale of prepaid cards as trust funds, which were included in restricted assets - current. FEIB was designated as in-charge of the trust funds to protect prepaid cards customers' rights under the trust deeds.

18. PENSION PLAN

- The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of monthly contributions by the Company to the employees' individual pension fund accounts is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan were to \$236,222 thousand for 2012 and \$169,063 thousand for 2011.
- 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 and NCIC 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.

Year Ended December 31, 2011

	Land	Buildings and Equipment	Total
Cost			
Beginning balance	\$ 99,524	\$ 94,673	\$ 194,197
Reclassification	52,116	121,602	173,718
Ending balance	151,640	216,275	367,915
Accumulated depreciation			
Beginning balance	-	14,813	14,813
Depreciation	-	3,781	3,781
Reclassification	-	16,342	16,342
Ending balance	-	34,936	34,936
Rental assets, net	<u>\$ 151,640</u>	<u>\$ 181,339</u>	<u>\$ 332,979</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 2017. Future rental income is summarized as follows:

Year	Amount
2013	\$ 13,718
2014	13,941
2015	13,266
2016	8,094
2017	5,605

15. SHORT-TERM BANK LOANS

	December 31	
	2012	2011
Unsecured bank loans - interest of 1.05% in 2012 and 0.90%-1.20% in 2011	<u>\$ 114,000</u>	<u>\$ 1,862,000</u>

The short-term bank loans as of December 31, 2012, were all repaid by February 7, 2013. Those as of December 31, 2011, amounting to \$1,742,000 thousand were repaid by February 16, 2012, while the others were renewed on maturity.

c. Other information about the defined benefit pension plan is as follows:

1) Net pension cost consisted of:

	Year Ended December 31	2011
	2012	2011
Service cost	\$ 19,680	\$ 24,806
Interest cost	28,468	31,134
Expected return on plan assets	(20,068)	(11,353)
Amortization of net transition obligation	1,683	1,688
Amortization of prior service cost	(1,162)	(1,162)
Amortization of unrecognized pension loss	2,992	3,588
Net pension cost	<u>\$ 31,593</u>	<u>\$ 48,701</u>

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

	December 31	2011
	2012	2011
Benefit obligation		
Vested benefit obligation	\$ 60,240	\$ 24,412
Non-vested benefit obligation	1,072,155	993,557
Accumulated benefit obligation	1,132,395	1,017,969
Additional benefits based on projected and future salaries	439,957	407,567
Projected benefit obligation	1,572,352	1,425,536
Fair value of plan assets	(812,615)	(784,092)
Funded status	759,737	641,444
Unrecognized net transition obligation (asset)	(5,650)	(7,333)
Unrecognized prior service cost	23,243	24,405
Unrecognized pension loss	(328,993)	(202,388)
Accrued pension cost	<u>\$ 448,337</u>	<u>\$ 456,128</u>
Vested benefit	<u>\$ 68,438</u>	<u>\$ 27,932</u>

3) Actuarial assumptions were as follows:

	December 31	2011
	2012	2011
Discount rate used in determining present value	1.75%	2.00%
Rate of future salary increase	2.00%	2.00%
Expected rate of return on plan assets	2.50%	2.50%

4) Fund changes were as follows:

	Year Ended December 31	2011
	2012	2011
Beginning balance	\$ 784,092	\$ 579,177
Combined actuarial calculation with NCIC	-	160,609
Contributions	39,384	40,766
Earnings	7,647	9,030
Payments	(18,508)	(5,490)
Ending balance	<u>\$ 812,615</u>	<u>\$ 784,092</u>

19. STOCKHOLDERS' EQUITY

a. Capital surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and conversion of bonds) may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year). 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 2012 and 2011, the bonuses to employees were \$190,798 thousand and \$159,858 thousand, respectively, and the remunerations to directors and supervisors were \$95,399 thousand and \$79,929 thousand, respectively. The totals of the bonus to employees and remuneration to directors and supervisors for 2012 and 2011 were 2% and 1%, respectively, of net income (net of the bonuses and remuneration) less 10% legal reserve and special reserve, recognized for these two years. The amounts were estimated on the basis of past experience. If there are material differences between these estimates and the amounts proposed by the board of directors in the following year, the estimates are adjusted in the year of the proposal. 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. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriation of the 2011 and 2010 earnings was approved by the stockholders on June 13, 2012 and June 9, 2011, respectively.

	Appropriation and Distribution		Dividend Per Share	
	2011	2010	2011	2010
Legal reserve	\$ 888,099	\$ 884,856		
Cash dividend	8,045,238	8,146,252	\$2.469	\$2.500

In addition to distributing cash dividends at \$2.469 per share from unappropriated earnings, the stockholders on June 13, 2012 also approved to distribute cash of \$1,730,264 thousand from the above-mentioned additional paid-in capital - shares issuance in excess of par value at \$0.531 per share. Therefore, the Company's stockholders received \$3 per share in 2012.

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 were approved by the stockholders on June 13, 2012 and June 9, 2011, respectively, as follows:

	Year Ended December 31			
	2011		2010	
	Cash	Stock	Cash	Stock
Bonuses to employees	\$ 159,858	\$ -	\$ 159,274	\$ -
Remuneration to directors and supervisors	79,929	-	79,637	-
	Year Ended December 31		2010	
	2011		2010	
	Bonuses to Employees	Remuneration to Directors and Supervisors	Bonuses to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	\$ 159,858	\$ 79,929	\$ 159,274	\$ 79,637
Amounts recognized in respective financial statements	159,858	79,929	159,274	79,637
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There were no differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the years ended December 31, 2011 and 2010, respectively.

As of February 7, 2013, the date of the accompanying auditors' report, the 2012 appropriations of earnings, bonus to employees and remuneration to directors and supervisors had not been resolved by the Company's board of directors yet.

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 depository receipts

The Company's Global Depository Receipts (GDRs) as of December 31, 2012 were as follows:

	GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	1)	150,000
Converted from overseas unsecured convertible bonds	2)	2,473
Net decrease due to capital increase or capital reduction	3)	(5,426)
Reissued within authorized number of units	4)	349,189
GDRs transferred to common stock		<u>(488,768)</u>
Outstanding GDRs issued	<u>498</u>	<u>7,468</u>

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

2) On July 20, 2004, the SFB approved the Company's request to issue new common stock in the form of GDRs amounting to US\$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 2012, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds, representing 2,473 thousand common shares.

3) In 2003, the Company issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represented 4,448 thousand common shares. Furthermore, in 2008, the Company canceled 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 reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2012, the Company had reissued 23,279 thousand units of GDR, representing 349,189 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 depository 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) Convert the GDRs into common stocks; and
- 3) Receive dividends and exercise preemptive rights or other rights and interests.

d. Share issuance for cash - private placement

On June 13, 2012, the stockholders of the Company resolved to issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to \$17,773,641 thousand and the private placement price set at NT\$40.00 per share (provisional) (definitely private placement price will be set according to the resolution of stockholders' meeting after obtaining the authorities' approval under the related regulation), to catch up on industry development trends and to meet the Company's future operating needs. This resolution replaced their private placement resolution made on June 9, 2011, June 15, 2010 and June 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. However, based on certain agreements, if the volume weighted average price of the Company's common shares falls below NT\$35.00 or exceeds NT\$50.00 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, the Company's board of directors has the authorization of the stockholders' meeting to discuss in good faith and set a new private placement price, provided that any upward or downward adjustment is not more than NT\$5 per the Company's share and the new price should not be lower than 70% of the reference price on that date. The private placement will proceed after obtaining the authorities' approval under the related regulation.

e. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for 2012 and 2011 are summarized as follows:

	Recognized from Equity-Investment method	Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedge	Total
Year ended December 31, 2012				
Beginning balance	\$ 10,868	\$ 10,126	\$ 5,830	\$ 26,824
Recorded as adjustments to stockholders' equity	144,404	11,159	6,579	162,142
Recognized as profit or loss	(89,722)	-	-	(89,722)
Ending balance	\$ 65,550	\$ 21,285	\$ 12,409	\$ 99,244
Year ended December 31, 2011				
Beginning balance	\$ 44,508	\$ 13,434	\$ 12,750	\$ 70,692
Recorded as adjustments to stockholders' equity	(31,464)	6,146	(6,920)	(32,238)
Recognized as profit or loss	(2,176)	(9,454)	-	(11,630)
Ending balance	\$ 10,868	\$ 10,126	\$ 5,830	\$ 26,824

20. INCOME TAX

a. The reconciliation of income tax expense based on income before income tax at the statutory income tax rate to income tax expense - current was as follows:

	Year Ended December 31	
	2012	2011
Income tax expense computed at the statutory tax rate	\$ 2,194,036	\$ 1,833,732
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net gains	(399,729)	(59,189)
Other	493,897	230,135
Temporary differences		
Allowance for doubtful accounts	(783)	(94,771)
Equity in investee's net losses (gains)	5,180	(174,968)
Loss on disposal of properties	73,004	70,609
Goodwill amortization	(134,470)	(134,470)
Other	19,775	7,652
Investment tax credit used	-	(102,128)
Income tax payable - current	2,250,910	1,576,602
Adjustments for prior year's tax	17,981	3,115
Income tax expense - current	\$ 2,268,891	\$ 1,579,717

b. Income tax expense consisted of:

	Year Ended December 31	
	2012	2011
Income tax expense - current	\$ 2,268,891	\$ 1,579,717
Income tax expense - deferred		
Temporary differences	37,294	325,948
	\$ 2,306,185	\$ 1,905,665

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

	December 31	
	2012	2011
Current		
Deferred income tax assets	\$ 277,592	\$ 278,375
Allowance for doubtful accounts	7,334	4,138
Allowance for losses on decline in value of inventories	29,579	15,358
Other	\$ 314,505	\$ 297,871
Noncurrent		
Deferred income tax assets	\$ 14,853	\$ 9,673
Equity in investees' net losses	70,217	72,826
Accrued pension cost		(Continued)

	December 31	
	2012	2011
Loss on disposal of properties	\$ 205,785	\$ 132,781
Other	<u>28,256</u>	<u>23,289</u>
	319,111	238,569
Deferred income tax liabilities	<u>(941,292)</u>	<u>(806,822)</u>
Goodwill amortization	<u>\$(622,181)</u>	<u>\$(568,253)</u>
		(Concluded)

d. Integrated income tax information is as follows:

	December 31	
	2012	2011
Balance of imputation credit account (ICA)	\$ 852,163	\$ 1,070,825

The creditable ratios for the distribution of earnings of 2012 and 2011 were 16.87% (estimate) and 19.44% (actual), respectively.

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

Income tax returns through 2006 and income tax return of 2010 of the Company had been examined by the tax authorities. However, the Company disagreed with the tax authorities' assessment of its 2005, 2006 and 2010 returns. Thus, the Company filed appeals for the reexamination of its 2005, 2006 and 2010 returns. Nevertheless, the Company accrued the related tax.

Income tax returns through 2006 of KG Telecom (dissolved due to the merger with the Company on January 1, 2010) had been examined by the tax authorities. However, the Company disagreed with the tax authorities' assessment of KG Telecom's 2001 to 2006 returns and thus filed appeals for the reexamination of these returns. Nevertheless, the Company accrued the related tax.

21. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2012			
			As	
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Reductions of Operating Costs or Expenses
				Total
Employee expenses				
Salaries	\$ 607,976	\$ 2,835,540	\$ -	\$ 922,654
Pension	43,795	171,557	-	52,463
Meal	11,287	77,972	-	20,741
Employee benefit	-	35,901	-	-
Insurance	44,402	227,328	-	71,406
Miscellaneous	3,109	54,139	-	3,976
	<u>\$ 710,569</u>	<u>\$ 3,402,437</u>	<u>\$ -</u>	<u>\$ 1,071,240</u>
Depreciation	<u>\$ 7,306,139</u>	<u>\$ 810,070</u>	<u>\$ 4,397</u>	<u>\$ -</u>
Amortization	<u>\$ 86</u>	<u>\$ 1,489</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>\$ 8,120,606</u>
				<u>\$ 1,575</u>

	Year Ended December 31, 2011			
			As	
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Reductions of Operating Costs or Expenses
				Total
Employee expenses				
Salaries	\$ 529,819	\$ 2,136,452	\$ -	\$ 965,356
Pension	38,592	124,973	-	54,199
Meal	10,751	58,057	-	23,623
Employee benefit	-	31,204	-	-
Insurance	38,517	172,645	-	74,799
Miscellaneous	2,275	39,846	-	3,333
	<u>\$ 619,954</u>	<u>\$ 2,563,177</u>	<u>\$ -</u>	<u>\$ 1,121,310</u>
Depreciation	<u>\$ 7,667,620</u>	<u>\$ 779,589</u>	<u>\$ 3,781</u>	<u>\$ -</u>
Amortization	<u>\$ 2,496</u>	<u>\$ 952</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>\$ 8,450,990</u>
				<u>\$ 3,448</u>

The Company provided management services to certain equity-method investees (Note 24). The employee expenses were charged on the basis of agreed-upon terms and recorded as reductions of operating costs or expenses.

22. EARNINGS PER SHARE (EPS)

	Year ended December 31, 2012		Common Stock (Denominator) (In Thousand Shares)		Earnings Per Share (NT\$)	
	Amount Before Income Tax	Net Income			Income Before Income Tax	Net Income
Basic EPS						
Net income	\$ 12,906,093	\$ 10,599,908	3,258,501		\$ 3,96	\$ 3,25
Effect of dilutive potential common stock	-	-	3,707			
Bonus to employees	-	-	-			
Diluted EPS						
Net income including the effect of potential dilutive common stock	<u>\$ 12,906,093</u>	<u>\$ 10,599,908</u>	<u>3,262,208</u>		<u>\$ 3,96</u>	<u>\$ 3,25</u>
Year ended December 31, 2011						
Basic EPS						
Net income	\$ 10,786,658	\$ 8,880,993	3,258,501		\$ 3,31	\$ 2,73
Effect of dilutive potential common stock	-	-	4,398			
Bonus to employees	-	-	-			
Diluted EPS						
Net income including the effect of potential dilutive common stock	<u>\$ 10,786,658</u>	<u>\$ 8,880,993</u>	<u>3,262,899</u>		<u>\$ 3,31</u>	<u>\$ 2,72</u>

The Accounting Research and Development Foundation issued Interpretation No. 2007-052, which 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. The 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.

23. FINANCIAL INSTRUMENTS

a. Fair values

	December 31		
	2012	2011	
	Carrying Value	Fair Value	Fair Value
Assets			
Available-for-sale financial assets - current	\$ 281,153	\$ 281,153	\$ 270,426
Lease receivable (including current portion)	34,562	34,562	42,411
Hedging derivative financial assets - current	4,650	4,650	-
Held-to-maturity financial assets (including current portion)	199,871	202,116	202,920
Refundable deposits	393,936	393,563	349,901
348,719			
Liabilities			
Hedging derivative financial liability - current	-	-	75
Guarantee deposits received (including current portion)	662,545	662,545	677,900
Lease payable (including current portion)	18,951	18,951	16,918
Place of transaction on derivative financial instruments			
Domestic	4,650	4,650	(75)
(75)			

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

- 1) Cash and cash equivalents, notes receivable, accounts receivable - net, accounts receivable - related parties, other receivables - related parties, restricted assets - current, pledged certificates of deposits, short-term bank loans, notes payable, accounts payable, accounts payable - related parties, other payables - related parties and payables for acquisition of properties, which are not included in 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 hedging derivative financial instruments - current and available-for-sale financial assets - current.
If quoted market prices are not available, the fair values are estimated by the Company using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers).
- 3) If quoted market prices are available, these are used as fair values of held-to-maturity financial assets; otherwise, fair values will be measured by carrying values.
- 4) Fair values of lease receivable, refundable deposits, lease payable 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		
	2012	2011	2011
	Quoted Price	Estimated Price	
Assets			
Available-for-sale financial assets - current	\$ 281,153	\$ 270,426	\$ -
Held-to-maturity financial assets	202,116	202,920	-
Hedging derivative financial assets - current	-	-	4,650
Liabilities			
Hedging derivative financial liability - current	-	-	75

d. Financial assets and financial liabilities with risk from interest fluctuations were as follows:

	December 31		
	2012	2011	2011
	Financial Assets	Financial Liabilities	Financial Liabilities
Risk of interest rate change			
Fair value risk	\$ 2,519,893	\$ 795,496	\$ 594,380
Cash flow risk	1,098,414	-	2,636,649
700,000			

e. Financial risks

1) Market risk

Fair values of domestic quoted stocks, bonds and mutual funds, held by the Company, NCIC 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 the Company, NCIC and ARCOA periodically evaluate the performance of these investments, market risk is expected to be immaterial.

In 2012 and 2011, the Company and NCIC used cross-currency swap contracts and exchange swap contracts, respectively, to hedge against the adverse 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, NCIC and ARCOA 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.

The Company, NCIC and ARCOA invested in some private funds, bonds and unlisted stocks with no quoted prices in an active market; thus, these investments could expose the Company, NCIC and ARCOA to liquidity risks.

The Company engaged in cross-currency swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other at maturity; thus, the expected extra cash demand is not significant.

NCIC engaged in foreign exchange swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other at maturity; thus, the expected extra cash demand is not significant.

4) Cash flow risk from interest fluctuations

The Company and its subsidiaries have some bank deposits and short-term bank loans with floating interest rates. As a result, their effective interest rates will change as the market interest rate change.

f. Cash flow hedge

In 2012 and 2011, the Company and NCIC used cross-currency swaps and foreign exchange swap contracts, respectively, to hedge the cash flow fluctuations on its foreign currency-denominated assets, as follows:

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments			Expected Year for Realization of Gains or Losses
		Notional Amount		Fair Value December 31	
		2012	2011		
Foreign currency-denominated asset	Cross-currency swap - the Company	US\$ 5,000,000	US\$ 5,000,000	\$ 4,650	2013
	Foreign exchange swap - NCIC	US\$ 68,000,000	US\$ 30,000,000	17,312	2013
	Foreign exchange swap - NCIC	-	US\$ 35,000,000	- (2,592)	2013

24. 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 (FENC)	Ultimate parent company
ARCOA Communication Co., Ltd. (ARCOA)	Subsidiary
DataExpress Infotech Co., Ltd. (DataExpress)	Subsidiary of ARCOA
Linkwell Tech. Ltd.	Subsidiary of DataExpress
Home Master Technology Ltd.	Subsidiary of DataExpress
Jing Yuan Technology Ltd.	Subsidiary of DataExpress
Q-ware Communications Co., Ltd. (Q-ware)	Subsidiary
E. World (Holdings) Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (Bermuda) (FEIS)	Subsidiary
Far EasTron Holding Ltd.	Subsidiary
Yuan Cing Infocomm Tech Co., Ltd. (YCIC)	Subsidiary (dissolved on its merger with the Company on March 1, 2011)
KGEx.com Co., Ltd. (KGEx)	Subsidiary
Yuan Cing Co., Ltd. (YC)	Subsidiary of E. World (Holdings) Ltd.
Far Eastern Tech-info Ltd. (Shanghai) (FETI)	Subsidiary of FEIS
Far Eastern New Century Information Technology (Beijing) Limited (FENCTI)	Subsidiary of FETI
Omusic Co., Ltd. (Omusic)	Subsidiary
ADCast Interactive Marketing Co., Ltd. (ADCast)	Subsidiary (dissolved on its merger with NCIC on March 31, 2012)
New Century InfoComm Tech Co., Ltd. (NCIC)	Subsidiary
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee (same ultimate parent company since December 28, 2011)
Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee (same ultimate parent company since December 28, 2011)
iScreen Corporation	Equity-method investee
Information Security Service Digital United Inc.	Subsidiary of NCIC
New Diligent Co., Ltd. (New Diligent)	Subsidiary of NCIC
Simple InfoComm Co., Ltd.	Subsidiary of NCIC
Sino Lead Enterprise Limited	Subsidiary of New Diligent
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC
Digital United Information Technologies (Shanghai) Co., Ltd.	Subsidiary of DU Cayman
Far Eastern New Diligent Company Ltd.	Subsidiary of New Diligent
Far Eastern International Leasing Corp. (FEILC)	Supervisor
Far Eastern Leasing Corporation	Subsidiary of FEILC
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
Pacific Sogo Department Stores Co., Ltd.	Same chairman as parent companies
Far Eastern Citysuper Co., Ltd.	Same chairman as parent companies
Ya Tung Department Store Co., Ltd.	Same chairman as parent companies
Fu Dar Transportation Corporation	Same chairman as parent companies
Fu-Ming Transportation Co., Ltd.	Same chairman as parent companies
YDT Technology International Co., Ltd.	Same ultimate parent company
Nan Hwa Cement Corporation	Same chairman as parent companies
Der Ching Investment Corporation (Der Ching)	Same chairman as parent companies
Yue-Tung Investment Corporation (Yue-Tung)	Same chairman as parent companies
Ya Tung Ready Mixed Concrete Co., Ltd.	Same chairman as parent companies
Oriental Securities Co., Ltd.	Equity-method investee of ultimate parent company
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
Far Eastern Hospital	Same chairman
Oriental Institute of Technology	Same chairman

(Continued)

Related Party	Relationship with the Company
Yuan-Ze University (YZU)	Same chairman
U-Ming Marine Transport Corporation	Same chairman
Far Eastern Medical Foundation	Same chairman
Far Eastern International Bank (FEIB)	The Company's chairman is FEIB's vice chairman
Ding Ding Management Consultants Co., Ltd.	Equity-method investee of ultimate parent company
Far Eastern Plaza Hotel	Same ultimate parent company
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., Ltd.	Same ultimate parent company
Oriental Petrochemical (Taiwan) Co., Ltd.	Same ultimate parent company
Yuan Ding Investment Corporation	Same ultimate parent company
Liquid Air Far East Co., Ltd.	Equity-method investee of 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 Co., Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Far Eastern Fibertech Co., 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 New Century (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) Ltd.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi) Ltd.	Same ultimate parent company
Oriental Industries (Suzhou) 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 Industries (Yangzhou) 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

(Continued)

Related Party	Relationship with the Company
Suzhou An He Apparel Ltd.	Same ultimate parent company
Sugian Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Yuan Ding Co., Ltd.	Same ultimate parent company
FET Consulting Engineer Co., Ltd.	Same ultimate parent company
Far Eastern Realty Management Co., Ltd.	Same ultimate parent company
YDC (Virgin Islands) Ltd.	Same ultimate parent company
Yuan Ding Integrated Information Service Inc.	Same ultimate parent company
Speedy (Shanghai) digital Tech. Co., Ltd.	Same ultimate parent company
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Same ultimate parent company
Far Eastern Textile Ltd.	Same ultimate parent company
DDIM (Virgin Islands) Ltd.	Same ultimate parent company
Worldwide Polychem (HK) Limited	Same ultimate parent company
Far Eastern United Petrochemical (Yangzhou) Co., Ltd.	Same ultimate parent company
Connie Hsu	Related to the chairman within the second degree of consanguinity

(Concluded)

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

1) Operating revenue

	Year Ended December 31	
	2012	2011
	Amount	% to Total
NCIC	\$ 1,253,750	2
ARCOA	330,641	1
KGEx	205,751	-
Other	81,849	-
	<u>\$ 1,871,991</u>	<u>3</u>
	<u>\$ 1,583,867</u>	<u>3</u>

Operating revenues from related parties included revenue from sales of cellular phone equipment and accessories, telecommunications services and leased circuits, of which the terms and conditions conformed to normal business practice.

2) Operating costs and expenses

	Year Ended December 31	
	2012	2011
	Amount	% to Total
Cost of telecommunications service		
NCIC	\$ 1,857,306	8
ARCOA	62,910	-
Onusic	49,382	-
Other	65,394	-
	<u>\$ 2,034,992</u>	<u>8</u>
	<u>\$ 1,466,207</u>	<u>6</u>

All the terms and conditions of the above rental contracts conformed to normal business practice.

3) Shares and property transactions

	Year Ended December 31		
	2012	% to Total	2011
	Amount		Amount
Prepayment for equity-method investments - YC	\$ 96,379	7	\$ -
E.World (Holdings) Ltd.			
Acquisition of equity-method investments - YCIC	\$ -	-	\$ 701,981
Der Ching			190,579
FEILC		-	98,572
Yue-Tung		-	90
Other		-	-
	\$ -	-	\$ 991,222
Disposal of equity-method investment - ADCast	\$ 3,815	100	\$ -
NCIC			
Acquisition of properties	\$ 58,418	1	\$ 18,883
Other			-

To simplify its investment structure, the Company purchased the whole 19,350 thousand shares of YC from E.World (Holdings) Ltd. by cash. The Company partially paid for these shares in December 2012 and received all the shares on its payment of the balance in January 2013.

The Company made a cash merger with YCIC, with each YCIC share bought at NT\$10.93 per share. The share bought by the company included 90,688 shares acquired from related parties in 2011.

To simplify the investment structure and enhance operation efficiency, the board of directors of NCIC and ADCast resolved to approve the merger of both companies under the regulation of Article 19 of the Business Mergers and Acquisitions Act. NCIC made a cash merger with ADCast, with ADCast's shares bought at NT\$9.86 per share and with NCIC as the survivor entity, thus the Company sold its holding of 387 thousand ADCast shares to NCIC on March 31, 2012.

4) Demand deposits

	December 31		
	2012	% to Total	2011
	Amount		Amount
Demand deposits, checking deposits and certificates of deposits	\$ 1,787,471	59	\$ 1,763,991
FEIB			66

	Year Ended December 31		
	2012	% to Total	2011
	Amount		Amount
Purchase	\$ 11,021,697	67	\$ 3,242,946
ARCOA	15,914	-	30,258
Other	\$ 11,037,611	67	\$ 3,273,204
Rental	\$ 55,908	1	\$ 52,944
FEILC	39,608	1	40,208
FETRD	16,463	-	14,534
NCIC	65,305	1	65,762
Other	\$ 177,284	3	\$ 173,448
Service fee	\$ 167,954	39	\$ 233,281
FCHRC	69,931	17	122,829
FETI	1,621	-	1,792
Other	\$ 239,506	56	\$ 357,902
Marketing expense	\$ 778,924	5	\$ 695,106
ARCOA	124,287	1	145,969
DDIM	63,799	1	27,643
Other	\$ 967,010	7	\$ 868,718
Telephone fee	\$ 38,985	13	\$ 24,568
NCIC	11,676	4	3,664
Other	\$ 50,661	17	\$ 28,232
Donation	\$ 7,000	9	\$ 7,000
TTF	-	-	80,000
YZU	\$ 7,000	9	\$ 87,000
Other expense	\$ 47,807	1	\$ 61,568
FENC	356	-	-
Other	\$ 48,163	1	\$ 61,568

The above companies provided telecommunications services (including promotion of the Company's SIM card numbers) and cellular phone equipment to the Company. Terms and conditions conformed to normal business practice.

The Company had demand deposits, checking deposits and certificates of deposits (CDs) in FEIB. These deposits included 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 (Note 17). Some of these CDs had been pledged as collaterals to the National Tax Administration of Taipei and were thus included in other current assets.

5) Receivables from and payables to related parties

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Accounts receivable - related parties				
ARCOA	\$ 247,885	74	\$ 214,228	61
KGEx	41,748	12	40,573	12
Q-ware	24,596	7	68,220	19
NCIC	9,055	3	5,754	2
Other	13,259	4	21,540	6
	<u>\$ 336,543</u>	<u>100</u>	<u>\$ 350,315</u>	<u>100</u>
Other receivables - related parties				
NCIC	\$ 299,635	85	\$ 312,249	92
FENCIT	18,063	5	378	-
Other	34,318	10	27,490	8
	<u>\$ 352,016</u>	<u>100</u>	<u>\$ 340,117</u>	<u>100</u>
Lease receivable (including current portion)				
KGEx	<u>\$ 34,562</u>	<u>100</u>	<u>\$ 42,411</u>	<u>100</u>
Refundable deposits				
DDIM	\$ 41,053	10	\$ 38,091	11
Other	6,816	2	6,799	2
	<u>\$ 47,869</u>	<u>12</u>	<u>\$ 44,890</u>	<u>13</u>
Accounts payable - related parties				
ARCOA	\$ 948,354	83	\$ 897,551	87
NCIC	174,289	15	119,039	12
Other	15,701	2	14,428	1
	<u>\$ 1,138,344</u>	<u>100</u>	<u>\$ 1,031,018</u>	<u>100</u>
Other payables - related parties				
NCIC	\$ 480,687	61	\$ 237,933	44
ARCOA	112,535	15	93,721	17
DDIM	73,148	9	88,210	17
FENC	22,171	3	22,721	4
FETC	19,131	2	4,048	1
FETI	14,297	2	34,835	7
Other	62,555	8	55,456	10
	<u>\$ 784,524</u>	<u>100</u>	<u>\$ 536,924</u>	<u>100</u>

6) Financing to related parties

Financing to related parties was as follows:

Related Party	Year Ended December 31, 2011		
	Amount Allowed	Ending Balance	Interest Rate
YCIC	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>0.810%-0.827%</u>

The Company lent \$4,300,000 thousand to YCIC and received interest based on an agreement. When the Company merged with YCIC on March 1, 2011, the loan ending balance was canceled and drawdowns on the loan ceased.

7) Guarantees

	Year Ended December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Guarantee services revenue				
Q-ware	\$ 929	1	\$ 751	1
KGEx	42	-	95	-
	<u>\$ 971</u>	<u>1</u>	<u>\$ 846</u>	<u>1</u>

The Company provided a \$161,020 thousand guarantee for Q-ware's bank loans and charged it the guarantee service revenues based on the agreed rate. Moreover, under the NCC's policy effective April 1, 2007, the Company had provided performance guarantees amounting to \$45,000 thousand to KGEx. The guarantee service revenues were charged on the basis of actual appropriation amounts multiplied at the agreed rate.

8) Other

	Year Ended December 31		
	2012	% to Total	2011
Amount			Amount
Management service revenue			
NCIC	\$ 56,746	97	\$ 60,375
Other	1,984	3	2,110
	<u>\$ 58,730</u>	<u>100</u>	<u>\$ 62,485</u>
Rent			
NCIC	\$ 27,434	49	\$ 18,917
Other	2,460	4	5,014
	<u>\$ 29,894</u>	<u>53</u>	<u>\$ 23,931</u>

	Year Ended December 31		
	2012	2011	
	Amount	% to Total	% to Total
Interest			
FEIB	\$ 21,686	60	\$ 19,034 50
ACC	4,003	11	4,001 11
YCIC	-	-	5,692 15
Other	248	1	288 1
	<u>\$ 25,937</u>	<u>72</u>	<u>\$ 29,015 77</u>

All the terms and conditions of above rental contract conformed to normal business practice.

- c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2012	2011
Salary and bonus	\$ 208,606	\$ 171,760
Remuneration paid from distribution of earnings	95,399	79,929
Bonus paid from distribution of earnings	38,653	35,667
Operating allowance of directors	9,797	10,990
	<u>\$ 352,455</u>	<u>\$ 298,346</u>

25. COMMITMENTS AS OF DECEMBER 31, 2012

In addition to those disclosed in other notes to the financial statements, the Company had the following significant commitments:

- a. The Company was under contracts to acquire properties and cellular phone equipment for \$4,702,904 thousand and \$5,929,017 thousand, respectively, of which \$588,121 thousand and \$3,156,246 thousand, respectively, had been paid.
- b. Payments for the rentals of land, buildings and cell sites for future years are summarized as follows:

Year	Amount
2013	\$ 2,979,457
2014	3,092,629
2015	3,210,148
2016	3,332,182
2017	3,458,906

26. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2012 and 2011, the Company's significant financial assets and financial liabilities not denominated in New Taiwan Dollars were as follows:

	(In Thousands, Except Exchange Rate)			
	December 31		2011	
	2012	2011	2012	2011
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Exchange Rate
Financial assets				
Monetary items				
USD	\$ 6,849	29.04	\$ 198,899	30.275
EUR	-	-	-	39.18
JPY	4	0.3364	1	10
HKD	1	3.747	2	3.897
Nonmonetary items				
USD	5,161	29.04	149,873	30.275
Equity-method investments				
USD	8,263	29.04	239,965	30.275
Financial liabilities				
Monetary items				
USD	3,511	29.04	101,971	30.275
EUR	136	38.49	5,237	39.18

27. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

- 1) Financing provided: Schedule A
- 2) Endorsement/guarantee provided: Schedule B
- 3) Marketable securities held: Schedule C
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- 7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule F
- 9) Names, locations, and related information of investees on which the Company exercises significant influence: Schedule G

- 10) Derivative transactions of investees over with the Company has a controlling interest: Note 23
- c. Investment in Mainland China:
- 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Schedule H
 - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 24
 - 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

28. OPERATING SEGMENT FINANCIAL INFORMATION

a. Industry

The information provided to the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on the type of each provided product or delivered service. As required by Statement of Financial Accounting Standards No. 41 - "Operating Segments," the Company disclosed the operating segment financial information in the consolidated financial statements, as follows:

b. Geographical information

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

c. Major customers

There was no customer accounting for at least 10% of the Company's total operating revenues in 2012 and 2011.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2012

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Collateral		Allowance for Doubtful Accounts	Financing Limit for Each Borrowing Company (Notes A and B)		Financing Company's Financing Amount Limits (Notes A and B)
										Item	Value		Item	Value	
1	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	Other receivables - related parties	\$ 59,677 (RMB 12,600,000) (Note B)	\$ 58,175 (RMB 12,600,000) (Note B)	6.56%-7%	Short-term financing	\$ -	-	-	\$ -	\$ -	-	\$ 58,531 (RMB 12,677,000)	\$ 73,163 (RMB 15,846,000)

Note A: The maximum total financing provided amount for short-term financing should not exceed 50% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counter-party should not exceed 40% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of the most current audited or reviewed financial statements.

Note B: The maximum balance for the year shown above was the amounts allowed, while the actual withdrawal amount was RMB12,600,000.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Counter-party		Limits on Endorsee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Period (Note B)	Ending Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated/ Endorsee to Net Equity Per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd. KGEx.com Co., Ltd.	Subsidiary Subsidiary	\$ 36,461,440 36,461,440	\$ 199,287 45,000	\$ 161,020 45,000	\$ - -	0.22% 0.06%	\$ 72,922,879 72,922,879

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

Note B: The maximum balance for the period and the ending balance shown above were the amounts allowed, while the actual appropriations by Q-ware Com. and KGEx.com were \$161,020 thousand and \$7,202 thousand, respectively.

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

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

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value
Far EasTone Telecommunications Co., Ltd.	<u>Stocks</u> New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	2,599,448,983	\$ 29,407,228	100.00	\$ 29,407,288
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,257,870	61.07	1,257,870
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	254,239,581	995,311	39.42	995,311
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	112,375,356	870,403	99.97	870,403
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	124,400	100.00	124,400
	Yuan Cing Co., Ltd.	Equity-method investee	Prepayments for long-term investments	18,382,501	96,379	95.00	96,379
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	90,460	85.92	90,460
	Far East Iron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	25,105	100.00	25,105
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Equity-method investments	1,725,000	24,542	15.00	24,542
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	18,568	40.00	18,568
	Omusic Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	8,161	50.00	8,161
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	4,202,000	6,298	13.98	6,298
	Q-ware Communications Co., Ltd.	Equity-method investee	Equity-method investments	33,982,812	5,482	81.46	5,482
	ACC	-	Available-for-sale financial assets - current	2,196,699	82,047	-	82,047
ARCOA Communication Co., Ltd.	<u>Open-end mutual funds</u> Eastspring Investments Global Green Solutions Fund (Former PCA Global Green Solutions Fund)	-	Available-for-sale financial assets - current	4,978,009.80	49,233	-	49,233
	<u>Private funds</u> Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000.00	149,873	-	149,873
	<u>Bonds</u> Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - current and noncurrent	200.00	199,871	-	202,116
	<u>Stock</u> DataExpress Infotech Co., Ltd.	Equity-method investee	Equity-method investments	9,213,750	201,079	70.00	201,079
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	289,398	1,488	0.03	1,488
	Chungghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value
New Century InfoComm Tech Co., Ltd.	<u>Stock</u> New Diligent Co., Ltd.	Equity-method investee	Equity-method investments	80,000,000	\$ 733,372	100.00	\$ 733,372
	Information Security Service Digital United Inc.	Equity-method investee	Equity-method investments	14,877,747	98,420	100.00	98,420
	Simple InfoComm Co., Ltd.	Equity-method investee	Equity-method investments	3,400,000	20,729	100.00	20,729
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Equity-method investments	575,000	8,181	5.00	8,181
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	1,503,000	2,253	5.00	2,253
Digital United (Cayman) Ltd.	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	4,500
	<u>Share certificates</u> Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investments	3,320,000	26,405	100.00	26,405
	Open-end mutual funds Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	3,989,223.30	55,150	-	55,150
	Deutsche Far Eastern DWS Global Agribusiness Fund	-	Financial assets at fair value through profit or loss - current	5,000,000.00	50,600	-	50,600
	DFE DWS Global Multi-asset Income Plus FOF-A	-	Financial assets at fair value through profit or loss - current	9,571,256.70	105,858	-	105,858
New Diligent Co., Ltd.	<u>Private funds</u> Opas Fund Segregated Portfolio Tranche C	-	Available-for-sale financial assets - current	15,000	525,284	-	525,284
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	10,000	299,746	-	299,746
	Opas Fund Segregated Portfolio Tranche E	-	Available-for-sale financial assets - current	27,671.663	902,343	-	902,343
DataExpress Infotech Co., Ltd.	<u>Stock</u> Digital United Information Technologies (Shanghai) Co., Ltd.	Equity-method investee	Equity-method investments	-	US\$ 277,000	100.00	US\$ 277,000
	<u>Share certificates</u> Sino Lead Enterprise Limited	Equity-method investee	Equity-method investments	-	399	100.00	399
	Far Eastern New Diligent Company Ltd.	Equity-method investee	Other liabilities - other	-	(4)	100.00	(4)
Far Eastern Info Service (Holding) Ltd.	<u>Stock</u> Linkwell Tech. Ltd.	Equity-method investee	Equity-method investments	-	42,449	100.00	42,449
	Home Master Technology Ltd.	Equity-method investee	Equity-method investments	-	7,251	99.99	7,251
	Jing Yuan Technology Ltd.	Equity-method investee	Equity-method investments	-	9,995	100.00	9,995
E. World (Holdings) Ltd.	<u>Share certificates</u> Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 5,043,000	100.00	US\$ 5,043,000
	<u>Stocks</u> Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	967,494	US\$ 175,000	4.99	US\$ 175,000
	<u>Share certificates</u> Far Eastern New Century Information Technology (Beijing) Limited	Equity-method investee	Equity-method investments	-	RMB 38,553,000	55.00	RMB 38,553,000

(Continued)

Note A: The calculation was based on audited financial statements as of December 31, 2012.

Note B: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2012.

Note C: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2012.

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

Note E: The carrying values of financial assets at fair value through profit or loss - current and available-for-sale financial assets - current were equal to market values as of December 31, 2012.

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, 2012. The bonds without quoted prices were measured by their carrying values.

Note G: The calculation was based on unaudited financial statements as December 31, 2012.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Share/Units	Price	Disposal Costs	Gain or Loss	Equity in Net Gain (Loss)	Ending Balance	
					Share/Units	Amount	Share/Units	Amount						Share/Units	Amount
Far EastOne Telecommunications Co., Ltd.	Stock														
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investments	Issuance of capital stock for cash	-	167,720,406	\$ 269,609	86,519,175	\$ 865,192	-	\$ -	\$ -	\$ -	\$ (139,490) (Note B)	254,239,581	\$ 995,311
ARCOA Communication Co., Ltd.	Q-ware Communications Co., Ltd.	Equity-method investments	Issuance of capital stock for cash	-	36,459,930	(295,797)	33,618,213	336,183	36,095,331 (Note C)	-	-	-	(34,904) (Note D)	33,982,812	5,482
	Open-end mutual funds														
New Century InfoComm Tech Co., Ltd.	Taishin 1699 Money Market Fund	Available-for-sale financial assets - current	-	-	4,606,155.06	60,000	4,596,489.91	60,000	9,202,644.97	120,055	120,000	55	-	-	-
	Overseas Fund	Available-for-sale financial assets - current	-	-	30,000	955,500	-	-	15,000	567,434	477,750	89,684	-	15,000	477,750

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

Note B: The investment loss recognized under equity method was \$(77,134) thousand, unrealized loss on financial assets was \$(113,333) thousand and the effect of change in ownership percentage due to investee's issuance of capital stock for cash amounting to \$50,977 thousand.

Note C: The shares owned by the Company decreased because Q-ware Communications Co., Ltd. reduced its capital to offset the accumulated loss in July 2012.

Note D: The investment loss recognized under equity method was \$(34,904) thousand.

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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, 2012
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable or (Payable)		% to Total
			Purchase (Sale)	Amount	Payment Terms	Unit Price	Payment Terms	Ending Balance	
Far Eastone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating revenues Cost of telecommunications services, marketing expenses and cost of sales	\$ (330,641) 11,863,531	Based on agreement Based on agreement	- -	- -	Accounts receivable Accounts payable and accrued expense	\$ 247,885 (1,060,889)
	KGEx.com Co., Ltd.	Subsidiary	Operating revenues	(205,751)	Based on agreement	-	-	Accounts receivable	41,748
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenues	(1,253,750)	Based on agreement	-	-	Accounts receivable	9,055
			Cost of telecommunications services	1,857,306	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(541,332)
New Century InfoComm Tech Co., Ltd.	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	167,954	Based on agreement	-	-	Accrued expenses	(9,944)
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Marketing expenses	124,287	Based on agreement	-	-	Accrued expenses	(73,148)
	Far Eastone Telecommunications Co., Ltd.	Parent company	Operating revenues	(1,857,306)	Based on agreement	-	-	Accounts receivable (Note B)	541,332
	KGEx.com Co., Ltd.	Same parent company	Cost of telecommunications services	1,253,750	Based on agreement	-	-	Accounts payable	(9,055)
ARCOA Communication Co., Ltd.			Cost of telecommunications services	412,589	Based on agreement	-	-	Accounts payable	(61,487)
	Far Eastone Telecommunications Co., Ltd.	Parent company	Operating revenues	(11,863,531)	Based on agreement	-	-	Accounts receivable	1,060,889
			Cost of telecommunications services and cost of sales	330,641	Based on agreement	-	-	Accounts payable	(247,885)
	Home Master Technology Co., Ltd.	Subsidiary	Operating revenues	(183,058)	Based on agreement	-	-	Accounts receivable	14,511
KGEx.com Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	205,751	Based on agreement	-	-	Accounts payable	(41,748)
	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenues	(412,589)	Based on agreement	-	-	Accounts receivable	61,487
			Operating revenues	(413,566)	Based on agreement	-	-	Accounts receivable	40,077
	Pacific Sogo Department Stores Co., Ltd.	Same chairman of parent companies	Operating revenues	(390,918)	Based on agreement	-	-	Accounts receivable	43,661
DataExpress Infotech Co., Ltd.	Far Eastern Department Stores Co., Ltd.	Same chairman of parent companies	Operating revenues		Based on agreement	-	-	Accounts receivable	
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Purchases	183,058	Based on agreement	-	-	Accounts payable	(14,511)

Note A: 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.

Note B: Including the receivables collected by the Company for NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd. New Century InfoComm Tech Co., Ltd.	Subsidiary Subsidiary	\$ 249,766 308,690	9.46 (Note A)	- -	- -	\$ 244,235 114,832	\$ - -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	654,976	(Note B)	-	-	411,294	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,060,889	11.56	-	-	588,179	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for NCIC's daily operating expenditures and the management service charges to NCIC.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012		Carrying Value	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership (%)				
Far EastOne Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	\$ 27,243,773	\$ 27,243,773	2,599,448,983	100.00	\$ 29,407,288	\$ 1,560,140	\$ 1,832,550	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,295,035	1,295,035	82,009,242	61.07	1,257,870	264,377	154,767	Notes A and B
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,540,315	2,444,789	112,375,356	99.97	870,403	3,486	3,474	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	2,542,396	1,677,204	254,239,581	39.42	995,311	(196,470)	(77,134)	Notes B and C
	E. World (Holdings) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	124,460	(34,698)	(34,698)	Notes A and B
	Far EastTron Holding Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	90,460	6,474	5,562	Notes A and B
	Far Eastern Electronic Commerce Co., Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	25,105	(1,336)	(1,336)	Notes A and B
	iScreen Corporation	Taiwan	Electronic information providing services	42,020	42,020	4,202,000	13.98	6,298	(131,933)	(19,803)	Notes B and C
	Omnicore Co., Ltd.	Taiwan	Information service	100,000	100,000	4,000,000	40.00	18,568	(2,506)	(2,506)	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	8,161	(18,111)	(9,055)	Notes A and B
	ADCast Interactive Marketing Co., Ltd. (Note E)	Taiwan	Marketing	60,000	60,000	1,725,000	15.00	24,542	67,896	13,322	Notes A and B
	Q-wave Communications Co., Ltd.	Taiwan	Internet advertisements and marketing	832,038	-	33,982,812	81.46	5,482	(1,953)	(167)	Notes A and B
Yuan Cing Co., Ltd.	Taiwan	Type II telecommunications services	96,379	495,855	18,382,501	95.00	96,379	(107,475)	(34,904)	Notes A and B	
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Call center services	-	-	-	-	-	10,058	-	Notes A and B
			Sale of communications products	141,750	141,750	9,213,750	70.00	201,079	63,600	-	Notes B and D
	New Diligent Co., Ltd	Taiwan	Business consulting and souvenir selling	800,000	800,000	80,000,000	100.00	733,372	10,787	-	Notes B and D
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	98,420	1,204	-	Notes B and D
Digital United (Cayman) Ltd	Digital United (Cayman) Ltd	Cayman Islands	Investment	102,442	102,442	3,320,000	100.00	26,405	1,311	-	Notes B and D
	Simple InfoComm Co., Ltd	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	20,729	131	-	Notes B and D
	Far Eastern Electronic Commerce Co., Ltd	Taiwan	Electronic information providing services	15,030	15,030	1,503,000	5.00	2,253	(131,933)	-	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd	Taiwan	Marketing	20,000	20,000	575,000	5.00	8,181	67,896	-	Notes B and C
	ADCast Interactive Marketing Co., Ltd. (Note E)	Taiwan	Internet advertisements and marketing	-	85,433	-	-	-	(1,953)	-	Notes A and B
	Digital United Information Technologies (Shanghai) Co., Ltd	Shanghai	Design and research of computer system	US\$ 2,100,000	US\$ 2,100,000	-	100.00	US\$ 277,000	(2,461)	-	Notes B and D
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	399	(124)	-	Notes B and D
	FarEastern New Diligent Company Ltd.	British Virgin Islands	Electronic information providing services	-	-	-	100.00	(4)	(4)	-	Notes B and D
Far Eastern Info Service (Holding) Ltd	Far Eastern Tech-info Ltd (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US\$ 2,500,000	US\$ 2,500,000	-	100.00	US\$ 5,043,000	(15,436)	-	Notes B and D
E. World (Holdings) Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	9,675	193,500	96,7494	4.99	US\$ 175,000	10,058	-	Notes A and B
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	42,449	23,178	-	Notes B and D
	Home Master Technology Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	7,251	(280)	-	Notes B and D
Far Eastern Tech-info Ltd. (Shanghai)	Jing Yuan Technology Ltd.	Taiwan	Data processing	10,000	10,000	-	100.00	9,995	11	-	Notes D and F
	FarEastern New Century Information Technology (Beijing) Limited	Beijing	Electronic information providing services	RMB 49,874,000	RMB 49,874,000	-	55.00	RMB 38,553,000	(44,705)	-	Notes B and D

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2012.

Note C: Equity-method investee of the Company.

Note D: Subsidiary of New Century InfoComm Tech Co., Ltd., E. World (Holdings) Ltd., Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd., DataExpress Infotech Co., Ltd., or Far Eastern Tech-info Ltd. (Shanghai).

Note E: To integrated the resource and enhance effectiveness, the board of directors of NCIC and ADCast resolved to approve the merger of NCIC and ADCast with NCIC as the survivor entity on January 16, 2012. The record date of this merger was set on March 31, 2012.

Note F: The calculation was based on unaudited financial statements as of December 31, 2012.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2012 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2012	Accumulated Investment in Mainland China as of December 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								
Far EastOne Telecommunications Co., Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	\$ 72,600 (US\$ 2,500,000)	(Note B)	\$ 92,616	\$ -	\$ -	\$ 92,616	100%	\$ (15,436)	\$ 146,449 (US\$ 5,043,000)	\$ -	\$ 92,616	\$ 92,616	\$ 43,753,727 (Note D)
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.	Research and design of computer systems	60,984 (US\$ 2,100,000)	(Note B)	60,984 (US\$ 2,100,000)	-	-	60,984 (US\$ 2,100,000)	100%	(2,461)	8,044 (US\$ 277,000)	-	60,984 (US\$ 2,100,000)	60,984 (US\$ 2,100,000)	16,509,119 (Note D)
New Diligent Co., Ltd. (Note F)	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and equipment	34,848 (US\$ 1,200,000)	(Note C)	34,848 (US\$ 1,200,000)	-	2,120 (US\$ 73,000)	32,728 (US\$ 1,127,000)	-	-	-	-	32,728 (US\$ 1,127,000)	32,728 (US\$ 1,127,000)	440,023 (Note D)
iScreen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,356 (US\$ 150,000)	(Note C)	2,614 (US\$ 90,000)	-	-	2,614 (US\$ 90,000)	60%	(1,733)	(381)	-	2,614 (US\$ 90,000)	2,614 (US\$ 90,000)	27,852 (Note D)

Note A: The calculation was based on audited financial statements as of December 31, 2012.

Note B: The Company and NCIC made the investments through a company registered in a third region, respectively.

Note C: New Diligent Co., Ltd. and iScreen Corporation made the investment directly.

Note D: Based on the limit, which is 60% of the investor 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.

Note E: Please refer to Note 24 for significant transactions with the investee company.

Note F: On June 27, 2012, New Diligence Corporation (Shanghai) remitted back to Taiwan US\$73,000 the investment registered in the Investment Commission of the MOEA and wrote off this same amount.

5. 2012 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, 2012 and 2011, 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, 2012 and 2011, 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 & Touche

February 7, 2013

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 consolidated financial 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 consolidated financial statements shall prevail.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
In Thousands of New Taiwan Dollars, Except

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
In Thousands of New Taiwan Dollars, Except

ASSETS		2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
CURRENT ASSETS											
Cash and cash equivalents (Notes 2, 5 and 27)	\$ 13,002,094	13	\$ 9,905,634	11	\$ 939,390	1	\$ 2,940,772	3			
Financial assets at fair value through profit or loss - current (Notes 2 and 6)	211,608	-	196,718	-	199,768	-	80,000	-			
Available-for-sale financial assets - current (Notes 2 and 7)	2,008,526	2	2,688,536	3	38,838	-	51,438	-			
Held-to-maturity financial assets - current (Notes 2 and 11)	100,000	-	1,000,000	1	6,454,333	7	5,243,803	6			
Hedging derivative financial assets - current (Notes 2, 26 and 27)	21,962	-	1,500	-	439	-	2,950	-			
Notes receivable (Note 2)	65,493	-	56,809	-	2,203,865	2	1,421,585	2			
Accounts receivable, net (Notes 2 and 8)	7,042,177	7	6,438,140	7	4,816,577	5	4,379,446	5			
Accounts receivable - related parties, net (Notes 2 and 27)	169,279	-	108,572	-	168,429	-	149,866	-			
Other receivables - related parties (Notes 2 and 27)	16,659	-	17,448	-	-	-	2,667	-			
Inventory, net (Notes 2 and 9)	2,225,653	2	1,984,625	2	3,440,589	3	2,082,239	2			
Prepaid expenses	990,215	1	807,692	1	346,366	-	394,738	-			
Deferred income tax assets - current (Notes 2 and 23)	323,895	1	298,944	-	2,508,545	3	2,770,983	3			
Pledged certificates of deposits - current (Notes 27 and 29)	207,117	-	28,356	-	10,745	-	4,944	-			
Restricted assets - current (Notes 19, 27 and 29)	1,433,747	2	1,308,420	1	644,861	1	559,771	1			
Other current assets	743,720	1	306,133	-	-	-	-	-			
Total current assets	28,562,145	29	25,167,527	26	21,776,655	22	20,085,202	21			
LONG-TERM INVESTMENTS											
Equity-method investments (Notes 2 and 10)	1,055,153	1	341,206	1	96,703	-	170,849	-			
Held-to-maturity financial assets - noncurrent (Notes 2 and 11)	99,871	-	199,768	-	-	-	-	-			
Financial assets carried at cost - noncurrent (Notes 2 and 12)	28,049	-	29,188	-	-	-	-	-			
Total long-term investments	1,183,073	1	570,162	1	-	-	534,242	1			
PROPERTY TIES (Notes 2, 13, 27 and 29)											
Cost											
Land	5,305,647	5	5,301,986	6	-	-	-	-			
Buildings and equipment	7,500,692	8	6,393,369	7	-	-	-	-			
Operating equipment	140,219,220	143	138,828,805	145	495,169	1	502,912	1			
Computer equipment	26,303,510	27	22,844,563	24	370,025	-	324,475	-			
Office equipment	1,265,048	1	1,331,220	1	622,181	1	488,033	1			
Leasehold improvements	3,822,471	4	3,151,716	3	445,624	-	548,562	-			
Miscellaneous equipment	1,384,855	1	1,720,212	2	685,096	1	534,242	1			
Total cost	185,801,443	189	179,571,871	188	-	-	-	-			
Less: Accumulated depreciation	137,374,590	140	129,688,793	136	2,618,695	3	2,398,224	3			
Less: Accumulated impairment	2,590,848	2	2,604,389	3	24,492,053	25	22,654,275	24			
Construction-in-progress and prepayments for equipment	45,836,005	47	47,278,689	49	-	-	-	-			
	5,207,950	5	4,378,460	5	-	-	-	-			
Net properties	51,043,955	52	51,657,149	54	32,585,008	33	32,585,008	34			
INTANGIBLE ASSETS											
3G concession, net (Notes 1, 2 and 14)	4,384,239	4	5,114,945	5	9,234,438	9	10,964,702	11			
Goodwill, net (Notes 2 and 14)	10,884,235	11	10,881,018	12	8,482,381	9	8,482,381	9			
Other (Notes 2 and 14)	733,120	1	783,817	-	150,515	-	99,527	-			
Total intangible assets	16,001,594	16	16,779,780	18	17,867,334	18	19,546,610	20			
OTHER ASSETS											
Rental assets, net (Notes 2 and 15)	459,483	1	421,010	-	11,762,957	12	10,874,858	12			
Idle properties, net (Note 2)	113,345	-	139,262	-	10,603,107	11	8,936,536	9			
Refundable deposits (Note 27)	556,068	1	483,223	1	22,366,064	23	19,811,394	21			
Deferred charges, net (Note 2)	113,933	-	169,100	-	Other adjustments	-	5,229	-			
Deferred income tax assets - noncurrent(Notes 2 and 23)	81,148	-	-	-	Cumulative translation adjustments	-	99,244	-			
Pledged certificates of deposits - noncurrent (Notes 27 and 29)	43,771	-	34,624	-	Unrealized gains on financial instruments	-	26,824	-			
Other (Notes 2 and 21)	8,717	-	8,886	-	Total other adjustments	-	33,855	-			
Total other assets	1,376,465	2	1,256,105	1	Total controlling interest of Far EastOne	74	71,976,867	75			
TOTAL	\$ 98,167,232	100	\$ 95,430,723	100	MINORITY INTEREST	1	799,581	1			
					Total stockholders' equity	75	72,776,448	76			
					TOTAL		\$ 95,430,723				

The accompanying notes are an integral part of the consolidated financial statements.
With Deloitte & Touche audit report dated February 7, 2013)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 27)	\$ 86,745,290	100	\$ 75,748,831	100
OPERATING COSTS (Notes 2, 9, 24, 27 and 29)	51,491,245	59	45,383,761	60
GROSS PROFIT	35,254,045	41	30,365,070	40
OPERATING EXPENSES (Notes 2, 24 and 27)				
Marketing	15,870,999	18	13,743,051	18
General and administrative	5,568,670	7	5,036,342	7
Research and development	65,640	-	69,147	-
Total operating expenses	21,505,309	25	18,848,540	25
OPERATING INCOME	13,748,736	16	11,516,530	15
NONOPERATING INCOME AND GAINS				
Interest (Note 27)	155,631	1	128,407	-
Gain from sale of financial assets, net (Note 2)	89,779	-	-	-
Government grant (Note 2)	89,352	-	91,494	-
Rent (Note 27)	52,984	-	58,108	-
Gain on valuation of financial assets, net (Notes 2 and 6)	14,890	-	-	-
Dividend revenues (Notes 2 and 6)	8,611	-	25,560	-
Other	142,315	-	176,261	1
Total nonoperating income and gains	553,562	1	479,830	1
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	1,133,303	2	785,198	1
Equity in investees' net losses (Note 2)	88,882	-	25,629	-
Interest (Notes 2, 13 and 27)	46,511	-	61,054	-
Impairment loss on financial assets (Note 2)	1,139	-	39,674	-
Loss from sale of financial assets, net (Notes 2 and 6)	-	-	166,263	1
Loss on valuation of financial assets, net (Notes 2 and 6)	-	-	16,755	-
Other (Note 24)	27,804	-	27,226	-
Total nonoperating expenses and losses	1,297,639	2	1,121,799	2

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
CONSOLIDATED INCOME BEFORE INCOME TAX	\$ 13,004,659	15	\$ 10,874,561	14
INCOME TAX (Notes 2 and 23)	2,374,676	3	1,947,745	2
CONSOLIDATED NET INCOME	\$ 10,629,983	12	\$ 8,926,816	12
ATTRIBUTABLE TO:				
Controlling interest	\$ 10,599,908	12	\$ 8,880,993	12
Minority interest	30,075	-	45,823	-
	\$ 10,629,983	12	\$ 8,926,816	12
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	\$ 3.96	\$ 3.25	\$ 3.31	\$ 2.73
Diluted	\$ 3.96	\$ 3.25	\$ 3.31	\$ 2.72

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

(With Deloitte & Touche audit report dated February 7, 2013)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	Capital Stock Issued and Outstanding (Note 22)		Capital Surplus (Notes 2 and 23)			Other Adjustments		Controlling Interest of Far Eastone	Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount	Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Retained Earnings (Note 23)	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 23)		
BALANCE, JANUARY 1, 2011	3,258,501	\$ 32,585,008	\$ 10,964,702	\$ 8,482,381	\$ 89,285	\$ 9,086,651	\$ 12,111	\$ 70,692	\$ 2,272,407	\$ 73,553,239
Acquisition of NCIC's capital stock in January 2011	-	-	-	-	-	-	-	-	(1,404,696)	(1,404,696)
Acquisition of FENCIT's capital stock in April 2011	-	-	-	-	-	-	-	-	25,787	25,787
Acquisition of KGEX.com's capital stock in December 2011	-	-	-	-	-	-	-	-	(86,451)	(86,451)
Acquisition of ADCast's capital stock in December 2011	-	-	-	-	-	-	-	-	(4,195)	(4,195)
Appropriation of the 2010 earnings	-	-	-	-	-	884,856	-	-	-	-
Legal reserve	-	-	-	-	-	(8,146,252)	-	-	-	(8,146,252)
Cash dividend - NT\$2.5 per share	-	-	-	-	-	8,880,993	-	-	45,823	8,926,816
Consolidated net income in 2011	-	-	-	-	-	-	-	-	-	-
Change in equity-method investee's capital surplus	-	-	-	-	(13)	-	-	-	-	(13)
Effect of change in ownership percentage due to investee's issuance of capital stock for cash	-	-	-	-	10,255	-	-	-	-	10,255
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	(3,308)	-	(3,308)
Changes in unrealized gains (losses) on cash flow hedge	-	-	-	-	-	-	-	(6,920)	-	(6,920)
Changes in investee's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	(33,640)	(689)	(34,329)
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(49,657)	(49,657)
Transition adjustments on long-term equity-method investments	-	-	-	-	-	-	(5,080)	-	1,252	(3,828)
BALANCE, DECEMBER 31, 2011	3,258,501	32,585,008	10,964,702	8,482,381	99,527	8,936,536	7,031	26,824	799,581	72,776,448
Acquisition of KGEX.com's capital stock in the six months ended June 30, 2012	-	-	-	-	-	-	-	-	-	-
Acquisition of ADCast's capital stock in March 2012	-	-	-	-	-	-	-	-	(92,307)	(92,307)
Q-ware Com's issuance of capital stock for cash in July, 2012	-	-	-	-	-	-	-	-	(369)	(369)
Appropriation of the 2011 earnings	-	-	-	-	-	888,099	-	-	-	-
Legal reserve	-	-	-	-	-	(8,880,099)	-	-	-	-
Cash dividend - NT\$2.469 per share	-	-	-	-	-	(8,045,238)	-	-	-	-
Cash dividend from capital surplus - additional paid in capital - NT\$0.531 per share	-	-	(1,730,264)	-	-	-	-	-	(1,730,264)	(1,730,264)
Consolidated net income in 2012	-	-	-	-	-	10,599,908	-	-	30,075	10,629,983
Change in equity-method investee's capital surplus	-	-	-	-	11	-	-	-	-	11
Effect of change in ownership percentage due to investee's issuance of capital stock for cash	-	-	-	-	50,977	-	-	-	-	50,977
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	11,159	-	11,159
Changes in unrealized gains (losses) on cash flow hedge	-	-	-	-	-	-	-	6,579	-	6,579
Changes in investee's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	54,682	24	54,706
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(58,235)	(58,235)
Transition adjustments on long-term equity-method investments	-	-	-	-	-	-	(1,802)	-	(286)	(2,088)
BALANCE, DECEMBER 31, 2012	3,258,501	\$ 32,585,008	\$ 9,234,438	\$ 8,482,381	\$ 150,515	\$ 10,603,107	\$ 5,229	\$ 99,244	\$ 752,300	\$ 73,675,179

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

(With Deloitte & Touche audit report dated February 7, 2013)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 10,629,983	\$ 8,926,816
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation	9,704,823	10,047,857
Amortization	187,711	187,712
Amortization of 3G concession	730,706	730,706
Allowance for doubtful accounts	267,042	231,052
Allowance for loss on decline in value of inventories	67,328	8,211
Loss (gain) from sale of financial assets, net	(89,779)	76,853
Amortization of discount on held-to-maturity financial assets	(103)	(102)
Equity in investees' net losses	88,882	25,629
Loss (gain) on valuation of financial assets	(14,890)	16,755
Impairment loss on financial assets	1,139	39,674
Loss on disposal of properties, net	1,133,303	787,535
Unrealized exchange (gain) loss	(4,569)	3,003
Deferred income (loss) on hedging derivative assets	63,708	(4,483)
Accrued pension cost (pension benefit payments)	(7,574)	7,995
Deferred income taxes	28,885	324,698
Net changes in operating assets and liabilities	-	974,932
Financial assets at fair value through profit or loss		
Notes receivable	(8,684)	12,519
Accounts receivable	(851,079)	(600,454)
Accounts receivable - related parties	(60,707)	(64,971)
Other receivables - related parties	896	6,204
Inventories	(308,356)	(969,771)
Prepaid expenses	(182,523)	(75,633)
Other current assets	10,295	(15,590)
Notes payable	(12,600)	(40,039)
Accounts payable	1,210,530	1,222,984
Accounts payable - related parties	1,399	(14,210)
Income tax payable	782,280	(316,371)
Accrued expenses	406,830	280,832
Other payables - related parties	18,563	(77,513)
Unearned revenues	(262,438)	888,193
Other current liabilities	65,357	24,717
	<u>12,966,375</u>	<u>13,718,924</u>
Net cash provided by operating activities	<u>23,596,358</u>	<u>22,645,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(207,507)	(3,309,159)
Proceeds of the disposal of available-for-sale financial assets	621,966	3,367,040
Acquisition of equity-method investments	(865,192)	(117,114)
Redemption of held-to-maturity financial assets	1,000,000	-
		(Continued)

- 7 -

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Acquisition of intangible assets	\$ (41,627)	\$ -
Acquisition of properties	(8,751,471)	(8,664,857)
Proceeds of the disposal of properties	71,152	22,560
Increase in refundable deposits	(72,845)	(33,522)
Decrease (increase) in pledged certificates of deposits	(187,908)	492,889
Increase in deferred charges	(33,610)	(61,650)
Increase in restricted assets	(125,327)	(5,590)
Cash payment due to merger	-	(236,342)
Net cash used in investing activities	<u>(8,592,369)</u>	<u>(8,545,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(2,001,382)	(595,328)
Increase (decrease) in commercial paper payable	119,768	(2,768,739)
Proceeds of long-term bank loans	-	190,014
Repayment of long-term bank loans	(63,776)	(226,219)
Decrease in guarantee deposits received	(2,824)	(64,752)
Decrease in deferred revenue	(102,938)	(84,184)
Decrease in other liabilities	-	(21,640)
Cash dividends paid	(9,833,737)	(8,195,909)
Decrease in minority interest	(21,911)	(1,638,918)
Net cash used in financing activities	<u>(11,906,800)</u>	<u>(13,405,675)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(729)</u>	<u>(7,660)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,096,460</u>	<u>686,660</u>
CASH AND CASH EQUIVALENTS ARISING FROM MERGER		
	-	56,930
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,905,634</u>	<u>9,162,044</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,002,094</u>	<u>\$ 9,905,634</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 52,146	\$ 83,314
Less: Interest capitalized	10,228	21,786
Interest paid, net of capitalized interest	<u>\$ 41,918</u>	<u>\$ 61,528</u>
Income tax paid	<u>\$ 1,564,067</u>	<u>\$ 1,938,330</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	\$ 10,745	\$ 4,944
Reclassification of idle properties to properties	\$ 18,263	\$ -
Reclassification of properties to rental assets	\$ 44,968	\$ 159,749
Reclassification of properties to idle properties	\$ -	\$ 49,228
		(Continued)

- 8 -

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	2012	2011
Reclassification of properties to deferred charges	\$ -	\$ 33,929
Reclassification of idle properties to rental assets	\$ -	\$ 28,237
Reclassification of deferred charges to properties	\$ -	\$ 18,550
CASH PAID FOR THE ACQUISITION OF PROPERTIES		
Increase in properties	\$ 10,297,725	\$ 8,580,216
(Increase) decrease in payables for the acquisition of properties	(1,358,350)	164,738
Increase in other payables - related parties	(15,996)	(426)
(Increase) decrease in other current liabilities	(19,010)	38,973
Increase in other liabilities - other	(152,898)	(118,644)
Cash paid for the acquisition of properties	<u>\$ 8,751,471</u>	<u>\$ 8,664,857</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 65,501	\$ 27,507
Decrease (increase) in receivables from properties sold	5,544	(4,796)
Decrease (increase) in other receivables - related parties	107	(151)
Cash received on the disposal of properties	<u>\$ 71,152</u>	<u>\$ 22,560</u>
CASH PAID FOR ACQUISITION OF DEFERRED CHARGES		
Increase in deferred charges	\$ 32,888	\$ 61,395
Decrease (increase) in other current liabilities	(723)	3,049
Decrease (increase) in other liabilities - other	1,445	(2,794)
Cash paid for acquisition of deferred charges	<u>\$ 33,610</u>	<u>\$ 61,650</u>

SUPPLEMENTARY INFORMATION ON SUBSIDIARY ACQUISITIONS:

In April 2011, Far Eastern Tech-info Ltd. (Shanghai) (FETT) acquired 55% of FarEastern New Century Information Technology (Beijing) Limited's (FENCIT) common shares. The fair values of total assets and total liabilities at the time of acquisition were as follows:

	Amounts
Cash	\$ 56,930
Prepaid expense	257
Other current assets	134
Intangible assets	241,046
Accrued expenses	(16)
Percentage of ownership acquired	<u>298,351</u>
	55%
Goodwill	<u>164,093</u>
Cash payment due to merger	<u>57,615</u>
	<u>\$ 221,708</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 7, 2013)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011

(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 (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, 2012, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.48% of Far EastOne's shares. Since Far Eastern New Century and its subsidiaries have power to cast majority of votes at the meeting of Far EastOne's board of directors, 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, in February 2012, Far EastOne applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, 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 to provide Internet and ISR services until December 2015 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 an annual license fee of 1% of leased circuit service revenues.

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

In 2004, Far EastOne incorporated KG Telecommunication Co., Ltd., ("KG Telecom", formerly Yuan Ho Telecommunications Co., Ltd.) to proceed with the merger with the former KG Telecommunications Co., Ltd. (the "former KGT") in 2004. Through the completion of the merger with the former KGT, KG Telecom became licensed to provide island-wide 2G wireless communications services under a type I license - GSM1800. In February 2012, Far EastOne applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, with an annual license fee at 2% of total 2G wireless communications service revenues. The DGT also issued the former KGT a type I license 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 (formerly Far EastOne's 100% subsidiary), the boards of directors of both companies resolved to approve their merger on February 26, 2009, with Far EastOne as the survivor entity. On August 28, 2009, the National Communications Commission (NCC) approved this merger, and the record date of this merger was January 1, 2010.

On December 28, 2009, NCC awarded Far EasTone the WiMAX (worldwide interoperability for microwave access) license, which is valid for six years, in the southern region of Taiwan, and Far EasTone began its commercial operation of WiMAX service soon after. 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 7,484 and 6,521 employees as of December 31, 2012 and 2011, respectively.

2. 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.

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 has control over its investees are included in the consolidated financial statements.

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:

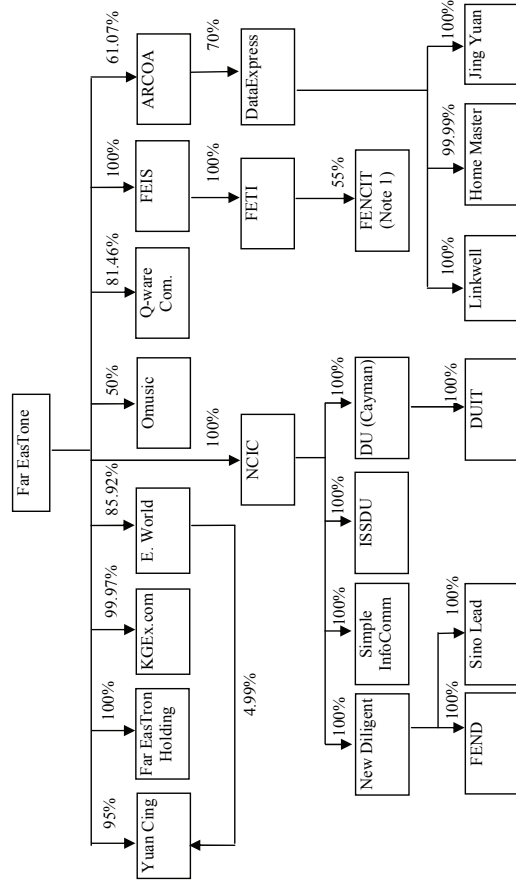
- All assets and liabilities at the exchange rate prevailing on the balance sheet dates;
- Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and
- All items in the statement of income at the average exchange rates for the period.

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.

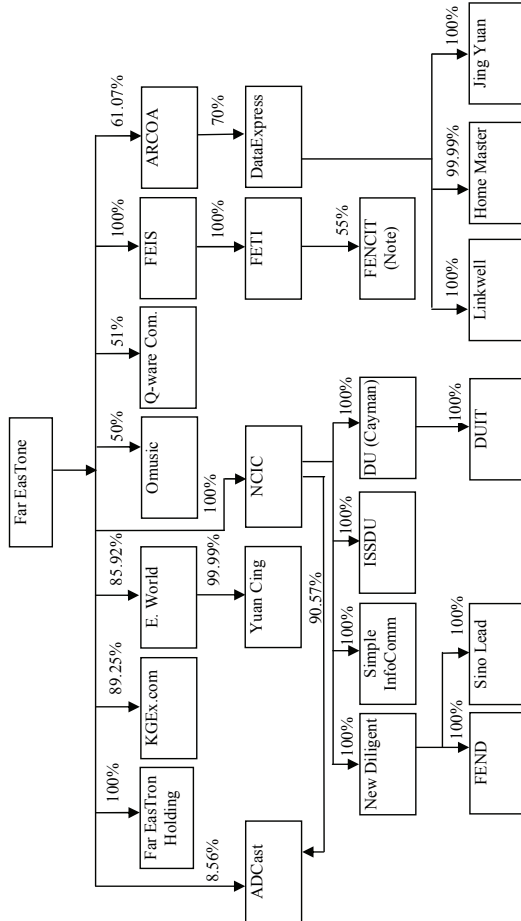
All significant intercompany transactions and balances were eliminated on consolidation. For subsidiaries acquired during the year, their revenues and expenses generated before the acquisition dates will not be consolidated.

Intercompany relationships and percentages of ownership as of December 31, 2012 and 2011 are shown as Figure 1 and Figure 2, respectively.

<Figure 1>



<Figure 2>



Note: Far EasTone and FETI acquired controlling interest in FENCIT on April 1, 2011; thus, FENCIT's revenues and expenses have been included in the consolidated financial statements from then on.

a. Entities included in the consolidated financial statements as of and for the years ended December 31, 2012 and 2011 and their major business activities were as follows:

1) 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 from July 2006 to July 2015 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 be extended until July 2015.

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.

Considering the extensive demands and potential growth of Mainland China's market, the board of directors of ARCOA resolved to invest up to US\$8,000,000 in Mainland China indirectly through holding companies. Thus, ARCOA incorporated Arcoa Holding (Samoa) Co., Ltd. and Data Express Holding (Samoa) Co., Ltd. The Investment Commission under the Ministry of Economic Affairs (MOEA) approved the investments on August 19, 2011. However, the investment proceeds had not been remitted as of February 7, 2013.

2) 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 July 3, 2007, Q-ware System Inc. spun off its WiFly business to Q-ware Com.; thus, Q-ware Com. became licensed to provide WiFly business in Taipei City 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 to provide Internet services for three years from 2007 for a fixed annual license fee based on Q-ware Com.'s paid-in capital. The term of validity of Q-ware Com.'s type II license was approved to be extended until May 2013.

On March 1, 2012, Q-ware Com. signed a contract with Taipei City Government for Taipei Free WiFi project.

On April 20, 2012, in order to strengthen Q-ware Com.'s capital structure and fulfill the operating cash needs for Taipei Free WiFi project, Far EasTone's board of directors resolved to subscribe for Q-ware Com.'s new shares in the amount of \$336,183 thousand and then Far EasTone's ownership was increased to 81.46%. Q-ware Com. completed the registration with the MOEA on October 8, 2012.

3) KGEEx.com Co., Ltd. ("KGEEx.com")

KGEEx.com was incorporated on August 9, 2000. KGEEx.com mainly provides type II telecommunications services.

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

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

5) 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.

6) ADCast Interactive Marketing Co., Ltd. ("ADCast")

ADCast was incorporated on June 12, 2000. ADCast mainly provides Internet marketing services. ADCast dissolved due to the merger with New Century InfoComm Tech Co., Ltd. on March 31, 2012.

7) Omusic Co., Ltd. ("Omusic")

Omusic was incorporated on October 5, 2010. It mainly provides electronic information services.

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

To prepare for service convergence, Far EasTone aims to enhance the business cooperation between its mobile and fixed-line components by group integration to provide more comprehensive telecom services to consumers as well as to reach long-term synergy in operating costs. In 2011 and 2010 YCIC (dissolved due to the merger on March 1, 2011) resolved to conduct a tender offer and cash to acquire the common shares of New Century InfoComm Tech Co., Ltd. ("NCIC").

NCIC was incorporated in the ROC on June 1, 2000. On February 14, 2001, DGT issued to NCIC a type I license to provide integrated network business and NCIC began its commercial operations on March 2, 2001. The license is valid for 25 years, with an annual license fee of 1% of total telecommunications service revenue.

NCIC became a public company on July 17, 2001. On February 23, 2011, the board of directors of NCIC decided to withdraw its public issuance and became a private company, which was approved by the Financial Supervisory Commission on March 23, 2011. To integrate its resources and enhance its operating efficiency, the board of directors of NCIC resolved to merge NCIC with Digital United Inc. (DU), a 90.24% subsidiary of NCIC, with NCIC as the survivor entity.

To simplify investment structure and enhance operation efficiency, NCIC had acquired the common shares of ADCast from related parties and minority interests in 2011, with the ownership of ADCast to be increased from 20.63% to 90.57%. On January 16, 2012, the board of directors of both companies resolved to approve the merger of NCIC and ADCast under the regulation of Article 19 of Business Mergers and Acquisitions Act. NCIC merged with ADCast by cash at NT\$9.86 per share, with NCIC as the surviving entity. The record date of this merger was set on March 31, 2012, and completed the registration with the MOEA on April 26, 2012.

9) Simple InfoComm Co., Ltd. ("Simple InfoComm")

Simple InfoComm was incorporated on October 23, 2001. The DGT issued to Simple InfoComm a type II license to provide Internet services. Simple InfoComm also provides system integration services, information software services and electronic information providing services.

10) Information Security Service Digital United Inc. (ISSDU)

ISSDU was incorporated on December 22, 2004. ISSDU mainly provides Internet information security and monitoring service.

11) Sino Lead Enterprise Limited ("Sino Lead") and Far Eastern New Century Information Technology (Beijing) Limited (FENCIT) mainly provide electronic information providing services.

12) Digital United Information Technology Co., Ltd. (Shanghai) (DUIT)

DUIT was incorporated on August 23, 2005. It provides design and research of computer system.

- 13) DataExpress Infotech Co., Ltd. ("DataExpress"), Linkwell Tech. Ltd. ("Linkwell") and Home Master Technology Ltd. ("Home Master") mainly wholesale communications products.
- 14) Jing Yuan Technology Ltd. ("Jing Yuan")

Jing Yuan was incorporated on September 5, 2011. It mainly provides data processing services.

- 15) E. World (Holdings) Ltd. ("E. World"), Far Eastern Info Service (Holding) Ltd. (FEIS), Far EasTron Holding Ltd. ("Far EasTron Holding"), New Diligent Co., Ltd. ("New Diligent"), Far Eastern New Diligent Company Ltd. (FEND) and Digital United (Cayman) Ltd. ("DU [Cayman]").

E. World, FEIS, Far EasTron Holding, New Diligent, FEND and DU (Cayman) are primarily investment holding companies.

Considering the potential growth of Mainland China's market, the board of directors of New Diligent resolved to invest US\$4,500,000 in FEND for FEND to reinvest US\$4,000,000 in FENCIT. The Investment Commission under the MOEA approved this investment on November 19, 2012. However, the investment proceeds had not been remitted as of February 7, 2013.

- b. All of the financial statements of subsidiaries as of and for the years ended December 31, 2012 and 2011 were audited, except those of Jing Yuan for 2012 and 2011. The Group's management believes that, had the financial statements of Jing Yuan been audited, any adjustments would have had no material effect on the Group's consolidated financial statements.

- 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.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the 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 or loss if the changes in fair value are 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.

Accounting Estimates

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, provision for loss on decline in value of inventories, depreciation and amortization, impairment asses tangible and intangible assets, assets retirement obligation, product warranty reserve, income tax and pension cost, bonuses to employees and remuneration to directors and supervisors. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets held for trading and those designated on initial recognition as those to be measured at fair values, with fair value changes in profit or loss. The Group recognized a financial asset or a financial liability on its balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Group has lost control of its contractual rights over the financial assets. A financial liability is derecognized when the obligation specified in the relevant contract is discharged cancelled or expired.

On initial recognition, financial instruments at fair value through profit or loss are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. Subsequent changes in fair value are recognized as current gain or loss. Any cash dividends received are recognized as current income. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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 period 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.

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.

Hedge Accounting

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

Derivative instruments held by the Group are for cash flow hedge 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 resulted in irreversible losses, these losses should be immediately charged to current income.

The Group uses cross-currency swap contracts and foreign exchange swap contracts to hedge against the effect of exchange rate fluctuations of foreign currency-denominated assets.

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks, and domestic private 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.

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable become overdue; or
- It becomes probable that the debtor will enter bankruptcy or undergo financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, idle properties, intangible assets, 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 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.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is determined as normal market value minus predicted selling expenses. Cost is determined using the weighted-average method.

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 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.

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 inappropriate earnings.

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.

Profits from upstream transactions with equity method investees are eliminated in proportion to Far EasTone's percentage of ownership in the investee.

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

Properties and Rental Assets

Properties and rental assets are stated at cost less accumulated depreciation and accumulated impairment. 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.

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.

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 accrues asset retirement cost.

Useful lives are estimated as follows:

	Useful Life Years
Buildings	41-55
Building equipment	3-18
Operating equipment (except indefeasible right of use)	2-15
Computer equipment	3-10
Office equipment	3-10
Leasehold improvements	2-11
Miscellaneous equipment	3-10

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

Indefeasible Right of Use

An indefeasible right of use (IRU) is a right to use a specified amount of capacity for a specific time period that cannot be revoked or voided. Costs of acquisition of IRU are included in properties and depreciated over the economic useful life of IRU, using the straight-line method over the useful lives of IRU. The estimated useful life of the IRU is 15 to 25 years. IRUs still being used beyond their initial estimated service lives are depreciated over the estimated remaining service lives.

3G Concession

The 3G concession, which was stated at cost, is amortized on a straight-line basis from the issuance date of the concession license to the license expired.

Operating Rights, Dealership and Customer Relationship

Operating rights, dealership and customer relationship are identified by evaluation the fair value of a subsidiary's net asset value, which is included in intangible assets - other.

Operating rights are measured in accordance with the integrated network business license issued by the National Communication Commission. Operating rights are amortized by the straight-line method, based on the useful life of the fixed network telecommunications business license. Dealership and customer relationship are also amortized by the straight-line method, based on expected duration of the related agreements.

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.

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 shortest among the terms of leases, agreements on the rights of software use or their economical useful lives.

The Group estimates and capitalizes the costs of dismantling, removing properties and restoring the place where they are located and to record these costs as deferred charges and accrues asset retirement cost.

Pension Costs

Far EasTone, ARCOA, Yuan Cing, Omusic, Q-ware Com., ADCast, NCIC, ISSDU, DataExpress, Linkwell and Home Master 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, ARCOA, Yuan Cing, Omusic, Q-ware Com., ADCast, NCIC, ISSDU, DataExpress and Linkwell 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.

Under their government's regulations, FETI, DUIT and FENCIT each have defined contribution pension plans. They make monthly contributions to employees' individual pension accounts at a fixed percentage of salaries and recognize these contributions as pension costs.

FEIS, E. World, Far EasTron Holding, FEND, KGEx.com, YCIC, New Diligent, Simple InfoComm, DU (Cayman), Sino Lead and Jing Yuan 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 period's income tax expense.

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

Revenue Recognition

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. Related revenues are recognized as follows:

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.

Usage revenues from fixed network service, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

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

Where the Group enters into transactions which involve both the provision of air time bundled with products such as 3G data card and handset, the total consideration received from handsets in these arrangements are allocated and measured using units of accounting within the arrangement based on relative fair values limited to the amount that is not contingent upon the delivery of other items or services.

Promotion Expenses

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

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 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.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the consolidated balance sheets and statements of income as of and for the year ended December 31, 2011. The pro forma financial information based on the assumption that the Group merged with FENCIT on January 1, 2011 is as follows:

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

	December 31, 2011
Current assets	\$ 25,167,527
Properties, net	51,657,149
Current liabilities	20,085,202
Operating revenues	75,748,831
Consolidated income before income tax	10,869,697
Consolidated net income	8,921,952
Earnings per share	2.72

The pro forma consolidated 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 interests FENCIT on January 1, 2011, nor does it indicate the Group's future financial position or operating result.

4. CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Group are now covered by SFAS No. 34. This accounting change had no significant influence on the consolidated net income for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information about the components of the Group that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Group restated the segment information.

5. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash		
Cash on hand	\$ 22,531	\$ 13,017
Checking deposits	24,843	26,004
Demand deposits	1,777,921	1,695,350
Certificates of deposits	9,792,874	7,872,898
	<u>11,618,169</u>	<u>9,607,269</u>
Cash equivalents		
Bonds purchased under resell agreements	983,777	298,365
Commercial paper purchased under resell agreements	400,148	-
	<u>1,383,925</u>	<u>298,365</u>
	<u>\$ 13,002,094</u>	<u>\$ 9,905,634</u>

As of December 31, 2012 and 2011, demand deposits overseas were as follows:

	December 31	
	2012	2011
Belgium (US\$601 thousand in 2012 and US\$1,141 thousand in 2011)	\$ 17,453	\$ 34,544
Hong Kong (US\$1 thousand in 2011)	-	30
	<u>\$ 17,453</u>	<u>\$ 34,574</u>

Multinational Automated Clearing House (MACH) is Far EastOne'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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2012	2011
Financial assets held for trading		
Open-end mutual funds	\$ 211,608	\$ 196,718
Net gains and losses on financial assets held for trading for the years ended December 31, 2012 and 2011 were as follows:		
	<u>Year Ended December 31</u>	<u>2011</u>
	2012	2011
Gains (losses) on valuation of financial instruments, net	\$ 14,890	\$ (16,755)
Losses on sale of investments, net	-	(89,410)
Dividend income	-	10,858
	<u>\$ 14,890</u>	<u>\$ (95,307)</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2012	2011
Domestic quoted stocks	\$ 82,047	\$ 72,512
Open-end mutual funds	49,233	475,458
Private funds - placement shares	<u>1,877,246</u>	<u>2,140,566</u>
	<u>\$ 2,008,526</u>	<u>\$ 2,688,536</u>

8. ACCOUNTS RECEIVABLE, NET

	December 31	
	2012	2011
Accounts receivable	\$ 8,057,781	\$ 7,334,781
Less: Allowance for doubtful accounts	<u>(1,015,604)</u>	<u>(876,641)</u>
	<u>\$ 7,042,177</u>	<u>\$ 6,458,140</u>

9. INVENTORIES, NET

	December 31	
	2012	2011
Cellular phone equipment	\$ 1,519,152	\$ 1,399,480
Computers and accessories	447,955	391,009
Cellular phone accessories	104,075	34,046
Customer premises equipment	32,088	58,100
SIM cards and prepaid cards	8,441	8,246
Others	<u>113,942</u>	<u>93,744</u>
	<u>\$ 2,225,653</u>	<u>\$ 1,984,625</u>

Allowances for losses were \$147,001 thousand and \$99,577 thousand as of December 31, 2012 and 2011, respectively.

Costs of inventories sold were \$20,935,732 thousand and \$14,654,884 thousand for the years ended December 31, 2012 and 2011, respectively. The allowances of \$67,328 thousand and \$8,211 thousand for loss on decline in value of inventories were included in the cost of sales for the years ended December 31, 2012 and 2011, respectively.

10. EQUITY-METHOD INVESTMENTS

	December 31		
	2012	% of Owner-ship	2011
	Carrying Value		Carrying Value
Common stocks with no quoted market prices			
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 995,311	39.42	\$ 269,609
Ding Ding Integrated Marketing Service Co., Ltd.			
iScreen Corporation	32,723	20.00	15,066
Far Eastern Electronic Commerce Co., Ltd.	18,568	40.00	21,094
	<u>8,551</u>	18.98	<u>35,437</u>
	<u>\$ 1,055,153</u>		<u>\$ 341,206</u>

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

Far Eastern Electronic Toll Collection Co., Ltd. (FETC) provides electronic toll collection (ETC) services on national freeways. As of June 30, 2011, the utilization rate of ETC did not reach the requirement sated in the contract of the Electronic Toll Collection BOT Project (ETC Project). Thus, FETC entered into a negotiation with the Taiwan Area National Freeway Bureau (TANFB) and proposed an improvement plan. TANFB consented to the improvement plan and set six inspection points. On August 14, 2012, the Negotiation Committee made a conclusion that TANFB should be in compliance with the six inspection points of the above-mentioned improvement plan during 2012 and check the utilization rate of ETC reach the requirement regulated in the contract or not. FETC accomplished the six inspection points during 2012.

On a taxpayer system infrastructure that FETC committed to complete as part of the above ETC project, there was a delay in completion. On January 31, 2013, the Negotiation Committee concluded that the reasons for the delay in construction could not be foreseen or controlled; thus, both the FETC and TANFB should allow for a reasonable extension of the construction period. However, the amount of the required penalty for the construction delay (\$500 thousand for each day of construction delay) could not be calculated because the determination of the starting date and ending date of the penalty period depends on whether FETC can complete the infrastructure by June 30, 2013. As of February 7, 2013, the date of the accompanying auditors' report, FETC was still negotiating with TANFB through the Negotiation Committee on the amount of penalty, therefore, the final result of the penalty FETC should pay can not be reasonably estimated.

To enhance operational efficiency of the Company and support the Government's strategy to expand the distance-based toll scheme through the increased use of ETC lanes and enhanced provision by the Company of telecommunications services to FETC, the board of directors of the Company resolved on April 20, 2012 to subscribe for FETC's new common shares amounting to \$865,192 thousand; thus, the Company's ownership of FETC decreased to 39.42%.

b. Yuan Hsin Digital Payment Co., Ltd.

To provide a new micro payment mechanism and support digital content development, the Company's board of directors resolved on July 25, 2012 to subscribe for Yuan Hsin Digital Payment Co., Ltd.'s ("Yuan Hsin") common shares. On February 7, 2013, the Company's board of directors resolved to increase its holding of Yuan Hsin's shares the amount to \$300,000 thousand, representing 30% ownership of Yuan Hsin.

c. Investment income or loss

Since the combined equity interests of the Far Eastern Group in Far Eastern Electronic Commerce Co., Ltd. (FECC) and Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) allow the Group to exercise significant influence on FECC's and DDIM's operating and financial policy decisions, the investments in FECC and DDIM were accounted for by the equity method even though the Group's equity interests in FECC were both 18.98% for the years ended December 31, 2012 and 2011, and in DDIM were both 20% for the same two years.

The bases for calculating the carrying values of investments were the equity-method investees' audited financial statements as of and for the years ended December 31, 2012 and 2011.

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2012	2011
Bonds		
Asia Cement Co., Ltd.	\$ 199,871	\$ 199,768
Yuan Ding Investment Corporation	-	1,000,000
	199,871	1,199,768
	<u>(100,000)</u>	<u>(1,000,000)</u>
Less: Due within one year	\$ 99,871	\$ 199,768

In September 2009, KG Telecom (dissolved due to the merger with Far EastOne on January 1, 2010) bought a five-year corporate bond of Asia Cement Co., Ltd., amounting to \$199,540 thousand (par value of \$200,000 thousand), with the effective interest rate of 2.004% and coupon interest rate of 1.95%. The interest is payable on September 22 annually.

In August 2009, ARCOA and NCIC bought a three-year corporate bond of Yuan Ding Investment Corporation at par value, amounting to \$10,000 thousand and \$990,000 thousand, respectively, with effective interest rate and coupon interest rate of 2.00% each. The interest is payable on August 14 annually. ARCOA and NCIC already redeemed the bond in par value on maturity date.

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2012	2011
Domestic unlisted common stock		
THI Consultants Inc.	\$ 13,729	\$ 13,729
Chunghwa Int'l Communication Network Co., Ltd.	6,714	6,714
Bank Pro E-Service Technology Co., Ltd.	4,500	4,500
Web Point Co., Ltd.	1,618	1,618
VIBO Telecom Inc.	<u>1,488</u>	<u>2,627</u>
	<u>\$ 28,049</u>	<u>\$ 29,188</u>

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

13. PROPERTIES

a. Changes in properties consisted of:

	Year Ended December 31, 2012				
	Beginning Balance	Addition	Sale or Disposal	Adjustments and Reclassification	Cumulative Translation Adjustments
					Ending Balance
Cost					
Land	\$ 5,301,986	\$ -	\$ -	\$ 3,661	\$ -
Buildings and equipment	6,393,369	1,963	22,014	1,127,374	5,305,647
Operating equipment	138,828,805	315,525	2,645,233	3,720,127	140,219,220
Computer equipment	22,458,068	12,972	3,776,480	3,776,480	20,460,180
Office equipment	3,331,220	12,976	37,381	657,318	3,268,048
Leasehold improvements	1,720,212	23,845	43,253	(315,924)	3,822,471
Miscellaneous	179,571,871	404,044	3,205,508	9,035,288	1,384,855
					<u>185,801,443</u>
Accumulated depreciation					
Buildings and equipment	\$ 2,047,599	\$ 224,936	\$ 21,621	\$ 807,570	\$ 3,058,484
Operating equipment	103,095,678	7,672,812	1,495,900	(1,611,832)	107,660,755
Computer equipment	19,512,418	1,454,078	322,906	1,192,762	21,835,543
Office equipment	1,131,815	60,210	116,246	25,570	1,098,632
Leasehold improvements	2,498,405	178,504	21,956	54,808	2,709,761
Miscellaneous equipment	1,402,878	102,208	39,288	(454,360)	1,011,415
	<u>129,688,793</u>	<u>9,692,748</u>	<u>2,017,917</u>	<u>(14,518)</u>	<u>137,374,590</u>
Accumulated impairment					
Land	\$ 96,557	\$ -	\$ -	\$ -	\$ 96,557
Buildings and equipment	101,201	-	96	14,991	116,096
Operating equipment	2,176,101	-	8,273	(112,157)	2,055,671
Computer equipment	185,960	-	4,651	56,451	237,760
Office equipment	3,693	-	563	1,139	4,269
Leasehold improvements	24,167	-	397	1,509	25,279
Miscellaneous equipment	16,710	-	3,220	41,283	55,216
	<u>2,463,180</u>	<u>-</u>	<u>17,249</u>	<u>3,218</u>	<u>2,489,666</u>
Construction-in-progress and prepayments for equipment	47,278,689	-	-	-	45,836,065
	<u>4,378,460</u>	<u>9,893,681</u>	<u>23,896</u>	<u>(9,040,295)</u>	<u>5,207,950</u>
	<u>\$ 51,657,149</u>				<u>\$ 51,043,955</u>

	Year Ended December 31, 2011				
	Beginning Balance	Addition	Sale or Disposal	Adjustments and Reclassification	Cumulative Translation Adjustments
					Ending Balance
Cost					
Land	\$ 5,317,348	\$ -	\$ 1,400	\$ (13,982)	\$ 5,301,986
Buildings and equipment	6,503,267	-	16,550	(93,248)	6,393,369
Operating equipment	133,409,948	179,341	1,724,670	6,964,186	138,828,805
Computer equipment	21,650,325	11,405	66,559	1,247,036	22,844,563
Office equipment	1,330,478	25,168	54,015	20,650	1,331,220
Leasehold improvements	3,052,425	1,788	38,652	136,155	3,151,716
Miscellaneous equipment	1,613,189	10,102	13,600	110,521	1,402,878
	<u>172,877,000</u>	<u>228,004</u>	<u>191,546</u>	<u>(8,371,218)</u>	<u>179,571,871</u>
Accumulated depreciation					
Buildings and equipment	\$ 1,913,699	\$ 174,933	\$ 13,214	\$ (27,819)	\$ 2,047,599
Operating equipment	95,755,626	8,284,255	930,869	(13,334)	103,095,678
Computer equipment	18,303,648	1,274,290	66,419	(792)	19,512,418
Office equipment	1,119,330	59,413	53,946	154	1,131,815
Leasehold improvements	2,398,641	128,454	28,609	(81)	2,498,405
Miscellaneous equipment	1,265,039	115,048	11,381	(34,172)	1,402,878
	<u>120,755,983</u>	<u>10,036,393</u>	<u>1,004,438</u>	<u>(7,700)</u>	<u>129,688,793</u>
Accumulated impairment					
Land	\$ 116,175	\$ -	\$ -	\$ (19,618)	\$ 96,557
Buildings and equipment	115,025	524	13,382	(13,500)	101,201
Operating equipment	2,189,483	-	-	-	2,176,101
Computer equipment	186,015	-	-	-	185,960
Office equipment	3,693	-	48	-	3,741
Leasehold improvements	24,701	-	534	-	24,167
Miscellaneous equipment	17,167	-	457	-	16,710
	<u>2,652,327</u>	<u>-</u>	<u>15,020</u>	<u>(32,918)</u>	<u>2,604,389</u>
Construction-in-progress and prepayments for equipment	49,468,690	8,352,212	16,717	(8,503,057)	47,278,689
	<u>4,546,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,378,460</u>
	<u>\$ 54,014,712</u>				<u>\$ 51,657,149</u>

b. Capitalized interest on properties was as follows:

	Year Ended December 31	
	2012	2011
Total interest expense	\$ 56,739	\$ 82,840
Less: Interest capitalized (included in construction-in-process and prepayments for equipment)	<u>10,228</u>	<u>21,786</u>
	<u>\$ 46,511</u>	<u>\$ 61,054</u>
Interest expense, net of amounts capitalized	0.88%-1.05%	0.36%-0.92%

14. INTANGIBLE ASSETS

a. 3G concession

	Year Ended December 31	
	2012	2011
Cost	\$ 10,169,000	\$ 10,169,000
Accumulated amortization		
Beginning balance	5,054,055	4,323,349
Amortization	<u>730,706</u>	<u>730,706</u>
Ending balance	<u>5,784,761</u>	<u>5,054,055</u>
3G concession, net	<u>\$ 4,384,239</u>	<u>\$ 5,114,945</u>
Goodwill and others		

b. Goodwill and others

	Year Ended December 31		
	2012	Other	2011
Goodwill			
Beginning balance	\$ 10,881,018	\$ 783,817	\$ 10,806,693
Addition	<u>3,217</u>	<u>41,627</u>	<u>74,325</u>
Deduction	-	<u>92,324</u>	-
	<u>\$ 10,884,235</u>	<u>\$ 733,120</u>	<u>\$ 10,881,018</u>
1) Goodwill			
			<u>\$ 783,817</u>

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 - "Impairment of Assets," the Group was divided into several identifiable cash-generating units that enhance the Group's operating effectiveness and integrate its telecommunications resources: The mobile telecommunications service business, telecommunications equipment business, WiFly business and integrated network business.

As of December 31, 2012 and 2011, the carrying values of the tangible and intangible assets used by the Group were \$67,732,310 thousand and \$69,166,301 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 as of December 31, 2012 and 2011: Mobile telecommunications service business - 7.20% and 9.31%, respectively; telecommunications equipment business - 5.60% and 7.01%, respectively; integrated network business - 6.52% and 4.54%, WiFly business - 8.48% and 10.00%, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the prospective advancement of the Group's own business.

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

- a) Expected future growth rate of the telecommunications industry
 - i. Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, while the development trend of the market is taken into account.
 - ii. Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenues of previous years, while the demands and changes of the market are taken into account.
 - iii. Business of selling cellular phone units: The anticipated selling cellular phone is based on the historical sales revenues and quantities of previous years, while the trend of the market is taken into account.
 - iv. WiFly business: The anticipated WiFly is based on present operating experience and the demand of WiFly, while the trend of the industry is taken into account.
 - v. Integrated network business (INB): The anticipated INB is measured based on the actual effective customer base and service revenues of previous years, while the trend of the market is taken into account.
- b) Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenues, while the possible influence of each revenue, cost and expense are taken into account.

The Group's management believed that any reasonable changes in the principal assumptions would not result in the carrying values exceeding the recoverable amounts. As of December 31, 2012 and 2011, there was no indication of impairment loss.

2) Others

Under SFAS No. 25 - "Business Combinations" and SFAS No. 37 - "Intangible Assets," the Group should measure the fair value of the acquired assets and identify major intangible assets as well as the amortization periods. As the Group acquired NCIC's, DataExpress' and FENCIT's common shares, the cash-generating units of each were identified and their major intangible assets were recognized as the operating rights for integrated network business or dealership or customer relationship, respectively.

15. RENTAL ASSETS, NET

	Year Ended December 31			
	2012		2011	
	Beginning Balance	Addition	Reclassification	Ending Balance
Cost				
Land	\$ 176,905	\$ -	\$ -	\$ 176,905
Buildings and equipment	301,951	-	53,632	355,583
	<u>478,856</u>	<u>-</u>	<u>\$ 53,632</u>	<u>532,488</u>
Accumulated depreciation				
Buildings and equipment	52,026	6,495	8,664	67,215
	<u>428,758</u>	<u>-</u>	<u>-</u>	<u>465,253</u>
Accumulated impairment	5,229	-	-	5,270
	<u>\$ 421,010</u>	<u>-</u>	<u>-</u>	<u>\$ 459,483</u>
Rental assets, net				<u>\$ 239,198</u>

Rental assets are offices of Far EastTone, ARCOA and NCIC, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through September 2017. Future rental income is summarized as follows:

Year	Amount
2013	\$ 26,195
2014	22,604
2015	19,089
2016	10,626
2017	5,605

16. SHORT-TERM BANK LOANS

	2012	2011
Secured bank loans - interest of 1.30% in 2012 and 1.10%-2.60% in 2011	\$ 38,000	\$ 598,100
Unsecured bank loans - interest of 1.05%-6.16% in 2012 and 0.9091%-6.71% in 2011. The balance includes RMB10,041,000 in 2012 and RMB764,000 in 2011	901,390	2,342,672
	<u>\$ 939,390</u>	<u>\$ 2,940,772</u>

The short-term bank loans as of December 31, 2012, amounting to \$230,974 thousand, were repaid by February 7, 2013. The short-term bank loans of December 31, 2011, amounting to \$2,029,000 thousand, were repaid by February 16, 2012.

17. COMMERCIAL PAPER PAYABLE

As of December 31, 2012 and 2011, the Group issued commercial paper guaranteed by the financial institution, which were discounted at the interest rate of 1.18%-1.26% and 1.16%-1.28%, respectively.

18. ACCRUED EXPENSES

	December 31	
	2012	2011
Commission	\$ 1,737,928	\$ 1,514,127
Bonus	680,090	846,201
Maintenance fee	435,234	341,965
Bonus to employees and remuneration to directors and supervisors	313,691	256,487
Advertisement	212,153	141,181
Rent	183,757	199,939
Utilities	143,563	138,146
Professional service fee	128,419	127,714
Labor and health insurance	85,230	58,342
Billing processing fee	65,412	63,854
Other	831,100	691,490
	<u>\$ 4,816,577</u>	<u>\$ 4,379,446</u>

19. UNEARNED REVENUES

	December 31	
	2012	2011
Unearned telecom revenues from prepaid cards	\$ 1,244,525	\$ 1,085,681
Unearned telecom revenues from postpaid cards	1,106,282	1,408,591
Other	157,738	276,711
	<u>\$ 2,508,545</u>	<u>\$ 2,770,983</u>

Far EasTone and NCIC entered into contracts with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card related regulation of the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificate. Far EasTone and NCIC consigned the proceeds of their sale of prepaid cards and international calling cards to FEIB as trust funds, which were included in the restricted assets - current. FEIB was designated as in charge of the trust funds to protect Far EasTone's prepaid cards customers' and NCIC's international calling cards customers' rights under the trust deeds. Moreover, Far EasTone provided a performance guarantee amounting to \$45,000 thousand to KGEX.com for prepaid cards already bought by customers.

Q-ware Com. placed a pledged certificate of deposit amounting to \$9,000 thousand in China Trust Bank as a collateral for performance guarantee provided by China Trust Bank in accordance with NCC's prepaid card related regulation stated in the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificates.

20. LONG-TERM BANK LOANS

	December 31, 2012	
	Due Within One Year	Due After One Year
Unsecured bank loan - FETI	\$ 10,745	\$ 96,703
		<u>\$ 107,448</u>

December 31, 2011

	Due Within One Year	Due After One Year	Total
Unsecured bank loan - Q-ware Com.	\$ -	\$ 50,000	\$ 50,000
Unsecured bank loan - FETI	-	112,017	112,017
Unsecured bank loan - DataExpress	4,944	8,832	13,776
	<u>\$ 4,944</u>	<u>\$ 170,849</u>	<u>\$ 175,793</u>

a. Unsecured bank loan - FETI

FETI obtained an unsecured bank loan (US\$3,700,000) at interest rates of 2% and 4.2% as of December 31, 2012 and 2011, payable monthly. The loan was repayable periodically at various installments from March 2013 to March 2014. Under the agreement, FETI should maintain its debt-to-equity ratio, a specific amount of tangible assets and an upper limit of debts on FETI's consolidated financial statements quarterly before maturity.

b. Unsecured bank loan - Q-ware Com.

Q-ware Com. obtained an unsecured bank loan at an interest rate of 2.37% as of December 31, 2011, payable monthly. Q-ware Com. had repaid the full amount in August 2012.

c. Unsecured bank loan - DataExpress

DataExpress obtained an unsecured bank loan at an interest rate of 1.5% as of December 31, 2011, payable monthly. The loan was repayable periodically from October 2011 at equal installments. DataExpress had repaid the full amount in April 2012.

21. PENSION PLAN

a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of monthly contributions by Far EasTone, NCIC, ARCOA, Yuan Cing, Omusic, Q-ware Com., ADCast, ISSDU, DataExpress, Linkwell and Home Master to the employees' individual pension fund accounts is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan amounted to \$268,320 thousand and \$199,267 thousand for the years ended December 31, 2012 and 2011, respectively. Under their government's regulations, FETI, DUIT and FENCIT have recognized pension costs of \$14,507 thousand and \$11,488 thousand for the years ended December 31, 2012 and 2011, respectively.

b. Far EasTone, ARCOA, NCIC and ISSDU 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, ARCOA, NCIC and ISSDU accrue pension costs on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan. The pension costs under the defined benefit plan were \$31,829 thousand and \$48,854 thousand for the years ended December 31, 2012 and 2011, respectively.

c. Information on the defined benefit pension plan is as follows:

1) Net pension cost consisted of:

	Year Ended December 31	2011
Service cost	\$ 19,830	\$ 24,910
Interest cost	29,272	32,020
Expected return on plan assets	(21,167)	(12,574)
Amortization of net transition obligation	2,049	2,007
Amortization of prior service cost	(1,162)	(1,162)
Amortization of unrecognized pension loss	3,007	3,653
Net pension cost	<u>\$ 31,829</u>	<u>\$ 48,854</u>

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

	December 31	2011
Benefit obligation		
Vested benefit obligation	\$ 61,916	\$ 26,029
Non-vested benefit obligation	1,099,107	1,021,939
Accumulated benefit obligation	1,161,023	1,047,968
Additional benefits based on projected and future salaries	449,130	417,759
Projected benefit obligation	1,610,153	1,465,727
Fair value of plan assets	(868,208)	(839,030)
Funded status	741,945	626,697
Unrecognized net transition obligation	(5,650)	(7,753)
Unrecognized prior service cost	23,243	24,405
Unrecognized pension loss	(273,086)	(149,323)
Recorded prepaid pension	8,717	8,886
Accrued pension cost	<u>\$ 495,169</u>	<u>\$ 502,912</u>
Vested benefit	<u>\$ 70,767</u>	<u>\$ 30,277</u>

3) Actuarial assumptions were as follows:

	Year Ended December 31	2011
Discount rate used in determining present value	1.75%-1.875%	2.00%
Rate of future salary increase	1.50%-2.50%	1.50%-2.00%
Expected rate of return on plan assets	1.875%-2.25%	2.00%-2.50%

4) The movements of funds were as follows:

	Year Ended December 31	2011
Beginning balance	\$ 839,030	\$ 794,015
Contributions	39,507	40,820
Payments	(18,508)	(5,490)
Earnings distributed	8,179	9,685
Ending balance	<u>\$ 868,208</u>	<u>\$ 839,030</u>

22. STOCKHOLDERS' EQUITY

a. Capital surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and conversion of bonds) may be used to offset a deficit. In addition, when Far EastOne has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of Far EastOne's paid-in capital and once a year). 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, 2012 and 2011, the bonus to employees was \$190,798 thousand and \$159,858 thousand, respectively, and the remuneration to directors and supervisors was \$95,399 thousand and \$79,929 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, 2012 and 2011, respectively. The amounts were estimated based on 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 the it equals the Far EasTone's paid-in capital. Legal reserve may be used to offset deficit. If Far EasTone has no deficit and the legal reserve has exceeded 25% of Far EasTone's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by Far EasTone.

The appropriation of the 2011 and 2010 earnings was approved by the Far EasTone's stockholders on June 13, 2012 and June 9, 2011, respectively.

	Appropriation and Distribution		Dividend Per Share	
	2011	2010	2011	2010
Legal reserve	\$ 888,099	\$ 884,856		
Cash dividend	8,045,238	8,146,252	\$2.469	\$2.50

In addition to distributing cash dividends at \$2.469 per share from unappropriated earnings, Far EasTone's stockholders on June 13, 2012 also approved to distribute cash of \$1,730,264 thousand from the above-mentioned additional paid-in capital - shares issuance in excess of par value at \$0.531 per share. Therefore, Far EasTone's stockholders received \$3 per share in 2012.

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 were approved by Far EasTone's stockholders on June 13, 2012 and June 9, 2011, respectively, as follows:

	Year Ended December 31			
	2011		2010	
	Cash	Stock	Cash	Stock
Bonuses to employees	\$ 159,858	\$ -	\$ 159,274	\$ -
Remuneration to directors and supervisors	79,929	-	79,637	-
	Year Ended December 31		2010	
	2011		2010	
	Bonuses to Employees	Remuneration to Directors and Supervisors	Bonuses to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	\$ 159,858	\$ 79,929	\$ 159,274	\$ 79,637
Amounts recognized in respective financial statements	159,858	79,929	159,274	79,637
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There was no difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the years ended December 31, 2011 and 2010, respectively.

As of February 7, 2013, the date of the accompanying auditors' report, the 2012 appropriations of earnings, bonuses to employees and remuneration to directors and supervisors had not been resolved by Far EasTone's board of directors yet.

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, 2012 were as follows:

	GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	1)	150,000
Converted from overseas unsecured convertible bonds	2)	2,473
Net decrease due to capital increase or capital reduction	3)	(5,426)
Reissued within authorized units	4)	349,189
GDRs transferred to common stock	(32,584)	(488,768)
Outstanding GDRs issued	<u>498</u>	<u>7,468</u>

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

2) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs amounting to US\$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 2012, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

3) In 2003, 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 canceled 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, 2012, Far EasTone had reissued 23,279 thousand units of GDRs representing 349,189 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) Convert the GDRs into common stocks; and
- 3) Receive dividends and exercise preemptive rights or other rights and interests.

d. Share issuance for cash - private placement

On June 13, 2012, the stockholders of Far EasTone resolved to issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to \$17,773,641 thousand and the private placement price setting at NT\$40.00 per share (provisional) (definitely private placement price will be set according to the resolution of stockholders' meeting after obtaining the authorities' approval under the related regulation), to catch up on industry development trends and to meet Far EasTone's future operating needs. This resolution replaced their private placement resolution made on June 9, 2011, June 15, 2010 and June 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. However, based on certain agreements, if the volume weighted average price of Far EasTone's common shares falls below NT\$35.00 or exceeds NT\$50.00 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, Far EasTone's board of directors has the authorization of the stockholders' meeting to discuss in good faith and set a new private placement price, provided that any upward or downward adjustment is not more than NT\$5 per Far EasTone's share and the new price should not be lower than 70% of the reference price on that date. The private placement will proceed after obtaining the authorities' approval under the related regulation.

e. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the years ended December 31, 2012 and 2011 are summarized as follows:

	Recognized from Equity-Investment Method	Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedge	Total
<u>Year ended December 31, 2012</u>				
Beginning balance	\$ 10,868	\$ 10,126	\$ 5,830	\$ 26,824
Recorded as adjustments to stockholders' equity	144,404	11,159	6,579	162,142
Recognized as profit or loss	(89,722)	-	-	(89,722)
Ending balance	<u>\$ 65,550</u>	<u>\$ 21,285</u>	<u>\$ 12,409</u>	<u>\$ 99,244</u>
<u>Year ended December 31, 2011</u>				
Beginning balance	\$ 44,508	\$ 13,434	\$ 12,750	\$ 70,692
Recorded as adjustments to stockholders' equity	(31,464)	6,146	(6,920)	(32,238)
Recognized as profit or loss	(2,176)	(9,454)	-	(11,630)
Ending balance	<u>\$ 10,868</u>	<u>\$ 10,126</u>	<u>\$ 5,830</u>	<u>\$ 26,824</u>

23. INCOME TAX

a. The reconciliation of income tax expense based on income before income tax at statutory income tax rates to income tax expense - current was as follows:

	Year Ended December 31 2012	2011
Income tax expense computed at statutory tax rate	\$ 2,538,957	\$ 1,878,171
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net gains	(410,757)	(58,468)
Other	498,288	245,437
Temporary differences		
Allowance for doubtful account	8,261	(82,799)
Goodwill amortization	(134,470)	(134,470)
Equity in investee's net losses (gains)	4,957	(175,033)
Loss on disposal of properties	72,218	69,317
Other	(24,325)	(7,450)
Loss carryforwards used	(230,228)	(20,797)
Investment tax credits used	-	(102,128)
Unappropriated earnings tax (10%)	2	-
Income tax payable - current	<u>2,322,903</u>	<u>1,611,780</u>
Prior year's adjustment	<u>23,724</u>	<u>8,944</u>
Income tax expense - current	<u>\$ 2,346,627</u>	<u>\$ 1,620,724</u>

b. Income tax expense consisted of:

	Year Ended December 31 2012	2011
Income tax expense - current	\$ 2,346,627	\$ 1,620,724
Income tax expense - deferred		
Temporary differences	<u>28,049</u>	<u>327,021</u>
	<u>\$ 2,374,676</u>	<u>\$ 1,947,745</u>

E. World, Far EasTron Holding, and DU (Cayman) were incorporated in Cayman Islands; FEIS, in Bermuda Islands; and FEND, in the British Virgin Islands; their incomes are tax exempt.

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

	December 31 2012	2011
Current		
Deferred income tax assets	\$ 350,912	\$ 344,146
Allowance for doubtful accounts	70,052	-
Loss carryforwards	24,122	13,350
Provision for losses on decline in value of inventories	8,298	8,638
Investment tax credits	<u>3,222</u>	<u>10,822</u>
Other	<u>456,606</u>	<u>376,956</u>
	<u>132,711</u>	<u>78,012</u>
Less: Valuation allowance	<u>\$ 323,895</u>	<u>\$ 298,944</u>

(Continued)

Noncurrent

	December 31 2012	2011
Deferred income tax assets	\$ 1,677,926	\$ 1,980,665
Loss carryforwards	606,317	571,345
Unrealized loss on properties and idle properties	16,648	11,691
Equity in investees' net losses	215,339	215,145
Impairment loss on financial assets	69,590	84,938
Accrued pension cost	43,093	34,722
Other	2,628,913	2,898,506
	2,228,654	2,579,717
Less: Valuation allowance	400,259	318,789
Deferred income tax liabilities	(941,292)	(806,822)
Goodwill amortization	\$ (541,033)	\$ (488,033)
Included in		
Deferred income tax assets, net - current	\$ 323,895	\$ 298,944
Deferred income tax assets, net - noncurrent	\$ 81,148	\$ -
Deferred income tax liabilities, net - noncurrent	(622,181)	(488,033)
	\$ (541,033)	\$ (488,033)
		(Concluded)

d. Integrated income tax information is as follows:

	December 31 2012	2011
Balance of imputation credit account (ICA)	\$ 852,163	\$ 1,070,825
Far EastOne	\$ 25,996	\$ 11,420
ARCOA	\$ 10,492	\$ 8,909
Yuan Cing	\$ 235,005	\$ 233,310
NCIC	\$ 5,391	\$ 5,391
New Diligent	\$ 177	\$ 177
Simple Infocomm	\$ 3	\$ 3
KGEx.com	\$ 12,293	\$ 6,445
DataExpress	\$ 4,191	\$ 196
Linkwell		

Creditable ratio for distribution of earnings

	2012 (Estimate)	2011 (Actual)
Far EastOne	16.87%	19.44%
ARCOA	21.41%	13.26%
NCIC	17.64%	-
DataExpress	20.48%	20.48%
Linkwell	20.48%	20.48%

Yuan Cing, KGEx.com, ISSDU, New Diligent and Simple InfoComm had no unappropriated earnings as of December 31, 2012. 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 2012 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratios for the earnings appropriation of 2011 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, 2012 are summarized as follows:

	Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries		Research and development expenditures	\$ 1,708	\$ 1,708	2012
NCIC					
	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	\$ 6,930	\$ 6,590	2012

f. The unused loss carryforwards of the Group as of December 31, 2012 were as follows:

Year	Remaining Creditable Amount	Expiry Year
2003	\$ 70,052	2013
2004	361,010	2014
2005	209,270	2015
2006	247,769	2016
2007	193,439	2017
2008	206,773	2018
2009	291,789	2019
2010	96,782	2020
2011	49,516	2021
2012	21,578	2022
	\$ 1,747,978	

g. The status of income tax returns was as follows:

Income tax returns through 2006 and income tax return of 2010 of Far EasTone had been examined by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2005, 2006 and 2010 returns. Thus, Far EasTone filed appeals for the reexamination of its 2005, 2006 and 2010 returns. Nevertheless, Far EasTone accrued the related tax.

Income tax returns through 2006 of KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010) had been examined by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2001 to 2006 returns and thus filed appeals for the reexamination of these returns. Nevertheless, Far EasTone accrued the related tax.

Income tax returns through 2010 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 2008 of Digital United Inc. (DU) (dissolved due to the merger with NCIC on March 16, 2009) had been examined by the tax authorities. However, NCIC disagreed with the tax authorities' assessment of its 2006 to 2008 returns and thus filed appeals for reexamination of these returns. Nevertheless, NCIC accrued the related tax.

Income tax returns through 2010 of KGEx.com, Yuan Cing, Q-ware Com., ISSDU, Simple Infocomm, New Diligent, ADCast (dissolved due to the merger with NCIC on March 31, 2012), DataExpress and Linkwell had been examined and cleared by the tax authorities. Income tax returns through 2011 of YCIC (dissolved due to the merger with Far EasTone on March 1, 2011) and Omusic also had been examined and cleared by the tax authorities. Income tax returns through 2008 and income tax return of 2010 of NCIC had been examined and cleared by the tax authorities. Income tax returns through 2011 of Home Master and Jing Yuan has not been examined and cleared by the tax authorities.

24. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2012		
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses
Employee expenses			
Salaries	\$ 1,019,709	\$ 4,057,037	\$ -
Pension	72,098	242,558	-
Meal	22,184	117,413	-
Employee benefit	361	54,695	-
Insurance	77,611	336,052	-
Miscellaneous	7,213	59,233	-
	<u>\$ 1,199,176</u>	<u>\$ 4,866,988</u>	<u>\$ -</u>
Depreciation	<u>\$ 8,575,981</u>	<u>\$ 1,116,767</u>	<u>\$ 12,075</u>
Amortization	<u>\$ 60,316</u>	<u>\$ 127,395</u>	<u>\$ -</u>
			<u>\$ 9,704,823</u>
			<u>\$ 187,711</u>

	Year Ended December 31, 2011		
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses
Employee expenses			
Salaries	\$ 948,165	\$ 3,416,378	\$ -
Pension	66,794	192,815	-
Meal	22,462	97,554	-
Employee benefit	3,211	48,272	-
Insurance	72,507	277,214	-
Miscellaneous	5,901	43,187	-
	<u>\$ 1,119,040</u>	<u>\$ 4,075,420</u>	<u>\$ -</u>
Depreciation	<u>\$ 8,983,132</u>	<u>\$ 1,053,261</u>	<u>\$ 11,464</u>
Amortization	<u>\$ 70,563</u>	<u>\$ 117,149</u>	<u>\$ -</u>
			<u>\$ 10,047,857</u>
			<u>\$ 187,712</u>

25. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (In Thousand Shares)		Earnings Per Share (NT\$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income	
Year ended December 31, 2012						
Basic EPS						
Net income - Far EasTone	\$ 12,906,093	\$ 10,599,908	3,258,501	\$ 3.96	\$ 3.25	
Effect of dilutive potential common stock	-	-	3,707			
Bonus to employees	-	-				
Diluted EPS						
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 12,906,093</u>	<u>\$ 10,599,908</u>	<u>3,262,208</u>	<u>\$ 3.96</u>	<u>\$ 3.25</u>	
Year ended December 31, 2011						
Basic EPS						
Net income - Far EasTone	\$ 10,786,658	\$ 8,880,993	3,258,501	\$ 3.31	\$ 2.73	
Effect of dilutive potential common stock	-	-	4,398			
Bonus to employees	-	-				
Diluted EPS						
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 10,786,658</u>	<u>\$ 8,880,993</u>	<u>3,262,899</u>	<u>\$ 3.31</u>	<u>\$ 2.72</u>	

The Accounting Research and Development Foundation issued Interpretation No. 2007-052, which requires Far EastOne to recognize 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.

26. FINANCIAL INSTRUMENTS

a. Fair values

	December 31			
	2012		2011	
Assets	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at fair value through profit or loss - current	\$ 211,608	\$ 211,608	\$ 196,718	\$ 196,718
Available-for-sale financial assets - current	2,008,526	2,008,526	2,688,536	2,688,536
Hedging derivative financial assets - current	21,962	21,962	1,500	1,500
Held-to-maturity financial asset (including current portion)	199,871	202,116	1,199,768	1,202,920
Financial assets carried at cost - noncurrent	28,049	28,049	29,188	29,188
Refundable deposits	556,068	555,695	483,223	482,041
Liabilities				
Long-term bank loans (including current portion)	107,448	107,448	175,793	175,793
Hedging derivative financial liabilities - current	-	-	2,667	2,667
Lease payable (including current portion)	18,951	18,951	16,918	16,918
Guarantee deposits received (including current portion)	716,391	716,391	719,213	719,213
Place of transaction on derivative financial instruments				

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Domestic	21,962	21,962	1,500	1,500
Liabilities				
Domestic	-	-	2,667	2,667

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

- 1) Cash and cash equivalents, notes receivable, accounts receivable - net, accounts receivable - related parties, other receivables - related parties, restricted assets - current, 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 financial assets at fair value through profit or loss, hedging derivative financial instruments and available-for-sale financial assets - current.

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 financial assets carried at cost - noncurrent 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; 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:

	Quoted Price		Estimated Price	
	December 31		December 31	
	2012	2011	2012	2011
Assets				
Financial assets at fair value through profit or loss - current	\$ 211,608	\$ 196,718	\$ -	\$ -
Available-for-sale financial assets - current	2,008,526	2,688,536	-	-
Hedging derivative financial assets - current	-	-	21,962	1,500
Held-to-maturity financial assets	202,116	202,920	-	-
Liabilities				
Hedging derivative financial liabilities - current	-	-	-	2,667

- d. Financial assets and financial liabilities with risk from interest fluctuations were as follows:

	December 31			
	2012		2011	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Risk from interest fluctuations				
Fair value risk	\$12,516,068	\$ 1,589,110	\$ 9,049,407	\$ 2,548,906
Cash flow risk	2,879,226	392,838	3,871,597	1,383,790

e. Financial risks

- 1) Market risk

Fair values of domestic quoted stocks, bonds, and mutual funds held by the Group 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 the Group periodically evaluates the performance of these investments, market risk is expected to be immaterial.

The Group used cross-currency swap contracts or foreign exchange swap contract 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 requirements. Thus, the Group does not have liquidity risk.

The Group 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, the Group also invested in some private fund, bonds and unlisted stocks with no quoted prices in an active market; thus, these investments could expose the Group to liquidity risks.

Far EastOne engaged in cross-currency swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other at maturity; thus, the expected extra cash demand is not significant.

NCIC engaged in foreign exchange swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other at maturity; thus, the expected extra cash demand is not significant.

4) Cash flow risk from interest rate fluctuations

The Group has some bank deposits, short-term and long-term bank loans with floating interest rates. As a result, their effective interest rates will change as the market interest rates change.

f. Cash flow hedge

For the years ended December 31, 2012 and 2011, the Group used cross-currency swaps and foreign exchange swap contracts to hedge against cash flow fluctuation on its foreign currency-denominated assets, respectively:

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Year for Realization of Gains or Losses
		Notional Amount		Fair Value		
		2012	2011	December 31	2011	
Foreign currency - denominated assets	Cross-currency swap - Far EastOne	US\$ 5,000,000	US\$ 5,000,000	\$ 4,650	\$ (75)	2013
	Foreign exchange swap - NCIC	US\$68,000,000	US\$30,000,000	17,312	1,500	2013
	Foreign exchange swap - NCIC	-	US\$35,000,000	-	(2,592)	2013
						2013

27. 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 (FENC)	Ultimate parent company
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 the Group (same ultimate parent company since December 28, 2011)
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Equity-method investee of the Group (same ultimate parent company since December 28, 2011)
iScreen Corporation	Equity-method investee of Far EastOne
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
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Same chairman as parent company's Subsidiary of SOGO
Far Eastern Big City Shopping Malls Co., Ltd. (Big City)	Same chairman as parent company's
Der Ching Investment Corporation (Der Ching)	Same chairman as parent company's
Yue-Tung Investment Corporation (Yue-Tung)	Same chairman as parent company's
Far Eastern Citysuper Co., Ltd.	Same chairman as parent company's
Ya Tung Department Store Co., Ltd.	Same chairman as parent company's
Fu Dar Transportation Corporation	Same chairman as parent company's
Fu-Ming Transportation Co., Ltd.	Same chairman as parent company's
YDT Technology International Co., Ltd. (YDTTI)	Same ultimate parent company
Nan Hwa Cement Corporation	Same chairman as parent company's
Ya Tung Ready Mixed Concrete Co., Ltd.	Same chairman as parent company's
Oriental Securities Corporation Ltd.	Equity-method investee of ultimate parent company
Yuan Ding Co., Ltd.	Same ultimate parent company
Far Eastern Department Stores Co., Ltd. (FEDS)	Same chairman as Far EastOne's
Asia Cement Co., Ltd. (ACC)	Same chairman as Far EastOne's
Oriental Union Chemical Corporation	Same chairman as Far EastOne's
Far Eastern Geant Company Ltd.	Same chairman as Far EastOne's
Far Eastern Hospital	Same chairman as Far EastOne's
Oriental Institute of Technology	Same chairman as Far EastOne's
Far Eastern Plaza Hotel	Equity-method investee of ultimate parent company
Yuan-Ze University (YZU)	Same chairman as Far EastOne's
U-Ming Marine Transport Corporation	Same chairman as Far EastOne's
Chiahui Power Corporation	Same chairman as Far EastOne's
Far Eastern Medical Foundation	Same chairman as Far EastOne's
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
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co., Ltd.	Same ultimate parent company
Oriental Petrochemical (Taiwan) Co., Ltd.	Same ultimate parent company

(Continued)

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

Related Party	Relationship with the Group	Year Ended December 31			
		2012	2011	2012	2011
Amount	%	Amount	%	Amount	%
Yuan Ding Investment Corporation (YDI)	Same ultimate parent company				
Air Liquide Far Eastern Co., Ltd.	Equity-method investee of 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 Co., Ltd.	Same ultimate parent company				
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company				
Oriental Textile (Holding) Ltd.	Same ultimate parent company				
Far Eastern Fibertech Co., 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 New Century (China) Investment Limited	Same ultimate parent company				
Sino Belgium (Holding) Ltd.	Same ultimate parent company				
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company				
FETG Investment Antilles N.V.	Same ultimate parent company				
Far Eastern Apparel (Vietnam) Ltd.	Same ultimate parent company				
Ming Ding Corp.	Same ultimate parent company				
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company				
Far Eastern Industries (Wuxi) Ltd.	Same ultimate parent company				
Oriental Industries (Suzhou) 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				
Sugian Far Eastern Apparel Co., Ltd.	Same ultimate parent company				
FET Consulting Engineer Co., Ltd.	Same ultimate parent company				
Far Eastern Realty Management Co., Ltd.	Same ultimate parent company				
YDC (Virgin Islands) Ltd.	Same ultimate parent company				
Yuan Ding Integrated Information Service Inc.	Same ultimate parent company				
Speedy (Shanghai) digital Tech. Co., Ltd.	Same ultimate parent company				
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Same ultimate parent company				
Far Eastern Textile Ltd.	Same ultimate parent company				
DDIM (Virgin Islands) Ltd.	Same ultimate parent company				
Worldwide Polychem (HK) Limited	Same ultimate parent company				
Far Eastern Petrochemical (Yangzhou) Corporation	Same ultimate parent company				
Far Eastern Leasing Corporation	Subsidiary of FEILC				
Ding Ding Management Consultant Co., Ltd. (DDMC)	Equity-method investee of ultimate parent company				
Connie Hsu	Related with the chairman of Far EastOne with the second degree of consanguinity				
	(Concluded)				

	Year Ended December 31			
	2012		2011	
	Amount	%	Amount	%
Operating revenue				
SOGO	\$ 525,481	1	\$ 490,709	1
FEDS	512,471	1	202,891	-
BIG CITY	130,564	-	-	-
FETC	49,313	-	48,055	-
FEIB	47,747	-	47,637	-
FEEC	40,448	-	13,252	-
Other	145,369	-	124,025	-
	<u>\$ 1,451,393</u>	<u>2</u>	<u>\$ 926,569</u>	<u>1</u>

Operating revenues from related parties include revenue from sales of cellular phone equipment and accessories, telecommunication service, leased circuit, storage service and customer service, of which the terms and conditions conformed to normal business practice.

	Year Ended December 31			
	2012		2011	
	Amount	%	Amount	%
Operating costs and expenses				
Cost of telecommunications service				
Other	<u>\$ 2,426</u>	<u>-</u>	<u>\$ 7,980</u>	<u>-</u>
Rental				
FEILC	\$ 56,081	2	\$ 53,050	1
FETRD	55,096	1	52,652	1
FEDS	46,634	1	15,776	-
SOGO	33,242	1	31,331	1
Other	27,478	-	16,212	-

Marketing expense					
DDIM	\$ 131,209	1	\$ 151,286	1	
Other	19,849	-	3,481	-	
	\$ 151,058	1	\$ 154,767	1	
Service fee					
FCHRC	\$ 188,057	35	\$ 247,631	58	
Other	564	-	2,392	1	
	\$ 188,621	35	\$ 250,023	59	

Donation expense					
TTF	\$ 7,000	9	\$ 7,000	5	
YZU	-	-	80,000	54	
	\$ 7,000	9	\$ 87,000	59	

Year Ended December 31

	2012	%	2011	%
Amount			Amount	
Other expense				
FENC	\$ 48,658	-	\$ 64,101	-
Other	<u>356</u>	-	-	-
	\$ 49,014	-	\$ 64,101	-

The above companies provide telecommunication services to the Group. The terms and conditions conformed to normal business practice.

All the terms and conditions of above rental contract conformed to normal business practice.

Year Ended December 31

	2012	%	2011	%
Amount			Amount	
Acquisition of equity-method investments -				
YCIC				
Der Ching	\$ -	-	\$ 701,981	42
FEILC	-	-	190,579	12
Yue-Tung	-	-	98,572	6
Other	-	-	90	-
	\$ -	-	\$ 991,222	60

Acquisition of properties

Other	\$ 21,281	-	\$ 7,264	-
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Far EastOne merged with YCIC by cash at NT\$10.93 per share, which included 90,688 shares acquired from related parties in 2011.

December 31

	2012	%	2011	%
Amount			Amount	
Demand deposits, checking deposits and certificates of deposits				
FEIB	\$ 5,856,098	40	\$ 5,418,412	48

The Group had demand deposits, checking deposits and certificates of deposits (CDs) in FEIB. These deposits included the proceeds of Far EastOne's sale of prepaid cards and NCIC's sale of international calling cards, which were consigned to FEIB as trust funds (Note 19). Some of these CDs had been pledged as collaterals to the National Tax Administration of Taipei and FEIB; thus, these CDs were included in the pledged certificates of deposits.

December 31

	2012	%	2011	%
Amount			Amount	
Hedging derivative financial assets				
FEIB	\$ 1,950	9	\$ 1,500	100

NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. The notional amounts were US\$30,000,000 each as of December 31, 2012 and 2011. Related expenses were treated as interest expenses.

December 31

	2012	%	2011	%
Amount			Amount	
Accounts receivable - related parties				
FEDS	\$ 60,226	36	\$ 40,991	38
SOGO	48,826	29	39,239	36
Big City	34,178	20	-	-
FENC	3,898	2	7,409	7
Other	<u>22,151</u>	13	<u>20,933</u>	19
	\$ 169,279	100	\$ 108,572	100
Other receivables - related parties				
FETC	\$ 8,301	50	\$ 2,124	12
FEIB	7,243	43	6,074	35
ACC	1,073	6	1,073	6
YDI	-	-	7,552	43
Other	<u>42</u>	1	<u>625</u>	4
	\$ 16,659	100	\$ 17,448	100
Refundable deposits				
DDIM	\$ 41,733	8	\$ 38,595	8
FETC	34,118	6	56	-
Other	<u>2,369</u>	-	<u>2,353</u>	-
	\$ 78,220	14	\$ 41,004	8
Accounts payables - related parties				
FEDS	\$ 2,339	54	\$ 1,780	60
YDITI	1,797	41	-	-
DDIM	-	-	541	18
FETC	-	-	156	5
Other	<u>213</u>	5	<u>473</u>	17
	\$ 4,349	100	\$ 2,950	100
Other payables - related parties				
DDIM	\$ 75,114	45	\$ 90,686	60
FENC	25,971	15	25,217	17
FETC	19,131	11	4,048	3
YDITI	17,895	11	530	-
FCHRC	11,717	7	19,073	13
Other	<u>18,601</u>	11	<u>10,312</u>	7
	\$ 168,429	100	\$ 149,866	100

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

Year	Amount
2013	\$ 3,249,972
2014	3,316,196
2015	3,354,538
2016	3,401,075
2017	3,503,061

d. Far EastTone provided a \$161,020 thousand guarantee for Q-ware Com.'s bank loans.

29. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for the purchase of inventory and for long-term and short-term bank loans and as part of administrative tax remedies, issuance of letters of credit and undertaking government projects, were as follows:

	December 31	
	2012	2011
Properties, net		\$ 419,461
Pledged certificates of deposits - current	\$ 416,022	28,356
Pledged certificates of deposits - noncurrent	207,117	34,624
Restricted assets - current	43,771	6
	-	
	\$ 666,910	\$ 482,447

30. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2012 and 2011, the Group's significant financial assets and financial liabilities not denominated in New Taiwan Dollars were as follows:

	(In Thousands, Except Exchange Rate)					
	December 31			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	\$ 45,728	29.04	\$ 1,327,941	\$ 12,407	30.275	\$ 375,622
EUR	-	-	-	4	39.18	148
JPY	4	0.3364	1	25	0.3906	10
HKD	4	3.747	15	51	3.897	199
RMB	34,758	4.620	160,588	10,510	4.805	50,520
SGD	30	23.76	713	30	23.31	699
Nonmonetary items						
USD	64,643	29.04	1,877,246	70,704	30.275	2,140,566

(Continued)

	Year Ended December 31		2011	
	2012	%	Amount	%
Nonoperating income and gains				
Interest				
FEIB	\$ 64,226	41	\$ 43,984	34
YDI	12,407	8	20,000	16
ACC	4,003	3	4,001	3
Other	15	-	9	-
	\$ 80,651	52	\$ 67,994	53
Rent				
YDTTI	\$ 4,701	9	\$ 4,339	7
FETC	2,246	4	-	-
DDMC	1,629	3	1,955	3
FETRD	202	-	1,607	3
Other	1,386	3	322	1
	\$ 10,164	19	\$ 8,223	14
Nonoperating expenses and losses				
Interest				
FEIB	\$ 4,516	10	\$ 7,539	12
FEILC	-	-	398	1
	\$ 4,516	10	\$ 7,937	13

All the terms and conditions of the above rental contracts conformed to normal business practice.

c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2012	2011
Salary and bonus	\$ 248,142	\$ 185,304
Remuneration paid from distribution of earnings	100,972	83,312
Bonus paid from distribution of earnings	39,121	35,856
Operation allowance of directors	10,397	10,990
	\$ 398,632	\$ 315,462

28. COMMITMENTS AS OF DECEMBER 31, 2012

In addition to those disclosed in other notes, the Group had the following significant commitments:

- The Group was under contracts to acquire properties and cellular phone equipment for \$6,236,051 thousand and \$7,992,370 thousand, respectively, of which \$839,153 thousand and \$3,581,443 thousand, respectively, had been paid.
- Linkwell provided a \$100,000 thousand of bank guarantee for its purchases.

December 31

	2012	2011	
Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
New Taiwan Dollars		New Taiwan Dollars	
Monetary items			
USD	\$ 19,491	\$ 29,04	\$ 566,026
EUR	148	38,49	5,711
JPY	1,308	0,3364	440
RMB	14,447	4,620	66,746
			25,694
			(Concluded)

Financial liabilities

Monetary items			
USD	\$ 19,491	\$ 29,04	\$ 566,026
EUR	148	38,49	5,711
JPY	1,308	0,3364	440
RMB	14,447	4,620	66,746
			25,694
			(Concluded)

31. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

a. Important transactions and b. information on the Group's investees.

- 1) Financing provided: Schedule A
- 2) Endorsement/guarantee provided: Schedule B
- 3) Marketable securities held: Schedule C
- 4) Marketable securities acquired or disposed posed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- 7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule F
- 9) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule G
- 10) Derivative transactions of investees over with Far EasTone has a controlling interest: Note 26
- c. Investment in Mainland China:
 - 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Schedule H
 - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Schedule I
 - 3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None

- 4) Financings directly or indirectly provided to the investees: None
- 5) Other transactions that significantly impacted current period's profit or loss or financial position: None

d. Additional disclosure for consolidated financial statements:

- 1) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule I
- 2) Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None

32. OPERATING SEGMENT INFORMATION

a. Industry information

The information provided to the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on the type of goods or services delivered or provided. As required by SFAS No. 41 - "Operating Segments," the Group defined its operating segments as follows:

- 1) Mobile services business: Providing mobile telecommunications services;
- 2) Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services;
- 3) Sales business: Selling cellular phones, computers and accessories;

Segment operating income represented the profit generated by each operating segment, which included specifically attributable segment revenue, interest revenue, other revenue, equity in investees' net losses, interest expense, other expense and general and administrative expense. The profits were the measure reported to the chief operating decision maker to allocate resources to the segments and assess their performance. However, the measure of segment assets was not provided to the chief operating decision maker.

The Group's revenues and operating results were analyzed by the operating segments as follows:

	Year Ended December 31, 2012			Adjustment and Elimination	Consolidation
	Mobile Services Business	Fixed-line Services Business	Sales Business		
Revenues generated from external customers	\$ 59,162,444	\$ 10,160,687	\$ 17,422,159	\$ -	\$ 86,745,290
Revenues generated from the Group (Note A)	1,681,150	2,016,796	31,829	(3,729,775)	-
Total revenues	\$ 60,843,594	\$ 12,177,483	\$ 17,453,988	\$ (3,729,775)	\$ 86,745,290
Segment operating income	\$ 11,602,072	\$ 1,528,038	\$ 1,434,522	\$ (1,559,973)	\$ 13,004,659

	Year Ended December 31, 2011			
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination
Revenues generated from external customers	\$ 55,032,549	\$ 9,244,557	\$ 11,471,725	\$ -
Revenues generated from the Group (Note A)	1,281,889	1,424,853	9,517	(2,716,259)
Total revenues	\$ 56,314,438	\$ 10,669,410	\$ 11,481,242	\$ (2,716,259)
Segment operating income (loss)	\$ 10,600,631	\$ (6,101)	\$ 279,253	\$ 778

Note A: Represents sales between segments.

- Geographical information
The Group has no revenue-generating unit that operates outside the ROC.
- Information on major customers
There was no customer accounting for at least 10% of the Group's total operating revenue in 2012 and 2011.

33. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

- On May 14, 2009, the Financial Supervisory Commission (FSC) announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidances translated by the Accounting Research and Development Foundation (ARDF) and issued by the FSC. To comply with this framework, the Group has set up a project team and made a plan to adopt the IFRSs. The main contents of the plan, schedule and status of execution as of December 31, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
1) Build a project team	IFRS project team	Completed
2) Establish a training plan	IFRS project team	Completed
3) Establish an IFRSs implementation plan	IFRS project team	Completed
4) Identify the consolidated entities under IFRSs	IFRS project team	Completed
5) Identify the difference between ROC GAAP and IFRSs	IFRS project team	Completed
6) Evaluate optional exemptions under IFRS based on IFRS1	IFRS project team	Completed

(Continued)

Contents of Plan	Responsible Department	Status of Execution
7) Evaluate the possible impact on information systems	IFRS project team	Completed
8) Evaluate the possible modification of internal control systems	IFRS project team	Completed
9) Select accounting policy under IFRS	IFRS project team	Completed
10) Select optional exemptions under IFRS based on IFRS1	IFRS project team	Completed
11) Prepare the opening balance sheet in conformity with the IFRSs	IFRS project team	Completed
12) Prepare the first IFRS financial statements	IFRS project team	Scheduled for completion in April 2013
13) Modify related internal control system (including financial reporting process and information systems)	IFRS project team	Completed

(Concluded)

- The Group had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

- The reconciliation of consolidated balance sheet as of January 1, 2012

		Reconciliation Difference		IFRSs		Note
Item	Amount	Measurement and Recognition	Disclosure	Amount	Item	
Current assets	\$ 25,167,527	\$ -	\$ (298,944)	\$ 24,868,583	Current assets	1) and 2)
Long-term investments	570,162	(5,225)	-	564,937	Long-term investments	12) and 13)
Properties	51,657,149	-	252,572	51,909,721	Property, plant and equipment	3) and 10)
Intangible assets	16,779,790	-	421,010	16,358,780	Investment properties	4)
Other assets	1,256,105	4,276	(649,152)	611,229	Intangible assets	3) and 10)
					Other non-current assets	2), 3), 4) and 5)
Total assets	\$ 95,430,723	(949)	\$ (218,724)	\$ 95,211,050	Total assets	
Current liabilities	\$ 20,085,202	\$ 75,286	\$ -	\$ 20,160,488	Current liabilities	6), 9) and 11)
Long-term liabilities	170,849	-	-	170,849	Long-term liabilities	
Other liabilities	2,398,224	180,417	(218,724)	2,359,917	Other non-current liabilities	2), 5) and 11)
Total liabilities	22,654,275	255,703	(218,724)	22,691,254	Total liabilities	
Common stock	32,585,008	-	-	32,585,008	Common stock	
Additional paid-in capital	19,546,610	(99,527)	-	19,447,083	Capital surplus	7)
Retained earnings	19,811,394	(146,972)	-	19,664,422	Retained earnings	5), 6), 7), 12), 13) and 14)
Other adjustments	33,855	(7,031)	-	26,824	Other adjustment	
Total controlling interest of Far East One	71,976,867	(253,530)	-	71,723,337	Far East One's equity	
Minority interest	799,581	(3,122)	-	796,459	Non-controlling interest	5), 6) and 13)
Total stockholders' equity	72,776,448	(256,652)	-	72,519,796	Total equity	
Total liabilities and stockholder's equity	\$ 95,430,723	(949)	\$ (218,724)	\$ 95,211,050	Total liabilities and stockholder's equity	

2) The reconciliation of the consolidated balance sheet as of December 31, 2012

Item	ROC GAAP		Reconciliation Difference		IFRS		Note
	Amount	Measurement	Discourse		Amount	Item	
Current assets	\$ 28,562,145	\$ -	\$ (32,895)		\$ 28,238,250	Current assets	1) and 2)
Long-term investments	1,183,073	(5,996)	-		1,177,477	Long-term investments	12) and 13)
Properties	51,043,955	-	188,832		51,232,787	Property, plant and equipment	3) and 10)
Intangible assets	-	-	459,483		459,483	Investment properties	4)
Other assets	16,001,594	-	38,446		16,040,040	Intangible assets	3) and 10)
	1,376,465	7,285	(677,571)		706,579	Other noncurrent assets	2), 3), 4) and 5)
Total assets	\$ 98,167,232	\$ 1,689	\$ (314,505)		\$ 97,854,416	Total assets	
Current liabilities	\$ 21,776,655	\$ 77,535	\$ -		\$ 21,854,190	Current liabilities	6), 9) and 11)
Long-term liabilities	96,703	-	-		96,703	Long-term liabilities	
Other liabilities	2,618,695	231,069	(314,505)		2,535,259	Other noncurrent liabilities	2), 5) and 11)
Total liabilities	24,492,053	308,604	(314,505)		24,486,152	Total liabilities	
Common stock	32,585,008	-	-		32,585,008	Common stock	
Capital surplus	17,867,334	(128,273)	-		17,739,061	Capital surplus	
Retained earnings	22,366,064	(160,111)	-		22,205,953	Retained earnings	7)
Other adjustments	104,473	(7,154)	-		97,319	Other adjustment	5), 6), 7), 8), 12), 13)
Total controlling interest of Far East One	72,922,879	(295,538)	-		72,627,341	Far East One's equity	8) and 14)
Minority interest	-	(11,377)	-		740,923	Noncontrolling interest	
Total stockholders' equity	73,625,172	(306,915)	-		73,388,264	Total equity	5), 6), 8) and 13)
Total liabilities and stockholders' equity	\$ 98,167,232	\$ 1,689	\$ (314,505)		\$ 97,854,416	Total liabilities and stockholders' equity	

3) The reconciliation of consolidated statement of income for the year ended December 31, 2012

Item	ROC GAAP		Reconciliation Difference		IFRS		Note
	Amount	Measurement	Discourse		Amount	Item	
Operating revenues	\$ 86,745,290	\$ (79,993)	\$ -		\$ 86,665,697	Operating revenues	9)
Operating costs	(51,491,245)	909	(5,582)		(51,495,918)	Operating costs	3), 5) and 6)
Gross profit	35,254,045	(78,684)	(5,582)		35,169,779	Gross profit	
Operating expenses	(21,505,302)	83,482	-		(21,421,822)	Operating expenses	5), 6) and 9)
Operating income	13,748,736	4,803	(5,582)		13,747,957	Operating income	
Nonoperating income and expenses	(744,077)	50,653	5,582		(687,842)	Nonoperating income and expenses	3), 7) and 12)
Consolidated income before income tax	13,004,659	55,456	-		13,060,115	Consolidated income before income tax	
Income tax	(2,374,676)	-	-		(2,374,676)	Income tax	
Consolidated net income	\$ 10,629,983	\$ 55,456	\$ -		\$ 10,685,439	Consolidated net income	
					(2,085)	Exchange differences resulting from translation from the financial statements of foreign operations	
					87,645	Cash flow hedge	
					98,967	Unrealized gains on available-for-sale financial assets	
					(65,867)	Actual gains and losses	
					(113,367)	Share of other comprehensive income of associates and joint venture	
					10,336	Tax relating to components of other comprehensive income	
					15,626	Other comprehensive income for the year, net of tax	
					\$ 10,701,065	Total comprehensive income for the year	

4) According to the related regulations on special reserve issued by the FSC on April 6, 2012, the adjusted unappropriated earnings as of January 1, 2012 under IFRSs is less than the unappropriated earnings before adopting IFRSs, thus, the Group does not have to appropriate a special reserve for the optional exemption on cumulative translation adjustments.

c. The material reconciliations between the existing accounting policies and the accounting policies to be adopted under IFRSs:

Optional exemptions

IFRS 1-"First-time Adoption of International Financial Reporting Standards" sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies as at January 1, 2012 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition. This standard provides a number of optional exceptions to this general principle. The most significant of these are set out below, together with a description in each case of the exception to be adopted by the Group:

a) Business combinations

The Group has selected not to apply IFRS 3, "Business Combinations", which took place before transition date of IFRSs. As a result, in the consolidated balance sheet as of January 1, 2012, goodwill arising from past business combinations and the related assets, liabilities and non-controlling interest of the Group remains the same as stated under ROC GAAP as of December 31, 2011.

The exemption is also used for the associates of the Group acquired before the transition date.

b) Deemed cost

The Group has measured to evaluate property, plant and equipment, investment properties and intangible assets by cost method under IFRSs retrospectively.

c) Employee benefits

The Group has elected to recognize all cumulative actuarial gains and losses in relation to employee benefit schemes into retained earnings at the date of transition.

d) Cumulative translation adjustments

The Group has elected to recognize all cumulative translation adjustments arising from foreign operations into retained earnings at the date of transition.

e) Compound financial instruments

The liability components of the compound financial instruments issued before is no longer outstanding at the date of transition to IFRSs, thus the Group has elected not to separate these two portions.

f) Service concession arrangements

In practice, the Group has difficulties in retrospective application of IFRIC 12, "Service Concession Arrangements", as of January 1, 2012. The Group has elected the recorded amount of specific service concession agreement under ROC GAAP as the recorded amounts of intangible assets under IFRSs and tests for any impairment of the intangible assets at the date of transition.

The possible impact of the optional exceptions mentioned above has been explained together with the difference description in the following items.

Material differences between IFRSs and ROC GAAP

The Group has identified the possible material differences of accounting policies between IFRSs and ROC GAAP, which are summarized as follows:

1) Certificates of deposits with over-three-month maturity period

Under ROC GAAP, cash and cash equivalents are cash on hand, demand deposits, checking deposits, certificates of deposits that are cancellable without any loss of principal and negotiable certificates of deposits that are readily saleable without any loss of principal. Transition to IFRSs, cash equivalents are investments that can transfer to cash at any time with immaterial risk on value. Thus, certificates of deposits with maturity over three months from the date of acquisition will be separately disclosed from cash and cash equivalents in the balance sheet.

As of January 1 and December 31, 2012, the Group reclassified \$7,695,765 thousand and \$1,191,557 thousand from cash and cash equivalents to certificates of deposits, respectively.

2) Classification of deferred income tax assets or liabilities and valuation allowance

Under ROC GAAP, a deferred income tax asset and liability is 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. In addition, a valuation allowance is recognized for deferred income tax assets that are not certain to be realized. Transition to IFRSs, a deferred income tax asset and liability is always classified as noncurrent and a deferred income tax assets is recognized only if realization of tax benefit is probable. Thus, valuation allowance is no longer used.

As of January 1 and December 31, 2012, the Group reclassified \$218,724 thousand and \$314,505 thousand of deferred income tax assets - current to deferred income tax liabilities - noncurrent, respectively, and reclassified \$80,220 thousand and \$9,390 thousand of deferred income tax assets - current to deferred income tax assets - noncurrent, respectively.

3) Classification of deferred charges and idle properties

Under ROC GAAP, deferred charges and idle properties are classified under other assets. Transition to IFRSs, deferred charges and idle properties are classified under property, plant and equipment and intangible assets - computer software according to the nature.

As of January 1, 2012 and December 31, 2012, the Group reclassified \$31,689 thousand and \$34,787 thousand of deferred charges to intangible assets - computer software and reclassified deferred charges and idle properties \$276,673 thousand and \$192,491 thousand to property, plant and equipment, respectively. For the year ended December 31, 2012, the Group reclassified \$5,582 thousand of depreciation of idle properties in nonoperating expenses and losses to operating costs.

4) Investment properties

Under ROC GAAP, properties held for rental were recognized as other assets. Transition to IFRSs, a property or a building held to earn rentals or for capital appreciation or both, was recognized as investment properties. Thus, the Group reclassified a property or a building held for either or both purpose to investment properties.

As of January 1 and December 31, 2012, the Group reclassified \$421,010 thousand and \$459,483 thousand from rental assets to investment properties.

5) Employee benefits

Under ROC GAAP, actuarial gains and losses are recognized using the corridor approach. The portion of those actuarial gains and losses to be recognized is calculated as the excess divided by the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. Transition to IFRSs, actuarial gains and losses should be recognized immediately in other comprehensive income and retained earnings in statement of changes in equity and should not be reclassified to profit or loss at a subsequent period.

Under ROC GAAP, unrecognized net transition obligation from first-adoption of SFAS No. 18, "Accounting for Pensions", should be amortized by expected average remaining service lives of the employees who are still in service and expected to receive pension benefits using the straight-line method and recorded in net pension cost. Transition to IFRSs, the Group is not subject to the transition requirements of IAS 19. Thus, unrecognized net transition obligation should be recognized immediately to retained earnings.

As of January 1, 2012, the Group recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to \$177,522 thousand into retained earnings, increased non-controlling interest amounting to \$1,381 thousand, decreased \$45,568 thousand of deferred income tax liabilities, increased \$4,276 thousand of prepaid pension cost and increased \$225,985 thousand of accrued pension costs.

As of December 31, 2012, the Group recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to \$226,337 thousand into retained earnings, increased non-controlling interest amounting to \$2,553 thousand, decreased \$530 thousand of deferred income tax assets and \$57,269 thousand of deferred income tax liabilities, increased \$7,815 thousand of prepaid pension cost and increased \$288,338 thousand of accrued pension costs. The pension expense was decreased by \$7,052 thousand (\$1,357 thousand included in operating costs and \$5,695 thousand included in operating expenses), and other comprehensive income was decreased by \$54,695 thousand for the year ended December 31, 2012 (net of the effect of tax \$11,172).

6) Short-term accumulating compensated absences

Short-term accumulating compensated absences are not specifically addressed under ROC GAAP and usually recognized as salary expense while distributed. Transition to IFRSs, accumulating compensated absences are recognized as salary expense when the employees render services that increase their entitlement to future compensated absences.

As of January 1 and December 31, 2012, the Group accrued \$75,286 thousand and \$77,535 thousand of accumulating compensated absences, and decreased \$71,382 thousand and \$73,001 thousand of retained earnings and decreased \$3,904 thousand and \$4,534 thousand of non-controlling interest, respectively. For the year ended December 31, 2012, the Group increased salary expense \$2,249 thousand (\$448 thousand included in operating costs and \$1,801 thousand included in operating expenses.)

7) Changes in subsidiary's or associate's ownership interest resulting from the issuance of shares by the subsidiary or associate

Under ROC GAAP, if an investee issues new shares and an investor does not subscribe for new shares proportionately, the investor's ownership percentage and also its interest in net assets of the investment will be changed. The resulting difference was adjusted in capital surplus - from long-term equity-method investments and equity-method investments. Transition to IFRSs, changes in an associate's ownership interest without losing significant influence would be treated as a deemed acquisition or disposal. Moreover, changes in an subsidiary's ownership without losing control would be treated as an equity transaction.

In addition, according to "Q&A for Adoption of International Financial Reporting Standards by Companies in the ROC," issued by TWSE, capital surplus does not follow the regulations of IFRSs, or those with no violation of related regulation of Company Law and related interpretations issued by the MOEA should be adjusted at the transition date.

As of January 1 and December 31, 2012, the Group decreased capital surplus and increased retained earnings by \$99,527 thousand and \$128,273 thousand, respectively. The nonoperating income and gains was adjusted to increase \$50,988 thousand for the year ended December 31, 2012 as a result of changes in associates' ownership which was deemed as disposal under IFRS.

8) Loss in excess of a subsidiary's interest

Under ROC GAAP, when negative book value of Group's long-term investment is resulting from net loss of an investee, unless there is any other evidence acquired, the Group has to bear all the losses in excess of the capital that originally attributable to non-controlling interest. Transition to IFRSs, comprehensive income should be attributed to equity stockholders of the parent and non-controlling interest, even though the balance of non-controlling interest becomes negative.

For the year ended December 31, 2012, the Group recognized the loss in excess of a subsidiary's interest amounting to \$8,920 thousand. Thus, the Group increased \$8,920 thousand of retained earnings and decreased \$123 thousand of other comprehensive income and \$8,797 thousand of non-controlling interest under IFRSs.

9) Bonus points

Under ROC GAAP, the liabilities arising from bonus points should be recognized as marketing expenses when incurred. Transition to IFRSs, bonus points, which is allocated based on the relative fair value, should be included in deferred revenue and recognized as revenue when the third party fulfills the redemption obligations.

As of January 1 and December 31, 2012, the Group reclassified \$95,788 thousand and \$53,573 thousand of accrued bonus points to deferred revenues of bonus points, respectively.

For the year ended December 31, 2012, the Group adjusted \$79,593 thousand of bonus points expenses into the deduction of operating revenues.

10) Service concession arrangements

In practice, the Group has difficulties in retrospective application of IFRIC 12, "Service Concession Arrangements", as of January 1 and December 31, 2012. Therefore, the Group has elected the recorded amount of the specific service concession arrangement of \$24,101 thousand and \$3,659 thousand, respectively, under ROC GAAP as the recorded amounts of intangible assets under IFRSs.

11) Product warranty and dismantling obligation

As of January 1, 2012, the Group reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to \$69,543 thousand and \$505,330 thousand, respectively.

As of December 31, 2012, the Group reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to \$96,306 thousand and \$650,648 thousand, respectively.

12) Equity-method investments

The Group has evaluated significant differences between current accounting policies and IFRS for the Group's associates accounted for by the equity method. The significant difference is mainly due to employee benefits and short-term accumulating compensated absences.

As of January 1, 2012 and December 31, 2012, the Group decreased \$3,685 thousand and \$4,056 thousand of equity-method investments and retained earnings, respectively. The nonoperating income and gains was decreased by \$335 thousand and other comprehensive income was decreased by \$36 thousand for the year ended December 31, 2012 as a result of the differences of the associates.

13) Loss of significant influence

Under ROC GAAP, if the Group loses the significant influence over an investee because of a decrease in ownership or any other reasons, the Group should stop using the equity method and, at the same time, recognize the carrying value as the investment cost.

If there is additional paid-in capital or other equity items arising from the equity-method investment, the Group should consider the related items in calculating the gain or loss on investment disposal.

Under IFRS, the Group needs to compare the fair value of the remaining investments plus proceeds of equity-method investments with the carrying value of the investment before disposal and recognize the gain or loss on the disposal.

As of January 1, 2012, and December 31, 2012, the Group decreased financial assets carried at cost - noncurrent by \$1,540 thousand each on both date and decreased retained earnings and non-controlling interest by \$941 thousand and \$599 thousand, respectively.

14) Cumulative translation adjustments

On January 1, 2012, the Group has elected to recognize all cumulative translation adjustments arising from foreign operations as retained earnings. Thus, the Group deducted the cumulative translation adjustment from other adjustments included in stockholders' equity on transition date while calculating the gain or loss of any foreign operations after the transition date. As of January 1, 2012 and December 31, 2012, the Group had decreased cumulative translation adjustments by \$7,031 thousand and increased retained earnings by \$7,031 thousand.

d. The Group has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the related government authorities may issue new rules governing the adoption of IFRSs by companies. Actual accounting policies adopted under IFRSs in the future may differ from those contemplated during the assessments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED YEAR ENDED DECEMBER 31, 2012										
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No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Notes A and B)	Financing Company's Financing Amount Limits (Notes A and B)
											Item	Value		
1	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	Other receivables - related parties	\$ 59,677 (RMB 12,600,000) (Note B)	\$ 58,175 (RMB 12,600,000) (Note B)	6.56%-7%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	\$ 58,531 (RMB 12,677,000)	73,163 (RMB 15,846,000)

Note A: The maximum total financing provided amount for short-term financing should not exceed 50% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counter-party should not exceed 40% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of the most current audited or reviewed financial statements.

Note B: The maximum balance for the year shown above was the amounts allowed, while the actual withdrawal amount was RMB12,600,000.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Year (Note B)	Ending Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd. KGEx.com Co., Ltd.	Subsidiary Subsidiary	\$ 36,461,440 36,461,440	\$ 199,287 45,000	\$ 161,020 45,000	\$ - -	0.22% 0.06%	\$ 72,922,879 72,922,879

Note A: The maximum total endorsement/guarantee amount were equal to Far EasTone's net worth, while the limit of endorsement/guarantee amount for each counter-party should not exceed 50% of Far EasTone's net worth.

Note B: The maximum balance for the period and the ending balance shown above were the amounts allowed, while the actual appropriations by Q-ware Com. and KGEx.com were \$161,020 thousand and \$7,202 thousand, respectively.

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

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

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value		
Far EasTone Telecommunications Co., Ltd.	<u>Stocks</u> New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	2,599,448,983	\$ 29,407,288	100.00	\$ 29,407,288	Notes A and D	2,599,448,983
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,257,870	61.07	1,257,870	Notes A and D	82,009,242
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	254,239,581	995,311	39.42	995,311	Notes A and D	254,239,581
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	112,375,356	870,403	99.97	870,403	Notes A and D	112,375,356
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	124,400	100.00	124,400	Notes A and D	1,200
	Yuan Cing Co., Ltd.	Equity-method investee	Prepayment for long-term investments	18,382,501	96,379	95.00	96,379	Notes A and D	18,382,501
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	90,460	85.92	90,460	Notes A and D	6,014,622
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	25,105	100.00	25,105	Notes A and D	4,486,988
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Equity-method investments	1,725,000	24,542	15.00	24,542	Notes A and D	1,725,000
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	18,568	40.00	18,568	Notes A and D	4,000,000
	Omusic Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	8,161	50.00	8,161	Notes A and D	2,500,000
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	4,202,000	6,298	13.98	6,298	Notes A and D	4,202,000
	Q-ware Communications Co., Ltd. ACC	Equity-method investee	Equity-method investments Available-for-sale financial assets - current	33,982,812 2,196,699	5,482 82,047	81.46 -	5,482 82,047	Notes A and D Note B	36,459,930 2,196,699
	<u>Open-end mutual funds</u> EasSpring Investments Global Green Solutions Fund (formerly PCA Global Green Solutions Fund)	-	Available-for-sale financial assets - current	4,978,009.80	49,233	-	49,233	Note C	4,978,009.80
	<u>Private funds</u> Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000	149,873	-	149,873	Note C	5,000
	<u>Bonds</u> Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - current and noncurrent	200.00	199,871	-	202,116	Note F	200.00

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value		
ARCOA Communication Co., Ltd.	Stock DataExpress Infotech Co., Ltd. THI consultants	Equity-method investee -	Equity-method investments Financial assets carried at cost - noncurrent	9,213,750 1,213,594	\$ 201,079 13,729	70.00 18.32	\$ 201,079 13,729	Notes A and D Note D	9,213,750 1,213,594
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	289,398	1,488	0.03	1,488	Note D	289,398
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714	Note D	2,086,854
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note D	160,627
New Century InfoComm Tech Co., Ltd.	Stock New Diligent Co., Ltd. Information Security Service Digital United Inc.	Equity-method investee Equity-method investee	Equity-method investments Equity-method investments	80,000,000 14,877,747	733,372 98,420	100.00 100.00	733,372 98,420	Notes A and D Notes A and D	80,000,000 14,877,747
	Simple InfoComm Co., Ltd. Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee Equity-method investee	Equity-method investments Equity-method investments	3,400,000 575,000	20,729 8,181	100.00 5.00	20,729 8,181	Notes A and D Notes A and D	3,400,000 575,000
	Far Eastern Electronic Commerce Co., Ltd. Bank Pro E-service Technology Co., Ltd.	Equity-method investee -	Equity-method investments Financial assets carried at cost - noncurrent	1,503,000 45,000	2,253 4,500	5.00 3.33	2,253 4,500	Notes A and D Note D	1,503,000 450,000
	Share certificates Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investments	3,320,000	26,405	100.00	26,405	Notes A and D	3,320,000
	Open-end mutual funds Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	3,989,223.30	55,150	-	55,150	Note C	3,989,223.30
	Deutsche Far Eastern DWS Global Agribusiness Fund	-	Financial assets at fair value through profit or loss - current	5,000,000.00	50,600	-	50,600	Note C	5,000,000.00
	DFE DWS Global Multi-asset Income Plus FOF-A	-	Financial assets at fair value through profit or loss - current	9,571,256.70	105,858	-	105,858	Note C	9,571,256.70
	Private funds Opas Fund Segregated Portfolio Tranche C	-	Available-for-sale financial assets - current	15,000	525,284	-	525,284	Note C	30,000
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	10,000	299,746	-	299,746	Note C	10,000
	Opas Fund Segregated Portfolio Tranche E	-	Available-for-sale financial assets - current	27,671.663	902,343	-	902,343	Note C	27,671.663
Digital United (Cayman) Ltd.	Stock Digital United Information Technologies (Shanghai) Co., Ltd.	Equity-method investee	Equity-method investments	-	US\$ 277,000	100.00	US\$ 277,000	Notes A and D	-

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value		
New Diligent Co., Ltd.	Share certificates Sino Lead Enterprise Limited Far Eastern New Diligent Company Ltd.	Equity-method investee Equity-method investee	Equity-method investments Other liabilities - other	- -	\$ 399 (4)	100.00 100.00	\$ 399 (4)	Notes A and D Notes A and D	- -
DataExpress Infotech Co., Ltd.	Stock Linkwell Tech. Ltd. Home Master Technology Ltd. Jing Yuan Technology Ltd.	Equity-method investee Equity-method investee Equity-method investee	Equity-method investments Equity-method investments Equity-method investments	- - -	42,449 7,251 9,995	100.00 99.99 100.00	42,449 7,251 9,995	Notes A and D Notes A and D Notes D and G	- - -
Far Eastern Info Service (Holding) Ltd.	Share certificates Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 5,043,000	100.00	US\$ 5,043,000	Notes A and D	-
E. World (Holdings) Ltd.	Stocks Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	967,494	US\$ 175,000	4.99	US\$ 175,000	Notes A and D	19,349,994
Far Eastern Tech-info Ltd. (Shanghai)	Share certificates Far Eastern New Century Information Technology (Beijing) Limited	Equity-method investee	Equity-method investments	-	RMB 38,553,000	55.00	RMB 38,553,000	Notes A and D	-

Note A: The calculation was based on audited financial statements as of December 31, 2012.

Note B: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2012.

Note C: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2012.

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

Note E: The carrying values of financial assets at fair value through profit or loss - current and available-for-sale financial assets - current were equal to market values as of December 31, 2012.

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, 2012. 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, 2012.

(Concluded)

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, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Share/Units	Price	Disposal Costs	Gain or Loss	Equity in Net Gain (Loss)	Ending Balance	
					Share/Units	Amount	Share/Units	Amount						Share/Units	Amount
Far EastOne Telecommunications Co., Ltd.	Stock Far Eastern Electronic Toll Collection Co., Ltd. Q-ware Communications Co., Ltd.	Equity-method investments Equity-method investments	Issuance of capital stock for cash Issuance of capital stock for cash	- -	167,720,406 36,459,930	\$ 269,609 (295,797)	86,519,175 33,618,213	\$ 865,192 336,183	- 36,095,331 (Note C)	- - -	- -	\$ - -	(139,490) (Note B) (34,904) (Note D)	254,239,581 33,982,812	\$ 995,311 5,482
ARCOA Communication Co., Ltd.	Open-end mutual funds Taishin 1699 Money Market Fund	Available-for-sale financial assets - current	-	-	4,606,155.06	60,000	4,596,489.91	60,000	9,202,644.97	120,055	120,000	55	-	-	-
New Century InfoComm Tech Co., Ltd.	Overseas fund Opas Fund Segregated Portfolio Tranche C	Available-for-sale financial assets - current	-	-	30,000	955,500	-	-	15,000	567,434	477,750	89,684	-	15,000	477,750

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

Note B: The investment loss recognized under equity method was \$(77,134) thousand and the effect of change in ownership percentage due to investee's issuance of capital stock for cash amounting to \$50,977 thousand.

Note C: The shares owned by Far EastOne decreased because Q-ware Communications Co., Ltd. reduced its capital to offset the accumulated loss in July 2012.

Note D: The investment loss recognized under equity method was \$(34,904) thousand.

SCHEDULE E

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, 2012
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable or (Payable)	
			Purchase (Sale)	Amount	% to Total	Unit Price	Payment Terms	Ending Balance	% to Total
Far Easfone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating revenues Cost of telecommunications services, marketing expenses and cost of sales	\$ (330,641) 11,863,531	(1%) 21%	- -	- -	Accounts receivable Accounts payable and accrued expense	\$ 247,885 (1,060,889)
	KGEx.com Co., Ltd. New Century InfoComm Tech Co., Ltd.	Subsidiary Subsidiary	Operating revenues Cost of telecommunications services	(205,751) (1,253,750) 1,857,306	- (2%) 8%	- -	- -	Accounts receivable Accounts payable and accrued expense (Note A)	41,748 9,055 (541,332)
	Far Cheng Human Resources Consultant Corp. Ding Ding Integrated Marketing Service Co., Ltd.	Same ultimate parent company Equity-method investee	Service fee Marketing expenses	167,954 124,287	39% 1%	- -	- -	Accrued expenses Accrued expenses	(9,944) (73,148)
	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenues Cost of telecommunications services	(1,857,306) 1,253,750 412,589	(15%) 14% 5%	- -	- -	Accounts receivable (Note B) Accounts payable Accounts payable	541,332 (9,055) (61,487)
ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	Same parent company	Cost of telecommunications services	(11,863,531) 330,641	(75%) 2%	- -	- -	Accounts receivable Accounts payable	1,060,889 (247,885)
	Far Easfone Telecommunications Co., Ltd.	Parent company	Operating revenues and cost of sales	(183,058)	(1%)	-	-	Accounts receivable	14,511
	Home Master Technology Co., Ltd.	Subsidiary	Operating revenues	205,751 (412,589)	26% (5%)	- -	- -	Accounts payable Accounts receivable	(41,748) 61,487
KGEx.com Co., Ltd.	Far Easfone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	Parent company Same parent company	Cost of telecommunications services Operating revenues	(413,566) (390,918)	(17%) (16%)	- -	- -	Accounts receivable Accounts receivable	40,077 43,661
	Pacific Sogo Department Stores Co., Ltd. Far Eastern Department Stores Co., Ltd.	Same chairman of parent companies Same chairman of parent companies	Operating revenues Operating revenues						
DataExpress Infotech Co., Ltd.	ARCOA Communication Co., Ltd.	Parent company	Purchases	183,058	84%	-	-	Accounts payable	(14,511)

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

Note B: Including the receivables collected by Far EasTone for NCIC.

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, 2012**
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd. New Century InfoComm Tech Co., Ltd.	Subsidiary Subsidiary	\$ 249,766 308,690	9.46 (Note A)	\$ - -	- -	\$ 244,235 114,832	\$ - -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	654,976	(Note B)	-	-	411,294	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,060,889	11.56	-	-	588,179	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for NCIC's daily operating expenditures and the management service charges to NCIC.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012		Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership (%)			
Far EastTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	\$ 27,243,773	\$ 27,243,773	2,599,448,983	100.00	\$ 1,560,140	\$ 1,832,550	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,295,035	1,295,035	82,009,242	61.07	264,377	154,767	Notes A and B
ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,540,315	2,444,789	112,375,356	99.97	870,403	3,474	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	2,542,396	1,677,204	254,239,581	39.42	995,311	(77,134)	Notes B and C
	E. World (Holdings) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	(34,698)	(34,698)	Notes A and B
	Far EastTone Holding Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	6,474	5,562	Notes A and B
	Far Eastern Electronic Commerce Co., Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	25,105	(1,336)	Notes A and B
	iScreen Corporation	Taiwan	Electronic information providing services	42,020	42,020	4,202,000	13.98	6,298	(19,803)	Notes B and C
	Omusic Co., Ltd.	Taiwan	Information service	100,000	100,000	4,000,000	50.00	18,568	(2,506)	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	8,161	(18,111)	Notes A and B
	ADCast Interactive Marketing Co., Ltd. (Note E)	Taiwan	Marketing	60,000	60,000	1,725,000	15.00	24,542	13,232	Notes B and C
	Q-ware Communications Co., Ltd.	Taiwan	Internet advertisements and marketing	-	4,652	-	-	(1,953)	(167)	Notes A and B
	Yuan Cing Co., Ltd.	Taiwan	Type II telecommunications services	832,038	495,855	33,982,812	81.46	5,482	(107,475)	Notes A and B
		Taiwan	Call center services	96,379	-	18,382,501	95.00	96,379	(34,904)	Notes A and B
New Century InfoComm Tech Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	9,213,750	70.00	201,079	63,600	Notes B and D
	New Diligent Co., Ltd.	Taiwan	Business consulting and souvenir selling	800,000	800,000	80,000,000	100.00	10,787	10,787	Notes B and D
Digital United (Cayman) Ltd.	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	98,420	1,204	Notes B and D
	Digital United (Cayman) Ltd.	Cayman Islands	Investment	102,442	102,442	3,320,000	100.00	26,405	1,311	Notes B and D
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	20,729	131	Notes B and D
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	15,030	15,030	1,503,000	5.00	2,253	(131,933)	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	20,000	20,000	575,000	5.00	67,896	67,896	Notes B and C
	ADCast Interactive Marketing Co., Ltd. (Note E)	Taiwan	Internet advertisements and marketing	-	85,433	-	-	(1,953)	-	Notes A and B
	Digital United Information Technologies (Shanghai) Co., Ltd.	Shanghai	Design and research of computer system	US\$ 2,100,000	US\$ 2,100,000	-	100.00	US\$ 277,000	(2,461)	Notes B and D
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	399	(124)	Notes B and D
	FarEastern New Diligent Company Ltd.	British Virgin Islands	Electronic information providing services	-	-	-	100.00	(4)	(4)	Notes B and D
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US\$ 2,500,000	US\$ 2,500,000	-	100.00	US\$ 5,043,000	(15,436)	Notes B and D
	Yuan Cing Co., Ltd.	Taiwan	Call center services	9,675	193,500	967,494	4.99	US\$ 175,000	10,058	Notes A and B
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	42,449	23,178	Notes B and D
	Home Master Technology Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	7,251	(280)	Notes B and D
	Jing Yuan Technology Ltd.	Taiwan	Data processing	10,000	10,000	-	100.00	9,995	11	Notes D and F
Far Eastern Tech-info Ltd. (Shanghai)	FarEastern New Century Information Technology (Beijing) Limited	Beijing	Electronic information providing services	RMB 49,874,000	RMB 49,874,000	-	55.00	RMB 38,553,000	(44,705)	Notes B and D

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2012.

Note C: Equity-method investee of Far EastTone.

Note D: Subsidiary of New Century InfoComm Tech Co., Ltd., E. World (Holdings) Ltd., Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd., ARCOA Communication Co., Ltd., DataExpress Infotech Co., Ltd., or Far Eastern Tech-info Ltd. (Shanghai).

Note E: To integrated the resource and enhance effectiveness, the board of directors of NCIC and ADCast resolved to approve the merger of NCIC and ADCast with NCIC as the survivor entity on January 16, 2012. The record date of this merger was set on March 31, 2012.

Note F: The calculation was based on unaudited financial statements as of December 31, 2012.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2012 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2012	Accumulated Investment in Mainland China as of December 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								
Far EastOne Telecommunications Co., Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	\$ 72,600 (US\$ 2,500,000)	(Note B)	\$ 92,616	\$ -	\$ -	\$ 92,616	100%	\$ (15,436)	\$ 146,449 (US\$ 5,043,000)	\$ -	\$ 92,616	\$ 92,616	\$ 43,753,727 (Note D)
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.	Research and design of computer system	60,984 (US\$ 2,100,000)	(Note B)	60,984 (US\$ 2,100,000)	-	-	60,984 (US\$ 2,100,000)	100%	(2,461)	8,044 (US\$ 277,000)	-	60,984 (US\$ 2,100,000)	60,984 (US\$ 2,100,000)	16,509,119 (Note D)
New Diligent Co., Ltd. (Note F)	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and equipment	34,848 (US\$ 1,200,000)	(Note C)	34,848 (US\$ 1,200,000)	-	2,120 (US\$ 73,000)	32,728 (US\$ 1,127,000)	-	-	-	-	32,728 (US\$ 1,127,000)	32,728 (US\$ 1,127,000)	440,023 (Note D)
iScreen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,356 (US\$ 150,000)	(Note C)	2,614 (US\$ 90,000)	-	-	2,614 (US\$ 90,000)	60%	(1,733)	(381)	-	2,614 (US\$ 90,000)	2,614 (US\$ 90,000)	27,852 (Note D)

Note A: The calculation was based on audited financial statements as of December 31, 2012.

Note B: The Company and NCIC made the investments through a company registered in a third region, respectively.

Note C: New Diligent Co., Ltd. and iScreen Corporation made the investment directly.

Note D: Based on the limit, which is 60% of the investor 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.

Note E: Please refer to Schedule I for significant transactions with the investee company.

Note F: On June 27, 2012, New Diligence Corporation (Shanghai) had been remitted back to Taiwan US\$73,000 the investment registered in the Investment Commission of the MOEA and wrote off this same amount.

SCHEDULE I

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES

YEAR ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Year ended December 31, 2012 Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	\$ 9,055	Note F	-
				Other receivables - related parties	299,635	Note F	-
				Refundable deposits	3,592	Note F	-
				Accounts payable - related parties	174,289	Note F	-
				Other payables - related parties	480,687	Note F	-
				Telecommunications service revenues	1,253,750	Note F	1%
				Cost of telecommunications services	1,857,306	Note F	2%
				Rental	16,463	Note F	-
				Telephone fee	38,985	Note F	-
				Marketing expenses	8,500	Note F	-
				Rent	27,434	Note F	-
				Management service revenues	56,746	Note F	-
			1	Accounts receivable - related parties	247,885	Note F	-
				Other receivables - related parties	1,881	Note F	-
				Inventories	6,696	Note F	-
				Accounts payable - related parties	948,354	Note F	1%
				Other payables - related parties	112,535	Note F	-
				Unearned revenues	213,095	Note F	-
				Sales of cellular phone equipment and accessories, net	179,198	Note F	-
				Telecommunications service revenues	151,443	Note F	-
				Cost of sales	11,021,697	Note F	13%
				Cost of telecommunications services	62,910	Note F	-
				Marketing expenses	778,924	Note F	1%
				Rental	6,331	Note F	-
				Telephone fee	3,473	Note F	-
				Nonoperating income and gains	1,053	Note F	-
			1	Accounts receivable - related parties	41,748	Note F	-
				Other receivables - related parties	8,978	Note F	-
				Lease receivable	34,562	Note F	-
				Operating equipment	233,920	Note F	-
				Accumulated depreciation	233,920	Note F	-
				Other payables - related parties	7,570	Note F	-
				Telecommunications service revenues	205,751	Note F	-
				Cost of telecommunications services	30,300	Note F	-
				Marketing expenses	1,274	Note F	-
				Telephone fee	8,204	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
				Rental	\$ 29,413	Note F	-
				Nonoperating income and gains	1,790	Note F	-
				Other payables - related parties	14,297	Note F	-
				General and administrative expenses	110,048	Note F	-
				Nonoperating income and gains	20	Note F	-
				Marketing expenses	1,619	Note F	-
				Telecommunications service revenues	5	Note F	-
				Nonoperating income and gains	6	Note F	-
				Other receivables - related parties	2,626	Note F	-
				Other payables - related parties	4,845	Note F	-
				General and administrative expenses	88	Note F	-
				Nonoperating income and gains	120	Note F	-
				Accounts receivable - related parties	24,596	Note F	-
				Other receivables - related parties	9,510	Note F	-
				Accounts payable - related parties	2,333	Note F	-
				Other payables - related parties	35	Note F	-
				Telecommunications service revenues	1,183	Note F	-
				Cost of telecommunications services	14,288	Note F	-
				Marketing expenses	367	Note F	-
				Nonoperating income and gains	2,442	Note F	-
				Accounts receivable - related parties	302	Note F	-
				Other receivables - related parties	137	Note F	-
				Sales of cellular phone equipment and accessories, net	17,002	Note F	-
				Telecommunications service revenues	10	Note F	-
				Cost of sales	15,931	Note F	-
				Marketing expenses	1,092	Note F	-
				Nonoperating income and gain	31	Note F	-
				Accounts receivable - related parties	69	Note F	-
				Other receivables - related parties	154	Note F	-
				Accounts payable - related parties	11,614	Note F	-
				Other payables - related parties	2,546	Note F	-
				Telecommunications services revenues	15	Note F	-
				Cost of telecommunications services	49,382	Note F	-
				Nonoperating income and gains	44	Note F	-
				Accounts receivable - related parties	759	Note F	-
				Other payables - related parties	1,132	Note F	-
				Sales of cellular phone equipment and accessories, net	7,795	Note F	-
				Marketing expenses	1,078	Note F	-
				Other payables - related parties	55	Note F	-
				Marketing expense	365	Note F	-
				Accounts receivable - related parties	44	Note F	-
				Other receivable - related parties	142	Note F	-
				Other payables - related parties	603	Note F	-
				Telecommunications service revenues	403	Note F	-
				Cost of telecommunications services	20,249	Note F	-
				General and administrative expenses	2,375	Note F	-
				Nonoperating income and gains	26	Note F	-
				Other receivable - related parties	18,063	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)	
				Financial Statement Account	Amount	Payment Terms		
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	\$ 174,289	Note F	-	
				Other receivables - related parties	480,687	Note F	-	
				Accounts payable - related parties	9,055	Note F	-	
				Other payables - related parties	299,635	Note F	-	
				Guarantee deposits received	3,592	Note F	-	
				Telecommunications service revenues	1,910,842	Note F	2%	
				Other operating costs	1,245,241	Note F	1%	
				Other operating revenues	168	Note F	-	
				Cost of telecommunications services	19,220	Note F	-	
				Marketing expenses	11,686	Note F	-	
		ARCOA Communication Co., Ltd.	3	General and administrative expenses	64,464	Note F	-	
				Nonoperating income and gains	12,925	Note F	-	
				Accounts receivable - related parties	234	Note F	-	
				Accounts payable - related parties	57	Note F	-	
				Other payables - related parties	739	Note F	-	
				Telecommunications service revenues	713	Note F	-	
				Cost of telecommunications services	182	Note F	-	
				Marketing expenses	126	Note F	-	
				Accounts receivable - related parties	4,772	Note F	-	
				Other receivables - related parties	9	Note F	-	
		Q-ware Communications Co., Ltd.	3	Accounts payable - related parties	61,487	Note F	-	
				Other payables - related parties	5,509	Note F	-	
				Telecommunications service revenues	39,324	Note F	-	
				Cost of telecommunications services	412,589	Note F	-	
				Accounts receivable - related parties	3,281	Note F	-	
				Guarantee deposits received	720	Note F	-	
				Accounts payable - related parties	237	Note F	-	
				Other payables - related parties	59	Note F	-	
				Telecommunications service revenues	32,828	Note F	-	
				Cost of telecommunications services	1,549	Note F	-	
Far Eastern Tech-Info Ltd. (Shanghai)	3	Marketing expenses	122	Note F	-			
		Nonoperating income and gains	5,431	Note F	-			
		Accounts receivable - related parties	180	Note F	-			
		Telecommunications service revenues	1,785	Note F	-			
		Telecommunications service revenues	50	Note F	-			
		General and administrative expenses	116	Note F	-			
		Nonoperating income and gains	549	Note F	-			
		Telecommunications service revenues	38	Note F	-			
		Nonoperating income and gains	23	Note F	-			
		Accounts payable - related parties	29,009	Note F	-			
ADCast Interactive Marketing Co., Ltd.	3	Cost of telecommunications services	97,069	Note F	-			
		Accounts receivable - related parties	1,293	Note F	-			
		Other receivable - related parties	40	Note F	-			
		Guarantee deposits received	990	Note F	-			
		Accounts payable - related parties	5,805	Note F	-			
		Other payables - related parties	2,640	Note F	-			
		Telecommunications service revenues	1,194	Note F	-			
		Cost of sales	18,326	Note F	-			
		Omusic Co., Ltd.	3	Telecommunications service revenues				
				Nonoperating income and gains				
Sino Lead Enterprise Limited	3	Accounts payable - related parties						
		Cost of telecommunications services						
Information Security Services Digital United Inc.	3	Accounts receivable - related parties						
		Other receivable - related parties						

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
4		New Century InfoComm Tech Co., Ltd.	3	General and administrative expenses	\$ 1,516	Note F	-
				Telephone fee	4,084	Note F	-
				Nonoperating income and gains	8,516	Note F	-
				Nonoperating expenses and losses	274	Note F	-
				Accounts receivable - related parties	61,487	Note F	-
				Other receivables - related parties	5,509	Note F	-
				Accounts payable - related parties	4,772	Note F	-
				Other payables - related parties	9	Note F	-
				Telecommunications service revenues	412,589	Note F	-
				Cost of telecommunications services	39,324	Note F	-
5	Yuan Qing Co., Ltd.	ARCOA Communication Co., Ltd. Q-ware Communications Co., Ltd.	3	Other receivables - related parties	407	Note F	-
				Other operating revenues	2,337	Note F	-
				Accounts receivable - related parties	13	Note F	-
				Telecommunications service revenues	144	Note F	-
				Other receivables - related parties	14,297	Note F	-
				Other operating revenues	110,048	Note F	-
				General and administrative expenses	20	Note F	-
				Accounts payable - related parties	180	Note F	-
				Cost of telecommunications services	1,785	Note F	-
				Other receivables - related parties	61,584	Note F	-
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	3	Other operating revenues	590	Note F	-
				Nonoperating income and gains	2,665	Note F	-
				Other receivables - related parties	4,845	Note F	-
				Other payables - related parties	2,626	Note F	-
				General and administrative expenses	120	Note F	-
				Other operating revenues	88	Note F	-
				Other receivables - related parties	985	Note F	-
				Other operating revenues	6,129	Note F	-
				Accounts receivable - related parties	2,333	Note F	-
				Other receivables - related parties	35	Note F	-
7	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	3	Accounts payable - related parties	24,596	Note F	-
				Other payables - related parties	9,510	Note F	-
				Telecommunications service revenues	14,288	Note F	-
				Cost of telecommunications services	1,183	Note F	-
				Other operating revenues	367	Note F	-
				General and administrative expenses	1,413	Note F	-
				Nonoperating expenses and losses	1,029	Note F	-
				Accounts receivable - related parties	237	Note F	-
				Other receivables - related parties	59	Note F	-
				Refundable deposits	720	Note F	-
8	Yuan Qing Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts payable - related parties	3,281	Note F	-
				Telecommunications service revenues	1,549	Note F	-
				Other operating revenues	122	Note F	-
				Cost of telecommunications services	32,828	Note F	-
				General and administrative expenses	5,431	Note F	-
				Other receivables - related parties	4,845	Note F	-
				Other payables - related parties	2,626	Note F	-
				General and administrative expenses	120	Note F	-
				Other operating revenues	88	Note F	-
				Other receivables - related parties	985	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		KGEx.com Co., Ltd.	3	Accounts payable - related parties Cost of telecommunications services	\$ 13 144	Note F Note F	- -
7	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Other operating revenues General and administrative expenses Other operating revenues Other operating costs General and administrative expenses	1,619 11 116 50 549	Note F Note F Note F Note F Note F	- - - - -
8	Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Telecommunications service revenues	29,009 97,069	Note F Note F	- -
9	Information Security Service Digital United Inc.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Other receivables - related parties Accounts payable - related parties Other payables - related parties Other operating revenues Other operating costs General and administrative expenses Accounts receivable - related parties Other receivables - related parties Refundable deposits Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of telecommunications services General and administrative expenses	603 44 142 22,624 403 26 5,805 2,640 990 1,293 40 40,249 1,194 6,009	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - - - - - - - - - - - -
10	DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd. Linkwell Tech. Ltd. Home Maste Technology Ltd.	2 3 3 3	Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sales Other operating revenues General and administrative expenses Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sales General and administrative expenses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Sales of cellular phone equipment and accessories, net Cost of sales Accounts receivable - related parties Other receivables - related parties Sales of cellular phone equipment and accessories, net	302 137 15,931 17,002 1,092 41 853 226 403 364 13 47 331 538 4,728 2,797 17 42	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - - - - - - - - - - - - - - - -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
11	Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Telecommunications services revenues Cost of telecommunications services General and administrative expenses Cost of telecommunications services General and administrative expenses	\$ 11,614 2,546 69 154 49,382 15 44 38 23	Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - - - - - - -
		New Century InfoComm Tech. Co., Ltd.	3				
12	Linkwell Tech. Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties Accounts payable - related parties Other operating revenues Cost of cellular phone equipment and accessories, net Accounts receivable - related parties Sale of cellular phone equipment and accessories, net Cost of cellular phone equipment and accessories Accounts receivable - related parties Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sale Accounts receivable - related parties Cost of sales	1,132 759 1,078 7,795 4,252 27,077 424 331 13 47 4,728 538 14,596 24	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - - - - - - - - - - - -
		ARCOA Communication Co., Ltd.	3				
		DataExpress Infotech Co., Ltd.	3				
		Home Master Technology Ltd.	3				
13	Home Master Technology Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties Other operating revenues Accounts payable - related parties Cost of sales General and administrative expenses Accounts payable - related parties Other payables - related parties Cost of sales Accounts payable - related parties Sales of cellular phone equipment and accessories, net	55 365 14,511 183,058 66 2,797 17 42 14,596 24	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - - - - - - - -
		ARCOA Communication Co., Ltd.	3				
		DataExpress Infotech Co., Ltd.	3				
		Linkwell Tech. Ltd.	3				
14	Far Eastern New Century Corporation Information Technology (Beijing) Ltd.	Far EasTone Telecommunications Co., Ltd. Far Eastern Tech-Info Ltd. (Shanghai)	2 3	Other payables - related parties Other payables - related parties General and administrative expenses Nonoperating expenses and losses	18,063 61,584 590 2,665	Note F Note F Note F Note F	- - - -
15	Digital United Information Technology Co., Ltd. (Shanghai)	New Century InfoComm Tech. Co., Ltd.	3	Accounts payable - related parties Cost of telecommunications services Other operating revenues	1,084 1,341 1,435	Note F Note F Note F	- - -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Year ended December 31, 2011 Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	\$ 5,754	Note E	-
				Other receivables - related parties	312,249	Note E	-
				Accounts payable - related parties	119,039	Note E	-
				Other payables - related parties	237,933	Note E	-
				Telecommunications service revenues	865,725	Note E	1%
				Sales of cellular phone equipment and accessories, net	4,710	Note E	-
				Cost of telecommunications services	1,326,125	Note E	2%
				Rental	14,534	Note E	-
				Telephone fee	24,568	Note E	-
				Marketing expenses	5,952	Note E	-
				Rent	18,917	Note E	-
				Management service revenues	60,375	Note E	-
				Accounts receivable - related parties	214,228	Note E	-
				Other receivables - related parties	2,037	Note E	-
				Accounts payable - related parties	897,551	Note E	1%
				Other payables - related parties	93,721	Note E	-
				Unearned revenues	124,838	Note E	-
				Sales of cellular phone equipment and accessories, net	218,620	Note E	-
				Telecommunications service revenues	180,298	Note E	-
				Cost of sales	3,242,946	Note E	4%
				Cost of telecommunications services	51,741	Note E	-
				Marketing expenses	695,106	Note E	1%
				General and administrative expenses	9,422	Note E	-
				Nonoperating income and gains	3,564	Note E	-
				Accounts receivable - related parties	40,573	Note E	-
				Other receivables - related parties	7,317	Note E	-
				Lease receivable	42,411	Note E	-
				Operating equipment	289,309	Note E	-
				Accumulated depreciation	233,920	Note E	-
				Accounts payable - related parties	1,955	Note E	-
				Other payables - related parties	1,001	Note E	-
				Telecommunications service revenues	252,390	Note E	-
				Cost of telecommunications services	30,614	Note E	-
				Marketing expenses	1,328	Note E	-
				Rental	37,709	Note E	-
				Nonoperating income and gains	1,963	Note E	-
				Other payables - related parties	34,835	Note E	-
				General and administrative expenses	122,829	Note E	-
				Nonoperating income and gains	13	Note E	-
				Accounts receivable - related parties	3	Note E	-
				Other receivables - related parties	99	Note E	-
				Other payables - related parties	11,260	Note E	-
				Telecommunications revenues	35	Note E	-
				Marketing expenses	9,027	Note E	-
				General and administrative expenses	1,074	Note E	-
				Nonoperating income and gains	28	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
1	Yuan Cing Co., Ltd.	Q-ware Communications Co., Ltd.	1	Other receivables - related parties	\$ 2,399	Note E	-
				Other payables - related parties	2,022	Note E	-
	Yuan Cing Infocomm Tech Co., Ltd. DataExpress Infotech Co., Ltd.	Far EasTron Holding Ltd. Yuan Cing Infocomm Tech Co., Ltd. DataExpress Infotech Co., Ltd.	1	Nonoperating income and gains	193	Note E	-
				Accounts receivable - related parties	68,220	Note E	-
				Other receivables - related parties	10,374	Note E	-
				Accounts payable - related parties	1,955	Note E	-
				Other payables - related parties	1,001	Note E	-
				Telecommunications service revenues	255	Note E	-
				Cost of telecommunications services	12,913	Note E	-
				Marketing expenses	619	Note E	-
				Nonoperating income and gains	2,558	Note E	-
				Other receivables - related parties	389	Note E	-
	Omusic Co., Ltd.	Linkwell Tech. Co., Ltd. Information Security Services Digital United Inc.	1	Nonoperating income and gains	5,697	Note E	-
				Accounts receivable - related parties	8,445	Note E	-
				Accounts payable - related parties	1,540	Note E	-
				Other payables - related parties	7	Note E	-
				Sales of cellular phone equipment and accessories, net	37,609	Note E	-
				Cost of sales	30,258	Note E	-
				Marketing expenses	10,233	Note E	-
				Other receivables - related parties	150	Note E	-
				Accounts payable - related parties	8,598	Note E	-
				Cost of telecommunications services	44,814	Note E	-
2	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Nonoperating income and gains	44	Note E	-
				Accounts receivable - related parties	1,686	Note E	-
	Yuan Cing Infocomm Tech Co., Ltd. DataExpress Infotech Co., Ltd.	Far EasTron Holding Ltd. Yuan Cing Infocomm Tech Co., Ltd. DataExpress Infotech Co., Ltd.	1	Sales of cellular phone equipment and accessories, net	4,561	Note E	-
				Other receivable - related parties	427	Note E	-
				Other payables - related parties	1,769	Note E	-
				Cost of telecommunications services	1,583	Note E	-
				General and administrative expenses	1,769	Note E	-
				Accounts receivable - related parties	119,039	Note E	-
				Other receivables - related parties	237,933	Note E	-
				Accounts payable - related parties	5,754	Note E	-
				Other payables - related parties	312,249	Note E	-
				Telecommunications service revenues	1,327,153	Note E	2%
	ARCOA Communication Co., Ltd.	ARCOA Communication Co., Ltd.	3	Other operating costs	13,939	Note E	-
				Other operating revenues	34,192	Note E	-
				Cost of telecommunications services	837,474	Note E	1%
				Cost of sales	4,678	Note E	-
				Marketing expenses	32,050	Note E	-
				General and administrative expenses	64,677	Note E	-
				Nonoperating income and gains	12,925	Note E	-
				Accounts receivable - related parties	165	Note E	-
				Accounts payable - related parties	71	Note E	-
				Other payables - related parties	17	Note E	-
3	Yuan Cing Infocomm Tech Co., Ltd. DataExpress Infotech Co., Ltd.	Far EasTron Holding Ltd. Yuan Cing Infocomm Tech Co., Ltd. DataExpress Infotech Co., Ltd.	1	Telecommunications service revenues	693	Note E	-
				Cost of telecommunications services	320	Note E	-
	Omusic Co., Ltd.	Linkwell Tech. Co., Ltd. Information Security Services Digital United Inc.	1	Marketing expenses	931	Note E	-
				Accounts receivable - related parties	119,039	Note E	-
				Other receivables - related parties	237,933	Note E	-
				Accounts payable - related parties	5,754	Note E	-
				Other payables - related parties	312,249	Note E	-
				Telecommunications service revenues	1,327,153	Note E	2%
				Other operating costs	13,939	Note E	-
				Other operating revenues	34,192	Note E	-
				Cost of telecommunications services	837,474	Note E	1%
				Cost of sales	4,678	Note E	-
	ARCOA Communication Co., Ltd.	ARCOA Communication Co., Ltd.	3	Marketing expenses	32,050	Note E	-
				General and administrative expenses	64,677	Note E	-
				Nonoperating income and gains	12,925	Note E	-
				Accounts receivable - related parties	165	Note E	-
				Accounts payable - related parties	71	Note E	-
				Other payables - related parties	17	Note E	-
				Telecommunications service revenues	693	Note E	-
				Cost of telecommunications services	320	Note E	-
				Marketing expenses	931	Note E	-
				Accounts receivable - related parties	119,039	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
	KGEEx.com Co., Ltd.		3	Accounts receivable - related parties	\$ 3,869	Note E	-
				Accounts payable - related parties	58,842	Note E	-
				Other payables - related parties	11,180	Note E	-
				Telecommunications service revenues	38,137	Note E	-
				Cost of telecommunications services	409,269	Note E	1%
				Accounts receivable - related parties	2,028	Note E	-
				Accounts payable - related parties	625	Note E	-
				Other payables - related parties	31	Note E	-
				Guarantee deposits received	720	Note E	-
				Telecommunications service revenues	23,926	Note E	-
	Q-ware Communications Co., Ltd.		3	Cost of telecommunications services	876	Note E	-
				Marketing expenses	158	Note E	-
				Nonoperating income and gains	5,302	Note E	-
				Marketing expenses	4,396	Note E	-
				Accounts receivable - related parties	18	Note E	-
				Accounts payable - related parties	75	Note E	-
				Guarantee deposits received	280	Note E	-
				Telecommunications service revenues	292	Note E	-
				Marketing expenses	199	Note E	-
				Nonoperating income and gains	2,195	Note E	-
	Far Eastern Tech-Info Ltd. (Shanghai) ADCast Interactive Marketing Co., Ltd.		3	Other payables - related parties	169	Note E	-
				Telecommunications service revenues	118,156	Note E	-
				Accounts payable - related parties	5,739	Note E	-
				Other payables - related parties	24,028	Note E	-
	Simple Infocomm Co., Ltd. Sino Lead Enterprise Limited Information Security Services Digital United Inc.		3	Cost of telecommunications services	67,092	Note E	-
				Accounts receivable - related parties	246	Note E	-
				Accounts payable - related parties	5,781	Note E	-
				Telecommunications service revenues	1,489	Note E	-
				Cost of sales	5,422	Note E	-
				Other operating costs	6,444	Note E	-
				Marketing expenses	7,691	Note E	-
				Nonoperating income and gains	4,028	Note E	-
2	ARCOA Communication Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	897,551	Note E	1%
				Other receivables - related parties	93,721	Note E	-
			3	Inventories	124,838	Note E	-
				Accounts payable - related parties	214,228	Note E	-
				Other payables - related parties	2,037	Note E	-
				Sales of cellular phone equipment and accessories, net	3,436,459	Note E	5%
				Other operating revenues	573,710	Note E	1%
				Cost of sales	233,737	Note E	-
				Cost of telecommunications services	182,416	Note E	-
				Marketing expenses	975	Note E	-
				Nonoperating income and gains	3,692	Note E	-
				Accounts receivable - related parties	71	Note E	-
	New Century InfoComm Tech Co., Ltd.		3	Other receivables - related parties	17	Note E	-
				Accounts payable - related parties	165	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
3		KGEx.com Co., Ltd. Yuan Cing Co., Ltd. DataExpress Infotech Co., Ltd. Linkwell Tech. Co., Ltd. Home Master Technology Co., Ltd.	3	Other operating revenues	\$ 1,251	Note E	-
				General and administrative expenses	693	Note E	-
				Other payables - related parties	212	Note E	-
				General and administrative expenses	2,407	Note E	-
				Other payables - related parties	1,121	Note E	-
				General and administrative expenses	5,923	Note E	-
				Other receivables - related parties	220	Note E	-
				Accounts payable - related parties	1,365	Note E	-
				Cost of sales	44,441	Note E	-
				Nonoperating income and gains	274	Note E	-
				Unearned revenues	55	Note E	-
				Deferred credits - gain on inter - company transactions	94	Note E	-
				Sales of cellular phone equipment and accessories, net	14,260	Note E	-
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EastOne Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd. Q-ware Communications Co., Ltd. Far Eastern Tech-Info Ltd. (Shanghai) New Century InfoComm Tech Co., Ltd. Far Eastern New Century Information Technology (Beijing) Limited	2	Unrealized inter - company gain	94	Note E	-
				Accounts receivable - related parties	16,047	Note E	-
				Sales of cellular phone equipment and accessories, net	33,814	Note E	-
				Accounts receivable - related parties	1,955	Note E	-
				Other receivables - related parties	1,001	Note E	-
				Operating equipment	55,389	Note E	-
				Accounts payable - related parties	40,573	Note E	-
				Other payables - related parties	7,317	Note E	-
				Lease payable	42,411	Note E	-
				Telecommunications service revenues	40,190	Note E	-
				Other operating revenues	21,339	Note E	-
				Cost of telecommunications services	252,390	Note E	-
				General and administrative expenses	1,493	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Marketing expenses	375	Note E	-
				Nonoperating income and gains	8,122	Note E	-
				Nonoperating expenses and losses	95	Note E	-
				Accounts receivable - related parties	58,842	Note E	-
				Other receivables - related parties	11,180	Note E	-
				Accounts payable - related parties	3,869	Note E	-
				Telecommunications service revenues	409,269	Note E	1%
				Cost of telecommunications services	38,137	Note E	-
				Other receivables - related parties	212	Note E	-
				Other operating revenues	2,407	Note E	-
				Accounts receivable - related parties	13	Note E	-
				Telecommunications service revenues	144	Note E	-
				Other receivables - related parties	34,835	Note E	-
		Far EastOne Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd. Far Eastern New Century Information Technology (Beijing) Limited	2	Other operating revenues	122,829	Note E	-
				General and administrative expenses	13	Note E	-
				Other operating revenues	4,396	Note E	-
				Other receivables - related parties	15,135	Note E	-
			3	Nonoperating income and gains	25	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
5	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	2 3	Other receivables - related parties Other payables - related parties General and administrative expenses Other receivables - related parties Other operating revenues	\$ 2,022 2,399 193 1,121 5,923	Note E Note E Note E Note E Note E	- - - - -
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Telecommunications service revenues Cost of telecommunications services Other operating revenues General and administrative expenses Nonoperating expenses and losses Accounts receivable - related parties Other receivables - related parties Refundable deposits Accounts payable - related parties Telecommunications service revenues Other operating revenues Cost of telecommunications services General and administrative expenses Accounts payable - related parties Cost of telecommunications services	1,955 1,001 68,220 10,374 12,913 255 619 1,621 937 625 31 720 2,028 876 158 23,926 5,302 13 144	Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - - - - - - - - - - - -
7	ADCast Interactive Marketing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd. KGEx.com Co., Ltd.	2 3	Other receivables - related parties Accounts payable - related parties Other payables - related parties Other operating revenues General and administrative expenses Accounts receivable - related parties Accounts payable - related parties Cost of telecommunications services	11,260 3 99 10,101 63 75 18 280 199 292 2,195	Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - - - - -
8	Far EasTron Holding Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	389	Note E	-
9	Simple Infocomm Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Other receivables - related parties Cost of telecommunications services	169 118,156	Note E Note E	- -
10	Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Telecommunications service revenues	5,739 24,028 67,092	Note E Note E Note E	- - -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
11	Information Security Service Digital United Inc.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Other receivables - related parties Other payables - related parties Other operating revenues Accounts receivable - related parties Accounts payable - related parties Sales of cellular phone equipment and accessories, net Cost of telecommunications services Nonoperating expenses and losses	\$ 1,769 427 3,352 5,781 246 19,557 1,489 4,028	Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - -
12	Yuan Cing Infocomm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Nonoperating expenses and losses	5,697	Note E	-
13	DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd. Linkwell Tech. Co., Ltd. Home Master Technology Co., Ltd.	2 3 3 3	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Sales of cellular phone equipment and accessories, net Cost of sales Other operating revenues Accounts receivable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net General and administrative expenses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sales Accounts receivable - related parties Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sales	1,540 7 8,445 30,258 37,609 10,233 1,365 220 44,441 274 1,709 660 1,036 6,300 2,475 1,053 233 8 40 222 7	Note E Note E	- -
14	Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties Other payables - related parties Other operating revenues General and administrative expenses	8,598 150 44,814 44	Note E Note E Note E Note E	- - - -
15	Linkwell Tech. Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	2 3 3	Accounts payable - related parties Cost of cellular phone equipment and accessories, net Inventories Cost of cellular phone equipment and accessories Prepaid expenses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties	1,686 4,561 94 14,166 55 1,036 6,300 1,709 660	Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details		
				Financial Statement Account	Amount	Payment Terms % to Consolidated Assets/Revenue (Note C)
		Home Master Technology Co., Ltd.	3	Sales of cellular phone equipment and accessories, net Cost of cellular phone equipment and accessories, net Accounts receivable - related parties Other receivables - related parties Sales of cellular phone equipment and accessories, net	\$ 1,053 2,475 10,040 4,520 9,576	Note E Note E Note E Note E Note E
16	Home Master Tech. Co., Ltd.	ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	3 3	Accounts payable - related parties Cost of cellular phone equipment and accessories, net Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Sales of cellular phone equipment and accessories, net Cost of cellular phone equipment and accessories, net Accounts payable - related parties Other payables - related parties Cost of cellular phone equipment and accessories, net	16,047 33,814 8 40 233 7 222 10,040 4,520 9,576	Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E
17	Far Eastern New Century Information Technology (Beijing) Limited	Far Eastern Tech-Info Ltd. (Shanghai)	3	Other payables - related parties Nonoperating expenses and losses	15,135 25	Note E Note E

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, 2012 and 2011; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the years ended December 31, 2012 and 2011.

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

(Concluded)

Trustworthy

Trustworthy

Innovative

Innovative

Proactive

Proactive

Accountability

Accountability

Teamwork

Teamwork

F A R E A S T O N E 

遠傳

只有遠傳 沒有距離

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