

Far EastTone Telecommunications Co., Ltd.

2011 Annual Report

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

Disclosed information can be found at : <http://mops.twse.com.tw>



Mobile



Broadband



Media



International Service

Spokesperson: Alison Kao, Director of Public Relations

TEL: +886-2-7723-5000

e-mail: PR@fareastone.com.tw

Deputy Spokesperson: Yvonne Li, President

TEL: +886-2-7723-5000

e-mail: IR@fareastone.com.tw

Stock Title Transfer: Oriental Securities Corporation

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

TEL: +886-2-2361-8608

Website: www.osc.com.tw

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

Auditing Firm: Deloitte & Touche

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

TEL: +886-2-2545-9988

Website: www.deloitte.com.tw

Listing of Foreign Securities / Website:

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

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

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Letter to Shareholders

Dear Shareholders,

As we embark on the new year of 2012, the global economic outlook remains uncertain and the competition within the telecommunications industry of Taiwan looks set to intensify with a myriad of external and internal factors at play. In 2011, as a result of market forces and policies, the telecommunications industry experienced a slowdown in its growth. According to NCC statistics, the telecommunications industry of Taiwan raked in an annual revenue which is 3.9% of the previous year, of which fixed line, long-distance and international fixed calls contributed total 8.8 billion revenue with 14% growth on YoY basis while mobile communications contributed only 3.85% growth due to price cuts, the resumption of pricing rights from fixed-line to mobile, plus extensive subsidies for smart devices.

Despite the ever-increasing competition, the concerted effort of everyone at Far EasTone helped to turn in a consolidated revenue of NT\$75.749 billion for 2011, combined EBITDA (earnings before interest, taxes, depreciation and amortization) of NT\$22.471 billion and after-tax earnings of NT\$8.881 billion. EPS stands at NT\$2.73, consolidated revenue target achievement rate at 102% and net income at 105%. Non-voice service revenue made an impressive showing at 22.3% of total mobile service revenue, as opposed to 16.4% in the previous year and clocked in 40.8% growth.

Operating Performance and Results for 2011

▶ *Strengthening infrastructures for a more complete and quality network*

In response to the rapid growth of smart devices, Far EasTone has been working relentlessly to build high quality network and to accelerate 3G network upgrading around the island. At present, there are 25,000 WiFi locations with Far EasTone coverage, and we are actively setting up direct submarine cable for international services. In addition, the strategic collaboration between Vodafone Group and Conexus Mobile Alliance brought about enhanced benefits for a combined global mobile customer base of more than 600 million.

▶ *Quick growing by FET 4 asset bases - One product, two markets*

In order to retain our leadership in the non-voice services market, Far EasTone spared no efforts in promoting its 4 main asset bases – “FET SMart”, “FET eBook Town”, “Omusic” and “FET Video Store”. FET SMart, in particular, was voted the best “store-in-store” in Mobile Market of China Mobile. FET’s in-house app “Bella” also received the 5th GTA for Digital Publications as presented by the Government Information Office of the Executive Yuan for reinventing reading and thus popularizing it again. Launching FET eBook Town on China Mobile is a strategic move to demonstrate Taiwan’s soft power, both of which will be further strengthened with similar introduction of Omusic and FET Video Store through collaboration with global alliance partners.

▶ *Efforts to expand and create 360 degrees full range of services*

The year 2011 saw Far EasTone consolidating its sales channels via subsidiaries Arcoa Communication and Data Express, resulting in 850 stores island-wide. In this era where there is negligible difference between channels, the only significant difference lies in the quality of service. As such, Far EasTone made it a point to invest time and effort to train service specialists to augment its range of 360 degree services and to set the benchmark for smart service quality in the industry.

▶ *FET 8 Enterprise Intelligence services to enhance competitiveness*

Far EasTone launched the FET 8 Enterprise Intelligence by combining cloud, technology and industry practices to help enterprises in the sectors of medical, transportation, environmental control, management, office, service, business and school. Coupled with the fact that Far EasTone pioneered the first green IDC center in Taiwan, we are well geared to give enterprises a customized competitive edge in information and communications.

Operational and Strategic Plan for 2012

► *Brand new vision and mission focusing on core values*

In the face of social and market changes, Far EasTone will in the year of 2012 work towards fulfilling the mission of “FET Connects and Enriches Life” and will be best integrate Communication services & Digital contents with footprint in and beyond Taiwan. With the introduction of this vision and mission, Far EasTone’s core values have been extended to encompass the following: “Trustworthy, Innovative, Proactive, Accountability and Teamwork”.

► *Continue driving operational efficiency and organizational synergy*

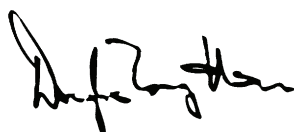
To prepare the company for the swift competitions, Far EasTone will continue to improve upon its management efficiency and synergy within the organization. In terms of core business, we need to ensure the continued growth of non-voice services, the enterprise and overseas markets. As well, we will continue to invest in high-quality network, focus on the integration of Far EasTone’s various business units and leverage on the resources of our parent company, Far Eastern Group to optimize new opportunities. Additionally, to fulfill our brand value, put the highlight on talent development and retention and attain maximum customer satisfaction.

► *Playing our part as a socially responsible corporate citizen*

While we pursue business objectives, we strongly believe we should also contribute positively towards the needs of the society. As a result, a committee to look into social and corporate responsibility was officially set up in Far EasTone in 2011, working to the theme of “Trendy Go Green and Creative Sustainability”. We hope that we can lead by example and demonstrate that participation in social responsibility can be both trendy and creative and that this would spur more people to do likewise.

Moving forward in 2012, in tandem with forging ahead with our business goals, we will also remain committed to our corporate social responsibility. We will launch innovative products that will cater to each and everyone of our target audience and consumer, and with the same enthusiasm, Far EasTone will strive to surpass our users’ expectations, be the preferred employer to our employees and create maximum value for our shareholders. Our commitment to corporate social responsibility and environmental sustainability will continue to gain momentum, as will our tenacity and pursuit of excellence for the growth of the company.

Lastly, may I extend our most heartfelt thanks to each shareholder and may you, continue to spur us on. Wishing you all the best of health and success in your endeavors.



Douglas Hsu
Chairman



Yvonne Li
President



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 **Company Profile**

1. Date of Incorporation
2. Company History

1. Date of Incorporation

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

2. Company History

2-1. Milestones:

- 1997/01 Awarded two licenses from MOTC to provide GSM1800 services island-wide and GSM900 services in the northern region of Taiwan
- 1998/11 Prepaid card "IF" launched, acquired 200,000 customers in the first month and became a leading brand
- 1999/03 Reached one million revenue-producing customers. Noted by Global Mobile Magazine for being the GSM system operator to do so in the shortest time
- 2000/02 Received "GSM in the Community Award" from GSM Association for disaster relief efforts after 921 earthquake
- 2002/02 Awarded the Best Corporate Wireless Service for Application by the GSM World Congress for its innovative solution-Fleet Management
- 2003/04 Made Taiwan's first live 3G video call on the commercial 3G network, marking a significant step forward in the evolution and development of multimedia services
- 2004/01 Merger and acquisition with KGT was approved by the Fair Trade Commission, Executive Yuan. The Company officially merged with KGT, creating Taiwan's largest mobile operator in the private sector
- 2004/06 Issued GDR and became Taiwan's first telecom operator to be successfully listed on European stock market
- 2005/02 Obtained a 55.3 % stake in handset chain store ARCOA Co. Ltd.
- 2005/04 First domestic telecommunications operator to be certified as compliant with the international BS 7799 Information Security Management Systems standard
- 2005/07 Launched 3G multimedia services, becoming the first 3G WCDMA provider in Taiwan
- 2005/08 Officially listed on the Taiwan Stock Exchange as an electronics stock
- 2005/10 Selected as one of "Asian's 150 Best Companies" in the October issue of Asia Business Week, the only Taiwanese telecommunications provider to make the list
- 2006/04 FET and 6 leading Asian mobile operators formed alliance for global roaming and corporate mobile services
In December, the alliance announced its official name-Conexus
- 2006/06 Named "Mobile Operator of the Year, Taiwan" and "Most Innovative Mobile Service Campaign" by the Asia Mobile News Awards. FET was the only mobile operator in Taiwan to receive two awards
- 2006/08 FET services passed Qualicert certification process of the internationally renowned SGS (Société Générale de Surveillance) from Switzerland. FET was the first mobile operator in Asia to be awarded this certification
- 2006/10 Launched Taiwan's first 3.6 Mbps HSPA technology-based services, ushering in the age of 3.5G mobile communications
- 2007/05 Acquired 51% of Q-ware Communications' (split from Q-ware Systems & Services Corp.) to expand the scope of the Company's wireless communication services
- 2007/07 Received the WiMAX license for the southern district. The Company is the only telecommunication service provider among the "domestic telecommunication industry's big three" to have received the license
- 2008/04 Awarded the "Corporate Social Responsibility top 50" by the Global Views Magazine and the "Trusted Brand Award" by the Reader's Digest
- 2008/08 Awarded the 2008 "Excellence in Information Service Management – Project of the Year Award" by the itSMA. The Company is the only Telecom Company to have achieved ISO 20000 IT Service Management certification in Taiwan
- 2008/12 Awarded 1st place among telecommunications companies in Global Views Magazine's Top 10 Service Companies in 2008
- 2009/04 FET and China Mobile announced strategic cooperation agreement and share subscription agreement
- 2009/10 FET been named again as the top company in the telecommunication industry for the 7th Service Industry

	Census conducted by Global Views Magazine
2009/12	FET started WiMAX operations in Taichung city
2010/05	FET made the first cloud service center of green energy IDC in Taiwan
2010/06	Acquired remaining stake in NCIC through Yuan Cing Infocomm Tech Co, its wholly-owned subsidiary
2011/01	FET set a precedent to build the first submarine cable of cross-strait with China Unicom Limited
2011/09	Strategic alliance between the world's largest mobile alliance – Vodafone Group and Conexus Mobile Alliance, of which FET is a member
2011/10	FET “bella” App was awarded the 5th GTA for being the best value-added service

2-2. Status of Acquisitions

To acquire NCIC to be a 100% subsidiary of FET

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

A. YCIC acquires NCIC via tender offer :

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

B. NCIC conducts share exchange with YCIC :

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

C. FET conducts cash merger with YCIC :

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

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

2012/3/31; Unit: share; %

Affiliated Company	Investment of the Company	
	Share	%
ARCOA Communications Co., Ltd.	82,009,242	61.07
Far Eastern Info Service (Holding) Ltd.	1,200	100.00
E. World (Holdings) Ltd.	6,014,622	85.92
Far Eastern Electronic Toll Collection Co., Ltd.	167,720,406	40.91
Ding Ding Integrated Marketing Service Co., Ltd.	1,725,000	15.00
Far EasTron Holding Ltd.	4,486,988	100.00
Q-ware Communications Co., Ltd.	36,459,930	51.00
New Century InfoComm Tech Co., Ltd.	2,599,448,983	100.00

Affiliated Company	Investment of the Company	
	Share	%
KGEx.com Co., Ltd.	112,212,404	99.83
iScreen Corporation	4,000,000	40.00
O music Co., Ltd.	2,500,000	50.00
Far Eastern Electronic Commerce Co., Ltd.	4,202,000	13.98

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

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

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

The Company has announced a strategic cooperation agreement and a share subscription agreement with China Mobile Limited ("China Mobile") after the Board Meeting resolution on April 29, 2009. Under the terms of share subscription agreements, China Mobile will subscribe through a private placement not more than 444,341,020 common shares of the Company. Total consideration upper limit was tentatively set approximately NT\$ 17.7736 billion, or equivalent to a tentative price of NT\$ 40 per share. Aforementioned private placement has been approved to complete within one year by 2009 shareholders' meeting dated June 16, 2009. However, as current regulations had not permitted the consummation of the contemplated transaction, the private placement had not completed yet. At the time since the one-year period for private placement expired in succession, it had been re-proposed to the Board of Directors in Year 2010 and 2011 Shareholders' Meeting to approve the one-year rollover again.

Since the one-year period for private placement will soon expire on June 8, 2012. However, the current regulations have not permitted the China investors to invest in type I license industry, hence the private placement price and terms have been re-proposed to the Board of Directors on April 20, 2012 and Year 2012 Shareholders' Meeting to discuss and approve again.

The basis of the private placement price is as follows: The private placement price is tentatively set at NT\$40 per share. The private placement price will be no less than 70% of the higher of the following two reference prices. Reference prices are (1) the simple average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date (exclusive), after adjustment for any distribution of stock dividends, cash dividends or capital reduction, or (2) the simple average closing price of the common shares of the Company for the thirty consecutive business days before pricing date (exclusive), after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. The pricing will be determined by the board of directors pursuant to the shareholders' resolution, after such resolution for pricing principle is adopted by the shareholders' meeting. An independent financial expert, Yuanta Securities Co., LTD, was engaged to issue the fairness opinion on the pricing basis and reasonableness. However, if the volume weighted average price of the common shares of the Company for the 14 consecutive trading days prior to and including the date on which either the placee's parent company or the Company sent the notice to the other party, pursuant to the relevant agreements, to notify the settlement date of the private placement, is beyond the range of NT\$35 (inclusive) to NT\$50 (inclusive), it is proposed that the Shareholders' Meeting hereby authorizes the Board of Director may discuss in good faith to agree a new private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT\$5 per share of the Company. However, the new private placement price shall be no less than 70% of the Reference Price of the new pricing date. The completion of this private placement is subject to the satisfaction and fulfillment of all the conditions precedent set out in the relevant transaction documents, including without limitation that it is permitted under the relevant laws and regulations and approvals from relevant competent authorities have been obtained. Upon completion of this private placement, both parties agree to establish strategic cooperation in the fields of joint procurement, voice and data roaming, value added services and future technology and research development...etc. Both parties also agree to, within the extent permitted by relevant applicable laws and/or after obtaining the approvals of relevant competent authorities, establish a joint venture to cooperate in the fields agreed by both parties. The strategic cooperation agreement will be effective from the completion date of the private placement.

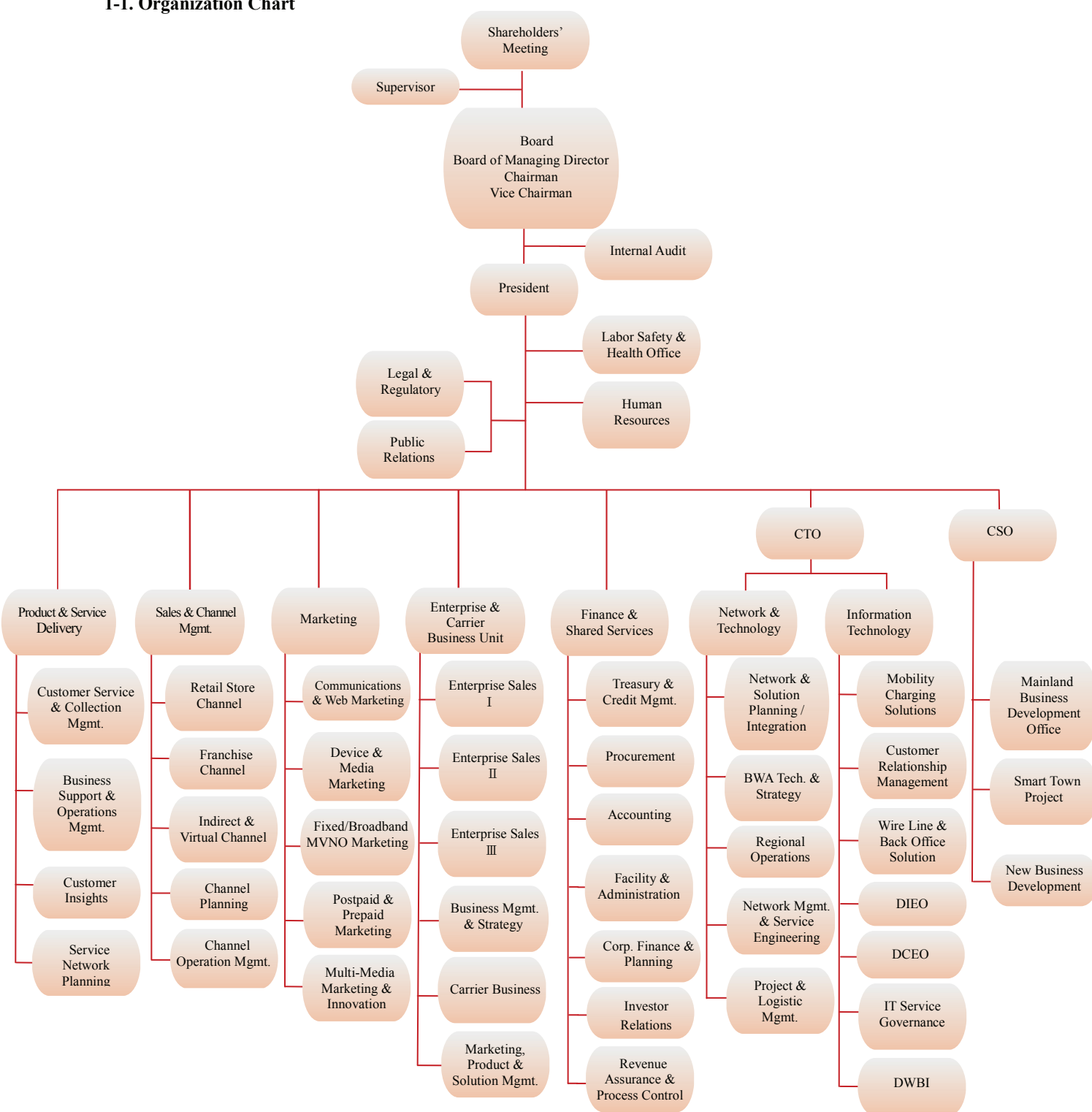
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 **Corporate Governance**

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2. Directors, Supervisors and Executive Management
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8. Top Ten Shareholders Being the Related Party as Defined in Statement of Financial Accounting Standards No. 6
9. Shareholdings of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies

1. Organization Structure

1-1. Organization Chart



1-2. Roles and Responsibilities

2012/4/30

Department	Name	Title	Job Description
President Office	Yvonne Li	President	Responsible for developing and implementing the overall corporate strategy and directions of the company. Develop, maintain and supervise all operations and its organization.
Legal & Regulatory	Jessica Chen	Vice President	Responsible for legal litigation, IP, regulatory, contract management, corporate security and the public affairs.
Public Relations	Alison Kao	Director	Responsible for corporate communications, the public relations for corporate & marketing, and corporate image promotion.
Human Resources	Joann Chang	Vice President	Responsible for Human Resources Management, Human Resources Development and Compensation & Benefits Management, Employee Services, Employee Relations and Human Resources Information System with Payroll Administration.
Product & Service Delivery	Eton Shu	Executive Vice President	Responsible for the logistic support to consumer mobility services, the development & enabling of all new services & products, and customer services planning.
Sales & Channel Management	Maxwell Cheng	Executive Vice President	Responsible for developing and managing channels and market as well as all merchandizing in branded stores.
Marketing	Benjamin Ho	Executive Vice President	Responsible for corporate strategy & development, brand & communications, and related subsidiaries.
Enterprise & Carrier Business Unit	Daniel Chang	Executive Vice President	Responsible for planning & sales of enterprise customer services, including enterprise sales, carrier business, marketing & product management, operation support, business management & strategy for improving revenue & profit and prompting customer's satisfaction to achieve corporate operating goals.
CSO Office	Jeffrey Gee	CSO & CTO	Responsible for strategic alliance & business development of cross-straits.
CTO Office		Responsible for Network & Technology, Information Technology, and related matters.	
Network & Technology	Herman Rao	Executive Vice President	Responsible for Mobile/ Broadband/ ISP Network planning, development and operation, technology strategy, planning and development.
Information Technology	Magdalena Lin	Executive Vice President	Responsible for company information technology system strategic planning, development and operations. Providing IT services for store, customer care, billing, financial and decision analysis information to enhance business competence.
Finance & Shared Services	T.Y. Yin	Executive Vice President & CFO	Responsible for finance, accounting, investor relations, procurement, process control and general administration.
Internal Audit	Jennifer Liu	Chief Auditor	Responsible for assisting the BOD and management team to identify the deficiency of the internal control system, to assess the effectiveness and efficiency of the operation, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as for continuous improvement.

2. Directors, Supervisors and Executive Management

2-1. Directors and Supervisors

2012/4/15

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16	3	1997/4/11 1997/4/11	1,066,657,614	32.73%	1,066,657,614	32.73%	0	0	0	0	M.S., Economics, Columbia University, USA; Honorary Ph. D., Management Science, National Chiao Tung University; President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation Chairman of Asia Cement Co., Ltd. Chairman of Far Eastern Department Stores Ltd. Chairman of Oriental Union Chemical Corp. Chairman of U-Ming Marine Transport Corp. Chairman of New Century InfoComm Tech Co., Ltd.	Director	Peter Hsu Johnny Shih	Brother-in-law

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16	3	1997/4/11 *2003/5/26	1,066,657,614 *138,950	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	President of Far Eastone Telecommunications Co., Ltd.; Sr. Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linköping University, Sweden	Director of Far Eastern Electronic Toll Collection Co., Ltd.; Director of KGEx.com Co., Ltd.; Chairman of Far Eastron Holding Ltd.; Chairman of Yuan Cing Co., Ltd.	None	None	None
Managing Director & Independent Director	Lawrence Juen-Yee LAU	2009/6/16	3	2005/5/20	0	0	0	0	0	0	0	0	Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University; Vice-Chancellor (President) of The Chinese University of Hong Kong; B.S. in Physics and Economics, Stanford University; M.A. and Ph.D. in Economics, University of California at Berkeley	Chairman of CIC International (Hong Kong) Co., Limited; Ralph and Claire Landau Professor of Economics, the Chinese University of Hong Kong; Vice Chairman of CITIC Capital Holdings Limited in Hong Kong; Independent Non-executive Director of CNOOC Limited in Hong Kong; Independent Non-executive Director of Semiconductor Manufacturing International Corporation in Hong Kong	None	None	None
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16	3	1997/4/11 *1997/4/11	1,066,657,614 *58	32.73 *0	1,066,657,614 *58	32.73 *0	0 *731	0 *0	0 *0	0 *0	MBA, Texas A&I University, USA; President of Yuang Ding Co., Ltd.; Sr. VP of Far Eastern New Century Corporation	Director of Far Eastern New Century Corporation Supervisor of Asia Cement Co., Ltd. Director of U-Ming Marine Transport Corp.	None	None	None
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	2009/6/16	3	2003/5/23 *1997/4/11	4,163,500	0.13 *0	4,163,500	0.13 *0	0 *80,795	0 *0	0 *0	0 *0	M.S., Operations Research, Stanford University, USA; Vice President of Ding & Ding Management Consultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation Senior Vice President of central procurement in Far Eastern New Century Corporation Director of Asia Cement Co., Ltd. Supervisor of U-Ming Marine Transport Corp.	Chairman Director	Douglas Hsu Johnny Shih	Brother-in-law Brother-in-law
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	2009/6/16	3	2003/5/23 *2006/5/26	4,163,500 *235,017	0.13 *0.01	4,163,500 *235,017	0.13 *0.01	0 *184,466	0 *0.01	0 *0	0 *0	M.S., Computer Science, Columbia University, USA; Director of Far Eastern International Bank	Vice Chairman of Far Eastern New Century Corporation Vice Chairman of Oriental Union Chemical Corp. Chairman of Everest Textile Director of Asia Cement Co., Ltd.	Chairman Director	Douglas Hsu Peter Hsu	Brother-in-law Brother-in-law
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	2009/6/16	3	2003/5/23 *2008/1/10	837,940	0.03 *0	837,940	0.03 *0	0 *0	0 *0	0 *0	0 *0	Postgraduate Diploma in Business Administration University of Singapore; Chief Operating Officer, SingTel Group	None	None	None	None
Director	Michiya Shinagawa, Representative of Yue Ding Industry Co., Ltd.	2009/6/16	3	2003/5/23 *2010/7/26	837,940	0.03 *0	837,940	0.03 *0	0 *0	0 *0	0 *0	0 *0	L.L.B. Waseda University, Tokyo, Japan	Executive Director, Global Business Division, NTT DoCoMo	None	None	None
Independent Director	Kurt Roland Hellström	2009/6/16	3	2005/5/26	0	0	0	0	0	0	0	0	President and CEO of Ericsson Group; M.S., Electronics, Royal Institute of Technology; MBA, Stockholm School of Economics	Director of the Swedish Trade Council (Sweden); European Institute for Japanese Studies (Sweden); Director of International Advisory Board of Altimo (Russia)	None	None	None

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	2009/6/16	3	2000/12/29 *1997/4/11	26,650,908 *0	0.82 *0	26,650,908 *0	0.82 *0	0 *0	0 *0	0 *0	0 *0	Vice President of Citibank; B.S., Economics, National Chung Hsing University	Director & President of Far Eastern International Bank	None	None	None
Supervisor	Morton Huang, Representative of Asia Investment Corp.	2009/6/16	3	2006/5/26 *2006/5/26	986,303 *0	0.03 *0	986,303 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	Lawyer and M.S., Legal, National Chung Hsing University	Counselor of the Far Eastern Group and Special Assistant of Chairman, Far Eastern New Century Corporation	None	None	None
Independent Supervisor	Chen-en Ko	2009/6/16	3	2005/5/26	0	0	0	0	0	0	0	0	Dean, College of Management, National Taiwan University; Chairman, Corporate Governance Association in Taiwan; Doctor of Accounting of University of Minnesota	Director of GreTai Securities Market Independent Director of E. Sun Financial Holding Co., Ltd. E. Sun Bank and Chang Type Industrial Co., Ltd.	None	None	None

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

2-2. Information of Directors and Supervisors

2011/12/31

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

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or any its affiliates. (Unless the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.
- (6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.
- (7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the company or to any affiliates of the company.
- (8) Not a spouse or relative within the second degree of kinship of any directors.
- (9) Not has any of the circumstance in the subparagraphs of Article 30 of the Company Act.
- (10) Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

2-3. Major Shareholders of the Institutional Shareholders

2011/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.70%) · An Ho Garment Co., Ltd.(0.3%)
Yuang Ding Co., Ltd.	Far Eastern New Century Corporation(37.13%) · Asia Cement Co., Ltd.(35.50%) · Der Ching Investment Corp.(14.50%) · Yuang Ding Investment Co., Ltd.(12.86%) · Yu Ming Trading Co., Ltd.(0.002%) · Far Eastern Department Store Co., Ltd.(0.001%) · Douglas Hsu(0.001%) · John Hsu(0.001%)
Yue Ding Industry Co., Ltd.	Fu-Da Transportation Co., Ltd.(26.95%) · An Ho Garment Co., Ltd.(26.50%) · Yue-Tung Investment Co., Ltd.(25.36%) · Tou Fu Investment Corp.(4.61%) · Ta Juh Chemical Fibers Co., Ltd.(3.89%) · Ya-Li Precast & Prestressed Concrete Industries Corp.(3.89%) · Yuang Ding Co., Ltd.(2.59%) · Bai-Ding Investment Corp.(2.31%) · Yu Ming Trading Co., Ltd.(1.53%) · Ding Yuan International Investment Corp.(1.30%)
Far Eastern International Leasing Corp.	Bai-Yang Investment Co., Ltd.(29.67%) · Yuang Ding Investment Co., Ltd.(16.87%) · Kai Yuan International Investment Corp.(16.80%) · Yuan Ding Leasing Corp.(11.40%) · Der Ching Investment Corp.(10.14%) · Yue Yuan Investment Corp.(10.14%)
Asia Investment Corp.	Asia Cement Co., Ltd.(100%)

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

2011/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern New Century Corporation	Asia Cement Co., Ltd.(22.31%) · Oriental Institute of Technology(4.81%) · Far Eastern Medical Foundation(3.59%) · Far Eastern Memorial Foundation(2.99%) · Yuan-Ze University(2.74%) · Taiwan Post Co., Ltd.(1.96%) · Shin Kong Life Insurance Co., Ltd.(1.76%) · China Trust Commercial Bank as Trustee for Asia Cement Co., Ltd.(DPM)(1.46%) · Der-Ching Investment Corp.(1.44%) · Cathay Life Insurance Co., Ltd.(1.40%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation(100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation(22.33%) · Far Eastern Medical Foundation(5.40%) · Yu Yuan Investment Corp.(5.32%) · Public Service Pension Fund Management Board(2.14%) · Far Eastern Department Stores Co., Ltd.(1.81%) · Yuan-Ze University(1.41%) · Bai-Ding Investment Co., Ltd.(1.39%) · Bureau of Labor Insurance(1.27%) · The Employee Retire Fund Committee of Far Eastern New Century Corporation(1.26%) · Yu Chang Investment Corp.(1.05%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd.(99.99%)
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.70%) · An Ho Garment Co., Ltd.(0.3%)
Yu Ming Trading Co., Ltd.	Bai-Ding Investment Co., Ltd.(47%) · Yuang Ding Investment Co., Ltd.(45.50%) · Yue Ding Industry Co., Ltd.(5%) · Ding & Ding Management Consultants Co., Ltd(1%) · Yuang Ding Co., Ltd.(1%) · Yuan Ding Leasing Corp.(0.5%)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation(16.80%) · Asia Cement Co., Ltd.(5.56%) · Standard Chartered Bank in custody for Fidelity Fund(5.27%) · Yuan-Ze University(4.68%) · Yu Yuan Investment Corp.(2.02%) · CitiBank as Trustee for the Government of Singapore Investment Corp.(1.61%) · Chase Bank in custody for Fidelity Investment Fund-The Southeast Asia Fund(1.60%) · JPMorgan Chase Bank N.A. Taipei Branch in custody for Emerging Markets Growth Portfolio(1.38%)The committee of Employee Pension Fund of Far Eastern Department Store Co., Ltd.(1.37%) · Deutsche Bank in custody for Gharbad Emerging Market Fund(1.18%)
Fu-Da Transportation Co., Ltd.	Fu-Ming Transportation Co., Ltd.(99.90%) · Johnny Shih(0.03%) · T.C. Liu(0.03%) · K.Y. Lee(0.03%)
Yue Tung Investment Co., Ltd.	U-Ming Marine Transport Corp.(73.54%) · U-Ming Marine Transport (Singapore) Pte Ltd.(24.00%)
Tou Fu Investment Corp.	Oriental Union Chemical Corp.(100%)
Ta Juh Chemical Fibers Co., Ltd.	Yuang Ding Investment Co., Ltd.(41.86%) · Yue Ding Industry Co., Ltd(38.76%) · Yue Li Investment Corp.(19.38%)
Ya-Li Precast & Prestressed Concrete Industries Corp.	Asia Cement Co., Ltd.(83.81%) · Far Eastern General Contractor Inc.(16.03%) · T.H. Chang(0.03%) · K.Y. Lee(0.03%) · R.H. Shao(0.03%) · H.G. Yang(0.02%) · Douglas Hsu(0.01%) · S.S. Hsu(0.01%) · S.F. Cheng(0.01%) · H.M. Yang(0.01%)
Yuang Ding Co., Ltd.	Far Eastern New Century Corporation(37.13%) · Asia Cement Co., Ltd.(35.50%) · Der-Ching Investment Corp.(14.50%) · Yuang Ding Investment Co., Ltd.(12.86%) · Yu Ming Trading Co., Ltd.(0.002%) · Far Eastern Department Stores Co., Ltd.(0.001%) · Douglas Hsu(0.001%) · John Hsu(0.001%)
Bai-Ding Investment Corp.	Far Eastern Department Stores Ltd.(66.66%) · Bai-Yang Investment Corp.(33.34%)
Ding Yuan International Investment Corp.	Far Eastern New Century Corporation(100%)
Bai-Yang Investments Corp.	Far Eastern Department Stores Co., Ltd.(100%)
Kai Yuan International Investment Corp.	Far Eastern New Century Corporation(100%)
Yuan Ding Leasing Co., Ltd.	Yuang Ding Investment Co., Ltd.(46.20%) · Asia Cement Co., Ltd.(43.60%) · Far Eastern Department Stores Co., Ltd.(9.20%) · Yue Yuan Investment Corp.(1%)
Yue Yuan Investment Corp.	Asia Cement Co., Ltd.(36.42%) · Yuang Ding Co., Ltd.(25.02%) · Yuang Ding Investment Co., Ltd.(18.96%) · U-Ming Marine Transport Corp.(17.66%) · Yue-Tung Investment Co., Ltd.(1.84%)

2-5. Executive Management

2012/4/15

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Yvonne Li	2010.9.10	0	0.00	0	0.00	0	0.00	VP of Citibank Taiwan; CFO of Far Eastone Telecommunications Co., Ltd.; CCO of Far Eastone Telecommunications Co., Ltd.; M.S., Accounting, University of Illinois at Urbana-Champaign	Supervisor of Oriental Union Chemical Corp. Chairwoman of Far Eastern Info Service (Holding) Ltd. Chairwoman of Far Eastern Tech-info Ltd.(Shanghai) Chairwoman of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd. Director of New Century InfoComm Tech Co., Ltd. Director of O music Co., Ltd. Chairwoman of Far Eastern Electronic Commerce Co.,Ltd.	None	None	None
CSO & CTO	Jeffrey Gee	2010.9.10	0	0.00	0	0.00	0	0.00	VP of KG Telecom; M.S., Computer Science, New York State University	Director & President of New Century InfoComm Tech Co., Ltd. Chairman & President of KGEx.com Co., Ltd. Director of Q-ware Communications Co., Ltd. Chairman of New Diligent Co., Ltd. Chairman of Simple InfoComm Corporation Chairman of iScreen Corporation Chairman of Information Security Service Digital United, Inc. Director of O music Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Chairman of Digital United (Cayman) Ltd. Director of Far Eastern New Diligent Company Ltd. Chairman of Far Eastern New Century Information Technology (Beijing) Limited	None	None	None
Executive VP, Product & Service Delivery	Eton Shu	2010.7.1	0	0.00	0	0.00	0	0.00	VP of information technology of KG Telecom; M.S., Computer Science and Information Engineering, National Taiwan University	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai) Director of O music Co., Ltd. Director of Yuan Cing Co., Ltd. Director of Far Eastern New Century Information Technology (Beijing) Limited	None	None	None
Executive VP, Sales & Channel Management	Maxwell Cheng	2011.8.15	10,018	0.00	0	0.00	0	0.00	Manager of Nestle Taiwan Group; M.S., Marketing, University of Michigan	Director of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd.	None	None	None
Executive VP, Marketing	Benjamin Ho	2004.5.1	0	0.00	0	0.00	0	0.00	CMO of Motorola Asia Pacific Ltd.; Business Studies, Stamford College / UK Institute of Marketing	Chairman of DataExpress Infotech Co., Ltd. Director of O music Co., Ltd.	None	None	None
Executive VP, Enterprise & Carrier Business Unit	Daniel Chang	2010.10.5	0	0.00	0	0.00	0	0.00	President of computer product support of HP, Asia Pacific Area; EVP of New Century InfoComm Tech Co., Ltd.	Chairman of Digital United Information Technology Co., Ltd. (Shanghai) Director of New Diligent	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other			
			Shares	%	Shares	%	Shares	%			Title	Name	Relation	
									MBA, University of California, Los Angeles	Co., Ltd. Director of Information Security Service Digital United, Inc. Director of FarEastern New Diligent Company Ltd. Manager of Far EastOne Telecommunications Co., Ltd. System Integration Branch Office				
Executive VP, NT	Herman Rao	2008.2.1	16,682	0.00	0	0.00	0	0.00	Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University	None	None	None	None	
Executive VP, IT	Magdalena Lin	2010.7.16	0	0.00	0	0.00	0	0.00	Practice Partner of Teradata Inc., Taiwan; B.S., Commercial Mathematics, Providence University	None	None	None	None	
Executive VP & CFO, Finance & Shared Services	T.Y. Yin	2010.3.15	0	0.00	0	0.00	0	0.00	CFO of KG Telecom; Finance Director of Dell Inc.; M.S., Business Administration, Indiana University, USA	Chairman of Sino Lead Enterprise Limited Chairman of YDT Technology International Company Supervisor of KGEx.com Co., Ltd. Supervisor of iScreen Corporation Supervisor of Yuan Cing Co., Ltd. Supervisor of New Century InfoComm Tech Co., Ltd. Supervisor of O music Co., Ltd. Supervisor of Ding Ding Integrated Marketing Service Co., Ltd. Supervisor of New Diligent Co., Ltd. Supervisor of Simple InfoComm Co., Ltd. Supervisor of Information Security Service Digital United, Inc. Supervisor of Digital United Information Technology Co., Ltd. (Shanghai) Director of Digital United (Cayman) Ltd. Director of FarEastern New Diligent Company Ltd. Director of Far Eastern New Century Information Technology (Beijing) Limited	None	None	None	None
Chief Auditor, Internal Audit	Jennifer Liu	2009.5.1	0	0.00	0	0.00	0	0.00	Special Assistant to Chairman, Far Eastern Textile Ltd.; MBA, New York University	None	None	None	None	
Sr. Consultant, PO	Patrick Wu	2011.11.7	0	0.00	0	0.00	0	0.00	Executive Vice President of Human Resources in KGI Securities Co., Ltd. (Asia Pacific Region); Head of Human Resources in American Express Company (Taiwan); MBA, Leicester University	None	None	None	None	
VP, L&R	Jessica Chen	2005.4.18	0	0.00	0	0.00	0	0.00	Prosecutor of Prosecutors Office; Lawyer of Lee and Li; Judge of Taipei District Court; B.S., Department of Law, National Taiwan University	Director of KGEx.com Co., Ltd. Director of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd.	None	None	None	

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other			
			Shares	%	Shares	%	Shares	%			Title	Name	Relation	
VP, HR	Joann Chang	2011.11.7	0	0.00	0	0.00	0	0.00	VP of HR of IBM; M.S., HR, Cornell University, USA	None	None	None	None	
VP, Product & Service Delivery	Jessica Sung	2009.5.1	0	0.00	0	0.00	0	0.00	MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University; CPA of California, USA	None	None	None	None	
VP, Product & Service Delivery	Maggie Mei	2006.1.1	48,419	0.00	0	0.00	0	0.00	Assistant Manager of Call Center, Citibank; International Trade, China University of Technology	President of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None	None
VP, Sales & Channel Management	Samuel Yuan	2003.7.1	0	0.00	65	0.00	0	0.00	Director of Alive Networks; B.S., Financial Analysis & Management Information Systems, State University of New York	Director of KGEx.com Co., Ltd.	None	None	None	None
VP, Marketing	Roger Chen	2007.7.1	0	0.00	0	0.00	0	0.00	Director of KG Telecom; M.S., Mechanical Engineering, National Taiwan University	Director of iScreen Corporation	None	None	None	None
VP, Marketing	Sharon Chao	2009.5.1	0	0.00	0	0.00	0	0.00	Account Director of Lintas Taiwan; B.S., English Literature of Tamkang University	None	None	None	None	
VP, Marketing	Jessie Teng	2010.3.1	0	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University	Director of ARCOA Communications Co., Ltd.	None	None	None	None
VP, Enterprise & Carrier Business Unit	PL Chiang	2010.10.5	0	0.00	2,073	0.00	0	0.00	Software Development Manager of Siemens Limited; VP of New Century InfoComm Tech Co., Ltd.; Master of Computer Science, University of Southern Mississippi	Director & President of Digital United Information Technology Co., Ltd. (Shanghai) President of Q-ware Communications Co., Ltd. Director of New Diligent Co., Ltd. Director of Simple InfoComm Co., Ltd.	None	None	None	None
VP, Enterprise & Carrier Business Unit	Eric Li	2010.10.5	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; Sr. VP of New Century InfoComm Tech Co., Ltd.; Master of Information Management, National Sun Yat-Set University	Director of Digital United Information Technology Co., Ltd. (Shanghai) Director of DataExpress Infotech Co., Ltd. Director of Information Security Service Digital United, Inc.	None	None	None	None
VP, Enterprise & Carrier Business Unit	Johnson Hsieh	2010.10.5	0	0.00	0	0.00	0	0.00	VP of SaveCom International Inc.; VP of New Century InfoComm Tech Co., Ltd.; MBA of Business Administration, Murdoch University, Australia	Director of Simple InfoComm Co., Ltd.	None	None	None	None
VP, Enterprise & Carrier Business Unit	Mike Lee	2011.11.17	0	0.00	0	0.00	0	0.00	President of FETC; M.S., E.E., State University of New York, Stony Brook	None	None	None	None	
VP, Mainland Business Development Office	Daniel Wang	2010.12.1	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; VP of New Century InfoComm Tech Co., Ltd.; Master of Computer Science & Electronic Engineering, University of Essex, UK	None	None	None	None	
VP, Mainland Business Development Office	Robert Liu	2009.2.1	5,349	0.00	0	0.00	0	0.00	Manager of Citibank; M.S., Industrial Engineering and Management, Chiao Tung University	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None	None
VP, New Business Development	Dick Lin	2011.2.14	0	0.00	0	0.00	0	0.00	Regional General Manager of UTStarcom Inc.; Master of The Grand Canyon University	None	None	None	None	

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
VP, NT	James Lee	2007.7.1	676	0.00	0	0.00	0	0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University	None	None	None	None
VP, NT	James Lin	2012.4.1	0	0.00	0	0.00	0	0.00	Director of DBTEL; B.S., Electronic Engineering, National Taiwan University of Science and Technology	None	None	None	None
VP, F&SS	Sharon Lin	2007.7.1	11,076	0.00	0	0.00	0	0.00	Costing Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin	Supervisor of ARCOA Communications Co., Ltd. Supervisor of Q-ware Communications Co., Ltd.	None	None	None
VP, F&SS	David Tsai	2005.7.1	0	0.00	0	0.00	0	0.00	Manager of U-Ming Marine Transport Corp.; EMBA of Yuan-Ze University	Supervisor of ARCOA Communications Co., Ltd.	None	None	None
VP	Guang Ruey Chiang	2003.7.1	158,669	0.00	0	0.00	0	0.00	Director of Long Cheng; M.S., Marketing, University of Kansas	Director and President of ARCOA Communications Co., Ltd.	None	None	None
VP	Charlene Lin	2010.10.5	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; VP & CFO of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, National Taiwan University	Supervisor of DataExpress Infotech Co., Ltd.	None	None	None
Director, Public Relations	Alison Kao	2005.10.24	0	0.00	0	0.00	0	0.00	Spokesperson of Core Pacific City Living Mall; Public Affairs Manager & Spokesperson, Carrefour; MBA, Long Island University, NY, USA	None	None	None	None
Director, Product & Service Delivery	Amanda Huang	2010.2.1	0	0.00	0	0.00	0	0.00	Researcher of Sheng Ho Securities; M.S., Management science, National Chiao Tung University	None	None	None	None
Director, Product & Service Delivery	Scott Chuang	2008.10.1	0	0.00	0	0.00	0	0.00	Manager of Institute for Information Industry; Manager of Seednet; M.S., Electrical Engineering and Computer Science of North Carolina State University	None	None	None	None
Director, Sales & Channel Management	Roger Lin	2010.2.1	0	0.00	0	0.00	0	0.00	Sales Representative of Carrier Corporation, Taiwan; Environmental Engineering in Vanung Institute of Technology	None	None	None	None
Director, Sales & Channel Management	Brian Chao	2010.2.1	0	0.00	0	0.00	0	0.00	Sales Supervisor of Shin Kong Life Insurance Co., Ltd.; B.S., Accounting, Feng Chia University	None	None	None	None
Director, Sales & Channel Management	Andy Kuo	2010.2.1	0	0.00	0	0.00	0	0.00	Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College	None	None	None	None
Director, Sales & Channel Management	Ming-Chang Ko	2012.3.16	0	0.00	0	0.00	0	0.00	Junior Manager of Ruentex Construction Co.; M.S., Business Administration, National Chung Hsing University	None	None	None	None
Director, Marketing	Shing Chu	2008.4.1	0	0.00	0	0.00	0	0.00	Marketing Manager of Tornado Technologies Co., Ltd.; M.S., University of Southern California; MBA, National Chiao Tung University	Director of DataExpress Infotech Co., Ltd.	None	None	None
Director, Marketing	Belinda Chen	2010.3.1	5,070	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois	Director of Q-ware Communications Co., Ltd.	None	None	None
Director, Enterprise & Carrier Business Unit	Johnny Wang	2010.10.5	0	0.00	695	0.00	0	0.00	Special assistant to CEO of Chii Yan Electronic Technology Co., Ltd.; Director of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, TungHai University	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director, Enterprise & Carrier Business Unit	Mark Lee	2011.10.1	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; B.S., Information Technology of Chung-Yuen University	None	None	None	None
Director, Enterprise & Carrier Business Unit	Andy Kuo	2011.10.1	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; Department of Architecture of Chinese Junior College of Industrial and Commercial Management	None	None	None	None
Director, Smart Town Project	Julian Wu	2010.8.1	0	0.00	0	0.00	0	0.00	Director of Digital United Inc.; B.S., Law of Fu Jen Catholic University	None	None	None	None
Director, NT	Tony Wang	2003.3.1	0	0.00	0	0.00	0	0.00	Manager of Fareast Land; M.S., Engineering, University of Texas at Austin	None	None	None	None
Director, NT	Vivian Chiang	2008.12.1	0	0.00	0	0.00	0	0.00	Sales manager of MITAC; Engineer of ABS Telecom Inc.; M.S., Computer Science of University of Texas of U.S.	None	None	None	None
Director, NT	Bruce Yu	2012.3.1	0	0.00	0	0.00	0	0.00	Telecom engineer of Siemens Telecom Systems Ltd.; B.S., Computer Science, National Chiao Tung University	None	None	None	None
Director, IT	Hae-Shung Ju	2004.1.1	0	0.00	0	0.00	0	0.00	Senior consultant, NCR; M.S., Computer Science, East Texas State University	None	None	None	None
Director, IT	Leon Li	2004.1.1	0	0.00	0	0.00	0	0.00	Manager of KG Telecom; M.S., Computer Science, Monmouth University	None	None	None	None
Director, IT	George Chiu	2012.4.1	0	0.00	0	0.00	0	0.00	Engineer of Hitachi Asia (Taiwan) Co., Ltd.; M.S., Information Management, University of Wisconsin-Madison	None	None	None	None
Director, IT	D.J. Chen	2007.9.1	0	0.00	0	0.00	0	0.00	General of Taiwan Mobil Communication; M.S., Computer Science, California State University	None	None	None	None
Director, IT	James Chen	2005.4.14	0	0.00	0	0.00	0	0.00	Engineering Supervisor of Fujitsu Corp.; Engineering Dept., Da Hwa University.	None	None	None	None
Director, IT	Iris Su	2004.1.1	43,246	0.00	0	0.00	0	0.00	Manager of KG Telecom; M.S., Computer Information System, Arizona State University	None	None	None	None
Director, F&SS	Jason Chen	2011.6.1	0	0.00	0	0.00	0	0.00	Manager of KG Telecom; M.S., E.E., Polytechnic University	None	None	None	None
Director, F&SS	Allan Lee	2008.3.1	0	0.00	0	0.00	0	0.00	Manager of Chung-Chie Property Management; M.S., Finance & Tax, Case Western Reserve University, US.	None	None	None	None
Director, F&SS	Ann Chang	2006.1.1	13,352	0.00	0	0.00	0	0.00	Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University	None	None	None	None
Director, F&SS	Gary Lai	2010.7.1	0	0.00	0	0.00	0	0.00	Director of MrTaiwan.com; Finance Master of George Washington University	None	None	None	None

Note: The Company has not issued employee stock options.

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

Remuneration to Directors

2011/12/31; NTS'000

Title	Name	Remuneration to Directors										Remuneration to employees								Other remuneration from investment business except subsidiary				
		Compensation (A)		Pension Fund (B) (Note1)		Remuneration paid from distribution of earnings (C) (Note 2)		Operating allowance (D) (Note 3)		(A+B+C+D) Percentage of net income after tax (%)		Salary, bonus, special allowance (E)		Pension Fund (F)		Bonus to employees from distribution of earnings (G)		Number of held employee share subscription (H)			(A+B+C+E+D+F+G) Percentage of net income after tax (%)			
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus		The Company	Consolidated	The Company	Consolidated
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.																							
Vice Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.																							
Managing Director & Independent Director	Lawrence Juen-Yee LAU																							
Independent Director	Kurt Roland Hellstrom																							
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	35,147	35,147	4,266	4,266	74,629	74,629	9,121	9,121	1.39%	1.39%	0	0	0	0	0	0	0	0	0	0	1.39%	1.39%	150
	Peter Hsu, Representative of Yuang Ding Co., Ltd.																							
	Johnny Shih, Representative of Yuang Ding Co., Ltd.																							
	Toon Lim, Representative of Yue Ding Industry Co., Ltd.																							
	Michiya Shinagawa, Representative of Yue Ding Industry Co., Ltd.																							

Note 1 : The Company has no actual pension fund in 2011, the listed amount is distribution of pension fund expenses.

Note 2 : The remuneration from 2011 distribution of earnings is proposed amount, not actual payment amount yet.

Note 3 : Including salary, position compensation, bonus, transporting allowance, other compensation, other allowance, accommodation allowance, business vehicle...etc, among which accommodation allowance is NTS1,733 thousand for house rental and business vehicle is NTS1,637 thousand for car rental. In addition, the compensation and severance pay to the driver is NTS1,331 thousand in total, but excluding in remuneration to Directors.

Remuneration Bands for Directors

2011/12/31

Escalation for remuneration paid to individual directors of the Company (NTD)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement	The Company	All Affiliated Companies
Less than 2,000,000	Lawrence Juen-Yee LAU Kurt Roland Hellstrom	Lawrence Juen-Yee LAU Kurt Roland Hellstrom	Lawrence Juen-Yee LAU Kurt Roland Hellstrom	Lawrence Juen-Yee LAU Kurt Roland Hellstrom
2,000,000~5,000,000 (inclusive of 2,000,000)	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Michiya Shinagawa	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Michiya Shinagawa	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Michiya Shinagawa	Yue Ding Industry Co., Ltd. Representative : Toon Lim, Michiya Shinagawa
5,000,000~10,000,000 (inclusive of 5,000,000)	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih	Yuang Ding Co., Ltd. Representative : Peter Hsu, Johnny Shih
10,000,000~15,000,000 (inclusive of 10,000,000)	None	None	None	None
15,000,000~30,000,000 (inclusive of 15,000,000)	Yuang Ding Investment Co., Ltd. Representative : Champion Lee	Yuang Ding Investment Co., Ltd. Representative : Champion Lee	Yuang Ding Investment Co., Ltd. Representative : Champion Lee	Yuang Ding Investment Co., Ltd. Representative : Champion Lee
30,000,000~50,000,000 (inclusive of 30,000,000)	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson	Yuang Ding Investment Co., Ltd. Representative : Douglas Hsu, Jan Nilsson
50,000,000~100,000,000 (inclusive of 50,000,000)	None	None	None	None
More than 100,000,000	None	None	None	None
Total	9	9	9	9

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

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

Year	The Company	All companies in the consolidated statement
2010	1.08%	1.10%
2011	1.39%	1.39%

Remuneration to Supervisors

2011/12/31; NTS'000

Title	Name	Remuneration to Supervisors						(A+B+C) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Remuneration paid from distribution of earnings (B) (Note 2)		Operating allowance (C)		The Company	Consolidated	
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated			
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp. (Note 1)	0	0	2,000	2,000	600	600	0.03%	0.03%	None

Morton Huang, Representative of Asia investment Corp. Chen-en Ko	0	0	3,300	3,300	1,269	1,269	0.05%	0.05%	None
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Note 1 : According to the regulation of disclosure from Financial Supervisory Commission, a company that has had an average ratio of share pledging by directors or supervisors in excess of 50% in any three months during the recent years shall disclose the remuneration paid to each individual director and supervisor. Therefore, the Supervisor is disclosed individually.

Note 2 : The remuneration from 2011 distribution of earnings is the proposed amount and not actual payment amount yet.

Remuneration Bands for Supervisors

2011/12/31

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

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

Year	The Company	All companies in the consolidated statement
2010	0.08%	0.08%
2011	0.08%	0.08%

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

There are three kinds of remuneration: compensation, remuneration paid from distribution of earnings and operating allowance. The Company has proposed to amend the Item 4 of Article 15 of Articles of Incorporation of the Company: "The recommendations in connection with remuneration for directors and supervisors shall be submitted for deliberation by Remuneration Committee and the Board of Directors" at the 15th Meeting of the 5th term of Board of Directors on April 20, 2012 and will propose to Shareholders' Meeting of this year for discussion. For remuneration paid from distribution of earnings, the standard is set according to Article 26 of Articles of Incorporation of the Company: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken for bonus to employees, and 1% taken as remuneration to the directors and supervisors." Since the remuneration is taken as fixed percentage of the annual earnings, its amount has high correlation with operational performance of the Company. Operating allowance is major of transportation allowance, which is based on consideration of high tech industry, and is approved by the Board of Directors. The remuneration is determined and adjusted in terms of criteria, structure and system based on not only historical operational performance but also future risk factors, i.e. if it is during the economic downturn or the operational risk for the Company is rising, the remuneration for the Board of Directors and Supervisors will be adjusted lower accordingly. The remuneration of the Company's Directors and Supervisors is distributed in accordance with "the Articles of Incorporation" of the Company. The number of votes each one has got in the election of directors and supervisors, and the effort each has made to the Company's affairs are carefully considered for the remuneration arrangement. Besides, the Remuneration Committee of the Company will also evaluate the salary and remuneration for Directors and Supervisors periodically and submit the suggestion to the Board Meeting in order to achieve the balance between immortal business and risk control.

Remuneration to President and Vice Presidents

2011/12/31; NTS'000

Title	Name	Salary (A)		Pension Fund (B) (Note 8)		Bonus and special allowance (C) (Note 9)		Bonus to employees from distribution of earnings (D) (Note 10)				(A+B+C+D) Percentage of net income after tax (%)		Number of held employee share subscription warrants		Other remuneration from investment business except subsidiary
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company		Consolidated		The Company	Consolidated	The Company	Consolidated	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus					
President	Yvonne Li															
CSO & CTO	Jeffrey Gee															
Executive VP	Eton Shu															
Executive VP	Maxwell Cheng															
Executive VP	Benjamin Ho															
Executive VP	Daniel Chang															
Executive VP	Herman Rao															
Executive VP	Magdalena Lin															
Executive VP & CFO	T.Y. Yin															
Chief Auditor	Jennifer Liu															
Sr. Consultant	Patrick Wu															
VP	Jessica Chen															
VP	Joann Chang (Note 1)															
VP	Jessica Sung															
VP	Maggie Mei															
VP	Samuel Yuan															
VP	J.J. Fu (Note 2)															
VP	Roger Chen															
VP	Sharon Chao	\$114,198	\$114,198	\$2,808	\$2,808	\$22,415	\$22,415	\$35,667	0	\$35,667	0	1.97%	1.97%	0	0	40
VP	Jessie Teng															
VP	PL Chiang															
VP	Eric Li															
VP	Johnson Hsieh															
VP	Mike Lee (Note 3)															
VP	Daniel Wang															
VP	Robert Liu															
VP	Dick Lin (Note 4)															
VP	James Lee															
VP	James Lin (Note 5)															
VP	Howard Tsao (Note 6)															
VP	Ta Fu (Note 7)															
VP	Sharon Lin															
VP	David Tsai															
VP	Guang Ruey Chiang															
VP	Charlene Lin															

Note 1 : Who was on board on Nov. 7, 2011.

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

Note 3 : Who was on board on Nov. 17, 2011.

Note 4 : Who was on board on Feb. 14, 2011.

Note 5 : Who was promoted on Apr. 1, 2012.

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

Note 7 : Who retired on Apr. 1, 2012.

Note 8 : The Company had no actual payment for pension fund in 2011, the figures shown in the table all belong to pension fund contribution.

Note 9 : Including bonus, special allowance, transporting allowance, other allowance, accommodation allowance, business vehicle...and etc, among which accommodation allowance is NT\$1,616 thousand for house rental and business vehicle is NT\$7,134 thousand for car rental. In addition, the compensation paid to the driver is NT\$10 thousand in total, but excluding in remuneration to employees.

Note 10 : The remuneration from 2011 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

2011/12/31

Escalation for remuneration paid to presidents and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents	
	The Company	All investment business companies
Less than 2,000,000	Mike Lee (Note 1), Joann Chang (Note 2)	Mike Lee (Note 1), Joann Chang (Note 2)
2,000,000~5,000,000 (inclusive of 2,000,000)	Magdalena Lin, Daniel Wang, PL Chiang, Patrick Wu, Jessica Sung, Eric Li, James Lee, Dick Lin (Note 3), Sharon Lin, Charlene Lin, James Lin (Note 4), Samuel Yuan, Howard Tsao (Note 5), Maggie Mei, J.J. Fu (Note 6), Sharon Chao, Jennifer Liu, Jessica Chen, Roger Chen, Johnson Hsieh, David Tsai, Jessie Teng	Magdalena Lin, Daniel Wang, PL Chiang, Patrick Wu, Jessica Sung, Eric Li, James Lee, Dick Lin (Note 3), Sharon Lin, Charlene Lin, James Lin (Note 4), Samuel Yuan, Howard Tsao (Note 5), Maggie Mei, J.J. Fu (Note 6), Sharon Chao, Jennifer Liu, Jessica Chen, Roger Chen, Johnson Hsieh, David Tsai, Jessie Teng
5,000,000~10,000,000 (inclusive of 5,000,000)	T.Y. Yin, Eton Shu, Daniel Chang, Maxwell Cheng, Herman Rao, Ta Fu (Note 7), Robert Liu, Guang Ruey Chiang	T.Y. Yin, Eton Shu, Daniel Chang, Maxwell Cheng, Herman Rao, Ta Fu (Note 7), Robert Liu, Guang Ruey Chiang
10,000,000~15,000,000 (inclusive of 10,000,000)	Yvonne Li, Jeffrey Gee, Benjamin Ho	Yvonne Li, Jeffrey Gee, Benjamin Ho
15,000,000~30,000,000 (inclusive of 15,000,000)	None	None
30,000,000~50,000,000 (inclusive of 30,000,000)	None	None
50,000,000~100,000,000 (inclusive of 50,000,000)	None	None

More than 100,000,000	None	None
Total	35	35

Note 1 : Who was on board on Nov. 17, 2011.

Note 2 : Who was on board on Nov. 7, 2011.

Note 3 : Who was on board on Feb. 14, 2011.

Note 4 : Who was promoted on Apr. 1, 2012.

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

Note 6 : Who retired on Mar. 16, 2012.

Note 7 : Who retired on Apr. 1, 2012.

Note 8 : Names of employees with the same position are in order of Chinese last name.

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

Year	The Company	All companies in the consolidated statement
2010	1.57%	1.57%
2011	1.97%	1.97%

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

There are three kinds of remuneration: salary, bonuses and special allowance, bonuses to employees paid from distribution of earnings. As salary is the compensation based on the Company Act, it is paid according to in charge tasks, macro economics and market standard which shall fully represent the working performance. As items like bonuses and special allowance are major of transporting allowance that three options can be chosen: fixed amount allowance or rental cars or allowance by mileage. As bonuses to employees paid from distribution of earnings, Article 26 of the Company Articles of Incorporation is followed: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken for bonus to employees, and 1% taken as remuneration to the directors and supervisors." Since the bonuses are taken as fixed percentage of the annual earnings, its amount has high correlation with operational performance of the Company. The remuneration is determined and flexibly adjusted in terms of criteria, structure and system based on not only industry standard and historical operational performance but also actual operating situation and laws / regulations amendment and shall not guide the managerial officers to risk the Company just for higher remuneration. Besides, the Remuneration Committee of the Company will evaluate the salary and remuneration for President and Vice Presidents periodically and submit the suggestion to the Board Meeting in order to achieve the balance between immortal business and risk control.

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

The percentage of net income paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for both the standalone and consolidated basis of the company in recent two years have no significant changes. 3.44% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2011, and 3.44% for the consolidated basis. These figures were 2.73% and 2.75% for both the standalone and consolidated basis of the company in 2010.

Bonuses to Executive Management

2011/12/31; Unit: NTS'000

	Title	Name	Stock bonus	Cash bonus (Note 12)	Total	Percentage of Net income after tax (%)
Executive Officer	President	Yvonne Li	0	\$51,852	\$51,852	0.58%
	CSO & CTO	Jeffrey Gee				
	Executive VP	Eton Shu				
	Executive VP	Maxwell Cheng				
	Executive VP	Benjamin Ho				
	Executive VP	Daniel Chang				
	Executive VP	Herman Rao				
	Executive VP	Magdalena Lin				
	Executive VP & CFO	T.Y. Yin				
	Chief Auditor	Jennifer Liu				
	Sr. Consultant	Patrick Wu				
	VP	Jessica Chen				

	Title	Name	Stock bonus	Cash bonus (Note 12)	Total	Percentage of Net income after tax (%)
	VP	Joann Chang (Note 1)				
	VP	Jessica Sung				
	VP	Maggie Mei				
	VP	Samuel Yuan				
	VP	J.J. Fu (Note 2)				
	VP	Roger Chen				
	VP	Sharon Chao				
	VP	Jessie Teng				
	VP	PL Chiang				
	VP	Eric Li				
	VP	Johnson Hsieh				
	VP	Mike Lee (Note 3)				
	VP	Daniel Wang				
	VP	Robert Liu				
	VP	Dick Lin (Note 4)				
	VP	James Lee				
	VP	James Lin (Note 5)				
	VP	Howard Tsao (Note 6)				
	VP	Ta Fu (Note 7)				
	VP	Sharon Lin				
	VP	David Tsai				
	VP	Guang Ruey Chiang				
	VP	Charlene Lin				
	Director	Alison Kao				
	Director	Amanda Huang				
	Director	Scott Chung				
	Director	Roger Lin				
	Director	Brian Chao				
	Director	Andy Kuo				
	Director	Ming-Chang Ko (Note 8)				
	Director	Shing Chu				
	Director	Belinda Chen				
	Director	Johnny Wang				
	Director	Mark Lee				
	Director	Andy Kuo				
	Director	Jullian Wu				
	Director	Tony Wang				
	Director	Vivian Chiang				
	Director	Bruce Yu (Note 9)				
	Director	Hae-Shung Chu				
	Director	Leon Li				
	Director	George Chiu (Note 10)				
	Director	Jennifer Shen (Note 11)				
	Director	James Perng (Note 11)				
	Director	Michelle Peng (Note 11)				
	Director	D.J. Chen				
	Director	James Chen				
	Director	Iris Su				
	Director	Jason Chen				
	Director	Allan Lee				
	Director	Ann Chang				
	Director	Gary Lai				

Note 1 : Who was on board on Nov. 7, 2011.

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

Note 3 : Who was on board on Nov. 17, 2011.

Note 4 : Who was on board on Feb. 24, 2011.

Note 5 : Who was promoted on Apr. 1, 2012.

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

Note 7 : Who retired on Apr. 1, 2012.

Note 8 : Who was promoted on Mar. 16, 2012.

Note 9 : Who was promoted on Mar. 1, 2012.

Note 10 : Who was promoted on Apr. 1, 2012.

Note 11 : Who weren't executive management from Apr. 2, 2012.

Note 12 : The bonuses to employees from distribution of earnings of 2011 have not been approved by the Shareholders' Meeting, just the proposed distribution.

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

2011/12/31; Unit: NT\$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Yvonne Li	President				
Jeffrey Gee	CSO & CTO				
T.Y. Yin	Executive VP & CFO				
Benjamin Ho	Executive VP				
Eton Shu	Executive VP				
Daniel Chang	Executive VP	14,254	0	Not Applicable	0
Maxwell Cheng	Executive VP				
Herman Rao	Executive VP				
Ta Fu (Note 3)	VP				
Guang Ruey Chiang	VP				

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

Note 2: The actual distributing amounts of earnings of 2010.

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

3. Corporate Governance Executive Status

3-1. Executive Status of the Board of Director

Holding 6 times (A) of the Board Meeting, and the attendance status of Board of Directors and Supervisors in the Year and recent Year :

2012/4/30

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B/A)	Percentage of Attendance (%) (Proxy included) ((B+C)/A)	Remark
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.	6	0	100	100	
Vice Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	6	0	100	100	
Managing Director & Independent Director	Lawrence Juen-Yee LAU	5	1	83	100	
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	6	0	100	100	
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	6	0	100	100	
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	5	1	83	100	
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	5	0	83	100	
Director	Michiya Shinagawa, Representative of Yue Ding Industry Co., Ltd.	6	0	100	100	
Independent Director	Kurt Roland Hellström	6	0	100	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	6	0	100	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	6	0	100	100	
Independent Supervisor	Chen-en Ko	6	0	100	100	

Title	Name	Times of Attendance (B)	Times of Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B/A)	Percentage of Attendance (%) (Proxy included) ((B+C)/A)	Remark
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Other matters of importance:

- If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected by Independent Directors or subject to qualified opinion and recorded or declared in writing, should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion: None.
- If there is Directors' avoidance of motions in conflict of interest, should specify the Directors' names, contents of motions, causes for avoidance and voting: Due to the conflict of director's interest, there are two motions needed to avoid at the 10th Meeting of the 5th term of Board of Directors on February 23, 2011. a) The Company subscribed the capital call of Far Eastern Electronic Toll Collection Co., Ltd.: Due to the Chairman Douglas Hsu, Directors Jan Nilsson and Champion Lee being the Chairman and Directors of Far Eastern Electronic Toll Collection Co., Ltd., they must withdraw themselves from discussion and resolution for avoiding interest conflict; b) The Company donated to Yuan Ze University in order to support a portion budget for the construction of "Art Campus Zone": Chairman Douglas Hsu, Director Peter Hsu being the Chairman and Director of Yuan Ze University must withdraw themselves from discussion and resolution due to interest conflict. Besides, due to the conflict of director's interest, there are two motions needed to avoid at the 15th Meeting of the 5th term of Board of Directors on April 20, 2012. a) The Company subscribed the capital call of Far Eastern Electronic Toll Collection Co., Ltd.: Due to the Chairman Douglas Hsu, Directors Jan Nilsson and Champion Lee being the Chairman and Directors of Far Eastern Electronic Toll Collection Co., Ltd., they must withdraw themselves from discussion and resolution for avoiding interest conflict; b) Examine the qualifications of independent director candidates nominated: Due to the Independent Director Lawrence Juen-Yee LAU and Kurt Roland Hellström being the candidates of this motion, they must withdraw themselves from discussion and resolution for avoiding interest conflict.
- Objectives to improve the functions of the Board of Directors in the year and recent years (e.g. establishment of audit committee, and strengthen disclosure of information, etc.) and evaluation on the execution thereof: The Company has approved to set up "Remuneration Committee" at the 12th Meeting of the 5th term of Board of Directors on August 9, 2011. Independent Director Lawrence Juen-Yee LAU, Vice Chairman Jan Nilsson and Director Champion Lee were appointed as the members of the Remuneration Committee by the Board of Directors. And Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee.

3-2. Executive Status of the Audit Committee or the Board Meeting of Supervisors:

Holding 6 times (A) of the Board Meeting, and the attendance status of Supervisors in the Year and recent Year :

2012/4/30

Title	Name	Times of Attendance (B)	Actual Percentage of Attendance (%) (B/A)	Remark
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	6	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	6	100	
Independent Supervisor	Chen-en Ko	6	100	

1. The composite and responsibility of supervisors:

1-1 Communications between supervisors and the Company's employees and shareholders: The Company has set up the supervisor's mailbox: supervisor@fareastone.com.tw disclosed on Market Observation Post System (MOPS), in that employees and shareholders have adequate access to the supervisors for communications.

1-2 Communications among supervisors and the Company's Chief Auditor and CPA:

A. Communications with Chief Auditor: Supervisors hold Supervisors Meeting each quarter and keep the meeting minutes. The Directors, President and the Company's top managements are then notified of important discussions and resolutions. There were four Supervisors Meetings this year. Supervisors attended each occasion and Chief Auditor also reported at the meetings audit operations and major internal audit matters, including execution, reporting, and tracking of Supervisors instructions. In addition, Supervisors obtained audit reports on monthly basis which were submitted by Chief Auditor.

B. Communications with the CPA: Supervisors hold Supervisors Examined Meeting and got the audit results. There were two Supervisors Examined Meetings. Three Supervisors attended each occasion. CFO, Chief Auditor and accounting director attended the meeting as well. CPAs presented at the meetings to discuss on related subjects, including executing, reporting and tracking of Supervisors instructions.

- If there is Supervisors' avoidance of motions in conflict of interest, should specify the Supervisors' names, contents of motions, causes for avoidance and voting: None.
- The Company has not set up the Audit Committee, hence the Independent Directors has not attended the Audit Committee.

3-3. Executive Status and Measures of the Ethical Corporate Management

"The Code of Ethics" and "The Code of Business Conduct" have been approved by Board Meeting on April 26, 2011 and been reported at Shareholders' Meeting on June 9, 2011.

In order to certainly fulfill "The Code of Ethics" and "The Code of Business Conduct", the Company has posted the guidance of "The Code of Ethics" and "The Code of Business Conduct" on intranet for employees on May 25, 2011 and promoted the concept of business conduct for daily operation to all employees. Further, the Company also declared the new "Supplier Information Form" on intranet on Feb. 22, 2012. Since then, all new suppliers must sign "The Code of Business Conduct Agreement" attached on "Supplier Information Form" to follow "The Code of Business Conduct" of the Company.

Board members of the Company are expected to demonstrate high self-discipline by explicitly stating their opinions and answers in board meeting motions that present a conflict of interest (be it individual or organizational) that might

result in damage to the company's interest. In addition, they shall not take part in relevant discussions or the voting process nor act as proxy of other board members to exercise their voting rights. The code of conduct for board members also forbids them to support one another inappropriately. In addition, FET, along with all its board members, supervisors, managers, employees and individuals with de facto control, are strictly forbidden from directly or indirectly offer, promise, request or accept inappropriate benefits when conducting their duties. This includes kickbacks, commissions, bribes or any other form of inappropriate benefits given or received from customers, agents, subcontractors, suppliers, civil servants and other stakeholders. However, if conforming to the law of business location, it shall not be subject to this restriction.

Regarding "The Code of Ethics" and "The Code of Business Conduct", please refer the FET's corporate website for the details. (Please browse through website: <http://www.fareastone.com.tw>, Home>Company Information>Corporate Governance>Articles of Incorporation and others.)

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

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

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
I. Implementation and promotion of corporate governance	In September, 2011, the Company has established "FET CSR committee", whose director and CEO were acted by the Chairman and President respectively, and set up the CSR secretariat for the sole responsible unit.	
(i) Establishment of corporate social responsibility policies or systems and review of its results/performance.		
(ii) Establishment of dedicated/responsible unit for the promotion of corporate social responsibility and its status of operation.	FET CSR committee shall hold a meeting regularly once a year and each committee member proposes to discuss in view of the related domain. The committee members come from core member of each department, push together and execute FET CSR 5 big goals included responsible governance, sustainable environment, social participation, digital inclusion, health workplace and so on action plans.	
(iii) Routine implementation of corporate ethic training and dissemination for board members, auditors and employees along with its incorporation with employees' performance evaluation to establish a clearly defined reward and punishment system.	"The Code of Ethics" and "The Code of Business Conduct" have been approved by Board Meeting on April 26, 2011 and been reported at Shareholders' Meeting on June 9, 2011. For internal, the Company has declared on intranet for promoting "The Code of Ethics" and "The Code of Business Conduct" to employees. For external, the Company has attached "The Code of Business Conduct Agreement" on the supplier information form. The whole relating procedures and codes have been disclosed on FET website. The Codes stipulating FET, along with all its board members, supervisors, managers, employees and individuals with de facto control, are strictly forbidden from directly or indirectly offer, promise, request or accept inappropriate benefits when conducting their duties. This includes kickbacks, commissions, bribes or any other form of inappropriate benefits given or received from customers, agents, subcontractors, suppliers, civil servants and other stakeholders. In addition, new employees have been fully briefed on relevant disciplines and regulations on professional conduct before they were asked to sign a contract of employment. The company has made relevant plans for internal organizations in 2011 along with schedules for periodical dissemination courses.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
II. Development of a sustainable environment	In order to accomplish the goal of zero carbon emission for base stations, FET has constructed two demo base stations powered by fuel cells in the hopes of replacing traditional power-generating equipment that uses conventional cells in 2011. The Company will build a demo base station that runs on solar power in 2012 and it is expected to save 5% of energy at one base station per year.	
(i) Efforts in improving the utilization rate of various resources and usage of recyclable materials to minimize impact on the environment.		Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Establishment of a suitable system for environment management based on	Taking the characteristics of telecommunication industry into account, the Company has established a 24/7 Online Environment Monitoring System, which is designed to monitor various environmental status and routinely measure environmental quality	

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
the characteristics of its business.	indicators such as temperature, humidity, illumination, indoor CO ₂ concentration, hydrogen concentration in battery chamber and so forth.	
(iii) Establishment of dedicated unit/personnel in charge of environmental management to maintain the working environment.	The Company has appointed 9 qualified energy supervisors to ensure that energy is used in a reasonable fashion by the company as they monitor various energy-saving operations implemented by FET.	
(iv) Establishment of energy-saving, carbon/GHG emission reduction strategies and policies from the awareness of impact on company operations brought about by climate change.	In 2011, FET’s GHG (carbon dioxide) emission (derived from conversion from power consumed) came to 135,416 metric tons – a reduction of 2,103 metric tons (1.70%) from 2010.	
III. Maintenance of social charity	The Company has complied with all pertinent labor regulations with regards to all measures and policies that relate to employees.	
(i) Compliance with relevant labor regulations to safeguard employees privileges by instituting appropriate management and procedures.	The company has also convened labor-management meetings to enable the addition or changes to affairs that affect employees’ rights so that decisions would only be made after both parties have sufficiently communicated the issue. The Company has also set up dedicated channels for employees to file complaints as a measure to safeguard their rights.	
(ii) Provision of a safe and healthy working environment for employees and implement routine health and safety education.	Smoking is prohibited on company premises. The company’s premises are also complete with nursing rooms, attended by qualified medical staff to provide rudimentary medical care, health consultation services and information on health along with annual CPR training, screening for major illnesses and seminars on staying health. All offices are equipped with first aid kits and nursery rooms, in addition to massage services by visually impaired massage therapists and various employee assistance solutions to promote employees’ physical and mental health. The Company has also implemented occupational safety and health training as stipulated by law to help employees become aware of the potential hazards in their line of work. The company also performs work environment audits and employee health check ups on a regular basis. A blood donation drive is also a major annual event that involves everyone at the company.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(iii) Establishment and disclosure of policy on consumers’ rights in addition to offering a transparent and effective channel for customer complaints on products and services.	The Company greatly values the input from its customers and has thus offered diversified channels of services. In addition to nearly 770 FET/ARCOA retail stores that provide direct and immediate services to resolve customers’ problems, the Company also operates a 24-hour customer service center to serve its customers. The Company also has appointed dedicated personnel to manage comments and input that customers have made online in order to provide comprehensive A+ customer services.	
(iv) Collaboration with suppliers to jointly work towards the promotion of corporate social responsibilities.	It is commitment of FET with innovative attitude to support local contractors for various kinds of green-purchased development. Especially in the domains of mobile value-added service base stations, process automation and FET franchise store development etc., FET continuously invests tremendous amount of resource in local support programs which is over 99% purchase in FET annual orders. This is the best evidence to align our commitments of social responsibility. To be a green mobile telecommunication industry will always be FET core focus. We have been awarded for excellent green-purchased company many times by local city governments and EPA, also acquired ISO 50001 Certificate this year. There is another process mechanism which can be proud of is that in 2012 FET newly launched e-procurement system, it includes	

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
(v) Participation in community development and charity events through commercial activities, donation of materials, volunteer services or other complimentary services.	<p>green-purchased checking mechanism implemented in order to fully express our continuous efforts.</p> <p>FET places great emphasis on corporate social responsibility and continues to contribute for improving social issues such as abandoned children or abandonment of adopted children. Since 2006, FET has teamed up with the Children’s Welfare League Foundation to launch the donation initiative “Saving Lives and Abandoned Children,” and capitalized on its core competency to invite customers to donate loose change through its 380 hotline or at its stores. With charity support from society, the funds raised reached NT\$10 million and benefited 4,588 children, and this is the most warm and practical care for disadvantaged children.</p> <p>In October 2011, FET once again held the 380 Donation initiative and rolled out the Aibo pack charity sale at its stores and loose change donation from November 1 to December 31 to encourage society to contribute to good causes wherever possible. To expand the influence, FET employees volunteered to sell Aibo packs on streets and raised funds at Neihu Technology Park, Banqiao, Taichung Fengjia Night Market and Kaoshiung Shinkuchan Night Market and personally participated in the Christmas Charity Aibo Pack Sale initiative. In addition to pedestrians, scooter riders who came to the location also joined in the good deed and care effort for abandoned children as promoted by passionate FET employees.</p> <p>Except sponsoring the Children’s Welfare League Foundation for abandoned children, FET also teamed up with cnYes in 2010 to host a number of warmth and love delivery events and sponsored a number of different organizations two years in a row, including Hualien Bethesda Home for the Disabled, Hui Ming Preschool for Visually Impaired Children, Pingtung Linbian Jingjong Orphanage, Federation for the Welfare of the Elderly, Heng Chun Christian Hospital, Taitung Christian Hospital and Hualien Mennonite Christian Hospital. In 2012, FET sponsored Taichung Tsukuang Orphanage, Nantou Branch Office of TFCF, Hualien New Dawn Educare Center and Yilan Samantabhadra Orphanage and so on. Every year, FET regularly hosts employee charity sale and donates all the proceeds and received materials to Huashan Social Welfare Foundation, Taiwan Foundation for Rare Disorders, Genesis Social Welfare Foundation, Syinlu Social Welfare Foundation and other children welfare organizations registered at the Ministry of the Interior. FETnet also periodically hosts blood donation events and donates computer equipment to rural communities to close the digital divide.</p>	
IV. Improvements in information disclosure	The Company has also constructed a section titled “FET Corporate Social Responsibility” on its website to disclose relevant information including Charity & Sponsorships, Awards & Recognition and FET corporate social responsibility statement for download. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/coSociety	
(i) Method of disclosing relevant and reliable corporate social responsibility information.		
(ii) Compilation of corporate social responsibility statement and disclosure of promotion of corporate social responsibility.	<p>The Company for the status of compilation of corporate social responsibility statement are as follows:</p> <p>Already completed conforming to GRI (Self declared) application level B in December, 2011 and obtained the double certified declaration for GRI B+ and AA1000 in March, 2012.</p> <p>The Company posted the corporate social responsibility statement for download on its company website to disclose the relating information for fulfilling the stakeholders’ information demand.</p>	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
V. If you have established your own guidelines for corporate social responsibility according to the Corporate Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy:	The Company has conformed to the Corporate Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, however, has not yet established guidelines.	
VI. Please state any other important information that would facilitate better understanding on your current status in fulfilling corporate social responsibility (i.e. the company’s system, measures or status of implementation on environmental protection, community participation, contribution to society, social services, charity, consumer rights, human rights, safety and health and so forth):		

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
<p>► Corporate Social Responsibility Committee to publish report, cultivating sustainable development in Taiwan In 2011, FET established a CSR Committee focused on "eco-fashion, responsible innovation" that utilized innovative exchange initiatives and platforms, based on daily living and popular fashion to invite young people to participate in events and stimulate creativity. In the future, we will further influence FET customers to change their attitudes towards sustainability, environmentalism, and energy conservation. Spreading environmental conservation can be a form of fashion where responsibility is expressed through creativity. In order to create comprehensive communication channels between everyone, FET completed its first Corporate Social Responsibility Report in 2011, and this report is posted on our corporate website.</p> <p>► FET energy conservation sees results, green procurement persists in response, and a telecommunications energy conservation benchmark continues to be forged FET energy conservation rose to new heights in 2011 as power consumption indicators fell 3% in office, machine room, and retail outlet electricity usage. Up until 2011, 10% of all traditional base stations have been phased out for CO2 emissions reductions reaching 4,019 metric tons, equivalent to the amount of carbon absorbed by 270 Daan Forest Parks. FET's energy conservation achievements were selected by the Bureau of Energy, Ministry of Economic Affairs as an energy management system guidance demonstration project, and this system is expected to complete energy management system ISO50001 certification in the beginning of 2012. A green procurement tracking mechanism is built into the newly initiated FET procurement system that incorporates vendor energy conservation procurement responsibilities.</p> <p>► FET received a number of financial performance enhancements and prestigious investor related awards, demonstrating that responsible enterprises are highly acclaimed FET's outstanding operational achievements have received international professional recognition and numerous awards. In March 2011, FET received the advanced corporate governance system assessment certification issued by the Taiwan Corporate Governance Association. In May, FET received FinanceAsia Magazine's "Best Investor Relations, Taiwan" of Asia's Best Companies for the third time. In June, FET received a top ten A+ from the Securities and Futures Institute's Eighth Information Disclosure Ranking, and was the fifth time a top ten A+ rank was received. In December, FET received The Asset Magazine's 2011 "Best Financial Performance and Investor Relations of the Year" award, and was the only Telecommunications company to be so honored two years in a row.</p> <p>► FET was energetic to raise funds through core corporate competence to expand care for disadvantaged children In response to the Far Eastern Group's movement of continued care for teachers and students affected by the Morakot Typhoon disaster, FET was independently responsible for implementing the event hosting Morakot Students at the Flower Expo. In May, 235 teachers and students from Tao-yuan Elementary School, Hsing-jhong Elementary School, and Kinzang Elementary School were invited to ride the high speed rail to tour the Flower Expo, learn the importance of environmental conservation, and hopefully to understand the importance of cherishing the planet from an educational perspective. After the Japanese tsunami in March 2011, FET coordinated with the Red Cross to establish mobile phone donation by dialing 55135 which raised NT\$6.5 Million and approximately NT\$340,000 in material aid. In addition, FET also invests resources to enhance domestic arts and culture, and participated in parent company Far Eastern Group's second sponsorship of the Taiwan performances of internationally renowned performance group Cirque Du Soleil. FET also joined the festivities by donating tickets to the Child Welfare League Foundation to invite children to appreciate this world-class, second to none, artistic performance. Hopefully, a positive outlook and love of the arts can be cultivated in these children through the show's positive message and superb, boundary pushing performance.</p> <p>► FET leads the industry to invest in Ethic Chinese cultural and creative businesses to forge an Ethnic Chinese Cultural and Creative Center in Taiwan FET continues to cultivate the cultural and creative APP market, and ceaselessly finances the organization of competitive events for APP talent. In 2011, FET organized the "S Mart 2011 APP Star Awards" with sponsorships from the Committee of Communications Industry Development of the Ministry of Economic Affairs, Acer, and HTC, and judged by leaders of industry and academia, which attracted close to 400 entries, who competed for 15 prizes totaling approximately NT\$2 Million; among the competitors were teams from France and China which successfully raised the renown of the "S Mart 2011 APP Star Awards" on the world stage.</p>		

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

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

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

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
<p>(1) Ownership structure and shareholders' equity</p>		
1-1 Handling of shareholder's suggestions or disputes.	The Company's spokesperson and the contracted stock agency, <u>Oriental Securities Co., Ltd.</u> handles shareholder's suggestions or inquiries. And the Legal & Regulatory Department deals with disputes or legal cases.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies"
1-2 Identifying major shareholders and/ or their ultimate controlling parties	The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and/ or their ultimate controlling parties. This information is disclosed /registered by the Regulations Governing Information Reporting by	

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
1-3 Risk control mechanism and firewalls established between the Company and its affiliated companies	TWSE Listed Companies. The Company and its affiliated companies are all independent entities in respect of their financial and business operations. Operating procedures are established for "Related Party Transactions Regulation" and approved at the 14th Meeting of the 5th term of Board of Directors on February 16, 2012. Risk control mechanism and firewall procedures have been properly established.	
(2) Structure and duties of the board of directors		
2-1 Status of appointing independent directors	The Company has two independent directors, namely Lawrence Juen-Yee LAU and Kurt Roland Hellström.	
2-2 Evaluation of the independence of the Company's appointed CPA	The Company evaluates the independence of the CPA engaged by the company regularly and annually, including evaluation items such as appointment and CPA public expense. The Company has appointed Annie Lin and Tony Chang of Deloitte & Touche to provide professional service for year 2012. And based on the confirmation of independence from auditor Annie Lin and Tony Chang of Deloitte & Touche and assessment according to Standard of Ethics No.10, the assessment result of auditor independence is sound approved by 14th Meeting of fifth term of Board of Directors.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".
(3) Communication with interest-conflicting parties	In addition to having a Spokesperson, suggestions or disputes by stakeholders have adequate connected with the Company (via mail box: IR@fareastone.com.tw), Supervisors (via supervisor's mail box disclosed on MOPS : supervisor@fareastone.com.tw), and contracted stock agency, Oriental Securities Co. ,	Comply with the "Corporate Governance Best-Practice principles for TWSE/GTSM listed Companies".
(4) Information disclosure		
4-1 The Company's website discloses financial, operational and corporate governance related information	FET's corporate website address is: www.fareastone.com.tw . The Company is real-time to disclose the financial, operational and corporate governance related information on the website.	
4-2 Other disclosure channels (i.e. English website; designated personnel in charge of company information collection and disclosure; establishment of a spokesperson policy; disclose process of institutional investors meeting; information on company web site, etc.)	The Company has set up English website and appoints personnel responsible for gathering and disclosing the financial and business relevant information, process of institutional investors meeting, etc.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".
(5) Establishment of nomination, compensation or any other functional committees	The Company has approved to set up "Remuneration Committee" at the 12th Meeting of the 5th term of Board of Directors on August 9, 2011. Independent Director Lawrence Juen-Yee LAU, Vice Chairman Jan Nilsson and Director Champion Lee were appointed as the members of the Remuneration Committee by the Board of Directors. And Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee.	Comply with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies".
(6) If the company has set up the principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", please illustrate the implementation progress and any differences:		
	The Company has established "FET Corporate Governance Best-Practices Principles" of total 59 clauses in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the principles have been approved at the 14th Meeting of the 5th term of Board of Directors on February 16, 2012. There are no differences until now.	
(7) Other material information that helps to explain the implementation of corporate governance (i.e. employee rights and interests, employee care, investor relations, supplier relation, stakeholder's rights, status for training of Directors and Supervisors, executions status for risk management policy and risk measure criteria, status for execution of customer policy, status for the company's purchase of liability insurance for Directors and Supervisors and so on):		
7-1 Employee rights and interests:	Handled according to the Labor Standards Act and the personnel regulations of this company	
7-2 Employee Care:	In order to strengthen the efficacy and efficiency of communication with employees, this company provides diverse communication modes to interact and reach a consensus with employees.	

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
Employee Communication Channel	Participants	Frequency
Annual Employee Conference	All employees may participate	Annual
Management Communication Conference	Manager and above	Quarterly
Labor Conference	Employer and employee group representatives	Quarterly
Far Eastone People Electronic Magazine	All employees are free to contribute submissions	Monthly
e-paper Electronic Newspaper	All employees may participate	Weekly
e-Newsletter	All employees may participate	Unscheduled
Employee Suggestion Website	All employees may participate	Unscheduled
Employee Grievance Channels	All employees may participate	Unscheduled
Employee Satisfaction Survey	All employees may participate	Annual
Employee Benefits Committee Meeting	Benefit committee members for each region	Bi-Monthly

7-3 Investor Relations:

High quality investor relations are built on effective communication. Our company has established an "Investor Relations Office" responsible for communicating with institutional investors and shareholders to establish bi-lateral communication channels between corporate operations management and outside investors. Through bi-lateral communication, we provide the investor's valuable suggestions to management as a reference for our long term operations strategy.

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

7-4 Vendor Relations:

This company has established an electronic vendor selection system that includes a vendor online information management system, online inquiry, comparison, consultation system, online bidding system, vendor evaluation system, etc. The electronic vendor selection system has a complete sign-off process and inspection mechanism, which in addition to assisting the company with daily internal auditing, also implements the best vendor management for a fair competitive environment and inspection mechanism under the principles of fairness, impartiality, and openness.

7-5 Rights of Interested Parties:

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

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

Handled according to the "Key Points of Implementation for the Continuing Education of Directors and Supervisors in Listed Companies" of the Taiwan Stock Exchange Corporation, for details please consult annual report pages 34 to 36.

7-7 Corporate Risk Management Policy and Organizational Structure:

In order to protect company assets, reduce corporate damages, enhance business profit and ensure corporate sustainability, Far Eastone has developed the "Far Eastone Corporate Security Policy" as the highest guideline for risk management. For corporate risk management organizational structure details, please consult annual report pages 36 to 38.

7-8 Implementation Status of Customer Policies:

In order to uphold the vision of "Living with Far Eastone, Communication without Boundaries, Enriching Life," we are committed to providing customers with the highest quality and most diverse service to forge a convenient and rich mobile lifestyle.

In order to master customer usage experience and customer feelings, we regularly implement various survey projects, and continue tracking the satisfaction levels of various product and services. Only by listening to the voice of the customer as a reference to improving future operation strategy, can we hope to provide the consumer with the most thoughtful and satisfying service and improve customer usage experience and satisfaction.

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

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

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

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

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

R.O.C. internal auditors: 5 persons in the financial and accounting department and the auditing department, F&SS-Ming Huang, Jeff Su, Isable Tsao; Auditing-Ted Chang, Wendy Luong.

ISO 27001 internal auditor: 4 persons in the financial and accounting department and the auditing department, F&SS-Jeff Su, Isable Tsao ; Auditing-Tweety Yeh, Jack Mei.

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

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

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

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
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(8) Enterprises conducting autonomous evaluation of corporate governance or commissioning other professional institutions to perform an evaluation of corporate governance are required to state the results in detail, significant flaws (or suggestions) and status of improvement in the autonomous/external evaluation:

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

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

Overall strengths:

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

Suggestions:

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

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

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

(10) Other information of corporate governance:

10-1 Training:

(A) Board of Directors and Supervisors: Information relating to finance, accounting and regulatory is regularly provided to board of directors and supervisors.

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
Chairman	Douglas Hsu	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Vice Chairman	Jan Nilsson	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Champion Lee	2007/6/7	2007/6/7	Financial Supervisory Commission, Executive Yuan	The 4 th Corporate Governance Seminar in Taipei	6
		2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

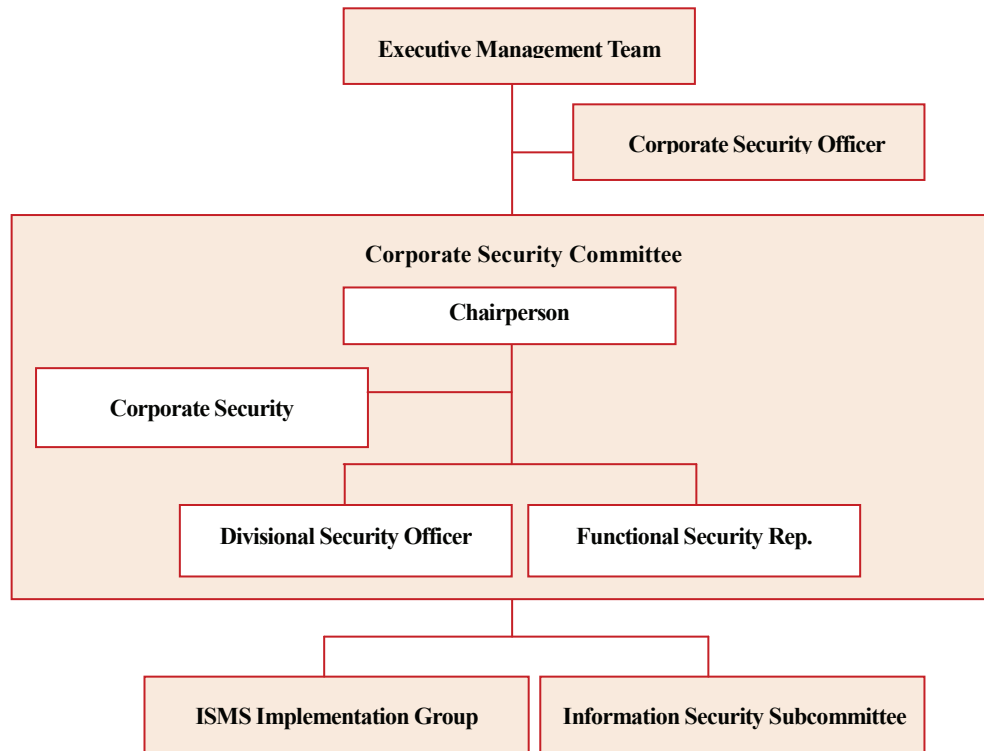
Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
Director	Johnny Shih	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Peter Hsu	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/10	2010/12/10	Taiwan Corporate Governance Association	Dissect Corporate Fraud to improve Corporate Governance performance	3
		2011/12/27	2011/12/27	Taiwan Corporate Governance Association	Dissect Corporate Fraud to improve Corporate Governance performance	3
Supervisor	Eli Hong	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Supervisor	Morton Huang	2007/9/28	2007/9/28	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/7/2	2009/7/2	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Independent Supervisor	Chen-en Ko	2009/12/2	2009/12/2	Taiwan Corporate Governance Association	Build up the legal framework to attract the business in Asia-Pacific	6
		2010/2/24	2010/2/24	Taiwan Corporate Governance Association	Why does the market need to be open?	1
		2010/12/3	2010/12/3	Taiwan Corporate Governance Association	Build up Culture and Practice of Taiwan Corporate Social Responsibility	6
		2011/4/26	2011/4/26	Taiwan Corporate Governance Association	The trend for electronic voting and voting on one agenda by one agenda basis in the shareholders' Meetings	1
		2011/7/21	2011/7/21	Taiwan Corporate Governance Association	Technical innovation and practice experience for corporate governance	1
		2011/10/20	2011/10/20	Taiwan Corporate Governance Association	The expectation of domestic and foreign institutional investor for Taiwan capital market	3
		2011/10/21	2011/10/21	Taiwan Corporate Governance Association	Corporate Governance and Mergers & Acquisitions	3

(B) Executive Management:

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
President	Yvonne Li	2008/11/21	2008/11/21	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2009/3/6	2009/3/6	Taiwan Stock Exchange	2009 Corporate Social Responsibility and Sustainable Development	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2011/11/24	2011/11/24	Financial Supervisory Commission Executive Yuan	The 7th term Taipei Corporate Governance Forum	3

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
Executive VP & CFO	T.Y. Yin	2010/6/30	2010/6/30	Accounting Research and Development Foundation in Taiwan	《Tax Affairs concern of Corporate Governance》 Discuss Tax affairs Management from Corporate Governance	3
		2010/12/23	2010/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

10-2 Company's Risk Management Organization:



10-2-1. Executive Management Team:

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

10-2-2. Corporate Security Committee:

- (1) This is the Company's security policy decision-making unit. The Committee is a permanent inter-division committee composed of Divisional Security Officers, Functional Security Representatives and Corporate Security.
- (2) The responsibilities of the Corporate Security Committee are as follows:
 - a. Hold at least one meeting every quarter, and extra meeting to be held according to the security issues of this company, applied for by the "Corporate Security", and approved by the "Corporate Security Officer".
 - b. Adopt consensus decision making to the discussion of various issues. When a consensus cannot be reached, the Divisional Security Officer can put the issue to a vote.
 - c. When the Divisional Security Officer cannot attend the meeting, a representative must be named and the representative shall exercise voting rights on behalf of the Divisional Security Officer.
 - d. Regularly hold Information Security Management System "management review meetings" to review effectiveness, and effect of control measures on operational efficiency and technological changes.

10-2-3. Corporate Security Officer:

- (1) Functional corporate security management position held by management personnel of vice President or higher appointed by the President.
- (2) Responsibilities of the Corporate Security Officer are as follows:
 - a. Responsible for promoting and supervising corporate security management services of this company.
 - b. Supervise the operation of the "Corporate Security Committee".

- c. Guide the administrative matters of convening the “Corporate Security Committee”.
- d. Communication issues between Executive Management Team and the “Corporate Security Committee”.

10-2-4. Corporate Security:

- (1) The managerial responsibility and accountability unit for Far Eastone security issues.
- (2) The responsibilities of the Corporate Security are as follows:
 - a. Convening the Corporate Security Committee, assuming the chairmanship, and responsible for related administrative operations.
 - b. Promotion of security policy and awareness of other security specifications.
 - c. The coordination unit for Information Security Management System certification (ISO 27001) and the convener of ISMS Implementation Group.

10-2-5. Divisional Security Officer:

- (1) The Divisional Security Officer is acted by a Director or higher as assigned by each business division's Executive Vice President.
- (2) The DSO's responsibilities are as follow:
 - a. Establish and maintain the business division's security mechanisms including the formulation, specification and auditing of relevant policies.
 - b. Assist and coordinate with the “Corporate Security” regarding the investigation of corporate security incidents and accept the command and control of the Corporate Security Officer. Except with the authorization of the Corporate Security Officer, all knowledge of cases should be kept confidential. Due to security incidents occurring in the business unit, this division shall, on their behalf, recommend subsequent improvements and track results after improvements have been completed.
 - c. Serve as the channel for communications between colleagues in their business division and the Corporate Security Committee.
 - d. Communicate Corporate Security Committee resolutions or announcements to colleagues within the division.
 - e. Serve as each division's contact window when the Corporate Security Committee is implementing various programs.
 - f. Confirm and review that their division's colleagues are complying with security policies, managing exceptions according to regulations, as well as setting time limits on use of exceptions.
 - g. Confirm and review their division's use and management of customer data, including but not limited to the storage or destruction of records for future inspection.
 - h. Supervise their business division's security management of non-FET employees when they are working on the Company business sites.

10-2-6. Functional Security Representative:

- (1) To bring together all divisions within the Company organization related to corporate security, all functional departments should provide a representative to the Corporate Security Committee.
- (2) The Functional Security Representative may also be their division's divisional Security Officer.
- (3) The responsibilities of Functional Security Representative are as follow:
 - a. Set the processing principles, norms, and operating procedures of the management issues of day-to-day operations.
 - b. Regularly report management issues and implementation status to the Corporate Security Committee.
 - c. Process and evaluate exceptional management issue requests from other divisions, for example policies ratified by the “Corporate Security Committee”, exceptional control requirements in administrative measures, and should create risk analyses for approval by the “Corporate Security Committee”.
 - d. Assist in the execution of all corporate security projects and corporate security audits and provide improvement suggestions.
 - e. Assist investigations into corporate security incidents.

10-2-7. “ISMS (Information Security Management System) Implementation Group”:

- (1) Execute the establishment and follow-up maintenance of the Information Security Management System.
- (2) Archive management review report data within the scope of ISMS and file reports with the “Corporate Security Committee”.
- (3) Execute follow-up and evaluation of management review conference resolutions.

10-2-8. “Information Security Subcommittee”:

- (1) For frequent cross division meetings, composed of representatives from the “IT Service Governance”, “Service & Platform Operation”, and “Service Network Planning”.
- (2) The responsibilities of the Information Security Sub-Committee are as follows:
 - a. Information Security Sub-Committee meetings regularly convened by the “IT Service Governance”.

- b. Responsible for observation, assessment of the operational risk of information security and effects of changing technologies, and coordinate responsible units in the development of appropriate control measures to protect important corporate information assets and improve the information security environment.

10-3 Execution of policies to protect consumers or customers: The Company has followed up the related policies.

10-4 Employees' code of conduct or ethics

It is necessary for each employee to sign the "employees' code of conduct" and "non-disclosure agreement" and declare his/her agreement to comply with the "employees' manual" and "work rules" in his/her "employment contract". The said documents will be kept in the employees' files and disclosed on the Company's intranet to be available to all employees. The contents of the documents are briefed as following:

- a. Employees' code of conduct, including: (1) the liability for making good use of and maintaining the Company's resource; (2) the Company's gifts and premiums must comply with the commercial customs, laws and code of ethics; (3) code of conduct outside the Company; (4) code of conduct inside the Company; (5) code of social intercourse; (6) social courtesy; (7) confidentiality of the Company's information; (8) internal information management; (9) information must be recorded and maintained in good faith.
- b. Non-disclosure agreement, including (1) definition of confidential information; (2) assignment of rights; (3) non-disclosure obligation; (4) legal effect for breach of the agreement and liability thereof; (5) effect upon termination of the employment relationship; (6) successors and assignment of rights; (7) governing law and jurisdiction.
- c. Employment contract, including (1) date of hiring; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.
- d. Employees' manual, including (1) recruitment and appointment; (2) salary and benefit; (3) training and development; (4) compensation and pension for occupation disaster; (5) entrance guard security; (6) service of labor safety and health; (7) code of conduct and non-disclosure undertaking; (8) information service and rules for emails; (9) service of workers' benefit commission; (10) channel of communication.
- e. Work rules including (1) employment, severance and resignation; (2) wage and bonus; (3) work hours, rest, vacation and leave; (4) retirement; (5) performance appraisal and reward/punishment; (6) compensation and pension for occupation disaster; (7) benefit measures and safety and health.

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

- a. Provide "Internal Material Information Disclosure Procedure" to Directors and Supervisors at least once every year when holding Board Meeting.
- b. Provide "Internal Material Information Disclosure Procedure" to newly managers when they signed the security agreement.
- c. The Company promotes not only the "Internal Material Information Disclosure Procedure", but also the "Insider Trading" related information posted on TWSE website with the e-mail for the declaration of shareholding variation to remind the managers every month.
- d. The Company's managers and employees have to sign the security agreement when on board, and already posted on intranet for promoting the "Internal Material Information Disclosure Procedure" to employees on August 29, 2012.
- e. The composition, official powers and implementation status of the Remuneration Committee:
The Company has approved to set up "Remuneration Committee" at the 12th Meeting of the 5th term of Board of Directors on August 9, 2011. Independent Director Lawrence Juen-Yee LAU, Vice Chairman Jan Nilsson and Director Champion Lee were appointed as the members of the Remuneration Committee by the Board of Directors. And Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee.
The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, shall assume the responsibility to the Board of Directors, and shall submit the recommendations to the Board of Directors into discussion and resolution:
 - a. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
 - b. Periodically evaluate and prescribe the remuneration of directors, supervisors, and executive officers.

3-6. Internal Control System Execution Status

(1) The declaration of internal control system

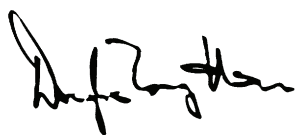
Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 16, 2012

Based on the self-examination results of the internal control system for the period of January 1, 2011 to December 31, 2011, Far EasTone Telecommunications Co., Ltd. (the Company) therefore declares the following:

- I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives:
 1. The effectiveness and efficiency of business operation (including earnings, operating performance and the safeguard of company assets);
 2. The reliability of the financial reports; and
 3. The compliance of the relevant laws/regulations.
- II. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to business environmental or situation changes. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following areas during the management and control process: (1) control environment, (2) risk management, (3) control activities, (4) information and communication, and (5) monitoring. Details of each examination area can be found in the Guidelines.
- IV. The Company has examined the effectiveness of each respective area in the internal control system based on the Guidelines.
- V. The examination result indicated that the Company's internal control system (including subsidiary governance) has effectively assured that the following objectives have been reasonably achieved during the assessing period:
 1. The degree that effectiveness and efficiency of business operation;
 2. The reliability of the financial reports;
 3. The compliance of the relevant laws/ regulations.
- VI. This Declaration is a significant item in the Company annual report and prospectus available to the general public. If it contains false information or omits any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Security and Exchange Law.
- VII. The board of directors has approved the Declaration of Internal Control System in the board meeting held on February 16, 2012.

Far EasTone Telecommunications Co., Ltd.



Douglas Hsu
Chairman



Yvonne Li
President

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

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

3-8. In Recent Years until the Annual Report being Published, Major Resolution of Shareholder's Meetings and Board Meetings

Date	Resolutions of Shareholders' Meeting	Execution
June 9, 2011	<p>Resolutions in the Annual Shareholders' Meeting of Year 2011</p> <p>Matters to be Reported</p> <ol style="list-style-type: none"> 1. Business report of Year 2010 2. Financial report of Year 2010 3. Review of the Year 2010 closing report by Supervisors 4. To report the merger with Yuan Cing Infocomm Tech Co., Ltd. 5. To report "The Code of Ethics" and "The Code of Business Conduct" of the Company. <p>Matters to be Approved</p> <ol style="list-style-type: none"> 1. Approval of the Year 2010 closing report (Including business report) 2. Approval of the proposal regarding Year 2010 earnings distribution (Cash dividend per share NT\$2.5) <p>Matters to be Discussed</p> <ol style="list-style-type: none"> 1. Approval of the amendment to "the Articles of Incorporation" of the Company 2. Approval of the issuance of common shares by private placement 3. Approval of the release the non-competition restriction on directors in accordance with Article 209 of the Company Law 	<p>Jul. 25, 2011 was fixed to be the record date of ex dividend, and cash dividend was released on Aug. 23, 2011.</p> <p>Operating pursuant to the amended Procedures.</p> <p>Pursuant to item 7 of Article 43-6 of Securities and Exchange Act, the privately placed common shares can be issued in several tranches within one year after the resolution of the Shareholders' Meeting. However, as current regulations have not permitted the consummation of the contemplated transaction, the private placement has not completed yet. Since the one-year period for private placement will soon expire, it is proposed to the Board of Directors for approving on April 20, 2012 and the Year 2012 Shareholders' Meeting to discuss the private placement again.</p> <p>Has followed the resolution.</p>

Date	Resolutions of the Board Meetings
February 23, 2011	<p>Matters to be Ratified</p> <ol style="list-style-type: none"> (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). <p>Matters to be Discussed</p> <ol style="list-style-type: none"> (1) Approval of the audited annual financial statements and consolidated financial statements of Year 2010. (2) Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Law. (3) Approval of the dates and agenda of Year 2011 Annual Shareholders' Meeting. (4) Approval of Year 2011 business plan and financial forecast (including consolidated financial forecast). (5) Approval of the renewal of the loan agreements with the banks. (6) Approval of subscription of the capital call of Far Eastern Electronic Toll Collection Co., Ltd. (7) Approval of conduct of the cash merger and signing the cash merger agreements with Yuan Cing Infocomm Tech Co., Ltd. (8) Approval of the donation to Yuan Ze University in order to support a portion budget for the construction of "Art Campus Zone". (9) Approval of the declaration of internal control system. (10) Approval of the release of dual jobs and non-competition restriction on managerial officers of the Company.

Date	Resolutions of the Board Meetings
April 26, 2011	<p>Matters to be Ratified</p> <ol style="list-style-type: none"> (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the appointment of Vice Presidents of the Company. (3) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, “CCS”). <p>Matters to be Discussed</p> <ol style="list-style-type: none"> (1) Approval of the business report of Year 2010. (2) Approval of the dividend distribution of Year 2010. (3) Approval of the amendment to “the Articles of Incorporation” of the Company. (4) Approval of the setup of “The Code of Ethics” and “The Code of Business Conduct” of the Company. (5) Approval of the issuance of common shares of the Company by private placement. (6) Approval of the added proposals to Year 2011 Annual Shareholders’ Meeting’s agenda. (7) Approval of the setup of a Branch office to take charge of system integration business.
August 9, 2011	<p>Matters to be Ratified</p> <ol style="list-style-type: none"> (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, “CCS”). <p>Matters to be Discussed</p> <ol style="list-style-type: none"> (1) Approval of the audited first half financial statements and consolidated financial statements of Y2011. (2) Approval of the “Internal Control System” modification. (3) Approval of the release of newly dual jobs and non-competition restriction on managerial officers of the Company. (4) Approval of the setup of the “Remuneration Committee” of the Company. <p>Extempore Motion</p> <ol style="list-style-type: none"> (1) Approval of the promotion of Vice President above of the Company.
November 2, 2011	<p>Matters to be Ratified</p> <ol style="list-style-type: none"> (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, “CCS”). (3) Ratification of the termination of the Oriental DPM on Local Stock Contract. (4) Ratification of the amendment to “Procedures for Handling Acquisition or Disposal of Assets”, “Procedures for Making Endorsements and Guarantees” and “Procedures for Loaning Capital to Others” of the Company’s subsidiaries. <p>Matters to be Discussed</p> <ol style="list-style-type: none"> (1) Approval of the Year 2012 Audit Plan. (2) Approval of the major Capital Expenditure budget for the first half of Y2012. (3) Approval of subscription of the capital call with NT\$12,020K of Far Eastern Electronic Commerce Co., Ltd.
February 16, 2012	<p>Matters to be Ratified</p> <ol style="list-style-type: none"> (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, “CCS”). (3) Ratification of the disposal of KGI EM Trend ETF fund. (4) Ratification of the acquisition of 23,123,926 common shares of “KGEx. Co., Ltd.” (5) Ratification of the appointment of Vice Presidents and above of the Company. <p>Matters to be Discussed</p> <ol style="list-style-type: none"> (1) Approval of the business report of Year 2011. (2) Approval of annual financial statements and consolidated financial statements of Year 2011. (3) Approval of the election of the sixth-term Board of Directors and Supervisors of the Company in Year 2012 Annual Shareholders’ Meeting. (4) Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Act. (5) Approval of the dates and agenda of Year 2012 Annual Shareholders’ Meeting. (6) Approval of Year 2012 business plan and financial forecast (including consolidated financial forecast). (7) Approval of the renewal of the loan agreements with the bank. (8) Approval of the declaration of internal control system. (9) Approval of the “Audit Plan” modification. (10) Approval of the setup of the “Code of Corporate Governance” and the “Procedures of Related Party Transaction Management” of the Company. (11) Approval of the appointment of auditors and audit fee for Year 2012. (12) Approval of the “Internal Control System” modification. (13) Approval of the recommendation of guaranteed bonus, Performance Incentive Plan for Non-Sales (PIPNS) and merit increase process for managerial officers of the company.
April 20, 2012	<p>Matters to be Ratified</p> <ol style="list-style-type: none"> (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, “CCS”). (3) Ratification of the disposal of 386,870 common shares of the “ADCast Interactive Marketing Co., Ltd.”

Date	Resolutions of the Board Meetings
	(4) Ratification of the appointment of Vice President and above of the Company.
	Matters to be Discussed
	(1) Approval of the appointment of Executive Vice President of the Company.
	(2) Approval of the cash distribution from Retained Earnings and Capital Surplus of Year 2011.
	(3) Approval of the amendment to “the Articles of Incorporation” of the Company.
	(4) Approval of the amendment to “Handling Procedure for Acquisition and Disposal of Assets” of the Company.
	(5) Approval of the amendment to “Regulations Governing Shareholders’ Meeting” of the Company.
	(6) Approval of the issuance of common shares of the Company by private placement.
	(7) Approval of the qualifications of independent director candidates nominated.
	(8) Approval of the added proposals to the agenda of Year 2012 Annual Shareholders’ Meeting.
	(9) Approval of the subscription of the capital call of Far Eastern Electronic Toll Collection Co., Ltd.
	(10) Approval of the subscription of the capital call of Q-ware Communications Co., Ltd.
	(11) Approval of the current remuneration distribution of directors and supervisors of the Company.

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

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

4. Public Expenses of CPA

4-1. Information of CPA

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Annie Lin Tony Chang	2011.01.01 ~ 2011.12.31	2011/12/31

4-2. Public Expenses of CPA

4-2-1.

Amount (NTD)	Item	Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000			
2	2,000,000 ~ 4,000,000 (inclusive of 2,000,000)		V	
3	4,000,000 ~ 6,000,000 (inclusive of 4,000,000)			
4	6,000,000 ~ 8,000,000 (inclusive of 6,000,000)			
5	8,000,000 ~ 10,000,000 (inclusive of 8,000,000)	V		
6	More than 10,000,000 (inclusive of 10,000,000)			V

4-2-2.

2011/12/31; Unit: NTS'000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee				Audit Period	Note	
			System Design	Registration	Human Resource	Other			Total
Deloitte & Touch	Annie Lin	\$8,960	None	None	None	\$2,890	\$2,890	2011.01.01~ 2011.12.31	Non-audit Fee mainly is service fee for transferring pricing and administrative remedies for taxation.
	Tony Chang							2011.01.01~ 2011.12.31	

4-3. In the event that the CPA firm is changed and the audit public expenses paid in the year when the CPA firm is less than that paid in the preceding year, reduction of the audit public expenses, percentage and causes: Not applicable.

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

5. Information for change of CPA

The Company has not changed CPA in 2011.

6. The Company's Chairman, President and Managers Responsible for Finance or Accounting who have Held a Post in the CPA Office or its Affiliated within the Latest Year

None.

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

7-1. Shareholding Variation:

Title	Name	2011		2012/4/15	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0	0
Vice Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 0	0 *0	0	0
Managing Director & Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0	0
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	0 *0	0 *0	0	0
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	0 *0	0 *0	0	0
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	0 *0	0 *0	0	0
Director	Michiya Shinagawa, Representative of Yue Ding Industry Co., Ltd.	0 *0	0 *0	0	0
Independent Director	Kurt Roland Hellström	0	0	0	0
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	0 *0	0 *0	0	(26,650,908)
Supervisor	Morton Huang, Representative of Asia Investment Corp.	0 *0	0 *0	0	0
Independent Supervisor	Chen-en Ko	0	0	0	0
President	Yvonne Li	0	0	0	0
CTO & CSO	Jeffrey Gee	0	0	0	0
Executive VP	Eton Shu	0	0	0	0
Executive VP	Maxwell Cheng	0	0	0	0
Executive VP	Benjamin Ho	0	0	0	0

Title	Name	2011		2012/4/15	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Executive VP	Daniel Chang	0	0	0	0
Executive VP	Herman Rao	(46,000)	0	0	0
Executive VP	Magdalena Lin	0	0	0	0
Executive VP & CFO	T.Y. Yin	0	0	0	0
Chief Auditor	Jennifer Liu	0	0	0	0
Sr. Consultant	Patrick Wu	0	0	0	0
VP	Jessica Chen	0	0	0	0
VP	Joann Chang	0	0	0	0
VP	Jessica Sung	0	0	0	0
VP	Maggie Mei	0	0	0	0
VP	Samuel Yuan	0	0	0	0
VP	J.J. Fu (Note 2)	0	0	0	0
VP	Roger Chen	0	0	0	0
VP	Sharon Chao	0	0	0	0
VP	Jessie Teng	0	0	0	0
VP	PL Chiang	0	0	0	0
VP	Eric Li	0	0	0	0
VP	Johnson Hsieh	0	0	0	0
VP	Mike Lee	0	0	0	0
VP	Daniel Wang	0	0	0	0
VP	Robert Liu	0	0	0	0
VP	Dick Lin	0	0	0	0
VP	James Lee	0	0	0	0
VP	James Lin (Note 3)	0	0	0	0
VP	Howard Tsao (Note 4)	0	0	0	0
VP	Ta Fu (Note 5)	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	David Tsai	0	0	0	0
VP	Guang Ruey Chiang	0	0	0	0
VP	Charlene Lin	0	0	0	0
Director	Alison Kao	0	0	0	0
Director	Amanda Huang	0	0	0	0
Director	Scott Chung	0	0	0	0
Director	Roger Lin	0	0	0	0
Director	Brian Chao	0	0	0	0
Director	Andy Kuo	0	0	0	0
Director	Ming-Chang Ko (Note 6)	0	0	0	0
Director	Shing Chu	0	0	0	0
Director	Belinda Chen	0	0	0	0
Director	Johnny Wang	0	0	0	0
Director	Mark Lee	0	0	0	0
Director	Andy Kuo	0	0	0	0
Director	Jullian Wu	0	0	0	0
Director	Tony Wang	0	0	0	0
Director	Vivian Chiang	0	0	0	0
Director	Bruce Yu (Note 7)	0	0	0	0
Director	Hae-Shung Ju	0	0	0	0
Director	Leon Li	0	0	0	0
Director	George Chiu (Note 8)	0	0	0	0
Director	Jennifer Shen (Note 9)	0	0	0	0
Director	James Perng (Note 9)	0	0	0	0
Director	Michelle Peng (Note 9)	0	0	0	0
Director	James Chen	0	0	0	0
Director	D.J. Chen	0	0	0	0
Director	Iris Su	0	0	0	0
Director	Jason Chen	0	0	0	0
Director	Allan Lee	0	0	0	0
Director	Ann Chang	0	0	0	0
Director	Gary Lai	0	0	0	0

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

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

Note 3: Who was promoted on Apr. 1, 2012.

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

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

Note 6: Who was promoted on Mar. 16, 2012.

Note 7: Who was promoted on Mar. 1, 2012.

Note 8: Who was promoted on Apr. 1, 2012.

Note 9: Who weren't executive management from Apr. 2, 2012.

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

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

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

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

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders being the related party as defined in Statement of Financial Accounting Standards No. 6.		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73	0	0.00	0	0.00	An Ho Garment Co., Ltd. Yuan Tung Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Douglas Hsu, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	
Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	58	0.00	731	0.00	0	0.00	None	None	
Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	
NTT DoCoMo Inc.	153,543,573	4.71	0	0.00	0	0.00	None	None	
Chairman: Ryuji Yamada	0	0.00	0	0.00	0	0.00	None	None	
Cathay Life Insurance Co., Ltd.	116,967,000	3.59	0	0.00	0	0.00	None	None	
Chairman: Hong-tu Tsai	0	0.00	0	0.00	0	0.00	None	None	
Yuan Tong Investment Co., Ltd.	100,015,031	3.07	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Kai Yuan International Investment Corp. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	
Taiwan Post Co., Ltd.	87,293,696	2.68	0	0.00	0	0.00	None	None	
Chairman: Oliver, Fang-Lai Yu	0	0.00	0	0.00	0	0.00	None	None	
Kai Yuan International Investment Corp.	87,130,031	2.67	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Chairman: Humphrey Cheng	0	0.00	0	0.00	0	0.00	None	None	
InfoCom Holding Company Pte Ltd.	81,310,309	2.50	0	0.00	0	0.00	None	None	
Director: Lim Chuan Poh	0	0.00	0	0.00	0	0.00	None	None	
Director: Wong Tau Keng Alan	0	0.00	0	0.00	0	0.00	None	None	

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders being the related party as defined in Statement of Financial Accounting Standards No. 6.		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
An Ho Garment Co., Ltd.	75,021,592	2.30	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	
Fubon Life Insurance Co., Ltd.	70,537,000	2.16	0	0.00	0	0.00	None	None	
Chairman: Pen-Yuan Cheng	0	0.00	0	0.00	0	0.00	None	None	
Standard Chartered Bank in custody for Fidelity Fund	69,036,000	2.12	0	0.00	0	0.00	None	None	

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

2012/3/31 Unit: shares; %

Affiliated Company (Note)	Investment of Far EasTone		Directors, Supervisors, Managements Direct and Indirect Investment of Far EasTone		Total Investment	
	Shares	%	Shares	%	Shares	%
ARCOA communication Co., Ltd.	82,009,242	61.07	0	0	82,009,242	61.07
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
E. World (Holding) Ltd.	6,014,622	85.92	0	0	6,014,622	85.92
FarEastern Electronic Toll Collection Company	167,720,406	40.91	33,372,137	8.14	201,092,543	49.05
Ding Ding Integrated Marketing Service Co., Ltd.	1,725,000	15.00	7,475,000	65.00	9,200,000	80.00
Far Easton (Holding) Ltd.	4,486,988	100.00	0	0	4,486,988	100.00
Q-Ware Communications Co., Ltd.	36,459,930	51.00	0	0	36,459,930	51.00
New Centry InfoComm Tech Co., Ltd.	2,599,448,983	100.00	0	0	2,599,448,983	100.00
KGEx.com Co., Ltd.	112,212,404	99.83	0	0	112,212,404	99.83
iScreen Corporation	4,000,000	40.00	0	0	4,000,000	40.00
O music Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00
Far Eastern Electronic Commerce Co., Ltd.	4,202,000	13.98	16,528,000	55.00	20,730,000	68.98

Note : These are the long-term investment of the Company.

1. Capital and Shares

1-1 History of Capitalization

2012/4/15

Year. Month	Par Value (NT\$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares (‘000)	Amount (NT\$‘000)	Shares (‘000)	Amount (NT\$‘000)	Source of Capital	Non-Monetary Capital Expansion	Effective Date & Cert. No.
1997.4	10	900,000	9,000,000	900,000	9,000,000	Cash Founding NT\$9,000,000,000	None	--
1998.12	10	1,400,000	14,000,000	1,070,000	10,700,000	Cash capital call NT\$1,700,000,000	None	(Note 1)
1999.9	10	1,400,000	14,000,000	1,137,000	11,370,000	Cash capital call NT\$670,000	None	(Note 2)
2000.7	10	1,400,000	14,000,000	1,225,743	12,257,430	Capitalization of capital surplus NT\$887,430,000	None	(Note 3)
2000.10	10	1,400,000	14,000,000	1,400,000	14,000,000	Cash capital call NT\$1,742,570,000	None	(Note 4)
2001.7	10	3,360,000	33,600,000	1,890,000	18,900,000	Capitalization of retained earning and capital surplus NT\$4,900,000,000	None	(Note 5)
2002.8	10	3,360,000	33,600,000	2,305,800	23,058,000	Capitalization of retained earning and capital surplus NT\$4,158,000,000	None	(Note 6)
2003.7	10	3,360,000	33,600,000	2,697,786	26,977,860	Capitalization of retained earning and capital surplus NT\$3,919,860,000	None	(Note 7)
2004.5	10	3,360,000	33,600,000	2,698,348	26,983,482	Increasing from ECB conversion of NT\$5,622,000	None	(Note 8)
2004.5	10	3,504,353	35,043,531	3,391,871	33,918,714	Increasing from share swap of NT\$6,935,232,000	None	(Note 9)
2004.9	10	4,200,000	42,000,000	3,731,058	37,310,585	Capitalization of retained earning and capital surplus NT\$3,391,871,000	None	(Note 10)
2004.11	10	4,200,000	42,000,000	3,763,151	37,631,514	Increasing from ECB conversion of NT\$320,929,000	None	(Note 11)
2005.2	10	4,200,000	42,000,000	3,842,311	38,423,114	Increasing from ECB conversion of NT\$791,600,000	None	(Note 12)
2005.4	10	4,200,000	42,000,000	3,872,663	38,726,630	Increasing from ECB conversion of NT\$303,516,000	None	(Note 13)
2007.12	10	4,200,000	42,000,000	4,033,033	40,330,334	Share swap of NT\$1,603,704,000	None	(Note 14)
2008.1	10	4,200,000	42,000,000	3,258,501	32,585,008	Capital reduction of NT\$7,745,326,000	None	(Note 15)

Note 1: 1998.10.22 (87) Taiwan Finance Securities (I) Ruling Ref. No.87084

Note 2: 1999.5.21 (88) Taiwan Finance Securities (I) Ruling Ref. No.47451

Note 3: 2000.5.22 (89) Taiwan Finance Securities (I) Ruling Ref. No.41536

Note 4: 2000.10.11 (89) Taiwan Finance Securities (I) Ruling Ref. No.83771

Note 5: 2001.6.15 (90) Taiwan Finance Securities (I) Ruling Ref. No.138249

Note 6: 2002.7.9 (91) Taiwan Finance Securities (I) Ruling Ref. No.0910137602

Note 7: 2003.6.10 (92) Taiwan Finance Securities (I) Ruling Ref. No.0920125457

Note 8: 2004.5.18 MOEA Ruling Ref. No.09301085420

Note 9: 2004.4.8 (93) Taiwan Finance Securities (I) Ruling Ref. No.0930112339

Note 10: 2004.7.12 (93) Financial Supervisory Commission (I) Ruling Ref. No. 0930130872

Note 11: 2004.11.17 MOEA Ruling Ref. No. 09301207180

Note 12: 2005.3.4 MOEA Ruling Ref. No.09401035600

Note 13: 2005.5.3 MOEA Ruling Ref. No.09401077810

Note 14: 2008.1.14 MOEA Ruling Ref.No.09701002230

Note 15: 2008.1.22 MOEA Ruling Ref.No.09701015390

2012/4/15; Unit:‘000 Shares

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

1-2 Information for Shelf Registration: Not Applicable.

1-3 Shareholder Structure

2012/4/15

Shareholder Structure	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	8	32	170	15,724	711	16,645
Shares	54,516,840	301,417,107	1,593,732,516	72,569,021	1,236,265,326	3,258,500,810
%	1.67	9.25	48.91	2.23	37.94	100

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

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

2012/4/15

Level	Number of shareholders	Shares	%
1 - 999	5,031	1,536,627	0.05
1,000 - 5,000	8,395	17,145,991	0.52
5,001 - 10,000	1,247	9,941,213	0.31
10,001 - 15,000	356	4,453,310	0.14
15,001 - 20,000	262	4,810,405	0.15
20,001 - 30,000	261	6,467,039	0.20
30,001 - 50,000	223	8,953,429	0.27
50,001 - 100,000	211	14,798,266	0.45
100,001 - 200,000	155	21,737,095	0.67
200,001 - 400,000	145	41,225,931	1.27
400,001 - 600,000	63	30,977,145	0.95
600,001 - 800,000	44	31,020,734	0.95
800,001 - 1,000,000	37	33,936,470	1.04
1,000,001 and above	215	3,031,497,155	93.03
Total	16,645	3,258,500,810	100.00

The Company has not yet issued any preferred shares until April 15, 2012.

1-5 Top 10 Major Shareholders

2011/4/15

Major Shareholders	Shares	%
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73
NTT DoCoMo Inc.	153,543,573	4.71
Cathay Life Insurance Co., Ltd.	116,967,000	3.59
Yuang Tung Investment Co., Ltd.	100,015,031	3.07
Taiwan Post Co., Ltd.	87,293,696	2.68
Kai Yuan International Investment Corp.	87,130,031	2.67
Infocom Holding Company Pte Ltd.	81,310,309	2.50
An Ho Garment Co., Ltd.	75,021,592	2.30
Fubon Life Insurance Co., Ltd.	70,537,000	2.16
Standard Chartered Bank in custody for Fidelity Fund	69,036,000	2.12

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

Unit: NTS; shares

Item	Year	2010	2011	2012 (as of March 31)	
Share price (Note 1)	High	45.60	61.10	63.40	
	Low	36.90	41.55	53.00	
	Average	40.71	46.89	57.86	
Net Value per share	Before distribution	21.88	22.09	22.87	
	After distribution	19.38	(Note 2)	(Note 2)	
Earnings per share	Weighted-average outstanding shares	3,258,500,810	3,258,500,810	3,258,500,810	
	Earnings per share	Before adjustment	2.72	2.73	0.74
	After adjustment (Note3)	2.72	2.73	0.74	

Item	Year		2010	2011	2012 (as of March 31)
	Dividend per share	Cash dividend		(Note 7) 2.50	(Note 8) 3.00
Stock dividend		Retained earning	0	0	Not Applicable
		Capital surplus	0	0	Not Applicable
Accumulated un-distributed dividend		0	0	Not Applicable	
Return on Investment	Price/Earning Ratio (Note 4)		14.97	17.18	Not Applicable
	Price/Dividend Ratio (Note 5)		16.28	15.63	Not Applicable
	Cash dividend yield (Note 6)		6.14%	6.40%	Not Applicable

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

Note 2: To be Being resolved by Shareholders' Meeting in the subsequent year.

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

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

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

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

Note 7: The Cash dividend of year 2010 distribution NT\$2.5 per share is based on 3,258,500,810 shares.

Note 8: The Cash dividend of year 2011 has not been approved by the Shareholder's Meeting.

1-7 Dividend Policy

1-7-1. Dividend Policies under Articles of Incorporation

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

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

On April 20, 2012, the Board of Director resolved the proposed 2011 dividend distribution to be approved at 2012 Annual Shareholders' Meeting as following: To distribute cash dividend of NT\$8,045,238,500 from the retained earnings at NT\$2.469 per share and cash of NT\$1,730,263,930 from the capital surplus-additional paid-in capital-share issuance in excess of par value at NT\$0.531 per share, totally cash NT\$3 per share of Year 2011.

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

Not Applicable.

1-9 Bonuses for Employees and Remuneration to Directors and Supervisors

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

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

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

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

- (1) The Board of Director resolved on April 20, 2012, to use the profits from the 2011 financial year to pay bonuses to employees and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the year these expenses are recognized, the treatment of discrepancy are as follows:

Unit: NT\$'000

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

- (2) The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the current after-tax net income and total employee bonuses: It is expected to pay cash, hence not applicable.
- (3) Forecast EPS after distribution of the proposed bonuses to employees, directors and supervisors: The proposed bonuses to employees, directors and supervisors were accrued as expenses in 2011, hence not applicable.

1-9-4 The Board of Director resolved on April 26, 2011 and Shareholders' Meeting on June 9, 2011, to use the profits from the 2010 financial year to pay bonuses to employees and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the year these expenses are recognized, the treatment of discrepancy are as follows:

Unit: NT\$'000

Amount \ Item	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Recognized Estimated Amount (A)	\$159,274	\$79,637	None
Actual Distribution (B)	\$159,274	\$79,637	
Variance (B) - (A)	\$0	\$0	

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

2. Issuance of Corporate Bonds

2-1 Corporate Bonds:

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

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

2-3 Convertible Bond: None.

2-4 Exchangeable Bond: None.

2-5 Shelf Registrations for Issuing Corporate Bonds: None.

2-6 Bond with Warrants: None.

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

3. Preferred Shares

None.

4. Issuance of Depository Receipt

2012/3/31

Item	Date of Issuance	June 11, 2004
Total Price of Issuance		US\$132,190,000
Unit Price of Issuance		US\$13.219
Total number of units issued		10,000,000
Type of underlying securities		Far EastOne common stocks
Amount of underlying securities		15 shares
Rights and obligations of subscribers		Same as common stock holders
Trustee		Not applicable
Depository Bank		The Bank of New York (Luxembourg) S.A.
Custodian Bank		Far Eastern International Bank
Number of outstanding shares		8,738,530 shares
Bearers of Related charges incurred during issuance and holding period		Charges of GDR issuance shall be born by sellers; charges incurred during holding period shall be born by the Company.
Major terms of Depository Agreement and Custodian Agreement		None

Item		Date of Issuance		June 11, 2004	
				Luxembourg Stock Exchange	London Stock Exchange
Place of issuance				Luxembourg Stock Exchange	London Stock Exchange
Market Price per unit	2011	High		US\$29.585	US\$27.500
		Low		US\$21.250	US\$21.390
		Average		US\$23.824	US\$23.651
	2012 (as of March 31, 2011)	High		US\$31.470	US\$29.770
		Low		US\$27.020	US\$26.780
		Average		US\$29.147	US\$28.281

5. Employee Stock Options

None.

6. Share Issued for Merge or Acquisition

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

6-1-1 The evaluation opinion issued by the managing underwriter concerning any merger, acquisition, or issuance of new shares due to the share transfer from other companies in the most recent quarter: Not Applicable.

6-1-2 If the progress or effect of the implementation is not as good as expected, please explain specifically how the situation is likely to affect shareholders' equity, and propose the corrective action: Not Applicable.

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

New Century InfoComm Tech Co., Ltd.: Please refer to "Status of Acquisitions" of page 8 for merger process between NCIC and the Company.

2011/12/31; Unit: Except EPS is NT dollar; others are NTS'000

Company name	New Century InfoComm Tech Co., Ltd.	
Company Address	1-11 Floor, No 218 Ruei Guang Road, Nei Hu, Taipei	
Chairman	Douglas Hsu	
Paid-in Capital	25,994,490	
Major Business Item	Fixed Line Business	
Major Product	Telecommunication products and services	
Recent Year Financial Data	Total Assets	28,923,414
	Total Liabilities	3,132,960
	Total Shareholders' Equity	25,790,454
	Operating Revenue	10,776,919
	Gross Profit (Loss)	1,908,393
	Operating Income (Loss)	265,264
	Net Loss	(732)
EPS (After Tax)	(0.0003)	

6-3 Impact from Shares Issued for Merge or Acquisition Approved by the Board Meeting in the recent years until the Annual Report being Published: None.

7. Fund Utilization Plans and Status

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

1. Business Activities

1-1 Business Scope

1-1-1 Major Business Items:

- G901011 Type I Telecommunications Enterprise;
- G902011 Type II Telecommunications Enterprise;
- F213060 Retail Sale of Telecom Instruments;
- F113070 Wholesale of Telecom Instruments;
- JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops;
- E701030 Restrained Telecom Radio Frequency Equipments and Materials Construction;
- F401010 International Trade;
- F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products;
- CC01070 Telecommunication Equipment and Apparatus Manufacturing;
- I301020 Data Processing Services;
- IZ11010 Overdue receivables management service business;
- F201070 Retail sale of Flowers;
- F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles;
- F213030 Retail sale of Computing and Business Machinery Equipment;
- F218010 Retail Sale of Computer Software;
- IZ12010 Manpower Services;
- JZ99050 Agency Services;
- I301030 Digital Information Supply Services;
- I401010 General Advertising Services;
- IZ99990 Other Industry and Commerce Services Not Elsewhere Classified;
- JE01010 Rental and Leasing Business;
- I199990 Other Consultancy;
- IE 01010 Telecommunications Number Agencies;
- JA02990 Other Repair Shops;
- F401021 Restrained Telecom Radio Frequency Equipments and Materials Import;
- F301010 Department store Industry;
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

1-1-2 Operating Revenue Breakdowns

Unit: NTS'000

Item	Year	2010		2011	
		Amount	%	Amount	%
Telecommunication Service Revenue		52,372,563	90	54,204,144	87
Sales of Cellular Phones and Accessories		5,365,491	9	7,477,192	12
Others		439,289	1	727,623	1
Total		58,177,343	100	62,408,959	100

1-1-3 Existing Products and Services

A. Mobile Service Communications Revenue:

(1) Type I Telecommunication Services: Provide mobile phone, 2G or 3G voice and data communication services and value-added services, and the voice services are categorized as postpaid and prepaid services according to the payment methods; value-added services includes FET eBook town, S Mart, FET Video Store, FET Mobile TV and so forth. Besides, telecommunication lease circuit revenue mainly relates to domestic circuit lease line services. The WiMAX service was launched at the end of 2009. For enterprise customers, the Company provides MVPN service and adds the Ethernet VPN service (ELAN) at the end of 2011.

(2) Type II Telecommunication Services: Non-E.164 internet phone, wholesale resale, simple voice resale (ISR), intranet communication services and internet access services.

B. Internet Access Services Revenue:

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

C. Fixed Line Communications Revenue:

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

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

1-1-4 New Products and Services under Development

Several major trends have emerged in recent years in the telecommunication sector: a significant number of subscribers have switched from feature phones to smart phones with more open platforms. In addition to mobile phones, more diversified mobile devices, such as netbooks, tablet PCs, connected TVs and so forth have been introduced to the market to serve consumers with real-time internet access. Due to the innovative breakthroughs and improvements in user interface on mobile phones and tablet PCs (i.e. touch screen, motion detection, gravitational acceleration detection, gyrosopic detection and so forth), the user base has also expanded from the very limited pool of high-end users to the general consumers. Consequently, the demand for multimedia content and wireless broadband access has grown substantially. Not only that, the digitization of content and internet-based services has also grown rapidly. Following the footsteps of online shopping malls, online music, online video streaming and online games, the publishing industry has also made its foray into digitization. As a result, most entertainment, information and transactional needs that consumers had have gradually moved towards full digitization to become available on the internet. Finally, the integration, boundary-crossing and triple play of telecommunication service, TV service and internet access service have also shown signs of increasing demand. These developments have presented new challenges as well as new opportunities to traditional telecommunication service providers. FET has always been a leader in the sector for its creativity and speed of innovation, FET has responded to the aforementioned opportunities with its products and services in order to fulfill customer needs so as to create value, generate revenue and bring profit to the stakeholders. The following is an overview of FET's services and product development in the future:

- **Aggregation of smart device application & management of app store:** Ever since FET launched its S Mart services in October 2009, it was met with very positive responses and has won over more than 50% of the users from other telecom service providers to adopt the platform and take advantage of its services. FET shall continue to work hard to improve the S Mart through the implementation of various reward schemes and the cultivation of application software developers so as to further improve the quality of applications featured on S Mart. On the other hand, FET will also extend its services to China and other Asian nations to introduce a rich and diversified array of applications from Taiwan to their markets. Not only that, FET will also capitalize the opportunities of these applications to develop a number of multimedia software to better serve customers and create more revenue.
- **Expansion of eBook Town operation:** In July 2010, FET launched the FET eBook Town services, which features a platform with multi-device and multi-screen cloud capability to consolidate its leading status in the domestic sector. For 2011, FET shall continue to work on expanding service compatibility with more devices to provide support for various tablet PCs on Android OS and different system versions while striving to improve the fluidity of the user interface. FET's marketing team will also focus on enriching the content of eBook available on the eBook Town. In 2012, FET will also engage in strategic partnership with large publishing houses to provide eBook and paper copy available at the eBook town to meet user's needs via one-stop shopping.
- **Digital music services:** In September 2010, FET invited 9 major label companies in Taiwan to take part in the joint venture of Omusic; a company that will focus specifically on the promotion of digital music adoption and development of digital music business models. The first phase of services from Omusic have been made available in February 2011 with primary emphases on the delivery of comprehensive and hi-fidelity digital music through paid download or streaming. The operation of Omusic will be incorporated with social networking communities to further boost the sales of digital music.
- **Online video services:** FET targets to launch "Online Cinema" service in Q2, 2011 to foray into the development of online video services with products from the movie rental market. In addition to the continuation of "multi-screen cloud" strategy that is already implemented for FET e-Bookstore and Omusic services to support different devices, FET's online video services would also be made available on both webpage and app formats in order to reach out to the maximum number of users possible. Presenting the model of "Online video rental and viewing" to serve subscribers, FET will be working with the major domestic film publishers to better serve consumers with diversified content in higher quality.
- **Cultivation of online multimedia user communities and establishment of "user cloud" :** With the prevailing of social networks, social networking has been the trend for all people and become an important force on the internet. With a number of multimedia channels available online at its disposal, FET shall offer features such as recommendation, rating and sharing of content for subscribers among their friends and families; meanwhile, the more friendly interface of social networks will be offered to users for easier and timely access through integration with major social networking platforms such as Facebook. Such community interactions would not only help to accomplish the goal of viral marketing by creating more utilization volume but also increase subscriber usage and revisiting rate. With the establishment of communities, concepts such as "user cloud" (which allows subscribers to store content they have purchased and manage records of usage) have also become more apparent. One of FET's

future operational goals includes the establishment of a user cloud that is connected to various terminal devices in order to serve customers regardless of time, place or device they use.

- “Multi-screen cloud” service structure and corresponding portal website: The Company’s existing FETnet has now grown to become an important portal of service with the addition of multimedia services made available online. Not only that, FETnet has always remained in the top two places in terms of visitor number among domestic telecommunication service providers. FET plans to further improve the website’s user interface by offering an optimized user experience to visitors browsing on different screen sizes in addition to providing precise recommendations on services that visitors on different devices may need.
- Location-related services such as navigation, information on sights of interest, location based social network application, fixed-point messaging services and so forth: With devices such as mobile phones and tablet PCs as a vehicle, FET will be offering derivative services or advertisements based on various location information.
- Mobile commerce: Following the maturation of NFC technologies for smart phones, the long-anticipated terminal devices are now ready for action. In 2011, FET will develop a variety of services such as mobile payment, special discounts, membership cards and so forth with NFC compatible mobile phones with applications for download.
- Continue to expand the coverage of 3.5G high speed, wireless internet access services: In addition to enlarging the area of service coverage, FET will also provide more diversified marketing combinations to accommodate the needs of subscribers on different devices. At the same time, in addition to utilizing 3.5G technologies, FET will also be aggressively establishing WiFi hotspots in regions of heavy use to create an intricate parallel network to meet consumers’ needs by achieving the operational objectives of traffic streaming and cost control.

1-2 Industry Overviews

1-2-1 Industry status and development

For general consumer, deregulation and loosened government controls, telecommunications industry business environment is also moving towards liberalization and greater competition. Total mobile users (including PHS) have reached 28,860 thousand subscribers by the end of 2011; over 124% market penetration. The services, promotions and handset programs among operators caused customers apply more than one number.

With the rise of emerging fiber access to internet, FTTx shall replace ADSL as the mainstream to the next generation. Value added services to FTTx shall be key focus to ISPs per its 20M high speed download availability higher and more stable than ADSL. With the growing popularity of mobile devices such as smart phones and tablet PCs, demands for wireless internet access from consumers have also risen correspondingly. In addition to the 3.5G HSPA services that competitors are currently offering, FET is planning to deliver 3.75G HSPA+ and LTE services for improved speed and bandwidth to better accommodate subscribers’ mobile internet access needs. However, FET also launched broadband over WiMAX in Taichung in 2009, which shall bring new opportunities to Taiwan broadband market.

With regards to corporate mobile communication, although the global economy has recovered slightly in 2010 from the 2009 financial crisis that swept the world, the future of the global economy may yet be headed for another downturn with the European sovereign-debt crisis looming for the past year. Consequently, corporations have become more prudent and cautious with their investments, resorting to shaving off subsidies for employees’ mobile communication expenses. This makes the management of corporate mobile communication market more challenging than ever. Fortunately, the sales of smart mobile devices (mobile phone, tablet PC and etc.) boomed for the past two years with applications becoming more and more prevalent. IDC forecasts predicted that the population of mobile workers utilizing smart mobile devices around the world would hit 1.3 billion by 2015, translating to approximately 37.2% of the world’s employment population. And as such, many corporations are now actively involved in the development of mobile applications that would enhance productivity for their employees. Evidently, the needs of corporate clients are no longer restricted to simple discounts on mobile communication subscription; the development of fixed mobile convergence (FMC) and value-added mobile solution will be more important than ever.

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

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

- A. Non-voice services – source of revenue growth

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

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

As 3G service rolled out by all operators, total 3G subscribers has reached 20,860 thousand by the end of December 2011. Market penetration has also grown from 6.5% during January 2006 to the current 72.3%.

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

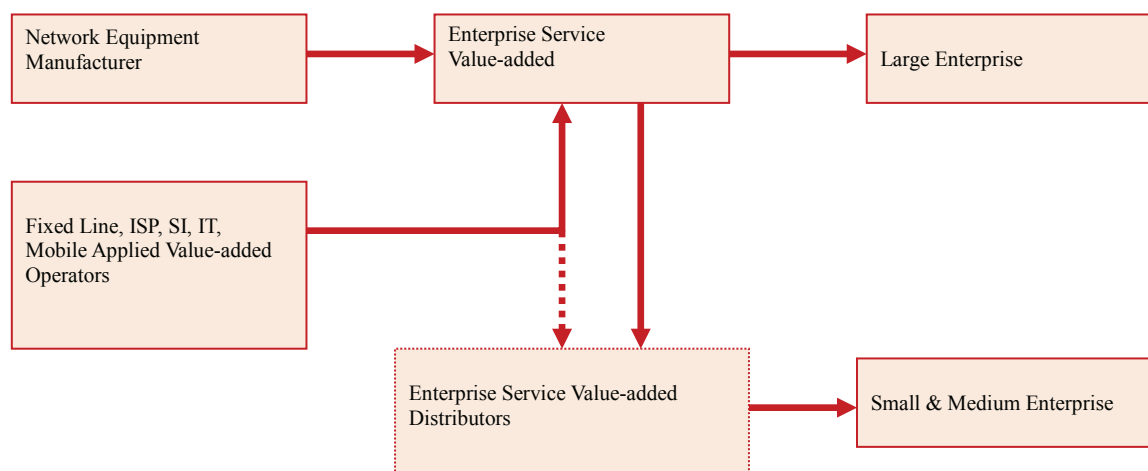
1-2-2 Industry Value Chain:

For personal mobile service communications aspects



(Including agents, distributors, retail stores of operators)

For corporate mobile service communications aspects



1-2-3 Development Trends of Products and Services

A. 3G now widespread and increasing demand for mobile internet access now in development

The prevalence of 3G base stations and the increase in the number of high-speed downlink/uplink packet access (HSDPA/HSUPA) stations have significantly accelerated the speed of internet access for mobile phone users. This has, in turn, led to the rapid growth in smart phone penetration. The number of smart phone subscribers in the last year exceeded several million, with more than 50% of them utilizing relevant data services. The percentage of subscribers adopting data services is expected to rise as smart phones become more prevalent. FET shall continue to strengthen the development of relevant value-added services so that users could enjoy more easy-to-use and convenient services (i.e. commonly used services designed from the perspective of clients) in addition to internet access.

While more developed industry on Wireless broadband access systems (4G/LTE), the future development on LTE are still concerned by the global telecommunication companies. Comparison of the 1st, 2nd, 3rd and 4th generation mobile phone service is as follows:

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

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

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

As the hot selling of iPad, iPhone, smart phone and tablet, it suggests that apart from the fundamental functions for communication, consumers' preference for continuous on-line communication applications that are more oriented toward uses for everyday life and convenient methods of contact to allow users to keep in touch with others at all times have prompted service operators to strengthen the development in this area. However, the operator must tend to advance for providing the varied equipments, rich and plentiful internet services and service platform. Such changes have in turn influenced the integration of network connection, device and application services. And as such, the domains of the telecommunication sector are going through constant reconfiguration to offer more diversified solutions.

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

The development of network and mobile services for consumer electronics has stimulated the invention of more communication services and applications, bringing more developmental impact for the telecommunication sector. With notebook PCs featuring built-in mobile broadband modules, we have witnessed the emergence of communication applications for entry-level PCs, next-generation navigation devices, gaming devices and even camera products. One can expect the telecommunication sector to benefit from improved fundamental support with improved subscriber equipment in the near future.

Judging from the fact that Apple has seen 15 billion App downloads from the Apple Store, with the number of Apps exceeding 425,000 (with over 100,000 Apps specifically designed for iPad) and more than US\$ 2.5 billion of licensing fees paid to developers, the revenues and growth from application services will undoubtedly rise as smart phones and tablet PCs become more prevalent. Consequently, telecommunication service providers will have to provide faster wireless networks and better coverage to accommodate the needs of new subscribers. It is reasonable to expect the telecommunication sector to benefit from the support of diverse subscriber equipments, multiple wireless networks and more application services available in the near future.

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

D. Integration of broadband media, telecommunication and technological platform

The trends of development for modern digital life technology have revolved around technologies of broadband, wireless and mobilization in order to achieve deep penetration into families and corporations. Current trends of development for mobile phone services primarily focus on catering to the diversified functions of smart phones. Following the launch of evolving smart phones such as iPhone 4 and other mobile phones running on Android 2.2 OS and tablet PCs such as the iPad, Samsung Galaxy, ViewSonic ViewPad and so forth, sales of smart mobile devices have risen significantly. Looking towards the future, one can reasonably expect the market of smart mobile devices and services to demonstrate significant growth. In addition to "FET eBook Town", which serves as a channel for subscribers to purchase and other various books and publications, FET will also launch other online multimedia services such as Omusic, Online Cinema and so forth to further cater to the needs of smart mobile device subscribers.

1-2-4 Product Competitions

As operators' investment in network infrastructure and hardware is usually enormous, all operators try to expand

customer base to reach economic scale. Three national operators, FET, CHT and TCC, basically share the market. The similarity of the services provided by the operators is high. Various rate plans, mostly charged by second, were designed to attract different user segments. Two payment methods prepaid and postpaid, are offered for customers' choice. Currently tariff competition has stabilized. Value-added services are mobile messaging services (mobile multimedia messaging service), mobile network services (subscribers information and smartphone App and Multimedia content download) and mobile transaction services (mobile banking, mobile payment) As the service contents provided by different operators are very similar, in order to increase ARPU, advertisements and promotions are mostly designed to enhance customer loyalty and establish clear market position.

In terms of innovative corporate service development, FET has started with mobile business application in 2010 and proceeded to develop innovative cloud IOT services along with iaaS (infrastructure as a Service) solutions such as "Computing as a Service" and "Storage as a Service". In addition, FET has also collaborated with various vertically integrated industries to launch industrial cloud IOT services, including medical cloud, transportation cloud, management cloud and so forth to create opportunities and product differentiation so as to stay ahead of the competition. In 2010, the RPS from FET's corporate mobile business MVPN subscribers grew by 39% and FET has managed to maintain over 20% in 2011.

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

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

1-3 Technology Development Overviews

Major R&D Expense in Recent Years

2012/3/31; Unit: NTS'000

Item	Year	2011	2012 Q1
R&D Expense		53,731	10,001
Total Operating Revenue		62,408,959	17,658,700
R&D Expense as percentage of Total Operating Revenue (%)		0.09	0.06

Products and Services Developed in the Recent Years

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

Year	Name of value-added service	Content of value-added service
2011	3.5G broadband wireless internet access services and equipment	In continuation with the 3.5G wireless network cards and mobile internet device with built-in 3.5G wireless network card that FET launched in 2011, the company is looking to establish more high speed base stations (7.2/21/42M bps, 2 nd /3 rd carrier) in 2012 to work with various smart phones, tablet PCs, notebook PCs and so forth so that subscribers could enjoy faster wireless internet access anytime, anywhere.
	FET VOD service	FET VOD service is the online multimedia platform that FET has constructed to provide online streaming services such as video on demand (VOD) and movie channel streaming. Subscribers can access the service via multimedia devices (i.e. PC, smart phone, tablet and etc) to enjoy the contents they have purchased for unlimited number of times before the expiry date and experience online multimedia entertainment. This service was launched in May 2011.
	S Mart	S Mart is the App download and transaction platform that FET has constructed for App developers to upload/distribute contents they have created. Smart phone users can download a variety of Apps via the service platform. The platform is integrated with FET's existing systems to achieve comprehensive schemes for customer validation payment and payment allocation for App developers. In addition, FET has launched the S Club concept scheme so as to provide a virtual shop for App development partners as a way to incorporate the most popular and creative Apps available.
	OMusic online music playback /full MP3 download service	OMusic offers diverse features such as online music playback, full MP3 download, original ringtone downloads, ring back tone, dynamic lyric presentation and so forth for consumers. In addition to accessing the service via home ADSL/optical network, consumers can also enjoy the service through wireless internet access using mobile multimedia devices such as smart phones and tablet PCs.

Year	Name of value-added service	Content of value-added service
	FET eBook Town upgrade	Publishing Tool (an editing platform) for ePUB was launched in July 2011. The service was designed to allow publishers to convert their existing library of publications into eBooks, thereby enriching the contents of FET's eBook Town. In light of the prevalence of smart phones across Taiwan, the website of FET eBook Town went through a major overhaul in October 2011 so as to deliver contents specifically for smart phone subscribers in an effort to improve readability for handheld device users.
	Cloud Drive	FET's Cloud Drive is the next-generation solution for comprehensive personal data storage. With this service, subscribers will be able to access their personal data through PC, mobile phone or other mobile devices via online log-in. It is a one-stop solution for subscribers to enjoy multiple functionalities including net drive, web photo album, personal webpage and so forth.
	Bella Magazine App	As the fruit of collaboration between FET and Cite Media Group, the <i>Bella Magazine App</i> is the first interactive Chinese fashion magazine for female readers. The App delivers the latest information on fashion, cosmetics, movies, arts, travel and etc. through dynamic presentation in a format that most readers are accustomed to. The first <i>Bella Magazine App</i> was published in April 2011, followed by a 27th anniversary special edition in August 2011.
	PGC multiline service	As a monthly subscription service, the PGC multiline service is designed to allow Filipino users in Taiwan to receive messages from their friends and families in Philippines, anytime, anywhere without having to worry about hefty roaming fees. The introduction of this service not only provides more opportunities for interaction for the target subscribers and their families/friends overseas but also serves as a means for FET to strengthen Filipino subscribers' recognition of its brand name. The service was officially completed and launched in December 2011.
	RBT 2011 enhancement	The enhancement features the incorporation of social networking functions in RBT system to allow subscribers to share music and find out the latest hits in pop music through their social networks.

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

1-4-1 Short-term plans

A. Marketing Strategy

- Various reasonable tariffs are consistently provided to meet all customer needs against competition. Special promotion plans are offered from time to time in aim of market share expansion and high-value customer gain.
- Dedicate on developing and promoting new products and data services; keep up with current efforts in developing new distribution channels, service locations and delivery methods to consolidate the Company's status in the market.
- Strive to establish brands and business that are trustworthy to the customers; the Company has completed CRM (Customer Relation Management) and host various customer appreciation events regularly to maintain customer loyalty.
- Besides expand 3.5G/3.75G coverage and optimize network aggressively, the Company will negotiate with other WiMAX operators for signing roaming agreement to provide good quality service.
- In light of the growing popularity of smart phones and tablet PCs, FET will collaborate with its partners in the development of various mobile applications to provide comprehensive services to corporate clients.
- Given the latest developments driven by the signing of ECFA, FET shall strive towards the goal of achieving cross-strait FMC with its foundation on "uni-code" FMC(Fixed Mobile Convergence).
- Focus on the trend of the enterprise ICT(Information Communication Technology) integrated service to enter the enterprise communication market with ICT project integration ability.

B. Direction for Product Development

- Continuously improve network quality to reduce congestion and drop call rate and offer high quality voice service and high speed data service.
- Continue to promote integrated multimedia services which includes "digital music streaming", "mobile multiple on-line game", "smartphone security service" to offer customers a wider range of service choices and make mobile phone become a more personalized communication tool. In terms of network based operation services, FET shall continue to strengthen the contents of services such as MMS, SMS, ring back tone and so forth in conjunction with diversified marketing combinations to expand subscriber base and enhance subscriber experience.
- With regards to internet-based multimedia services:
 - FET's S Mart app store will meet user's needs by increasing app in quality and quantity, enhancing user's experience and enlarging user segments based on core theme of Practical & Fun. In the meantime, diversified commercial model shall be planned for more consumption. China and Asia shall be S Mart external markets.
 - FET eBook town services adopt the various consumption models and popular books and magazines to

attract the users. FET eBook town also tries to proceed the virtual-physical integration and extract the availability of eBook and paper copy to provide the best consumption and reading for users.

- As for music content, FET continues to launch the integrated access for the music streaming services of multiple screens to expand the market with extensive Chinese pop-song content, high quality music, latest information on music and innovative payment models.
- With regards to video content, FET continues updating the content and user interface of FET Video Store to provide “multi-screen cloud” movie streaming services through devices such as tablet PC, desktop/notebook PC and mobile phone displays.
- As for games, FET will continue the introduction of domestic and international popular products and multi-player on-line game over mobile, plus new play method and content to increase the gamers through networking game social group.
- Finally, for the aforementioned online multimedia content and distribution channels, optimized cash flow system, comprehensive multi-screen cloud and portal website, FET will also establish and maintain storage space for subscribers in the cloud and incorporate social networking functionalities to deliver the satisfaction of one-stop shopping for subscribers in the hopes of enhancing user stickiness through peer interaction and cloud storage content.

- d. FET shall continue to develop innovative mobile multimedia services to provide media that are “real time, precise and local” to advertisers and differentiate from other traditional media. Development for information oriented media would focus on “Real Time Location Based Message Push” to establish FET’s presence in the domain of mobile multimedia. At the same time, FET will also keep developing new formats of media advertising (i.e. mobile web, in-apps, outdoor digital signage and so forth) to consolidate its lead in digital media.
- e. Expand value-added broadband services to provide digital home applications such as “070 budget calls” and “multimedia VoIP”. These data services will hopefully create new business opportunities outside of voice services.
- f. Continue to develop integrated enterprise application services to provide businesses with flexible voice and data integration solutions and enhance enterprise fixed line, mobile internet voice and data integration solutions.
- g. Control the trend of cloud service development and explore the application of the cloud and the internet of things of each industry; meanwhile, continue to develop the enterprise ICT integrated application service to create the service difference and meet the enterprise’s needs.

C. Operational Scale

- a. Strengthen 3G mobile communication services to provide customers with faster and higher quality voice and data services.
- b. Tailor promotional plans and marketing strategies to each customer segment and expand the Company’s market share.
- c. Continue to release rates and value-added services that meet the needs of customers in order to gain high-value as well as loyal customer base.
- d. Actively work to develop new sales channels and more extensive distribution networks in order to establish the Company’s market presence.
- e. Continue to develop and market products for enterprise customers. Also develop the advertising business and provide integrated value-added services.
- f. From 2006, receive SGS service certification for six straight years and become the first Asian telecommunications company to achieve this certification in an effort to provide customers with more speedy, comprehensive and high quality sales and after-sales service.
- g. In addition to the expansion of 3G and 3.5G service coverage area across Taiwan, FET will also be working towards increasing the speed of data transmission to accommodate the trend of online multimedia consumption initiated by the popularity of smart phones and tablet PCs. In addition, FET will also be aggressively establishing WiFi hotspots in regions of heavy use to create an intricate parallel network structure with both WiFi and 3.5G to satisfy consumers’ needs by achieving the operational objectives of traffic streaming and cost control.
- h. Besides the exiting ISO27001 certified from BSI, FET also obtained the certification of ISO 27011 at the ending of 2011 in order to continually provide the service of the higher quality and secure internet data center.

1-4-2 Long-term plans

A. Marketing Strategy

- a. With various loyalty programs and activities targeting different market segments evaluation, the Company expects to create high loyalty customers.
- b. The Company continuously launch new product and educate customers on new technology development to increase the economic value of its product and provide customers with a diversified sales channel, comprehensive services and extensive channel coverage.

- c. Continuously provide innovative and integrated home services, establish the Company's leadership in Home market through proper market education and communication.
 - d. With regards to corporate clients' needs for integrated telecom and application services, FET is working to provide ICT (Information Communication Technology) Total Solutions based on FMC, cross-strait operations, mobile application, clouds and information security as five central strategic advantages for corporate clients to boost their competitiveness in the new era.
- B. Direction for Product Development
- a. Keep up with the trend of world's technologies and product development, the Company is dedicated to network quality and developing innovative services and products according customer needs.
 - b. FET shall pursue a dual-tracked strategy that emphasizes telecommunication network-based value-added services and internet-based multimedia services and continue to expand compatibility of multimedia services to more devices (i.e. mobile phones, tablet PCs, desktop/notebook PC, connected TVs and so forth) and more end-user markets (outputting quality multimedia content from Taiwan to the rest of Asia).
 - c. FET shall carefully assess and formulate strategies for social network services, consumer cloud and IP integrated telecommunication services to capitalize the opportunities of disruptive innovation so as to deliver services of the best quality and most advantageous to consumers to ensure long-term customer retention.
 - d. FET shall capitalize the opportunities from the rapid growth of e-commerce and business to develop more payment functionalities with through the development of NFC mobile phones for physical distribution channels, paired with the optimization of cash flow service platform for online distribution channels to deliver optimized convenience and versatility to consumers. In addition, FET will also continue to improve the process of user interaction on various interfaces of multi-screen cloud and user experience to take full advantage of opportunities from digital merchandize distribution channels.
- C. Operation scale
- a. With the boundaries between fixed network, mobile network, internet and digital media gradually blurring, the Company shall merge services of fixed network, mobile phone and internet access through the formation of strategic alliances and integration of internal resources to stay abreast with the trend of digital convergence.
 - b. The Company shall also strengthen its human resources by enlarging its reserves of talent in the field of telecommunication to facilitate the expansion of operations.
 - c. Draw on the telecommunications group's internal resources to continue increasing the share of the home market.

2. Markets and Sales Overview

2-1 Market Analysis

2-1-1 Main Products and Service Areas

FET continues to expand retail stores located among metropolitan areas in 2011. Featured with "Innovation, Trendy, Technology", a number of retail stores will be developed with the fifth generation of store type to enrich customer's experience on mobile device, wireless broadband, and value-added services.

Along with a prosperous advance on smart mobile device and digital life, FET distribution channels keep renovating the store environment from interior design to external display; on the basis of consumer's purchase route, a 360 degree of overall store service is provided to beyond consumers' expectations.

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

Currently, the total number of FET stores including retail, franchise, and ARCOA is close to 770. FET, with 661 million of cumulative subscribers by the end of Dec, 2011, will scheme for a broader choice of mobile internet, content service and bundled offerings dedicated to customers' needs.

2-1-2 Market Share

Telecommunications companies are all running advertising campaigns, mobile phone subsidies and flexible rate plans to attract the consumer's attention. With the launching of 3G mobile phone services, new operators entering the market and increasing market saturation. Market shares by the end of 2011 are CHT at 35%, TWM and FET both at 23%, APTG Telecom and VIBO totally at 16% and PHS at 3%. In the future, changes in market share will be determined by offering customers the good network and communication quality, the varied rate plans and content service and application, and the collocation of various smart phones, tablet PCs and so forth. The service revenues for the top three operators are generally stable. While the service revenue of CHT still remains leading to reach 33.5%, FET at 26.6% and TWM at 26%, however, APTG Telecom and VIBO totally at 13.4% by the end of 2011. As for the

home broadband market (including ADSL, fiber-optic and Cable Modem), CHT(Hinet) accounts for around 68% of market share while Far Eastern Group accounts for around 5% by the end of 2011. If Cable Modem excluded, the broadband market share of CHT(Hinet) is around 83% while Far Eastern Group is around 6% by the end of 2011. (Source: The subscribers and telecommunications service revenues were statistics from NCC as well as the announcement of each company by the end of 2011. Because other operators did not announce their operating information, the market share ratios were estimated.)

2-1-3 Future Market Demands and Potential

As the market is coming to a mature stage, operators usually place the focus on value-added services and heavy users. Take leading international mobile operator Vodafone for example; while the market growth is slowing down, it decided to shift its focus from general consumers to enterprise customers. The Company is also striving to develop enterprise ICT convergent services, cloud application and the application for internet of things with the enterprise application service suppliers of each industry. As wireless telecommunication service is developed from pure voice service toward wireless data and 3G, a 3G/WLAN dual-mode network is another feasible direction.

2-1-4 Competitive Advantages

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

A. Customer Satisfaction

FET remains steadfast in delivery services of the highest quality to promote the spirits for high-standard customer services. Integrating the various mobile communication products and broadband digital services; meanwhile, strengthening FET's customer services by helping to solve whatever problems that subscribers may have with just one phone call which provide the customers with the diversified service channels to acquire the real-time service information anytime and anywhere. In addition, in light of the recent popularity of smart phones and mobile internet access services, FET has also set up professional data team at its customer service centers to assist subscribers real time solving operating difficulties, thus making FET's digital value-added services a benchmark for the industry to follow.

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

Apart from committing to the development of new products, FET has always spared no efforts in the improvement of its service quality. It is such insistence that allowed FET to deliver services beyond customers' expectations to touch their hearts. Everyone at FET is guided by the service principle of empathy to develop exquisite services of unparalleled quality. The retail stores and telephone customer service center of the Company introduce the SGS service certification for six straight years from 2006 and were awarded ISO for each international certified standard in order to provide the excellent A+ customer service.

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

C. Communication quality

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

With the condition of current growing portable internet, there are three key factors that determine the quality of communication: signal coverage, system capacity and access speed. On the other hand, these factors are susceptible to the influence of base stations, data transfer, core network and optimization. FET's network strategy for 2011 will focus on the improvement of communication quality. These include:

1. Continue to expand the coverage rate, capacity and access speed for existing 3G base stations:

- (1) FET will hasten to construct new 3G base stations for enhancing the signal coverage in rural area and indoor, and the volume and access speed in municipalities.
- (2) FET will continue to expand its IP base stations and second, third carrier frequency to enhance its digital service volume and speed.
- (3) FET will also continue to expand the quantity of base stations for high-speed to surf the internet (HSDPA, HSUPA) in order to meet the user's needs for smart phone and tablet.

2. Strengthen IP backbone and the volume and reliability of internet border device to satisfy the million mobile internet users.
3. Continue to expand the coverage and volume of Ethernet to decrease the cost of unit bandwidth.
4. Expand the capacity of core networks in conjunction with the number of existing base stations and capacity to achieve increase in overall capacity.
5. Continue to expand IP network infrastructure and bandwidth to accommodate the demand for 3G/3.5G mobile digital services.

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

D. Marketing channel

Currently, the total number of FET stores including retail, franchise, and ARCOA is close to 770. To develop leadership innovation, FET promoted major 4 special services featuring "100% Satisfaction and Commitment". In 2011, FET applied the clouding system of service-quality enhancement, a remote media tool with immediate observation on the live service between sales representatives and customers, and records the service status for further enhancement. Meanwhile, by setting phone line for store services, FET branded stores can directly contact with local supervisors to promptly solve customers' complaints. Over 3,000 sales representatives among FET retail and franchise stores, FET monthly provide 2.5 million of service amount with the overall 12% increase of service satisfaction and create more convenient and abundant mobile life to meet customers, shareholders, and employees' needs based on the "FET Connects and Enriches Life" of corporate vision.

E. Seizing the Trend

Telecommunication service is developed toward 'convergence'. In early 1999, the Company launched mobile service converged with internet access. In 2002, the Company continues to offer wireless internet service over GPRS network, MMS and Fleet Management System. In 2005, it headed high-speed transmission data service, new products and new add-value services over 3G. In 2007, it headed FMC corporate mobile fixed line integrated service combined with 3G and fixed line services. The Company launched WiMAX commercial operation at the end of 2009. In 2010, the Company offered HSPA plus high-speed mobile internet service and increased the value-added service of enterprise MVPN-MVPN meeting. In 2011, the Company released the self-built WiFi internet service, Fleet Management platform, cloud computing service, cloud mobile website establishment service and so on, besides more cloud and the internet of things services are developing actively. In the future, the Company will be positive to acquire 4G license and expected to offer more diversified, complete and attractive services to customers, moreover, provide the consumers with more plentiful mobile life.

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

A. Advantages

- (1) Dual-band system offers superior communication quality

With GSM900 and GSM1800 licenses, the Company offers superior quality by the frequencies complementation in penetration capability and transmission reach, automatic frequency switch during a call and can maximize the capacity in the limited bandwidth of the two frequencies to reduce congestion. In addition, the Company has also received the license to provide WiMAX services in the southern region in 2007. We hope to offer consumers larger bandwidth and faster transfer speed to improve overall cost effectiveness.
- (2) Professional Management Team and Outstanding Corporate Image

The Company's management team has extensive professional experiences and backgrounds. Therefore, with the combination of superior technology and professionalism the Company has been able to maintain outstanding corporate image and leading position in the market.
- (3) Increased Added Value Due to Technology Advancement

The maturing new generation high-speed data transmission system and wireless communication technology (ex. Bluetooth), the prevalence and application of smart phone, combined with Internet related services, will benefit operators in providing wireless broadband network and other value added services. Mobile phones will not only be devices or voice communication tool, they can also be the integrated media for information transmissions and software application of the various creative tools for life to promote their value added.
- (4) Synergies from the integration of Far Eastern Group Resources

Provide customers with telecommunications services that integrate over 40 products such as voice, data, broadband and multimedia in order to encourage the integration of mobile and fixed networks. Also provide a wide variety of value-added services to stimulate competition on existing market plans and service quality. This

will hopefully inject new blood into the increasingly saturated Taiwanese telecommunications market and contribute to the development of the overall economy in a positive way.

Bella App launched in Oct, 2011 with successful via cooperation among ELLE magazine, SOGO department store, Far Eastern department store, GOHAPPY website, Happy Go points and Far Eastern International Bank to serve users on-line shopping with hot-selling as well as exclusive products. This product with high group synergy effect will continue in 2012. The Company will propose to fully consolidate the physical department store channels and sale plans of GOHAPPY for all selling channels to real-time update their sales products and promotions through app, moreover, provide the updated and preferential product information for facilitating customers to order by demand at any moment.

B. Disadvantages

(1) After the implementation of Mobile Number Portability, competition on SIM card sales intensifies

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

(2) Time required for WiMAX expansion and application services

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

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

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

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

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

C. Proposed strategies:

- a. Increase the number of base station sites to improve communication quality.
- b. Integrate application service sales with the enterprise ICT and create the service difference and customer value; meanwhile, consolidate the cloud developmental trend and cooperate with the industries to develop the cloud and the internet of things services fitted the industries to apply in order to explore new revenue and upgrade the value for customers.
- c. Consolidate mobile communication with the internet and build communication with internet multimedia integrated services to provide integrated mobile internet services.
- d. Offer a variety of favorable rate plans to customer.
- e. Create differential products and services in order to avoid Red Sea strategy that leads to a price war.
- f. More precise to segment customers' needs, develop diversified internet application service aimed to the needs of the target customer groups for promoting service revenue of the whole market.
- g. To continue to upgrade 3G and 3.5G coverage islandwide and improve transmission speed in order to accommodate internet multimedia consumption trend brought by smartphone devices and tablets. Additionally, more WiFi hotspots will be expanded to provide excellent user experience in highly densely populated and high usage areas. Thus, the data traffic can be diverted through WiFi and 3.5G network in order to control usage flow and lower costs.

2-2 Main Features and Production Process of Major Products

2-2-1 Main Features of Major Services

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

2-2-2 Manufacture Process:

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

2-3 Supply of Raw Material

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

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

2-4-1 Major Suppliers

2012/3/31; Unit: NTS'000, %

Year Item	2010				2011				Mar. 31, 2012			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	Chunghwa Telecom	3,734,305	11.54	None	ARCOA	3,294,687	9.46	Subsidiary	ARCOA	2,443,644	24.01	Subsidiary

2-4-2 Major Customers

2012/3/31; Unit: NTS'000, %

Year Item	2010				2011				Mar. 31, 2012			
	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company
1	Chunghwa Telecom	7,235,430	12.44	None	Chunghwa Telecom	5,507,046	8.82	None	Chunghwa Telecom	1,307,637	7.41	None

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

Due to transfer of pricing ownership to fixed line operator for calls made from fixed lines to mobile lines from 2011, the cost for Chunghwa Telecom was decreasing comparing with 2010. Since the prevailing of smart phone, the purchase amount was great increasing in 2011. Thus the handset supplier, ARCOA became the Company's major supplier.

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

2-6 Sales Volumes for the Recent 2 Years

2011/12/31; Unit: SIM card; piece; NTS'000

Quantity Item	Year	2010				2011			
		Imports		Exports		Imports		Exports	
		Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts
Service revenue		*6,263,988	52,372,563	0	0	*6,526,194	54,204,144	0	0
Handset and Accessory Sales		1,883,894	5,365,491	0	0	2,199,198	7,477,192	0	0
Other revenue		Not Applicable	439,289	0	0	Not Applicable	727,623	0	0
Total		Not Applicable	58,177,343	0	0	Not Applicable	62,408,959	0	0

*Total number of subscriber at the end of the year

3. Employee Information in the Recent 2 Years

Year		2010	2011	2012/3/31
Number of Employees	Manager and above	358	349	343
	Technical staff	1,165	1,110	1,108
	Customer care staff	762	971	969
	General staff	1,787	2,510	2,658
	Total	4,072	4,940	5,078
Average Age		36.20	35.40	35.29
Average Years of Service		5.47	6.84	6.81
Breakdown of Educational Level (%)	Ph. D	0.07	0.01	0.10
	Master	12.03	12.09	11.68
	College	79.24	79.85	79.95
	High School	8.66	8.05	8.27
	Below High School	0	0	0

4. Environmental Protection Expenditure

There was no loss or penalty due to environmental pollution in recent years until the annual report being published: None.

5. Employee Relations

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

5-1-1 Employee Welfare

A. Compensation and Benefit

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

B. Training

To keep up with the ever changing and advancing technology in the telecommunications industry, continued training for employees is one of the key factors to maintain the Company's leading position. Based on the core competencies identified, the Company provides four categories of training programs: management, service, selling, and technology. Others trainings include, orientation program for newcomers, personal effectiveness program for all employees, and tailored training for specific teams addressing specific requirements. 901 training courses were conducted for 32,261 employees with total expense 21,332 thousand in 2011.

C. Two-ways Communications

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

- Employee Opinion Survey: to understand and reflect employees' opinions for references for improvement, an outsourced employee satisfaction survey is conducted whenever needed.
- Employees are also able to voice their opinions or complaints through Employee Suggestion Box or Appealing Box on the Intranet.
- Monthly e-Newsletter and weekly e-Express are issued electronically to assist employees in understanding company events, at the same time, to express their opinions.

- A quarterly Lantern-Legend Meeting is held for labor and management representatives to get together and discuss matters on hand, and foster a harmonious relations and better understanding.
- A yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly.

5-1-2 Retirements

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

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

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

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

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

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

5-1-5 Sexual harassment prevention related measures

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

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

6. Major Contracts

2012/4/30

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Procurement	Ericsson Taiwan Ltd.	Dec. 5, 1996~present	Purchase for base station, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause
	Nokia Siemens Networks Taiwan Co., Ltd.	Apr. 1, 2009~present	Letter of Agreement For Y2009 3G/3.5G Network Equipment and Software Acquisition	Confidential Clause
	Xunwei Technologies Co., Ltd.	Dec. 30, 2009~present	Frame Agreement For 3G & 3.5G RAN Acquisition (Xunwei)	Confidential Clause
	Apple Asia LLC	Jan. 29, 2010~Mar. 31, 2013	iPhone purchase contract	Confidential Clause
Strategic Consortium	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	Feb. 13, 2006~present	Strategic alliance among Asia Pacific Telecommunication operators	Confidential Clause
	All Conexus Members	Mar. 1, 2007~present	Confidential Agreement among Conexus members	Confidential Clause
		Jun. 15, 2010~present	Collaboration Agreement with Conexus Members	Confidential Clause
		Jun. 15, 2010~present	Supplemental Agreement #4 to Conexus Mobile Alliance Agreement	Confidential Clause
		Jul. 1, 2010~present	Amended and Restated Conexus Mobile Alliance Agreement	Confidential Clause
	Vodafone Sales & Service Limited	Jul. 30, 2011~present	Conexus-Vodafone MoU	Confidential Clause
	Quanta Computer Inc.	Mar. 4, 2010~Mar. 3, 2011	Manufacturing SaaS Cloud Computing Service Plan MoU	Confidential Clause
Commercial Cooperation	China Mobile	Apr. 29, 2009 (The date of contract) ~present	Both parties will establish strategic cooperation in the fields of joint purchase, voice and data roaming, value added services and future technology and research development...etc. Both parties also agree to, within the extent permitted by relevant applicable laws and/or after obtaining the approvals of relevant competent authorities, establish a joint venture to cooperate in the fields agreed by both parties. The strategic cooperation agreement will be effective from the completion date of the private placement.	Confidential Clause
	Apple Asia LLC	Sep. 30, 2010~Sep. 30, 2013	Wireless Service License for Apple's iPad Product Promotion of iPad wireless internet contract	Confidential Clause
Merger & Share Acquisition	FET 7-ELEVEN	Feb. 14, 2007~present	7-ELEVEN assigned Q-Ware Systems & Services Corp. to establish Q-Ware Communications, for FET plans to subscribe the capital call of Q-Ware after finished the promissory conditions upon this agreement.	Confidential Clause
	FET Q-ware Communications Co., Ltd.	Feb. 15, 2007~present	The Company will subscribe the capital call shares of Q-Ware Communications Co., Ltd.	Confidential Clause
	China Mobile	Apr. 29, 2009 (The date of contract) ~present	The Company will issue not more than 444,341,020 new private placement common shares which will be subscribed by the China Mobile Limited's indirect 100% subsidiary in Taiwan. The private placement price is NT\$40 per share. If the volume weighted average price of the common shares of the Company for the 14 consecutive trading days prior to and including the date on which either the place's parent company or the Company sent the notice to the other party, pursuant to the relevant agreements, to notify the settlement date of the private placement, has been beyond the range of NT\$35 (inclusive) to NT\$50 (inclusive), it is proposed that the Shareholders' Meeting hereby authorizes the Board of Director may discuss in good faith to agree a new	Confidential Clause

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
			private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT\$5 per share of the Company. The new private placement price shall be no less than 70% of the Reference Price of the new pricing date. The completion of this private placement is subject to the satisfaction and fulfillment of all the conditions precedent set out in the relevant transaction documents, including without limitation that it is permitted under the relevant laws and regulations and approvals from relevant competent authorities have been obtained.	
	Yuan Cing Infocomm Tech Co., Ltd.	Feb. 23, 2011~Mar. 1, 2011	Merger Contract with YCIC	Confidential Clause
Distribution	ARCOA Co., Ltd.	Jul. 1, 2008~present (Note 1)	Promotion and distribution of mobile services	Confidential Clause
	System Corporation Ltd.	Jun. 1, 2005~present (Note 1)	Promotion and distribution of mobile services	Confidential Clause
	Synnex Corporation Ltd.	Jan. 1, 2011~Dec. 31, 2012	Promotion and distribution of mobile services	Confidential Clause
	AURORA Telecom	Apr. 1, 2007~present (Note 1)	Promotion and distribution of mobile services	Confidential Clause
	Tsann Kuen Taiwan	May 1, 2006~present (Note 1)	Promotion and distribution of mobile services	Confidential Clause
	DFASHION International Inc.	Apr. 1, 2007~present (Note 1)	Promotion and distribution of mobile services	Confidential Clause
	OK Convenience Store (Taiwan) Ltd.	Jan. 1, 2011~Dec. 31, 2011	Promotion and sales for prepaid recharge card	Confidential Clause
	7-ELEVEN	Jan. 1, 2008~present (Note 1)	Promotion and sales for prepaid recharge card	Confidential Clause
	Hi-Life International Co., Ltd.	Jan. 1, 2008~present (Note 1)	Promotion and sales for prepaid recharge card	Confidential Clause
Network Interconnection	Chung Hwa Telecommunications	Jun. 1, 2011~May 31, 2012	Network Interconnection	Confidential Clause
	Taiwan Fixed-Line Network	Jan. 1, 2012~Dec. 31, 2012	Network Interconnection	Confidential Clause
	New Century InfoComm.Tech Co.,Ltd	Jul. 1, 2007~present (Note 1)	Network Interconnection	Confidential Clause
	Asia Pacific Broadband Wireless	Jan. 1, 2012~Dec. 31, 2012	Network Interconnection	Confidential Clause
	Taiwan Mobile	Feb. 10, 2004~present (Note 1)	Network Interconnection	Confidential Clause
	Asia Pacific Broadband Telecom	Jan. 1, 2012~Dec. 31, 2012	Network Interconnection	Confidential Clause
	First International Telecom	Jul. 1, 2011~Jun. 30, 2012	Network Interconnection	Confidential Clause
	Vibo Telecom	Sep. 29, 2005~present (Note 1)	Network Interconnection	Confidential Clause
	Global Mobile Corp.	Jun. 1, 2011~May 31, 2012	Network Interconnection	Confidential Clause
Vee Telecom Multimedia Co., Ltd.	Jun. 1, 2010~May 31, 2011	Network Interconnection	Confidential Clause	

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

1. Financial Condition

Financial Condition Review and Analysis

2011/12/31; Unit: NTD'000

Item	Year	December 31, 2011	December 31, 2010	Variance	
				Amount	%
Current Assets		\$ 10,657,324	\$ 14,625,272	(\$ 3,967,948)	(27)
Long-term Investments		30,192,560	23,883,565	6,308,995	26
Fixed Assets		32,865,294	35,707,574	(2,842,280)	(8)
Intangible Assets		15,397,976	16,128,682	(730,706)	(5)
Other Assets		719,017	940,623	(221,606)	(24)
Total Assets		89,832,171	91,285,716	(1,453,545)	(2)
Current Liabilities		15,754,390	18,396,775	(2,642,385)	(14)
Other Liabilities		2,100,914	1,608,109	492,805	31
Total Liabilities		17,855,304	20,004,884	(2,149,580)	(11)
Capital Stocks		32,585,008	32,585,008	0	0
Capital Surplus		19,546,610	19,536,368	10,242	0
Retained Earnings		19,811,394	19,076,653	734,741	4
Other Shareholders' Equity Item		33,855	82,803	(48,948)	(59)
Total Shareholders' Equity		71,976,867	71,280,832	696,035	1

1-1 Analysis of variation plus and minus 20%

1. The decrease in current assets: Because the Company has retrieved the loaning capital to YCIC through the merger on Mar. 1, 2011 resulting from the decrease in other receivables-related parties.
2. The increase in long-term investments: Because the Company increased the investments to its subsidiary, NCIC, resulting from the increase in equity-method investments in 2011.
3. The decrease in other assets: Because the pledged time deposit was transferred to cash and cash equivalents.
4. The increase in other liabilities: Because of the increase in deferred income tax liabilities-noncurrent and other liabilities.
5. The decrease in other shareholders' equity item: Because of the unrealized gain/loss on available-for-sale financial asset held by subsidiaries recognized in accordance with the ROC Statements of Financial Accounting Standards No. 34-"Accounting for Financial Instruments" and No. 36-"Disclosure and Presentation of Financial Instruments".

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

1-3 Future response actions: Not applicable.

2. Operating Performances

Operating Performance Analysis

2011/12/31; Unit: NTD '000; %

Item	Year	2011		2010		Variance	
		Subtotal	Total	Subtotal	Total	Amount	(%)
Operating Revenue			\$ 62,408,959		\$ 58,177,343	\$ 4,231,616	7
Operating Costs and Expenses			51,473,540		46,972,480	4,501,060	10
Operating Income			10,935,419		11,204,863	(269,444)	(2)
Non-Operating Income and Gains							
Equity in Investees' Net Gains		\$ 248,162		\$ -		\$ 248,162	-
Government Grant		91,494		92,089		(595)	(1)
Management Service Revenue		62,485		40,142		22,343	56
Rental Income		48,928		34,816		14,112	41
Interest Income		37,558		63,092		(25,534)	(40)
Gain from Sale of Financial assets, Net		-		113,163		(113,163)	(100)
Other		152,204		131,126		21,078	16
Total Non-Operating Income and Gains			640,831		474,428	166,403	35
Non-Operating Expenses and Losses							
Loss on Disposal of Properties, Net		\$ 691,606		\$ 706,678		(\$ 15,072)	(2)
Loss from Sale of Financial Assets, Net		72,176		-		72,176	-

Item	Year	2011		2010		Variance	
		Subtotal	Total	Subtotal	Total	Amount	(%)
Equity in Investees' Net Losses		-		10,588		(10,588)	(100)
Other		25,810		38,064		(12,254)	(32)
Total Non-Operating Expenses and Losses			789,592		755,330	34,262	5
Income Before Income Tax Expense			10,786,658		10,923,961	(137,303)	(1)
Income Tax Expense			1,905,665		2,075,396	(169,731)	(8)
Net Income			\$ 8,880,993		\$ 8,848,565	\$ 32,428	0

2-1 Analysis of variation

1. The increase in income of service fee: Because of the increase of income of service fee from subsidiaries in 2011.
2. The increase in rental income: Because of the increase of rental income from the lease of office and retail store in 2011.
3. The decrease in interest income: Because of the decrease of time deposit and repo resulting in the decrease of interest income in 2011.
4. The decrease in gain from sale of financial assets, net: Because of the great increase of losses from the disposal of available-for-sale financial assets in 2011.
5. The decrease in equity in investees' net loss: Because of the recognition of investment income of the NCIC which is a subsidiary of the Company.
6. The decrease in other expense: Because of the decrease of interest expense and foreign exchange loss in 2011.

2-2 For the estimated sales volume and the underlying rationale for the following year, and the potential impacts on the Company's future business and action plans: Please refer to the "Letter to Shareholders".

3. Cash Flow

3-1 2011 Cash Flow Analysis

Unit: NTS '000

Cash and Cash Equivalents in the Beginning (1)	Total Cash Inflows from Operating Activities (2)	Total Cash Outflows (3)	Balance of Cash and Cash Equivalents (1) + (2) - (3)	Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
677,060 (Note)	20,480,144	21,915,764	(758,560)	2,224,042	-

Note : Including Cash and Cash Equivalents arising \$7,317 thousand from merger Yuan Cing Infocomm Tech Co., Ltd. (YCIC) on Mar. 1, 2011.

1. Operating activities: Because of the effects of a saturated and stable mobile communications market, cash inflows from operating activities have no significant difference in 2011.
2. Investing activities: The decrease in cash outflow was due to merger YCIC by cash \$1,545,584 thousand in 2011, and capital increase \$15,000,000 thousand in cash and \$4,300,000 thousand financing to YCIC for tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. (NCIC) in 2010.
3. Financing activities: The increase in cash outflow was due to the decrease in short-term bank loan and commercial paper payable in 2011.

3-2 Remedy plans for insufficient liquidity:

To increase cash inflow from disposal of available-for-sale financial assets.

3-3 2012 Estimated Cash Flow Analysis

Unit: NTS '000

Cash and Cash Equivalents in the Beginning (1)	Expected Total Cash Flows from Operating Activities (2)	Expected Total Cash Outflows(3)	Expected Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
1,465,482	19,800,728	18,386,075	2,880,135	0	0

1. Operating activities: Because of the effects of a saturated and stable mobile communications market, estimated cash flows from operating activities are expected to have no significant difference in 2012.
2. Investing activities: The net cash used in investing activities in 2012 is expected to increase due to higher capital expenditure on network expansion, including 3G, HSPA constructions, and will join capital injection to Far Eastern Electronic Toll Collection Co., Ltd. (ETC) in 2012.
3. Financing activities: No asset disposal plans or other funding plan are scheduled because there will be sufficient cash to repay the bank loans due within one year.

4. Key Performance Indicator, KPI

Unit: NT\$

KPI	Definition	2011 Target	Achievement in 2011	KPI Achievement ratio
ARPU	Customer's average monthly revenue (Unit: NT\$)	\$700	\$717	102.4%
EBITDA	Earning before interest, taxes, depreciation and amortization (Unit: \$1,000)	\$19,689,588	\$20,116,782	102.2%

The reason for KPI achievement: Because of Data revenue continued growth resulted in ARPU succeeded to achieve the target. And because of General and administrative expenses decrease resulted in EBITDA succeeded to achieve the target.

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2011

Unit: NT\$ '000

Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed
Network Expansion: including 2G & 3G system expansion and upgrade, 3G& WiMAX system installation and expansion	Working Capital	2012	6,627,740

5-2 Expected Benefit: In the year of 2011, total revenue has increased by 7.3% in comparison with that of 2010.

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

Unit: NT\$'000

Explanation Item	Amount (Carrying Value as of 12/31/2011)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
New Century InfoCom Tech Co., Ltd. ("NCIC" hereinafter)	\$27,410,135	Integrate the network resources to improve operational performance and competitiveness.	Loss from short-term investments and impairment in long-term investment offset the good operating profit to result in small net loss for the company. FET, however, still enjoyed investment profit after benefit from amortization of acquisition discount.	Focus on profitable core business to increase net income.	No concrete investment plans at this moment.
Far Eastern Electronic Toll Collection Co, Ltd. ("FETC" hereinafter)	\$269,609	To expand businesses dimensions to enhance FET shareholders' overall returns.	Utilization of electronic toll (ETC) collection system is not high enough to bring the company to break-even, but the net loss is much lower than that in 2010.	Change the ETC system to eTag to enhance utilization rate and corporate prospects.	Plans to join the Capital Call of FETC in the 1st half of 2012 to improve capital structure of FETC.
ARCOA Communications Co., Ltd.	\$1,193,275	Strategic investment for vertically integration of the	Continuous growth in related business of telecommunication industry.	None	No concrete investment plans at this

Explanation Item	Amount (Carrying Value as of 12/31/2011)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
		mobile business and the telecommunication channel services.			moment.
Q-Ware Communications Co., Ltd.	(\$295,797)	To increase businesses dimensions and contribution via existing network resources to increase overall returns for FET shareholders.	The revenue increase by Q-ware's efforts still can not cover its operating and depreciation expenses, but its depreciation burden has been decreasing annually.	To continue the business development and expense control to improve the overall performance results.	Plans to join the Capital Call of Q-Ware in the 1st half of 2012 to fulfill the operating cash needs for "Taipei Free WiFi" project.
KGEx.com Co., Ltd.	\$771,403	To increase utilization efficiency of network resources to enhance company's overall competitiveness.	KGEx's net loss amount has been declining annually via continual improvement in gross margin and expense control, even with heavy burden in depreciation expense.	Continue to enhance its IDC utilization and rent-out rates to increase the profit contribution from its core assets.	No concrete investment plans at this moment.
iScreen Corporation	\$21,094	To expand FET's business dimensions and enhance company's competitiveness.	iScreen failed to provide value added services fast enough to catch up the device trend toward smart phones, which resulted in the loss.	Speeding up the converting process of its services to smart phones to improve profit.	No concrete investment plans at this moment.
Far Eastern Info Service (Holding) Ltd.	\$157,506	For diversified investment strategy to increase company competitiveness.	Far Eastern Tech Info (Shanghai), its 100% subsidiary, has incurred net loss in 2011.	Request subsidiary to enhance its operating efficiencies to increase profits.	No concrete investment plans at this moment.
E.World (Holdings) Ltd.	\$84,898	For diversified investment strategy and for providing FET logistic supports.	Stable profit comes from its subsidiary, Yuan Cing Co., Ltd.	None	No concrete investment plans at this moment.
Far EasTron Holding Ltd.	\$26,441	Incorporate an offshore holding company to facilitate the investment in digital contents.	ADCast, its subsidiary, has incurred minor net loss in 2011.	ADCast will be merged into NCIC in 2012.	Have sold its ADCast shares to NCIC in 2011.
ADCast Interactive Marketing Co., Ltd.	\$3,815	Invest in an internet marketing company for overall effectiveness of integrated marketing.	Incurring minor net loss in 2011 due to lower profit margin.	None	ADCast has been merged into NCIC on Mar. 31, 2012.
Omusic Corporation Ltd.	\$17,216	Enter the music content provider industry to expand business scopes of the company.	Still in the stage of early business development and thus not yet be able to breakeven financially.	None	No concrete investment plans at this moment.
Ding Ding Integrated Marketing Service Co., Ltd.	\$11,299	Integrate marketing and operation development of the Conglomerate.	Stable business growth in HappyGo cards and profits.	None	No concrete investment plans at this moment.
FarEastern E Commerce Co., Ltd.	\$26,101	Consolidate the strength of the Conglomerate to explore e-Commerce business opportunity.	Have not yet achieved the operation economies of scale.	Enhance the operation economies of scale.	No concrete investment plans at this moment.

7. Risk Management

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

7-1-1 Interest Rate Analyses

Since the Company has the amount of NT\$120,000 thousand of interest – bearing liability(Including bank loan)

which accounts for the total asset ratio under 0.13% until March 31, 2012, the change of interest rate has the smaller impact on the Company's interest expense. However, it is expected the interest rate will be downward slowly in the future, the Company's interest revenue for idle cash will be decreased. In consideration of risk control, the Company keeps the conservative and steady principle in cash management.

7-1-2 Exchange Rate Analyses

A. Sources of Exchange Gains/Losses

The Company's foreign currency positions are mainly to pay off debts in foreign currencies, especially roaming service charges, and purchase of equipment and handset from foreign suppliers. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2011 and Q1 2012 are as follows:

2012/3/31; Unit: NTS'000		
Year	2011	2012 (as of March 31)
Foreign Exchange Gains (Losses) (A)	5,120	(2,711)
Operating Revenue (B)	62,408,959	17,658,700
% of Operating Revenue (A)/(B)	0.008%	(0.015%)
Operating Income (C)	10,935,419	2,678,224
% of Operating Income (A)/(C)	0.047%	(0.101%)

As shown in the above table the foreign exchange gains/losses account for a small percentage of operating revenue (0.008% in 2011 and 0.015% in Q1 2012) and operating income (0.047% in 2011 and 0.101% in Q1 2012).

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

Till March 31, 2012, the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., have held (short-term investments) foreign financial assets in total US\$70,000 thousand. It is expected that both investment gains or losses and exchange gains or losses, when executing disinvestment, will directly affect the Company's net income. The Company and its subsidiary, New Century InfoComm Tech Co., Ltd., have made currency hedge for aforesaid foreign financial assets.

C. Hedges against Exchange Rate Fluctuation

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

7-1-3 Inflation Analyses

Due to the current loose global funds, abnormal climate, political risk on partial oil countries, the hikes in electricity and fuel prices and so on, the oil and raw material prices are expected to keep at relatively high level in the short run. However, considering the slow recovery of global economy and the uncertainty of economic outlook to affect the demand of real consumption, the occidental governments may conduct the looser interest rate to maintain the growth, and the global central banks continue to concern the issue of inflation and propose strategies; meanwhile, the Company also controls the cost. It is expected the future inflationary pressure shall be under control and which has no significant impact for the Company's profit and loss.

7-2 Hedge Accounting

For achieving the target of risk management, major hedging activity of the Company is to reduce the effect of cash flow fluctuation for foreign exchange assets held owing to the risk of foreign exchange rate. Hedge accounting involves the recognition of the offsetting effects on profits or losses from changes in fair values of the hedging instrument and the hedged items. The accounting treatments are: (The Company and its subsidiaries adopts cash flow hedge in 2011 until March 31, 2012)

- (1) Fair value hedge: The gains or losses from the changes in fair values of the hedge instruments and the gains or losses from the hedged item attributable to the hedged risk are recognized immediately as profit or loss.
- (2) Cash flow hedge: The gains or losses from the changes in fair values of the hedging instruments are recognized under stockholders' equity and are recognized as current income if the hedged forecast transaction affects net profits or losses for the period. If hedging would give rise to a non-financial asset or liability, the gain or loss will be recognized as the adjustment to the original cost or carrying amount of the hedged asset or liability. If recognized adjustments to stockholders' equity result in irreversible losses, these losses should be immediately charged to current income.

The cross currency swap ("CCS") and foreign exchange swap ("FX swap") held by the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., are designed for the cash flow hedge purpose, and mainly aim to hedge the risk of foreign exchange rate fluctuation for its foreign financial assets. It is needed to process

the CCS and FX swap contract rollover in accordance with duration and hedged cost of hedged assets. The foresaid CCS and FX swap are needed to mainly rollovered and settled every 1 or 3 months. Because the period, currency and amount of CCS are completely the same with hedged foreign assets on the beginning and ending of hedging, the movement of cash flow resulted from the risk of foreign exchange rate fluctuation could be offset completely. As a result, it is qualified as cash flow hedge, according to the regulation of ROC SFAS. In that, the gains or losses from the changes in fair values of the hedging instruments are recognized directly in shareholders' equity, and to be adjusted based on the changes of fair value in each period, and recognized as current income if the hedged item affects net profits or losses for the period.

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

1. High risks or high leveraged investments: The Company did not engage in high-risk and high-leverage investment in 2011 until the annual report being published.
2. Loan to others: The Company has not loaned to others in 2011 until the annual report being published.
3. Endorsements and guarantees provided: For the end of 2011 until the annual report being published, the balance of endorsements and guarantees made by the Company was NT\$244,287 thousand. Mainly to conform with NCC's regulation for the telecommunication products/service performance guarantees, the Company made the joint performance guarantees for its subsidiaries, KGEx.com Co., Ltd. with the amount of NT\$45,000 thousand at the end of 2011 until the annual report being published. Moreover, the Company provided the guarantee of NT\$199,287 thousand for the bank loan facilities of Q-Ware at the end of 2011 until the annual report being published.
4. Financial derivative instruments: The Company and its subsidiary, New Century InfoComm Tech Co., Ltd., dealt the amount of US\$70 million of derivative transactions for the non-trading purpose in 2011 until March 31, 2012. The cross currency swap or foreign exchange swap contracts were signed in order to prevent the risk of foreign exchange rate fluctuation for the foreign currency assets. The hedging strategies of the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., are to avoid the most cash flow risks. Due to hedging purpose for the derivative transactions, it is recognized the offsetting effects on profits or losses of changes in fair values of the hedging instrument and the hedged items. In that, no substantial earning/loss happened.

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

A. R&D Plans

2011/3/31

I Strategic Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
4G network technology research	This project aims to integrate 2G/3G/4G LTE access. The objective is to utilize MSR (Multi Standard Radio) technologies to integrate wireless access functionalities for 2G/3G/4G into a single base station so as to lower costs and operational expenses. It would also provide valuable information on the performance of 4G LTE network and the compatibility of technologies and different band frequencies.	Thanks to the valuable resources from T-Park, FET has currently completed system construction for four major equipment vendors along with 90% of the tests. FET intends to incorporate field trials in the near future to better understand the performance of 4G network in a real environment.	1. The performance tests for 4G LTE have been completed. 2. Field trials and interconnectivity tests for 4G LTE and existing networks are expected to be completed before December 31, 2012.	FET boasts years of experience in 2G/3G wireless network maintenance and remains in the pole position in the development of latest technologies.

II System Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
3.5G Wireless Broadband Internet Access and Equipment	After launching different 3.5G wireless network cards and mobile internet devices with built-in 3.5G wireless network cards in 2011, FET will now focus on constructing more high speed	Provide a variety of wireless data cards and MID terminal devices. Maintain the quality of network service in order	Expected on December 31, 2012	A wide variety of low-cost wireless data cards and a high quality broadband

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	(7.2Mbps/21Mbps/42Mbps) base stations in 2012 to work with more mobile phones, tablet PCs and notebook PCs so that subscribers could enjoy faster and more convenient wireless internet access anytime, anywhere.	to promote wireless broadband Internet access services. The Company launched the latest smart phones with Windows mobile 7 operating system, Android and iPhone operating system in 2011.		network will encourage the adoption of wireless broadband Internet service. Various smart phones are provided for customers to select.
Expansion of the 3G/3.5G network	Expansion of the 3G/3.5G capacity and coverage of the five metropolitan areas, the top areas with highest transmission capacities and the townships of no 3G coverage across Taiwan to achieve the 99% of population coverage.	Implementation plan for base station and transmission network details.	Expected on December 31, 2012	Control over customers' demands and information for the enhancement of network areas.

III Value-adding Service Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
MMS system upgrade	In order to provide better services to customers, FET has upgraded existing system hardware and software to their latest versions and expanded system capacity to minimize slowdown in data transmission so that more subscribers could use and send larger MMS files simultaneously.	System integration in progress	April 2012	We can anticipate significant performance improvements due to the fact that all software and hardware feature the latest technologies. Consequently, subscribers will be more inclined to adopt MMS due to the improvement in quality.
WAP Push message transmission platform	By offering Web & API interfaces for M-Push messages to corporate clients, they are able to take advantage of the value-added batch transmission features for different (SMS/MMS/WAP) messages.	Functional requirements and specifications pending clarification; designs of system detail also awaiting confirmation	April 2012	The feature to transmit different types of messages (SMS/MMS/WAP) by batch will satisfy corporate clients' needs for rapid and diverse value-added services for massive messaging.
FET Mail Hosting	FET Mail Hosting provides dedicated mail server and management by professional IT staff for corporate clients to provide email accounts under dedicated corporate domain names without requiring users to purchase software/hardware or worry about maintenance. The service comes along with global anti-virus and anti-spam features to provide comprehensive security for important corporate emails.	1st phase of testing scheduled to commence in March 2012.	Expected in June 2012	The construction of modern mail service platform and utilization of new email value-added services (i.e. mail audit and mail backup) will not only draw more clients but also ensure that both new and existing

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
MISP Enhancement	FET's e-newsletter system platform (MISP) has been updated to enhance SMS/MMS message transmission functionalities and strengthen operational features for system maintaining operators in the hopes of delivering more diverse and enriched contents to subscribers while improving system maintenance performance.	System under development	Expected in July 2012	subscribers are transferred to the new platform smoothly. The deployment of new software technologies for the construction of MISP allows for the delivery of more diverse e-newsletter services.

B. The projected R&D expense is estimated at around NT\$51,705 thousand in 2012.

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

(1) Reduction of broadband access network and internet access subscription fees

After stipulating that CHT, the dominant player in fixed network services, has to lower subscription fees for its ADSL, FTTX and HiNet services on June 8 2011 and December 21 2011, the NCC also reviewed and reduced the wholesale pricing both for CHT's broadband access line xDSL and CHT's IP Peering. In light of the adjustments, and in an effort to remain competitive while safeguarding consumers' rights, FET will continue to launch more competitive subscription packages to attract more users while taking a proactive approach to communicate with the competent authorities regarding the elimination of obstacles in broadband competition. This will hopefully facilitate the establishment of a fair scheme of competition for the broadband service market.

(2) Adjustment of price adjustment X value

Pursuant to the "X value Adjustment Announcement" promulgated by the NCC on January 29, 2010, FET has made its second annual adjustments for the subscription fees of GSM and third-generation mobile communication packages effective from April 1, 2011 with a reduction margin of 4.04%. The reduction is applicable to domestic text-messaging, extranet mobile-to-mobile calls and mobile-to-local calls.

In addition, as a response to subscribers' anticipation, FET has also provided free extranet/local call minutes for GSM/third generation mobile communication monthly subscribers as a bonus for FET subscribers.

(3) Single rate for local calls and domestic long distance calls

In a response to petitions from legislators and supervision on the NCC, the NCC has stipulated on November 30, 2011, that CHT (the dominant player in fixed network service market) lower existing rates for domestic long distance calls to match that for local calls effective from January 1, 2012.

In order to ensure that all FET subscribers enjoy similar services at equivalent discounts, FET has incorporated new subscription plans to its existing long-distance rates effective from January 1, 2012 so that FET subscribers may make extranet domestic long distance calls at the rate of local calls.

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

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

With the extension of GSM licenses pending, the NCC published its amendment to pertinent regulations in Regulations for Administration of Mobile Communications Businesses on September 19, 2010. The Regulation stipulates that "The effective period of the renewed license of Radio Paging Business and Mobile Telephone Business using the same technology and radio band in accordance with the procedure shall be valid until June 30, 2017; after expiration, the license shall be void".

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

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

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

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

The four domestic operators (FET included) have already obtained a statement of approval from the telecommunication supervisory body in the 4th quarter of 2011 for the deployment of facilities relating to the Danshui-Fuzhou submarine cable and submitted the Pipeline Construction Proposal to the NCC for review. The construction of the aforementioned submarine cable may commence once competent authorities have reviewed and approved the proposal.

(6) Amendments to Telecommunications Act, Radio and Television Act, Cable Radio and Television Act and Satellite Broadcasting Act

In an effort to accomplish goals including the encouragement of streaming services, regulation of inappropriate contents, promotion of self-regulating systems, facilitation of productive competition for fixed network services, adjustment of subscription fees control items, fortification of network security measures and so forth, the NCC had started working on a draft of amendment for the Telecommunications Act and held a "Preliminary Public Hearing for the Draft of Telecommunications Act Amendment" towards the end of May 2011 in the hopes of revising pertinent regulations on telecommunications to better accommodate the needs of domestic telecommunication sector development in the near future. Apart from paying close attention to relevant progress, FET will also be playing an active role in the process by offering advice to the NCC as grounds for the amendment.

As for the amendment of the other three television and broadcasting acts, the NCC has completed the drafts for the following amendments: effective period of relevant licenses stipulated in the Radio and Television Act; amendments to prevent political parties from investing in broadcasting companies in both the Cable Radio and Television Act and Satellite Broadcasting Act; loosening of regional restrictions for system operators; and approval for newcomers in the market and the acceleration of digital cable promotion in the Cable Radio and Television Act. These drafts have been submitted to the Executive Yuan for review before they are to be handed over to the Legislative Yuan. With the exception of a portion of amendments for Satellite Broadcasting Act (which has been approved by the Legislative Yuan on June 14, 2011), the drafts of amendments for Cable Radio and Television Act and Satellite Broadcasting Act have yet to be approved by the Legislative Yuan.

(7) Amendments to National Communications Commission Organization Act

In response to the restructuring of existing government bodies and to achieve effective processing of telecommunication and broadcasting management to ensure fair and effective competition in the communication and broadcasting market without compromising the rights of consumers and disadvantage minorities, the latest amendments to the National Communications Commission Organization Act had been officially published on December 28, 2011 and promulgated on January 1 2012 by the Executive Yuan.

The amendments to the Act involve the appointment of NCC's Chairperson and Vice Chairperson. Before the amendment, the Chairperson and Vice Chairperson of NCC would be elected through a voting process among the seven Commissioners prior to appointment. The amendment stipulates that the Head of Executive Yuan (Premier) nominate the Chairperson and Vice Chairperson during the nomination of Commissioners and that both would be appointed with the consent of the Legislative Yuan.

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

The development of WLAN and 3G technologies in recent years has made wireless broadband network and broadband multimedia services become a part of our lives. Based on the trend of service change and market needs, the Company made an enormous investment to assist its subsidiary Yuan-Ze Telecommunications to obtain a 3G service license. With diversified development, the Company is expected to increase its revenue and

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

Following the rapid growth and prevalence of smart phones in the market, FET has witnessed explosive growth in terms of revenue and data traffic. With consumers becoming more demanding for network access speed, the focus of future telecommunication technologies will no doubt be on the provision of faster data services, and it is inevitable that the path of evolution will lead to 4G. Presently, the majority of global telecommunication service providers have adopted LTE technologies for the construction of their 4G networks and FET is confident that LTE will emerge as the mainstream standard in the future. In 2011, FET has already collaborated with four major telecommunication service providers from around the world to conduct relevant LTE trials in T-Park (Taipei) for a full assessment of the system's capabilities and performance. Results of tests performed so far reveal that at maximum speed, LTE access is 3-5 times faster than existing network technologies and immediateness is 3 times. The technology will be the key for FET in providing a greater variety of high quality services to its rapidly growing subscriber base in the near future.

On a related note, the construction and deployment of WLAN (wireless local area networks) in the urban areas have been ongoing at a feverish pace. The rise of mobile business application has allowed WiMAX to prove its advantages. With VoIP becoming more mature and more standardized, operators relying on traditional circuit lines to provide simple call services will no doubt face the greatest impact. Judging from the trends of communication technology development as the boundary dividing Telecom and Datacom blurs, FET shall deliver a range of diversified value-added digital applications based on its new mobile communication network structure (All IP) with IP network as its underlying framework. FET shall integrate heterogeneous networks, expand its wireless broadband service coverage and strive for optimized network development as the focus of the company's operations in the future.

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

FET is the only telecommunication service provider in Taiwan with comprehensive multi-experimental networks for GSM, WCDMA, WiMAX, LTE and fixed technologies. Apart from possessing a complete and independent experimental network with the capabilities to run pre-market launch researches and validations for new systems and value-added services, FET has also created an IOT environment for 2G, 3G, TD-SCDMA and FDD/TDD-LTE at T-Park in addition to multiple independent test environments to assist local terminal manufacturers, chipset manufacturers, digital content providers and academic institutions looking to perform relevant tests locally to save developmental costs and time. Presently, FET has worked with terminal/chipset makers such as HTC, ASUS, Quanta, WNC, Bandrich, MTK and so forth in various IOT and collaborated with institutions including NCTU, Yuan Ze University, ITRI, III and etc. in multiple research projects. Through the tripartite collaboration between the sector, academia and research institutions, FET strives to pave way towards a promising future for domestic companies in advanced wireless access technologies and application supply chains with the most economical solution and secure the key to strategic global deployment.

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

According to Jeffrey Gee, FET's CSO and CTO, "FET will play the role of an intermediate agent for upstream and downstream vendors with mature platform, equipment and services it will be providing to service operators. By accumulating experience in TD-LTE terminal-to-terminal operation and strengthening the company's capacity in this area, FET shall take the lead in the research and validation of WiMAX's evolution to TD-LTD and ultimately become the base of TD-LTE development for terminal and chip vendors in Taiwan to significantly boost the domestic TD-LTE sector's advantages and development."

For the coming year, in light of the prevalence of 3.5G mobile services, telecom service providers have to improve the coverage and quality of service network while integrating diversified services to develop

application solutions and build, integrate and maintain the more diversified networks efficiently (That is quality, service and efficiency) that are aligned to consumer demands in order to make profit. The Company is fully aware of the transition of network service formats and demands of the market, moreover, hold the consistent operating strategy of the Company to serve customer, maintain growth and innovate actively and has thus injected substantial funds to expand its backbone network, increase its 3G base stations and capacities, raise the ratio of self-built transport network and gradually expand the company's operational status and diversified developments. This will ensure the effective improvement of the company's turnover and market share and ultimately return FET to the leading position in Taiwan's mobile broadband service sector.

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

7-8 Expected Benefits and Risks from Mergers in the Recent Years until the Annual Report being Published:
Two Stage M&A between FET & NCIC:

In preparation for the era of service convergence and to achieve the long term strategic goal to integrate fixed-line and mobile communications of FEGTS, after strategic evaluation, the Company has conducted tender offer to acquire NCIC via the subsidiary YCIC and then continued to conduct two-stage M&A process to achieve the ultimate target to acquire NCIC as a 100% shareholding subsidiary. Please refer to Page 8 the material M&A for the details of M&A process. The Company has acquired 100% of NCIC issued shares on March 1, 2011. After the M&A, through the business cooperation with NCIC, the Company will not only design new products with higher market value but will also integrate marketing strategies and manage the product positioning. Moreover, under the synergy of technology R&D, service expansion, brand image and network communication, it is hoped to offer more diversified products and services for customer needs and to create more profitable operation outcome at the same time. In other words, the integration between fixed line and mobile communication is the market trend. The synergy for the integration between the Company and NCIC continues clear. Therefore, the risk for the M&A is relatively low.

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

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

The Company's major supplier was ARCOA communications Co., Ltd. and major customer was Chunghwa Telecommunications Co., Ltd., which accounted for 9.46% of the total amount of supply and 8.82% of the total amount of sales in 2011 respectively. Therefore, there are no issues of concentration for supply and sales.

7-11 Impacts and Risks from Changes in Directors, Supervisors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Years until the Annual Report being Published: None.

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

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

7-14 Other Major Risks: None.

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

None.

9. Other

9-1 In accordance with the request for information disclosure evaluation, the related information for the fair values of financial instruments are disclosed as follows:

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

- 1) Cash and cash equivalents, accounts and notes receivable, accounts receivable - related parties, other receivables - related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, accounts payable - related parties, other payables - related parties and payables for acquisition of properties, are excluded from financial instruments and recorded at their carrying values because of the short maturities of these instruments.
- 2) If quoted market prices are available, these are used as fair values of financial derivative instruments and available-for-sale financial assets. If quoted market prices are not available, the fair values are evaluated by the Group using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Group. The Company and its subsidiaries calculate the fair values of independent contract by the future cash flow of single contract (hedging cost excluded) according to interest rate and swap points shown on Reuters and spot rate released in Taiwan Bank. The discount rate of the Company is 0%~1% for these financial instruments.
- 3) The equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.
- 4) Fair values of corporate bond payable, lease payable, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities. The discount rate of the Company is 0%~2% for these financial instruments.

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

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



Far EasTone Telecommunications Co.,Ltd.
Annual Report 2011

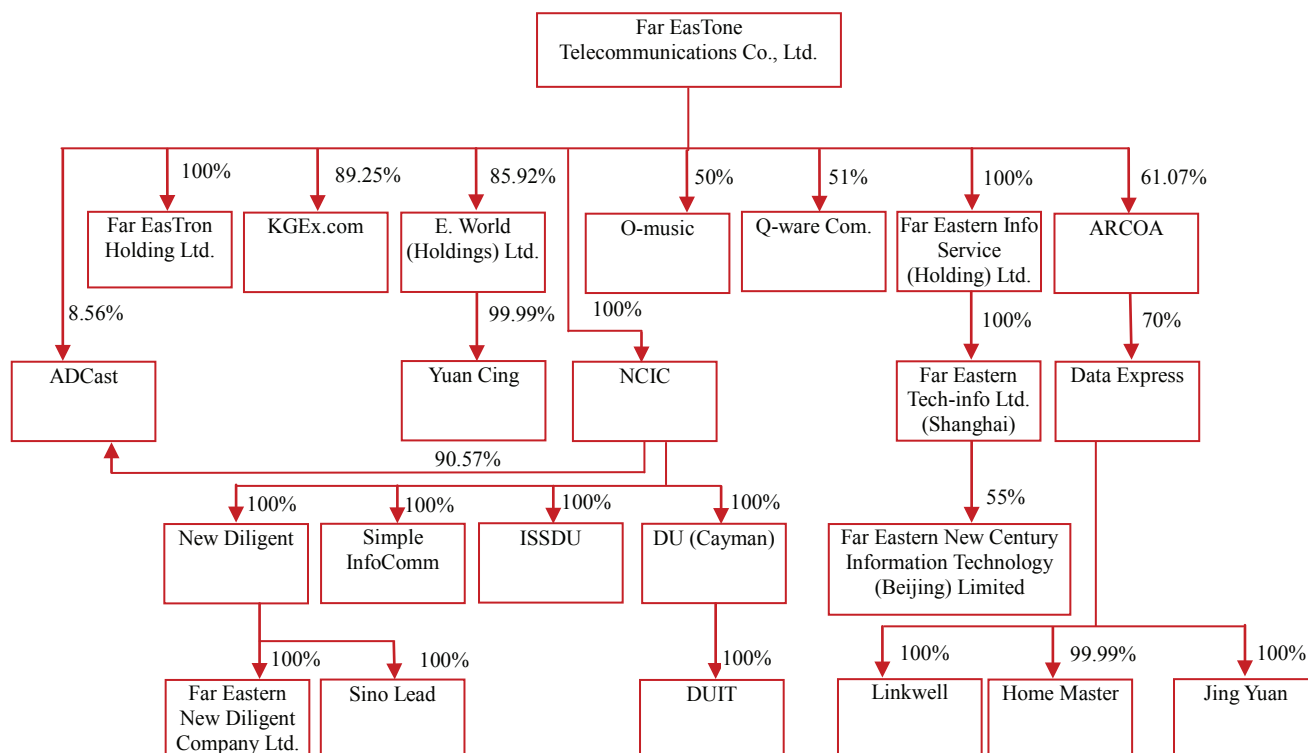
VII Special Notes

1. Affiliates Information
2. Private Placement Securities
3. The Company's Shares Held or Disposed by Subsidiaries
4. Other Supplementary Information
5. Material Event Impact on Shareholders' Equity or Share Price

1. Affiliates Information

1-1 Consolidated Business Report of Affiliates

(1) Organizational chart of the affiliates:



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

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

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Far EasTone Telecommunications Co., Ltd.	April 11, 1997	28th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	\$ 32,585,008	Wireless telecommunications service, leased circuit service, ISR and internet services and sale of cellular phone equipments and accessories
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	July 17, 2002	Clarendon House 2, Church Street Hamilton HM 11, Bermuda	US\$ 12,000	International investments
E. World (Holdings) Ltd. (British Cayman Islands)	April 7, 2000	4th Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands	US\$ 7,000,000	International investments
KGEx.com Co., Ltd.	August 9, 2000	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	1,124,080	Type II telecommunications services
Far Eastern Tech-info Ltd. (Shanghai)	November 18, 2002	3rd Floor, Building No. 23, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 20,675,000	Computer software, data processing and internet content providing services
Yuan Cing Co., Ltd.	August 5, 2000	28th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	193,500	Call center services
ARCOA Communication Co., Ltd.	May 4, 1981	36th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	1,342,800	Type II telecommunications services, sale of cellular phone units and other telecommunications equipments or accessories and related maintenance services
Far EasTron Holding Ltd. (British Cayman Islands)	August 30, 2005	Marguee Place, Suite 300, 430 West Bay Road, P.O. Box 30691 SMB, Grand Cayman, Cayman Islands, British West Indies.	US\$ 4,486,988	International investments

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Q-ware Communications Co., Ltd.	February 13, 2007	8th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	714,901	Type II telecommunications services
ADCast Interactive Marketing Co., Ltd.	June 12, 2000	1st Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	45,182	Internet advertisements and marketing services
O-music Co., Ltd.	October 5, 2010	12th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	50,000	Electronic information providing services
Data Express Infotech Co., Ltd.	July 22, 2004	6th Floor,-1, No.778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	87,750	Sale of communications products
Linkwell Technology Ltd.	April 8, 2005	2th Floor, No.2, Guanqian Rd., Taipei, Taiwan, R.O.C.	10,000	Sale of communications products
Home Master Technology Ltd.	August 11, 2011	1F., No. 24, Ln. 241, Jingping Rd., Zhonghe Dist., New Taiwan (R.O.C.)	10,000	Sale of communications products
Jing Yuan Technology Ltd.	September 5, 2011	4F., No. 18, Aly. 1, Ln. 768, Sec. 4, Bade Rd., Nangang Dist., Taiwan (R.O.C.)	10,000	Data processing services
New Century InfoComm Tech Co., Ltd.	June 1, 2000	1-11 Floor., No.218, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	25,994,490	Type I, II telecommunications services
New Diligent Co., Ltd.	May 2, 2001	1 Floor., No.207, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	800,000	Business management consultant, wholesale and retail of stationery
Simple InfoComm Co., Ltd.	October 23, 2001	12 Floor., No.468, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	34,000	Type II telecommunication services
Sino Lead Enterprise Limited	April 11, 2006	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	HKD 30,000	Telecommunication services
Information Security Service Digital United	December 22, 2004	2F., No. 218, Ruei Guang Rd., Nei Hu., Taiwan (R.O.C.)	148,777	Internet security and monitor services
Digital United (Cayman) Ltd.	August 16, 2000	P.O.Box 2681,Zephyt House,Mary Street,George Town,Grand Cayman,British West Indies	US\$ 3,320,000	Investment
Digital United Information Technology (Shanghai) Co., Ltd.	October 8, 2000	Room 22301-918, Building No. 14, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 17,382,383	Computer software and the system design, research and development
Far Eastern New Diligent Company Ltd.	July 27, 2010	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	-	Electronic information providing services
Far Eastern New Century Information Technology (Beijing) Limited	July 23, 2010	11/F, 9 Building, Wan Da Square, No. 93 Jian Guo Street, Chaoyang District, Beijing	RMB 1,326,943	Electronic information providing services

(3) Companies presumed to have a relationship of control and subordination with Far EasTone under Article 369-3 of the R.O.C. Company Act: None.

(4) Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:

Far EasTone and its subsidiaries and affiliates provide wireless telecommunications service, International Simple Resale (ISR) service, leased circuit service, internet service, mobile virtual network operator services, sale of cellular phone equipments and accessories, international and general investments, computer software, call center services, internet advertisements and marketing services, business consulting, security and monitoring service via internet, and design and research of computer system.

The mutual dealings and division of work among such affiliates:

a. Far EasTone collects the international direct dialing revenue for KGEx.com through call-by-call selection service and routes the traffic through KGEx.com's telecommunication facilities.

- b. Far EasTone purchases from/sells to ARCOA cellular phone equipments and accessories, and pays to ARCOA handset subsidies and commissions due to its promotion of Far EasTone's SIM card numbers.
- c. ARCOA and KGEx.com provide mobile virtual network operator services through Far EasTone's telecommunications facilities.
- d. Far Eastern Tech-info Ltd. (Shanghai) provides data processing and related consulting services to Far EasTone and NCIC.
- e. Yuan Cing provides call center services to Far EasTone and ARCOA.
- f. Q-ware Com. provides marketing, activation and customer services to Far EasTone's mobile virtual network operator.
- g. ADiCast provides internet advertising planning and production to Far EasTone and NCIC as an advertisement agent.
- h. Far EasTone purchases computers and accessories products from Data Express and Jing Yuan.
- i. Far EasTone rents backbone/Access, office and telecommunication equipments from NCIC. Meanwhile, Far EasTone also leases telecommunication equipments and provides network interconnection services to NCIC.
- j. NCIC sells VoIP (Voice over IP) services as franchise of Simple InfoComm Co., Ltd.
- k. Sino Lead Enterprise Limited provides international lease circuit service to NCIC.
- l. Information Security Service Digital United sells security & monitoring equipments to Far EasTone and NCIC.
- m. O-music provides electronic information services to Far EasTone.

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

Company	Title	Name of Representative	Unit: Number of Shares; %	
			Registered Shares Owned	
			Shares	% of Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,066,657,614	32.73
	Vice-chairman	Yuan Ding Investment Co., Ltd. Jan Nilsson	1,066,657,614	32.73
	Director	Yuan Ding Investment Co., Ltd. Champion Lee	1,066,657,614	32.73
	Director	Yuan Ding Co. Peter Hsu	4,163,500	0.13
	Director	Yuan Ding Co. Johnny J. Shih	4,163,500	0.13
	Director	Yue Ding Industry Co., Ltd. Toon Lim	837,940	0.03
	Director	Yue Ding Industry Co., Ltd. Michiya Shinagawa	837,940	0.03
	Director	Kurt Roland Hellström	-	-
	Director	Lawrence Juen-Yee LAU	-	-
	Supervisor	Far Eastern International Leasing Co., Ltd. Eli Hong	26,650,908	0.82
	Supervisor	Asia Investment Corporation Morton Mate Huang	856,303	0.03
	Supervisor	Chen-en Ko	-	-
President	Yvonne Li	-	-	
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. T.Y. Yin (Note 1)	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Robert Liu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Maggie Mei	1,200	100.00
E. World (Holdings) Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Laurence Yang (Note 2)	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Jordan M. Roderick	6,014,622	85.92

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
	Director	Far EasTone Telecommunications Co., Ltd. Joseph O'Konek	6,014,622	85.92
	Chairman	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	112,335,219	99.94
	Director	Far EasTone Telecommunications Co., Ltd. S. C. Lee	112,335,219	99.94
	Director	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	112,335,219	99.94
KGEx.com Co., Ltd.(Note 3)	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	112,335,219	99.94
	Director	Far EasTone Telecommunications Co., Ltd. Samuel Yuan	112,335,219	99.94
	Supervisor	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	112,335,219	99.94
	President	Jeffrey Gee	-	-
	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. T.Y. Yin	-	100.00
Far Eastern Tech-info Ltd. (Shanghai)	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Robert Liu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Maggie Mei	-	100.00
	Chairman	Far Eastern Tech-info Ltd. (Shanghai) Jeffrey Gee	-	55.00
	Director	Yuan Dong New Century Company Ltd. Jack Deng	-	45.00
Far Eastern New Century Information Technology (Beijing) Limited	Director	Far Eastern Tech-info Ltd. (Shanghai) L.T. Chang	-	55.00
	Director	Far Eastern Tech-info Ltd. (Shanghai) T.Y. Yin	-	55.00
	Director	Far Eastern Tech-info Ltd. (Shanghai) Eton Shu	-	55.00
	Supervisor	Far Eastern Tech-info Ltd. (Shanghai) Alton Wang	-	55.00
	Chairman	E. World (Holdings) Ltd. Jan Nilsson	19,349,994	99.99
	Director	E. World (Holdings) Ltd. Eton Shu	19,349,994	99.99
Yuan Cing Co., Ltd.	Director	E. World (Holdings) Ltd. Jessica Chen	19,349,994	99.99
	Supervisor	E. World (Holdings) Ltd. T.Y. Yin	19,349,994	99.99
	President	Maggie Mei	-	-
	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	82,009,242	61.07
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Guang-Ruey Chiang	82,009,242	61.07
ARCOA Communication Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd. Jessie Teng	82,009,242	61.07
	Director	Taiwan Incubator SME Development Co. Francies Chen	1,122,979	0.84
	Supervisor	Far EasTone Telecommunications Co., Ltd. David Tsai	82,009,242	61.07
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	82,009,242	61.07
	President	Guang-Ruey Chiang	-	-

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far EasTron Holding Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	4,486,988	100.00
	Chairman	President Chain Store Co., Ltd. James Heieh	8,059,091	11.27
Q-ware Communications Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	36,459,930	51.00
	Director	Far EasTone Telecommunications Co., Ltd. Belinda Chen	36,459,930	51.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	36,459,930	51.00
	Director	President Chain Store Co., Ltd. Nan Bey Lai	8,059,091	11.27
	Director	President Chain Store Co., Ltd. Chia Hua Chang	8,059,091	11.27
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	36,459,930	51.00
	Supervisor	Uni-President Enterprises Co., Ltd. Jin-Xing Chen	9,875,060	13.81
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	36,459,930	51.00
	President	Pai Ling Chiang	-	-
	ADCast Interactive Marketing Co., Ltd. (Note 4)	Chairman	New Century InfoComm Tech Co., Ltd. Benjamin Ho	4,092,160
Director		New Century InfoComm Tech Co., Ltd. Sharon Chao	4,092,160	90.57
Director		New Century InfoComm Tech Co., Ltd. Vacancy	4,092,160	90.57
Director		Far EasTone Telecommunications Co., Ltd. Eton Shu	386,869	8.56
Director		Far EasTone Telecommunications Co., Ltd. Roger Chen	386,869	8.56
Supervisor		Far EasTone Telecommunications Co., Ltd. Sharon Lin	386,869	8.56
President		Belinda Chen	-	-
Yuan Cing Infocomm Tech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	1,500,100,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	1,500,100,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	1,500,100,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,500,100,000	100.00
O-music Co., Ltd.	Chairman	Universal Music Ltd. Sunny Chang	225,000	4.50
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Benjamin Ho	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	2,500,000	50.00
	Director	Gold Typhoon Music Co., Ltd. Louis Pong (Note 5)	225,000	4.50
	Director	Forward Music Co., Ltd. Barry Lee	225,000	4.50
	Supervisor	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	2,500,000	50.00
	Supervisor	Otiga Technologies Limited Ipang Lin	1,375,000	27.50
	Supervisor	HIM International Music Inc. Lydia Ho	225,000	4.50
President	Belung Chang	-	-	

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Data Express Infotech Co., Ltd.	Chairman	ARCOA Communication Co., Ltd. Benjamin Ho	6,142,500	70.00
	Director	Grace Chu	1,821,500	20.76
	Director	ARCOA Communication Co., Ltd. Eric Lee	6,142,500	70.00
	Director	ARCOA Communication Co., Ltd. Shing Chu	6,142,500	70.00
	Supervisor	ARCOA Communication Co., Ltd. Charlene Lin	6,142,500	70.00
Linkwell Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
Home Master Technology Ltd.	Chairman	Su-Ching Lin	-	0.01
Jing Yuan Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
New Century InfoComm Tech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,599,448,983	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,599,448,983	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee	2,599,448,983	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	2,599,448,983	100.00
New Diligent Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	80,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Daniel Chang	80,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. P.L. Chiang	80,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	80,000,000	100.00
Simple InfoComm Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	3,400,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. P.L. Chiang	3,400,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Johnson Hsieh	3,400,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	3,400,000	100.00
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
Far Eastern New Diligent Company Ltd.	Director	New Diligent Co., Ltd. Jeffrey Gee	-	100.00
	Director	New Diligent Co., Ltd. T.Y. Yin	-	100.00
	Director	New Diligent Co., Ltd. Daniel Chang	-	100.00
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	14,877,747	100.00
	Director	New Century InfoComm Tech Co., Ltd. Daniel Chang	14,877,747	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	14,877,747	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	14,877,747	100.00

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffrey Gee	3,320,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. T. Y. Yin	3,320,000	100.00
Digital United Information Technology (Shanghai) Co., Ltd.	Chairman	Digital United (Cayman) Ltd. Daniel Chang	-	100.00
	Director	Digital United (Cayman) Ltd. P.L. Chiang	-	100.00
	Director	Digital United (Cayman) Ltd. Eric Li	-	100.00
	Supervisor	Digital United (Cayman) Ltd. T. Y. Yin	-	100.00
	President	Digital United (Cayman) Ltd. P.L. Chiang	-	-

Note 1: Far EasTone Telecommunications Co., Ltd. re-appointed T.Y. Yin as the representative director on April 18, 2012.

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

Note 3: Far EasTone Telecommunications Co., Ltd. held 112,335,219 shares of KGEx.com Co., Ltd. or 99.94% of total shares until April 24, 2012.

Note 4: ADCast Interactive Marketing Co., Ltd. was conducted cash merger with its parent company, New Century InfoComm Tech Co., Ltd. and became the dissolved company on March 31, 2012.

Note 5: Gold Typhoon Music Co., Ltd. re-appointed Louis Pong as the representative director on February 17, 2012.

(6) Operation overview of Far EasTone and affiliates:

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

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT\$)
Far EasTone Telecommunications Co., Ltd.	\$32,585,008	\$89,832,171	\$17,855,304	\$71,976,867	\$62,408,959	\$10,935,419	\$8,880,993	\$2.72
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	USD 12,000	USD 5,283,675	USD 2,122	USD 5,281,553	-	-	(USD 504,311)	(USD 420.26)
E. World (Holdings) Ltd. (British Cayman Islands)	USD 7,000,000	USD 3,266,042	USD 2,411	USD 3,263,631	-	-	USD 264,341	USD 0.04
KGEx.com Co., Ltd.	1,124,080	1,364,577	503,315	861,262	1,067,152	(55,144)	(55,486)	(0.49)
Far Eastern Tech-info Ltd. (Shanghai)	RMB 20,675,000	RMB 68,674,212	RMB 33,683,544	RMB 34,990,668	RMB 29,970,245	RMB 3,714,512	(RMB 66,397)	N/A
Yuan Cing Co., Ltd.	193,500	97,801	6,407	91,394	31,406	8,761	8,003	0.41
ARCOA Communication Co., Ltd.	1,342,800	3,674,919	2,076,368	1,598,551	7,301,703	137,976	160,083	1.19
Far EasTron Holding Ltd. (British Cayman Islands)	USD 4,486,988	USD 888,293	USD 14,915	USD 873,378	-	-	USD 161,575	USD 0.04
Q-ware Communications Co., Ltd.	714,901	269,476	565,272	(295,796)	134,488	(170,537)	(181,331)	(2.54)
ADCast Interactive Marketing Co., Ltd.	45,182	63,646	19,093	44,553	23,023	(1,105)	(221)	(0.05)
O-music Co., Ltd.	50,000	47,585	13,153	34,432	45,627	(13,585)	(13,234)	(2.65)
Data Express Infotech Co., Ltd.	87,750	646,863	507,611	139,252	2,353,448	52,015	55,824	6.36
Linkwell Technology Ltd.	10,000	273,298	254,027	19,271	855,279	15,051	12,905	12.91
Home Master Technology Ltd.	10,000	49,637	42,106	7,531	33,829	(7,111)	(2,469)	(2.47)
Jing Yuan Technology Ltd.	10,000	10,000	16	9,984	-	(16)	(16)	(0.02)
New Century InfoComm Tech Co., Ltd.	25,994,490	28,923,414	3,132,960	25,790,454	10,766,919	265,264	(732)	-
New Diligent Co., Ltd.	800,000	725,041	120	724,921	-	(331)	6,397	0.08
Simple InfoComm Co., Ltd.	34,000	22,595	1,996	20,599	135,766	(3,615)	(3,516)	(1.03)
Information Security Service Digital United	148,777	163,719	66,504	97,215	153,348	(26,659)	(30,157)	(2.03)
Digital United (Cayman) Ltd.	USD 3,320,000	USD 871,314	USD 8,180	USD 863,134	-	-	USD 13,107	-
Sino Lead Enterprise Limited	HKD 30,000	HKD 8,220,714	HKD 8,086,433	HKD 134,281	HKD 17,767,964	(HKD 8,396)	(HKD 8,284)	N/A
Digital United Information Technology (Shanghai) Co., Ltd.	RMB 17,382,383	RMB 2,781,312	RMB 519,149	RMB 2,262,163	RMB 276,850	(RMB 897,841)	(RMB 899,703)	N/A
Far Eastern New Diligent Company Ltd.	-	RMB 35,850	RMB 35,850	-	-	-	-	N/A
Far Eastern New Century Information Technology (Beijing) Limited	RMB 1,326,943	RMB 35,070,387	RMB 29,759,273	RMB 5,311,114	RMB 30,852,627	(RMB 7,618,862)	(RMB 7,608,969)	N/A

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

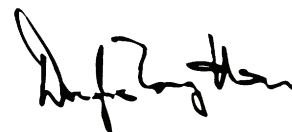
February 16, 2012

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended 2011 had been prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the entities in consolidated financial statements of affiliated enterprises are the same as those in consolidated financial statements in accordance with the "Guidelines for Securities Issuers' Financial Reporting for Public Company" and Statements of Financial Accounting Standards No. 7 "Consolidated Financial Statements". Besides, the information needed in consolidated financial statements of affiliated enterprises is enclosed in consolidated financial statements. Therefore, no consolidated financial statements of affiliated enterprises will be compiled.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By



DOUGLAS HSU
Chairman

1-3 Affiliation Report

(1) Independent Auditor's Report

To: Far EasTone Telecommunications Co., Ltd.

According to the declaration of Far EasTone Telecommunications Co., Ltd. (the Company), the Affiliation Report of 2011 dated February 16, 2012 had been prepared according to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises (“the Criteria”) and the information in the above report has no significant inconsistency from the notes to the financial statements as of and for the year ended December 31, 2011 (“the Notes”). The declaration is shown on the next page.

We have examined the Affiliation Report of the Company against the Criteria and the Notes. As stated in the above declaration, there was no significant inconsistency found between your 2011 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2011.

February 16, 2012

(2) Declaration for the Affiliation Report of the Company

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

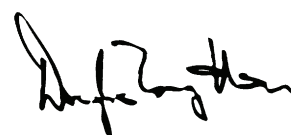
February 16, 2012

We hereby declare that the Affiliation Report of 2011 had been prepared according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises” and the information in the above report has no significant inconsistency from the Notes to the Financial Statements as of and for the year ended December 31, 2011.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By



DOUGLAS HSU

Chairman

- A. The relationship between the subordinate company and the parent company: Schedule A.
- B. Purchase (sale) of goods between the subordinate company and the parent company: None.
- C. Property transactions between the subordinate company and the parent company: None.
- D. Financing between the subordinate company and the parent company: None.
- E. Asset leasing between the subordinate company and the parent company: Schedule B.
- F. Endorsements and guarantees between the subordinate company and the parent company: None.
- G. Engaging in Derivatives Trading between the subordinate company and the parent company: None.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
THE RELATIONSHIP BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
DECEMBER 31, 2011

(Unit: Share, %)

Parent Company	For the Control Reason	Parent Company's Shareholding Information			Parent Company Appointed Directors, Supervisors or Managerial Officer	
		Shareholding	%	Share Pledged	Title	Name
Yuan Ding Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,066,657,614	32.73	43,144,682	Chairman Vice-chairman Director President	Douglas Hsu Jan Nilsson Champion Lee Yvonne Li
Far Eastern New Century Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-	-	-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	104,216,031	3.20	65,086,127	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	80,171,592	2.46	39,578,821	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	92,462,031	2.84	58,214,727	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2011

(In Thousand of New Taiwan Dollars)

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Far Eastern New Century Corporation Leasing	BTS1522	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County	1997.07.15-2012.07.14	Operating	Same as normal leasing	Bank remittance annually	Same	\$261	None
Leasing	BTS5341, Y1355A	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin Township, Tao-Yuan County	2008.11.15-2013.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	214	None
Leasing	Nei-Li MSC	No. 759, Yuan-Tung Section, Nei-Li Township, Tao-Yuan County	2007.05.01-2012.04.30	Operating	Same as normal leasing	Bank remittance monthly	Same	2,627	None
Leasing	BTS1588	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2015.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	244	None
								<u>\$3,346</u>	

2. Private Placement Securities in Recent Years until the Annual Report being Published

None.

3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published

None.

4. Other Supplementary Information

None.

5. Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being Published

Please refer the details to 2-6 "Material Impact Event on the Shareholders' Equity and Company from Change of Ownership, Business Operating, Business Content and Others in the Recent Years until the Annual Report being Published" of CH2- "Company Profile".

1. Condensed Financial Statement for the Recent 5 Years

1-1 Condensed Balance Sheet

2012/3/31; Unit: NTS' 000

Item	Year	Financial Information In Recent Years (Note 1)					
		2012 Q1	2011	2010	2009	2008	2007
Current Assets		10,884,040	10,657,324	14,625,272	10,653,659	7,895,390	10,594,966
Fund and Investments		30,832,983	30,192,560	23,883,565	38,251,031	39,857,195	43,342,778
Properties		32,731,729	32,865,294	35,707,574	27,629,692	29,334,104	29,794,143
Intangible assets		15,215,299	15,397,976	16,128,682	6,576,358	7,307,065	8,037,772
Other Assets		716,770	719,017	940,623	759,454	989,559	608,036
Total Assets		90,380,821	89,832,171	91,285,716	83,870,194	85,383,313	92,377,695
Current Liabilities	Before Distribution	13,740,880	15,754,390	18,396,775	11,193,073	13,183,044	12,384,336
	After Distribution	- (Note 2)	- (Note 2)	26,543,027	20,316,875	22,306,846	22,800,759
Long-term Liabilities		-	-	-	-	4,180	8,360
Other Liabilities		2,132,416	2,100,914	1,608,109	1,134,534	899,887	650,999
Total Liabilities	Before Distribution	15,873,296	17,855,304	20,004,884	12,327,607	14,087,111	13,043,695
	After Distribution	- (Note 2)	- (Note 2)	28,151,136	21,451,409	23,210,913	23,460,118
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	40,330,334
Capital Surplus		19,546,621	19,546,610	19,536,368	19,487,349	19,487,349	19,487,270
Retained Earnings	Before Distribution	22,214,711	19,811,394	19,076,653	19,351,890	19,245,585	19,501,261
	After Distribution	- (Note 2)	- (Note 2)	10,930,401	10,228,088	10,121,783	9,084,838
Unrealized loss on financial product		156,241	26,824	70,692	94,055	(50,204)	3,309
Cumulative Translation Adjustment		4,944	7,031	12,111	24,285	28,464	11,826
Unrecognized net loss on pension		-	-	-	-	-	-
Total Shareholders' Equity	Before Distribution	74,507,525	71,976,867	71,280,832	71,542,587	71,296,202	79,334,000
	After Distribution	- (Note 2)	- (Note 2)	63,134,580	62,418,785	62,172,400	68,917,577

Note 1: The financial statements for the first quarter of 2012 have been reviewed. Others have been audited.

Note 2: The appropriation of 2011 earning has not been approved by the shareholders' Meeting.

1-2 Condensed Income Statement

2012/3/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Year	Financial Information In Recent 5 Years (Note)					
		2012 Q1	2011	2010	2009	2008	2007
Operating Revenues		17,658,700	62,408,959	58,177,343	53,740,291	51,341,479	46,171,972
Gross Profit		7,481,048	27,592,813	28,812,140	26,739,039	25,797,276	22,096,267
Operating Income		2,678,224	10,935,419	11,204,863	13,862,628	12,985,332	10,274,570
Non-Operating Income and gain		479,646	640,831	474,428	291,650	422,863	3,873,681
Non-Operating Expense and loss		244,751	789,592	755,330	1,555,572	280,373	457,307
Income before Income Tax from Operating Business		2,913,119	10,786,658	10,923,961	12,598,706	13,127,822	13,690,944
Net Income from Operating Business		2,403,317	8,880,993	8,848,565	9,230,107	10,160,747	11,619,441
Net Income from Discontinued Business		-	-	-	-	-	-
Abnormal net income		-	-	-	-	-	-
Accumulated number from accounting principle changes		-	-	-	-	-	-
Net Income		2,403,317	8,880,993	8,848,565	9,230,107	10,160,747	11,619,441
Basic Earning per Share in NT\$		0.74	2.73	2.72	2.83	3.09	3.00

Note: The financial statements for the first quarter of 2012 have been reviewed. Others have been audited.

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

1-3-1 Financial Instruments:

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

1-3-2 Operating Segments:

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

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

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

Year	Audit Firm	Auditors' Name	Opinion
2007	Deloitte and Touche Co.	Annie Lin, Benjamin Shih	Unqualified opinion
2008	Deloitte and Touche Co.	Benjamin Shih, Tony C. Chung	Unqualified opinion
2009	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Unqualified opinion
2010	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Modified Unqualified opinion
2011	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Modified Unqualified opinion

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

2. Financial Analysis for the Recent 5 Years

2-1 Financial Ratio Analysis

2012/3/31

Item	Year	Financial Analysis In Recent 5 Years (Note)						
		2012 Q1	2011	2010	2009	2008	2007	
Financial Structure	Debt to Asset Ratio	17.56	19.88	21.91	14.70	16.50	14.12	
	Long-term Funds to Fixed Assets Ratio	227.63	219.01	199.62	258.93	243.06	266.30	
Liquidity Analysis	Current Ratio (%)	79.21	67.65	79.50	95.18	59.89	85.55	
	Quick Ratio (%)	70.35	59.20	73.27	87.76	52.60	78.99	
	Times Interest Earned (times)	1,214.80	531.24	409.22	1,631.90	1,573.57	498.04	
Operating Performance	Accounts Receivable Turnover (times)	11.00	9.74	9.43	8.75	8.51	8.51	
	Average Collection Days (days)	33.18	37.47	38.70	41.71	42.89	42.91	
	Inventory Turnover (times)	22.95	17.23	17.53	11.80	8.86	8.67	
	Accounts Payable Turnover (times)	11.55	9.96	11.46	11.24	12.81	14.83	
	Inventory Turnover Days (times)	15.90	21.18	20.82	30.93	41.19	42.09	
	Fixed Assets Turnover (times)	2.16	1.90	1.63	1.95	1.75	1.55	
	Total Assets Turnover (times)	0.78	0.69	0.64	0.64	0.60	0.50	
Profitability Analysis	Return on Assets (%)	10.68	9.83	10.13	10.91	11.44	12.78	
	Return on Equity (%)	13.13	12.40	12.39	12.92	13.49	15.16	
	To Capital ratio	Operating Income	32.88	33.56	34.39	42.54	39.85	25.48
		Income before Tax	35.76	33.10	33.52	38.66	40.29	33.95
	Net Income Ratio (%)	13.61	14.23	15.21	17.18	19.79	25.17	
	Basic EPS in NT\$	0.74	2.73	2.72	2.83	3.09	3.00	
	Diluted EPS in NT\$	0.74	2.72	2.71	2.83	3.09	3.00	
Earning Per Share in NT\$	0.74	2.73	2.72	2.83	3.09	3.00		
Cash flow	Cash Flow Ratio (%)	31.10	130.00	113.80	177.56	173.26	175.88	
	Cash Flow Equivalent Ratio (%)	106.38	106.90	107.70	128.48	138.29	119.71	
	Cash Reinvestment Ratio (%)	2.44	7.24	7.34	8.15	10.26	7.73	
Leverage Ratio	Operating Leverage (times)	2.37	2.33	2.34	1.87	1.83	2.05	
	Financial Leverage (times)	1.00	1.00	1.00	1.00	1.00	1.00	

Note: The financial statements for the first quarter of 2012 have been reviewed. Others have been audited.

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

(1) Times Interest Earned : Mainly due to the decrease of interest expenses in 2011.

2-2 Consolidated Financial Ratio Analysis:

2012/3/31

Item	Year	Financial Analysis In Recent 5 Years (Note)						
		2012 Q1	2011	2010	2009	2008	2007	
Financial Structure	Debt to Asset Ratio	21.55	23.74	24.67	16.23	18.22	16.70	
	Long-term Funds to Fixed Assets Ratio	146.88	141.21	136.18	180.05	159.36	164.50	
Liquidity Analysis	Current Ratio (%)	144.69	125.30	105.31	170.76	118.46	137.71	
	Quick Ratio (%)	128.89	111.40	97.38	160.99	108.19	128.61	
	Times Interest Earned (times)	215.81	179.11	233.72	511.84	588.88	351.02	
Operating Performance	Accounts Receivable Turnover (times)	11.41	10.43	9.50	8.93	8.58	8.59	
	Average Collection Days (days)	31.99	35.00	38.43	40.89	42.56	42.47	
	Inventory Turnover (times)	9.89	9.16	9.57	7.68	6.86	7.02	
	Accounts Payable Turnover (times)	9.83	9.63	10.55	11.44	11.47	11.57	
	Inventory Turnover Days	36.92	39.83	38.15	47.53	53.21	52.00	
	Fixed Assets Turnover (times)	1.66	1.47	1.17	1.49	1.38	1.31	
	Total Assets Turnover (times)	0.89	0.79	0.65	0.70	0.71	0.66	
Profitability Analysis	Return on Assets (%)	10.22	9.30	9.67	10.48	10.86	12.03	
	Return on Equity (%)	13.15	12.20	12.15	12.63	13.13	14.72	
	To Capital ratio	Operating Income	38.27	35.34	34.29	38.15	44.08	37.32
		Income before Tax	36.40	33.37	33.65	37.29	40.89	36.11
	Net Income Ratio (%)	11.43	11.78	13.97	15.21	16.03	17.84	
	Basic EPS in NT\$	0.74	2.73	2.72	2.83	3.09	3.00	
	Diluted EPS in NT\$	0.74	2.72	2.71	2.83	3.09	3.00	
	Earning Per Share in NT\$	0.74	2.73	2.72	2.83	3.09	3.00	
Cash flow	Cash Flow Ratio (%)	29.72	112.75	102.51	178.58	155.27	164.85	
	Cash Flow Equivalent Ratio (%)	133.76	131.87	135.45	142.44	156.64	161.51	
	Cash Reinvestment Ratio (%)	2.74	7.57	7.46	8.25	9.20	9.09	
Leverage Ratio	Operating Leverage (times)	2.26	2.43	2.42	2.32	2.12	2.06	
	Financial Leverage (times)	1.00	1.01	1.00	1.00	1.00	1.00	

Note: The financial Statements for the first quarter of 2012 have been reviewed. Others have been audited.

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

- (1) Times Interest Earned : Mainly due to the increase of interest expenses in 2011.
- (2) Fixed Assets Turnover Ratio : Mainly due to the great increase of net sales in 2011.
- (3) Total Assets Turnover Ratio : Mainly due to the great increase of net sales in 2011.

The formulas for the above table:

1. Financial Structure

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

(2) Long-term Funds to Fixed Assets Ratio = (Total Shareholders' Equity plus Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - inventory - Prepaid Expense) / Current Liabilities

(3) Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense

3. Operating Performance

(1) Account Receivable Turnover = Net Sales / Average Accounts Receivable

(2) Average Collection Days = 365 / Accounts Receivable Turnover

(3) Inventory Turnover = Costs of Good Sold / Average Inventory

(4) Accounts Payable Turnover = Costs of Good Sold / Average Accounts Payable

(5) Inventory Turnover Days = 365 / Inventory Turnover

(6) Fixed Assets Turnover Ratio = Net Sales / Net Fixed Assets

(7) Total Assets Turnover Ratio = Net Sales / Total Assets

4. Profitability Analysis

- (1) Return on Assets = $[\text{Net Income} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$
 - (2) Return on Shareholders' Equity = $\text{Net Income} / \text{Average Shareholders' Equity}$
 - (3) Net Income Ratio = $\text{Net Income} / \text{Net Sales}$
 - (4) Earnings per Share = $(\text{Net Income} - \text{Preferred Stock Dividend}) / \text{Weighed-average Number of Outstanding Shares}$
5. Cash Flow
- (1) Cash Flow Ratio = $\text{Cash Flows from Operating Activities} / \text{Current Liabilities}$
 - (2) Cash Flow Equivalent Ratio = $\text{Net Cash Flow from Operating Activities for the past 5 years} / (\text{Capital Expenditure} + \text{Increase in Inventory} + \text{Cash Dividends}) \text{ for the past 5 years}$
 - (3) Cash Reinvestment Ratio = $(\text{Net Cash Flow from Operating Activities} - \text{Cash Dividends}) / (\text{Gross Fixed Assets} + \text{Long-term Investment} + \text{Other Assets} + \text{Working Capital})$
6. Leverage Ratio
- (1) Operating Leverage = $(\text{Net Sales} - \text{Variable Operating Costs and Expenses}) / \text{Operating Income}$
 - (2) Financial Leverage = $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$

3. 2011 Supervisors' Report

April 21, 2012

The Board of Directors have prepared and submitted to us the Company's 2011 Business Reports, the Financial Statements (Included the consolidated Financial Reports which audited by the CPAs of Deloitte & Touche Co. and the Proposal for Profit Distribution and issued audit opinions).

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

To

FET 2012 Shareholders' Meeting

Supervisors

Chen-en Ko



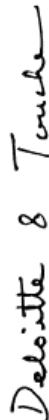
Eli Hong



Morton Huang



We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2011 and 2010 and have issued thereon a modified unqualified opinion in our reports dated February 16, 2012 and February 18, 2011, respectively.



February 16, 2012

4. 2011 Independent Auditors' Report, Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 9 to the 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 acquire 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.

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

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

	2011		2010		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Notes 2, 5 and 25)	\$ 1,465,482	2	\$ 669,743	1	\$ 1,862,000	2	\$ 2,040,000	3
Available-for-sale financial assets - current (Notes 2 and 6)	270,426	-	526,209	1	2,848,739	-	2,848,739	3
Hedging derivative financial assets - current (Notes 2 and 24)	-	-	13,820	-	57,901	-	57,901	-
Notes receivable, net (Note 2)	3,956	-	8,691	-	38,912	-	38,912	-
Accounts payable	5,368,481	6	5,189,664	6	2,709,615	3	2,082,669	3
Accounts receivable - related parties (Notes 2 and 25)	320,115	1	150,682	-	1,031,178	1	1,093,920	2
Other receivables - related parties (Notes 2 and 25)	719,630	1	4,761,960	5	1,763,270	2	1,702,462	2
Inventories, net (Notes 2 and 8)	611,181	1	31,166	-	3,703,577	4	3,330,593	4
Prepaid expenses	297,871	-	634,641	-	536,924	1	381,355	-
Deferred income tax assets - current (Notes 2 and 21)	1,195,839	1	394,647	-	75	-	-	-
Restricted assets - current (Notes 18 and 25)	1,174,504	1	1,174,504	1	1,241,609	1	1,449,434	2
Other current assets (Notes 2, 25 and 27)	34,026	-	389,002	-	2,361,947	3	1,743,858	2
Total current assets	10,657,324	12	14,625,272	16	320,354	-	291,234	-
					15,754,390	18	18,396,775	20
LONG-TERM INVESTMENTS								
Equity-method investments (Notes 2 and 9)	29,992,792	34	23,683,899	26	456,128	-	386,299	1
Hold-to-maturity financial assets - noncurrent (Notes 2 and 10)	199,268	-	199,666	-	283,161	-	262,718	-
Total long-term investments	30,192,060	34	23,883,565	26	568,253	1	339,081	-
					238,453	-	332,241	-
					534,919	-	283,770	-
PROPERTIES (Notes 2, 11 and 25)								
Cost								
Land	1,175,798	1	1,227,914	1	2,100,914	2	1,608,109	2
Buildings and equipment	2,181,408	2	2,286,335	3	17,855,304	20	20,004,884	22
Operating equipment	14,885,535	128	11,133,726	122				
Computer equipment	19,367,175	22	18,221,049	20				
Office equipment	967,004	1	1,000,729	1				
Leasehold improvements	2,014,371	2	1,913,554	2				
Miscellaneous equipment	440,291	1	422,506	-				
Total cost	141,031,382	157	136,404,813	149	32,585,008	36	32,585,008	36
Less: Accumulated depreciation	111,650,339	125	104,089,191	114	10,964,702	12	10,964,702	12
	29,381,043	32	32,215,622	35	8,482,381	10	8,482,381	9
	3,484,051	4	3,491,952	4	99,527	-	89,285	-
Construction-in-progress and prepayments for equipment	32,865,294	36	35,707,574	39	19,536,610	22	19,536,368	21
Net properties					10,874,858	12	9,990,002	11
					8,936,536	10	9,086,651	10
INTANGIBLE ASSETS					19,811,394	22	19,076,653	21
3G concession, net (Notes 1, 2 and 12)	5,114,945	6	5,845,651	7				
Goodwill, net (Notes 2 and 13)	10,283,031	11	10,283,031	11	7,031	-	12,111	-
Total intangible assets	15,397,976	17	16,128,682	18				
					26,824	-	70,692	-
					33,855	-	82,803	-
OTHER ASSETS					71,976,867	80	71,280,832	78
Rental assets, net (Notes 2 and 14)	332,979	-	179,384	-				
Refundable deposits (Note 25)	349,901	1	324,246	-				
Deferred charges, net	1,575	-	2,582	-				
Lease receivables - noncurrent (Notes 2 and 25)	34,562	-	42,411	-				
Pledged certificates of deposits (Notes 25 and 27)	-	-	392,000	1				
Total other assets	719,017	1	940,623	1				
TOTAL	\$ 89,832,171	100	\$ 91,285,716	100	\$ 89,832,171	100	\$ 91,285,716	100

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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 25)				
Sales of cellular phone equipment and accessories, net	\$ 7,477,192	12	\$ 5,365,491	9
Telecommunications service revenues	54,204,144	87	52,372,563	90
Other	727,623	1	439,289	1
Total operating revenues	62,408,959	100	58,177,343	100
OPERATING COSTS (Notes 2, 8, 22 and 25)				
Cost of sales	10,975,529	18	7,492,785	13
Cost of telecommunications services	23,765,155	38	24,851,348	43
Other	75,462	-	21,070	-
Total operating costs	34,816,146	56	32,365,203	56
GROSS PROFIT	27,592,813	44	25,812,140	44
OPERATING EXPENSES (Notes 2, 22 and 25)				
Marketing	12,730,308	21	10,507,016	18
General and administrative	3,873,355	6	4,041,868	7
Research and development	53,731	-	58,393	-
Total operating expenses	16,657,394	27	14,607,277	25
OPERATING INCOME	10,935,419	17	11,204,863	19
NONOPERATING INCOME AND GAINS				
Equity in investees' net gains (Note 2)	248,162	1	-	-
Government grant (Note 2)	91,494	-	92,089	-
Management services revenue (Note 25)	62,485	-	40,142	-
Rent (Notes 2 and 25)	48,928	-	34,816	-
Interest (Note 25)	37,558	-	63,092	-
Gain from sale of financial assets, net (Note 2)	-	-	113,163	-
Other (Note 25)	152,204	-	131,126	1
Total nonoperating income and gains	640,831	1	474,428	1
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	691,606	1	706,678	1
Loss from sale of financial assets, net (Note 2)	72,176	-	-	-
Equity in investees' net losses (Note 2)	-	-	10,588	-
Other (Notes 2, 11 and 22)	25,810	-	38,064	-
Total nonoperating expenses and losses	789,592	1	755,330	1

(Continued)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 10,786,658	17	\$ 10,923,961	19
INCOME TAX (Notes 2 and 21)	1,905,665	3	2,075,396	4
NET INCOME	\$ 8,880,993	14	\$ 8,848,565	15
EARNINGS PER SHARE (Note 24)				
Basic	\$ 3.31	\$ 2.73	\$ 3.35	\$ 2.72
Diluted	\$ 3.31	\$ 2.72	\$ 3.35	\$ 2.71

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

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

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	Capital Surplus (Notes 2 and 20)										Other Adjustments		Total Stockholders' Equity
	Capital Stock Issued and Outstanding (Note 20)		Additional Paid-in Capital			Retained Earnings (Note 20)		Unappropriated Earnings		Cumulative Translation Adjustments (Notes 2 and 20)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 20)	Total Stockholders' Equity	
	Shares (Thousands)	Amount	From Business Combination	From Long-term Equity-method Investments	From Share Issuance In Excess of Par Value	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2010	3,258,501	\$ 32,585,008	\$ 8,482,381	\$ 40,266	\$ 10,964,702	\$ 9,066,992	\$ 21,740	\$ 10,263,158	\$ 24,285	\$ 94,055	\$ 71,542,587		
Appropriation of the 2009 earnings	-	-	-	-	-	923,010	-	(923,010)	-	-	-		
Legal reserve	-	-	-	-	-	-	(21,740)	21,740	-	-	-		
Special reserve	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)		
Cash dividends - NTS\$2.8 per share	-	-	-	-	-	-	-	8,848,565	-	-	8,848,565		
Net income in 2010	-	-	-	-	-	-	-	-	-	-	-		
Changes in equity-method investees' stockholders' equity	-	-	-	49,019	-	-	-	-	-	-	49,019		
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(39,282)	(39,282)		
Changes in unrealized gain on cash flow hedge	-	-	-	-	-	-	-	-	-	3,950	3,950		
Changes in subsidiary's unrealized gains on financial assets	-	-	-	-	-	-	-	-	-	11,969	11,969		
Translation adjustments of long-term equity-method investments	-	-	-	-	-	-	-	-	(12,174)	-	(12,174)		
BALANCE, DECEMBER 31, 2010	3,258,501	\$ 32,585,008	\$ 8,482,381	89,285	10,964,702	9,990,002	-	9,086,651	12,111	70,692	71,280,832		
Appropriation of the 2010 earnings	-	-	-	-	-	884,856	-	(884,856)	-	-	-		
Legal reserve	-	-	-	-	-	-	-	(8,146,252)	-	-	(8,146,252)		
Cash dividends - NTS\$2.5 per share	-	-	-	-	-	-	-	8,880,993	-	-	8,880,993		
Net income in 2011	-	-	-	(13)	-	-	-	-	-	-	(13)		
Changes in equity-method investees' stockholders' equity	-	-	-	-	-	-	-	-	-	-	-		
Adjustment to changes in ownership percentage due to investees' issuance of capital stock for cash	-	-	-	10,255	-	-	-	-	-	-	10,255		
Changes in unrealized losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(3,308)	(3,308)		
Changes in unrealized gains on cash flow hedge	-	-	-	-	-	-	-	-	-	(6,920)	(6,920)		
Changes in subsidiary's unrealized losses on financial assets	-	-	-	-	-	-	-	-	-	(33,640)	(33,640)		
Translation adjustments of long-term equity-method investments	-	-	-	-	-	-	-	-	(5,080)	-	(5,080)		
BALANCE, DECEMBER 31, 2011	3,258,501	\$ 32,585,008	\$ 8,482,381	\$ 99,527	\$ 10,964,702	\$ 10,874,858	\$ -	\$ 8,936,536	\$ 7,031	\$ 26,824	\$ 71,976,867		

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 16, 2012)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 8,880,993	\$ 8,848,565
Depreciation	8,450,990	9,272,417
Amortization	3,448	9,686
Amortization of 3G concession	730,706	730,707
Allowance for doubtful accounts	146,723	412,220
Allowance (reversal of allowance) for loss on decline in value of inventories	6,000	(7,188)
Loss (gain) from sale of financial assets, net	72,176	(113,163)
Equity in investees' net losses (gains)	(248,162)	10,588
Cash dividends from equity-method investees	77,909	26,809
Amortization of discount on held-to-maturity financial assets	(102)	(99)
Loss on disposal of properties, net	691,606	706,678
Accrued pension cost	7,935	20,559
Deferred income on hedging derivative financial assets	7,100	30,280
Deferred income taxes	325,771	100,949
Net changes in operating assets and liabilities		
Notes receivable	4,735	(5,158)
Accounts receivable	(325,440)	(282,148)
Accounts receivable - related parties	367	(79,084)
Other receivables - related parties	176,325	(269,967)
Inventories	(214,024)	(203,547)
Prepaid expenses	21,101	(53,479)
Other current assets	64,146	(830)
Notes payable	(28,989)	14,115
Accounts payable	(253,054)	731,575
Accounts payable - related parties	831,098	(105,451)
Other payables - related parties	157,436	15,815
Income tax payable	(339,192)	424,497
Accrued expenses	372,951	65,465
Unearned revenues	818,089	649,892
Other current liabilities	41,502	(14,951)
Net cash provided by operating activities	<u>20,480,144</u>	<u>20,935,752</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,274,009)	(1,047,679)
Proceeds of the disposal of available-for-sale financial assets	1,809,425	2,362,177
Other receivables - related parties	-	(4,300,000)
Proceeds of the disposal of financial assets carried at cost	-	164,123
Acquisition of equity-method investments	(1,746,808)	(15,052,200)
Acquisition of properties	(6,627,740)	(7,595,956)
Proceeds of the disposal of properties	24,917	23,448
Decrease (increase) in refundable deposits	(25,655)	16,385
Decrease in deferred charges	-	418
Decrease in pledged certificates of deposits	389,700	-
Increase in restricted assets	(21,335)	(6,174)
Net cash used in investing activities	<u>(7,471,505)</u>	<u>(25,435,458)</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	\$ (1,078,000)	\$ 2,740,000
Increase (decrease) in commercial paper payable	(2,848,739)	2,848,739
Decrease in guarantee deposits received	(73,438)	(46,272)
Decrease in deferred revenue	(73,788)	(62,650)
Cash dividends paid	<u>(8,146,252)</u>	<u>(9,123,802)</u>
Net cash used in financing activities	<u>(12,220,217)</u>	<u>(3,643,982)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	788,422	(8,143,691)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	669,743	2,576,199
CASH AND CASH EQUIVALENTS, ARISING FROM MERGER	<u>7,317</u>	<u>6,237,235</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,465,482</u>	<u>\$ 669,743</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 49,347	\$ 32,911
Less: Interest capitalized	21,786	13,894
Interest paid, net of capitalized interest	<u>\$ 27,561</u>	<u>\$ 19,017</u>
Income tax paid	<u>\$ 1,919,389</u>	<u>\$ 1,549,951</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties to rental assets	\$ 157,376	\$ -
Reclassification of properties to deferred charges	-	\$ 5,629
Reclassification of credit balance on the carrying value of long-term equity-method investments to other liabilities - other	<u>\$ 295,797</u>	<u>\$ 114,466</u>
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 6,473,851	\$ 7,362,242
Decrease (increase) in other payables - related parties	1,867	(4,061)
Decrease in payables for acquisition of properties	207,815	242,982
Decrease (increase) in other current liabilities	12,025	(8,354)
Decrease (increase) in other liabilities - other	<u>(67,818)</u>	<u>3,147</u>
Cash paid for acquisition of properties	<u>\$ 6,627,740</u>	<u>\$ 7,595,956</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 19,940	\$ 77,054
Increase in receivables on properties sold	(4,796)	(1,292)
Decrease (increase) in other receivables - related parties	(151)	21
Decrease (increase) in lease receivables	9,924	(52,335)
Cash received from disposal of properties	<u>\$ 24,917</u>	<u>\$ 23,448</u>

(Continued)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

On March 1, 2011 and January 1, 2010, the Company completed the mergers with Yuan Cing Infocomm Tech Co., Ltd. (YCIC) and KG Telecommunications Co., Ltd. (KGT), respectively, with the Company as the survivor entity; the fair values of total assets and total liabilities upon completion of the merger were as follows:

	YCIC	KGT
Cash and cash equivalents	\$ 7,317	\$ 6,237,235
Available-for-sale financial assets - current	-	2,127,789
Hedging derivative assets - current	-	2,750
Notes receivable	-	73
Accounts receivable, net	-	600,538
Accounts receivable - related parties, net	-	145,460
Other receivables - related parties	-	1,059,254
Inventories, net	-	1,698
Prepaid expenses	82	49,500
Deferred income tax assets - current	-	107,676
Other current assets	60,137	30,836
Equity-method investments	27,081,916	828,283
Financial assets carried at cost - noncurrent	-	150,000
Held-to-maturity financial assets - noncurrent	-	199,567
Properties, net	-	10,775,486
Goodwill, net	-	10,283,031
Refundable deposits	-	55,848
Pledged certificates of deposits	\$ 27,149,452	390,000
	\$ 27,149,452	\$ 33,045,024
Notes payable	\$ -	\$ 1,438
Accounts payable	-	279,126
Accounts payable - related parties	-	450,833
Income tax payable	-	363,223
Accrued expenses	383	195,604
Other payables - related parties	4,305,563	47,236
Payables for acquisition of properties	-	107,306
Guarantee deposits received - current	-	86,713
Unearned revenue	-	236,567
Lease payable - current	-	4,180
Other current liabilities	569	31,569
Guarantee deposits received - noncurrent	-	1,969
Deferred income tax liabilities - noncurrent	-	629,300
Other liabilities - other	\$ 4,306,515	36,462
	\$ 4,306,515	\$ 2,471,526

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

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO 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. (the "Company") was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares began to be traded on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) on December 10, 2001. Later, the Company's shares ceased to be traded on the OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. The Company provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2011, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 41.23% of the Company's shares. Since the Company's chief executive officer is appointed by Far Eastern New Century's 99.99% subsidiary, Far Eastern New Century has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of the Company.

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

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

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

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

In 2004, the Company incorporated KG Telecommunications Co., Ltd. ("KG Telecom," formerly Yuan Ho Telecommunications Co., Ltd.) to proceed with the merger with the former KG Telecommunications Co., Ltd. (the "former KGT") in 2004. Through the completion of the merger with the former KGT, KG Telecom became licensed to provide island-wide 2G wireless communications services under a type I license - GSM1800, with an annual license fee at 2% of total 2G wireless communications service revenues. The DGT also issued the former KGT a type I license to provide local/domestic long distance land cable leased circuit services for 15 years from September 2000, with an annual license fee of 1% of leased circuit service revenues. To integrate the resources and enhance the operating efficiency of the Company and KG Telecom (formerly the Company's 100% subsidiary), the boards of directors of both companies resolved to

approve their merger on February 26, 2009, with the Company as the survivor entity. On August 28, 2009, the NCC approved this merger, and the record date of this merger was January 1, 2010.

In February 2012, the Company will 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.

The Company had 4,940 and 4,072 employees as of December 31, 2011 and 2010, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC.

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

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

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

The above prevailing exchange rates are based on the average of bid and ask rates of principal correspondent banks which exchange rates are used for assets and liabilities, shareholders' equity, dividends and income and expense.

Accounting Estimates

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

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Bonds purchased under resale agreements with original maturities of not more than three months are classified as cash equivalents. Their carrying values approximate their fair values.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. At each balance sheet date after initial recognition, gain or loss due to changes in fair value is recognized as adjustments to stockholders' equity. When an asset is disposed of, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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

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

Held-to-maturity Financial Assets

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

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

Hedge Accounting

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

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

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

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

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, such as domestic private mutual funds, are carried at cost upon initial recognition. 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

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

As discussed in Note 4 to the financial statements, since January 1, 2011, the Company 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 Company 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 becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or financial reorganization.

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 Company's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, 3G concession, goodwill, deferred charges, and equity-method investments) exceeds their recoverable amount, and this impairment loss should be charged to current income. For investees on which the Group has significant influence but over which it has no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing. For investees which the Company has control, the recoverable amount is assessed under the consideration of taking the consolidated financial statement as a whole. The accumulated impairment loss of an asset recognized in prior years can be reversed if, later on, the estimate of the asset's recoverable amount later has changed so as to increase the recoverable amount. Then, the asset's carrying amount can be increased to its recoverable amount; however, the recoverable amount should not exceed the carrying amount that would have been determined after the deduction of depreciation or amortization had no impairment loss been recognized.

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

Inventories

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

Equity-method Investments

Long-term investments in which the Company owns at least 20% of investees' common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

On the acquisition date or the adoption of the equity method for the first time, the acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets proportionately to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other postretirement benefit costs), and any excess remaining should be recognized as extraordinary gain.

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

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

Deferral of Unrealized Intercompany Profit

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

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

The Company defers its gains or losses on the subsidiaries' other equity-method investees' sales of products to the Company in proportion to its equity in all of these investees. For transactions between equity-method investees, gains or losses are deferred as follows:

- a. If the Company has controlling power over each investee, it should defer the unrealized gains or losses in proportion to its ownership percentage in the investee whose transaction resulted in gain or loss;
 - b. If the Company has no controlling power on one or both equity-method investees, unrealized gains or losses should be eliminated at an amount resulting from the gain or loss multiplied by the product of ownership percentage of an investee multiplied by the other investee's ownership percentage.
- All of the deferred gains and losses are realized on the subsequent sale of related items to third parties.

Properties and Rental Assets

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

Equipment covered by capital lease agreements are stated at the lower of (1) the fair value of the equipment at the beginning of the lease or (2) the total present value of future lease payments and the bargain purchase price. The interest included in lease payments is expensed when paid.

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

Useful lives are estimated as follows:

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

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

Leases

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

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

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

3G Concession

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

Goodwill

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

Pension Costs

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

Income Tax

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

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

Adjustments of prior years' tax liabilities are added to or deducted from current year's income tax expenses. Income taxes (10%) on unappropriated earnings generated since January 1, 1998 are expensed in the year when the stockholders resolve to retain the earnings.

Revenue Recognition

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

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

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

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

Where the Company enters into transactions involving both the provision of air time bundled with products such as 3G data cards and handsets, the total consideration received from handsets in these arrangements are allocated and measured using units of accounting within the arrangement based on relative fair values.

Promotion Expenses

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

Government Grant

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

Reclassifications

Certain accounts in the financial statements as of and for year ended December 31, 2010 have been reclassified to be consistent with the presentation of the 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 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 Company merged with Yuan Cing Infocomm Tech Co., Ltd. (YCIC) on January 1, 2011 and 2010 is as follows:

	Years Ended December 31	
	2011	2010
	(In Thousands, Except Earnings Per Share)	
Current assets	\$ 10,657,324	\$ 8,840,066
Long-term investments	30,192,560	29,860,009
Properties, net	32,865,294	35,707,574
Current liabilities	15,754,390	18,397,157
Operating revenues	62,408,959	58,177,343
Income before income tax	10,786,658	11,054,821
Net income	8,880,993	8,979,425
Earnings per share	2.73	2.76

The pro forma balance sheets and statements of income are presented for illustrative purposes only. That is, as mentioned above, this information does not necessarily show the financial position and results of operations under the assumption that the Company merged with YCIC on January 1, 2011 and 2010, nor does it necessarily show the Company's future financial position or results of operations.

4. CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

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

Operating Segments

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

	December 31	
	2011	2010
Cash		
Cash on hand	\$ 4,844	\$ 3,439
Checking deposits	19,828	18,986
Demand deposits	1,048,810	552,929
Certificates of deposits	392,000	65,300
	<u>1,465,482</u>	<u>640,654</u>
Cash equivalents		
Bonds purchased under resale agreements	-	29,089
	<u>\$ 1,465,482</u>	<u>\$ 669,743</u>

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

	December 31	
	2011	2010
Belgium (US\$1,141 thousand in 2011 and US\$1,379 thousand in 2010)	\$ 34,544	\$ 40,170

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2011	2010
Domestic quoted stocks	\$ 72,512	\$ 323,094
Open-end mutual funds	45,500	55,677
Private funds	152,414	147,438
	<u>\$ 270,426</u>	<u>\$ 526,209</u>

7. ACCOUNTS RECEIVABLE, NET

	December 31	
	2011	2010
Accounts receivable	\$ 6,152,651	\$ 5,953,858
Less: Allowance for doubtful accounts	<u>(784,170)</u>	<u>(764,094)</u>
	<u>\$ 5,368,481</u>	<u>\$ 5,189,764</u>

8. INVENTORIES

	December 31	
	2011	2010
Cellular phone equipment	\$ 553,983	\$ 338,445
Cellular phone accessories	31,729	11,934
SIM cards and prepaid cards	6,757	6,937
Others	<u>127,161</u>	<u>154,290</u>
	<u>\$ 719,630</u>	<u>\$ 511,606</u>

Allowances for inventory devaluation were \$24,339 thousand and \$18,339 thousand as of December 31, 2011 and 2010, respectively.

Costs of inventories sold were \$10,975,529 thousand in 2011 and \$7,492,785 thousand in 2010. The allowance of \$6,000 thousand for loss on decline in value of inventories was included in the cost of sales for 2011, and the reversal of \$7,188 thousand of the allowance for loss on decline in value of inventories was included in the cost of sales for 2010.

9. EQUITY-METHOD INVESTMENTS

	December 31		December 31	
	2011	% of Ownership	2010	% of Ownership
Common stocks with no quoted market prices				
New Century InfoComm Tech Co., Ltd.	\$ 27,410,135	100.00	\$ 6,170,177	26.74
ARCOA Communication Co., Ltd.	1,193,275	61.07	1,175,797	61.07
KGE.com Co., Ltd.	771,403	89.25	726,564	79.25
Far Eastern Electronic Toll Collection Co., Ltd.	269,609	40.91	169,347	41.18
Far Eastern Info Service (Holding) Ltd.	157,506	100.00	174,185	100.00
E. World (Holdings) Ltd.	84,898	85.92	77,979	85.92
Far EastTron Holding Ltd.	26,441	100.00	26,920	100.00
Far Eastern Electronic Commerce Co., Ltd.	26,101	13.98	-	-
iScreen Corporation	21,094	40.00	24,247	40.00
O-music Co., Ltd.	17,216	50.00	23,833	50.00
Ding Ding Integrated Marketing Services Co., Ltd.	11,299	15.00	34,346	15.00
ADCast Interactive Marketing Co., Ltd.	3,815	8.56	3,834	8.56
Q-ware Communications Co., Ltd.	(295,797)	51.00	(114,466)	51.00
Yuan Cing Infocomm Tech Co., Ltd.	-	-	15,076,670	100.00
	<u>29,696,995</u>		<u>23,569,433</u>	
Credit balance on carrying values of long-term investments reclassified to other liabilities - other	<u>295,797</u>		<u>114,466</u>	
	<u>\$ 29,992,792</u>		<u>\$ 23,683,899</u>	

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

On August 28, 2009, the National Communications Commission approved the merger between the Company and KG Telecom, and the record date of the merger was January 1, 2010. Thus, KG Telecom's holdings of the common shares of KGEx.com, iScreen and ADCast were transferred to the Company.

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

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

On August 31, 2010, the boards of directors of the Company and YCIC resolved to merge NCIC and YCIC through a two-stage process. In the first stage, YCIC made a share swap with NCIC based on Article 29 of the Enterprise Merger and Acquisition Law ("EM&A Law"). The share swap was resolved by the respective special stockholders' meetings of YCIC and NCIC on October 5, 2010. As a result, with a swap ratio of 1:1, NCIC became a 100% subsidiary of YCIC on January 17, 2011, the record date of the share swap. The issued common shares of YCIC increased from 1,500,100,000 shares to 2,336,603,547 shares, of which the Company owned 2,195,196,070 shares, representing 93.95% ownership. In the second stage, on March 1, 2011, the record date, the Company merged with YCIC by cash at NT\$10.93 per share, with the Company as the survivor entity. Thus, NCIC became a 100% subsidiary of the Company. Earlier, this two-stage merger was approved by the National Communications on December 29, 2010.

c. Spin-off involving 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% 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. Upon completion of the spin-off, the Company owned 15% of DDIM and 14.96% of FEEC.

Subsequently FEEC replenished its working capital by issuing shares amounting to \$100,000 thousand for cash, resulting in the Company's acquiring 13.98% of its issued common shares after the capital injection.

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

Far Eastern Electronic Toll Collection Co., Ltd. (FETC) provides electronic toll collection (ETC) services on the national freeway. However, as of June 30, 2011, the usage rate of ETC had not reached the requirement stipulated 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.

e. Equity in investees' net gains or losses

The equity interests of the Far Eastern Group in Far Eastern Electronic Commerce Co., Ltd. (FEEC), Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) and ADCast Interactive Marketing Co., Ltd. ("ADCast") allow the Company to exercise significant influence on these investees' operating and financial policy decisions. Thus, the investments in FEEC, DDIM and ADCast were accounted for by the equity method even though the Company's equity interests in FEEC, DDIM and ADCast were only 13.98%, 15% and 8.56%, respectively, as of December 31, 2011 and the Company's equity interests in DDIM and ADCast were only 15% and 8.56%, respectively, as of December 31, 2010.

The Company committed to provide further financial support to Q-ware Communications Co., Ltd. ("Q-ware Com.") despite this investee's losses and continued applying the equity method, thus, the credit balances of \$295,797 thousand and \$114,466 thousand on the book value of Q-ware Com. as of December 31, 2011 and 2010, respectively, were included in other liabilities - other.

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Company's investments, had been audited, except those of the subsidiary of ARCOA for 2011 and those of the equity-method investee of iScreen Corporation for 2010. The Company believes that, had the financial statements of the subsidiary of ARCOA and the equity-method investee of iScreen Corporation been audited, any adjustments would have had no material effect on the Company's financial statements.

f. Consolidation

The consolidated financial statements as of December 31, 2011 and 2010 include the accounts of the Company and its direct and indirect subsidiaries and entities in which the Company has controlling interests, as required by the revised ROC SFAS No. 7 - "Consolidated Financial Statements." All significant intercompany accounts and transactions have been eliminated in the consolidation. For subsidiaries acquired during the year, their revenues and expenses generated before the acquisition dates will not be consolidated.

10. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	2010
Bonds	<u>\$ 199,768</u>	<u>\$ 199,666</u>
Asia Cement Co., Ltd.		

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

11. PROPERTIES

a. Changes in properties consisted of:

	Year Ended December 31, 2011				
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost					
Land	\$ 1,227,914	\$ -	\$ -	\$ (52,116)	\$ 1,175,798
Buildings and equipment	2,286,335	-	2,923	(102,004)	2,181,408
Operating equipment	114,332,726	40,118	1,556,360	5,069,051	114,885,535
Computer equipment	18,221,049	-	36,709	1,182,835	19,367,175
Office equipment	1,000,729	-	52,374	18,649	967,004
Leasehold improvements	1,913,554	-	17,344	118,161	2,014,371
Miscellaneous equipment	422,506	-	-	17,785	440,291
	<u>136,404,813</u>	<u>40,118</u>	<u>1,665,710</u>	<u>6,232,361</u>	<u>141,031,582</u>
Accumulated depreciation					
Buildings and equipment	800,699	\$ 56,367	\$ 2,778	\$ (16,342)	837,946
Operating equipment	85,436,781	7,049,527	868,248	-	91,618,060
Computer equipment	15,341,181	1,177,782	36,709	-	16,482,254
Office equipment	856,068	41,936	52,374	-	845,650
Leasehold improvements	1,381,841	104,948	9,610	-	1,477,179
Miscellaneous equipment	372,621	16,649	-	-	389,270
	<u>104,189,191</u>	<u>8,447,909</u>	<u>969,719</u>	<u>(16,342)</u>	<u>111,650,339</u>
Construction-in-progress and prepayments for equipment	32,215,622	-	-	-	29,381,243
	<u>3,491,952</u>	<u>6,433,733</u>	<u>15,555</u>	<u>(6,426,079)</u>	<u>3,484,051</u>
	<u>\$ 35,707,574</u>				<u>\$ 32,865,294</u>

	Year Ended December 31, 2010					
	Beginning Balance	From Merger with KG Telecom	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost						
Land	\$ 852,980	\$ 188,854	\$ -	\$ 12,781	\$ 186,080	\$ 1,227,914
Buildings and equipment	1,769,074	458,823	-	71,219	-	2,286,335
Operating equipment	72,676,163	35,464,100	21,104	2,231,103	5,402,462	111,332,726
Computer equipment	12,041,119	5,062,305	-	851,998	1,202,823	18,221,049
Office equipment	882,992	35,372	9,524	117,399	64,580	1,000,729
Leasehold improvements	1,913,554	166,844	-	223,438	150,681	2,014,371
Miscellaneous equipment	221,144	186,247	-	-	-	422,506
	<u>90,217,265</u>	<u>41,645,259</u>	<u>30,628</u>	<u>2,566,184</u>	<u>7,077,845</u>	<u>136,404,813</u>
Accumulated depreciation						
Buildings and equipment	661,092	\$ 92,047	\$ 61,173	\$ 12,780	\$ (833)	800,699
Operating equipment	53,259,332	25,876,150	7,838,793	1,537,494	-	85,436,781
Computer equipment	9,591,210	4,687,994	1,147,024	85,047	-	15,341,181
Office equipment	1,301,606	152,314	30,953	1,195	-	1,467,068
Leasehold improvements	1,381,841	136,314	201,111	118,161	83	1,617,430
Miscellaneous equipment	162,455	147,922	58,629	1,385	-	372,621
	<u>65,763,662</u>	<u>31,011,448</u>	<u>9,270,485</u>	<u>1,856,104</u>	<u>-</u>	<u>104,189,191</u>
Construction-in-progress and prepayments for equipment	24,453,603	-	-	-	-	32,215,622
	<u>3,176,089</u>	<u>141,375</u>	<u>7,331,614</u>	<u>73,662</u>	<u>(7,083,474)</u>	<u>3,491,952</u>
	<u>\$ 27,639,692</u>					<u>\$ 35,707,574</u>

b. Capitalized interest on properties was as follows:

	2011	2010
Total interest expense	\$ 42,129	\$ 40,654
Less: Interest capitalized (included in construction-in-progress and prepayments for equipment)	<u>21,786</u>	<u>13,894</u>
Interest expense, net of amounts capitalized	<u>\$ 20,343</u>	<u>\$ 26,760</u>
Interest rate capitalized	0.36% ^a -0.92% ^b	0.04% ^a -2.70% ^b

12. 3G CONCESSION, NET

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

13. GOODWILL

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

Under Statement of Financial Accounting Standards No. 35 - "Impairment of Assets," the Company has identified itself and KG Telecom as a cash-generating unit to enhance the Far EasTone Group's operating effectiveness and to integrate its telecommunications resources since 2009.

As of December 31, 2011 and 2010, the carrying values of the tangible and intangible assets used by the Company and KG Telecom were \$48,597,824 thousand and \$52,018,222 thousand, respectively. The Company's management estimated the recoverable amounts of core assets at their expected useful lives and made a cash flow forecast at the discount rates of 9.31% and 8.33% on December 31, 2011 and 2010, respectively. The operating revenue forecast was based on the expected growth rate of the telecom industry along with the projected advancement of the Company's own business.

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

- Expected future growth rate of the telecommunications industry
- Mobile voice service (MVS): The anticipated MVS is measured on the basis of the actual effective customer base and minutes of usage of previous years, with the development trend of the market taken into account.
- Mobile data service (MDS): The anticipated MDS is measured on the basis of the proportion of MDS to the total telecommunications service revenues of previous years, with the demands and changes in the market taken into account.

Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is calculated on the basis of the historical ratio of EBITDA to operating revenues, with the possible influence of each revenue, cost and expense taken into account.

Using the key assumptions of each cash-generating unit, the Company's management believes that, for the years ended December 31, 2011 and 2010, the carrying amounts of operating assets and goodwill did not exceed their recoverable amounts even if there were reasonable changes in the critical assumptions used to estimate recoverable amounts. As of December 31, 2011, there were no significant changes showing that goodwill had been impaired.

14. RENTAL ASSETS, NET

	Year Ended December 31, 2011		Total
	Land	Buildings and Equipment	
Cost			
Beginning balance	\$ 99,524	\$ 94,673	\$ 194,197
Reclassification	52,116	121,602	173,718
Ending balance	<u>151,640</u>	<u>216,275</u>	<u>367,915</u>
Accumulated depreciation			
Beginning balance	-	14,813	14,813
Depreciation	-	3,781	3,781
Reclassification	-	16,342	16,342
Ending balance	-	<u>34,936</u>	<u>34,936</u>
Rental assets, net	<u>\$ 151,640</u>	<u>\$ 181,339</u>	<u>\$ 332,979</u>
	Year Ended December 31, 2010		Total
Cost	Land	Buildings and Equipment	Total
Beginning balance	\$ 99,524	\$ 94,673	\$ 194,197
Accumulated depreciation			
Beginning balance	-	12,881	12,881
Depreciation	-	1,932	1,932
Ending balance	-	<u>14,813</u>	<u>14,813</u>
Rental assets, net	<u>\$ 99,524</u>	<u>\$ 79,860</u>	<u>\$ 179,384</u>

Rental assets are offices intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through July 2019. Future rental income is summarized as follows:

Year	Amount
2012	\$ 14,232
2013	14,450
2014	14,528
2015	14,809
2016 and on	8,510

15. SHORT-TERM BANK LOANS

	December 31	2010
Unsecured bank loans - interest of 0.90%-1.20% in 2011 and 0.59%-0.71% in 2010	\$ <u>1,862,000</u>	\$ <u>2,940,000</u>

The short-term bank loans as of December 31, 2011, amounting to \$1,742,000 thousand were repaid on February 16, 2011. Those as of December 31, 2010, amounting to \$790,000 thousand, were repaid on February 18, 2011, while the others were renewed on maturity.

16. COMMERCIAL PAPER PAYABLE

As of December 31, 2011 and 2010, the Company had issued bank-guaranteed commercial paper, discounted at the interest rate of 0.648% to 0.748%, and fully repaid by February 16, 2011 and February 18, 2010.

17. ACCRUED EXPENSES

	December 31	2010
Commission	\$ 1,486,499	\$ 1,416,512
Bonus	762,646	613,813
Bonus to employees and remuneration to directors and supervisors	239,787	238,911
Maintenance fee	168,753	190,063
Utilities	117,059	109,412
Advertisement	98,286	103,424
Billing processing fee	62,462	54,037
Rental	61,149	86,278
Other	<u>707,286</u>	<u>518,143</u>
	<u>\$ 3,703,927</u>	<u>\$ 3,330,593</u>

18. UNEARNED REVENUES

	December 31	2010
Unearned telecom revenues from prepaid cards	\$ 1,036,506	\$ 960,329
Unearned telecom revenues from postpaid cards	1,408,591	700,074
Other	<u>116,850</u>	<u>83,455</u>
	<u>\$ 2,561,947</u>	<u>\$ 1,743,858</u>

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

19. 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 the Company to the employees' individual pension fund accounts is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan were to \$169,063 thousand for 2011 and \$147,597 thousand for 2010.
- b. The Company has a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points.

The Company and NCIC accrue pension costs on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan.

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

	Years Ended December 31	
	2011	2010
Service cost	\$ 24,806	\$ 30,812
Interest cost	31,134	25,971
Expected return on plan assets	(11,353)	(8,451)
Amortization of net transition obligation	1,688	911
Amortization of prior service cost	(1,162)	(1,162)
Amortization of unrecognized pension loss	3,588	6,804
Net pension cost	<u>\$ 48,701</u>	<u>\$ 54,885</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	\$ 24,412	\$ 7,609
Non-vested benefit obligation	993,557	675,491
Accumulated benefit obligation	1,017,969	683,100
Additional benefits based on projected and future salaries	407,567	395,144
Projected benefit obligation	1,425,536	1,078,244
Fair value of plan assets	(784,092)	(579,177)
Funded status	641,444	499,067
Unrecognized net transition obligation (asset)	(7,333)	2,705
Unrecognized prior service cost	24,405	25,567
Unrecognized pension loss	(202,388)	(139,040)
Accrued pension cost	<u>\$ 456,128</u>	<u>\$ 388,299</u>
Vested benefit	<u>\$ 27,932</u>	<u>\$ 9,657</u>

- 3) Actuarial assumptions were as follows:

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

- 4) Fund changes were as follows:

	Year Ended December 31	
	2011	2010
Beginning balance	\$ 579,177	\$ 436,461
Combined actuarial calculation with NCIC	160,609	-
Merger with KGI	-	107,648
Contributions	40,766	34,326
Earnings	9,030	7,752
Payments	(5,490)	(7,010)
Ending balance	<u>\$ 784,092</u>	<u>\$ 579,177</u>

20. 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 the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the foregoing capital surplus may also 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

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

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

For 2011 and 2010, the bonuses to employees were \$159,858 thousand and \$159,274 thousand, respectively, and the remunerations to directors and supervisors were \$79,929 thousand and \$79,637 thousand, respectively. The totals of the bonus to employees and remuneration to directors and supervisors for 2011 and 2010 were 2% and 1%, respectively, of net income (net of the bonus and remuneration) less 10% legal reserve and special reserve, recognized for these two years. The amounts were estimated on the basis of past experience. If there are material differences between these estimates and the amounts proposed by the board of directors in the following year, the estimates are adjusted in the year of the proposal. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the

stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriation of the 2010 and 2009 earnings was approved by the stockholders on June 9, 2011 and June 15, 2010, respectively.

	Appropriation and Distribution		Dividend Per Share	
	2010	2009	2010	2009
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 were approved by the stockholders on June 9, 2011 and June 15, 2010, respectively, as follows:

	Years Ended December 31			Years Ended December 31		
	2010	2009	2009	2010	2009	2009
Bonus to employees	Cash	\$ 159,274	\$ -	Cash	\$ 166,577	\$ -
	Stock	-	-	Stock	-	-
Remuneration to directors and supervisors	Cash	79,637	-	Cash	83,288	-
	Stock	-	-	Stock	-	-
Amounts approved in stockholders' meetings	Bonus to Employees	\$ 159,274	\$ 79,637	Bonus to Employees	\$ 166,577	\$ 83,288
	Remuneration to Directors and Supervisors	79,637	79,637	Remuneration to Directors and Supervisors	166,142	83,071
Amounts recognized in respective financial statements		\$ -	\$ -		\$ 435	\$ 217

There were no differences between the approved amounts of the bonus to employees and the remuneration to directors and the accrual amount reflected in the financial statements for the year ended December 31, 2010. The differences between the approved amount 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 2010.

As of February 16, 2012, the date of the accompanying auditors' report, the 2011 appropriations of earnings, bonus to employees and remuneration to directors and supervisors had been scheduled for presentation for approval at the stockholders in their meeting 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 depository receipts

The Company's Global Depository 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
Converted from overseas unsecured convertible bonds	2)	150,000
Net decrease due to capital increase or capital reduction	3)	165
Reissued within authorized number of units	4)	(362)
GDRs transferred to common stock		(5,426)
		344,784
		(479,228)
Outstanding GDRs issued	840	12,603

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

2) On July 20, 2004, the SFB approved the Company's request to issue new common stock in the form of GDRs amounting to US\$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 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, the Company issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represented 4,448 thousand common shares. Furthermore, in 2008, the Company canceled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 thousand common shares.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2011, the Company had reissued 22,986 thousand units of GDR, 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 depository trust company, the following beneficial interests subject to the terms of the Deposit Agreements and the relevant ROC laws and regulations:

- 1) Exercise voting rights;
- 2) 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 the Company resolved to issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to \$17,773,641 thousand and the private placement price set at NT\$40.00 per share, to catch up on industry development trends and to meet the Company's future operating needs. This resolution replaced their private placement resolution made on June 15, 2010 and June 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. However, based on certain agreements, if the volume weighted average price of the Company's common shares falls below NT\$35.00 or exceeds NT\$50.00 within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or the Company sends the notice to the other party of the settlement date of the private placement, the Company's board of directors has the authorization of the stockholders' meeting to discuss in good faith and set a new private placement price, provided that any upward or downward adjustment is not more than NT\$5 per the Company's share and the new price should not be lower than 70% of the reference price on that date. The private placement will proceed after obtaining the authorities' approval under the related regulation.

e. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for 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 loss	(2,176)	(9,454)	-	(11,630)
Ending balance	\$ 10,868	\$ 10,126	\$ 5,830	\$ 26,824
<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 loss	(25,458)	(22,624)	-	(48,082)
Ending balance	\$ 44,508	\$ 13,434	\$ 12,750	\$ 70,692

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21. INCOME TAX

a. Reconciliation of income tax expense based on income before income tax at the statutory income tax rate of 17% to income tax expense - current were as follows:

	Years Ended December 31 2011	2010
Income tax expense computed at the statutory tax rate	\$ 1,833,732	\$ 1,857,073
Add (deduct) tax effects of:		
Permanent differences		
Gain (loss) on disposal of marketable securities	12,270	(7,881)
Equity in investees' net losses (gains)	(59,189)	1,167
Other	217,865	132,524
Temporary differences		
Allowance for doubtful accounts	(94,771)	(42,173)
Equity in investee's net losses (gains)	(174,968)	28,139
Loss on disposal of properties	70,609	58,027
Goodwill amortization	(134,470)	(134,470)
Other	7,652	7,555
Investment tax credit used	(102,128)	-
Income tax payable - current	1,576,602	1,899,961
Adjustments for prior year's tax	3,115	74,486
Income tax expense - current	\$ 1,579,717	\$ 1,974,447

b. Income tax expense consisted of:

	Years Ended December 31 2011	2010
Income tax expense - current	\$ 1,579,717	\$ 1,974,447
Income tax expense - deferred		
Temporary differences	325,948	100,949
	\$ 1,905,665	\$ 2,075,396

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 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	\$ 278,375	\$ 373,146
Allowance for doubtful accounts	4,138	3,116
Allowance for losses on decline in value of inventories	15,358	18,385
Other	\$ 297,871	\$ 394,647
		(Continued)

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	December 31	2010
Noncurrent		
Deferred income tax assets	\$ 9,673	\$ 346,249
Equity in investees' net losses	72,826	72,723
Accrued pension cost	132,781	62,172
Loss on disposal of properties	23,289	13,735
Other	238,569	494,879
Less: Valuation allowance	-	161,608
	238,569	333,271
Deferred income tax liabilities	-	-
Goodwill amortization	(806,822)	(672,352)
	<u>\$ (568,253)</u>	<u>\$ (339,081)</u>
		(Concluded)

d. Integrated income tax information is as follows:

	December 31	2010
Balance of imputation credit account (ICA)	<u>\$ 1,070,825</u>	<u>\$ 933,662</u>

The creditable ratios for the distribution of earnings of 2011 and 2010 were 19.65% (estimate) and 19.78% (actual), respectively.

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

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

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

22. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2011		
	As	As	
	Operating Costs	Operating Expenses and Losses	Reductions of Operating Costs or Expenses
	Costs	Expenses	Total
Employee expenses	\$ 529,819	\$ 2,136,452	\$ -
Salaries	38,592	124,973	-
Pension	10,751	58,057	-
Meal	-	-	23,623
	<u>\$ 569,162</u>	<u>\$ 2,319,482</u>	<u>\$ 3,631,627</u>
			217,764
			92,431
			(Continued)

	Year Ended December 31, 2011		
	As	As	
	Operating Costs	Operating Expenses and Losses	Reductions of Operating Costs or Expenses
	Costs	Expenses	Total
Employee benefit	-	\$ 31,204	-
Insurance	38,517	172,645	74,799
Miscellaneous	2,275	39,846	3,333
	<u>\$ 619,954</u>	<u>\$ 2,563,177</u>	<u>\$ 1,121,310</u>
Depreciation	-	-	-
Amortization	7,667,620	779,589	3,781
	<u>\$ 2,496</u>	<u>\$ 952</u>	<u>\$ -</u>
			<u>\$ 8,450,990</u>
			<u>\$ 3,448</u>
			(Concluded)

	Year Ended December 31, 2010		
	As	As	
	Operating Costs	Operating Expenses and Losses	Reductions of Operating Costs or Expenses
	Costs	Expenses	Total
Employee expenses	\$ 517,139	\$ 1,791,763	-
Salaries	45,515	116,809	40,158
Pension	10,791	45,561	13,554
Meal	-	29,096	-
Employee benefit	35,958	127,671	43,891
Insurance	2,136	28,944	2,063
Miscellaneous	<u>\$ 611,539</u>	<u>\$ 2,139,844</u>	<u>\$ 720,443</u>
Depreciation	-	-	-
Amortization	8,465,205	805,280	1,932
	<u>\$ 9,686</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ 9,272,417</u>
			<u>\$ 9,686</u>
			(Concluded)

The Company provided management services to certain equity-method investees (Note 25). The employee expenses were charged on the basis of agreed-upon terms and recorded as reductions of operating costs or expenses.

To enhance their competency, the Company and New Century InfoComm Tech Co., Ltd. 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 their special meeting on October 5, 2010, NCIC's stockholders resolved to entrust all its business operation to the Company.

23. EARNINGS PER SHARE (EPS)

	Year ended December 31, 2011		Year ended December 31, 2010	
	Amount (Numerator)	Common Stock (Denominator) (In Thousand Shares)	Earnings Per Share (NTS) Income Before Income Tax	Net Income
Basic EPS				
Net income	\$ 10,786,658	3,258,501	\$ 3.31	\$ 2.73
Effect of dilutive potential common stock	-	4,398	-	-
Bonus to employees	-	-	-	-
Diluted EPS				
Net income including the effect of potential dilutive common stock	\$ 10,786,658	3,262,899	\$ 3.31	\$ 2.72
Year ended December 31, 2010				
Basic EPS				
Net income	\$ 10,923,961	3,258,501	\$ 3.35	\$ 2.72
Effect of dilutive potential common stock	-	5,792	-	-
Bonus to employees	-	-	-	-
Diluted EPS				
Net income including the effect of potential dilutive common stock	\$ 10,923,961	3,264,293	\$ 3.35	\$ 2.71

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

24. FINANCIAL INSTRUMENTS

a. Fair values

	December 31		December 31	
	2011	2010	2011	2010
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Available-for-sale financial assets - current	\$ 270,426	\$ 270,426	\$ 526,209	\$ 526,209
Lease receivable (including current portion which was included in other current assets)	42,411	42,411	52,335	52,335
Hedging derivative financial assets - current	-	-	13,820	13,820
Held-to-maturity financial assets - noncurrent	199,768	202,920	199,666	203,931
Refundable deposits	349,901	348,719	324,246	323,881
				(Continued)
Liabilities				
Available-for-sale financial assets - current	\$ 270,426	\$ 270,426	\$ 526,209	\$ 526,209
Lease receivable (including current portion which was included in other current assets)	42,411	42,411	52,335	52,335
Hedging derivative financial assets - current	-	-	13,820	13,820
Held-to-maturity financial assets - noncurrent	199,768	202,920	199,666	203,931
Refundable deposits	349,901	348,719	324,246	323,881

	December 31		December 31	
	2011	2010	2011	2010
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Guarantee deposits received (including current portion)	\$ 677,900	\$ 677,900	\$ 751,338	\$ 751,338
Lease payable (including current portion, included in other current liabilities and other liabilities - current)	16,918	16,918	-	-
Hedging derivative financial liability - current	75	75	-	-
Place of transaction on derivative financial instruments				
Domestic	75	75	13,820	13,820
				(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 - net, accounts receivable - related parties, other receivables - related parties, restricted assets - current, pledged certificates of deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, accounts payable - related parties, other payables - related parties, dividends payable and payables for acquisition of properties, which are not included in the financial instruments mentioned in the table above, are recorded at their carrying values because of the short maturities of these instruments.
- 2) If quoted market prices are available, these are used as fair values of hedging derivative financial instruments - current and available-for-sale financial assets - current.
If quoted market prices are not available, the fair values are estimated by the Company using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers).
- 3) If quoted market prices are available, these are used as fair values of held-to-maturity financial assets - noncurrent; otherwise, fair values will be measured by carrying values.
- 4) Fair values of lease receivable, refundable deposits, lease payable and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.
- c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	December 31		December 31	
	2011	2010	2011	2010
	Quoted Price	Estimated Price	Quoted Price	Estimated Price
Assets				
Available-for-sale financial assets - current	\$ 270,426	\$ 270,426	\$ -	\$ -
Held-to-maturity financial assets - noncurrent	202,920	203,931	-	-
Hedging derivative financial assets - current	-	-	-	13,820
Liabilities				
Hedging derivative financial liability - current	-	-	75	-

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

	December 31	
	2011	2010
	Financial Assets	Financial Assets
	Financial Liabilities	Financial Liabilities
Fair value risk	\$ 594,380	\$ 1,856,818
Cash flow risk	2,636,649	700,000
		\$ 625,136
		6,464,933
		\$ 6,540,077

Risk of interest rate change

Fair value risk

Cash flow risk

e. Financial risks

1) Market risk

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

In 2011 and 2010, the Company and NCIC used cross-currency swap contracts and exchange swap contracts, respectively, to hedge against the adverse effect of exchange rate fluctuations. The gains or losses on the changes in fair values on these contracts will offset the results of the exchange rate fluctuations of the hedged items. Thus, market risk is expected to be immaterial.

2) Credit risk

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

3) Liquidity risk

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

The Company, NCIC and ARCOA invested in domestic quoted stocks, bonds and mutual funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values.

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

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

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

4) Cash flow risk from interest fluctuations

The Company and NCIC have foreign-currency-denominated assets. The future cash flow will change as the exchange rates change. The Company and NCIC considered the risk exposure would be significant and thus used cross-currency swaps or exchange swap contracts hedge as hedging instruments.

f. Cash flow hedge

In 2011 and 2010, the Company and NCIC used cross-currency swaps or foreign exchange swap contracts, respectively, to hedge the cash flow fluctuations on its foreign currency-denominated assets, as follows:

Hedged Items	Designated Hedging Instruments		Fair Value December 31	Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
	Designated	Notional Amount December 31			
Foreign currency-denominated asset		2011	2010	2011	2010
Cross-currency swap - the Company	US\$ 5,000,000	US\$ 15,000,000		(75)	\$ 13,820
Foreign exchange swap - NCIC	US\$ 30,000,000	US\$ 30,000,000		1,500	50,550
Foreign exchange swap - NCIC	US\$ 35,000,000	US\$ 10,000,000		(2,592)	14,300

25. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Far Eastern New Century Corporation (FENC)	Ultimate parent company
KG Telecommunications Co., Ltd. ("KG Telecom")	Subsidiary (dissolved on its merger with the Company on January 1, 2010)
ARCOA Communication Co., Ltd. (ARCOA)	Subsidiary
DataExpress Infotech Co., Ltd. ("DataExpress")	Subsidiary of ARCOA and also subsidiary of the Company since December 1, 2010
Linkwell Tech. Co., Ltd.	Subsidiary of DataExpress
Home Master Technology Co., Ltd.	Subsidiary of DataExpress
Jing Yuan Technology Co., Ltd.	Subsidiary of DataExpress
Q-ware Communications Co., Ltd. (Q-ware)	Subsidiary
E. World (Holdings) Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (Bermuda) (FEIS)	Subsidiary
Far EastTron Holding Ltd.	Subsidiary
Yuan Cing InfoComm Tech Co., Ltd. (YCIC)	Subsidiary (dissolved on its merger with the Company on March 1, 2011)
KGEx.com Co., Ltd. (KGEX)	Subsidiary of KG Telecom (subsidiary of the Company since January 1, 2010)
Yuan Cing Co., Ltd.	Subsidiary of E. World (Holdings) Ltd.
Far Eastern Tech-info Ltd. (Shanghai) (FETI) (Beijing) Limited	Subsidiary of FETI
Far Eastern New Century Information Technology (Beijing) Limited	Subsidiary of FETI
Omusic Co., Ltd. (Omusic)	Subsidiary
ADCast Interactive Marketing Co., Ltd. (ADCast)	Subsidiary
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee (subsidiary of the Company on August 16, 2010)

(Continued)

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

1) Operating revenue

	Years Ended December 31		
	2011	% to Total	2010
	Amount	% to Total	Amount
NCIC	\$ 870,435	2	\$ 750,433
ARCOA	398,918	1	394,428
KGEx	252,390	-	261,907
Other	62,124	-	5,122
	<u>\$ 1,583,867</u>	<u>3</u>	<u>\$ 1,411,890</u>

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

2) Operating costs and expenses

	Years Ended December 31		
	2011	% to Total	2010
	Amount	% to Total	Amount
Cost of telecommunications service			
NCIC	\$ 1,326,125	6	\$ 869,546
ARCOA	51,741	-	49,705
Omnic	44,814	-	-
Other	43,527	-	30,741
	<u>\$ 1,466,207</u>	<u>6</u>	<u>\$ 949,992</u>
Purchase			
ARCOA	\$ 3,242,946	30	\$ 1,745,281
Other	30,258	-	-
	<u>\$ 3,273,204</u>	<u>30</u>	<u>\$ 1,745,281</u>
Rental			
FEILC	\$ 52,944	1	\$ 42,317
FETRD	40,208	1	41,837
NCIC	14,534	-	11,368
Other	65,762	2	52,181
	<u>\$ 173,448</u>	<u>4</u>	<u>\$ 147,703</u>
Service fee			
FCHRC	\$ 233,281	55	\$ 274,981
FETI	122,829	29	129,860
Other	1,792	-	506
	<u>\$ 357,902</u>	<u>84</u>	<u>\$ 405,347</u>

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	Years Ended December 31		
	2011	% to Total	2010
	Amount	% to Total	Amount
Marketing expense			
ARCOA	\$ 695,106	6	\$ 614,469
DDIM	145,969	1	129,029
Other	27,643	-	35,181
	<u>\$ 868,718</u>	<u>7</u>	<u>\$ 778,679</u>
Telephone fee			
NCIC	\$ 24,568	9	\$ 27,107
Other	3,664	1	4,607
	<u>\$ 28,232</u>	<u>10</u>	<u>\$ 31,714</u>
Donation			
YZJU	\$ 80,000	54	\$ 25,000
TTF	7,000	5	7,000
	<u>\$ 87,000</u>	<u>59</u>	<u>\$ 32,000</u>

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

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

3) Property transactions

	Years Ended December 31		
	2011	% to Total	2010
	Amount	% to Total	Amount
Acquisition of equity-method investments			
Der Ching	\$ 701,981	40	\$ -
FEILC	190,579	11	-
Yue-Tung	98,572	6	-
Other	90	-	-
	<u>\$ 991,222</u>	<u>57</u>	<u>\$ -</u>
Acquisition of properties			
FEILC	\$ -	-	\$ 236,508
Other	18,883	-	26,924
	<u>\$ 18,883</u>	<u>-</u>	<u>\$ 263,432</u>

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	Years Ended December 31		
	2011	% to Total	2010
Disposal of properties			
KGEX	\$ -	-	\$ 55,389
Other	215	1	-
	<u>\$ 215</u>	<u>1</u>	<u>\$ 55,389</u>
			72
			-
			<u>72</u>

The Company merged with YCIC by cash at NT\$10.93 per share, which included 90,688 shares acquired from related parties.

The Company bought from FEILC a switch center in Neihu, a lot in Taichung for a switch center and an office space in Kaohsiung for \$239,177 thousand (including VAT) based on appraisal reports and market prices.

4) Demand deposits

	December 31		
	2011	% to Total	2010
Demand deposits and certificates of deposits			
FEIB	\$ 1,763,991	66	\$ 1,799,260
			<u>80</u>

The Company had demand deposits and certificates of deposits (CDs) in FEIB. These deposits included the proceeds of the Company's sale of prepaid cards, which were assigned to FEIB as a trust fund and were included in the restricted assets - current (Note 18). Some of these CDs had been pledged as collaterals to the National Tax Administration of Taipei and were thus included in other current assets and pledged certificates of deposits - noncurrent.

5) Receivables from and payables to related parties

	December 31		
	2011	% to Total	2010
Accounts receivable - related parties			
ARCOA	\$ 214,228	61	\$ 220,928
Q-ware	68,220	19	34,765
KGEX	40,573	12	43,862
NCIC	5,754	2	45,556
Other	<u>21,540</u>	<u>6</u>	<u>5,571</u>
			1
			<u>100</u>
			\$ 350,682
			<u>100</u>

	December 31		
	2011	% to Total	2010
Other receivables - related parties			
NCIC	\$ 312,249	92	\$ 425,131
YCIC	-	-	4,306,086
Other	<u>27,868</u>	<u>8</u>	<u>30,743</u>
			9
			90
			<u>1</u>
			<u>100</u>
			\$ 4,761,960
			<u>100</u>
Lease receivable (including current portion)			
KGEX	\$ 42,411	100	\$ 52,335
			<u>100</u>
Refundable deposits			
DDIM	\$ 38,091	11	\$ 38,107
Other	<u>6,799</u>	<u>2</u>	<u>8,992</u>
			12
			<u>3</u>
			<u>15</u>
			<u>100</u>
			\$ 47,099
			<u>15</u>
Accounts payable - related parties			
ARCOA	\$ 897,551	87	\$ 93,992
NCIC	119,039	12	98,941
Other	<u>14,428</u>	<u>1</u>	<u>6,987</u>
			4
			<u>4</u>
			<u>100</u>
			\$ 199,920
			<u>100</u>
Other payables - related parties			
NCIC	\$ 237,933	44	\$ 32,622
ARCOA	93,721	17	88,210
DDIM	88,210	17	75,956
FETI	34,835	7	13,806
FENC	22,721	4	34,819
FCHRC	17,470	3	29,360
YZU	-	-	40,100
Other	<u>42,034</u>	<u>8</u>	<u>66,482</u>
			17
			<u>100</u>
			\$ 381,355
			<u>100</u>

6) Financing to related parties

Financing to related parties was as follows:

Related Party	Year Ended December 31, 2011		
	Amount Allowed	Ending Balance	Interest Rate
YCIC	\$ 6,000,000	\$ -	0.810%-0.827%
			\$ 5,692
			<u>5,692</u>

Related Party	Year Ended December 31, 2010		
	Amount Allowed	Ending Balance	Interest Rate
YCIC	\$ 6,000,000	\$ 4,300,000	0.787%-0.821%

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

7) Guarantees

	Years Ended December 31		
	2011	2010	% to Total
Guarantee services revenue			
Q-ware	\$ 751	\$ 466	-
KGEX	95	73	-
	\$ 846	\$ 539	-

The Company provided a \$199,287 thousand guarantee for Q-ware's bank loans and charged it the guarantee service revenues based on the agreed rate. Moreover, under the NCC's policy effective April 1, 2007, the Company had provided performance guarantees amounting to \$45,000 thousand to KGEX. The guarantee service revenues were charged on the basis of actual appropriation amounts multiplied at the agreed rate.

8) Other

	Years Ended December 31		
	2011	2010	% to Total
Management service revenue			
NCIC	\$ 60,375	\$ 37,507	93
Other	2,110	2,635	7
	\$ 62,485	\$ 40,142	100
Rent			
NCIC	\$ 18,917	\$ 15,992	46
Other	5,014	1,075	3
	\$ 23,931	\$ 17,067	49
Interest			
FEIB	\$ 19,034	\$ 21,501	34
YCIC	5,692	12,800	20
ACC	4,001	3,999	7
Other	288	234	-
	\$ 29,015	\$ 38,534	61

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

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2011	2010
Salary and bonus	\$ 171,760	\$ 144,307
Remuneration paid from distribution of earnings	79,929	79,637
Bonus paid from distribution of earnings	35,667	33,978
Operating allowance of directors	10,990	8,248
	\$ 298,346	\$ 266,170

26. COMMITMENTS AS OF DECEMBER 31, 2011

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

a. The Company was under contracts to acquire properties and cellular phone equipment for \$2,788,729 thousand and \$1,936,155 thousand, respectively, of which \$323,823 thousand and \$548,366 thousand, respectively, had been paid.

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

Year	Amount
2012	\$ 2,705,363
2013	2,809,362
2014	2,917,395
2015	3,029,619
2016	3,146,197

27. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2011	2010
Certificates of deposits (included in other current assets)	\$ 2,300	\$ -
Certificates of deposits - noncurrent	-	\$ 392,000

28. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

- 1) Financing provided: Schedule A
- 2) Endorsement/guarantee provided: Schedule B
- 3) Marketable securities and investments held: Schedule C

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- 7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule F
- 9) Names, locations, and related information of investees on which the Company exercises significant influence: Schedule G
- 10) Derivative financial instruments of investees: Note 24
- c. Investment in Mainland China:
- 1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Schedule H
 - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 25
 - 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 year's profit or loss or financial position: None

29. OPERATING SEGMENT FINANCIAL INFORMATION

a. Industry

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

b. Geographical information

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

c. Major customers

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

	Years Ended December 31		Percentage of Operating Revenue %	Amount	Percentage of Operating Revenue %
	2011	2010			
Company A	\$ 5,507,046	\$ 7,235,430	9	\$ 7,235,430	12

30. OTHER

As of December 31, 2011 and 2010, the Company's significant financial assets and financial liabilities not denominated in New Taiwan Dollars were as follows:

	December 31				(In Thousands, Except Exchange Rate)	
	2011		2010			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 7,779	30.275	\$ 235,521	\$ 19,003	29.13	\$ 553,557
EUR	4	39.18	148	10	38.92	389
JPY	25	0.3906	10	306	0.3582	110
HKD	8	3.897	31	19	3.748	71
Nonmonetary items						
USD	5,034	30.275	152,414	5,061	29.13	147,438
Equity-method investments	8,880	30.275	268,845	9,581	29.13	279,084
<u>Financial liabilities</u>						
Monetary items						
USD	3,477	30.275	105,264	10,017	29.13	291,795
EUR	37	39.18	1,442	35	37.92	1,362

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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

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 (Notes A and B)	\$ 10,796,530 (Notes A and B)	
1	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern Next 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) (Notes A and B)	84,061 (RMB 17,495,000) (Notes A and B)	

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

Note B: The maximum total amount for short-term financing should not exceed 50% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth as shown in the 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 as shown in the most current audited or reviewed financial statements.

Note C: The maximum balance for the year was within the authorized limit, and the actual loan drawdown was \$4,300,000 thousand. When the Company merged with Yuan Cing Infocomm Tech Co., Ltd. on March 1, 2011, the loan ending balance was canceled and loan drawdowns ceased.

Note D: The maximum balance for the year was within the authorized limit, and the actual loan drawdown was RMB 3,150,000.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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. KGEEx.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 should not exceed the Company's net worth, while the limit of endorsement/guarantee amount for each counter-party should not exceed 50% of the Company's net worth.

Note B: The maximum balance for the year and the ending balance shown above were within the authorized limits, and the actual amounts guaranteed were \$199,287 thousand for Q-ware and \$18,473 thousand for KGEEx.com.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	
Far Eastone Telecommunications Co., Ltd.	Stocks						
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	2,599,448,983	\$ 27,410,135	100.00	\$ 27,410,135
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,193,275	61.07	1,193,275
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	100,329,267	771,403	89.25	771,403
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	167,720,406	269,609	40.91	269,609
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	157,506	100.00	157,506
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	84,898	85.92	84,898
	Far EastTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	26,441	100.00	26,441
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	21,094	40.00	21,094
	Omusic Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	17,216	50.00	17,216
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	4,202,000	26,101	13.98	26,101
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	1,725,000	11,299	15.00	11,299
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	386,869	3,815	8.56	3,815
Q-ware Communications Co., Ltd. ACC	Equity-method investee	Other liability - other	36,459,930	(295,797)	51.00	(295,797)	
		-	Available-for-sale financial assets - current	2,132,718	-	-	72,512
Open-end mutual funds							
PCA Global Green Solutions Fund		-	Available-for-sale financial assets - current	4,978,009.80	45,500	-	45,500
Private funds							
Opas Fund Segregated Portfolio Tranche D		-	Available-for-sale financial assets - current	5,000.00	152,414	-	152,414
Bonds							
Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009		Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,768	-	202,920
Stock							
DataExpress Infotech Co., Ltd.	Equity-method investee	Equity-method investments	6,142,500	168,823	70.00	168,823	
THI consultants	-	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729
VIBO Telecom Inc.	-	-	Financial assets carried at cost - noncurrent	289,398	2,627	0.04	2,627
Chunghwa Int'l Communication Network Co., Ltd.	-	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714
Web Point Co., Ltd.	-	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Note	
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)		Market Value or Net Asset Value
New Century InfoComm Tech Co., Ltd.	Open-end mutual funds	-	Available-for-sale financial assets - current	2,288,818.40	\$ 30,002	-	Note C	
	PCA Well Pool Money Market Fund	-	Available-for-sale financial assets - current	2,150,337.20	30,001	-	Note C	
	Fuh Hwa Money Market Fund	-	Available-for-sale financial assets - current	950,064.60	9,902	-	Note C	
	Fuh Hwa Global Short-Term Income Fund	-	Available-for-sale financial assets - current	4,495,207.87	60,023	-	Note C	
	Taishin 1699 Money Market Fund	-	Available-for-sale financial assets - current	2,302,343.79	30,002	-	Note C	
	Taishin Ta Chong Money Market Fund	-	Available-for-sale financial assets - current	4,974,836.09	60,022	-	Note C	
	Mega Diamond Money Market Fund	-	Available-for-sale financial assets - current	2,054,062.90	30,002	-	Note C	
	Yuanta Wan Tai Money Market Fund	-	Available-for-sale financial assets - current	2,104,022.89	30,002	-	Note C	
	Jih Sun Money Market Fund	-	Available-for-sale financial assets - current	2,588,862.70	30,002	-	Note C	
	Polaris De-Bao Money Market Securities Investment Trust Fund	-	Available-for-sale financial assets - current	2,035,540.50	30,000	-	Note C	
	FSITC Money Market Fund	-	Available-for-sale financial assets - current	174,355.76	30,000	-	Note C	
	FSITC Taiwan Money Market Fund	-	Available-for-sale financial assets - current	1,906,359.62	30,000	-	Note C	
	ING Taiwan Money Market Fund	-	Available-for-sale financial assets - current	1,981,021.80	30,000	-	Note C	
	Fubon Chi-Hsiang Money Market Fund	-	Available-for-sale financial assets - current					
	Bonds	Same ultimate parent company	10.00	Held-to-maturity financial assets - noncurrent		10,000	-	Note F
	The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.							
	Stock							
	New Diligent Co., Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	80,000,000	724,922	100.00	Notes A and D
	Information Security Service Digital United Co., Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	14,877,747	96,917	100.00	Notes A and D
ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	4,092,160	40,351	90.57	Notes A and D	
Simple InfoComm Co., Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	3,400,000	20,599	100.00	Notes A and D	
Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	575,000	3,767	5.00	Notes A and D	
Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	1,503,000	9,336	5.00	Notes A and D	
BankPro E-service Technology Co., Ltd.	-	-	Financial assets carried at cost - noncurrent	45,000	4,500	3.33	Note D	
Kaohsiung Rapid Transit Corporation	-	-	Financial assets carried at cost - noncurrent	30,000,000	-	3.00	-	
C2C Holdings Pte. Ltd.	-	-	Financial assets carried at cost - noncurrent	30,000,000	-	6.38	-	
MetaEdge Corp.	-	-	Financial assets carried at cost - noncurrent	39,359	-	1.59	-	
YeServ Com. Limited	-	-	Financial assets carried at cost - noncurrent	160,000	-	1.32	-	
Auto TOOLS Co., Ltd.	-	-	Financial assets carried at cost - noncurrent	152,589	-	1.53	-	
Share certificates								
Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investee	Equity-method investments	3,320,000	26,131	100.00	Notes A and D	
Open-end mutual funds								
Allianz Global Investors All Seasons Return Fund of Bond Funds	-	-	Financial assets at fair value through profit or loss - current	3,989,223.30	49,950	-	Note C	
Deutsche Far Eastern DWS Global Agribusiness Fund	-	-	Financial assets at fair value through profit or loss - current	5,000,000.00	45,600	-	Note C	
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	-	Note C	

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	
	Private funds Opas Fund Segregated Portfolio Tranche C Opas Fund Segregated Portfolio Tranche D Opas Fund Segregated Portfolio Tranche E	- - -	Available-for-sale financial assets - current Available-for-sale financial assets - current Available-for-sale financial assets - current	30,000.00 10,000.00 25,000.00	\$ \$ \$	- - -	Note C Note C Note C
	Bonds 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	-	Note F
Digital United (Cayman) Ltd.	Stock Digital United Information Technologies Co., Ltd.	Equity-method investee	Equity-method investments	-	US\$ 359,000	100.00	Notes A and D
New Diligent Co., Ltd. (Note H)	Share certificates Sino Lead Enterprise Limited Far Eastern New Diligent Company Ltd.	Equity-method investee Equity-method investee	Equity-method investments Equity-method investments	- -	523 -	100.00 100.00	Notes A and D Notes A and D
DataExpress Infotech Co., Ltd.	Stock Linkwell Tech. Co., Ltd.	Equity-method investee	Equity-method investments	-	19,271	100.00	Notes A and D
Far Eastern Info Service (Holding) Ltd.	Share certificates Homnet Master Technology Co., Ltd. Jing Yuan Technology Co., Ltd.	Equity-method investee Equity-method investee	Equity-method investments Equity-method investments	- -	7,531 9,984	99.99 100.00	Notes A and D Notes D and G
E. World (Holdings) Ltd.	Share certificates Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 5,210,000	100.00	Notes A and D
Far Eastern Tech-info Ltd. (Shanghai)	Stocks Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$ 3,019,000	100.00	Notes A and D
	Share certificates Far Eastern New Century Information Technology (Beijing) Limited	Equity-method investee	Equity-method investments	-	RMB 45,705,000	55.00	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-end 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 at the 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 at 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 INVESTEEES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance	Acquisition	Disposal	Gain or Loss	Equity in Net Gain (Loss)	Ending Balance	
					Share/Units	Share/Units	Costs			Share/Units	
Far Eastone Telecommunications Co., Ltd.	Stock Yuan Qing Information Tech Co., Ltd. Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investments	Der Ching Investment Corporation, etc. Issuance of capital stock for cash	Note B	1,500,100,000	836,503,547 (Note B) 10,006,386	-	-	-\$	-	
		Equity-method investments			157,714,020	169,347	-	-	-	167,720,406	269,609
Far Eastern Tech-info Ltd. (Shanghai)	Share certificate 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 (4,169,000) (Note E)	-	
New Diligent Co., Ltd.	Open-end mutual funds FSTC Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	10,940,283.20	-	160,000	656	-	-	
ARCOA Communication Co., Ltd.	Open-end mutual funds Bond Fund	Available-for-sale financial assets - current	-	-	9,509,661.20	7,089,060.53	210,000	809	-	-	
		Available-for-sale financial assets - current	-	-	7,777,877.60	1,936,708.40	150,000	552	-	-	
		Available-for-sale financial assets - current	-	-	60,000	11,466,960.20	180,000	488	-	30,000	
		Available-for-sale financial assets - current	-	-	4,612,209.30	8,614,571.20	150,000	430	-	30,000	
		Available-for-sale financial assets - current	-	-	4,339,572.10	8,614,571.20	120,000	430	-	30,000	
		Available-for-sale financial assets - current	-	-	-	13,724,630.70	180,000	120,000	185	-	60,000
		Available-for-sale financial assets - current	-	-	-	8,884,468.09	120,000	90,000	44	-	30,000
		Available-for-sale financial assets - current	-	-	-	14,944,310.27	180,000	120,000	202	-	60,000
		Available-for-sale financial assets - current	-	-	-	-	8,223,941.80	90,000	48	-	30,000
		Available-for-sale financial assets - current	-	-	-	-	-	90,000	48	-	30,000
New Century InfoComm Tech Co., Ltd.	Private funds Opas Fund Segregated Portfolio Franche E	Available-for-sale financial assets - current	-	-	-	25,000	-	-	-	25,000	
		Financial assets at fair value through profit or loss - current	-	-	10,667,475.00	3,439,168.00	204,193	1,186	-	-	
	Open-end mutual funds Yuanm Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	154,193	-	-	-	-	-	

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

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

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

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

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

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 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)		% to Total	
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
Far EastOne Telecommunications Co., Ltd. (the "Company")	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.	Subsidiary	Telecommunications service revenues	(252,390)	-	Based on agreement	-	Accounts receivable	40,573	1%
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Telecommunications service revenues	(870,435)	(1%)	Based on agreement	-	Accounts receivable (Note A)	5,754	-
			Cost of telecommunications services	1,326,125	6%	Based on agreement	-	Accounts payable and accrued expense (Note A)	(339,937)	(4%)
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	233,281	55%	Based on agreement	-	Accrued expenses	(17,470)	-
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Marketing expenses	145,969	1%	Based on agreement	-	Accrued expenses	(88,210)	(2%)
	Far Eastern Tech-Info Ltd. (Shanghai)	Subsidiary of Far Eastern Info Service (Holding) Ltd.	Service fee	122,829	1%	Based on agreement	-	Accrued expenses	(34,835)	(1%)
New Century InfoComm Tech Co., Ltd. (NCIC)	Far EastOne Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(1,326,125)	(13%)	Based on agreement	-	Accounts receivable (Note B)	339,937	32%
			Cost of telecommunications services and cost of sales	870,435	10%	Based on agreement	-	Accounts payable (Note A)	(5,754)	(1%)
	KGEX.com Co., Ltd.	Same parent company	Cost of telecommunications services	409,269	5%	Based on agreement	-	Accounts payable	(68,717)	(11%)
	Simple InfoComm Co., Ltd.	Subsidiary	Telecommunications service revenues	(118,156)	(1%)	Based on agreement	-	Accounts receivable	-	-
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.	Parent company	Cost of telecommunications services	252,390	23%	Based on agreement	-	Accounts payable	(40,573)	(25%)
	New Century InfoComm Tech Co., Ltd.	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 as parent company's	Sales of equipment and accessories	(414,716)	(18%)	Based on agreement	-	Accounts receivable	31,839	20%
	Far Eastern Department Stores Co., Ltd.	Same chairman as parent company's	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 the Company and NCIC were settled at net amounts and were included in accounts payable - related parties.

Note B: The amount included the receivables collected by the Company for NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Amount	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Action Taken			
Far EastOne Telecommunications Co., Ltd. (the "Company")	ARCOA Communication Co., Ltd.	Subsidiary	\$ 216,265	9.58 (Note A)	-	-		\$ 202,458	-
	New Century InfoComm Tech Co., Ltd.	Subsidiary	318,003		-	-		119,238	-
New Century InfoComm Tech Co., Ltd. (NCIC)	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 the collection of telecommunications bills by the Company for NCIC.

SCHEDULE 6

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

NAMEs, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
 YEAR ENDED DECEMBER 31, 2011
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Shares	Balance as of December 31, 2011		Equity in Net Gain (Loss)	Note
				December 31, 2011	December 31, 2010		Carrying Value	Percentage of Ownership (%)		
Far EastOne Telecommunications Co., Ltd. (the "Company")	New Century InfoComm Tech Co., Ltd. (Note H)	Taiwan	Type I, II telecommunications services	\$ 27,243,773	\$ 6,422,241	2,599,448,983	\$ 27,410,135	\$ (732)	\$ 361,401	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications products, sales of communications products and office equipment	1,295,035	1,295,035	82,009,242	1,193,275	160,083	96,468	Notes A and B
ARCOA Communication Co., Ltd.	KGEX.com Co., Ltd.	Taiwan	Type II telecommunications products	2,444,789	2,355,649	100,329,267	771,403	(55,486)	(44,301)	Notes A and B
	Far EastOne Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,677,204	1,577,140	167,720,406	269,609	(24,399)	(9,140)	Notes B and C
	Far EastOne Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	157,506	(14,822)	(14,822)	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	84,898	7,769	6,675	Notes A and B
	Far EastOne Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	26,441	4,748	4,748	Notes A and B
	Far EastOne Electronic Commerce Co., Ltd. (Note I)	Taiwan	Electronic information providing services	42,020	-	4,202,000	26,101	(120,470)	(16,836)	Notes B and C
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	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	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	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	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	(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	
New Century InfoComm Tech Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	6,142,500	168,823	55,824	55,824	Notes B and E
	New Diligent Co., Ltd.	Taiwan	Business consulting and souvenir selling	800,000	800,000	80,000,000	724,922	6,397	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	96,917	(30,157)	(30,157)	Notes B and E
	Digital United (Cayman) Ltd.	Cayman Islands	General investment	102,442	102,442	3,320,000	26,131	385	(14,822)	Notes B and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	20,599	(3,516)	(3,516)	Notes B and E
	Far EastOne Electronic Commerce Co., Ltd. (Note I)	Taiwan	Electronic information providing services	15,030	-	1,503,000	9,336	(120,470)	(16,836)	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd. (Note I)	Taiwan	Market Sales	20,000	30,000	575,000	3,767	51,802	(3,231)	Notes B and C
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	85,433	54,275	4,092,160	40,351	(221)	(6,617)	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	-	US\$ 359,000	(4,093)	(4,093)	Notes B and E
	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	523	(31)	(181,331)	Notes B and E
Far Eastern New Diligent Company Ltd.	British Virgin Islands	Electronic information providing services	-	-	-	-	-	-	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	-	US\$ 5,210,000	(302)	(302)	Notes B and E
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	\$ -	US\$ 4,532,000	-	\$ -	(221)	(221)	Notes A, B and I
	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	3,019,000	8,003	8,003	Notes B and E
	Linkwell Tech. Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	19,271	12,905	12,905	Notes B and E
	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	9,999	-	-	9,999	(2,469)	(2,469)	Notes B and E
Far Eastern Tech-info Ltd. (Shanghai)	Home Master Tech. Co., Ltd.	Taiwan	Data processing	10,000	-	-	9,984	(16)	(16)	Notes D and E
	Far Eastern New Century Information Technology (Beijing) Limited	Beijing	Electronic information providing services	RMB49,874,000	-	-	RMB45,705,000	(34,645)	(34,645)	Notes B and E

(Continued)

Note A: Subsidiary.

Note B: Calculation based on audited financial statements as of December 31, 2011.

Note C: Equity-method investee of the Company.

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

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

Note F: Yuan Qing Infocomm Tech Co., Ltd. was dissolved on its merger with the Company on March 1, 2011.

Note G: Yuan Qing Infocomm Tech Co., Ltd. (YCIC) was dissolved on March 1, 2011 upon its merger with the Company. Thus, YCIC's holding of the common shares of New Century Infocomm Tech Co., Ltd. was transferred to the Company.

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. (FECC). DDIM reduced its capital by \$200,000 thousand and FECC issued new stock of 20,000 thousand shares to the original stockholders of DDIM as the consideration for the spin-off. Thus, the Company and New Century InfoComm Tech Co., Ltd. became the stockholders of FECC. The Company subscribed for FECC's shares that were issued 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 East'ron Holding Ltd. were all transferred to New Century InfoComm Tech Co., Ltd. in December 2011.

(Concluded)

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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 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 Remittances of Earnings as of December 31, 2011	Accumulated Investment in Mainland China as of December 31, 2011	Investment Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								
Far Eastone Telecommunications Co., Ltd. (the "Company")	Far Eastern Tech-Info Ltd. (Shanghai)	Computer software, data processing and network information providing services	\$ 75,688 (US\$ 2,360,000)	(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 systems	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 E)	New Diligent Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and 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)
Sscreen Corporation	Xiamen Luecki Technology Co., Ltd.	Mobile games 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: The Company and NGIC made the investments through a company registered in a third region.

Note C: New Diligent Co., Ltd. and Sscreen 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 Ministry of Economic Affairs (MOEA), ROC.

Note E: Please refer to Note 25 for the significant transactions with the investee company.

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

5. 2011 Independent Auditors' Report, Consolidated Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (the "Company") and subsidiaries as of December 31, 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.

Deloitte & Touche

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	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 5, and 27)	\$ 9,905,634	11	\$ 9,162,044	9
Financial assets at fair value through profit or loss - current (Notes 2 and 6)	196,718	-	1,188,405	1
Available-for-sale financial assets - current (Notes 2 and 7)	2,688,536	3	2,496,132	3
Held to maturity financial assets - current (Notes 2 and 11)	1,000,000	1	-	-
Notes receivable (Note 2)	56,809	-	69,328	-
Accounts receivable, net (Notes 2 and 8)	6,458,140	7	6,088,738	6
Accounts receivable - related parties, net (Notes 2 and 27)	108,572	-	43,601	-
Other receivables - related parties (Notes 2 and 27)	17,448	-	23,501	-
Hedging derivative financial assets - current (Notes 2, 26 and 27)	1,500	-	78,670	-
Inventories, net (Notes 2 and 9)	1,984,625	2	1,023,065	1
Prepaid expenses	807,692	1	732,059	1
Deferred income tax assets - current (Notes 2 and 23)	298,944	-	394,647	-
Pledged certificates of deposits - current (Notes 27 and 29)	28,356	-	134,500	-
Restricted assets - current (Notes 19, 27 and 29)	1,308,420	1	1,302,829	1
Other current assets (Note 8)	306,133	-	577,114	-
Total current assets	25,167,522	26	23,314,633	24
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 10)	341,206	1	239,400	1
Held-to-maturity financial assets - noncurrent (Notes 2, 11 and 29)	199,768	-	1,199,666	-
Financial assets carried at cost - noncurrent (Notes 2 and 12)	29,188	-	75,758	-
Total long-term investments	570,162	1	1,514,824	2
PROPERTIES (Notes 2, 13, 27 and 29)				
Cost				
Land	5,301,986	6	5,317,368	5
Buildings and equipment	6,393,369	7	6,393,267	7
Operating equipment	138,828,805	145	133,409,948	137
Computer equipment	22,844,563	24	21,650,325	22
Office equipment	1,331,220	1	1,330,478	1
Leasehold improvements	3,151,716	3	3,052,425	3
Miscellaneous equipment	17,220,214	18	16,113,189	17
Total cost	179,571,871	188	172,877,000	177
Less: Accumulated depreciation	129,688,793	136	120,755,983	123
Less: Accumulated impairment	2,004,289	3	2,632,327	3
Construction-in-progress and prepayments for equipment	4,728,689	49	49,168,690	51
Net properties	43,956,300	46	44,536,022	44
INTANGIBLE ASSETS (Notes 1, 2 and 14)				
CG concession, net	5,114,945	5	5,845,651	6
Goodwill, net	10,881,018	12	10,806,693	11
Other	783,811	1	670,649	-
Total intangible assets	16,779,780	18	17,322,993	18
OTHER ASSETS				
Rental assets, net (Notes 2 and 15)	421,010	-	239,198	-
Idle properties, net (Note 2)	139,262	-	118,586	-
Refundable deposits (Note 27)	483,223	1	449,731	1
Deferred charges, net (Note 2)	169,100	-	242,182	-
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
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	1,156,492	2	730,208	1
Total operating revenues	75,748,831	100	63,435,905	100
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	401,601	1	236,127	-
Total operating costs	45,383,761	60	36,779,290	58
GROSS PROFIT	30,365,070	40	26,656,615	42
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	69,147	-	79,646	-
Total operating expenses	18,848,540	25	15,482,277	25
OPERATING INCOME	11,516,530	15	11,174,338	17
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)	176,261	1	144,144	-
Total nonoperating income and gains	479,830	1	637,817	1
NONOPERATING EXPENSES AND LOSSES				
Loss 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)

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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)	27,226	-	27,931	-
Total nonoperating expenses and losses	1,121,799	2	846,650	1
COMBINED INCOME BEFORE INCOME TAX	10,874,561	14	10,965,505	17
INCOME TAX (Notes 2 and 23)	1,947,745	2	2,102,137	3
COMBINED NET INCOME	8,926,816	12	8,863,368	14
ATTRIBUTABLE TO:				
Controlling interest	\$ 8,880,993	12	\$ 8,848,565	14
Minority interest	45,823	-	14,803	-
	8,926,816	12	8,863,368	14
EARNINGS PER SHARE (Note 25)				
Basic	\$ 3.31	\$ 2.73	\$ 3.35	\$ 2.72
Diluted	\$ 3.31	\$ 2.72	\$ 3.35	\$ 2.71

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

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

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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)		Additional Paid-in Capital - Share Issuance in Excess of Par Value		Capital Surplus (Notes 2 and 22)			Other Adjustments			Total Stockholders' Equity	
	Shares (Thousands)	Amount	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Retained Earnings (Note 22)	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 22)	Controlling Interest of Far Eastone		Minority Interest
BALANCE, JANUARY 1, 2010	3,258,501	\$ 32,585,008	\$ 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	-	-	-	-	-	-	(923,010)	-	-	-	-	-
Special reserve	-	-	-	-	-	(21,740)	(9,123,802)	-	-	-	-	(9,123,802)
Cash dividend - NT\$2.8 per share	-	-	-	-	-	-	-	-	-	-	-	-
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
Changes in subsidiary's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	11,969	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	\$ 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 KGE's com's capital stock in December 2011	-	-	-	-	-	-	-	-	-	-	(86,451)	(86,451)
Acquisition of ADCast's capital stock in December 2011	-	-	-	-	-	-	-	-	-	-	(4,195)	(4,195)
Appropriation of the 2010 earnings	-	-	-	-	-	-	(884,856)	-	-	-	-	-
Cash dividend - NT\$2.5 per share	-	-	-	-	-	-	(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)
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	3,258,501	\$ 32,585,008	\$ 8,482,381	\$ 99,527	\$ 10,872,858	\$ 8,936,536	\$ 7,031	\$ 26,824	\$ 71,976,867	\$ 799,881	\$ 72,776,448	

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	783,198	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	608,511
Other current liabilities	24,717	(34,581)
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)
		(Continued)

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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	21,786	13,894
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	\$ 4,944	\$ 203,318
Reclassification of properties to deferred charges	\$ 33,929	\$ 24,632
Reclassification of properties to rental assets	\$ 159,749	\$ -
Reclassification of properties to idle properties	\$ 49,228	\$ -
		(Continued)

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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
Reclassification of idle properties to rental assets	\$ 28,237	\$ -
Reclassification of deferred charges to properties	\$ 18,350	\$ -
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	(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)

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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)

	FENCIT	Data Express	NCIC
Accounts receivable - related parties, net	\$ -	\$ -	\$ 175,455
Other receivables - related parties	-	-	59,128
Other financial assets - current	-	141,124	1,297,860
Inventories, net	257	15,911	122,057
Prepaid expense	-	29,000	90,825
Restricted assets - current	134	70,976	113,991
Other current assets	-	-	204,907
Equity-method investments	-	-	21,362
Held-to-maturity financial assets - noncurrent	-	-	1,007,478
Financial assets carried at cost - noncurrent	-	3,921	4,500
Properties, net	241,046	104,660	17,345,899
Intangible assets	-	-	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	-	-	(652,829)
Accounts payable - related parties	-	(53,258)	(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	55%	70%	67.82%
Goodwill	164,093	132,292	19,000,044
Cash payment due to merger	57,615	9,458	275,904
	<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)

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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.

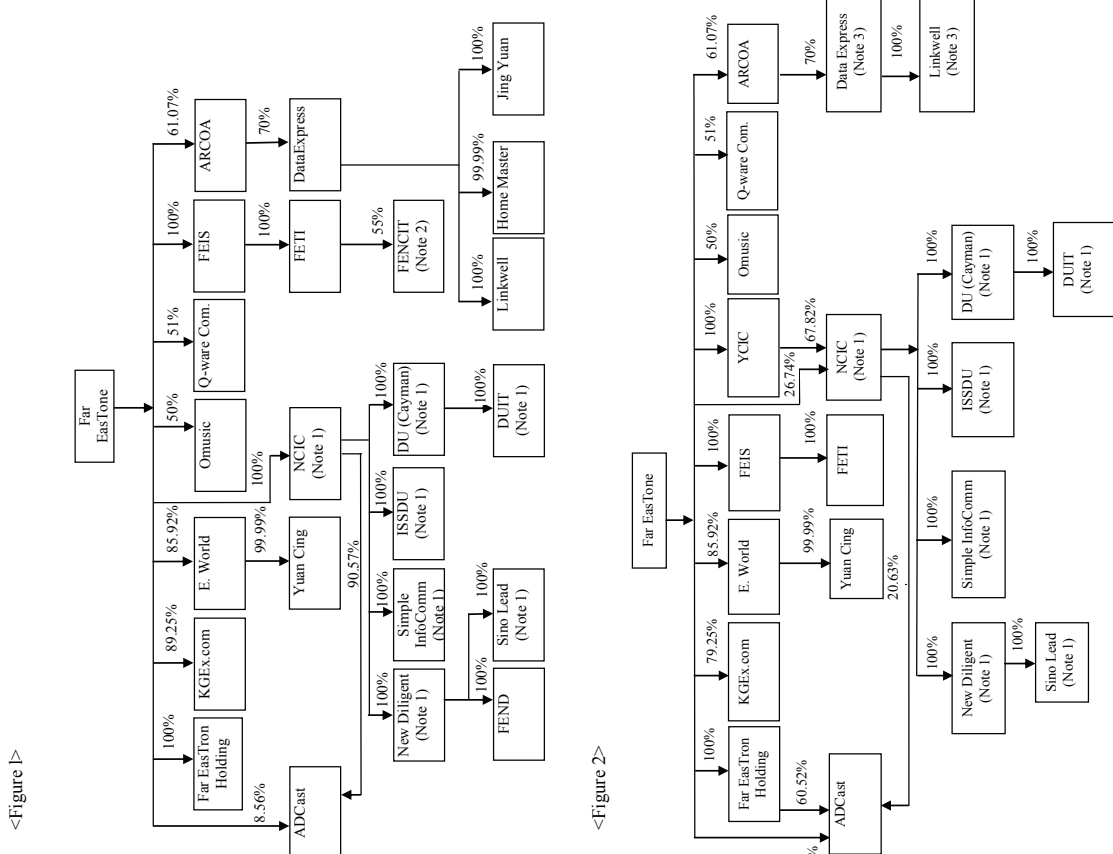
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries were translated from their respective functional currencies into New Taiwan dollars as follows:

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

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

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

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



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 Intotech 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) KGEEx.com Co., Ltd. ("KGEEx.com")
 KGEEx.com was incorporated on August 9, 2000. KGEEx.com mainly provides type II telecommunications services.

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

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

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

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

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

ADCast was incorporated on June 12, 2000. ADCast mainly provides Internet marketing services.

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

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

To prepare for service convergence, Far EastTone 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 EastTone's own holding of 695,096 thousand shares, Far EastTone 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 EastTone 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 EastTone owned 2,195,196 thousand shares, representing 93.95% ownership. In the second stage, on March 1, 2011, the record date, Far EastTone merged YCIC by cash at NT\$10.93 per share, with Far EastTone 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 EastTone. 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.

Accounting Estimates

Under above guidelines and principles, certain 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 resale 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.

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 EasTone Holding Ltd. ("Far EasTone Holding"), New Diligent Co., Ltd. ("New Diligent") and Digital United (Cayman) Ltd. ("DU (Cayman)")

E. World, FEIS, Far EasTone 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:

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

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 accessed under the consideration of taking the consolidated financial statement as a whole. The accumulated impairment loss of an asset recognized in prior years can be reversed if, later on, the estimate of the asset's recoverable amount later has changed so as to increase the recoverable amount. Then, the asset's carrying amount can be increased to its recoverable amount; however, the recoverable amount should not exceed the carrying amount that would have been after the deduction of depreciation or amortization if it had not been impaired.

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

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, DUJT 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 EastTron 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 is 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)	
	2011	December 31 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

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

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

	December 31 2011	December 31 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)	-	53,506
	<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

	December 31 2011	December 31 2010
Financial assets held for trading	\$ 196,718	\$ 686,524
Open-end mutual funds	-	501,881
Quoted stocks	<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:

	Year Ended December 31 2011	Year Ended December 31 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	10,858	7,777
	<u>\$ (95,307)</u>	<u>\$ 155,091</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

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

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

	December 31	2010
Domestic unlisted common stock		
THI Consultants Inc.	\$ 13,729	\$ 13,729
Chunghua 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>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 reasonably measured, were carried at cost.

13. PROPERTIES

a. Changes in properties consisted of:

Cost	Year Ended December 31, 2011					Ending Balance
	Beginning Balance	Addition	Sale or Disposal	Reclassification and Movement	Cumulative Translation Adjustments	
Land	\$ 5,313,368	-	\$ 1,400	\$ (13,982)	\$ -	\$ 5,301,986
Buildings and equipment	6,503,267	179,341	16,550	6,963,348	-	6,893,369
Operating equipment	133,409,948	1,724,670	66,419	6,963,348	-	138,828,805
Computer equipment	21,650,325	11,605	66,559	1,247,036	2,156	22,844,563
Office equipment	1,330,478	25,168	54,015	20,650	8,939	1,331,220
Leasehold improvements	5,052,245	1,788	38,652	136,155	-	3,151,716
Miscellaneous equipment	6,033,829	10,102	13,600	10,521	-	2,021,212
	<u>172,837,000</u>	<u>\$ 28,008</u>	<u>\$ 129,146</u>	<u>\$ 8,371,443</u>	<u>\$ 11,095</u>	<u>179,571,811</u>
Accumulated depreciation						
Buildings and equipment	1,913,699	174,933	13,214	(27,819)	\$ -	2,047,599
Operating equipment	95,755,626	8,284,255	930,869	(13,334)	-	103,095,678
Computer equipment	18,303,648	1,274,290	66,419	(792)	1,691	19,512,418
Office equipment	1,110,330	59,413	53,946	154	6,864	1,131,815
Leasehold improvements	2,266,494	28,264	28,009	184	-	2,323,251
Miscellaneous equipment	2,968,549	11,663	26,609	34,161	-	2,945,383
	<u>120,753,983</u>	<u>\$ 10,036,933</u>	<u>\$ 1,104,433</u>	<u>\$ (7,720)</u>	<u>\$ 8,555</u>	<u>129,688,793</u>
Accumulated impairment						
Land	116,175	-	-	(19,618)	\$ -	96,557
Buildings and equipment	115,025	-	524	(13,300)	-	101,201
Operating equipment	2,189,483	-	13,382	-	-	2,176,101
Computer equipment	186,035	-	75	-	-	185,960
Office equipment	3,771	-	48	-	-	3,819
Leasehold improvements	24,701	-	524	-	-	24,927
Miscellaneous equipment	17,167	-	457	-	-	16,710
	<u>2,652,327</u>	<u>\$ -</u>	<u>\$ 15,020</u>	<u>\$ (32,918)</u>	<u>\$ -</u>	<u>2,604,389</u>
Construction-in-progress and prepayments for equipment	49,468,690	-	-	-	-	47,278,689
	<u>4,546,022</u>	<u>\$ 8,352,212</u>	<u>\$ 16,717</u>	<u>\$ (8,503,052)</u>	<u>\$ -</u>	<u>4,378,460</u>
	<u>\$ 54,014,212</u>					<u>\$ 51,657,149</u>

Cost	Year Ended December 31, 2010					Ending Balance
	Beginning Balance	Addition	Sale or Disposal	Reclassification and Movement	Cumulative Translation Adjustments	
Land	\$ 1,471,284	\$ 3,575,424	\$ -	\$ 270,660	\$ -	\$ 5,317,368
Buildings and equipment	3,069,444	3,330,839	95,520	198,504	-	6,803,267
Operating equipment	110,140,318	20,038,724	2,005,806	5,236,712	-	133,409,948
Computer equipment	17,231,533	3,231,533	48,911	1,231,453	(1,455)	21,650,325
Office equipment	1,987,877	45,111	45,111	769,833	(5,286)	1,330,478
Leasehold improvements	1,987,333	523,476	228,217	769,833	-	3,052,245
Miscellaneous equipment	500,674	1,090,030	7,878	30,363	-	1,613,189
	<u>135,426,409</u>	<u>\$ 32,129,822</u>	<u>\$ 2,477,594</u>	<u>\$ 7,805,104</u>	<u>\$ (6,741)</u>	<u>172,837,000</u>
Accumulated depreciation						
Buildings and equipment	1,121,618	814,468	95,456	(475,947)	\$ -	1,913,699
Operating equipment	80,192,573	17,380,208	1,341,208	(7,792)	(1,170)	95,755,626
Computer equipment	14,666,626	2,666,400	42,538	(1,522)	(4,650)	18,303,648
Office equipment	901,550	651,423	209,983	482,369	(4,650)	1,131,815
Leasehold improvements	1,474,832	651,423	209,983	482,369	-	2,323,251
Miscellaneous equipment	370,422	902,564	7,752	(195)	-	1,265,039
	<u>98,432,423</u>	<u>\$ 24,036,059</u>	<u>\$ 1,791,419</u>	<u>\$ 79,609</u>	<u>\$ (5,820)</u>	<u>120,753,983</u>
Accumulated impairment						
Land	-	116,175	\$ -	\$ -	\$ -	116,175
Buildings and equipment	2,023	1,166	-	(11,166)	-	1,023
Operating equipment	2,189,483	2,208,914	1,258	(18,176)	-	2,189,483
Computer equipment	186,035	186,035	-	-	-	186,035
Office equipment	-	3,741	-	-	-	3,741
Leasehold improvements	-	3,736	-	20,965	-	24,701
Miscellaneous equipment	-	17,167	-	-	-	17,167
	<u>2,023</u>	<u>\$ 2,647,605</u>	<u>\$ 1,258</u>	<u>\$ 3,957</u>	<u>\$ -</u>	<u>2,652,327</u>
Construction-in-progress and prepayments for equipment	36,986,913	-	-	-	-	49,468,690
	<u>3,320,754</u>	<u>\$ 8,910,465</u>	<u>\$ 73,652</u>	<u>\$ (7,611,545)</u>	<u>\$ -</u>	<u>4,546,022</u>
	<u>\$ 40,307,662</u>					<u>\$ 54,014,212</u>

b. Capitalized interest on properties was as follows:

	Year Ended December 31	
	2011	2010
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

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

3G concession, net

b. Goodwill and the others

	Year Ended December 31		2011	2010
	Goodwill	Other	Goodwill	Other
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>67,394</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

Cost	Years Ended December 31					
	Beginning Balance	Addition	From Merger with NTC	Reclassification	Ending Balance	2011
Cost	\$ 105,114	\$ -	\$ -	\$ 15,709	\$ 120,823	\$ 105,114
Building and equipment	30,801	-	-	27,287	58,088	30,801
Accumulated depreciation	(28,525)	-	-	(27,287)	(55,812)	(28,525)
Building and equipment	25,322	-	-	16,186	41,508	25,322
Accumulated impairment	(29,710)	-	-	(21,600)	(51,310)	(29,710)
Rental assets, net	\$ 46,999	\$ -	\$ -	\$ 49,699	\$ 46,999	\$ 46,999

Rental assets are offices of Far EastTone, ARCOA and NCIC, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through 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

	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	2,342,672	3,194,000
	<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-Ien 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

	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

	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 EastTone 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 EastTone 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 EastTone's prepaid cards' customers' and NCIC's international calling cards customers' rights under the trust deeds. Moreover, Far EastTone provided a performance guarantee amounting to \$45,000 thousand to KGEX.com for prepaid cards already bought by customers.

20. LONG-TERM BANK LOANS

	December 31, 2011		Total
	Due Within One Year	Due After One Year	
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 EastTone'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 EastTone, NCIC, ARCOA, Y uan 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 EastTone, 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 1.5 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points. Far EastTone, 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:

	Year 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
Curtailment gain	-	(18,236)
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	\$ 26,029	\$ 11,724
Vested benefit obligation	1,021,939	909,918
Non-vested benefit obligation	1,047,968	921,642
Accumulated benefit obligation	417,759	502,328
Additional benefits based on projected and future salaries	1,465,727	1,423,970
Projected benefit obligation	(839,030)	(794,015)
Fair value of plan assets	626,697	629,955
Funded status	(7,753)	(1,033)
Unrecognized net transition obligation	24,405	25,567
Unrecognized prior service cost	(149,323)	(171,966)
Unrecognized pension loss	8,886	8,925
Recorded prepaid pension	<u>\$ 502,912</u>	<u>\$ 491,448</u>
Accrued pension cost	<u>\$ 30,277</u>	<u>\$ 11,997</u>
Vested benefit		

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
Beginning balance	\$ 794,015
Funds arising from merger	-
Contributions	40,820
Payments	(5,490)
Earnings distributed	9,685
	<u>12,235</u>
Ending balance	<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 EastTone'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 EastTone'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 EastTone 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 EastTone'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 EastTone'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 EastTone.

The appropriation of the 2010 and 2009 earnings was approved by the Far EastTone's stockholders on June 9, 2011 and June 15, 2010, respectively.

	Appropriation and Distribution		Dividend Per Share	
	2010	2009	2010	2009
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 EastTone's stockholders on June 9, 2011 and June 15, 2010, respectively, as follows:

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

	Years Ended December 31	
	2010	2009
	Remuneration to Directors and Supervisors	Remuneration to Directors and Supervisors
Bonus to Employees	\$ 159,274	\$ 166,577
	-	-
	-	166,142
	-	-
	-	435
	-	217

Amounts approved in stockholders' meetings
Amounts recognized in respective financial statements

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 depository receipts

Far EasTone's Global Depository 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 depository trust company, the following beneficial interests subject to the terms of the Depository 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 EasTone resolved to issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to \$17,773,641 thousand and the private placement price setting at NT\$40.00 per share, to catch up on industry development trends and to meet Far EasTone's future operating needs. This resolution replaced their private placement resolution made on June 15, 2010 and June 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. However, based on certain agreements, if the volume weighted average price of Far EasTone's common shares falls below NT\$35.00 or exceeds NT\$50.00 within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or Far EasTone sends the notice to the other party of the settlement of the private placement, Far EasTone's board of directors has the authorization of the stockholders' meeting to discuss in good faith and set a new private placement price, provided that any upward or downward adjustment is not more than NT\$5 per Far EasTone's share and the new price should not be lower than 70% of the reference price on that date. The private placement will proceed after obtaining the authorities' approval under the related regulation.

e. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the years ended December 31, 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
Year ended December 31, 2011				
Beginning balance	\$ 44,508	\$ 13,434	\$ 12,750	\$ 70,692
Recorded as adjustments to stockholders' equity	(31,464)	6,146	(6,920)	(32,238)
Recognized as profit or loss	<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>
Year ended December 31, 2010				
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	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
Income tax expense - current	<u>\$ 1,620,724</u>	<u>\$ 2,001,188</u>

- b. Income tax expense consisted of:

	Year Ended December 31	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	2010
Current		
Deferred income tax assets	\$ 344,146	\$ 425,393
Allowance for doubtful accounts	13,350	7,726
Provision for losses on decline in value of inventories	8,638	7,191
Investment tax credits	<u>10,822</u>	<u>23,704</u>
Other	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	\$ 1,980,665	\$ 1,972,097
Loss carryforwards	571,345	540,297
Impairment loss on properties and idle properties	11,691	348,333
Impairment loss on financial assets	215,145	193,548
Equity in investees' net losses	84,938	84,836
Accrued pension cost	-	8,638
Investment tax credits	<u>34,722</u>	<u>25,234</u>
Other	2,898,506	3,172,983
Less: Valuation allowance	<u>2,579,717</u>	<u>2,743,172</u>
	<u>318,789</u>	<u>429,811</u>
	<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	2010
Balance of imputation credit account (ICA)		
Far EasTone	\$ 1,070,825	\$ 933,662
ARCOA	<u>11,420</u>	<u>16,196</u>
Yuan Cing	<u>8,909</u>	<u>6,808</u>
NCIC	<u>23,310</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		Expiry Year
		Used	Unused	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,708	\$ 1,708	2012

NCIC

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits		Expiry Year
		Used	Unused	
Statute for Upgrading Industries	Purchase of automated equipment or technology	\$ 6,930	\$ 6,930	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	49,236	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., KGEx.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
Employee expenses				
Salaries	\$ 948,165	\$ 3,416,378	\$ -	\$ -
Pension	66,794	192,815	-	-
Meal	22,462	97,554	-	-
Employee benefit	3,211	48,272	-	-
Insurance	72,507	277,214	-	-
Miscellaneous	<u>5,901</u>	<u>43,187</u>	-	-
	\$ 1,119,040	\$ 4,075,420	\$ -	\$ 5,194,460
Depreciation Amortization	\$ 8,983,132	\$ 1,053,261	\$ 11,464	\$ 10,047,857
	<u>70,563</u>	<u>117,149</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
Employee expenses				
Salaries	\$ 728,540	\$ 2,528,578	\$ -	\$ 289,518
Pension	59,736	139,476	-	18,263
Meal	17,594	69,183	-	6,074
Employee benefit	1,454	37,753	-	-
Insurance	60,392	182,718	-	19,628
Miscellaneous	4,574	32,131	-	743
	<u>\$ 872,290</u>	<u>\$ 2,989,839</u>	<u>\$ -</u>	<u>\$ 334,226</u>
Depreciation	<u>\$ 9,089,834</u>	<u>\$ 927,717</u>	<u>\$ 17,954</u>	<u>\$ -</u>
Amortization	<u>\$ 53,987</u>	<u>\$ 33,333</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>\$ 87,320</u>
				<u>\$ 4,196,355</u>
				<u>\$ 10,035,505</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)

	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Amount (Numerator)	Common Stock (Denominator) (In Thousand Shares)	Earnings Per Share (NT\$)	Amount (Numerator)	Common Stock (Denominator) (In Thousand Shares)	Earnings Per Share (NT\$)
Year ended December 31, 2011						
Basic EPS						
Net income - Far EasTone	\$ 10,786,658	3,258,501	\$ 3.31	\$ 8,880,993	3,258,501	\$ 2.73
Effect of dilutive potential common stock	-	-	-	-	-	-
Bonus to employees	-	4,398	-	-	4,398	-
Diluted EPS						
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 10,786,658</u>	<u>3,262,899</u>	<u>\$ 3.31</u>	<u>\$ 8,880,993</u>	<u>3,262,899</u>	<u>\$ 2.72</u>

(Continued)

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

	December 31		Fair Value
	2011	2010	
Assets			
Financial assets at fair value through profit or loss - current	\$ 196,718	\$ 196,718	\$ 1,188,405
Available-for-sale financial assets - current	2,688,536	2,688,536	2,496,132
Hedging derivative financial assets - current	1,500	1,500	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	Fair Value
	Carrying Value	Carrying Value	Fair Value
Financial assets carried at cost - noncurrent	\$ 29,188	\$ 75,758	\$ 75,758
Refundable deposits	483,223	449,731	449,366
<u>Liabilities</u>			
Long-term bank loans (including current portion)	175,793	208,995	208,995
Hedging derivative financial liabilities - current	2,667	-	-
Lease payable (including current portion) (including in other current liabilities and other liabilities - other)	16,918	-	-
Guarantee deposits received (including current portion)	719,213	783,965	783,965
<u>Place of transaction on derivative financial instruments</u>			
<u>Assets</u>			
Domestic	\$ 1,500	\$ 78,670	\$ 78,670
<u>Liabilities</u>			
Domestic	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:

	Quoted Price		Estimated Price	
	December 31 2011	December 31 2010	December 31 2011	December 31 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:

	December 31		December 31	
	2011	2010	2011	2010
<u>Financial Assets</u>			<u>Financial Assets</u>	<u>Financial Liabilities</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

Risk from interest fluctuations

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 EastTone 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 for Realization of Gains or Losses
		2011	2010	
Foreign currency - denominated asset				
	Cross-currency swap - Far EastTone	US\$ 5,000,000	US\$ 15,000,000	2012
	Foreign exchange swap - NCIC	US\$30,000,000	1,500	2012
	Foreign exchange swap - NCIC	US\$35,000,000	(2,592)	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 EastTone (became a subsidiary since August 16, 2010)
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EastTone
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 EastTone
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)

Relationship with the Group

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 EastTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EastTone
Telecommunication and Transportation Foundation (TTF)	Far EastTone'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
Chiahu Power Corporation	Same chairman
Tranquil Enterprise Ltd.	Same chairman
Far Eastern Medical Foundation	Same chairman
Far Eastern International Bank (FEIB)	Far EastTone's chairman is FEIB's vice chairman
Far Eastern Insurance Agency Co., Ltd.	Far EastTone'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 EastTone 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)

Related Party	Relationship with the Group
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 EastTone
Hui Kang Investment Co., Ltd.	Its Chairmen is consanguinity within second degree to the chairman of Far EastTone
Connie Hsu	Consanguinity within second degree to the chairman of Far EastTone (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:

	Year Ended December 31	
	2011	2010
	Amount	%
Operating revenue		
SOGO	\$ 490,709	1
FEDS	202,891	-
FETC	48,055	-
FEIB	47,637	-
FENC	33,964	-
NCIC	-	-
Other	103,313	-
	<u>\$ 926,569</u>	<u>1</u>
	\$ 1,119,888	2

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.

	Year Ended December 31	
	2011	2010
	Amount	%
Operating costs and expenses		
Cost of telecommunications service		
NCIC	\$ -	-
Other	7,980	-
	<u>\$ 7,980</u>	<u>-</u>
	\$ 518,548	2
Rental		
FEILC	\$ 53,050	1
FETRD	52,652	1
SOGO	31,331	1
FEDS	15,776	-
NCIC	-	-
Other	16,212	-
	<u>\$ 169,021</u>	<u>3</u>
	\$ 138,516	3

	Year Ended December 31	
	2011	2010
	Amount	Amount
Marketing expense		
DDIM	\$ 151,286	\$ 130,405
Other	3,481	557
	<u>\$ 154,767</u>	<u>\$ 130,962</u>
Service fee		
FCHRC	\$ 247,631	\$ 286,792
Other	2,392	987
	<u>\$ 250,023</u>	<u>\$ 287,779</u>
Telephone fee		
NCIC	\$ -	\$ 21,904
Donation expense		
YZU	\$ 80,000	\$ 25,000
TTF	7,000	7,000
	<u>\$ 87,000</u>	<u>\$ 32,000</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
Other	7,264	12,645
	<u>\$ 7,264</u>	<u>\$ 249,153</u>

Far EasTone bought from FEILC the Neihsu 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	\$ 5,418,412	\$ 4,437,394
	<u>\$ 5,418,412</u>	<u>\$ 4,437,394</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 assigned 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	\$ 1,500	\$ 50,550
	<u>\$ 1,500</u>	<u>\$ 50,550</u>

Hedging derivative financial assets (liabilities)

NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. The notional 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	\$ 8,317
SOGO	39,239	20,721
FENC	7,409	458
FETC	4,370	4,271
FEEC	3,012	-
FETRD	2,759	3,378
DDIM	1,735	1,561
FEIB	804	1,547
Other	8,253	3,348
	<u>\$ 108,572</u>	<u>\$ 43,601</u>

Accounts receivable - related parties

	December 31	
	2011	2010
	Amount	Amount
Other receivables - related parties		
YDI	\$ 7,552	\$ 7,552
FEIB	6,074	2,857
FETC	2,124	3,204
ACC	1,073	1,073
DDIM	-	1,582
Other	625	7,233
	<u>\$ 17,448</u>	<u>\$ 23,501</u>

Other receivables - related parties

	December 31	
	2011	2010
	Amount	Amount
Refundable deposits		
DDIM	\$ 38,595	\$ 38,535
Other	2,409	6,637
	<u>\$ 41,004</u>	<u>\$ 45,172</u>

Refundable deposits

	December 31	
	2011	2010
	Amount	Amount
Accounts payables - related parties		
FEDS	\$ 1,780	\$ -
DDIM	541	300
FETC	156	6,333
DDMC	-	4,162
YDC	-	2,275
YDTTI	-	1,817
Other	473	2,273
	<u>\$ 2,950</u>	<u>\$ 17,160</u>

Accounts payables - related parties

	December 31	
	2011	2010
	Amount	Amount
Accounts payable - related parties		
FEDS	\$ 1,780	\$ -
DDIM	541	300
FETC	156	6,333
DDMC	-	4,162
YDC	-	2,275
YDTTI	-	1,817
Other	473	2,273
	<u>\$ 2,950</u>	<u>\$ 17,160</u>

	December 31		2010		
	2011	%	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	14,890	10	43,588	19	
	<u>\$ 149,866</u>	<u>100</u>	<u>\$ 227,805</u>	<u>100</u>	
		Year Ended December 31			
		2011	%	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	9	-	221	-	
	<u>\$ 67,994</u>	<u>53</u>	<u>\$ 44,002</u>	<u>52</u>	
Management services revenue					
NCIC	\$ -	-	\$ 17,514	100	
Rent					
YDTTI	\$ 4,339	7	\$ 1,544	4	
DDMC	1,955	3	896	2	
FE/TRD	1,607	3	973	3	
NCIC	-	-	10,043	24	
Other	322	1	127	-	
	<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	398	1	1,590	4	
	<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:

	Years Ended December 31	
	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	10,990	11,129
	<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:

- 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.
- DataExpress provided a \$30,000 thousand bank guarantee which is used as collaterals for the purchase of inventory.
- 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 EastTone 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:

	December 31	
	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	419,461	443,956
	<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 EastTone 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 EastTone and its subsidiaries and among subsidiaries: Schedule I
 - 2) Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EastTone'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 maker 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 maker.

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)	1,281,889	1,424,853	9,517	(2,716,259)	-
Total revenues	\$ 56,314,438	\$ 10,669,410	\$ 11,481,242	\$ (2,716,259)	\$ 75,748,831
Segment operating income (loss)	\$ 10,600,631	\$ (6,101)	\$ (279,253)	\$ 778	\$ 10,874,561

	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)	1,144,815	960,501	-	(2,105,316)	-
Total revenues	\$ 54,526,374	\$ 4,671,359	\$ 6,343,488	\$ (2,105,316)	\$ 63,435,905
Segment operating income (loss)	\$ 10,632,029	\$ 51,747	\$ 347,738	\$ (66,009)	\$ 10,965,505

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	2011	2010
	Foreign Currencies	New Taiwan Dollars	Foreign Currencies	New Taiwan Dollars
	Exchange Rate		Exchange Rate	
Financial assets				
Monetary items				
USD	\$ 12,407	\$ 375,622	\$ 23,889	\$ 695,887
EUR	4	148	10	389
JPY	25	0,3906	10	110
HKD	51	3,897	14,348	53,776
RMB	10,510	4,805	27,856	123,124
SGD	30	23,31	-	-
Non-monetary items				
USD	70,704	2,140,566	46,836	1,364,333
HKD	-	3,897	15,925	59,687
Financial liabilities				
Monetary items				
USD	14,109	427,138	18,225	530,894
EUR	37	39,18	36	1,401
JPY	1,884	0,3906	654	234
HKD	-	3,897	23	86
RMB	5,345	4,805	3,780	16,708
SGD	-	23,31	4	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 IFRS1	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 IFRS1	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)

Accounting Issues

A reduction in investor's ownership interest resulting from the issuance of shares by the associates without losing significant influence

ROC GAAP

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.

IFRSs

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. 2004-521 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.

SCHEDULE B**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. KGEEx.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 KGEEx 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			Market Value or Net Asset Value	Note	Highest Shares/Units Held During the Year	
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)				
Far Eastone Telecommunications Co., Ltd.	Stocks									
	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 East Iron 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
	Open-end mutual funds									
	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
	Private funds									
	Opus Fund Segregated Portfolio Tranche D	-	-	Available-for-sale financial assets - current	5,000.00	152,414	-	152,414	Note C	5,000.00
	Bonds									
	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.									
	Stock									
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	
Open-end mutual funds										
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 Hua Money Market Fund	-	-	Available-for-sale financial assets - current	2,150,337.20	30,001	-	30,001	Note C	6,499,197.20	
Fuh Hua 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			Market Value or Net Asset Value	Note	Highest Shares/Units Held During the Year	
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)				
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	
	Bonds									
	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	
	Stock									
	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		
Share certificates										
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		
Open-end mutual funds										
Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	3,989,223.30	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		
Private funds										
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		
Bonds										
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			Market Value or Net Asset Value	Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)			
Digital United (Cayman) Ltd.	Stock 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)	Share certificates Sino Lead Enterprise Limited Far Eastern New Diligent Company Ltd.	Equity-method investee Equity-method investee	Equity-method investments Equity-method investments	-	523	100.00 100.00	523 -	Notes A and D Notes A and D	- -
DataExpress Infotech Co., Ltd.	Stock Linkwell Tech. Co., Ltd.	Equity-method investee	Equity-method investments	-	19,271	100.00	19,271	Notes A and D	-
Far Eastern Info Service (Holding) Ltd.	Share certificates Homel Master Technology Co., Ltd.	Equity-method investee	Equity-method investments	-	7,531	99.99	7,531	Notes A and D	-
E. World (Holdings) Ltd.	Stock Jing Yuan Technology Co., Ltd.	Equity-method investee	Equity-method investments	-	9,984	100.00	9,984	Notes D and G	-
Far Eastern Tech-info Ltd. (Shanghai)	Share certificates 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	-
Far Eastern Tech-info Ltd. (Shanghai)	Stocks 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
	Share certificates 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)

SCHEDULE D

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		Share/Units	Price	Disposal		Ending Balance		
					Share/Units	Amount	Share/Units	Amount			Costs	Gain or Loss	Share/Units	Amount	
Far EastOne Telecommunications Co., Ltd.	Stock	Equity method investments	Der Ching Investment Corporation and etc.	Note B	1,500,100,000	\$ 15,076,670	836,503,547	\$	2,336,603,547	\$	-	-	-	-	
	Yuan Cing Information Tech Co., Ltd.	Equity method investments	issuance of capital stock for cash	-	157,714,020	169,347	10,006,386	-	(Note C)	-	-	-	167,720,406	269,609	
Far Eastern Tech-info Ltd. (Shanghai)	Share certificate	Equity method investments	Yuan Dong New Century Company Ltd. and issuance of capital stock for cash	-	-	-	-	RMB 49,874,000	-	-	-	-	-	RMB 45,705,000	
	Far Eastern New Century Information Technology (Beijing) Limited	Equity method investments	-	-	-	-	-	-	-	-	-	-	-	-	
New Dlligent Co., Ltd.	Open-end mutual funds	Financial assets at fair value through profit or loss - current	-	-	10,940,283.20	160,656	-	-	10,940,283.20	160,656	656	-	-	-	
	FSITC Taiwan Bond Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
ARCOA Communication Co., Ltd.	Open-end mutual funds	Available-for-sale financial assets - current	-	-	9,509,661.20	120,000	7,089,060.53	90,000	16,598,721.73	210,809	809	-	-	-	
	Bond 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	552	-	-	-	
	Capital Income 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	488	-	-	30,000	
	PCA Well Pool 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	430	-	-	30,000	
	Fuh Hwa Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	13,724,630.70	180,000	9,229,422.83	120,185	185	-	-	60,000	
	Taishi 1699 Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	8,884,468.09	120,000	6,582,124.30	90,044	44	-	-	30,000	
	Taichin Ya Chong Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	14,944,310.27	180,000	9,969,474.18	120,202	202	-	-	60,000	
	Mega Diamond Bond Fund	Available-for-sale financial assets - current	-	-	-	-	8,223,941.80	120,000	6,169,878.90	90,048	48	-	-	30,000	
	Yuanta Wan Tai Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	-	25,000	-	-	-	-	-	25,000	725,150
	Private funds	Available-for-sale financial assets - current	-	-	-	-	-	-	-	-	-	-	-	-	-
New Century InfoComm Tech Co., Ltd.	Opas Fund Segregated Portfolio Tranche E	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	1,186	204,193	-	-	
	Open-end mutual funds	Financial assets at fair value through profit or loss - current	-	-	-	-	-	-	-	-	-	-	-	-	

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 \$2,592 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.

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 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) Ending Balance	% to Total	
			Purchase (Sale)	Amount	Payment Terms	Unit Price			Payment Terms
Far Eastone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Sales of equipment and accessories and telecommunications service revenues	\$ (398,918)	Based on agreement	-	Accounts receivable	\$ 214,228	3%
			Cost of telecommunications services, marketing expenses and cost of sales	3,989,793	Based on agreement	-	Accounts payable and accrued expense	(991,272)	(12%)
	KGEX.com Co., Ltd.	Subsidiary	Telecommunications service revenues	(252,390)	Based on agreement	-	Accounts receivable	40,573	1%
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Telecommunications service revenues	(870,435)	Based on agreement	-	Accounts receivable (Note A)	5,754	-
			Cost of telecommunications services	1,326,125	Based on agreement	-	Accounts payable and accrued expense (Note A)	(339,937)	(4%)
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	233,281	Based on agreement	-	Accrued expenses	(17,470)	-
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Marketing expenses	145,969	Based on agreement	-	Accrued expenses	(88,210)	(2%)
	Far Eastern Tech-Info Ltd. (Shanghai)	Subsidiary of Far Eastern Info Service (Holding) Ltd.	Service fee	122,829	Based on agreement	-	Accrued expenses	(34,835)	(1%)
New Century InfoComm Tech Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(1,326,125)	Based on agreement	-	Accounts receivable (Note B)	339,937	32%
			Cost of telecommunications services	870,435	Based on agreement	-	Accounts payable (Note A)	(5,754)	(1%)
	KGEX.com Co., Ltd.	Same parent company	Cost of sales	409,269	Based on agreement	-	Accounts payable	(68,717)	(11%)
	Simple InfoComm Co., Ltd.	Subsidiary	Telecommunications service revenues	(118,156)	Based on agreement	-	Accounts receivable	-	-
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)	Based on agreement	-	Accounts receivable	991,272	86%
			Cost of telecommunications services and cost of sales	398,918	Based on agreement	-	Accounts payable	(214,228)	(11%)
KGEX.com Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	252,390	Based on agreement	-	Accounts payable	(40,573)	(25%)
	New Century InfoComm Tech Co., Ltd.	Same parent company	Telecommunications service revenues and service revenues	(409,269)	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)	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)	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)	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	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.

SCHEDULE F**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	Amount	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Action Taken			
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd. New Century InfoComm Tech Co., Ltd.	Subsidiary Subsidiary	\$ 216,265	9.58 (Note A)	-	-	\$ 202,458	-	
			318,003		-	-	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.

SCHEDULE G

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		Carrying Value	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership (%)				
Far East One 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
Far East One Telecommunications Co., Ltd.	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 East One 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 East Iron 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	(298,797)	(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.	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	
ADCast Interactive Marketing Co., Ltd.	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 (Cayman) Ltd. (Note F)	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 Info Service (Holding) Ltd. (Note F)	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 East Iron 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.	Linkswell Tech Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	19,271	12,905	Notes B and E	
Far Eastern Tech-info Ltd. (Shanghai)	Heme 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., Aneca 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, it is 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 EastTron 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 Diligent 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	-	36,330 (US\$ 1,200,000)	36,330 (US\$ 1,200,000)	434,953 (Note D)
Screen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,541 (US\$ 150,000)	(Note C)	4,725 (US\$ 90,000)	-	-	4,725 (US\$ 90,000)	60%	(540)	1,505	-	4,725 (US\$ 90,000)	4,725 (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 Screen 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.

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Far Eastern Tech-info Ltd. (Shanghai)	1	Other payables - related parties	\$ 34,835	Note E	-
				General and administrative expenses	122,829	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	Nonoperating income and gains	13	Note E	-
				Accounts receivable - related parties	3	Note E	-
				Other receivables - related parties	99	Note E	-
				Other payables - related parties	11,260	Note E	-
				Telecommunications revenues	35	Note E	-
				Marketing expenses	9,027	Note E	-
				General and administrative expenses	1,074	Note E	-
		Yuan Cing Co., Ltd.	1	Nonoperating income and gains	28	Note E	-
				Other receivables - related parties	2,399	Note E	-
				Other payables - related parties	2,022	Note E	-
		Q-ware Communications Co., Ltd.	1	Nonoperating income and gains	193	Note E	-
				Accounts receivable - related parties	68,220	Note E	-
				Other receivables - related parties	10,374	Note E	-
				Accounts payable - related parties	1,955	Note E	-
				Other payables - related parties	1,001	Note E	-
				Telecommunications service revenues	255	Note E	-
				Cost of telecommunications services	12,913	Note E	-
				Marketing expenses	619	Note E	-
				Nonoperating income and gains	2,558	Note E	-
		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			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
				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	-
			3	Accounts receivables - related parties	165	Note E	-
		ARCOA Communication Co., Ltd.		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	-
			3	Accounts receivable - related parties	3,869	Note E	-
		KGEx.com Co., Ltd.		Accounts payable - related parties	58,842	Note E	-
				Other payables - related parties	11,180	Note E	-
				Telecommunications service revenues	38,137	Note E	-
			3	Cost of telecommunications services	409,269	Note E	1%
		Q-ware Communications Co., Ltd.		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	-
			3	Marketing expenses	4,396	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)		Accounts receivable - related parties	18	Note E	-
		ADCast Interactive Marketing Co., Ltd.	3	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	-
			3	Accounts receivable - related parties	246	Note E	-
		Information Security Services Digital United Inc.		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 East Tone 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			Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount			
		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.	2 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			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
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 Cost of telecommunications services	169 118,156	Note E Note E	- -
10	Sino Lead Enterprise Limited (Note E)	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Telecommunications service revenues	5,739 24,028 67,092	Note E Note E Note E	- - -
11	Information Security Service Digital United Inc. (Note E)	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Other receivables - related parties Other payables - related parties Other operating revenues Accounts receivable - related parties Accounts payable - related parties Sales of cellular phone equipment and accessories, net Cost of telecommunications services Nonoperating expenses and losses	1,769 427 3,352 5,781 246 19,557 1,489 4,028	Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - -
12	Yuan Cing Infocomm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Nonoperating expenses and losses	5,697	Note E	-
13	DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd. Linkwell Tech. Co., Ltd. Home Master Tech. Co., Ltd.	2 3 3	Accounts receivables - related parties Other receivables - related parties Accounts payable - related parties Sales of cellular phone equipment and accessories, net Cost of sales Other operating revenues Accounts receivables - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net General and administrative expenses Accounts receivables - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sales Accounts receivables - related parties Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Cost of sales	1,540 7 8,445 30,258 37,609 10,233 1,365 220 44,441 274 1,709 660 1,036 6,300 2,475 1,053 233 8 40 222 7	Note E Note E	- -
14	Omusic Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties Other payables - related parties Other operating revenues General and administrative expenses	8,598 150 44,814 44	Note E Note E Note E Note E	- - - -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
15	Linkwell Tech. Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	2 3 3	Accounts payable - related parties Cost of cellular phone equipment and accessories, net Inventories Prepaid expenses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties	\$ 1,686 4,561 94 14,166 55 1,036 6,300 1,709 660	Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - -
16	Home Master Tech. Co., Ltd.	Home Master Tech. Co., Ltd. ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	3 3 3	Sales of cellular phone equipment and accessories, net Cost of cellular phone equipment and accessories, net Accounts receivable - related parties Other receivables - related parties Sales of cellular phone equipment and accessories, net Accounts payable - related parties	1,053 2,475 10,040 4,520 9,576 16,047 33,814 8 40 233 7 222 10,040 4,520 9,576	Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - - - - - - - -
17	Far Eastern New Century Information Technology (Beijing) Limited	Far Eastern Tech-Info Ltd. (Shanghai)	3	Other payables - related parties Nonoperating expenses and losses	15,135 25	Note E Note E	- -
0	Year ended December 31, 2010 Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	1 1	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Telecommunications service revenues Cost of telecommunications services Rental Telephone fee Marketing expense Rent Management services revenue Accounts receivable - related parties Other receivables - related parties Inventories	45,556 425,131 98,941 32,622 13,535 285,346 382,240 4,415 8,621 1,416 5,948 19,995 220,928 1,990 780	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	- - - - - - 1% - - - - - - - - -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
				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	-
			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	-
			1	Other payables - related parties	13,806	Note E	-
				General and administrative expenses	129,860	Note E	-
			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	-
			1	Other receivables - related parties	2,397	Note E	-
				Other payables - related parties	3,010	Note E	-
				Management services revenue	267	Note E	-
			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	-
			1	Other receivables - related parties	148	Note E	-
			1	Other receivables - related parties	4,306,086	Note E	4%
				Nonoperating income and gains	12,828	Note E	-
			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			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
				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	-
			3	Accounts receivables - related parties	23	Note E	-
		ARCOA Communication Co., Ltd.		Accounts payable - related parties	169	Note E	-
				Other payables - related parties	1,186	Note E	-
				Marketing expense	1,786	Note E	-
				Telecommunications service revenues	232	Note E	-
			3	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	-
			3	Accounts receivable - related parties	4,146	Note E	-
		Q-ware Communications Co., Ltd.		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	-
			3	Accounts payable - related parties	1,461	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)		Other payables - related parties	1,624	Note E	-
				Marketing expense	5,920	Note E	-
			3	Accounts receivable - related parties	42	Note E	-
		ADCast Interactive Marketing Co., Ltd.		Guarantee deposits received	280	Note E	-
				Telecommunications service revenues	183	Note E	-
				Nonoperating income and gains	823	Note E	-
			3	Accounts payable - related parties	1,674	Note E	-
		Simple Infocomm Co., Ltd.		Other payables - related parties	227	Note E	-
				Telecommunications service revenues	159,176	Note E	-
			3	Accounts payable - related parties	838	Note E	-
		Sino Lead Enterprise Limited		Other payables - related parties	14,110	Note E	-
				Cost of telecommunications services	49,658	Note E	-
			3	Accounts payable - related parties	3,480	Note E	-
		Information Security Services Digital United Inc.		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)	Financial Statement Account	Transaction Details		
					Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties Other receivables - related parties Inventories Accounts payable - related parties Other payables - related parties Sales of cellular phone equipment and accessories, net Other operating revenues Cost of sales Cost of telecommunications services Nonoperating income and gains Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other operating revenues Cost of telecommunications services Other payables - related parties Cost of sales General and administrative expenses Other payables - related parties General and administrative expenses Prepaid expenses Cost of sales	\$ 93,992 88,210 96,594 220,928 1,990 1,877,202 518,525 180,876 216,820 18,639 169 1,186 23 1,786 232 2,216 180 12,895 2,065 1,260 7,509 32,837 6,763	Note E Note E	- - - - - 3% 1% -
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties Operating equipment Accounts payable - related parties Other payables - related parties Lease payable Telecommunications service revenues Cost of telecommunications services Other operating revenues General and administrative expenses Nonoperating income and gains Nonoperating expenses and losses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Telecommunications service revenues Cost of telecommunications services Nonoperating income and gains Accounts receivable - related parties Other receivables - related parties Unearned revenues Other operating revenues Accounts receivable - related parties Telecommunications service revenues	11,265 55,389 43,862 10,071 52,335 30,519 261,907 28,615 73 7,626 2,929 130,774 6,491 2,753 174 264,761 12,616 4,084 2,216 180 12,895 2,065 13 6,559	Note E Note E	- -
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Telecommunications service revenues Cost of telecommunications services		Note E Note E Note E Note E Note E Note E	- - - - -
		ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Unearned revenues Other operating revenues		Note E Note E Note E Note E	- - - -
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties Telecommunications service revenues		Note E Note E	- -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Financial Statement Account	Transaction Details		
					Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Other receivables - related parties	\$ 13,806	Note E	-
				Other operating revenues	129,860	Note E	-
				Accounts receivable - related parties	1,461	Note E	-
				Other receivables - related parties Service revenues	1,624 5,920	Note E Note E	- -
5	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	2 3	Other receivables - related parties	3,010	Note E	-
				Other payables - related parties	2,397	Note E	-
				General and administrative expenses	267	Note E	-
				Other receivables - related parties Other operating revenues	1,260 7,509	Note E Note E	- -
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	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	-
				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	-
				Cost of telecommunications services	6,617	Note E	-
				Other operating costs	135	Note E	-
3	KGE.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Nonoperating expenses and losses	1,983	Note E	-
				Accounts payable - related parties	13	Note E	-
				Cost of telecommunications services	6,559	Note E	-
				Other receivables - related parties	7,598	Note E	-
7	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Accounts payable - related parties	3	Note E	-
				Other payables - related parties	150	Note E	-
				Other operating revenues	23,806	Note E	-
				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	-
				General and administrative expenses	823	Note E	-
				Other payables - related parties	148	Note E	-
				Accounts receivable - related parties	1,674	Note E	-
8	Far EasTrom Holding Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	148	Note E	-
				Accounts receivable - related parties	1,674	Note E	-
				Other receivables - related parties	227	Note E	-
9	Simple Infocomm Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Cost of telecommunications services	109,777	Note E	-
				Other operating costs	49,399	Note E	-
				Other operating costs	49,399	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Financial Statement Account	Transaction Details		
					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 Other receivables - related parties Telecommunications service revenues Other operating revenues	\$ 838 14,110 49,580 78	Note E Note E Note E Note E	- - - -
11	Information Security Service Digital United Inc.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Sales of cellular phone equipment and accessories, net Cost of telecommunications services Other operating revenues	3,480 2,842 10,646 513 4,510	Note E Note E Note E Note E Note E	- - - - -
12	Yuan Cing Infocomm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties Nonoperating expenses and losses	4,306,086 12,828	Note E Note E	4% -
13	Data Express Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	2 3	Other current liabilities Other current liabilities Sales of cellular phone equipment and accessories, net	50,000 32,837 6,763	Note E Note E Note E	- - -

Note A: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
2. Subsidiaries are numbered from "1".

Note B: The flow of related-party transactions is as follows:

1. From the parent company to its subsidiary.
2. From a subsidiary to its parent company.
3. Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 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)

Trustworthy

Innovative

Proactive

Accountability

Teamwork

F A R E A S T O N E 

遠傳

只有遠傳 沒有距離

Far EasTone
Telecommunications Co., Ltd.
No.468,Ruei Guang Rd., Nei Hu,
Taipei, Taiwan
TEL:+886-2-7723-5000
FAX:+886-2-7723-5199
<http://www.fareastone.com.tw>
<http://www.fetnet.net>