

**Far EastTone Telecommunications Co.,
Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2011 and 2010 and
Independent Auditors' Report**

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, 2011 and 2010, 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 2 to the consolidated financial statements, to prepare for service convergence, the Company 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 achieve long-term synergy in managing operating costs. On June 25, 2010, the boards of directors of Yuan Cing Infocomm Tech Co., Ltd. (YCIC), a 100% subsidiary of the Company, resolved to conduct a tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. (NCIC), with 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's common shares. With the Company's own holding of 695,096 thousand shares, the Company and YCIC jointly own 94.56% of NCIC's total issued common shares. Moreover, on August 31, 2010, the board of directors of the Company resolved to adopt a two-stage process to merge NCIC. On March 1, 2011, the two-stage process was completed through the merger between the Company and YCIC; thus, NCIC became a 100% owned subsidiary of the Company.

February 16, 2012

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 financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 5, and 27)	\$ 9,905,634	11	\$ 9,162,044	9	Short-term bank loans (Notes 16 and 29)	\$ 2,940,772	3	\$ 3,536,100	4
Financial assets at fair value through profit or loss -current (Notes 2 and 6)	196,718	-	1,188,405	1	Commercial papers payable (Note 17)	80,000	-	2,848,739	3
Available-for-sale financial assets - current (Notes 2 and 7)	2,688,536	3	2,496,132	3	Notes payable	51,438	-	91,477	-
Held to maturity financial assets - current (Notes 2 and 11)	1,000,000	1	-	-	Accounts payable	5,243,803	6	4,020,819	4
Notes receivable (Note 2)	56,809	-	69,328	-	Accounts payable - related parties (Note 27)	2,950	-	17,160	-
Accounts receivable, net (Notes 2 and 8)	6,458,140	7	6,088,738	6	Income tax payable (Note 2)	1,421,585	1	1,737,956	2
Accounts receivable - related parties, net (Notes 2 and 27)	108,572	-	43,601	-	Accrued expenses (Note 18)	4,379,446	5	4,118,433	4
Other receivables - related parties (Notes 2 and 27)	17,448	-	23,501	-	Other payables - related parties (Note 27)	149,866	-	227,805	-
Hedging derivative financial assets - current (Notes 2, 26 and 27)	1,500	-	78,670	-	Hedging derivative financial liabilities - current (Notes 2, 26 and 27)	2,667	-	-	-
Inventories, net (Notes 2 and 9)	1,984,625	2	1,023,065	1	Payables for acquisition of properties	2,082,239	2	2,246,977	2
Prepaid expenses	807,692	1	732,059	1	Guarantee deposits received - current	394,738	-	488,620	1
Deferred income tax assets - current (Notes 2 and 23)	298,944	-	394,647	1	Unearned revenues (Notes 2 and 19)	2,770,983	3	2,029,652	2
Pledged certificates of deposits - current (Notes 27 and 29)	28,356	-	134,500	-	Current portion of long-term bank loans (Notes 20 and 29)	4,944	-	203,318	-
Restricted assets - current (Notes 19, 27 and 29)	1,308,420	1	1,302,829	1	Other current liabilities (Note 2)	559,771	1	571,517	1
Other current assets (Note 8)	306,133	-	577,114	1					
Total current assets	25,167,527	26	23,314,633	24	Total current liabilities	20,085,202	21	22,138,573	23
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Equity-method investments (Notes 2 and 10)	341,206	1	239,400	1	Long-term bank loans (Notes 20 and 29)	170,849	-	5,677	-
Held-to-maturity financial assets - noncurrent (Notes 2, 11 and 29)	199,768	-	1,199,666	1					
Financial assets carried at cost - noncurrent (Notes 2 and 12)	29,188	-	75,758	-	OTHER LIABILITIES				
Total long-term investments	570,162	1	1,514,824	2	Accrued pension costs (Notes 2 and 21)	502,912	1	491,448	1
PROPERTIES (Notes 2, 13, 27 and 29)					Guarantee deposits received - noncurrent	324,475	-	295,345	-
Cost					Deferred income tax liabilities - noncurrent (Notes 2 and 23)	488,033	-	242,541	-
Land	5,301,986	6	5,317,368	5	Deferred revenue (Note 2)	548,562	1	485,884	1
Buildings and equipment	6,393,369	7	6,503,267	7	Other (Note 2)	534,242	1	434,446	-
Operating equipment	138,828,805	145	133,409,948	137	Total other liabilities	2,398,224	3	1,949,664	2
Computer equipment	22,844,563	24	21,650,325	22	Total liabilities	22,654,275	24	24,093,914	25
Office equipment	1,331,220	1	1,330,478	1	FAR EASTONE'S EQUITY				
Leasehold improvements	3,151,716	3	3,052,425	3	Capital stocks - NT\$10.00 par value; authorized - 4,200,000 thousand shares				
Miscellaneous equipment	1,720,212	2	1,613,189	2	Issued and outstanding - 3,258,501 thousand shares	32,585,008	34	32,585,008	33
Total cost	179,571,871	188	172,877,000	177	Capital surplus				
Less: Accumulated depreciation	129,688,793	136	120,755,983	123	Additional paid-in capital - share issuance in excess of par value	10,964,702	11	10,964,702	11
Less: Accumulated impairment	2,604,389	3	2,652,327	3	From business combination	8,482,381	9	8,482,381	9
	47,278,689	49	49,468,690	51	From long-term equity-method investments	99,527	-	89,285	-
Construction-in-progress and prepayments for equipment	4,378,460	5	4,546,022	4	Total capital surplus	19,546,610	20	19,536,368	20
Net properties	51,657,149	54	54,014,712	55	Retained earnings				
INTANGIBLE ASSETS (Notes 1, 2 and 14)					Legal reserve	10,874,858	12	9,990,002	10
3G concession, net	5,114,945	5	5,845,651	6	Unappropriated earnings	8,936,536	9	9,086,651	10
Goodwill, net	10,881,018	12	10,806,693	11	Total retained earnings	19,811,394	21	19,076,653	20
Other	783,817	1	670,649	1	Other adjustments				
Total intangible assets	16,779,780	18	17,322,993	18	Cumulative translation adjustments	7,031	-	12,111	-
OTHER ASSETS					Unrealized gains on financial instruments	26,824	-	70,692	-
Rental assets, net (Notes 2 and 15)	421,010	-	239,198	-	Total other adjustments	33,855	-	82,803	-
Idle properties, net (Note 2)	139,262	-	118,586	-	Total controlling interest of Far EasTone	71,976,867	75	71,280,832	73
Refundable deposits (Note 27)	483,223	1	449,731	1	MINORITY INTEREST	799,581	1	2,272,407	2
Deferred charges, net (Note 2)	169,100	-	242,182	-	Total stockholders' equity	72,776,448	76	73,553,239	75
Pledged certificates of deposits - noncurrent (Notes 27 and 29)	34,624	-	421,369	-					
Other (Notes 2 and 21)	8,886	-	8,925	-					
Total other assets	1,256,105	1	1,479,991	1					
TOTAL	\$ 95,430,723	100	\$ 97,647,153	100	TOTAL	\$ 95,430,723	100	\$ 97,647,153	100

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

(With Deloitte & Touche audit report dated February 16, 2012)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 27)				
Sales of cellular phone equipment and accessories, net	\$ 11,471,725	15	\$ 6,343,488	10
Telecommunications service revenues	63,120,614	83	56,362,209	89
Other	<u>1,156,492</u>	<u>2</u>	<u>730,208</u>	<u>1</u>
Total operating revenues	<u>75,748,831</u>	<u>100</u>	<u>63,435,905</u>	<u>100</u>
OPERATING COSTS (Notes 2, 9, 24, 27 and 29)				
Cost of sales	14,654,884	19	8,508,103	14
Cost of telecommunications services	30,327,276	40	28,035,060	44
Other	<u>401,601</u>	<u>1</u>	<u>236,127</u>	<u>-</u>
Total operating costs	<u>45,383,761</u>	<u>60</u>	<u>36,779,290</u>	<u>58</u>
GROSS PROFIT	<u>30,365,070</u>	<u>40</u>	<u>26,656,615</u>	<u>42</u>
OPERATING EXPENSES (Notes 2, 24 and 27)				
Marketing	13,743,051	18	10,996,581	18
General and administrative	5,036,342	7	4,406,050	7
Research and development	<u>69,147</u>	<u>-</u>	<u>79,646</u>	<u>-</u>
Total operating expenses	<u>18,848,540</u>	<u>25</u>	<u>15,482,277</u>	<u>25</u>
OPERATING INCOME	<u>11,516,530</u>	<u>15</u>	<u>11,174,338</u>	<u>17</u>
NONOPERATING INCOME AND GAINS				
Interest (Note 27)	128,407	-	84,432	-
Government grant (Note 2)	91,494	-	92,089	-
Rent (Note 27)	58,108	-	41,446	-
Dividend revenues (Notes 2 and 6)	25,560	-	13,298	-
Gain from sale of financial assets, net (Note 2)	-	-	226,328	1
Gain on valuation of financial assets, net (Note 2)	-	-	36,080	-
Other (Note 27)	<u>176,261</u>	<u>1</u>	<u>144,144</u>	<u>-</u>
Total nonoperating income and gains	<u>479,830</u>	<u>1</u>	<u>637,817</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	785,198	1	724,567	1
Loss from sale of financial assets, net (Notes 2 and 6)	166,263	1	-	-
Interest (Notes 2, 13 and 27)	61,054	-	47,118	-
Impairment loss (Note 2)	39,674	-	10,390	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
Equity in investees' net losses (Notes 2 and 6)	\$ 25,629	-	\$ 36,644	-
Loss on valuation of financial assets (Notes 2 and 6)	16,755	-	-	-
Other (Note 24)	<u>27,226</u>	<u>-</u>	<u>27,931</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,121,799</u>	<u>2</u>	<u>846,650</u>	<u>1</u>
COMBINED INCOME BEFORE INCOME TAX	10,874,561	14	10,965,505	17
INCOME TAX (Notes 2 and 23)	<u>1,947,745</u>	<u>2</u>	<u>2,102,137</u>	<u>3</u>
COMBINED NET INCOME	<u>\$ 8,926,816</u>	<u>12</u>	<u>\$ 8,863,368</u>	<u>14</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 8,880,993	12	\$ 8,848,565	14
Minority interest	<u>45,823</u>	<u>-</u>	<u>14,803</u>	<u>-</u>
	<u>\$ 8,926,816</u>	<u>12</u>	<u>\$ 8,863,368</u>	<u>14</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 3.31</u>	<u>\$ 2.73</u>	<u>\$ 3.35</u>	<u>\$ 2.72</u>
Diluted	<u>\$ 3.31</u>	<u>\$ 2.72</u>	<u>\$ 3.35</u>	<u>\$ 2.71</u>

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

(With Deloitte & Touche audit report dated February 16, 2012)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock Issued and Outstanding (Note 22)		Capital Surplus (Notes 2 and 22)			Retained Earnings (Note 22)			Other Adjustments		Controlling Interest of Far Eastone	Minority Interest	Total Stockholders' Equity
			Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 22)			
	Shares (Thousands)	Amount											
BALANCE, JANUARY 1, 2010	3,258,501	\$ 32,585,008	\$ 10,964,702	\$ 8,482,381	\$ 40,266	\$ 9,066,992	\$ 21,740	\$ 10,263,158	\$ 24,285	\$ 94,055	\$ 71,542,587	\$ 832,554	\$ 72,375,141
Acquired controlling interest in NCIC in August 2010	-	-	-	-	-	-	-	-	-	-	-	1,389,521	1,389,521
Incorporated O-music in October 2010	-	-	-	-	-	-	-	-	-	-	-	25,000	25,000
Acquired controlling interest in DE Infotech in November 2010	-	-	-	-	-	-	-	-	-	-	-	25,299	25,299
Appropriation of the 2009 earnings													
Legal reserve	-	-	-	-	-	923,010	-	(923,010)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(21,740)	21,740	-	-	-	-	-
Cash dividend - NT\$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)	-	(9,123,802)
Combined net income in 2010	-	-	-	-	-	-	-	8,848,565	-	-	8,848,565	14,803	8,863,368
Changes in capital surplus in investees	-	-	-	-	49,019	-	-	-	-	-	49,019	-	49,019
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(39,282)	(39,282)	-	(39,282)
Changes in unrealized gains on cash flow hedge	-	-	-	-	-	-	-	-	-	3,950	3,950	-	3,950
Changes in subsidiary's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	-	-	11,969	11,969	2,545	14,514
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(17,088)	(17,088)
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(12,174)	-	(12,174)	(227)	(12,401)
BALANCE, DECEMBER 31, 2010	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	2,272,407	73,553,239
Acquisition of NCIC's capital stock in March 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													
Legal reserve	-	-	-	-	-	884,856	-	(884,856)	-	-	-	-	-
Cash dividend - NT\$2.5 per share	-	-	-	-	-	-	-	(8,146,252)	-	-	(8,146,252)	-	(8,146,252)
Combined net income in 2011	-	-	-	-	-	-	-	8,880,993	-	-	8,880,993	45,823	8,926,816
Changes in capital surplus in investees	-	-	-	-	(13)	-	-	-	-	-	(13)	-	(13)
Adjustment to changes in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	-	10,255	-	-	-	-	-	10,255	-	10,255
Changes in unrealized gains (losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	(6,920)	(6,920)	-	(6,920)
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(3,308)	(3,308)	-	(3,308)
Changes in subsidiary's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	-	-	(33,640)	(33,640)	(689)	(34,329)
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(49,657)	(49,657)
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(5,080)	-	(5,080)	1,252	(3,828)
BALANCE, DECEMBER 31, 2011	<u>3,258,501</u>	<u>\$ 32,585,008</u>	<u>\$ 10,964,702</u>	<u>\$ 8,482,381</u>	<u>\$ 99,527</u>	<u>\$ 10,874,858</u>	<u>\$ -</u>	<u>\$ 8,936,536</u>	<u>\$ 7,031</u>	<u>\$ 26,824</u>	<u>\$ 71,976,867</u>	<u>\$ 799,581</u>	<u>\$ 72,776,448</u>

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

(With Deloitte & Touche audit report dated February 16, 2012)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	\$ 8,926,816	\$ 8,863,368
Depreciation	10,047,857	10,035,505
Amortization	187,712	87,320
Amortization of 3G concession	730,706	730,707
Allowance for doubtful accounts	231,052	434,760
Provision (reversal) of loss on decline in value of inventories	8,211	(1,054)
Loss (gain) from sale of financial assets, net	76,853	(115,094)
Amortization of discount on held-to-maturity financial assets	(102)	(99)
Equity in investees' net losses	25,629	36,644
Loss (gain) on valuation of financial assets	16,755	(36,080)
Impairment loss on financial assets	39,674	10,390
Loss on disposal of properties, net	785,198	724,567
Loss on disposal of deferred charges	2,337	2,420
Unrealized exchange loss	3,003	-
Deferred (loss) income on hedging derivative assets	(4,483)	79,770
Accrued pension cost	7,995	3,460
Deferred income taxes	324,698	100,948
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	974,932	329,995
Notes receivable	12,519	(6,971)
Accounts receivable	(600,454)	(149,562)
Accounts receivable - related parties	(64,971)	287,717
Other receivables - related parties	6,204	201,208
Inventories	(969,771)	(252,752)
Prepaid expenses	(75,633)	(37,442)
Other current assets	(15,590)	171,750
Notes payable	(40,039)	21,523
Accounts payable	1,222,984	667,509
Accounts payable - related parties	(14,210)	(260,328)
Other payables - related parties	(77,513)	(217,060)
Income tax payable	(316,371)	429,091
Accrued expenses	280,832	(18,949)
Unearned revenues	888,193	605,511
Other current liabilities	<u>24,717</u>	<u>(34,581)</u>
Net cash provided by operating activities	<u>22,645,740</u>	<u>22,694,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(3,309,159)	(1,522,359)
Proceeds of the disposal of available-for-sale financial assets	3,367,040	4,049,354
Acquisition of equity-method investments	(117,114)	-
Redemption of held-to-maturity financial assets	-	800,000
Proceeds of the disposal of financial assets carried at cost	-	164,123
Acquisition of properties	(8,664,857)	(8,215,656)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Proceeds of the disposal of properties	\$ 22,560	\$ 32,731
Decrease (increase) in refundable deposits	(33,522)	16,441
Decrease in pledged certificates of deposits	492,889	27,863
Increase in deferred charges	(61,650)	(23,914)
Decrease (increase) in restricted assets	(5,590)	8,492
Decrease in other assets	-	1,307
Cash payment due to merger	<u>(236,342)</u>	<u>(19,403,064)</u>
Net cash used in investing activities	<u>(8,545,745)</u>	<u>(24,064,682)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	(595,328)	2,649,600
Increase (decrease) in commercial papers payable	(2,768,739)	2,848,739
Proceeds from long-term bank loans	190,014	-
Repayment of long-term bank loans	(226,219)	(19,523)
Decrease in guarantee deposits received	(64,752)	(51,905)
Decrease in deferred revenue	(84,184)	(63,937)
Decrease in other liabilities	(21,640)	(41,968)
Cash dividends paid	(8,195,909)	(9,140,890)
Increase (decrease) in minority interest	<u>(1,638,918)</u>	<u>40,550</u>
Net cash used in financing activities	<u>(13,405,675)</u>	<u>(3,779,334)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(7,660)</u>	<u>(11,478)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	686,660	(5,161,303)
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	56,930	4,649,779
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,162,044</u>	<u>9,673,568</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,905,634</u>	<u>\$ 9,162,044</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 83,314	\$ 57,501
Less: Interest capitalized	<u>21,786</u>	<u>13,894</u>
Interest paid, net of capitalized interest	<u>\$ 61,528</u>	<u>\$ 43,607</u>
Income tax paid	<u>\$ 1,938,330</u>	<u>\$ 1,560,736</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	<u>\$ 4,944</u>	<u>\$ 203,318</u>
Reclassification of properties to deferred charges	<u>\$ 33,929</u>	<u>\$ 24,633</u>
Reclassification of properties to rental assets	<u>\$ 159,749</u>	<u>\$ -</u>
Reclassification of properties to idle properties	<u>\$ 49,228</u>	<u>\$ -</u>

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Reclassification of idle properties to rental assets	\$ 28,237	\$ -
Reclassification of deferred charges to properties	\$ 18,550	\$ -
Reclassification of rental assets to idle properties	\$ -	\$ 20,438
Reclassification of idle properties to properties	\$ -	\$ 134,766
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 8,580,216	\$ 8,203,173
Decrease in payables for acquisition of properties	164,738	57,310
Increase in other payables - related parties	(426)	(4,061)
Decrease (increase) in other current liabilities	38,973	(50,693)
Decrease (increase) in other liabilities - other	(118,644)	9,927
Cash paid for acquisition of properties	<u>\$ 8,664,857</u>	<u>\$ 8,215,656</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 27,507	\$ 34,002
Increase in receivables from properties sold	(4,796)	(1,292)
Decrease (increase) in other receivables - related parties	(151)	21
Cash received from disposal of properties	<u>\$ 22,560</u>	<u>\$ 32,731</u>
CASH PAID FOR ACQUISITION OF DEFERRED CHARGES		
Increase in deferred charges	\$ 61,395	\$ 35,651
Decrease (increase) in other current liabilities	3,049	(3,049)
Increase in other liabilities - other	(2,794)	(8,688)
Cash paid for acquisition of deferred charges	<u>\$ 61,650</u>	<u>\$ 23,914</u>

SUPPLEMENTARY INFORMATION ON SUBSIDIARY ACQUISITIONS:

In April 2011, Far Eastern Tech-info Ltd. (Shanghai) (“FETI”) acquired 55% of FarEastern New Century Information Technology (Beijing) Limited’s (“FENCIT”) common shares. In November 2010, ARCOA Communication Co., Ltd. (“ARCOA”) acquired 70% of DataExpress Infotech Co., Ltd. (“DataExpress”) common shares. In August 2010, Yuan Cing Infocomm Tech Co., Ltd. acquired 67.82% of New Century InfoComm Tech Co., Ltd. (“NCIC”) common shares. The fair values of total assets and total liabilities at the time of acquisitions were as follows:

	FENCIT	Data Express	NCIC
Cash and cash equivalents	\$ 56,930	\$ 26,258	\$ 4,623,521
Financial assets at fair value through profit or loss - current	-	-	1,678,379
Available-for-sale financial assets - current	-	-	1,573,567
Held-to-maturity financial assets - current	-	-	800,000
Notes receivable	-	39	46,320
Accounts receivable, net	-	80,327	843,165

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	FENCIT	Data Express	NCIC
Accounts receivable - related parties, net	\$ -	\$ -	\$ 175,455
Other receivables - related parties	-	-	59,128
Other financial assets - current	-	-	1,297,860
Inventories, net	-	141,124	122,057
Prepaid expense	257	15,911	90,825
Restricted assets - current	-	29,000	113,991
Other current assets	134	70,976	204,907
Equity-method investments	-	-	21,362
Held-to-maturity financial assets - noncurrent	-	-	1,007,478
Financial assets carried at cost - noncurrent	-	-	4,500
Properties, net	-	3,921	17,345,899
Intangible assets	241,046	104,660	904,000
Rental assets, net	-	-	169,995
Idle properties, net	-	-	7,219
Refundable deposits	-	8,805	86,032
Deferred charge, net	-	23,614	125,927
Pledged certificates of deposits - noncurrent	-	19,009	124,675
Other assets	-	-	48,357
Short-term bank loans	-	(170,000)	-
Notes payable	-	(5,682)	(7,349)
Accounts payable	-	(53,258)	(652,829)
Accounts payable - related parties	-	-	(139,915)
Income tax payable	-	(4,700)	-
Accrued expenses	(16)	(7,865)	(727,629)
Other payables - related parties	-	-	(197,579)
Payables for acquisition of properties	-	-	(605,343)
Hedging derivative financial liabilities - current	-	-	(5,830)
Unearned revenue	-	(20,324)	(300,887)
Other current liabilities	-	(653)	(187,263)
Long-term bank loans	-	(9,470)	-
Accrued pension cost	-	-	(141,043)
Deferred revenue	-	-	(154,930)
Guarantee deposits received - noncurrent	-	(970)	(29,525)
Other liabilities - other	-	(61,731)	(309,084)
	<u>298,351</u>	<u>188,991</u>	<u>28,015,413</u>
Percentage of ownership acquired	<u>55%</u>	<u>70%</u>	<u>67.82%</u>
	<u>164,093</u>	<u>132,292</u>	<u>19,000,044</u>
Goodwill	<u>57,615</u>	<u>9,458</u>	<u>275,904</u>
Cash payment due to merger	<u>\$ 221,708</u>	<u>\$ 141,750</u>	<u>\$ 19,275,948</u>

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

(With Deloitte & Touche audit report dated February 16, 2012)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, 2011, Far Eastern New Century Corporation (“Far Eastern New Century”) and its affiliates directly and indirectly owned 41.23% of Far EasTone’s shares. Since Far EasTone’s chief executive officer is appointed by Far Eastern New Century’s 99.99% subsidiary, Far Eastern New Century has control over Far EasTone’s finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

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

The DGT also issued to Far EasTone a type II license to provide Internet and ISR services until December 2012 and to pay annual license fees based on the regulations for each service. Far EasTone is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003, for an annual license fee of 1% of leased circuit service revenues.

Far EasTone merged with Yuan-Ze Telecommunications Co., Ltd. (“Yuan-Ze Telecom”) on May 2, 2005. In 2002, Yuan-Ze Telecom received from the DGT the 3G (third-generation wireless communications system) concession, with a bidding price of \$10,169,000 thousand, included in intangible assets - 3G concession. On January 24, 2005, the DGT issued to Yuan-Ze Telecom a 3G license, which is valid through December 31, 2018. Through the completion of the merger with Yuan-Ze Telecom, Far EasTone became licensed to provide 3G wireless communications service and began commercial operations on July 13, 2005.

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

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, 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 NCC approved this merger, and the record date of this merger was January 1, 2010.

In February 2012, the Company apply for the renewal of the type I licenses that the Company got from DGT and through the merger with KGT. The renewed licenses are expected to be valid from the application date to June 30, 2017.

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the “Group”) had 6,521 and 5,446 employees as of December 31, 2011 and 2010, 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 de facto control 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:

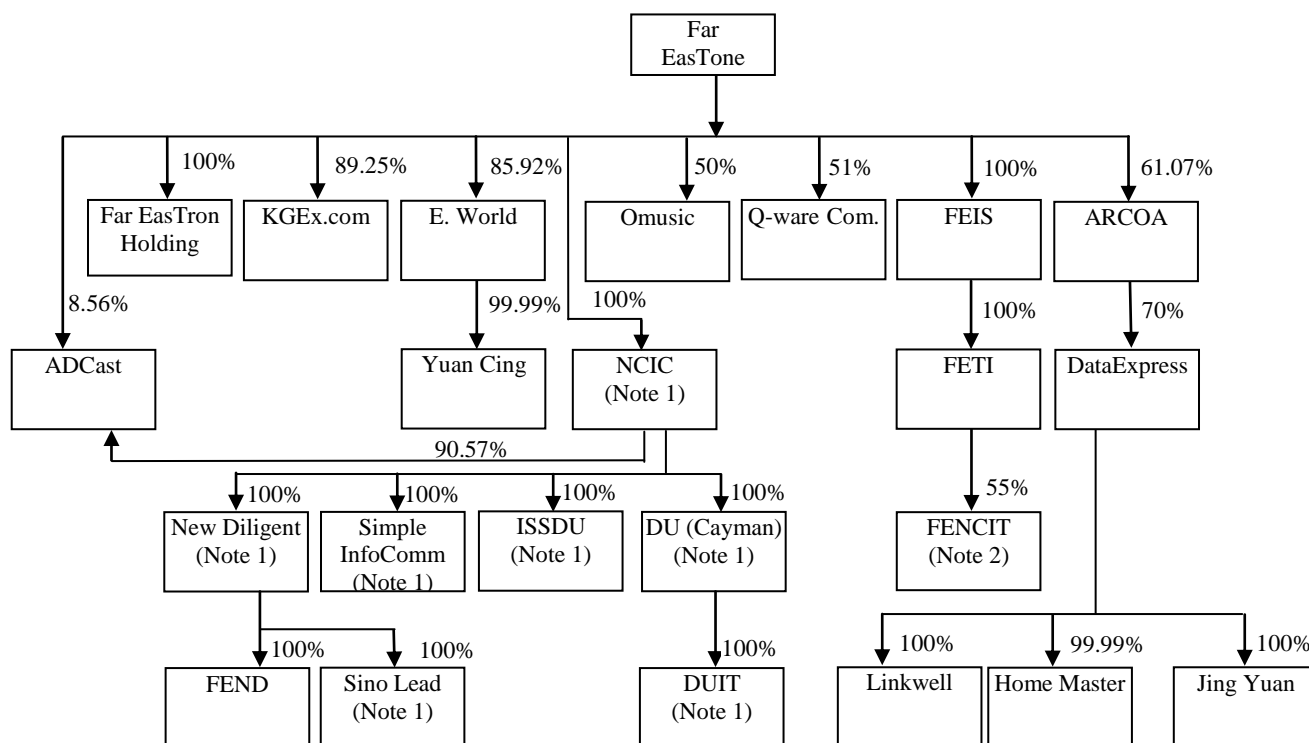
- a. All assets and liabilities at the exchange rate prevailing on the balance sheet dates;
- b. Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and
- c. All items in the statement of income at the average exchange rates for the period.

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.

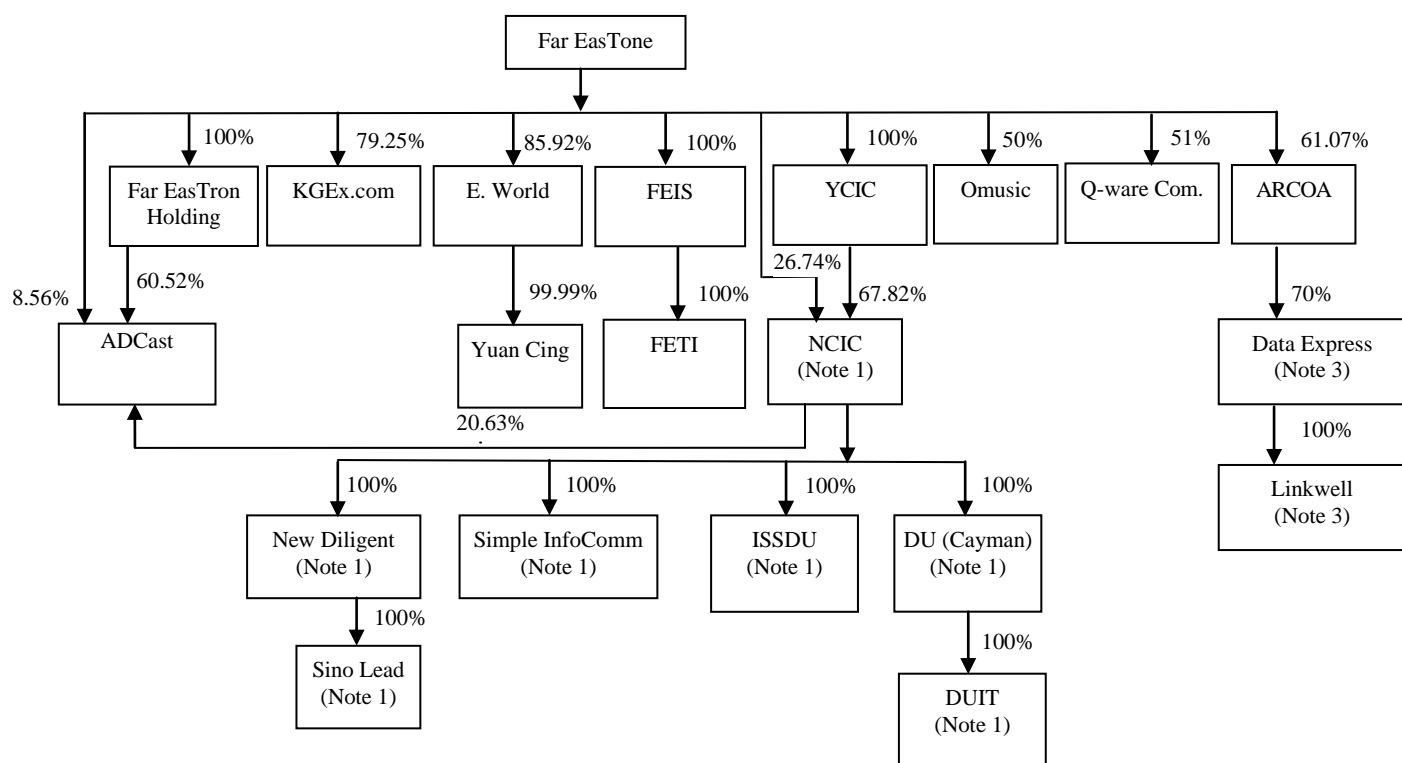
All significant intercompany transactions and balances were eliminated on consolidation. For subsidiaries acquired during the year, their revenues and expenses generated before the acquisition dates will not be consolidated.

Intercompany relationships and percentages of ownership as of December 31, 2011 and 2010 are shown as Figure 1 and Figure 2, respectively:

<Figure 1>



<Figure 2>



Note 1: Far EasTone acquired controlling interest in NCIC on August 16, 2010; thus, NCIC's and its subsidiaries' revenues and expenses were included in the consolidated financial statements from then on. YCIC dissolved on March 1, 2011 upon its merger with Far EasTone. Thus, NCIC became 100% owned subsidiary of Far EasTone.

Note 2: Far EasTone and FETI acquired controlling interest in FENCIT on April 1, 2011; thus, FENCIT's revenues and expenses were included in the consolidated financial statements from then on.

Note 3: Far EasTone and ARCOA acquired controlling interest in DataExpress on November 30, 2010; thus, DataExpress' and its subsidiary's revenues and expenses were 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, 2011 and 2010 and their major business activities were as follows:

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

ARCOA was incorporated 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 2013 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 2013.

ARCOA's shares have been listed as emerging market stock on the OTC exchange since December 27, 2002. On December 22, 2004, the board of directors of ARCOA decided to withdraw its stock from the OTC exchange and became a private company.

To enhance diversification and long-term synergy in operating, the board of directors of ARCOA resolved to acquire 70% equity ownership in DataExpress Infotech Co., Ltd. ("DataExpress") on November 30, 2010; thus, DataExpress' and its subsidiary's revenues and expenses were included in the consolidated financial statements from then on.

Considering the extensive demands and potential growth of Mainland China market, the board of directors of ARCOA resolved to invest in Mainland China indirectly through holding companies with a total investment amount up to US\$8,000,000. Thus, ARCOA incorporated Arcoa Holding (Samoa) Co., Ltd. and Data Express Holding (Samoa) Co., Ltd. The Investment Commission, MOEA approved the investments on August 19, 2011. However, the proceeds has not been remitted as of February 16, 2012.

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.

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

KGEx.com was incorporated on August 9, 2000. KGEx.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.

7) Yuan Cing Infocomm Tech Co., Ltd. (“YCIC”)

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

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 the long-term synergy in operating costs. On June 25, 2010, the board of directors of YCIC resolved to conduct a tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. (“NCIC”) with 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 of NCIC’s common shares, which included 577,732 thousand shares acquired from related parties for \$6,314,615 thousand, as follows: Yuang Tong Investment Corporation - 312,221 thousand shares; Yuan Ding Investment Corporation - 100,694 thousand shares; Der Ching Investment Corporation - 63,000 thousand shares; Bai Ding Investment Ltd. - 24,386 thousand shares; New Diligent Co., Ltd. - 16,822 thousand shares; Yuan Ding Co., Ltd. - 16,337 thousand shares; Bai Yang Investment Co. - 11,251 thousand shares; Tranquil Enterprise Ltd. - 10,945 thousand shares; Yue-Tung Investment Corporation - 8,800 thousand shares; Far Eastern International Leasing Corp. - 8,000 thousand shares; Far Eastern New Century Corporation - 2,605 thousand shares; Asia Investment Corp. - 2,605 thousand shares and Yue Ding Industry Co., Ltd. - 66 thousand shares.

Through the tender offer with Far EasTone’s own holding of 695,096 thousand shares, Far EasTone and YCIC jointly owned 94.56% of NCIC’s total issued common shares. Thus, NCIC’s and its subsidiaries’ revenues and expenses were included in the consolidated financial statements since August 16, 2010.

On August 31, 2010, the boards of directors of Far EasTone resolved to merge NCIC through a two-stage process. In the first stage, YCIC will conduct a share swap with NCIC based on Article 29 of the Enterprise Merger and Acquisition Law (“EM&A Law”). The share swap was resolved by both special stockholders’ meetings of YCIC and NCIC on October 5, 2010, respectively. As a result, with the swap ratio of 1:1, NCIC became a 100% owned subsidiary of YCIC on January 17, 2011, the record date of the share swap. The issued common shares of YCIC increased from 1,500,100 thousand shares to 2,336,604 thousand shares, of which, Far EasTone owned 2,195,196 thousand shares, representing 93.95% ownership. In the second stage, on March 1, 2011, the record date, Far EasTone merged YCIC by cash at NT\$10.93 per share, with Far EasTone as the survivor entity. In this merger, 90,688 thousand shares were acquired from related parties for \$991,222 thousand as follows: Der Ching Investment Corporation - 64,225 thousand shares; Far Eastern International Leasing Corp. - 17,436 thousand shares; Yue-Tung Investment Corporation - 9,019 thousand shares and other - 8 thousand shares. Thus, NCIC became a 100% owned subsidiary of Far EasTone. The above mentioned two-stage merger was already approved by the National Communications Commission on December 29, 2010.

8) Omusic Co., Ltd. (“Omusic”)

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

9) New Century InfoComm Tech Co., Ltd. (“NCIC”)

NCIC was incorporated in the ROC on June 1, 2000.

NCIC engages in the following activities: (a) integrated network business; (b) local network business; (c) long-distance network business; (d) international network business; (e) leased-circuit business; (f) type II telecommunications business (such as Internet access, voice simple resale, and other value-added services); and (g) sale of phone equipment and accessories.

On February 14, 2001, DGT issued to NCIC a type I license to provide fixed network telecommunications services, 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 under the Executive Yuan on March 23, 2011. To integrate its resources and enhance its operating efficiency, the board of directors of NCIC resolved to merge Digital United Inc. (DU), a 90.24% owned subsidiary of NCIC, with NCIC as the survivor entity. The record date of this merger was March 16, 2009 and was approved on April 16, 2009 after the registration with the MOEA.

NCIC has acquired the common shares of ADCast from related parties and minority interests in 2011, thus the ownership of ADCast increased from 20.63% to 90.57% in order to simplify investment structure and enhance operating efficiency. 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 EM&A Law with NCIC as the survivor entity. The record date of this merger will be set on March 31, 2012.

10) Simple InfoComm Co., Ltd. (“Simple InfoComm”)

Simple 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.

11) Information Security Service Digital United Inc. (“ISSDU”)

ISSDU was incorporated on December 22, 2004. ISSDU mainly provides Internet information security and monitoring service.

12) Sino Lead Enterprise Limited (“Sino Lead”), Far Eastern New Diligent Company Ltd. (“FEND”) and Far Eastern New Century Information Technology (Beijing) Limited (“FENCIT”) mainly provide electronic information providing services.

13) Digital United Information Technology Co., Ltd. (Shanghai) (“DUIT”)

DUIT was incorporated on August 23, 2005. DUIT provides design and research of computer system.

14) DataExpress Infotech Co., Ltd. (“DataExpress”), Linkwell Tech. Ltd. (“Linkwell”) and Home Master Technology Ltd. (“Home Master”) mainly wholesale communications products.

15) Jing Yuan Technology Co., Ltd. (“Jing Yuan”)

Jing Yuan was incorporated on September 5, 2011. Jing Yuan mainly provides data processing services.

16) 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”) and Digital United (Cayman) Ltd. (“DU (Cayman)”).

E. World, FEIS, Far EasTron Holding, New Diligent and DU (Cayman) are primarily investment holding companies.

- b. All of the financial statements of subsidiaries as of and for the years ended December 31, 2011 and 2010 were audited, except those of Jing Yuan for 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

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

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

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

- a. Recognized in stockholders’ equity if the changes in fair value are recognized in stockholders’ equity;
- b. Recognized in profit 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 losses on 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

Before January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

As disclosed in Note 4 to the consolidated financial statements, since January 1, 2011, the Group adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Group should be covered by SFAS No. 34. 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 financial re-organization.

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 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 unappropriated 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.

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. 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 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	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 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 January 24, 2005, the issuance date of the concession license, until the license expiry date on December 31, 2018.

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 NCC. 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 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.

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

FEIS, E. World, 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, 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.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the year ended December 31, 2011.

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 years ended December 31, 2011 and 2010. The pro forma financial information based on the assumption that the Group merged with NCIC and DE Infotech on January 1, 2011 and 2010 are as follows:

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

	December 31	
	2011	2010
Current assets	\$ 25,167,527	\$ 21,551,190
Properties, net	51,657,149	54,138,827
Current liabilities	20,085,202	22,138,573
Operating revenues	75,748,831	69,075,716
Combined income before income tax	10,869,697	10,851,971
Combined net income	8,921,952	8,741,894
Earnings per share	2.72	2.68

The pro forma combined balance sheet and statement of income are presented for illustrative purposes only. That is, this information does not necessarily show the financial position and results of operations under the assumption that Far EasTone acquired the majority interests of NCIC, DataExpress and FENCIT on January 1, 2011 and 2010, nor is it necessarily indicative of future financial position or results of operations of the Group.

4. CHANGE 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 includes (1) finance lease receivables are now covered by SFAS No. 34; (2) loans and receivables originated by the Group are now covered by SFAS No. 34. This accounting change had no significant influence on the combined 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 as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

5. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Cash		
Cash on hand	\$ 13,017	\$ 6,948
Checking deposits	26,004	28,851
Demand deposits	1,695,350	2,589,563
Certificates of deposits	<u>7,872,898</u>	<u>6,175,626</u>
	<u>9,607,269</u>	<u>8,800,988</u>
Cash equivalents		
Bonds purchased under resell agreements	298,365	349,089
Commercial paper purchased under resell agreements	<u>-</u>	<u>11,967</u>
	<u>298,365</u>	<u>361,056</u>
	<u>\$ 9,905,634</u>	<u>\$ 9,162,044</u>

As of December 31, 2011 and 2010, demand deposits overseas were as follows:

	<u>December 31</u>	
	2011	2010
Belgium (US\$1,141 thousand in 2011 and US\$1,379 thousand in 2010)	\$ 34,544	\$ 40,170
Hong Kong (US\$1 thousand in 2011 and US\$1 thousand in 2010)	30	29
Hong Kong (HK\$14,276 thousand)	<u>-</u>	<u>53,506</u>
	<u>\$ 34,574</u>	<u>\$ 93,705</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

	<u>December 31</u>	
	2011	2010
Financial assets held for trading		
Open-end mutual funds	\$ 196,718	\$ 686,524
Quoted stocks	<u>-</u>	<u>501,881</u>
	<u>\$ 196,718</u>	<u>\$ 1,188,405</u>

Net gains and losses on financial assets held for trading for the years ended December 31, 2011 and 2010 were as follows:

	<u>Year Ended December 31</u>	
	2011	2010
Gains (losses) on sale of investments, net	\$ (89,410)	\$ 111,234
Gains (losses) on valuation of financial instruments, net	(16,755)	36,080
Dividend income	<u>10,858</u>	<u>7,777</u>
	<u>\$ (95,307)</u>	<u>\$ 155,091</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	2011	2010
Domestic quoted stocks	\$ 72,512	\$ 323,094
Open-end mutual funds	475,458	507,565
Private funds	<u>2,140,566</u>	<u>1,665,473</u>
	<u>\$ 2,688,536</u>	<u>\$ 2,496,132</u>

8. ACCOUNTS RECEIVABLE, NET

	December 31	
	2011	2010
Accounts receivable	\$ 7,334,781	\$ 6,916,139
Less: Allowance for doubtful accounts	<u>(876,641)</u>	<u>(827,401)</u>
	<u>\$ 6,458,140</u>	<u>\$ 6,088,738</u>

9. INVENTORIES, NET

	December 31	
	2011	2010
Cellular phone equipment	\$ 1,399,480	\$ 572,394
Computers and accessories	391,009	310,835
Customer premises equipment	58,100	44,105
SIM cards and prepaid cards	8,246	14,181
Cellular phone accessories	34,046	12,215
Others	<u>93,744</u>	<u>69,335</u>
	<u>\$ 1,984,625</u>	<u>\$ 1,023,065</u>

Allowances for losses were \$99,577 thousand and \$91,366 thousand as of December 31, 2011 and 2010, respectively.

Costs of inventories sold were \$14,654,884 thousand and \$8,508,103 thousand for the years ended December 31, 2011 and 2010, respectively. The provision for loss on decline in value of inventories amounting to \$8,211 thousand was included in the cost of sales for the years ended December 31, 2011; and the reversal of provision for loss on decline in value of inventories amounting to \$1,054 thousand was included in the cost of sales for the years ended December 31, 2010.

10. EQUITY-METHOD INVESTMENTS

	December 31			
	2011		2010	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Common stocks with no quoted market prices				
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 269,609	40.91	\$ 169,347	41.18
Far Eastern Electronic Commerce Co., Ltd.	35,437	18.98	-	-
iScreen Corporation	21,094	40.00	24,247	40.00
Ding Ding Integrated Marketing Service Co., Ltd.	<u>15,066</u>	20.00	<u>45,806</u>	20.00
	<u>\$ 341,206</u>		<u>\$ 239,400</u>	

a. Acquisition of the common share of 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 the long-term synergy in operating costs. On June 25, 2010, the board of directors of Yuan Cing Infocomm Tech Co., Ltd. (YCIC), a 100% subsidiary of Far EasTone, resolved to conduct a tender offer to acquire the common shares of NCIC. As of August 16, 2010, the expiry date of the tender offer, Far EasTone and YCIC jointly own 94.56% of NCIC's issued common shares; thus, the revenues and expenses of NCIC and its subsidiaries were included in the consolidated financial statements since then.

b. Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) and Far Eastern Electronic Commerce Co., Ltd. (FEEC)

To enhance the efficiency of professional specialization and the independence of business operation, on December 31, 2010, the special stockholders' meeting of DDIM resolved to spin off its electronic commerce business, with a net worth of \$200,000 thousand, to FEEC, a 100% owned subsidiary of DDIM. Meanwhile, DDIM reduced its capital by \$200,000 thousand and FEEC issued new stocks of 20,000 thousand shares to the original stockholders of DDIM as the consideration of the spin-off. On the same day, the board of directors of DDIM also resolved the record date of the spin-off and capital reduction as March 31, 2011. After the spin-off, the Group owned 20% of DDIM's and 19.95% of FEEC's interests, respectively.

Subsequently FEEC replenished its working capital by total issuance amount of \$100,000 thousand for cash, and then the Group owned 18.98% of its common shares after the capital injection.

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

Far Eastern Electronic Toll Collection Co., Ltd. (FETC) provides services of the electronic toll collection (ETC) of national freeway. However, as of June 30, 2011, the usage rate of ETC had not reached the requirement regulated in the contract of the Electronic Toll Collection BOT Project (ETC Project). FETC has entered into negotiation with the Taiwan Area National Freeway Bureau and proposed its improvement plan. Thus, the management of FETC believes there would be no material effect on its daily operations.

d. Investment income or loss

Since the combined equity interests of the Far Eastern Group in allow the Group to exercise significant influence on FEEC's and DDIM's operating and financial policy decisions, the investment in FEEC and DDIM are accounted for by the equity method even though the Group's equity in FEEC is 18.98% as of December 31, 2011 and in DDIM is both 20% as of December 31, 2011 and 2010, respectively.

The bases for calculating the carrying values of investments were the equity-method investees' financial statements as of and for the year ended December 31, 2011 and 2010, which were audited, except the equity-method investee's financial statements of iScreen Corporation for the year ended December 31, 2010. The Groups management believes that, had the equity-method investee's financial statements of iScreen Corporation been audited, any adjustments would have had no material effect on the Group's consolidated financial statements.

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Bonds		
Yuan Ding Investment Corporation	\$ 1,000,000	\$ 1,000,000
Asia Cement Co., Ltd.	<u>199,768</u>	<u>199,666</u>
	1,199,768	1,199,666
Less: Due within one year	<u>(1,000,000)</u>	<u>-</u>
	<u>\$ 199,768</u>	<u>\$ 1,199,666</u>

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.

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
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
VIBO Telecom Inc.	2,627	8,400
Web Point Co., Ltd.	1,618	1,618
Kaohsiung Rapid Transit Corporation	<u>-</u>	<u>40,797</u>
	<u>\$ 29,188</u>	<u>\$ 75,758</u>

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

b. Capitalized interest on properties was as follows:

	<u>Year Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Total interest expense	\$ 82,840	\$ 61,012
Less: Interest capitalized (included in construction-in-process and prepayments for equipment)	<u>21,786</u>	<u>13,894</u>
Interest expense, net of amounts capitalized	<u>\$ 61,054</u>	<u>\$ 47,118</u>
Interest rate capitalized	0.36%-0.92%	0.04%-2.70%

14. INTANGIBLE ASSETS

a. 3G concession

	<u>Year Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Cost	<u>\$ 10,169,000</u>	<u>\$ 10,169,000</u>
Accumulated amortization		
Beginning balance	4,323,349	3,592,642
Amortization	<u>730,706</u>	<u>730,707</u>
Ending balance	<u>5,054,055</u>	<u>4,323,349</u>
3G concession, net	<u>\$ 5,114,945</u>	<u>\$ 5,845,651</u>

b. Goodwill and the others

	<u>Year Ended December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Goodwill</u>	<u>Other</u>	<u>Goodwill</u>	<u>Other</u>
Beginning balance	\$ 10,806,693	\$ 670,649	\$ 10,521,331	\$ -
Add: From merger with subsidiaries	74,325	180,562	285,362	686,354
Deduct: Amortization	<u>-</u>	<u>67,394</u>	<u>-</u>	<u>15,705</u>
	<u>\$ 10,881,018</u>	<u>\$ 783,817</u>	<u>\$ 10,806,693</u>	<u>\$ 670,649</u>

1) Goodwill

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

In conformity with SFAS No. 35 - "Impairment for Assets," the Group was divided into several identifiable cash-generating units: To enhance the operating effectiveness and integrated its telecommunications resources, the identifiable cash-generating units were defined as mobile telecommunications service business, telecommunications equipment business, WiFly business and integrated network business.

On December 31, 2011 and 2010, the carrying values of the tangible and intangible assets used by the Group were \$69,166,301 thousand and \$71,937,671 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, 2011 and 2010: Mobile telecommunications service business - 9.31% and 8.33%, respectively; telecommunications equipment business - 7.01% and 9.71%, respectively; WiFly business - both 10.00%, integrated network business - 4.54% and 5.94%, 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, 2011 and 2010, there was no indication of impairment loss.

2) Other

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 the major intangible assets as the operating rights for integrated network business or dealership or customer relationship were recognized, respectively.

15. RENTAL ASSETS, NET

	Years Ended December 31									
	2011					2010				
	Beginning Balance	Addition	From Merger with NCIC	Reclassification	Ending Balance	Beginning Balance	Addition	From Merger with NCIC	Reclassification	Ending Balance
Cost										
Land	\$ 106,114	\$ -	\$ -	\$ 70,791	\$ 176,905	\$ 124,789	\$ -	\$ -	\$ (18,675)	\$ 106,114
Buildings and equipment	159,338	-	-	142,613	301,951	107,797	-	61,104	(9,563)	159,338
	<u>265,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,404</u>	<u>478,856</u>	<u>232,586</u>	<u>\$ -</u>	<u>\$ 61,104</u>	<u>\$ (28,238)</u>	<u>265,452</u>
Accumulated depreciation										
Buildings and equipment	25,742	\$ 5,267	\$ -	\$ 21,067	52,076	16,186	\$ 2,490	\$ 9,608	\$ (2,542)	25,742
	239,710	-	-	426,780	426,780	216,400	-	-	-	239,710
Accumulated impairment	512	-	-	5,258	5,770	5,770	-	-	(5,258)	512
Rental assets, net	<u>\$ 239,198</u>			<u>\$ 421,010</u>	<u>\$ 210,630</u>					<u>\$ 239,198</u>

Rental assets are offices of Far EasTone, 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 July 2019. Future rental income is summarized as follows:

Year	Amount
2012	\$ 30,239
2013	22,672
2014	22,458
2015	21,022
2016	11,163

16. SHORT-TERM BANK LOANS

	December 31	
	2011	2010
Secured bank loans - interest of 1.10%-2.60% in 2011 and 1.15%-3.90% in 2010	\$ 598,100	\$ 342,100
Unsecured bank loans - interest of 0.9091%-6.71% in 2011 and 0.59%-1.88% in 2010. RMB764,000 in 2011	<u>2,342,672</u>	<u>3,194,000</u>
	<u>\$ 2,940,772</u>	<u>\$ 3,536,100</u>

The short-term bank loans as of December 31, 2011, amounting to \$2,029,000 thousand, were repaid by February 16, 2012. The short-term bank loans of December 31, 2010, amounting to \$826,000 thousand, were repaid by February 18, 2011. DE Infotech's president (Hui-lien Chu), has provided her personal properties as collateral for the short-term secured bank loans amounting 45,000 thousand as of December 31, 2010.

17. COMMERCIAL PAPERS PAYABLE

As of December 31, 2011 and 2010, the Group issued commercial paper guaranteed by the financial institution, which were discounted at the interest rate of 1.16%-1.28% and 0.648%-0.748%, respectively.

18. ACCRUED EXPENSES

	December 31	
	2011	2010
Commission	\$ 1,514,127	\$ 1,451,041
Bonus	846,201	770,294
Maintenance fee	341,965	392,806
Bonus to employees and remuneration to directors and supervisors	256,487	251,607
Rent	199,939	237,890
Advertisement	141,181	191,806
Utilities	138,146	125,493
Billing processing fee	63,854	56,105
Other	<u>877,546</u>	<u>641,391</u>
	<u>\$ 4,379,446</u>	<u>\$ 4,118,433</u>

19. UNEARNED REVENUES

	December 31	
	2011	2010
Unearned telecom revenues from prepaid cards	\$ 1,085,681	\$ 1,015,973
Unearned telecom revenues from postpaid	1,408,591	700,074
Other	<u>276,711</u>	<u>313,605</u>
	<u>\$ 2,770,983</u>	<u>\$ 2,029,652</u>

Far EasTone and NCIC entered into contracts with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card and international calling 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 its 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 KGEEx.com for prepaid cards already bought by customers.

20. LONG-TERM BANK LOANS

	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 - DE Infotech	<u>4,944</u>	<u>8,832</u>	<u>13,776</u>
	<u>\$ 4,944</u>	<u>\$ 170,849</u>	<u>\$ 175,793</u>

	December 31, 2010		
	Due Within One Year	Due After One Year	Total
Unsecured bank loan - Q-ware Com.	\$ 200,000	\$ -	\$ 200,000
Unsecured bank loans - DE Infotech	<u>3,318</u>	<u>5,677</u>	<u>8,995</u>
	<u>\$ 203,318</u>	<u>\$ 5,677</u>	<u>\$ 208,995</u>

a. Unsecured bank loan - Q-ware Com.

Q-ware Com. obtained an unsecured bank loan at interest rates of 2.37% and 3.20% as of December 31, 2011 and 2010, payable monthly. Q-ware Com. should repay the full amount on loan maturity by February 2013 and December 2011, respectively. Moreover, the agreement of loan as of December 31, 2010 regulated Far EasTone's equity in Q-ware Com. should not be less than 51% before the maturity.

b. Unsecured bank loan - FETI

FETI obtained an unsecured bank loan (US\$3,700,000) at an interest rate of 4.1% as of December 31, 2011, payable monthly. The loan was repayable periodically at equal installments from April 2013 to April 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 quarterly consolidated financial statements before maturity.

c. Unsecured bank loan - DE Infotech

DE Infotech obtained an unsecured bank loan at interest rate of 1.5% as of December 31, 2011, payable monthly. The loan was repayable periodically from October 2011 at equal installments, with final repayment due in September 2014.

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 \$199,267 thousand and \$170,201 thousand for the years ended December 31, 2011 and 2010, respectively. FETI, DUIT and FENCIT under their government's regulations, have recognized pension costs of \$11,488 thousand and \$4,747 thousand for the years ended December 31, 2011 and 2010, 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 Group has recognized pension costs of \$48,854 thousand and \$42,527 thousand for the years ended December 31, 2011 and 2010, respectively.

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

1) Net pension cost consisted of:

	Years Ended December 31	
	2011	2010
Service cost	\$ 24,910	\$ 31,836
Interest cost	32,020	32,813
Expected return on plan assets	(12,574)	(11,947)
Amortization of net transition obligation	2,007	2,159
Amortization of prior service cost	(1,162)	(1,162)
Amortization of unrecognized pension loss	3,653	7,064
Curtailement gain	<u>-</u>	<u>(18,236)</u>
Net pension cost	<u>\$ 48,854</u>	<u>\$ 42,527</u>

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

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	\$ 26,029	\$ 11,724
Non-vested benefit obligation	1,021,939	909,918
Accumulated benefit obligation	1,047,968	921,642
Additional benefits based on projected and future salaries	417,759	502,328
Projected benefit obligation	1,465,727	1,423,970
Fair value of plan assets	<u>(839,030)</u>	<u>(794,015)</u>
Funded status	626,697	629,955
Unrecognized net transition obligation	(7,753)	(1,033)
Unrecognized prior service cost	24,405	25,567
Unrecognized pension loss	(149,323)	(171,966)
Recorded prepaid pension	<u>8,886</u>	<u>8,925</u>
Accrued pension cost	<u>\$ 502,912</u>	<u>\$ 491,448</u>
Vested benefit	<u>\$ 30,277</u>	<u>\$ 11,997</u>

3) Actuarial assumptions were as follows:

	Year Ended December 31	
	2011	2010
Discount rate used in determining present value	2.00%	2.00-2.25%
Rate of future salary increase	1.50-2.00%	1.00-2.50%
Expected rate of return on plan assets	2.00-2.50%	1.50-2.25%

4) The movements of funds were as follows:

	Year Ended December 31	
	2011	2010
Beginning balance	\$ 794,015	\$ 595,907
Funds arising from merger	-	153,426
Contributions	40,820	39,457
Payments	(5,490)	(7,010)
Earnings distributed	<u>9,685</u>	<u>12,235</u>
Ending balance	<u>\$ 839,030</u>	<u>\$ 794,015</u>

22. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and that arising from business combination) may be capitalized, which however is limited to a certain percentage of Far EasTone's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. 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, 2011 and 2010, the bonus to employees was \$159,858 thousand and \$159,274 thousand, respectively, and the remuneration to directors and supervisors was \$79,929 thousand and \$79,637 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, 2011 and 2010, 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 it has reached Far EasTone's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceed 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 2010 and 2009 earnings was approved by the Far EasTone's stockholders on June 9, 2011 and June 15, 2010, respectively.

	<u>Appropriation and Distribution</u>		<u>Dividend Per Share (Dollars)</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Legal reserve	\$ 884,856	\$ 923,010		
Special reserve	-	(21,740)		
Cash dividend	8,146,252	9,123,802	\$2.50	\$2.80

The bonus to employees and the remuneration to directors and supervisors for 2010 and 2009 was approved by Far EasTone's stockholders on June 9, 2011 and June 15, 2010, respectively, as follows:

	<u>Years Ended December 31</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Bonus to employees	\$ 159,274	\$ -	\$ 166,577	\$ -
Remuneration to directors and supervisors	79,637	-	83,288	-

	<u>Years Ended December 31</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Bonus to Employees</u>	<u>Remuneration to Directors and Supervisors</u>	<u>Bonus to Employees</u>	<u>Remuneration to Directors and Supervisors</u>
Amounts approved in stockholders' meetings	\$ 159,274	\$ 79,637	\$ 166,577	\$ 83,288
Amounts recognized in respective financial statements	<u>159,274</u>	<u>79,637</u>	<u>166,142</u>	<u>83,071</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ 217</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 year ended December 31, 2010. The 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 year ended December 31, 2009 were primarily due to changes in estimates and had been adjusted in profit and loss for the year ended December 31, 2010.

As of February 16, 2012, the 2011 appropriations of earnings, bonus to employees and remuneration to directors and supervisors has not been proposed by management and will be resolved by the stockholders in their meeting scheduled on June 13, 2012.

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, 2011 were as follows:

		GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	1)	10,000	150,000
Converted from overseas unsecured convertible bonds	2)	165	2,473
Net decrease due to capital increase or capital reduction	3)	(362)	(5,426)
Reissued within authorized units	4)	22,986	344,784
GDRs transferred to common stock		<u>(31,949)</u>	<u>(479,228)</u>
Outstanding GDRs issued		<u>840</u>	<u>12,603</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, 2011, 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, 2011, Far EasTone had reissued 22,986 thousand units of GDRs representing 344,784 thousand common shares.

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

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

d. Share issuance for cash - private placement

On June 9, 2011, the stockholders of Far EastTone 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, to catch up on industry development trends and to meet Far EastTone's future operating needs. This resolution replaced their private placement resolution made on 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 EastTone'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 EastTone sends the notice to the other party of the settlement date of the private placement, Far EastTone'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 EastTone'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, 2011 and 2010 are summarized as follows:

	Recognized from Equity- method Investments	Available- for-sale Financial Assets	Unrealized Gain (Loss) on Cash Flow Hedge	Total
<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	<u>(2,176)</u>	<u>(9,454)</u>	<u>-</u>	<u>(11,630)</u>
Ending balance	<u>\$ 10,868</u>	<u>\$ 10,126</u>	<u>\$ 5,830</u>	<u>\$ 26,824</u>
<u>Year ended December 31, 2010</u>				
Beginning balance	\$ 92,005	\$ 2,050	\$ -	\$ 94,055
From merger with KG Telecom	(59,466)	50,666	8,800	-
Recorded as adjustments to stockholders' equity	37,427	(16,658)	3,950	24,719
Recognized as profit or loss	<u>(25,458)</u>	<u>(22,624)</u>	<u>-</u>	<u>(48,082)</u>
Ending balance	<u>\$ 44,508</u>	<u>\$ 13,434</u>	<u>\$ 12,750</u>	<u>\$ 70,692</u>

23. INCOME TAX

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

	Year Ended December 31	
	2011	2010
Income tax expense computed at statutory tax	\$ 1,878,171	\$ 1,893,887
Add (deduct) tax effects of:		
Permanent differences		
Gain (loss) on disposal of marketable securities	29,416	(23,750)
Equity in investees' net losses (gains)	(58,468)	1,057
Other	216,021	147,805
Temporary differences		
Allowance for doubtful account	(82,799)	(50,096)
Goodwill amortization	(134,470)	(134,470)
Equity in investee's net gains	(175,033)	28,139
Loss on disposal of properties	69,317	58,027
Other	(7,450)	8,709
Loss carryforwards used	(20,797)	(16,971)
Investment tax credits used	(102,128)	(2,219)
Unappropriated earnings tax (10%)	-	5,365
Income tax payable - current	1,611,780	1,915,483
Prior year's adjustment	8,944	85,705
	<u>1,620,724</u>	<u>2,001,188</u>
Income tax expense - current	<u>\$ 1,620,724</u>	<u>\$ 2,001,188</u>

- b. Income tax expense consisted of:

	Year Ended December 31	
	2011	2010
Income tax expense - current	\$ 1,620,724	\$ 2,001,188
Income tax expense - deferred		
Temporary differences	<u>327,021</u>	<u>100,949</u>
	<u>\$ 1,947,745</u>	<u>\$ 2,102,137</u>

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

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010

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

	December 31	
	2011	2010
Current		
Deferred income tax assets		
Allowance for doubtful accounts	\$ 344,146	\$ 425,393
Provision for losses on decline in value of inventories	13,350	7,726
Investment tax credits	8,638	7,191
Other	<u>10,822</u>	<u>23,704</u>
	376,956	464,014
Less: Valuation allowance	<u>78,012</u>	<u>69,367</u>
	<u>\$ 298,944</u>	<u>\$ 394,647</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 1,980,665	\$ 1,972,097
Impairment loss on properties and idle properties	571,345	540,297
Impairment loss on financial assets	11,691	348,333
Equity in investees' net losses	215,145	193,548
Accrued pension cost	84,938	84,836
Investment tax credits	-	8,638
Other	<u>34,722</u>	<u>25,234</u>
	2,898,506	3,172,983
Less: Valuation allowance	<u>2,579,717</u>	<u>2,743,172</u>
	318,789	429,811
Deferred income tax liabilities		
Goodwill amortization	<u>(806,822)</u>	<u>(672,352)</u>
	<u>\$ (488,033)</u>	<u>\$ (242,541)</u>

d. Integrated income tax information is as follows:

	December 31	
	2011	2010
Balance of imputation credit account (ICA)		
Far EasTone	<u>\$ 1,070,825</u>	<u>\$ 933,662</u>
ARCOA	<u>\$ 11,420</u>	<u>\$ 16,196</u>
Yuan Cing	<u>\$ 8,909</u>	<u>\$ 6,808</u>
NCIC	<u>\$ 233,310</u>	<u>\$ 228,758</u>
New Diligent	<u>\$ 5,391</u>	<u>\$ 5,391</u>
Simple Infocomm	<u>\$ 177</u>	<u>\$ 177</u>
KGEx.com	<u>\$ 3</u>	<u>\$ 3</u>
DataExpress	<u>\$ 6,445</u>	<u>\$ 426</u>
Linkwell	<u>\$ 196</u>	<u>\$ -</u>

Far EasTone's creditable ratio for distribution of earnings of 2011 and 2010 was 19.65% (estimate) and 19.78% (actual), respectively. ARCOA's creditable ratio for distribution of earnings of 2011 and 2010 was 9.23% (estimate) and 4.16% (actual), respectively. DataExpress's creditable ratio for distribution of earnings of 2011 is 12.84% (estimate). Linkwell's creditable ratio for distribution of earnings of 2011 is 2.12% (estimate).

Yuan Cing, KGEx.com, NCIC, New Diligent and Simple InfoComm had no unappropriated earnings as of December 31, 2011. Thus, their ICA balances will be accumulated until dividend distribution in the future.

e. Investment tax credits are as follows:

The unused investment tax credits of the Group as of December 31, 2011 are summarized as follows:

ISSDU

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 1,708</u>	<u>\$ 1,708</u>	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	<u>\$ 6,930</u>	<u>\$ 6,930</u>	2012

f. The Group's unused loss carryforwards as of December 31, 2011 were as follows:

Year	Remaining Creditable Amount	Expiry Year
2003	\$ 310,799	2013
2004	361,122	2014
2005	210,229	2015
2006	252,785	2016
2007	198,371	2017
2008	207,556	2018
2009	293,644	2019
2010	96,923	2020
2011	<u>49,236</u>	2021
	<u>\$ 1,980,665</u>	

g. The status of income tax returns was as follows:

Income tax returns through 2006 of Far EasTone had been examined by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2005 to 2006 returns. Thus, Far EasTone filed appeals for the reexamination of its 2005 to 2006 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 2008 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 returns and thus filed appeals for reexamination of these returns. Nevertheless, ARCOA accrued the related tax.

Income tax returns through 2007 of 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 and 2007 returns and thus filed appeals for reexamination of these returns. Nevertheless, NCIC accrued the related tax.

Income tax returns through 2009 of Q-ware Com., KGEEx.com, ADCast, Yuan Cing, ISSDU, New Diligent, Simple InfoComm, YCIC, DataExpress and Linkwell had been examined and cleared by the tax authorities. Income tax returns of 2011 of YCIC also had been examined and cleared by the tax authorities. Income tax returns through 2008 of NCIC had been examined and cleared by the tax authorities. Income tax returns through 2010 of Omusic had not been examined and cleared by the tax authorities. Home Master and Jing Yuan has not yet filed their income tax return since they were all incorporated in 2011.

24. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2011				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	\$ 948,165	\$ 3,416,378	\$ -	\$ -	\$ 4,364,543
Pension	66,794	192,815	-	-	259,609
Meal	22,462	97,554	-	-	120,016
Employee benefit	3,211	48,272	-	-	51,483
Insurance	72,507	277,214	-	-	349,721
Miscellaneous	5,901	43,187	-	-	49,088
	<u>\$ 1,119,040</u>	<u>\$ 4,075,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,194,460</u>
Depreciation	<u>\$ 8,983,132</u>	<u>\$ 1,053,261</u>	<u>\$ 11,464</u>	<u>\$ -</u>	<u>\$ 10,047,857</u>
Amortization	<u>\$ 70,563</u>	<u>\$ 117,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,712</u>

Year Ended December 31, 2010

	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	\$ 728,540	\$ 2,528,578	\$ -	\$ 289,518	\$ 3,546,636
Pension	59,736	139,476	-	18,263	217,475
Meal	17,594	69,183	-	6,074	92,851
Employee benefit	1,454	37,753	-	-	39,207
Insurance	60,392	182,718	-	19,628	262,738
Miscellaneous	<u>4,574</u>	<u>32,131</u>	<u>-</u>	<u>743</u>	<u>37,448</u>
	<u>\$ 872,290</u>	<u>\$ 2,989,839</u>	<u>\$ -</u>	<u>\$ 334,226</u>	<u>\$ 4,196,355</u>
Depreciation	<u>\$ 9,089,834</u>	<u>\$ 927,717</u>	<u>\$ 17,954</u>	<u>\$ -</u>	<u>\$ 10,035,505</u>
Amortization	<u>\$ 53,987</u>	<u>\$ 33,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,320</u>

To enhance their competency, Far EasTone, New Century InfoComm Tech Co., Ltd. (included in the consolidated financial statements since August 16, 2010) made a strategic business alliance to integrate the resources of their marketing departments and operating management departments and to support each other's human resources. The related employee revenues and expenses were charged and paid on the basis of agreed-upon terms and recorded as nonoperating income and operating cost or expense. In addition, in the special stockholders' meeting on October 5, 2010, NCIC's stockholders resolved to entrust all its business operation to Far EasTone.

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					
<u>December 31, 2011</u>					
Basic EPS					
Net income - Far EasTone	\$ 10,786,658	\$ 8,880,993	3,258,501	<u>\$ 3.31</u>	<u>\$ 2.73</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>4,398</u>		
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>

(Continued)

	<u>Amount (Numerator)</u>		<u>Common Stock (Denominator) (In Thousand Shares)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
Year ended <u>December 31, 2011</u>					
Year ended <u>December 31, 2010</u>					
Basic EPS					
Net income - Far EasTone	\$ 10,923,961	\$ 8,848,565	3,258,501	<u>\$ 3.35</u>	<u>\$ 2.72</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>5,792</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 10,923,961</u>	<u>\$ 8,848,565</u>	<u>3,264,293</u>	<u>\$ 3.35</u>	<u>\$ 2.71</u> (Concluded)

The ARDF 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

	<u>December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 196,718	\$ 196,718	\$ 1,188,405	\$ 1,188,405
Available-for-sale financial assets - current	2,688,536	2,688,536	2,496,132	2,496,132
Hedging derivative financial assets - current	1,500	1,500	78,670	78,670
Held-to-maturity financial asset (including current portion)	1,199,768	1,202,920	1,199,666	1,203,931

(Continued)

	December 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets carried at cost - noncurrent	\$ 29,188	\$ 29,188	\$ 75,758	\$ 75,758
Refundable deposits	483,223	482,041	449,731	449,366
<u>Liabilities</u>				
Long-term bank loans (including current portion)	175,793	175,793	208,995	208,995
Hedging derivative financial liabilities - current	2,667	2,667	-	-
Lease payable (including current portion) (including in other current liabilities and other liabilities - other)	16,918	16,918	-	-
Guarantee deposits received (including current portion)	719,213	719,213	783,965	783,965
<u>Place of transaction on derivative financial instruments</u>				
<u>Assets</u>				
Domestic	\$ 1,500	\$ 1,500	\$ 78,670	\$ 78,670
<u>Liabilities</u>				
Domestic	2,667	2,667	-	-

(Concluded)

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, accounts receivable - related parties, other receivables - related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial papers 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 - noncurrent; otherwise, fair values will be measured by carrying values.
- 5) Fair values of lease payable, long-term bank loans, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.

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

	<u>Quoted Price</u>		<u>Estimated Price</u>	
	<u>December 31</u>		<u>December 31</u>	
	2011	2010	2011	2010
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 196,718	\$ 1,188,405	\$ -	\$ -
Available-for-sale financial assets - current	2,688,536	2,496,132	-	-
Hedging derivative financial assets - current	-	-	1,500	78,670
Held-to-maturity financial assets (including current portion)	202,920	203,931	-	-
<u>Liabilities</u>				
Hedging derivative financial liabilities - current	-	-	2,667	-

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

	<u>December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Financial Assets</u>	<u>Financial Liabilities</u>	<u>Financial Assets</u>	<u>Financial Liabilities</u>
<u>Risk from interest fluctuations</u>				
Fair value risk	\$ 9,049,407	\$ 2,548,906	\$ 7,681,865	\$ 6,922,704
Cash flow risk	3,871,597	1,383,790	4,952,475	455,095

- 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.

For the years ended December 31, 2011 and 2010, 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 requirement. 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 demand deposits, short-term and long-term 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, 2011 and 2010, 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 of Cash Flows	Expected Year for Realization of Gains or Losses
		Notional Amount		Fair Value			
		December 31		December 31			
		2011	2010	2011	2010		
Foreign currency - denominated asset	Cross-currency swap - Far EasTone	US\$ 5,000,000	US\$15,000,000	\$ (75)	\$ 13,820	2012	2012
	Foreign exchange swap - NCIC	US\$30,000,000	US\$30,000,000	1,500	50,550	2012	2012
	Foreign exchange swap - NCIC	US\$35,000,000	US\$10,000,000	(2,592)	14,300	2012	2012

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
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee of Far EasTone (became a subsidiary since August 16, 2010)
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
Far Eastern Electronic Commerce Co., Ltd. (FECC)	Equity-method investee of the Group
iScreen Corporation	Equity-method investee of Far EasTone
Information Security Service Digital United Inc.	Subsidiary of NCIC (became a subsidiary since August 16, 2010)
New Diligent Co., Ltd.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)

(Continued)

Related Party	Relationship with the Group
Simple InfoComm Co., Ltd.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Sino Lead Enterprise Limited	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Digital United Information Technology Co., Ltd. (Shanghai)	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Yue Ding Industry Co., Ltd.	Director 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 of parent companies
Der Ching Investment Corporation	Same chairman of parent companies
Bai Yang Investment Co.	Same chairman of parent companies
Yue-Tung Investment Corporation	Same chairman of parent companies
Asia Investment Corp.	Same chairman of parent companies
Far Eastern Citysuper Co., Ltd.	Same chairman of parent companies
Ya Tung Department Store Co., Ltd.	Same chairman of parent companies
Fu Dar Transportation Corporation	Same chairman of parent companies
Fu-Ming Transportation Co., Ltd.	Same chairman of parent companies
YDT Technology International Co., Ltd. (YDTTI)	Same chairman of parent companies
Far Eastern Technical Consultants Co., Ltd.	Same chairman of parent companies
Nan Hwa Cement Corporation	Same chairman of parent companies
Ya Tung Ready Mixed Concrete Co., Ltd.	Same chairman of parent companies
Oriental Securities Corporation Ltd.	Same chairman of mainly stockholders
Bai Ding Investment Ltd.	Same chairman
Yuan Ding Co., Ltd. (YDC)	Same chairman
Far Eastern Department Stores Co., Ltd. (FEDS)	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
Far Eastern Plaza Hotel	Same chairman
Yuan-Ze University	Same chairman
U-Ming Marine Transport Corporation	Same chairman
Chiahui Power Corporation	Same chairman
Tranquil Enterprise Ltd.	Same chairman
Far Eastern Medical Foundation	Same chairman
Far Eastern International Bank (FEIB)	Far EasTone's chairman is FEIB's vice chairman
Far Eastern Insurance Agency Co., Ltd.	Far EasTone's chairman is its parent company'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

(Continued)

Related Party	Relationship with the Group
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Oriental Petrochemical (Taiwan) Co., Ltd.	Same ultimate parent company
Yuan Ding Investment Corporation (YDI)	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Far Eastone Fibertech Co., Ltd.	Same ultimate parent company
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 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
Worldwide Polychem (HK) Limited	Same ultimate parent company
FET Consulting Engineers 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
Sugian Far Eastern Apparel Co., Ltd.	Same ultimate parent company
DDIM (Virgin Islands) Ltd.	Same ultimate parent company
Far Eastern Leasing Corporation	Subsidiary of FEILC

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Ding Ding Management Consultant Co., Ltd. (DDMC)	Equity-method investee of ultimate parent company
Everest Textile Co., Ltd.	Its Chairmen is consanguinity within second degree to the chairman of Far EasTone
Hui Kang Investment Co., Ltd.	Its Chairmen is consanguinity within second degree to the chairman of Far EasTone
Connie Hsu	Consanguinity within second degree to the chairman of Far EasTone

(Concluded)

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

	<u>Year Ended December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenue				
SOGO	\$ 490,709	1	\$ 21,527	-
FEDS	202,891	-	11,951	-
FETC	48,055	-	47,302	-
FEIB	47,637	-	43,952	-
FENC	33,964	-	28,769	-
NCIC	-	-	859,469	2
Other	<u>103,313</u>	<u>-</u>	<u>106,918</u>	<u>-</u>
	<u>\$ 926,569</u>	<u>1</u>	<u>\$ 1,119,888</u>	<u>2</u>

Operating revenues from related parties include revenue from sales of cellular phone equipment and accessories, telecommunication service, leased circuit and customer service, of which the terms and conditions conformed to normal business practice.

	<u>Year Ended December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating costs and expenses				
Cost of telecommunications service				
NCIC	\$ -	-	\$ 509,846	2
Other	<u>7,980</u>	<u>-</u>	<u>8,702</u>	<u>-</u>
	<u>\$ 7,980</u>	<u>-</u>	<u>\$ 518,548</u>	<u>2</u>
Rental				
FEILC	\$ 53,050	1	\$ 42,943	1
FETRD	52,652	1	46,497	1
SOGO	31,331	1	1,702	-
FEDS	15,776	-	589	-
NCIC	-	-	33,295	1
Other	<u>16,212</u>	<u>-</u>	<u>13,490</u>	<u>-</u>
	<u>\$ 169,021</u>	<u>3</u>	<u>\$ 138,516</u>	<u>3</u>

	Year Ended December 31			
	2011		2010	
	Amount	%	Amount	%
Marketing expense				
DDIM	\$ 151,286	1	\$ 130,405	1
Other	<u>3,481</u>	<u>-</u>	<u>557</u>	<u>-</u>
	<u>\$ 154,767</u>	<u>1</u>	<u>\$ 130,962</u>	<u>1</u>
Service fee				
FCHRC	\$ 247,631	58	\$ 286,792	60
Other	<u>2,392</u>	<u>1</u>	<u>987</u>	<u>-</u>
	<u>\$ 250,023</u>	<u>59</u>	<u>\$ 287,779</u>	<u>60</u>
Telephone fee				
NCIC	\$ <u>-</u>	<u>-</u>	<u>\$ 21,904</u>	<u>7</u>
Donation expense				
YZU	\$ 80,000	54	\$ 25,000	43
TTF	<u>7,000</u>	<u>5</u>	<u>7,000</u>	<u>12</u>
	<u>\$ 87,000</u>	<u>59</u>	<u>\$ 32,000</u>	<u>55</u>

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			
	2011		2010	
	Amount	%	Amount	%
Acquisition of properties				
FEILC	\$ -	-	\$ 236,508	3
Other	<u>7,264</u>	<u>-</u>	<u>12,645</u>	<u>-</u>
	<u>\$ 7,264</u>	<u>-</u>	<u>\$ 249,153</u>	<u>3</u>

Far EasTone bought from FEILC the Neihu switch center, the Taichung land for switch center and the Kaohsiung office space for \$239,177 thousand (including VAT) based on appraisal reports and market prices.

	December 31			
	2011		2010	
	Amount	%	Amount	%
Demand deposits and certificates of deposits				
FEIB	<u>\$ 5,418,412</u>	<u>48</u>	<u>\$ 4,437,394</u>	<u>40</u>

The Group had demand deposits and certificates of deposits (CDs) in FEIB. These deposits include the proceeds of Far EasTone's sale of prepaid cards 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			
	2011		2010	
	Amount	%	Amount	%
Hedging derivative financial assets (liabilities)				
FEIB	<u>\$ 1,500</u>	<u>100</u>	<u>\$ 50,550</u>	<u>64</u>

NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. The national amount is US\$30,000,000 as of December 31, 2011 and 2010. Related expenses are treated as interest expenses.

	December 31			
	2011		2010	
	Amount	%	Amount	%
Accounts receivable - related parties				
FEDS	\$ 40,991	38	\$ 8,317	19
SOGO	39,239	36	20,721	47
FENC	7,409	7	458	1
FETC	4,370	4	4,271	10
FEEC	3,012	3	-	-
FETRD	2,759	2	3,378	8
DDIM	1,735	1	1,561	4
FEIB	804	1	1,547	3
Other	<u>8,253</u>	<u>8</u>	<u>3,348</u>	<u>8</u>
	<u>\$ 108,572</u>	<u>100</u>	<u>\$ 43,601</u>	<u>100</u>
Other receivables - related parties				
YDI	\$ 7,552	43	\$ 7,552	32
FEIB	6,074	35	2,857	12
FETC	2,124	12	3,204	14
ACC	1,073	6	1,073	5
DDIM	-	-	1,582	7
Other	<u>625</u>	<u>4</u>	<u>7,233</u>	<u>30</u>
	<u>\$ 17,448</u>	<u>100</u>	<u>\$ 23,501</u>	<u>100</u>
Refundable deposits				
DDIM	\$ 38,595	8	\$ 38,535	9
Other	<u>2,409</u>	<u>-</u>	<u>6,637</u>	<u>1</u>
	<u>\$ 41,004</u>	<u>8</u>	<u>\$ 45,172</u>	<u>10</u>
Accounts payables - related parties				
FEDS	\$ 1,780	60	-	-
DDIM	541	18	300	2
FETC	156	5	6,333	37
DDMC	-	-	4,162	24
YDC	-	-	2,275	13
YDTTI	-	-	1,817	11
Other	<u>473</u>	<u>17</u>	<u>2,273</u>	<u>13</u>
	<u>\$ 2,950</u>	<u>100</u>	<u>\$ 17,160</u>	<u>100</u>

	December 31			
	2011		2010	
	Amount	%	Amount	%
Other payables - related parties				
DDIM	\$ 90,686	60	\$ 77,550	34
FENC	25,217	17	35,871	16
FCHRC	19,073	13	30,696	13
YZU	-	-	40,100	18
Other	<u>14,890</u>	<u>10</u>	<u>43,588</u>	<u>19</u>
	<u>\$ 149,866</u>	<u>100</u>	<u>\$ 227,805</u>	<u>100</u>
	Year Ended December 31			
	2011		2010	
	Amount	%	Amount	%
Nonoperating income and gains				
Interest				
FEIB	\$ 43,984	34	\$ 27,990	33
YDI	20,000	16	7,425	9
ACC	4,001	3	3,999	5
FENC	-	-	4,367	5
Other	<u>9</u>	<u>-</u>	<u>221</u>	<u>-</u>
	<u>\$ 67,994</u>	<u>53</u>	<u>\$ 44,002</u>	<u>52</u>
Management services revenue				
NCIC	<u>\$ -</u>	<u>-</u>	<u>\$ 17,514</u>	<u>100</u>
Rent				
YDTTI	\$ 4,339	7	\$ 1,544	4
DDMC	1,955	3	896	2
FETRD	1,607	3	973	3
NCIC	-	-	10,043	24
Other	<u>322</u>	<u>1</u>	<u>127</u>	<u>-</u>
	<u>\$ 8,223</u>	<u>14</u>	<u>\$ 13,583</u>	<u>33</u>
Nonoperating expenses and losses				
Interest				
FEIB	\$ 7,539	12	\$ 2,944	6
FEILC	<u>398</u>	<u>1</u>	<u>1,590</u>	<u>4</u>
	<u>\$ 7,937</u>	<u>13</u>	<u>\$ 4,534</u>	<u>10</u>

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

c. Compensation of directors, supervisors and management personnel:

	<u>Years Ended December 31</u>	
	2011	2010
Salary and bonus	\$ 185,304	\$ 172,741
Remuneration paid from distribution of earnings	83,312	79,637
Bonus paid from distribution of earnings	35,856	33,978
Operation allowance of directors	<u>10,990</u>	<u>11,129</u>
	<u>\$ 315,462</u>	<u>\$ 297,485</u>

28. COMMITMENTS AS OF DECEMBER 31, 2011

In addition to those disclosed in other notes, the Group had the following significant commitments:

- a. The Group was under contracts to acquire properties and cellular phone equipment for \$4,047,164 thousand and \$3,569,036 thousand, respectively, of which \$517,919 thousand and \$909,505 thousand, respectively, had been paid.
- b. DataExpress provided a \$30,000 thousand bank guarantee which is used as collaterals for the purchase of inventory.
- c. Payments for the rentals of land, buildings and cell sites of the Group for the future years are summarized as follows:

Year	Amount
2012	\$ 3,067,882
2013	3,108,094
2014	3,168,846
2015	3,242,655
2016	3,279,027

- d. Far EasTone provided a \$199,287 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, long-term and short-term bank loans, administrative tax remedies, issuance of letters of credit and undertaking government projects, were as follows:

	<u>December 31</u>	
	2011	2010
Restricted assets - current	\$ 6	\$ 14,015
Pledged certificates of deposits - current	28,356	134,500
Pledged certificates of deposits - noncurrent	34,624	421,369
Properties, net	<u>419,461</u>	<u>443,956</u>
	<u>\$ 482,447</u>	<u>\$ 1,013,840</u>

30. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

- 1) Financing provided: Schedule A
- 2) Endorsement/guarantee provided: Schedule B
- 3) Marketable securities and investments held: Schedule C
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- 7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule F
- 9) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule G
- 10) Derivative financial instruments of investees: Note 26

c. Investment in Mainland China:

- 1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Schedule H
- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Schedule I
- 3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None
- 4) Financings directly or indirectly provided to the investees: Schedule A
- 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

31. 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. Thus, the segments were defined by the categories of each provided product or delivered service. As required by SFAS No. 41 - "Operating Segments", the Group defined its operating segments as follows:

- 1) Mobile services business: Providing mobile telecommunication related services;
- 2) Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access related services;
- 3) Sales business: Providing sales of cellular phone, computer and accessory;

Segment operating income represented the profit generated by each operating segment, which exclude interest revenue, other revenue, equity in investees' net losses, interest expense, other expense and general and administrative expense. Those measured amounts of segment operating income were provided to the chief operating decision marker to allocate resources to the segments and assess their performance. However, the measured amounts of segment assets were not provided to the chief operating decision marker.

The Group's revenues and operating results were analyzed by the operating segments as follows:

	Year Ended December 31, 2011				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from un-affiliates	\$ 55,032,549	\$ 9,244,557	\$ 11,471,725	\$ -	\$ 75,748,831
Revenues generated from the Group (Note A)	<u>1,281,889</u>	<u>1,424,853</u>	<u>9,517</u>	<u>(2,716,259)</u>	<u>-</u>
Total revenues	<u>\$ 56,314,438</u>	<u>\$ 10,669,410</u>	<u>\$ 11,481,242</u>	<u>\$ (2,716,259)</u>	<u>\$ 75,748,831</u>
Segment operating income (loss)	<u>\$ 10,600,631</u>	<u>\$ (6,101)</u>	<u>\$ (279,253)</u>	<u>\$ 778</u>	<u>\$ 10,874,561</u>
	Year Ended December 31, 2010				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from un-affiliates	\$ 53,381,559	\$ 3,710,858	\$ 6,343,488	\$ -	\$ 63,435,905
Revenues generated from the Group (Note A)	<u>1,144,815</u>	<u>960,501</u>	<u>-</u>	<u>(2,105,316)</u>	<u>-</u>
Total revenues	<u>\$ 54,526,374</u>	<u>\$ 4,671,359</u>	<u>\$ 6,343,488</u>	<u>\$ (2,105,316)</u>	<u>\$ 63,435,905</u>
Segment operating income (loss)	<u>\$ 10,632,029</u>	<u>\$ 51,747</u>	<u>\$ 347,738</u>	<u>\$ (66,009)</u>	<u>\$ 10,965,505</u>

Note A: Represents sales between segments.

b. Geographical information

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

c. Information about major customer

A customer accounting for at least 10% of the Group's total operating revenue was as follows:

	2011		2010	
	Amount	Percentage of Operating Revenue (%)	Amount	Percentage of Operating Revenue (%)
Company A	\$ 5,564,106	7	\$ 7,292,482	11

32. OTHER

As of December 31, 2011 and 2010, 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			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 12,407	30.275	\$ 375,622	\$ 23,889	29.13	\$ 695,887
EUR	4	39.18	148	10	38.92	389
JPY	25	0.3906	10	306	0.3582	110
HKD	51	3.897	199	14,348	3.748	53,776
RMB	10,510	4.805	50,520	27,856	4.42	123,124
SGD	30	23.31	699	-	-	-
Non-monetary items						
USD	70,704	30.275	2,140,566	46,836	29.13	1,364,333
HKD	-	3.897	-	15,925	3.748	59,687
<u>Financial liabilities</u>						
Monetary items						
USD	14,109	30.275	427,138	18,225	29.13	530,894
EUR	37	39.18	1,442	36	38.92	1,401
JPY	1,884	0.3906	736	654	0.3582	234
HKD	-	3.897	-	23	3.748	86
RMB	5,345	4.805	25,694	3,780	4.42	16,708
SGD	-	23.31	-	4	22.73	91

33. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group pre-discloses the following information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

- a. On May 14, 2009, the 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 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, anticipated schedule and status of execution as of December 31, 2011 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 IFRS 1	IFRS project team	Completed
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 IFRS 1	IFRS project team	Completed
11) Prepare the opening balance sheet in conformity with the IFRSs	IFRS project team	Scheduled for completion in March 2012
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

- b. As of December 31, 2011, the Group had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

Accounting Issues	ROC GAAP	IFRSs
Customer loyalty program - Bonus points of the Group	Recognised as expense as bonus points incurred.	Bonus points, which is allocated based on the relative fair value method, should be included in deferred revenue and recognized as revenue when the third party fulfills the redemption obligations.
Classification of deferred income tax assets or liabilities	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.	Under IAS 12, a deferred income tax asset or liability is always classified as noncurrent.
Valuation allowance for deferred income tax assets	A valuation allowance is recognized for deferred income tax assets that are not certain to be realized.	Deferred tax assets are recognized only if realization of tax benefit is probable and valuation allowance is not used in IAS 12.
Employee benefits - accumulating compensated absences	Recognized as salary expense while distributed.	Recognized as salary expense when the employees render services that increase their entitlement to future compensated absences.
Employee benefits - unrecognized net transition obligation and unrecognized actuarial losses.	Amortized by the straight-line method or corridor approach over the employee's remaining service period.	Under IAS 19, unrecognized net transition obligation should be included in unappropriated earnings. Unrecognized actuarial losses should be recognized as other comprehensive income under the revised IAS 19.
Idle properties and deferred charges	Recognized as idle properties and deferred charges	Reclassified into properties, plant revised and equipments.
Computer software	Recognized as properties	Reclassified into intangible assets.
Losses attributable to non-controlling interest (NCI)	Excess losses should be attributed to the parent except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.	Total comprehensive income is attributed to the NCI even if this results in the NCI having a deficit balance.

(Continued)

<u>Accounting Issues</u>	<u>ROC GAAP</u>	<u>IFRSs</u>
A reduction in investor's ownership interest resulting from the issuance of shares by the associates without losing significant influence	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 adjusted to capital surplus.	Should be treated as a deemed disposal, with the related gain or loss recognized in profit or loss.
Accounting Treatment of BOT	The interpretation No. 2004-321 requires an operator to recognize the construction cost as a concession and amortize this cost within the contract period.	Under IFRIC 12, an operator should recognize the consideration received either as a financial asset or an intangible asset.
Presentation in the statement of cash flows	Cash flows from interests and dividends received should be disclosed separately only under the direct method.	Cash flows from interests and dividends received and paid should each be disclosed separately.

(Concluded)

The above differences between ROC GAAP and IFRSs may not have under IFRS 1 due to the optional exemptions.

- c. 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 International Accounting Standards Board continues to issue or amend standards, and as the FSC may issue new rules governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market. Actual accounting policies adopted under IFRSs in future may differ from those contemplated during the assessments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	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		
0	Far EasTone Telecommunications Co., Ltd.	Yuan Cing Infocomm Tech Co., Ltd.	Other receivables - related parties	\$ 6,000,000 (Note C)	\$ - (Note C)	0.810%-0.827%	Short-term financing	\$ -	For the tender offer payment and business operations	\$ -	-	\$ -	\$ 7,197,687	\$ 10,796,530
1	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	Other receivables - related parties	15,135 (RMB 3,150,000) (Note D)	15,135 (RMB 3,150,000) (Note D)	6.56%-7%	Short-term financing	-	For business operations	-	-	-	33,624 (RMB 6,998,000)	84,061 (RMB 17,495,000)

Note A: The maximum total financing provided amount for short-term financing should not exceed 15% of Far EasTone's net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counter-party should not exceed 10% of Far EasTone's net worth of most current audited or reviewed financial statements.

Note B: 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 20% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of most current audited or reviewed financial statements.

Note C: The maximum balance for the period shown above was the amounts allowed, while the actual withdrawal amount was \$4,300,000 thousand. Far EasTone merged Yuan Cing Infocomm Tech Co., Ltd. on March 1, 2011, thus there were no ending balance and actual withdrawal amount from then on.

Note D: The maximum balance for the period shown above was the amounts allowed, while the actual withdrawal amount was RMB 3,150,000.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2011
(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 Period (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	\$ 35,988,434 35,988,434	\$ 199,287 45,000	\$ 199,287 45,000	\$ - -	0.28% 0.06%	\$ 71,976,867 71,976,867

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 and KGEx were \$199,287 thousand and \$18,473 thousand, respectively.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(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, 2011				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	\$ 27,410,135	100.00	\$ 27,410,135	Notes A and D	2,599,448,983
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,193,275	61.07	1,193,275	Notes A and D	82,009,242
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	100,329,267	771,403	89.25	771,403	Notes A and D	100,329,267
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	167,720,406	269,609	40.91	269,609	Notes A and D	167,720,406
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	157,506	100.00	157,506	Notes A and D	1,200
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	84,898	85.92	84,898	Notes A and D	6,014,622
	Far EastTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	26,441	100.00	26,441	Notes A and D	4,486,988
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	21,094	40.00	21,094	Notes A and D	4,000,000
	Omusic Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	17,216	50.00	17,216	Notes A and D	2,500,000
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	4,202,000	26,101	13.98	26,101	Notes A and D	4,202,000
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	1,725,000	11,299	15.00	11,299	Notes A and D	1,725,000
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	386,869	3,815	8.56	3,815	Notes A and D	386,870
	Q-ware Communications Co., Ltd.	Equity-method investee	Other liability - other	36,459,930	(295,797)	51.00	(295,797)	Notes A and D	36,459,930
	ACC	-	Available-for-sale financial assets - current	2,132,718	72,512	-	72,512	Note B	2,132,718
	<u>Open-end mutual funds</u>								
	PCA Global Green Solutions Fund	-	Available-for-sale financial assets - current	4,978,009.80	45,500	-	45,500	Note C	4,978,009.80
	<u>Private funds</u>								
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000.00	152,414	-	152,414	Note C	5,000.00
	<u>Bonds</u>								
Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,768	-	202,920	Note F	200.00	
ARCOA Communication Co., Ltd.	<u>Stock</u>								
	Data Express Infotech Co., Ltd.	Equity-method investee	Equity-method investments	6,142,500	168,823	70.00	168,823	Notes A and D	6,142,500
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729	Note D	1,213,594
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	289,398	2,627	0.04	2,627	Note D	840,000
	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
	<u>Open-end mutual funds</u>								
	PCA Well Pool Money Market Fund	-	Available-for-sale financial assets - current	2,288,818.40	30,002	-	30,002	Note C	9,208,379.10
	Fuh Hwa Money Market Fund	-	Available-for-sale financial assets - current	2,150,337.20	30,001	-	30,001	Note C	6,499,197.20
	Fuh Hwa Global Short-Term Income Fund	-	Available-for-sale financial assets - current	950,064.60	9,902	-	9,902	Note C	4,709,368.40
	Taishin 1699 Money Market Fund	-	Available-for-sale financial assets - current	4,495,207.87	60,023	-	60,023	Note C	9,229,422.83
	Taishin Ta Chong Money Market Fund	-	Available-for-sale financial assets - current	2,302,343.79	30,002	-	30,002	Note C	4,389,382.30
	Mega Diamond Money Market Fund	-	Available-for-sale financial assets - current	4,974,836.09	60,022	-	60,022	Note C	9,969,474.18

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note	Highest Shares/Units Held During the Year	
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value			
New Century InfoComm Tech Co., Ltd.	Yuanta Wan Tai Money Market Fund	-	Available-for-sale financial assets - current	2,054,062.90	\$ 30,002	-	\$ 30,002	Note C	4,114,563.80	
	Jih Sun Money Market Fund	-	Available-for-sale financial assets - current	2,104,022.89	30,002	-	30,002	Note C	2,105,277.93	
	Polaris De-Bao Money Market Securities Investment Trust Fund	-	Available-for-sale financial assets - current	2,588,862.70	30,002	-	30,002	Note C	2,590,405.10	
	FSITC Money Market Fund	-	Available-for-sale financial assets - current	2,035,540.50	30,000	-	30,000	Note C	2,035,540.50	
	FSITC Taiwan Money Market Fund	-	Available-for-sale financial assets - current	174,355.76	30,000	-	30,000	Note C	2,036,867.30	
	ING Taiwan Money Market Fund	-	Available-for-sale financial assets - current	1,906,359.62	30,000	-	30,000	Note C	1,906,359.62	
	Fubon Chi-Hsiang Money Market Fund	-	Available-for-sale financial assets - current	1,981,021.80	30,000	-	30,000	Note C	1,981,021.80	
	<u>Bonds</u>									
	The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.	Same ultimate parent company	Held-to-maturity financial assets - noncurrent	10.00	10,000	-	10,000	Note F	10.00	
	<u>Stock</u>									
	New Diligent Co., Ltd.	Equity-method investee	Equity-method investments	80,000,000	724,922	100.00	724,922	Notes A and D	80,000,000	
	Information Security Service Digital United Co., Ltd.	Equity-method investee	Equity-method investments	14,877,747	96,917	100.00	96,917	Notes A and D	14,877,747	
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	4,092,160	40,351	90.57	40,351	Notes A and D	4,092,160	
	Simple InfoComm Co., Ltd.	Equity-method investee	Equity-method investments	3,400,000	20,599	100.00	20,599	Notes A and D	3,400,000	
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	575,000	3,767	5.00	3,767	Notes A and D	575,000	
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	1,503,000	9,336	5.00	9,336	Notes A and D	1,503,000	
	BankPro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	45,000	4,500	3.33	4,500	Note D	45,000	
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost - noncurrent	30,000,000	-	3.00	-	-	30,000,000	
	C2C Holdings Pte. Ltd.	-	Financial assets carried at cost - noncurrent	30,000,000	-	6.38	-	-	30,000,000	
	MetaEdge Corp.	-	Financial assets carried at cost - noncurrent	39,359	-	1.59	-	-	39,359	
	YeServ Com. Limited	-	Financial assets carried at cost - noncurrent	160,000	-	1.32	-	-	160,000	
	Auto TOOLS Co., Ltd.	-	Financial assets carried at cost - noncurrent	152,589	-	1.53	-	-	152,589	
	<u>Share certificates</u>									
	Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investments	3,320,000	26,131	100.00	26,131	Notes A and D	3,320,000	
	<u>Open-end mutual funds</u>									
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	3,989,223.30	49,950	-	49,950	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	45,600	-	45,600	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	101,168	-	101,168	Note C	9,571,256.70	
	<u>Private funds</u>									
	Opas Fund Segregated Portfolio Tranche C	-	Available-for-sale financial assets - current	30,000.00	940,692	-	940,692	Note C	30,000.00	
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	10,000.00	304,829	-	304,829	Note C	10,000.00	
	Opas Fund Segregated Portfolio Tranche E	-	Available-for-sale financial assets - current	25,000.00	742,631	-	742,631	Note C	25,000.00	
<u>Bonds</u>										
The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.	Same ultimate parent company	Held-to-maturity financial assets - noncurrent	990.00	990,000	-	990,000	Note F	990.00		

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value		
Digital United (Cayman) Ltd.	<u>Stock</u> Digital United Information Technologies Co., Ltd.	Equity-method investee	Equity-method investments	-	US\$ 359,000	100.00	US\$ 359,000	Notes A and D	-
New Diligent Co., Ltd. (Note H)	<u>Share certificates</u> Sino Lead Enterprise Limited	Equity-method investee	Equity-method investments	-	523	100.00	523	Notes A and D	-
	Far Eastern New Diligent Company Ltd.	Equity-method investee	Equity-method investments	-	-	100.00	-	Notes A and D	-
DataExpress Infotech Co., Ltd.	<u>Stock</u> Linkwell Tech. Co., Ltd.	Equity-method investee	Equity-method investments	-	19,271	100.00	19,271	Notes A and D	-
	Homet Master Technology Co., Ltd.	Equity-method investee	Equity-method investments	-	7,531	99.99	7,531	Notes A and D	-
	Jing Yuan Technology Co., Ltd.	Equity-method investee	Equity-method investments	-	9,984	100.00	9,984	Notes D and G	-
Far Eastern Info Service (Holding) Ltd.	<u>Share certificates</u> Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 5,210,000	100.00	US\$ 5,210,000	Notes A and D	-
E. World (Holdings) Ltd.	<u>Stocks</u> Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$ 3,019,000	100.00	US\$ 3,019,000	Notes A and D	19,349,994
Far Eastern Tech-info Ltd. (Shanghai)	<u>Share certificates</u> Far Eastern New Century Information Technology (Beijing) Limited	Equity-method investee	Equity-method investments	-	RMB 45,705,000	55.00	RMB 45,705,000	Notes A and D	-

Note A: The calculation was based on audited financial statements as of December 31, 2011.

Note B: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2011.

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of December 31, 2011.

Note D: The financial assets carried at cost, equity-method investments and other liability - 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, 2011.

Note F: The calculation of the market value of bonds was based on the volume-weighted average price on the Gre Tai Securities exchange of December 31, 2011. The bonds without quoted prices were measured by their carrying values.

Note G: The information was based on unaudited financial statements as of December 31, 2011.

(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, 2011
(In Thousands of New Taiwan Dollars)**

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Equity in Net Gain (Loss)	Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> Yuan Cing Information Tech Co., Ltd.	Equity method investments	Der Ching Investment Corporation and etc.	Note B	1,500,100,000	\$ 15,076,670	836,503,547 (Note B)	\$ 1,545,584 (Note B)	2,336,603,547 (Note C)	\$ -	\$ -	\$ -	\$ (16,622,254) (Note C)	-	\$ -
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity method investments	Issuance of capital stock for cash	-	157,714,020	169,347	10,006,386	100,064	-	-	-	-	198 (Note D)	167,720,406	269,609
Far Eastern Tech-info Ltd. (Shanghai)	<u>Share certificate</u> Far Eastern New Century Information Technology (Beijing) Limited	Equity method investments	Yuan Dong New Century Company Ltd. and issuance of capital stock for cash	-	-	-	-	RMB 49,874,000	-	-	-	-	RMB (4,169,000) (Note E)	-	RMB 45,705,000
New Diligent Co., Ltd.	<u>Open-end mutual funds</u> FSITC Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	10,940,283.20	160,000	-	-	10,940,283.20	160,656	160,000	656	-	-	-
ARCOA Communication Co., Ltd.	<u>Open-end mutual funds</u> Bond Fund	Available-for-sale financial assets - current	-	-	9,509,661.20	120,000	7,089,060.53	90,000	16,598,721.73	210,809	210,000	809	-	-	-
	Capital Income Fund	Available-for-sale financial assets - current	-	-	7,777,877.60	120,000	1,936,708.40	30,000	9,714,586.00	150,552	150,000	552	-	-	-
	PCA Well Pool Money Market Fund	Available-for-sale financial assets - current	-	-	4,612,209.30	60,000	11,466,960.20	150,000	13,790,351.10	180,488	180,000	488	-	2,288,818.40	30,000
	Fuh Hwa Money Market Fund	Available-for-sale financial assets - current	-	-	4,339,572.10	60,000	8,614,571.20	120,000	10,803,806.10	150,430	150,000	430	-	2,150,337.20	30,000
	Taishi 1699 Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	13,724,630.70	180,000	9,229,422.83	120,185	120,000	185	-	4,495,207.87	60,000
	Taichin Ta Chong Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	8,884,468.09	120,000	6,582,124.30	90,044	90,000	44	-	2,302,343.79	30,000
	Mega Diamond Bond Fund	Available-for-sale financial assets - current	-	-	-	-	14,944,310.27	180,000	9,969,474.18	120,202	120,000	202	-	4,974,836.09	60,000
	Yuanta Wan Tai Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	8,223,941.80	120,000	6,169,878.90	90,048	90,000	48	-	2,054,062.90	30,000
New Century InfoComm Tech Co., Ltd.	<u>Private funds</u> Opas Fund Segregated Portfolio Tranche E	Available-for-sale financial assets - current	-	-	-	-	25,000	725,150	-	-	-	-	-	25,000	725,150
	<u>Open-end mutual funds</u> Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	10,667,475.00	154,193	3,439,168.00	50,000	14,106,643.00	205,379	204,193	1,186	-	-	-

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

Note B: Through the share swap and the cash merger (\$10.93 per share), Far EasTone had acquired 695,096,070 shares and 141,407,477 shares, respectively. The cash merger included 991,222 thousand shares of \$90,688 thousand acquired from the related parties (Note 25).

Note C: The investments cost recognized due to the share swap was \$6,170,177 thousand, the investment income recognized under equity method was \$48,214 thousand and the adjustment arising from changes in stockholder's equity was \$2,292 thousand. Then, the amount of \$22,842,937 thousand was eliminated on March 1, 2011 due to cash merger.

Note D: The investment loss recognized under equity method was \$9,140 thousand and the effect of change in ownership percentage due to investee's issuance of capital stock for cash amounting to \$9,338 thousand.

Note E: The investment loss recognized under equity method was RMB4,169,000.

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, 2011
(In Thousands of New Taiwan Dollars)**

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Sales of equipment and accessories and telecommunications service revenues	\$ (398,918)	(1%)	Based on agreement	-	-	Accounts receivable	\$ 214,228	3%
			Cost of telecommunications services, marketing expenses and cost of sales	3,989,793	8%	Based on agreement	-	-	Accounts payable and accrued expense	(991,272)	(12%)
	KGEX.com Co., Ltd. New Century InfoComm Tech Co., Ltd.	Subsidiary	Telecommunications service revenues	(252,390)	-	Based on agreement	-	-	Accounts receivable	40,573	1%
		Subsidiary	Telecommunications service revenues	(870,435)	(1%)	Based on agreement	-	-	Accounts receivable (Note A)	5,754	-
	Far Cheng Human Resources Consultant Corp. Ding Ding Integrated Marketing Service Co., Ltd. Far Eastern Tech-Info Ltd. (Shanghai)	Same ultimate parent company Equity-method investee Subsidiary of Far Eastern Info Service (Holding) Ltd.	Service fee	233,281	55%	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(339,937)	(4%)
			Marketing expenses	145,969	1%	Based on agreement	-	-	Accrued expenses	(17,470)	-
			Service fee	122,829	1%	Based on agreement	-	-	Accrued expenses	(88,210)	(2%)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(1,326,125)	(13%)	Based on agreement	-	-	Accrued expenses	(34,835)	(1%)
			Cost of telecommunications services and cost of sales	870,435	10%	Based on agreement	-	-	Accounts receivable (Note B)	339,937	32%
	KGEX.com Co., Ltd. Simple InfoComm Co., Ltd.	Same parent company Subsidiary	Cost of telecommunications services	409,269	5%	Based on agreement	-	-	Accounts payable (Note A)	(5,754)	(1%)
			Telecommunications service revenues	(118,156)	(1%)	Based on agreement	-	-	Accounts payable	(68,717)	(11%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(3,989,793)	(55%)	Based on agreement	-	-	Accounts receivable	991,272	86%
			Cost of telecommunications services and cost of sales	398,918	6%	Based on agreement	-	-	Accounts payable	(214,228)	(11%)
KGEX.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	Parent company	Cost of telecommunications services	252,390	23%	Based on agreement	-	-	Accounts payable	(40,573)	(25%)
		Same parent company	Telecommunications service revenues and service revenues	(409,269)	(38%)	Based on agreement	-	-	Accounts receivable	68,717	42%
DataExpress Infotech Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Same chairman of parent companies	Sales of equipment and accessories	(414,716)	(18%)	Based on agreement	-	-	Accounts receivable	31,839	20%
	Far Eastern Department Stores Co., Ltd.	Same chairman of parent companies	Sales of equipment and accessories	(154,409)	(7%)	Based on agreement	-	-	Accounts receivable	24,744	15%
Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenues	(122,829)	(91%)	Based on agreement	-	-	Accounts receivable	34,835	91%
Simple InfoComm Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Parent company	Cost of telecommunications services	118,156	87%	Based on agreement	-	-	Accounts payable	-	-

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, 2011

(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	\$ 216,265	9.58	\$ -	-	\$ 202,458	\$ -
		Subsidiary	318,003	(Note A)	-	-	119,238	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	356,972	(Note B)	-	-	193,752	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	991,272	6.80	-	-	954,185	-

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, 2011
(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, 2011			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. (Note H)	Taiwan	Type I, II telecommunications services	\$ 27,243,773	\$ 6,422,241	2,599,448,983	100.00	\$ 27,410,135	\$ (732)	\$ 361,401	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	1,193,275	160,083	96,468	Notes A and B
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,444,789	2,355,649	100,329,267	89.25	771,403	(55,486)	(44,301)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,677,204	1,577,140	167,720,406	40.91	269,609	(24,399)	(9,140)	Notes B and C
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	157,506	(14,822)	(14,822)	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	84,898	7,769	6,675	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	26,441	4,748	4,748	Notes A and B
	Far Eastern Electronic Commerce Co., Ltd. (Note I)	Taiwan	Electronic information providing services	42,020	-	4,202,000	13.98	26,101	(120,470)	(16,836)	Notes B and C
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	21,094	(8,204)	(3,231)	Notes B and C
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	17,216	(13,234)	(6,617)	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd. (Note I)	Taiwan	Marketing	60,000	90,000	1,725,000	15.00	11,299	51,802	6,953	Notes B and C
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	4,652	4,652	386,869	8.56	3,815	(221)	(19)	Notes A and B
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	(295,797)	(181,331)	(181,331)	Notes A and B
	Yuan Cing Infocomm Tech Co., Ltd. (Note H)	Taiwan	Production and sale of communications product	-	15,001,000	-	-	-	48,214	48,214	Note F
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	6,142,500	70.00	168,823	55,824		Notes B and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Business consulting and souvenir selling	800,000	800,000	80,000,000	100.00	724,922	6,397		Notes B and E
	Information Security Service Digital United	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	96,917	(30,157)		Notes B and E
	Digital United (Cayman) Ltd.	Cayman Islands	General investment	102,442	102,442	3,320,000	100.00	26,131	385		Notes B and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	20,599	(3,516)		Notes B and E
	Far Eastern Electronic Commerce Co., Ltd. (Note I)	Taiwan	Electronic information providing services	15,030	-	1,503,000	5.00	9,336	(120,470)		Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd. (Note I)	Taiwan	Market Sales	20,000	30,000	575,000	5.00	3,767	51,802		Notes B and C
Digital United (Cayman) Ltd. (Note F)	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	85,433	54,275	4,092,160	90.57	40,351	(221)		Notes A, B and I
	Digital United Information Technology (Shanghai) Co., Ltd.	Shanghai	Design and research of computer system	US\$ 2,100,000	US\$ 2,100,000	-	100.00	US\$ 359,000	(4,093)		Notes B and E
New Diligent Co., Ltd. (Note F)	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	523	(31)		Notes B and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Electronic information providing services	-	-	-	100.00	-	-		Notes B and E
Far Eastern Info Service (Holding) Ltd. (Note F)	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\$ 5,210,000	(302)		Notes B and E
Far EasTron Holding Ltd. (Note F)	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	-	US\$ 4,532,000	-	-	-	(221)		Notes A, B and I
E. World (Holdings) Ltd. (Note F)	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	100.00	US\$ 3,019,000	8,003		Notes B and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	19,271	12,905		Notes B and E
	Home Master Tech. Co., Ltd.	Taiwan	Sale of communications products	9,999	-	-	99.99	7,531	(2,469)		Notes B and E
	Jing Yuan Tech Co., Ltd.	Taiwan	Data processing	10,000	-	-	100.00	9,984	(16)		Notes D and E
Far Eastern Tech-info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	Beijing	Electronic information providing services	RMB49,874,000	-	-	55.00	RMB45,705,000	(34,645)		Notes B and E

(Continued)

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2011.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unaudited financial statement as of December 31, 2011.

Note E: Subsidiary of E. World (Holdings), Far Eastern Info Service (Holding), Digital United (Cayman) Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd., New Century InfoComm Tech Co., Ltd., Aroca Holding (Samoa) Co., Ltd. or Data Express Infotech Co., Ltd.

Note F: Yuan Cing Infocomm Tech Co., Ltd. dissolved to the merger with Far EasTone on March 1, 2011.

Note G: Yuan Cing Infocomm Tech Co., Ltd. dissolved on March 1, 2011 upon its merger with Far EasTone. Thus, its holding of the common shares of New Century Infocomm Tech Co., Ltd. was transferred to Far EasTone.

Note H: Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) spun off its electronic commerce business, with a net worth of \$200,000 thousand, to Far Eastern Electronic Commerce Co., Ltd. (FEEC). Meanwhile, DDIM reduced its capital by \$200,000 thousand and FEEC issued new stocks of 20,000 thousand shares to the original stockholders of DDIM as the consideration for the spin-off. Thus, Far EasTone and New Century InfoComm Tech Co., Ltd. became the stockholder of FEEC. Far EasTone subscribed FEEC's share issuance for cash in 2011.

Note I: To simplify investment structure and enhance operating efficiency, the shares of ADCast Interactive Marketing Co., Ltd. held by Far EasTron Holding Ltd. were all transferred to New Century InfoComm Tech Co., Ltd. in December 2011.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2011
(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2011 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2011	Accumulated Investment in Mainland China as of December 31, 2011	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 network information providing services	\$ 75,688 (US\$ 2,500,000)	(Note B)	\$ 92,616	\$ -	\$ -	\$ 92,616	100%	\$ (302)	\$ 157,733 (US\$ 5,210,000)	\$ -	\$ 92,616	\$ 92,616	\$ 43,186,120 (Note D)
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.	Design and research of computer system	63,578 (US\$ 2,100,000)	(Note B)	63,578 (US\$ 2,100,000)	-	-	63,578 (US\$ 2,100,000)	100%	(4,093)	10,869 (US\$ 359,000)	-	63,578 (US\$ 2,100,000)	63,578 (US\$ 2,100,000)	15,474,272 (Note D)
New Diligent Co., Ltd. (Note F)	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machine equipment	36,330 (US\$ 1,200,000)	(Note C)	36,330 (US\$ 1,200,000)	-	-	36,330 (US\$ 1,200,000)	100%	-	-	-	36,330 (US\$ 1,200,000)	36,330 (US\$ 1,200,000)	434,953 (Note D)
iScreen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,541 (US\$ 150,000)	(Note C)	2,725 (US\$ 90,000)	-	-	2,725 (US\$ 90,000)	60%	(540)	1,505	-	2,725 (US\$ 90,000)	2,725 (US\$ 90,000)	31,642 (Note D)

Note A: The calculation was based on audited financial statements as of December 31, 2011.

Note B: Far EasTone 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, ROC.

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

Note F: New Diligent Co., Ltd. has not been authorized by the Investment Commission, MOEA to cancel the investment amounts as of October 21, 2011.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
 YEARS ENDED DECEMBER 31, 2011 AND 2010
 (In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	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	-
				ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	214,228
		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	-
		KGEx.com Co., Ltd.	1			Accounts receivable - related parties	40,573
				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	-

(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)
		Far Eastern Tech-info Ltd. (Shanghai)	1	Other payables - related parties	\$ 34,835	Note E	-
				General and administrative expenses	122,829	Note E	-
				Nonoperating income and gains	13	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	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	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,399	Note E	-
				Other payables - related parties	2,022	Note E	-
				Nonoperating income and gains	193	Note E	-
		Q-ware Communications Co., Ltd.	1	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	-
		Far EasTron Holding Ltd.	1	Other receivables - related parties	389	Note E	-
		Yuan Cing Infocomm Tech Co., Ltd.	1	Nonoperating income and gains	5,697	Note E	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	8,445	Note E	-
				Accounts payables - 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	-
		Omusic Co., Ltd.	1	Other receivables - related parties	150	Note E	-
				Accounts payable -related parties	8,598	Note E	-
				Cost of telecommunications services	44,814	Note E	-
				Nonoperating income and gains	44	Note E	-
		Linkwell Tech. Co., Ltd.	1	Accounts receivable - related parties	1,686	Note E	-
				Sales of cellular phone equipment and accessories, net	4,561	Note E	-
		Information Security Services Digital United Inc.	1	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	-
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	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	-

(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)
				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	-
		ARCOA Communication Co., Ltd.	3	Accounts receivables - 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	-
		KGEx.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%
		Q-ware Communications Co., Ltd.	3	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	-
				Cost of telecommunications services	876	Note E	-
				Marketing expenses	158	Note E	-
				Nonoperating income and gains	5,302	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Marketing expenses	4,396	Note E	-
		ADCast Interactive Marketing Co., Ltd.	3	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	-
		Simple Infocomm Co., Ltd.	3	Other payables - related parties	169	Note E	-
				Telecommunications service revenues	118,156	Note E	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	5,739	Note E	-
				Other payables - related parties	24,028	Note E	-
				Cost of telecommunications services	67,092	Note E	-
		Information Security Services Digital United Inc.	3	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 EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	897,551	Note E	1%
				Other receivables - related parties	93,721	Note E	-
				Inventories	124,838	Note E	-
				Accounts payable - related parties	214,228	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)
				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	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	71	Note E	-
				Other receivables - related parties	17	Note E	-
				Accounts payable - related parties	165	Note E	-
				Other operating revenues	1,251	Note E	-
		KGEx.com Co., Ltd.	3	General and administrative expenses	693	Note E	-
				Other payables - related parties	212	Note E	-
		Yuan Cing Co., Ltd.	3	General and administrative expenses	2,407	Note E	-
				Other payables - related parties	1,121	Note E	-
		DataExpress Infotech Co., Ltd.	3	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	-
		Linkwell Tech. Co., Ltd.	3	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	-
				Unrealized inter - company gain	94	Note E	-
		Home Master Tech. Co., Ltd.	3	Accounts receivable - related parties	16,047	Note E	-
				Sales of cellular phone equipment and accessories, net	33,814	Note E	-
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	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	-
				Marketing expenses	375	Note E	-
				Nonoperating income and gains	8,122	Note E	-
				Nonoperating expenses and losses	95	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	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	-
		ARCOA Communication Co., Ltd.	3	Other receivables - related parties	212	Note E	-
				Other operating revenues	2,407	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)
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties Telecommunications service revenues	\$ 13 144	Note E Note E	- -
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd. Far Eastern New Century Information Technology (Beijing) Limited	2 3 3	Other receivables - related parties Other operating revenues General and administrative expenses Other operating revenues Other receivables - related parties Nonoperating income and gains	34,835 122,829 13 4,396 15,135 25	Note E Note E Note E Note E Note E Note E	- - - - - -
5	Yuan Cing Co., Ltd. (Note E)	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. (Note E)	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd. KGEx.com Co., Ltd.	2 3 3	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	- - - - - - - - - - - - - - - - - - -
7	ADCast Interactive Marketing Co., Ltd. (Note E)	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 General and administrative expenses Accounts receivable - related parties Accounts payable - related parties Refundable deposits Other operating revenues Other operating costs General and administrative expenses	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	- - - - - - - - - - -

(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)
8	Far EasTron Holding Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	\$ 389	Note E	-
9	Simple Infocomm Co., Ltd. (Note E)	New Century InfoComm Tech Co., Ltd.	3	Other receivables - related parties	169	Note E	-
				Cost of telecommunications services	118,156	Note E	-
10	Sino Lead Enterprise Limited (Note E)	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	5,739	Note E	-
				Other receivables - related parties	24,028	Note E	-
				Telecommunications service revenues	67,092	Note E	-
11	Information Security Service Digital United Inc. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	1,769	Note E	-
				Other payables - related parties	427	Note E	-
				Other operating revenues	3,352	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	5,781	Note E	-
				Accounts payable - related parties	246	Note E	-
				Sales of cellular phone equipment and accessories, net	19,557	Note E	-
				Cost of telecommunications services	1,489	Note E	-
				Nonoperating expenses and losses	4,028	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.	2	Accounts receivables - related parties	1,540	Note E	-
				Other receivables - related parties	7	Note E	-
				Accounts payable - related parties	8,445	Note E	-
				Sales of cellular phone equipment and accessories, net	30,258	Note E	-
				Cost of sales	37,609	Note E	-
				Other operating revenues	10,233	Note E	-
		ARCOA Communication Co., Ltd.	3	Accounts receivables - related parties	1,365	Note E	-
				Other payables - related parties	220	Note E	-
				Sales of cellular phone equipment and accessories, net	44,441	Note E	-
				General and administrative expenses	274	Note E	-
		Linkwell Tech. Co., Ltd.	3	Accounts receivables - related parties	1,709	Note E	-
				Other receivables - related parties	660	Note E	-
				Accounts payable - related parties	1,036	Note E	-
				Other payables - related parties	6,300	Note E	-
				Sales of cellular phone equipment and accessories, net	2,475	Note E	-
				Cost of sales	1,053	Note E	-
		Home Master Tech. Co., Ltd.	3	Accounts receivables - related parties	233	Note E	-
				Accounts payable - related parties	8	Note E	-
				Other payables - related parties	40	Note E	-
				Sales of cellular phone equipment and accessories, net	222	Note E	-
				Cost of sales	7	Note E	-
14	Omusic Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	8,598	Note E	-
				Other payables - related parties	150	Note E	-
				Other operating revenues	44,814	Note E	-
				General and administrative expenses	44	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)
15	Linkwell Tech. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts payable - related parties	\$ 1,686	Note E	-
				Cost of cellular phone equipment and accessories, net	4,561	Note E	-
				Inventories	94	Note E	-
		ARCOA Communication Co., Ltd.	3	Cost of cellular phone equipment and accessories	14,166	Note E	-
				Prepaid expenses	55	Note E	-
				Accounts receivable - related parties	1,036	Note E	-
		DataExpress Infotech Co., Ltd.	3	Other receivables - related parties	6,300	Note E	-
				Accounts payable - related parties	1,709	Note E	-
				Other payables - related parties	660	Note E	-
				Sales of cellular phone equipment and accessories, net	1,053	Note E	-
				Cost of cellular phone equipment and accessories, net	2,475	Note E	-
				Accounts receivable - related parties	10,040	Note E	-
		Home Master Tech. Co., Ltd.	3	Other receivables - related parties	4,520	Note E	-
Sales of cellular phone equipment and accessories, net	9,576			Note E	-		
16	Home Master Tech. Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts payable - related parties	16,047	Note E	-
				Cost of cellular phone equipment and accessories, net	33,814	Note E	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	8	Note E	-
				Other receivables - related parties	40	Note E	-
				Accounts payable - related parties	233	Note E	-
		Linkwell Tech. Co., Ltd.	3	Sales of cellular phone equipment and accessories, net	7	Note E	-
				Cost of cellular phone equipment and accessories, net	222	Note E	-
				Accounts payable - related parties	10,040	Note E	-
				Other payables - related parties	4,520	Note E	-
				Cost of cellular phone equipment and accessories, net	9,576	Note E	-
17	Far Eastern New Century Information Technology (Beijing) Limited	Far Eastern Tech-Info Ltd. (Shanghai)	3	Other payables - related parties	15,135	Note E	-
				Nonoperating expenses and losses	25	Note E	-
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	45,556	Note E	-
				Other receivables - related parties	425,131	Note E	-
				Accounts payable - related parties	98,941	Note E	-
				Other payables - related parties	32,622	Note E	-
				Sales of cellular phone equipment and accessories, net	13,535	Note E	-
				Telecommunications service revenues	285,346	Note E	-
				Cost of telecommunications services	382,240	Note E	1%
				Rental	4,415	Note E	-
				Telephone fee	8,621	Note E	-
				Marketing expense	1,416	Note E	-
				Rent	5,948	Note E	-
				Management services revenue	19,995	Note E	-
				Accounts receivable - related parties	220,928	Note E	-
				Other receivables - related parties	1,990	Note E	-
				Inventories	780	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)
				Accounts payable - related parties	\$ 93,992	Note E	-
				Other payables - related parties	88,210	Note E	-
				Unearned revenues	96,594	Note E	-
				Sales of cellular phone equipment and accessories, net	180,607	Note E	-
				Telecommunications service revenues	213,821	Note E	-
				Cost of sales	1,745,281	Note E	3%
				Other operating costs	49,705	Note E	-
				Marketing expense	614,469	Note E	1%
				Telephone fee	4,607	Note E	-
				Nonoperating income and gains	3,744	Note E	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	43,862	Note E	-
				Other receivables - related parties	10,071	Note E	-
				Lease receivables	52,335	Note E	-
				Operating equipment	289,309	Note E	-
				Accumulated depreciation	233,920	Note E	-
				Other payables - related parties	11,265	Note E	-
				Telecommunications service revenues	261,907	Note E	-
				Cost of telecommunications services	30,519	Note E	-
				Marketing expense	1,538	Note E	-
				General and administrative expenses	34,703	Note E	-
				Nonoperating income and gains	3,002	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Other payables - related parties	13,806	Note E	-
				General and administrative expenses	129,860	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	Accounts receivable - related parties	3	Note E	-
				Other receivables - related parties	150	Note E	-
				Other payables - related parties	7,598	Note E	-
				Other operating costs	222	Note E	-
				Marketing expense	23,078	Note E	-
				General and administrative expenses	506	Note E	-
				Management services revenue	43	Note E	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,397	Note E	-
				Other payables - related parties	3,010	Note E	-
				Management services revenue	267	Note E	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	34,765	Note E	-
				Other receivables - related parties	6,141	Note E	-
				Accounts payable - related parties	78	Note E	-
				Other payables - related parties	1,001	Note E	-
				Marketing expense	5,856	Note E	-
				Nonoperating income and gains	3,484	Note E	-
		Far EasTron Holding Ltd.	1	Other receivables - related parties	148	Note E	-
		Yuan Cing Infocomm Tech Co., Ltd.	1	Other receivables - related parties	4,306,086	Note E	4%
				Nonoperating income and gains	12,828	Note E	-
		Data Express Infotech Co., Ltd.	1	Prepaid expenses	50,000	Note E	-
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	98,941	Note E	-
				Other receivables - related parties	32,622	Note E	-
				Accounts payable - related parties	45,556	Note E	-
				Other payables - related parties	425,131	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)
				Telecommunications service revenues	\$ 393,627	Note E	1%
				Cost of sales	286,554	Note E	-
				Marketing expense	18,344	Note E	-
				General and administrative expenses	21,676	Note E	-
				Nonoperating income and gains	4,815	Note E	-
		ARCOA Communication Co., Ltd.	3	Accounts receivables - related parties	23	Note E	-
				Accounts payable - related parties	169	Note E	-
				Other payables - related parties	1,186	Note E	-
				Marketing expense	1,786	Note E	-
		KGEx.com Co., Ltd.	3	Telecommunications service revenues	232	Note E	-
				Accounts receivable - related parties	2,753	Note E	-
				Other receivables - related parties	174	Note E	-
				Accounts payable - related parties	130,774	Note E	-
				Other payables - related parties	6,491	Note E	-
				Telecommunications service revenues	12,616	Note E	-
				Cost of telecommunications services	264,761	Note E	-
				General and administrative expenses	3,826	Note E	-
				Nonoperating expenses and losses	258	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	4,146	Note E	-
				Guarantee deposits received	715	Note E	-
				Accounts payable - related parties	188	Note E	-
				Other payables - related parties	39	Note E	-
				Telecommunications service revenues	6,617	Note E	-
				Other operating revenues	135	Note E	-
				Cost of telecommunications services	9	Note E	-
				Other operating costs	150	Note E	-
				Marketing expense	64	Note E	-
				Nonoperating income and gains	1,983	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Accounts payable - related parties	1,461	Note E	-
				Other payables - related parties	1,624	Note E	-
				Marketing expense	5,920	Note E	-
		ADCast Interactive Marketing Co., Ltd.	3	Accounts receivable - related parties	42	Note E	-
				Guarantee deposits received	280	Note E	-
				Telecommunications service revenues	183	Note E	-
				Nonoperating income and gains	823	Note E	-
		Simple Infocomm Co., Ltd.	3	Accounts payable - related parties	1,674	Note E	-
				Other payables - related parties	227	Note E	-
		Sino Lead Enterprise Limited	3	Telecommunications service revenues	159,176	Note E	-
				Accounts payable - related parties	838	Note E	-
				Other payables - related parties	14,110	Note E	-
				Cost of telecommunications services	49,658	Note E	-
		Information Security Services Digital United Inc.	3	Accounts payable - related parties	3,480	Note E	-
				Other payables - related parties	2,842	Note E	-
				Telecommunications service revenues	513	Note E	-
				Cost of sales	10,646	Note E	-
				Other operating costs	4,510	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)
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	\$ 93,992	Note E	-
				Other receivables - related parties	88,210	Note E	-
				Inventories	96,594	Note E	-
				Accounts payable - related parties	220,928	Note E	-
				Other payables - related parties	1,990	Note E	-
				Sales of cellular phone equipment and accessories, net	1,877,202	Note E	3%
				Other operating revenues	518,525	Note E	1%
				Cost of sales	180,876	Note E	-
				Cost of telecommunications services	216,820	Note E	-
				Nonoperating income and gains	18,639	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	169	Note E	-
				Other receivables - related parties	1,186	Note E	-
				Accounts payable - related parties	23	Note E	-
				Other operating revenues	1,786	Note E	-
		KGEx.com Co., Ltd.	3	Cost of telecommunications services	232	Note E	-
				Accounts payable - related parties	2,216	Note E	-
				Other payables - related parties	180	Note E	-
		Yuan Cing Co., Ltd.	3	Cost of sales	12,895	Note E	-
				General and administrative expenses	2,065	Note E	-
		Data Express Infotech Co., Ltd.	3	Other payables - related parties	1,260	Note E	-
General and administrative expenses	7,509			Note E	-		
Prepaid expenses	32,837			Note E	-		
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Cost of sales	6,763	Note E	-
				Other receivables - related parties	11,265	Note E	-
				Operating equipment	55,389	Note E	-
				Accounts payable - related parties	43,862	Note E	-
				Other payables - related parties	10,071	Note E	-
				Lease payable	52,335	Note E	-
				Telecommunications service revenues	30,519	Note E	-
				Cost of telecommunications services	261,907	Note E	-
				Other operating revenues	28,615	Note E	-
				General and administrative expenses	73	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Nonoperating income and gains	7,626	Note E	-
				Nonoperating expenses and losses	2,929	Note E	-
				Accounts receivable - related parties	130,774	Note E	-
				Other receivables - related parties	6,491	Note E	-
				Accounts payable - related parties	2,753	Note E	-
				Other payables - related parties	174	Note E	-
		ARCOA Communication Co., Ltd.	3	Telecommunications service revenues	264,761	Note E	-
				Cost of telecommunications services	12,616	Note E	-
				Nonoperating income and gains	4,084	Note E	-
				Accounts receivable - related parties	2,216	Note E	-
Q-ware Communications Co., Ltd.	3	Other receivables - related parties	180	Note E	-		
		Unearned revenues	12,895	Note E	-		
		Other operating revenues	2,065	Note E	-		
		Accounts receivable - related parties	13	Note E	-		
				Telecommunications service revenues	6,559	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)				
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	\$ 13,806	Note E	-				
				Other operating revenues	129,860	Note E	-				
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	1,461	Note E	-				
				Other receivables - related parties	1,624	Note E	-				
				Service revenues	5,920	Note E	-				
5	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	3,010	Note E	-				
				Other payables - related parties	2,397	Note E	-				
		ARCOA Communication Co., Ltd.	3	General and administrative expenses	267	Note E	-				
				Other receivables - related parties	1,260	Note E	-				
				Other operating revenues	7,509	Note E	-				
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	78	Note E	-				
				Other receivables - related parties	1,001	Note E	-				
				Accounts payable - related parties	34,765	Note E	-				
				Other payables - related parties	6,141	Note E	-				
				Other operating revenues	5,856	Note E	-				
		New Century InfoComm Tech Co., Ltd.	3	General and administrative expenses	3,484	Note E	-				
				Accounts receivable - related parties	188	Note E	-				
				Other receivables - related parties	39	Note E	-				
				Refundable deposits	715	Note E	-				
				Accounts payable - related parties	4,146	Note E	-				
				Telecommunications service revenues	9	Note E	-				
				Other operating revenues	214	Note E	-				
		KGEx.com Co., Ltd.	3	Cost of telecommunications services	6,617	Note E	-				
				Other operating costs	135	Note E	-				
				Nonoperating expenses and losses	1,983	Note E	-				
				Accounts payable - related parties	13	Note E	-				
				Cost of telecommunications services	6,559	Note E	-				
				7	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	7,598	Note E	-
								Accounts payable - related parties	3	Note E	-
Other payables - related parties	150	Note E	-								
Other operating revenues	23,806	Note E	-								
New Century InfoComm Tech Co., Ltd.	3	General and administrative expenses	43			Note E	-				
		Accounts payable - related parties	42			Note E	-				
		Refundable deposits	280			Note E	-				
		Other operating costs	183			Note E	-				
8	Far EasTron Holding Ltd.	Far EasTone Telecommunications Co., Ltd.	2	General and administrative expenses	823	Note E	-				
				Other payables - related parties	148	Note E	-				
9	Simple Infocomm Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	1,674	Note E	-				
				Other receivables - related parties	227	Note E	-				
				Cost of telecommunications services	109,777	Note E	-				
				Other operating costs	49,399	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)
10	Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	\$ 838	Note E	-
				Other receivables - related parties	14,110	Note E	-
				Telecommunications service revenues	49,580	Note E	-
				Other operating revenues	78	Note E	-
11	Information Security Service Digital United Inc.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	3,480	Note E	-
				Other receivables - related parties	2,842	Note E	-
				Sales of cellular phone equipment and accessories, net	10,646	Note E	-
				Cost of telecommunications services	513	Note E	-
				Other operating revenues	4,510	Note E	-
12	Yuan Cing Infocomm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	4,306,086	Note E	4%
				Nonoperating expenses and losses	12,828	Note E	-
13	Data Express Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other current liabilities	50,000	Note E	-
		ARCOA Communication Co., Ltd.	3	Other current liabilities	32,837	Note E	-
				Sales of cellular phone equipment and accessories, net	6,763	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, 2011 and 2010; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended December 31, 2011 and 2010.

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

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

(Concluded)