FAR EASTONE
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Stock Code：4904

Far EasTone Telecommunications Co., Ltd.

2010 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

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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:

2010 was on the whole an exciting year in the telecom market. The popularity of smart devices produced fast growth in the mobile broadband market; strong demand emerged among corporate users for integrated information & communications services; a surge in demand for broadband and Mobile Internet accelerated the rollout of 3G, HSPA and WiFi networks; intense competition in the market also put pressure on profit margins. NCC statistics indicated that in 2010 Taiwanese telecom industry revenues grew by just 2.4% compared to the previous year. While the mobile communications market grew by around 4.4%, the fixed network revenues from local calls, long distance calls and international calls declined by around 1.8%. The business environment for mobile operators continues to be very challenging. The non-competition factors such as lower rates by regulatory, the resumption of pricing rights from fixed-line telephones to mobile phones, plus extensive subsidies for smart devices have all had an impact on profitability.

Far EasTone consolidated revenues for 2010 amounted to NT$63.436 Billion. Consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and net earnings after tax amounted to NT$22.010 Billion and NT$8.849 Billion respectively. EPS was NT$2.72, and general revenues grew by 5.6% compared to the previous year for a target achievement rate of 102.2%. In addition to the increase in call duration and SMS volume, the gains can also be attributed to Far EasTone 's partnership with the industry and universities to promote smart phone applications and consolidate our leadership in the non-voice services market across multiple devices. Non-voice service revenues accounted for 16.4% of 2010 revenues, an increase over the 14.1% average in 2009.

Despite intense competition, Far EasTone remained true to its spirit of continuous improvement, winning the recognition of local/overseas authorities and consumers in operations and management. In "The Asset Corporate Awards 2010", the international financial magazine The Asset nominated Far EasTone as the "Titanium Winner of the Asset Corporate Award 2010 for Investor Relations", making it the only Taiwanese telecom operator to receive this award. Thanks to the support of all employees, Far EasTone store service was certified by the international certification agency SGS again and high service standards set for the telecom industry.

At Far EasTone, we embrace the corporate values of "Sincerity, Diligence, Thrift, Prudence and Innovation" from our parent Far Eastern Group. Sound governance is practiced with investors notified of monthly financial reports and business indicators on a monthly basis. In addition to the disclosure of business activities required by law, Far EasTone also actively communicates Far EasTone 's overall performance and vision for the future. The high level of transparency helps to earn the market's trust and support. This will in turn enhance the company's reputation and generate higher returns on investment for shareholders. Far EasTone believes that a channel for frequent and transparent communication on investor and shareholder interests should be set up to realize sound governance. By helping to keep the company in the best shape possible, our CSR responsibilities can be carried out and a sustainable enterprise established.

Far EasTone has always followed green practices and has set up an inter-departmental task force responsible for overseeing the company's energy-saving strategy and auditing improvements. Far EasTone also supports the government's voluntary energy-saving initiatives and practices green purchasing to be a role-model for the telecom industry. This year, Far EasTone made significant progress: Carbon emissions were reduced by 3372 metric tons compared to the same period last year and electricity costs reduced by NT$17.38 Million. The Far EasTone headquarters building on RueGuang Road in Neihu undertook an aggressive program of T5 refitting. Energy-savings of up to 16% were achieved thanks to the installation of solar powered street lights and variable-frequency cooling water towers, resulting in a Gold Energy Saving Award from Taipei City. In May, Far EasTone pioneered the first green IDC center in Taiwan. The Minquan West Far EasTone E store was also recognized with an award for excellence in energy-saving in October this year.

Apart from the active demonstration of social responsibility in hardware infrastructure, Far EasTone also invests core corporate resources in social welfare. In June, the disaster-resistant communications platform for Kaohsiung's Namasia Township was put into service. Apart from adding more power and backup fiber, microwave and satellite transmission systems, a mobile audio-video system was installed that can provide real-time video, voice and data from the disaster zone.

Far EasTone also stepped up our partnership with the Triple-E Institute on the "Your Computer is his hope" project to utilize recycled computers for narrowing the digital divide. At the same time, Far EasTone also provides a number of charities such as the Children's Hearing Foundation with free Internet access. When Cirque du Soleil visited Taiwan for a second time this year, Far EasTone donated a hundred tickets to the Children Welfare League Foundation. We hope that the opportunity to enjoy a world-class artistic performance will help cultivate a positive attitude and a love for the arts in kids. In the second half of the year, Far EasTone had the opportunity to take part in the "2010 Taipei International Flora Expo" that the Far Eastern Group is a sponsor of. The EcoArk constructed from 1.52 million plastic bottles helped raise awareness in society on the importance of environmental protection.

Operating Performance and Results of 2010

▶ ***Consolidated voice revenues and generating profits from non-voice market growth***

- At the end of 2010, Far EasTone had 6.36 million subscribers with more than 70% being 3G subscribers.
- In 2010, non-voice services accounted for 16.4% of total mobile revenues on average and grew by 15% compared to last year. Here we have continued to lead the rest of the industry. Growth in non-voice services have mainly come from the boost in demand for wireless Internet access from smart devices and content downloads.

▶ ***Ten Strategic Initiatives Undertaken by Far EasTone***

In 2010, Far EasTone launched a series of strategic initiatives to meet market challenges. Besides riding the smart-device trend, the company also made sweeping changes to its channel strategy, focused on its four core services and as a result, made considerable gains not only in the enterprise market but also in bilateral deals with cross-strait business. The ten initiatives are as follows:

- **The launch of iPhone3GS and iPhone4.** It saw an explosive growth in the smartphone segment which expectedly, made a direct positive impact on the company's overall revenue.
- **To lead the way of Android phones.** The company launched a series of promotional activities "Everyone Android" to create awareness, buzz and also delighted consumers with a wide range of smartphones.
- **Tablet PC.** The company reinvented itself as the leading telecommunications provider with the Tablet PC of choice, offering a technology that cuts across age barriers and which successfully boosted the growth of the company's content services.
- **Channel Synergy.** In November last year, Arcoa, a subsidiary of Far EasTone reached an agreement with DataExpress, an Apple-authorized Taiwan distribution, to formally takeover the company. While Far EasTone, Arcoa and DataExpress each target a different segment and meet different consumer needs, there is synergy in their services, and all the offerings are of the utmost quality.
- **SMart's runway success.** The numbers of applications are in excess of 300,000. Last year, China Mobile began introducing SMart applications, allowing its subscribers to download them from its own app store, Mobile Market, and the number of downloads by users is still on the rise.
- **The launch of FAR EASTONE e-Book Town.** The number of downloads has exceeded 400,000 and the total book collection has more than 10,000. In addition to the traditional book purchase model, the company also launched innovative services such as monthly rental to suit different consumer needs.
- **Powerful Omusic.** It is an online music service provider established by Far EasTone and nine International/local music labels. This represents a radical break from the traditional partnership between a telecommunications provider and the music industry, and is aimed at reaching out to the global Chinese-language music market.
- **FAR EASTONE Video store.** Video store was established and through teaming with movie companies, has been providing mobile digital video experience for many satisfied customers.
- **Cloud mobile office.** It was built on the driving forces "one number, cross-strait, IOT(Internet of Things), cloud computing and information security". It also embraces the concept of green storage, which is relatively uncommon in Taiwan and that of IDC Farm, and has helped enterprises to seamlessly integrate their services.
- **The New chapter across strait.** The introduction of SIMM service for both enterprises as well as tourists opened up a new venture in cross-strait communications. As well, the company's involvement in the building of Tamsui-Fuzhou submarine cable has put the highlight on Taiwan's standing as a communications hub and its contributions to communications in Asia.

Operational and Strategic Plan for 2011

Improve cost-effectiveness and accelerate network infrastructure roll-outs

- Continue to leverage internal and channel integration synergies to increase cost-effectiveness and aggressively boost non-voice revenues in response to unfavorable market conditions and intense competition.
- Continue to actively build a high-quality island-wide network, accelerate the upgrade of the 3G network and expand WiMAX service coverage in built-up urban areas throughout Taiwan.
- Develop various mobile Internet access technologies and related application services to meet the demand from subscribers for service at any time and anywhere.
- Construct direct cross-strait undersea cable connections to meet the burgeoning demand from cross-strait voice and data services.

Practice caring service with all-aspect support for consumers

- Use a flexible and proactive channel strategy to replicate our success in channel development. Apart from continuing to develop community and premium markets, Far EasTone will also aim to become a telecom channel that provides fully integrated information/communication solutions.
- Active screening to build service locations and introduce the 5th generation store to provide consumers with an interactive experience.
- Emphasize in-service training for employees and cultivate smart service representatives to set a new benchmark in service for the telecom industry through all-aspect support.
- Apart from continuing to push for external service certification, a dedicated internal unit will also be set up to oversee service-related audits to ensure that caring service is practiced by all employees.

Cross-strait, cloud computing and IOT offer unlimited potential for integrated ICT services

- Far EasTone has the most comprehensive wireless network infrastructure based on 2G, 3.5G, WiMAX 4G and WiFi technologies. We will use this as the basis for developing the corporate market with the goal of becoming the leader in corporate solutions.
- A strong emphasis will be placed on the development of cross-strait, IOT and cloud computing. Consulting services will also be provided to help businesses introduce mobile application services.
- "Mobile applications, cloud service and IOT" task forces will be set up. The elite teams of specialists in wireless networking and communications equipment will help each industry meet their particular needs in a systematic manner.

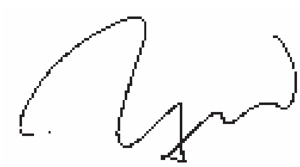
Innovation – One product, two markets

- Emphasis to be placed on innovative service offerings, by extending beyond the traditional boundaries of a telecommunications provider for greater business opportunities.
- Innovation to open up a bigger market – “one product, two markets” by adopting an innovative mindset and integrating both the upstream and downstream players of the telecommunications industry.

What mobile operators can expect in the 100th Year of the Republic of China, is yet more intensive competition and a harsh operating environment. We expect issues such as lower rates, change in revenue allocations, extensive subsidies for smart phones and base station issue to continue to have an impact on the telecom industry in Taiwan. Far EasTone will therefore continue to concentrate diligently on core innovations and the development of new businesses derived from core technologies in order to realize corporate growth and sustainable development.

Finally, please allow me to present every shareholder with my most sincere regards. I look forward to the continued support of our shareholders and leading figures in society, and wish you all the best of health and success in all of your endeavors.

Douglas Hsu
Chairman



Yvonne Li
President

II Company Profile

Service Centric

Innovation

Profitable growth

1. Date of Incorporation

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

2. Company History

2-1. Milestones:

1997/01	Awarded two licenses from MOTC to provide GSM1800 services island-wide and GSM900 services in the northern region of Taiwan
1998/01	The first cellular operator in the world to launch an integrated GSM900/1800 dual-band network
1998/11	Prepaid card "IF" launched, acquired 200,000 customers in the first month and became a leading brand
1999/03	Reached one million revenue-producing customers. Noted by Global Mobile Magazine for being the GSM system operator to do so in the shortest time
2000/02	Received "GSM in the Community Award" from GSM Association for disaster relief efforts after 921 earthquake
2000/07	Launched Mobile Virtual Private Network (MVPN) as the first operator to provide total communication solutions tailor-made for enterprise users
2001/12	Listed on Taiwan's OTC Exchange Market (Ticker Number: 4904)
2002/02	Awarded the Best Corporate Wireless Service for Application by the 3GSM World Congress for its innovative solution-Fleet Management
2002/03	The Company and IBM successfully launched the first GSM/GPRS CSP enabling Mobile e-Business
2002/12	Launched Java TM Games, canned MMS and colorful mobile contents and Taiwan's first MMS/GPRS/Java clamp-shell handset Sharp GX-i98
2003/04	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
2004/04	The Company's subscribers were able to enjoy i-mode service, the world's most popular mobile internet service provided by NTT DoCoMo Grand opening of FET Town Taiwan's first venue providing consumers with first-hand experience of future mobile communication services
2004/06	Issued GDR 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 WCMDA provider in Taiwan
2005/08	Officially listed on the Taiwan Stock Exchange as an electronics stock
2005/10	Selected as one of "Asian's 150 Best Companies" in the October issue of Asia Business Week, the only Taiwanese telecommunications provider to make the list
2006/04	FET and 6 leading Asian mobile operators formed alliance for global roaming and corporate mobile services In December, the alliance announced its official name-Conexus
2006/06	Named “Mobile Operator of the Year, Taiwan” and “Most Innovative Mobile Service Campaign” by the Asia Mobile News Awards. FET was the only mobile operator in Taiwan to receive two awards
2006/08	FET services passed Qualicert certification process of the internationally renowned SGS (Société Générale de Surveillance) from Switzerland. FET was the first mobile operator in Asia to be awarded this certification
2006/10	Launched Taiwan’s first 3.6 Mbps HSPA technology-based services, ushering in the age of 3.5G mobile communications
2007/05	Acquired 51% of Q-ware Communications’ (split from Q-ware Systems & Services Corp.) to expand the scope of the Company’s wireless communication services
2007/06	Received the highest rating of “A+” in Securities and Futures Institute’s “Information Disclosure Evaluation”

for two consecutive years (2005 and 2006). Out of more than 1000 listed and OTC companies, only 15 received the “A+” rating in 2006

2007/07 Awarded by Finance Asia magazine as “Best Corporate Governance in Taiwan”. The Company is the only telecommunication company in Taiwan to receive the award

2007/07 Received the WiMAX license for the southern district. The Company is the only telecommunication service provider among the “domestic telecommunication industry’s big three” to have received the license

2007/08 Launched “FET Big Broadband” services. Through an IMS platform that integrated mobile, wired and wireless services, the service is the Company’s foray in the consumer household market to offer subscribers with a new wireless lifestyle

2007/09 Received the highest rating in the SGS (Société Générale de Surveillance) Qualicert program for two consecutive years

2007/09 Launched “FET Beep Beep Go” NFC (Near Field Communication) services, becoming the first mobile service provider in the Asia-Pacific region to adopt GSMA Association’s international SWP (Single Wire Protocol)

2007/12 Issued 160,370 thousand Shares to exchange for 24.5% New Century InfoComm Tech Co., Ltd. common shares held by Sing Tel

2008/03 Reduced capital by returning NT$7,745millions in cash to shareholders to enhance the return of shareholders’ equity

2008/03 Established FEG Telecom Sector to provide mobile communication, broadband, media, and international services

2008/04 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 "Best Corporate Governance in Taiwan" award by Finance Asia again, the Company is the only Telecom Company to win this award for two consecutive years in Taiwan

2008/08 Awarded the 2008 "Excellence in Information Service Management – Project of the Year Award" by the itSMA. The Company is the only Telecom Company to have achieved ISO 20000 IT Service Management certification in Taiwan

2008/11 Awarded the "e-21 Gold Web Award" by the MOEA Department of Commerce for FETnet successful integration in computer and mobile cross-platform media marketing

2008/11 Launched the "FET 070" to offer consumers a simple way to access the Internet and phone call at the same time

2008/12 Awarded 1st place among telecommunications companies in Global Views Magazine's Top 10 Service Companies in 2008

2008/12 Awarded “Green Procurement Enterprises” by the Taipei City Government with commitment to the green movement

2009/04 Received “2008 Green Procurement Excellent Enterprises” award by the Environmental Protection Administration Government of the Republic of China

2009/04 Far EasTone and China Mobile announced strategic cooperation agreement and share subscription agreement

2009/04 Awarded the “Trusted Brand-Gold Award” by the Reader’s Digest again with Mobile Service Provider

2009/05 Awarded” Best Corporate Social Responsibility” and “Best Investor Relationship” by FinanceAsia

2009/06 Awarded the “Gold Award for Energy Conservation” by Taipei City Government for FET’s effort in carbon reduction for Corporate Office Building

2009/10 Far EasTone 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 starts WiMAX operations in Taichung city

2010/01 The merger between FET and KGT was completed with FET being the surviving company and the designated brand thereafter

2010/03 FET was voted as the “Best IDC information technology outsourcing” in an ICT Best Choice vote

2010/04 Awarded the “Trusted Brand-Gold Award” by the Reader’s Digest again with Mobile Service Provider

2010/05 FET made the first cloud service center of green energy IDC in Taiwan

2010/06 Acquired remaining stake in NCIC limited through Yuan Cing Infocomm Tech Co, its wholly-owned subsidiary

2010/06 Awarded for the 4th time the highest rank of Grade A+ in the Information Transparency and Disclosure Rankings by Securities and Futures Institute

2010/08 FTC approved FET's joint venture project with 7 record companies and one technical provider to start a new digital music service company. The company is later named O music

2010/12	Awarded the "Titanium Winner of the Asset Corporate Award 2010" for investor relations by The Asset Publishing and Research Ltd., the Company is the only Telecom Company to win this award in Taiwan
2011/01	FET set a precedent to build the first under sea cable of cross-strait with China Unicom Limited
2011/03	FET conducted cash merger with YCIC to acquire a 100% stake of NCIC
2011/03	Awarded the certification of "CG6006 Advanced Corporate Governance Scheme Evaluation" by Taiwan Corporate Governance Association

2-2. Status of Acquisitions

(1) Merger with KG Telecommunications Co., Ltd.

Merger with KGT and the Company, KGT being the dissolved company：

In order to have more effective utilization of the telecom network resources and to enhance the operation performance, the Company and KGT held the board meeting simultaneously on February 26, 2009 to approve short form merger by Article 19 of the Enterprise Merger and Acquisition Law. As the Company owned 100% of KGT shares, there was no merger consideration in this case. On November 4, 2009, the Board of Directors of the Company and KGT resolved that the closing date of the merger as January 1, 2010. The Company and KGT had completed the merger smoothly on the closing date of the merger dated January 1, 2010. The merger had been approved by National Communications Commission as the official letter No.09841056900 on August 28, 2009 and finished the amendment of corporate information by Department of Commerce of the Ministry of Economic Affairs as the official letter No.09901011060 on January 18, 2010.

(2) 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 is aimed to acquire 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. If plus 695,096,070 shares which the Company originally holds, the Company together with the subsidiary YCIC totally own 94.56% of NCIC issued shares after tender offer.

B. NCIC conducts share exchange with YCIC：

The Company was resolved to conduct two-stage M&A with NCIC by the Board Meeting dated August 31, 2010. 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 record date is also resolved to adjust as January 17, 2011 per the Board Meeting of two parties dated January 10, 2011. 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%. Aforementioned share exchange and succeeding cash merger between the Company and YCIC were also obtained approval from National Communications Commission ("NCC") on December 29, 2010 with NCC's official letter No.09941084710.

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 is set as NT$10.93 per share. The cash merger has 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：

2011/3/31; 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
ADCast Interactive Marketing Co., Ltd.	386,870	8.56
KGEx.com Co., Ltd.	89,088,478	79.25
iScreen Corporation	4,000,000	40.00
O music Co., Ltd.	2,500,000	50.00
Far Eastern Electronic Commerce Co., Ltd.	3,000,000	14.96

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 is approximately NT$ 17.7736 billion, or equivalent to NT$ 40 per share. Aforementioned private placement has been approved by 2009 shareholders' meeting dated June 16, 2009. However, as current regulations have not permitted the consummation of the contemplated transaction, the private placement has not completed yet. Since the one-year period for private placement would soon expire, it had been proposed to the Board of Directors on April 27, 2010 and Year 2010 Shareholders' Meeting to approve the one-year rollover again.

The current regulations have not permitted the China investors to invest type Ⅰ license. Since the one-year period for private placement will soon expire (June 14, 2011), it is proposed to the Board of Directors on April 26, 2011 and Year 2011 Shareholders' Meeting to discuss and approve the private placement again.

The basis of the private placement price is as follows: The private placement price is set at NT$40 per share. The private placement price will be no less than 70% of the higher of the following two reference prices. Reference prices are (1) the simple arithmetical average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date (exclusive), after adjustment for any distribution of stock dividends, cash dividends or capital reduction, or (2) the simple arithmetical 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 advisor, Yuanta Securities Company 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.

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2010

III Corporate Governance

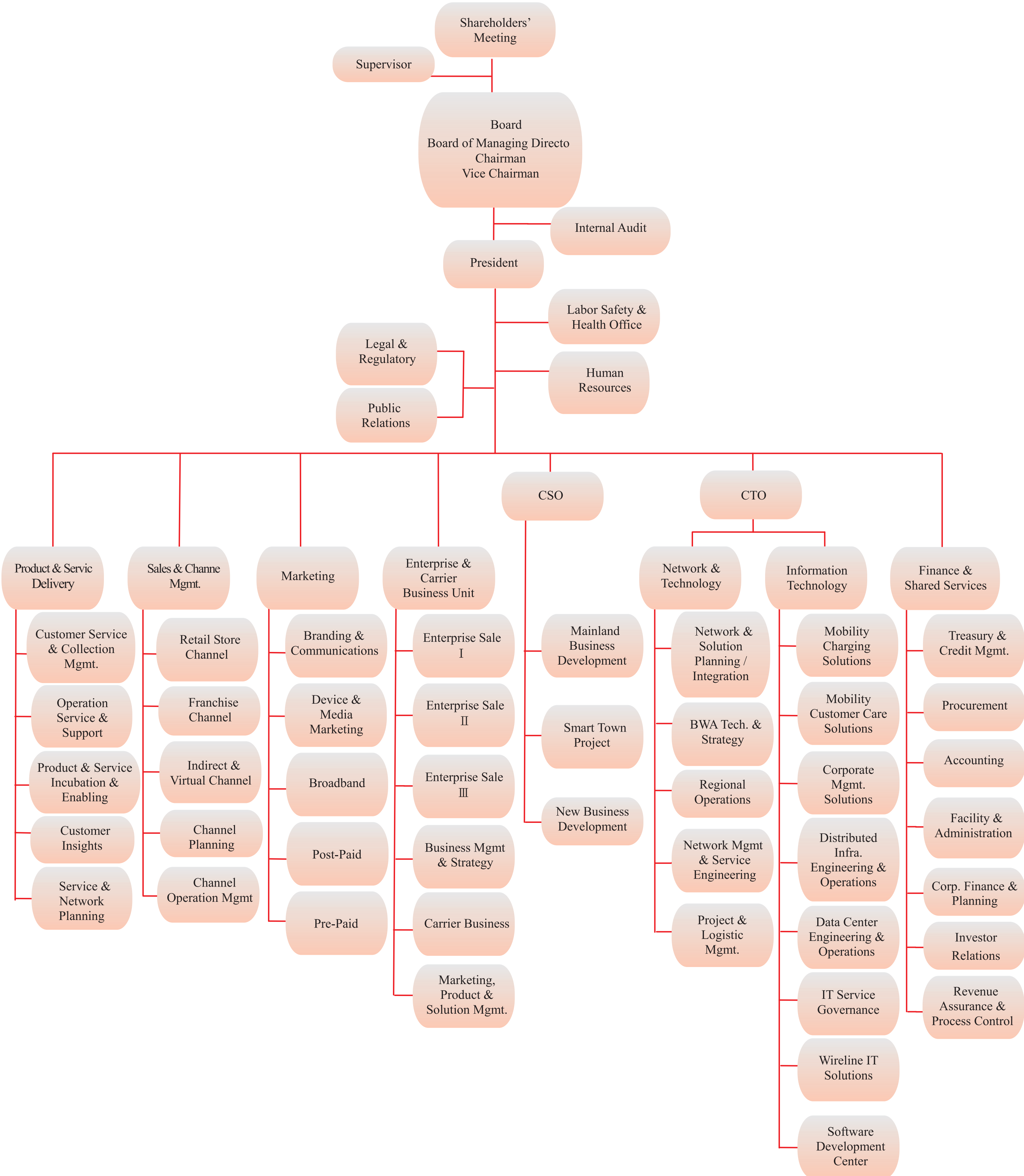
Service Centric

Innovation

Profitable growth

1. Organization Structure

1-1. Organization Chart



1-2. Roles and Responsibilities

2011/4/30

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	Jeffey Gee (Acting) T.Y. Yin (Acting)	CSO & CTO Executive Vice President & CFO	Responsible for legal litigation, IP, regulatory, contract management, corporate security and the public affairs.
Public Relations	Alison Kao	Director	Responsible for corporate communications, the public relations for corporate & marketing, and corporate image promotion.
Human Resources	Patrick Wu	Vice President	Responsible for Human Resources Management, Human Resources Development and Compensation & Benefits Management, Employee Services, Employee Relations and Human Resources Information System with Payroll Administration.
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	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	Jeffey 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	Magdalina 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, 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

2011/4/30

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	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	M.S., Economics, Columbia University, USA; Honorary Ph. D., Management Science, National Chiao Tung University; President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation Chairman of Asia Cement Co., Ltd. Chairman of Far Eastern Department Stores Ltd. Chairman of Oriental Union Chemical Corp. Chairman of U-Ming Marine Transport Corp. Chairman of New Century InfoComm Tech Co., Ltd.	Director Director	Peter Hsu Johnny Shih	Brother Brother-in-law

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	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	Sr. Executive VP in Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linkoping University, Sweden	Vice Chairman of New Century InfoComm Tech Co., Ltd. Director of Far Eastern Electronic Toll Collection Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Director of KGEx.com Co., Ltd. Chairman of Far EasTron Holding Ltd. Chairman of Yuan Cing Co., Ltd.	None	None	None
Managing Director & Independent Director	Lawrence Juen-Yee LAU	2009/6/16	3	2005/5/20	0	0	0	0	0	0	0	0	B.S. in Physics and Economics, Stanford University; M.A. and Ph.D. in Economics, University of California at Berkeley; Chancellor of The Chinese University of Hong Kong; Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Emeritus, Stanford University	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 HK Non-executive Director of CNOOC Limited Independent Director of Shin Kong Life Insurance Co., Ltd. Director of Precoad Inc.	None	None	None
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	2009/6/16	3	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.	Director and Senior VP 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	2006/5/26	4,163,500 *0	0.13 *0	4,163,500 *0	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.	Director 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 Brother-in-law
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	2009/6/16	3	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 and President 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	837,940 *0	0.03 *0	837,940 *0	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. (Note 1)	2009/6/16	3	2003/5/23	837,940 *0	0.03 *0	837,940 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	LL.B. Waseda University, Tokyo, Japan	Executive Director, Global Business Division, NTT DoCoMo	None	None	None
Independent Director	Kurt Roland Hellström	2009/6/16	3	2005/5/20	0	0	0	0	0	0	0	0	President and CEO of Ericsson Group; M.S., Electrical Engineering, Royal Institute of Technology; MBA, Stockholm School of Economics	Director of the Swedish Trade Council , European Institute for Japanese Studies	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	2000/12/28	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	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	2005/5/20	0	0	0	0	0	0	0	0	Dean, College of Management, National Taiwan University; Chairman, Corporate Governance Association in Taiwan; Doctor of Accounting of University of Minnesota	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 by the individual

Note 1: Yue Ding Industry Co., Ltd., Director of the Company, delivered appointment letter to re-appoint the Representative from Kazuhiro Toda to Michiya Shinagawa on Jul. 26, 2010.

2-2. Information of Directors and Supervisors

2010/12/31

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

2010/12/31

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

2010/12/31

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%)、JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency(1.74%)、Der-Ching Investment Corp.(1.51%)、China Trust Commercial Bank as Trustee for Asia Cement Co, Ltd.(DPM)(1.46%)、Standard Chartered Bank in custody for Fidelity Fund(1.16%)、Douglas Hsu(1.14%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation(100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation(22.33%)、Far Eastern Medical Foundation(5.40%)、Yu Yuan Investment Corp.(5.32%)、Far Eastern Department Stores Co., Ltd.(1.82%)、Public Service Pension Fund Management Board(1.73%)、Bai-Ding Investment Co., Ltd.(1.61%)、Yuan-Ze University(1.41%)、The Employee Retire Fund Committee of Far Eastern New Century Corporation(1.20%)、Yu Chang Investment Corp.(1.04%)、Fubon Life Insurance Co., Ltd.(1.04%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd.(99.99%)
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.70%)、An Ho Garment Co., Ltd.(0.3%)
Yu Ming Trading Co., Ltd.	Bai-Ding Investment Co., Ltd.(47%)、Yuang Ding Investment Co., Ltd. (45.50%)、Yue Ding Industry Co., Ltd.(5%)、Ding & Ding Management Consultants Co., Ltd (1%)、Yuang Ding Co., Ltd.(1%)、Yuan Ding Leasing Corp.(0.5%)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation(16.80%)、Asia Cement Co., Ltd.(5.56%)、Yuan-Ze University(4.68%)、Yu Yuan Investment Corp.(2.02%)、Newly Labor Pension Fund(1.92%)、The committee of Employee Pension Fund of Far Eastern Department Store Co., Ltd.(1.85%)、Deutsche Bank, Taipei Branch in custody for China Fund Inc. of Martin Currie Inc.(1.57%)、CitiBank as Trustee for the Government of Singapore Investment Corp.(1.39%)、Deutsche Bank in custody for Gharbad Emerging Market Fund(1.37%)、Standard Chartered Bank in custody for Fidelity Fund(1.17%)
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.(19.05%)、U-Ming Marine Transport Corp.(17.66%)、Yue- Tung Investment Co., Ltd.(1.84%)

2-5. Executive Management

2011/4/30

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	Jeffey 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. Supervisor of Ding Ding Integrated Marketing Service Co., Ltd. Chairman of Digital United (Cayman) Ltd. Director of FarEastern New Diligent Company Ltd.	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 ADCast Interactive Marketing Co., Ltd. Director of O music Co., Ltd. Director of Yuan Cing 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 ADCast Interactive Marketing Co., Ltd. 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.; MBA, University of California, Los Angeles	Chairman of Digital United Information Technology Co., Ltd. (Shanghai) Director of New Diligent Co., Ltd. Director of Information Security Service Digital United, Inc. Director of FarEastern New Diligent Company 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
										Manager of Far EasTone Telecommunications Co., Ltd. System Integration Branch Office			
Executive VP, NT	Herman Rao	2008.2.1	62,682	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	Magdalina 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	Supervisor of Far Eastern Electronic Toll Collection 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 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. Chairman of Sino Lead Enterprise Limited	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
VP, HR	Patrick Wu	2006.1.2	0	0.00	0	0.00	0	0.00	Executive Vice President of Human Resources in KGI Securities Co., Ltd.(Asia Pacific Region); Head of Human Resources in American Express Company (Taiwan); MBA, Leicester University	None	None	None	None
VP, Product & Service Delivery	Jessica Sung	2009.5.1	0	0.00	0	0.00	0	0.00	MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University; CPA of California, USA	None	None	None	None
VP, Product & Service Delivery	Maggie Mei	2006.1.1	48,419	0.00	0	0.00	0	0.00	Assistant Manager of Call Center, Citibank; International Trade, China University of Technology	President of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, Product & Service Delivery	Roger Chen	2007.7.1	0	0.00	0	0.00	0	0.00	Director of KG Telecom; M.S., Mechanical Engineering, National Taiwan University	Director of iScreen Corporation Director of ADCast Interactive Marketing Co., Ltd.	None	None	None
VP, Sales & Channel Management	Maxwell Cheng	2003.8.1	10,018	0.01	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
VP, Sales & Channel	Samuel Yuan	2003.7.1	0	0.00	0	0.00	0	0.00	Director of Alive Networks;	Director of KGEx.com Co., Ltd.	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Management									B.S., Financial Analysis & Management Information Systems, State University of New York				
VP, Sales & Channel Management	J.J. Fu	2010.10.5	0	0.00	0	0.00	0	0.00	Sr. VP of Digital United Inc.; VP of New Century InfoComm Tech Co., Ltd.; Ph.D. of Computer Science, Tsing Hua University	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	Director of ADCast Interactive Marketing Co., Ltd.	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
VP, Enterprise & Carrier Business Unit	PL Chiang	2010.10.5	0	0.00	0	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) Director of New Diligent Co., Ltd. Director of Simple InfoComm Co., Ltd.	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.	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
VP, Enterprise & Carrier Business Unit	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	Director of Information Security Service Digital United, Inc.	None	None	None
VP, Mainland Business Development Office	Robert Liu	2009.2.1	5,349	0.00	0	0.00	0	0.00	Manager of Citibank; M.S., Industrial Engineering and Management, Chiao Tung University	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, New Business Development	Dick Lin	2011.2.14	0	0.00	0	0.00	0	0.00	Regional General Manager of UTStarcom Inc.; Master of The Grand Canyon University	None	None	None	None
VP, NT	James Lee	2007.7.1	676	0.00	0	0.00	0	0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University	None	None	None	None
VP, NT	Howard Tsao	2007.7.1	5	0.00	0	0.00	0	0.00	Manager, Industrial Technology Research Institute; B.S.E.E., Chung-Yuen University	None	None	None	None
VP, NT	Ta Fu	2009.3.17	258,731	0.00	0	0.00	0	0.00	VP of NCIC; Manager of Nortel Network Co., Ltd.; M.S., Information Technology of Tamkang University	None	None	None	None
VP, F&SS	Sharon Lin	2007.7.7	11,076	0.00	0	0.00	0	0.00	Costing Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin	Supervisor of ARCOA Communications Co., Ltd. Supervisor of Q-ware Communications Co., Ltd. Supervisor of ADCast Interactive Marketing 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

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	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, Sales & Channel Management	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, Sales & Channel Management	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, Marketing	Shing Chu	2008.4.1	0	0.00	0	0.00	0	0.00	M.S., University of Southern California; MBA, National Chiao Tung, University; Marketing Manager of Tornado Technologies Co., Ltd.	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	0	0.00	0	0.00	Special assistant to CEO of Chii Yan Electronic Technology Co., Ltd.; Director of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, TungHai University	None	None	None	None
Director, Smart Town Project	Jullian 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, 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	Jennifer Shen	2009.1.19	0	0.00	0	0.00	0	0.00	Manager of Institute for Information Industry; Manager of NCIC; M.S., Computer Information Science of Oregon State University	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director, IT	James Perng	2009.1.19	0	0.00	0	0.00	0	0.00	Manager of Institute for Information Industry; Manager of Seednet; M.S., Computer Science of Syracuse University of New York	None	None	None	None
Director, IT	Michelle Peng	2002.11.1	596	0.00	0	0.00	0	0.00	Software development Manager of Vondelon International Corp.; Electronic data process in Ming-Chung college	None	None	None	None
Director, IT	James Chen	2005.4.14	0	0.00	0	0.00	0	0.00	Engineering Supervisor of Fujitsu Corp.; Engineering Dept., Da Hwa University,	None	None	None	None
Director, IT	D.J. Chen	2007.9.1	0	0.00	0	0.00	0	0.00	General of Taiwan Mobil Communication; M.S., Computer Science, California State 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	Robert Chu	1999.11.1	175,488	0.01	0	0.00	0	0.00	Admin Manager of Honeywell Taiwan Ltd.; B.S., Finance and Taxation Feng Chia University	None	None	None	None
Director, F&SS	Allan Lee	2008.3.1	0	0.00	0	0.00	0	0.00	Manager of Chung-Chie Property Management; M.S., Finance & Tax, Case Western Reserve University, US.	None	None	None	None
Director, F&SS	Ann Chang	1997.8.4	13,352	0.00	0	0.00	0	0.00	Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University	None	None	None	None
Director, F&SS	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

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

Remuneration to Directors

2010/12/31; NT$'000

Title	Name	Remuneration to Directors								(A+B+C+D) Percentage of net income after tax (%)		Remuneration to employees										(A+B+C+E+D+F+G) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Pension Fund (B)		Remuneration paid from distribution of earnings (C) (Note 2)		Operating allowance (D)				Salary, bonus, special allowance (E) (Note 3)		Pension Fund (F) (Note 4)		Bonus to employees from distribution of earnings (G)				Number of held employee share subscription (H)				
																The company		Consolidated						
		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.	15,218	15,218	0	0	74,637	74,637	6,085	7,544	1.08%	1.10%	21,307	21,307	3,980	3,980	5,016	0	5,016	0	0	0	1.43%	1.44%	150
Vice Chairman	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.																							
Managing Director & Independent Director	Lawrence Juen-Yee LAU																							
Independent Director	Kurt Roland HellstrÖm																							
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.																							
	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)																							

Note 1：Yue Ding Industry Co., Ltd., Director of the Company, delivered appointment letter for the Representative replacement from Kazuhiro Toda to Michiya Shinagawa on Jul. 26, 2010.

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

Note 3：Including salary, position compensation, bonus, transporting allowance, other compensation, other allowance, accommodation allowance, business vehicle…etc, among which accommodation allowance is NT$1,515 thousand for house rental and business vehicle is NT$983 thousand for car rental. In addition, the compensation paid to the driver is NT$764 thousand in total, but excluding in remuneration to employees.

Note 4：The Company has no actual pension fund in 2010, the listed amount is distribution of pension fund expenses.

Escalation for remuneration to Directors

2010/12/31

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

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

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

Year	The Company	All companies in the consolidated statement
2009	1.01%	1.02%
2010	1.08%	1.10%

Remuneration to Supervisors

2010/12/31; NT$'000

Title	Name	Remuneration to Supervisors						(A+B+C) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Remuneration paid from distribution of earnings (B) (Note 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	3,000	3,000	1,563	1,563	0.05%	0.05%	None

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

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

Escalation for remuneration to Supervisors

2010/12/31

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
2009	0.08%	0.08%
2010	0.08%	0.08%

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

There are three kinds of remuneration: compensation, remuneration paid from distribution of earnings and operating allowance. Compensation is set according to Article 15 of Articles of Incorporation of the Company: "As to the compensation for Chairman and Vice Chairman, it is proposed to authorize the Board of Directors with consideration of industry and listing companies' compensation level…(omitted)". For remuneration paid from distribution of earnings, the standard is set according to Article 26 of Articles of Incorporation of the Company: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken for bonus to employees, and 1% taken as remuneration to the directors and supervisors." Since the remuneration is taken as fixed percentage of the annual earnings, its amount has high correlation with operational performance of the Company. Operating allowance is major of transportation allowance, which is based on consideration of high tech industry, and is approved by the Board of Directors. The remuneration is determined and adjusted in terms of criteria, structure and system based on not only historical operational performance but also future risk factors, 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. Besides, the actual operating situation of the company and laws / regulations amendment are also considered to achieve the balance between immortal business and risk control.

Remuneration to President and Vice Presidents

2010/12/31; NT$'000

Title	Name	Salary (A)		Pension Fund (B) (Note 4)		Bonus and special allowance (C) (Note 5)		Bonus to employees from distribution of earnings (D) (Note 6)				(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	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Consolidated	The Company	Consolidated	
President	Yvonne Li	$85,721	$85,721	$1,864	$1,864	$22,062	$22,237	$28,962	0	$28,962	0	1.57%	1.57%	0	0	40
CSO & CTO	Jeffey Gee (Note 1)															
Executive VP	Eton Shu															
Executive VP	Benjamin Ho															
Executive VP	Daniel Chang (Note 1)															
Executive VP	Herman Rao															
Executive VP	Magdalina Lin															
Executive VP & CFO	T.Y. Yin															
Chief Auditor	Jennifer Liu															
VP	Patrick Wu															
VP	Jessica Sung															
VP	Maggie Mei															
VP	Roger Chen															
VP	Maxwell Cheng															
VP	Samuel Yuan															
VP	J.J. Fu (Note 1)															
VP	Sharon Chao															
VP	Jessie Teng															
VP	PL Chiang (Note 1)															
VP	Eric Li (Note 1)															
VP	Johnson Hsieh (Note 1)															
VP	Daniel Wang (Note 1)															
VP	Robert Liu															
VP	James Lee															
VP	Howard Tsao															
VP	Ta Fu															
VP	Sharon Lin															
VP	David Tsai															
VP	Guang Ruey Chiang															
VP	Charlene Lin (Note 1)															
Executive VP	Philby Chen (Note 2)															
VP	Jessica Chen (Note 3)															

Note 1：Transferred to FET from NCIC on Oct. 5, 2010

Note 2：Who transferred to the related company on Jul. 1, 2010.

Note 3：Who was on leave without pay from Jan. 1, 2011.

Note 4：The Company had no actual payment for pension fund in 2010, the figures shown in the table all belong to pension fund contribution.

Note 5：Including bonus, special allowance, transporting allowance, other allowance, accommodation allowance, business vehicle…and etc, among which accommodation allowance is NT$1,625 thousand for house rental and business vehicle is NT$4,388 thousand for car rental. In addition, the compensation paid to the driver is NT161 thousand in total, but excluding in remuneration to employees.

Note 6：The remuneration from 2010 distribution of earnings is subject to approval of 2011 Shareholders' Meeting and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

2010/12/31

Escalation for remuneration paid to presidents and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents (Note 1)	
	The Company	All investment business companies
Less than 2,000,000	Jeffey Gee (Note 1)、Magdalina Lin、Daniel Chang (Note 1)、Daniel Wang (Note 1)、PL Chiang (Note 1)、Eric Li (Note 1)、Charlene Lin (Note 1)、J.J. Fu (Note 1)、Johnson Hsieh (Note 1)	Jeffey Gee (Note 1)、Magdalina Lin、Daniel Chang (Note 1)、Daniel Wang (Note 1)、PL Chiang (Note 1)、Eric Li (Note 1)、Charlene Lin (Note 1)、J.J. Fu (Note 1)、Johnson Hsieh (Note 1)
2,000,000～5,000,000（inclusive of 2,000,000）	T.Y. Yin, Philby Chen (Note 2), Patrick Wu, Jessica Sung, James Lee, Sharon Lin, Samuel Yuan, Howard Tsao, Maggie Mei, Ta Fu, Sharon Chao, Roger Chen, Jessica Chen (Note 3), Jennifer Liu, Robert Liu, David Tsai, Jessie Teng	T.Y. Yin, Philby Chen (Note 2), Patrick Wu, Jessica Sung, James Lee, Sharon Lin, Samuel Yuan, Howard Tsao, Maggie Mei, Ta Fu, Sharon Chao, Roger Chen, Jessica Chen (Note 3), Jennifer Liu, Robert Liu, David Tsai, Jessie Teng
5,000,000～10,000,000（inclusive of 5,000,000）	Yvonne Li, Eton Shu, Herman Rao, Guang Ruey Chiang, Maxwell Cheng	Yvonne Li, Eton Shu, Herman Rao, Guang Ruey Chiang, Maxwell Cheng
10,000,000～15,000,000（inclusive of 10,000,000）	Benjamin Ho	Benjamin Ho
15,000,000～30,000,000（inclusive of 15,000,000）	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	32	32

Note 1: Transferred to FET from on Oct. 5, 2010.
Note 2: Who transferred to the related company on Jul. 1, 2010.
Note 3: Who was on leave without pay from Jan. 1, 2011.
Note 4: 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
2009	1.56%	1.57%
2010	1.57%	1.57%

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

There are three kinds of remuneration: salary, bonuses and special allowance, bonuses to employees paid from distribution of earnings. As salary is the compensation based on the Company Act, it is paid according to in charge tasks, macro economics and market standard which shall fully represent the working performance. As items like bonuses and special allowance are major of transporting allowance that three options can be chosen: fixed amount allowance or rental cars or allowance by 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 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. 2.73% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2010, and 2.75% for the consolidated basis. These figures were 2.65% and 2.67% for both the standalone and consolidated basis of the company in 2009.

Bonuses to Executive Management

2010/12/31; Unit: NT$'000

	Title	Name	Stock bonus	Cash bonus (Note 1)	Total	Percentage of Net income after tax (%)
Executive Officer	President	Yvonne Li	0	$31,856	$31,856	0.36%
	CSO & CTO	Jeffey Gee				
	Executive VP	Eton Shu				
	Executive VP	Benjamin Ho				
	Executive VP	Daniel Chang				
	Executive VP	Herman Rao				
	Executive VP	Magdalina Lin				
	Executive VP & CFO	T.Y. Yin				
	Chief Auditor	Jennifer Liu				
	VP	Patrick Wu				
	VP	Jessica Sung				
	VP	Maggie Mei				
	VP	Roger Chen				
	VP	Maxwell Cheng				
	VP	Samuel Yuan				
	VP	J.J. Fu				
	VP	Sharon Chao				
	VP	Jessie Teng				
	VP	PL Chiang				
	VP	Eric Li				
	VP	Johnson Hsieh				
	VP	Daniel Wang				
	VP	Robert Liu				
	VP	James Lee				
	VP	Howard Tsao				
	VP	Ta Fu				
	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	Shing Chu				
	Director	Wendy Tseng (Note 2)				
	Director	Belinda Chen				
	Director	Johnny Wang				
	Director	Jullian Wu				
	Director	Tony Wang				
	Director	Vivian Chiang				
	Director	Hae-Shung Chu				
	Director	Leon Li				
	Director	Jennifer Shen				
	Director	James Perng				
	Director	Michelle Peng				
	Director	D.J. Chen				
	Director	James Chen				
	Director	Iris Su				
	Director	Robert Chu				
	Director	Allan Lee				
	Director	Ann Chang				
	Director	Gary Lai				

Note 1: The bonuses to employees from distribution of earnings of 2010 have not been approved by the Shareholders' Meeting, just proposed distribution.
Note 2 : Who was on leave without pay from Apr. 16, 2011.

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

2010/12/31; Unit: NT$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Jan Nilsson	Vice Chairman	16,440	0	Not Applicable	0
Yvonne Li	President				
Eton Shu	Executive VP				
Benjamin Ho	Executive VP				
Philby Chen (Note 3)	Executive VP				
Herman Rao	Executive VP				
Patrick Wu	VP				
Ta Fu	VP				
Guang Ruey Chiang	VP				
Maxwell Cheng	VP				

Note 1: Names of employees with the same position are in order of Chinese last name.
Note 2: The actual distributing amounts of earnings of 2010.
Note 3: Who transferred to the related company on Jul. 1, 2010.

3. Corporate Governance Executive Status

3-1. Executive Status of the Board of Director

Holding _7_ times (A) of the Board Meeting, and the attendance status of Board of Directors and Supervisors in the Year and recent Year：

2011/4/30

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.	7	0	100	100	
Vice Chairman & President	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	7	0	100	100	
Managing Director & Independent Director	Lawrence Juen-Yee LAU	5	2	71	100	
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	7	0	100	100	
Director	Peter Hsu, Representative of Yuang Ding Co., Ltd.	7	0	100	100	
Director	Johnny Shih, Representative of Yuang Ding Co., Ltd.	6	1	86	100	
Director	Toon Lim, Representative of Yue Ding Industry Co., Ltd.	7	0	100	100	
Director	Michiya Shinagawa, Representative of Yue Ding Industry Co., Ltd.	6	1	86	100	1、Re-appoint the representative appointment from Shiro Yamagishi, to Michiya Shinagawa for Director of the Company on Jul. 26, 2010. 2、This calculation for percentage of attendance is for corporate director.
Independent Director	Kurt Roland Hellström	5	2	71	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	7	0	100	100	

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B/A)	Percentage of Attendance (%) (Proxy included) ((B+C)/A)	Remark
Supervisor	Morton Huang, Representative of Asia investment Corp.	7	0	100	100	
Independent Supervisor	Chen-en Ko	7	0	100	100	

Other matters of importance:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected by Independent Directors or subject to qualified opinion and recorded or declared in writing, should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion: None.
2. If there is Directors' avoidance of motions in conflict of interest, should specify the Directors' names, contents of motions, causes for avoidance and voting: 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.
3. Objectives to improve the functions of the Board of Directors in the year and recent years (e.g. establishment of audit committee, and strengthen disclosure of information, etc.) and evaluation on the execution thereof: The Company has 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 first Remuneration Committee meeting of the Company will be held in November of this year.

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

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

2011/4/30

Title	Name	Times of Attendance (B)	Actual Percentage of Attendance (%) (B/A)	Remark
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	7	100	
Supervisor	Morton Huang, Representative of Asia investment Corp.	7	100	
Independent Supervisor	Chen-en Ko	7	100	

Other matters of importance:

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), that employees and shareholders have adequate access to the supervisors for communications.
2. Communications among supervisors and the Company's Chief Auditor and CPA:
   A. Communications with Chief Auditor: Supervisors hold Supervisors Meeting each quarter and keep the meeting minutes. The Directors, President and the Company's top managements are then notified of important discussions and resolutions. There were four Supervisors Meetings this year. The related Supervisors attended each occasion and Chief Auditor also presented at the meetings to report on audit operations and major internal audit matters, including execution, reporting, and tracking of Supervisors instructions. In addition, Supervisors obtained audit reports at monthly basis which were submitted by Chief Auditor.
   B. Communications with the CPA: Supervisors hold Supervisors Examined Meeting and got the audit results. There were two Supervisors Examined Meetings. 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.
3. If there is Supervisors' avoidance of motions in conflict of interest, should specify the Supervisors' names, contents of motions, causes for avoidance and voting: None.

3-3. 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. The Company has posted on intranet for promoting the "The Code of Ethics" and "The Code of Business Conduct" to employees on May 25, 2011.

The Company has faithfully abided by all pertinent regulations including the Company Act, Securities and Exchange Law, Commercial Accounting Law, Political Contribution Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations that govern TWSE/GTSM listed companies and other commercial operations as its basic premise to ensure ethical management. In addition, 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.

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

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

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
I. Implementation and promotion of corporate governance (i) Establishment of corporate social responsibility policies or systems and review of its results/ performance.	Although the Board has yet to formally establish a corporate social responsibility policy in writing, the Company has always played an active role in various public charity events. In addition to the organization of charity events that the Company has held, the company would also combine the overall strengths of the entire conglomerate to fulfill its corporate social responsibilities. Information on relevant details is available on FET's company website.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Establishment of dedicated/responsible unit for the promotion of corporate social responsibility and its status of operation.	Various FET departments have been actively participating in the implementation of activities related to corporate social responsibilities and the PR Division is currently acting as the liaison. The Company has participated in key charity events organized by the Far Eastern Group, including the sponsorship of the Pavilion of New Fashion: FE Eco Ark at Taipei International Floral Expo, the Poll for the Chinese Character that best represents Taiwan and sponsoring Cirque de Soleil's *Varekai* performance in an effort to disseminate environmental protection concepts and promote innovation of the domestic cultural industries. The Company is a sponsor of Far Eastern Group's Pavilion of New Fashion: FE Eco Ark at the Taipei International Floral Exposition. The Eco Ark is made from 1.5 million recycled PET bottles and stands at 130 meters high with 9 floors. The Eco Ark is the culmination of Taiwan's strength in technology and research and it is the pride of Taiwan. The Eco Ark has set seven new world records as a green building and it stands as a symbol of environmental protection and its education. Through the infusion of art and environmental protection, the aesthetics of the Eco Ark should stir public awareness for the environment. Not only did Discovery shoot and record this global first "Carbon neutral" structure, but the National Geographic Channel produced the documentary of "The great tour of world's greatest architecture – Taiwan EcoARC" with Government Information Office and this will be broadcasting within 166 different countries and in 34 languages from March 2011. It is Taiwanese honor.	
(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.	In order to ensure corporate governance, FET provides relevant information on training for finance, accounting and legal affairs to board members and auditors. Attendance of board members and auditors at these trainings has been very high. 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.	
II. Development of a sustainable environment (i) Efforts in improving the utilization rate of various resources and usage of recyclable	In 2010, the Company also worked on building more energy-efficient base stations by investing in heat-insulating coating materials for 150 base stations that would effectively cut down power consumption from air-conditioning systems in summer. The application of the aforementioned material could save up to 5% of energy at one base station on average. At the same time, the Company has also built a demo base station that runs on	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
materials to minimize impact on the environment.	solar power and it is expected to cut down power consumption by 5% per year. In order to accomplish the goal of zero carbon emission for base stations, FET constructed four base stations powered by fuel cells in the hopes of replacing traditional power-generating equipment that use conventional cells.	
(ii) Establishment of a suitable system for environment management based on the characteristics of its business.	Taking the characteristics of telecommunication industry into account, the Company has established a 24/7 Online Environment Monitoring System, which is designed to monitor various environmental status and routinely measure environmental quality indicators such as temperature, humidity, illumination, indoor CO_2 concentration, hydrogen concentration in battery chamber and so forth.	
(iii) Establishment of dedicated unit/personnel in charge of environmental management to maintain the working environment.	The Company has appointed 6 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 2010, FET's GHG (carbon dioxide) emission (derived from conversion from power consumed) came to 121,742 metric tons – a reduction of 3,372 metric tons (2.70%) from 2009.	
III. Maintenance of social charity (i) Compliance with relevant labor regulations to safeguard employees privileges by instituting appropriate management and procedures.	The Company has complied with all pertinent labor regulations with regards to all measures and policies that relate to employees. The company has also convened labor-management meetings to enable the addition or changes to affairs that affect employees' rights so that decisions would only be made after both parties have sufficiently communicated the issue. The Company has also set up dedicated channels for employees to file complaints as a measure to safeguard their rights.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(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, 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.	
(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 740 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 seamless and comprehensive customer services.	
(iv) Collaboration with suppliers to jointly work towards the promotion of corporate social responsibilities.	Guided by the philosophy of "Cherishing our Planet and Fulfilling our Corporate Social Responsibilities", the Company has duly carried out its green purchasing campaign to acquire equipment that would improve energy conservation at its base stations in the hopes of serving as an example to encourage other corporations to place greater emphasis on their corporate social responsibilities.	

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.	In 2010, the Company has sponsored Cirque de Soleil, a renowned international entertainment company to perform in Taiwan. FET, along with other subsidiaries under Far Eastern Group, has donated 100 tickets to Children Welfare League Foundation so that the children may enjoy the world-class art performance. Through constant care, FET hopes to help the children to cultivate positive attitude towards life and passion for art performances. In addition to the Children Welfare League Foundation, FET also participated in the "Stacking up Happiness with Hope ~ Sending Care to Children' Homes" joint-charity event in 2010 organized by cyYES.com to send warmth and care to children at various welfare institutions during the new year season. With the intention to lead by example, FET has utilized its core technologies to fulfill its corporate social responsibilities. In 2010, FET took part in the "Your Old PC: His New Hope" event organized by the Triple E Institute to recycle used computers and reuse them to minimize digital gaps. At the same time, FET has also offered complimentary broadband network access services to various charity organizations such as the Children's Hearing Foundation. The High Counter-Disaster & Mobile Phone Base Stations in Namasia Township became officially operational in June 2010. In addition to having various back up systems such as auxiliary powers, fiber optic network, microwave network and satellite transmission systems, FET also offered its exclusive "MECS mobile command system", an integrated real time video, audio and digital multimedia system that could access the scene of disaster and relay images in real time. The commander of rescue operations is able to issue voice commands to rescue personnel. Video feed from the scene could also be transmitted back to the logistic operation center for archive purposes and allow effective dispatch of personnel and support. FET's MECS system should significantly improve the efficiency of rescue operations in the future. In addition, FET has also responded to National Fire Agency's request for the establishment of the "1991 Safety Bulletin Board" in November 2010 by offering discounted rates for service covering the "1991 Safety Bulletin Platform", "1991 Safety Voice Message Hotline" and "1991 Safety Bulletin Board" as ways for the general public to provide safety updates.	
IV. Improvements in information disclosure (i) Method of disclosing relevant and reliable corporate social responsibility information.	The Company has disclosed pertinent and reliable information on corporate social responsibility in its annual report. Please refer to page 30 to 33 and page 39 to 41 in the annual report. In addition, the Company has also included a section titled "Corp. Social Responsibility" on its website to disclose relevant information on FET's efforts to fulfill its corporate social responsibility. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/coSociety	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Compilation of corporate social responsibility statement and disclosure of promotion of corporate social responsibility.	The Company has commenced research on the trends development on corporate social responsibility statement published by local and foreign corporations but has yet to compile its report at present.	

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:

Although the Board has yet to formally establish a corporate social responsibility policy in writing, the Company has always played an active role in various public charity events. In addition to the organization of charity events held periodically, the company would also combine the overall strengths of the entire conglomerate to fulfill its corporate social responsibilities. Information on relevant details is available on FET's company website.

VI. Please state any other important information that would facilitate better understanding on your current status in fulfilling corporate social responsibility (i.e. your 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):

In 2010, the Company saw noticeable improvements in its energy conservation with a 2.70% cut in annual energy consumption compared to the previous year. The company also managed to reduce CO2 emission by 3,372 tons and shave off NT$ 17.38 million in

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons

electricity bills. FET’s headquarters (located on Ruei Guang Road in Neihu) has also received the Gold Award for Energy Conservation from Taipei City Government by achieving up to 16% of energy conservation in a single building through full replacement of T5 and the installation of solar powered roadside lamps and inverter for water towers. October of the same year, FET’s Minquan West Road Retail Store was named as an outstanding retail store for energy conservation.

In May, 2010, the Company completed the very first eco-friend IDC farm in Taiwan and became the only telecommunication service provider to be supported by an independent data security service. The IDC farm has given FET a major edge in enhancing cloud computing security and services.

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

The Company has commenced its research on the trends development on corporate social responsibility statement published by local and foreign corporations but has yet to compile its report at present.

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

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
(1) Ownership structure and shareholders' equity		
1-1 Handling of shareholder's suggestions or disputes.	The Company’s spokesperson and the contracted stock agency, Oriental Securities Co., Ltd. handles shareholder’s suggestions or inquiries. And the Legal & Regulatory Department deals with disputes or legal cases.	Comply with the “Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies”
1-2 Identifying major shareholders and/ or their ultimate controlling parties	The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and/or their ultimate controlling parties. This information is disclosed /registered by the Regulations Governing Information Reporting by TWSE Listed Companies.	
1-3 Risk control mechanism and firewalls established between the Company and its affiliated companies	The Company and its affiliated companies are all independent entities in respect of their financial and business operations. Operating procedures are established for “Related Party Transactions Regulation”. Risk control mechanism and firewall procedures have been properly established.	
(2) Structure and duties of the board of directors		
2-1 Status of appointing independent directors	The Company has two independent directors, namely Lawrence Juen-Yee Lau and Kurt Roland HellstrÖm.	Comply with the “Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies”.
2-2 Evaluation of the independence of the Company's appointed CPA	The company evaluates the independence of the CPA engaged by the company regularly and annually, including evaluation items such as appointment and CPA public expense.	
(3) 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 website discloses financial, operational and corporate governance related information	The Company's corporate website address is: www.fareastone.com.tw, in order to enhance the accuracy and timeliness of the material information disclosed.	Comply with the “Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies”.
4-2 Other disclosure channels (i.e. English web site; designated personnel in charge of company information collection and disclosure; establishment of a spokesperson policy; disclose process of institutional investors meeting; information on company web site, etc.)	The Company 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.	

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
(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. The first Remuneration Committee meeting of the Company will be held in November of this year.	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:

Though the Company has not yet defined its governance practices in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, as stated in the deviation of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason(s) for any such deviation, the Company substantially has implemented the relevant requirements provided in such Principles in the spirit of corporate governance and obtained the certification of "CG6006 Advanced Corporate Governance Scheme Evaluation" by Taiwan Corporate Governance Association on March 23, 2011.

(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):

The Company has participated the certificating of "CG6006 Advanced Corporate Governance Scheme Evaluation" by Taiwan Corporate Governance Association and the self-evaluations are as follows:

10-1 Protect shareholders' equity and interests:

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

b. The Company has also enacted the "Related Party Transaction Regulation" to conduct the risk management mechanism and establish appropriate firewalls.

10-2 Strengthen functions of the Board of Directors:

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

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

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

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

10-3 Fulfill the function of supervisors:

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

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

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

10-4 Ensure the management's discipline:

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

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

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

10-5 Respect stakeholders' rights and interests:

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

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

10-6 Enhance information transparency:

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

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons

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

(8) Enterprises conducting autonomous evaluation of corporate governance or commissioning other professional institutions to perform an evaluation of corporate governance are required to state in detail the results, 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 it has 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) Other information of corporate governance:

9-1 Training for board of Directors and Supervisors and Executive Management:

Information relating to finance, accounting and regulatory is regularly provided to board of directors and supervisors. The policy for "Implementation Principles of Training for board of directors and supervisors" is also under preparation.

Training for board of Directors and Supervisors

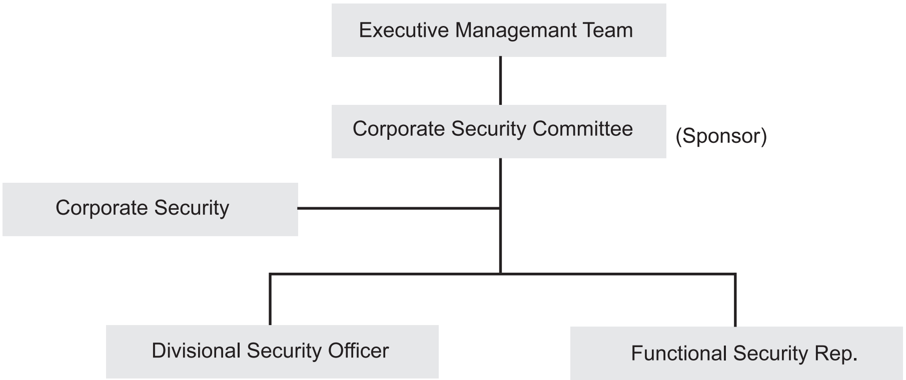
Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
Chairman	Douglas Hsu	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
		2005/2/24	2005/2/24	Taiwan Corporate Governance Association	Corporate Governance and Risk Management	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		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
Vice Chairman	Jan Nilsson	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
		2005/2/24	2005/2/24	Taiwan Corporate Governance Association	Corporate Governance and Risk Management	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		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	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
		2005/2/24	2005/2/24	Taiwan Corporate Governance Association	Corporate Governance and Risk Management	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2007/6/7	2007/6/7	Finical Supervisory Commission, Executive Yuan	The 4th 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
Director	Johnny Shih	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		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
Director	Peter Hsu	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
		2005/11/30	2005/11/30	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		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
Supervisor	Eli Hong	2005/2/24	2005/2/24	Underwriting Dept. of Grand Cathay Securities Corp.	Advanced Study of Securities Regulation for TWSE/GTSM listed Company	3
		2005/2/24	2005/2/24	Corporate Governance Association	Corporate Governance and Risk Management	3
		2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		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
Supervisor	Morton Huang	2006/8/18	2006/8/18	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		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
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

Training for 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
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

9-2 Company's Risk Management Organization:



9-2-1. Executive Management Team

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

9-2-2. Corporate Securities Committee

(1) This is the Company's security policy decision-making unit and it is guided by policies set out by the Executive Management Team.

(2) The Committee is a permanent inter-division committee composed of Corporate Security, Divisional Security Officers and Functional Security Representatives.

(3) The Committee's Sponsor is selected from the Committee Chairman's parent division. It must be the highest-level executive from those who can participate in Executive Management Team meetings. They are responsible for supervising the Committee's meetings on regular administration affairs, and are also responsible for liaising between the Executive Management Team and the Corporate Security Committee.

(4) The Committee holds a meeting once a month, which is to be called by the Corporate Security. Additional meetings can be held when necessary if approved by the Committee Sponsor.

9-2-3. Corporate Security

(1) This is the top-level management unit for the Company's corporate security policy.

(2) It is responsible for the formulation, revision, announcement, implementation, auditing and authorization of exceptions of corporate security and other security related policies.

(3) The position of Corporate Security Officer is to be held by the head of Corporate Security. The CSO is responsible for promoting and supervising the management of the Company's security related management issues (including but not limited to the investigation of corporate security incidents) as well as serving as the Chairman of the Corporate Security Committee.

9-2-4. Divisional Security Officer:

(1) The Divisional Security Officer is a full-time position that is to be filled by a director or higher as assigned by each business division's executive deputy general manager. The tenure is for one year, and where necessary the assignment may be extended at the discretion of each business division's executive deputy general manager.

(2) The DSO is a core member of the Corporate Security Committee, and acts as that business division's corporate security representative.

(3) The DSO's responsibilities are as follow:

a. Establish and maintain the business division's security mechanisms including the formulation, specification and auditing of relevant policies.

b. Serve as the channel for communications between colleagues in their business division and the Corporate Security Committee.

c. Communicate Corporate Security Committee resolutions or announcements to colleagues within the division.

d. Serve as each division's contact point when the Corporate Security Committee is implementing various programs.

e. Confirm and review that their division's colleagues are complying with security policies, managing exceptions according to regulations, as well as setting time limits on use of exceptions.

f. Confirm and review their division's use and management of customer data, including but not limited to the storage or destruction of records for future inspection.

g. Supervise their business division's security management of non-FET employees when they are working on the Company business sites.

9-2-5. Functional Security Representative:

(1) To bring together all divisions within the Company organization related to corporate security, all functional departments should provide a representative to the Corporate Security Committee.

(2) The Functional Departments refers to:

a. Legal and Regulatory (PO / L&R);

b. Public Relations (PO / Public Relations);

c. Collection Management (PSD / O / B Collection);

d. Channel Management (SCM / COM);

e. Human Resources (PO / HR);

f. General Security Administration (F&SS / F&A-General Security Administration);

g. Performance Management & Operation Support (N&T / PM&OS);

h. IT Service Governance (IT / IT SG);

i. Other divisions determined as functional department by the Corporate Security Committee.

(3) The Functional Security Representative may also be their division's Divisional Security Officer.

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

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

9-5 Employees' code of conduct or ethics

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

a. Employees' code of conduct, including: (1) the liability for making good use of and maintaining the Company's resource; (2) the Company's gifts and premiums must comply with the commercial customs, laws and code of ethics; (3) code of conduct outside the Company; (4) code of conduct inside the Company; (5) code of social intercourse; (6) social courtesy; (7) confidentiality of the Company's information; (8) internal information management; (9) information must be recorded and maintained in good faith.

b. Non-disclosure agreement, including (1) definition of confidential information; (2) assignment of rights; (3) non-disclosure obligation; (4) legal effect for breach of the agreement and liability thereof; (5) effect upon termination of the employment relationship; (6) successors and assignment of rights; (7) governing law and jurisdiction.

c. Employment contract, including (1) date of hiring; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.

d. Employees' manual, including (1) recruitment and appointment; (2) salary and benefit; (3) training and development; (4) compensation and pension for occupation disaster; (5) entrance guard security; (6) service of labor safety and health; (7) code of conduct and non-disclosure undertaking; (8) information service and rules for emails; (9) service of workers' benefit commission; (10) channel of communication.

e. Work rules including (1) employment, severance and resignation; (2) wage and bonus; (3) work hours, rest, vacation and leave; (4) retirement; (5) performance appraisal and reward/punishment; (6) compensation and pension for occupation disaster; (7) benefit measures and safety and health.

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

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

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

BS7799 internal auditor: 2 persons in the financial and accounting department and the auditing department, F&SS-Jeff Su; Auditing-Tweety Yeh.

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

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.

(10) Internal Major Information Disclosure Procedure:

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

a. Provide “Internal Material Information Disclosure Procedure” to Directors and Supervisors at least once every year when holding Board Meeting.

b. Provide “Internal Material Information Disclosure Procedure” to newly managers when they signed the security agreement.

c. The Company promotes not only the “Internal Material Information Disclosure Procedure”, but also the “Insider Trading” related information posted on TWSE website with the e-mail for the declaration of shareholding variation to remind the managers every month.

d. The Company’s managers and employees have to sign the security agreement when holding an office, and already posted on intranet for promoting the “Internal Material Information Disclosure Procedure” to employees in Mar. 16, 2011.

3-5. Execution of the social responsibilities in 2010

▶ ***The Company answered the government’s call for voluntary energy conservation with its efforts in energy saving and environmental protection and setting new energy-saving standards for the domestic telecommunication industry with green purchasing***

The Company has always played an active role in the promotion of energy conservation and environmental protection. The company has assembled a standing cross-departmental unit to supervise the company’s energy conservation policies and audit relevant improvements. The Company has accomplished significant success with its energy conservation operations in 2010 through means of green purchasing as an answer to the government’s call for voluntary energy conservation. With technology, the Company has set a new standard for energy conservation for the domestic telecommunication industry. Last year, the Company saw noticeable improvements in its energy conservation with a 2.70% cut in annual energy consumption compared to the previous year. The company also managed to reduce CO_2 emissions by 3,372 tons and shave off NT$ 17.38 million in electricity bills. The Company’s headquarters (located on Ruei Guang Road in Neihu) has also received the Gold Award for Energy Conservation from the Taipei City Government by achieving up to 16% of energy conservation in a single building through full replacement of T5 and the installation of solar powered roadside lamps and inverters for water towers. October of the same year, the Company’s Minquan West Road Retail Store has also been named as an outstanding retail store for energy conservation.

FET has also acquired a variety of energy-saving equipment and facilities, with inverter AC units being the most effective in terms of energy conservation (saves up to 20% energy compared to the old air-conditioning systems). In 2010, the Company also worked on building more energy-efficient base stations by investing in heat-insulating coating materials for 150 base stations that would effectively cut down power consumption from air-conditioning systems in summer. The application of the aforementioned material saves up to 5% of energy at one base station on average. At the same time, FET has also built a demo base station that runs on solar power and it is expected to cut power consumption by 5% per year. In order to accomplish the goal of zero carbon emission for base stations, FET constructed four base stations powered by fuel cells in the hopes of replacing traditional power-generating equipment that use conventional cells. In May, FET completed the very first eco-friend IDC farm in Taiwan and became the only telecommunication service provider to be supported by an independent data security service. The IDC farm has given FET a major edge in enhancing cloud computing security and services.

In addition, FET actively participated in Taiwan's main event of 2010 – the Taipei International Floral Expo to sponsor the Pavilion of New Fashion: FE Eco Ark. The Eco Ark is made from 1.5 million recycled PET bottles and stands at 130 meters high with 9 floors. The Eco Ark is the culmination of Taiwan's strength in technology and research and is the pride of Taiwan. The Eco Ark has set seven new world records as a green building and it stands as a symbol of environmental protection and its education. Through the infusion of art and environmental protection, the aesthetics of the Eco Ark should stir the public awareness for the environment.

▶ ***Winning world-class brand reputation acknowledgement as the" Titanium Winner of the Asset Corporate Award 2010 for Investor Relations"***

After becoming a listed company in 2001, FET has taken the initiative to communicate with professional investors on a regular basis to go over monthly financial statements and key business operation indicators. In addition to the disclosure of its operation status as required by law, FET has also taken an active role in communicating the company's overall operating performance and its vision for the future. The transparency of information that FET has offered has won much recognition and encouragement from the market. Subsequently, this has led to continual improvement in FET's ratings. The percentage of FET stock acquired by foreign professional investment has also grown over 30%. Through effective bi-lateral communication with its investors, FET has relayed invaluable suggestions from investors to its management as useful references in the planning of long-term management strategies to boost the company's overall competitiveness.

In the "Asset Corporate Awards 2010" by the established global financial magazine "The Asset", FET was chosen as the recipient of the "Titanium Winner of The Asset Corporate Award 2010 for Investor Relations" in Asia. Incidentally, FET is also the only telecommunication service provider in Taiwan to receive the distinction. The award reflected the acknowledgement and accolades from the market and professionals from all over the world for FET having taken the initiative to disclose its overall operation performance and prospects for the future for so many years in the past, in addition to its effort in constructing a transparent and effective channel of communication with investors. In addition to its active participation in domestic and foreign investment meetings, FET also makes it a point to have its high ranking officers travel abroad and communicate with investors around the world in person to discuss the company's strategic directions to ensure optimal information transparency and exchange of ideas. FET has also received the highest distinction of A+ rating in the "TWSE/GTSM-Listed Companies Information Disclosure Assessment" by the Securities & Futures Institute for the fourth time to become one of the top 10 contenders with the A+ rating among the thousands of listed companies.

▶ ***FET keeps up with its contribution towards charity and caring for the disadvantage minority by following Far Eastern Group's footsteps to sponsor large events with themes on art and environmental protection***

FET took part in the "Stacking up Happiness with Hope ~ Sending Care to Children' Homes" joint-charity event in 2010 organized by cyYES.com to send warmth and care to children at various welfare institutions during the New Year's season., FET has also injected resources to promote the level of domestic art and culture by sponsoring Cirque de Soleil with its parent company Far Eastern Group to perform for the second time in Taiwan. FET donated tickets to Children Welfare League Foundation so that the children may enjoy the world-class art performance. Through constant care, FET hopes to help children to cultivate a positive attitude towards life and passion for art performances.

FET hopes to help the children cultivate a positive attitude towards life and their passion for art performances with Varekai's positive message and the incredible performances that challenge one's very physical limits by the performers. Last but not least, FET also sponsored the construction of the Pavilion of New Fashion: FE Eco Ark with Far Eastern Group in the hopes of elevating the society's awareness for environmental protection and promoting the message of caring for the environment.

▶ ***Involvement in community participation and social participation with core technologies to assist remote areas to minimize the digital gap – bringing new technologies to create new possibilities in disaster rescue***

With the intention to lead by example, FET utilized its core technologies to fulfill its corporate social responsibilities. In 2010, FET took part in the "Your Old PC: His New Hope" event organized by the Triple E Institute to recycle used computers and reuse them to minimize digital gaps. At the same time, FET has also offered complimentary broadband network access services to various charity organizations such as the Children's Hearing Foundation.

The High Counter-Disaster & Mobile Phone Base Stations in Namasia Township became officially operational in June 2010. In addition to having various back up systems such as auxiliary powers, fiber optic network, microwave network and satellite transmission systems, FET also offered its exclusive MECS mobile command system, an integrated real time video, audio and digital multimedia system that could access the scene of disaster and relay images in real time. The commander of rescue operations is able to issue voice commands to rescue personnel. Video feed from the scene could also be transmitted back to the logistic operation center for archive purposes and allow effective dispatch of personnel and support. FET's MECS system should significantly improve the efficiency of rescue operations in the future.

In addition, FET has also responded to National Fire Agency's request for the establishment of the "1991 Safety Bulletin Board" in November 2010 by offering discounted rates for service covering the "1991 Safety Bulletin Platform", "1991 Safety Voice Message Hotline" and "1991 Safety Bulletin Board" as ways for the general public to provide safety updates.

▶ ***FET takes the lead in promoting the cultural and creative industry in Chinese-speaking regions to turn Taiwan into a hub of artistic creation in Chinese while safeguarding the rights of consumers***

FET has always been in support of talents from Taiwan to create their own paths of professional career by injecting funds into its S Mart, FET eBook town and music and entertainment market to reward creative talents in Taiwan.

In order to encourage more developers in Chinese-speaking markets around the world to create more quality apps, FET has allotted NT$ 300 million over the span of three years to create a market for Chinese-speaking populations. In addition to the Taiwanese market (the largest in terms of developer base at the moment), developers from China, Hong Kong, United States, Korea and Japan have also expressed their interests to be featured on the platform to enrich the contents of S Mart and increase its depth. In the near future, FET will also develop strategic alliances to work hand in hand with the industry and academia to promote smart mobile applications. Other the S Mart, FET has also been aggressively promoting other mobile software such as the FET eBook town, O music and Video Store to fully accelerate the cross-generation development for mobile applications and communication.

FET has launched a series of APP competitions on its S Mart in 2010 to invite talents in the industry and academia to jointly support the development of mobile communication contents. In addition to encouraging more developers to commit themselves to the development of more creative apps, FET is also hoping to jumpstart the development of app development industry in Taiwan by establishing a standard for apps in Chinese. This would allow Taiwan to consolidate its status in the cultural and creative industry in Asia while providing resources for domestic developers to challenge the global stage.

In September 2010, the team of developers representing FET's S Mart in the very first "Cross-Strait Mobile Application for Android Design Contest" in China brought encouraging news: out of the 451 submissions, S Mart's representatives received the Silver Award and Panel's Award in Division B (Games) and Division C (Apps).

In an effort to encourage "Total Participation in Creation", FET eBook town also organized an Original E-book Contest where outstanding submissions are featured for free in bookstore for readers to download. The event served as an incredible opportunity for amateur writers to become best-selling authors so as to cultivate creative talents and authors for e-books in Taiwan. With regards to the music market, FET even went as far as to establish a music company by the name of "O music" to create a total service platform of music for consumers in order to contribute to the cultivation of music talents in Taiwan and reinvigoration of the industry.

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

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

(11)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, and 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.

The first Remuneration Committee meeting of the Company will be held in November of this year.

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 23, 2011

Based on the self-examination results of the internal control system for the year ended December 31, 2010, Far EasTone Telecommunications Co., Ltd. (the Company) therefore declares the following:

I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the Company internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives:
   1. The effectiveness and efficiency of business operation (including earnings, 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 four objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to business environmental or situation changes. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.

III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following areas during the management and control process: (1) control environment, (2) risk management and response, (3) control activities, (4) information and communication, and (5) monitoring. Details of each examination area can be found in the Guidelines.

IV. The Company has examined the effectiveness of each respective area in the internal control system based on the Guidelines.

V. The examination result indicated that the Company internal control system (including subsidiary governance) has effectively assured that the following objectives have been reasonably achieved during the assessing period:
   1. The 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 23, 2011.

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 15, 2010	Resolutions in the Annual Shareholders' Meeting of Year 2010	
	Matters to be Reported	
	1. Business report of Year 2009	
	2. Financial report of Year 2009	
	3. Review of the Year 2009 closing report by Supervisors	
	4. To report FET's merger with its 100% owned subsidiary – KGT	
	5. Review of the amendment to "Rules Governing the Conduct of Board Meeting"	
	Matters to be Approved	
	1. Approval of the Year 2009 closing report (Including business report)	
	2. Approval of the proposal regarding Year 2009 earnings distribution (Cash dividend per share NT$2.8)	Aug. 16, 2010 was fixed to be the record date of ex dividend, and cash dividend was released on Sep. 10, 2010.
	Matters to be Discussed and Election	
	1. Approval of the amendment to "the Articles of Incorporation" of the Company	Operating pursuant to the amended Procedures
	2. Approval of the amendment to "Procedure for Making Endorsements and Guarantees" of the Company	Operating pursuant to the amended Procedures
	3. Approval of the amendment to "Procedure for lending capital to others" of the Company	Operating pursuant to the amended Procedures
	4. Approval of the issuance of common shares by private placement	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 that the Board of Directors approve on April 26, 2011 and the Year 2011 Shareholders' Meeting discuss the private placement again.

Date	Resolutions of the Board Meetings
February 25, 2010	**Matters to be Ratified** (1) Ratification of the acquisition of 155,000 shares of the invested company "New Century InfoComm Tech Co., Ltd". (2) Ratification of the transactions with total amount around NT$450 million, including the PCA Global Green Solutions Fund investment, the fund switching among DFE DWS Funds, and the disposal of local blue-chip stocks. (3) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (4) Ratification of the donation of NT$90 million to Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation to support the expansion construction of Y. Z. Hsu Memorial Hall Special Zone. **Matters to be Discussed** (1) Approval of the audited annual financial statements and consolidated financial statements of Year 2009. (2) Approval of the amendment to "The Articles of Incorporation" of the Company. (3) Approval of the dates and agenda of Year 2010 Annual Shareholders' Meeting. (4) Approval of Year 2010 business plan and financial budget. (5) Approval of the first quarter financial forecast and consolidated financial forecast of Y2010. (6) Approval of the acquisition of MSC real estate from Far Eastern International Leasing Corp.(FEIL) to save

Date	Resolutions of the Board Meetings
	rental expenses. (7) Approval of the "Internal Control System" modification. (8) Approval of the declaration of internal control system. (9) Approval of the assignment of Chief Technology Officer and the release of non-competition restriction on managerial officers of the Company. (10) Approval of the assignment of Chief Financial Officer of the Company.
April 27, 2010	**Matters to be Ratified** (1) Ratification of the acquisition of 4,000,000 shares of the invested company NCIC. (2) Ratification of the investment in Opas Fund Segregated Portfolio Tranche D by US$5 million and simultaneously making the investment principal fully hedged by CCS hedge transaction. **Matters to be Discussed** (1) Approval of the business report of Year 2009. (2) Approval of the dividend distribution of Year 2009. (3) Approval of the amendment to "Articles of Incorporation" of the Company (4) Approval of the amendment to "Regulations for the Board of Directors Meeting" of the Company. (5) Approval of the amendment to "Procedure for making endorsements and guarantees" of the Company. (6) Approval of the amendment to "Procedure for lending capital to others" of the Company. (7) Approval of the issuance of common shares of the Company by private placement. (8) Approval of the added proposals to Year 2010 Annual Shareholders' Meeting's agenda. (9) Approval of the capital injection to Far EasTron Holding Ltd. for indirect investments in a mainland corporation to expand China market. (10) Approval of the release of dual jobs and non-competition restriction on managerial officers of the Company.
June 25, 2010	**Matters to be Discussed** (1) Approval of the record date of the ex-cash dividend of Y2009 as August 16, 2010 (Monday). (2) Approval of the price setting for the issuance of common shares of private placement. (3) Approval of the tender offer by the 100% shareholding subsidiary Yuan Cing Infocomm Tech Co. to (4) acquire the common shares of New Century InfoComm Tech Co., Ltd. (5) Approval of the share subscription of 1,500,000,000 shares of Yuan Cing Infocomm Tech Co., Ltd. in maximum for capital increase by cash. (6) Approval of the capital lending to Yuan Cing Infocomm Tech Co., Ltd. with a maximum amount of NT$6,000,000,000.
August 31, 2010	**Matters to be Ratified** (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"). (4) Ratification of the disposal of short-term investments in total NT$1.77 billion to fund the tender offer for NCIC shares. (5) Ratification of the stock investment of domestic blue-chips and KGI EM Trend ETF Fund of Funds in total amount of approximated NT$ 62 million. (6) Ratification of the establishment of "Handling Procedure for Acquisition or Disposal of Assets" of the Company's subsidiary Yuan Cing Infocomm Tech Co., Ltd. **Matters to be Discussed** (1) Approval of the audited first half financial statements and consolidated financial statements of Y2010. (2) Approval of the two stage M&A process with New Century InfoComm Tech Co., Ltd. by the Company and the subsidiary Yuan Cing Infocomm Tech Co., Ltd. (3) Approval of the signing of loan agreements with the banks for operation need. (4) Approval of the investment of NT$25 million to build up a joint venture company with music labels and technical service provider to develop digital music services. (5) Approval of the appointment of President and CSO of the Company.
November 4, 2010	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the appointment of Vice Presidents and above of the Company. (3) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (4) Ratification of the disposal of OPAS Fund Segregated Portfolio Tranche B by US$10 million (original invested cost) for realizing investment gains. **Matters to be Discussed** (1) Approval of the major Capital Expenditure budget for the first half of Y2011. (2) Approval of the Year 2011 Audit Plan.
February 23, 2011	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). **Matters to be Discussed**

Date	Resolutions of the Board Meetings
	(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 sign 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.
April 26, 2011	**Matters to be Ratified** (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"). **Matters to be Discussed** (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.

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:

2011/4/30

Tital	Name	Date of Assumed	Date of Relief	Reason of Relief
CFO (Acting)	Sharon Lin	Nov. 16, 2009	Mar. 15, 2010	New CFO on Board
President	Jan Nilsson	Sep. 01, 2002	Sep. 10, 2010	Act as Vice Chairman

4. Public Expenses of CPA

4-1. Information of CPA

2010/12/31

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Annie Lin	Tony Chang	2010.01.01 ~ 2010.12.31	

4-2. Public Expenses of CPA

4-2-1.

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

2010/12/31; Unit: NT$'000

<table>
<tr><th rowspan="2">Accounting Firm</th><th rowspan="2">Name of CPA</th><th rowspan="2">Audit Fee</th><th colspan="5">Non-audit Fee</th><th rowspan="2">Audit Period</th><th rowspan="2">Note</th></tr>
<tr><th>System Design</th><th>Registration</th><th>Human Resource</th><th>Other</th><th>Total</th></tr>
<tr><td rowspan="2">Deloitte & Touch</td><td>Annie Lin</td><td rowspan="2">$8,350</td><td rowspan="2">None</td><td rowspan="2">None</td><td rowspan="2">None</td><td rowspan="2">$5,730</td><td rowspan="2">$5,730</td><td>2010.01.01~ 2010.12.31</td><td rowspan="2">Non-audit Fee mainly is service fee for transfer pricing and IFRS.</td></tr>
<tr><td>Tony Chang</td><td>2010.01.01~ 2010.12.31</td></tr>
</table>

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

5-1. Regarding the former CPA:

2010/12/31

<table>
<tr><th>Date of change</th><th colspan="3">May 2009</th></tr>
<tr><td>Cause and explanation</td><td colspan="3">The original CPA, Benjamin Shih, was changed to CPA, Annie Lin, because of the internal transfer and arrangement taking place in Deloitte & Touche.</td></tr>
<tr><td rowspan="3">Specify whether appointer or CPA terminates or rejects the appointment</td><td>Concerned party
Circumstance</td><td>CPA</td><td>Appointer</td></tr>
<tr><td>Terminate the appointment voluntarily</td><td>✓</td><td></td></tr>
<tr><td>Reject (refuse to accept) the appointment</td><td></td><td></td></tr>
<tr><td>The comments and causes for issue of the audit report other than retained opinions within the latest two years</td><td colspan="3">No</td></tr>
<tr><td rowspan="6">Disagreement with the publisher</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial statement</td></tr>
<tr><td></td><td>Scope or steps of audit</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>No</td><td colspan="2">✓</td></tr>
<tr><td colspan="3">Please specify it.</td></tr>
<tr><td>Other information to be disclosed (to be disclosed according to Item 5(1).4 of Article 10 of the Principles</td><td colspan="3">No</td></tr>
</table>

5-2. Regarding the succeeding CPA:

2010/12/31

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

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

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

None.

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

7-1. Shareholding Variation:

2011/4/11

Title	Name	2010		2011/4/11	
		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 *(138,950)	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	0
Supervisor	Morton Huang, Representative of Asia investment Corp.	0 *0	0 *0	0	0
Independent Supervisor	Chen-en Ko	0	0	0	0
Vice Chairman	Jan Nilsson	0	0	0	0
President	Yvonne Li	0	0	0	0
CTO & CSO	Jeffey Gee	0	0	0	0
Executive VP	Eton Shu	0	0	0	0
Executive VP	Benjamin Ho	0	0	0	0
Executive VP	Daniel Chang	0	0	0	0
Executive VP	Herman Rao	0	0	0	0
Executive VP	Magdalina Lin	0	0	0	0
Executive VP & CFO	T.Y. Yin	0	0	0	0
Chief Auditor	Jennifer Liu	0	0	0	0
VP	Patrick Wu	0	0	0	0
VP	Jessica Sung	0	0	0	0

Title	Name	2010		2011/4/11	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
VP	Maggie Mei	(9,000)	0	0	0
VP	Roger Chen	0	0	0	0
VP	Maxwell Cheng	(225,000)	0	0	0
VP	Samuel Yuan	0	0	0	0
VP	J.J. Fu	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	Daniel Wang	0	0	0	0
VP	Robert Liu	0	0	0	0
VP	Dick Lin (Note 2)	Not Applicable	Not Applicable	0	0
VP	James Lee	0	0	0	0
VP	Howard Tsao	0	0	0	0
VP	Ta Fu	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	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	Shing Chu	0	0	0	0
Director	Wendy Tseng (Note 3)	0	0	0	0
Director	Belinda Chen	0	0	0	0
Director	Johnny Wang	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	Hae-Shung Ju	0	0	0	0
Director	Leon Li	0	0	0	0
Director	Jennifer Shen	0	0	0	0
Director	James Perng	0	0	0	0
Director	Michelle Peng	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	Robert Chu	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: On Board on Feb. 14, 2011.
Note 3: Who was on leave without pay from Apr. 16, 2011.
*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

2011/4/11

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	Raymond Hsu	Brother	
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	
Cathay Life Insurance Co., Ltd.	167,035,000	5.13	0	0.00	0	0.00	None	None	
Chairman: Hong-tu Tsai	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	
Yuan Tong Investment Co., Ltd.	104,216,031	3.20	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Kai Yuan International Investment Corp. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	
Taiwan Post Co., Ltd.	97,912,696	3.00	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.	92,462,031	2.84	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Chairman: Humphrey Cheng	0	0.00	0	0.00	0	0.00	None	None	
Shin Kong Life Insurance Co., Ltd.	89,551,000	2.75	0	0.00	0	0.00	None	None	
Chairman: Tung-Chin Wu	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	
An Ho Garment Co., Ltd.	80,171,592	2.46	0	0.00	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	
Chairman: Raymond Hsu	2,276,818	0.07	1,615,905	0.05	0	0.00	Douglas Hsu	Brother	
Silchester International Investors International Value Equity Trust	51,988,000	1.60	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

2011/3/31 Unit: shares; %

Affiliated Company	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 I nf o Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
E. World (Holding) Ltd.	6,014,622	85.92	0	0	6,014,622	85.92
FarEastern Electronic Toll Collection Company	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 Eastron (Holding) Ltd.	4,486,988	100.00	0	0	4,486,988	100.00
Q-Ware Communications Co., Ltd.	36,459,930	51.00	0	0	36,459,930	51.00
New Centry InfoComm Tech Co., Ltd.	2,599,448,983	100.00	0	0	2,599,448,983	100.00
ADCast Interactive Marketing Co., Ltd.	386,870	8.56	2,734,446	60.52	3,121,316	69.08
KGEx.com Co., Ltd.	89,088,478	79.25	0	0	89,088,478	79.25
iScreen Corporation	4,000,000	40.00	0	0	4,000,000	40.00
O music Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00
Far Eastern Electronic Commerce Co.,Ltd.	3,000,000	14.96	13,000,000	64.84	16,000,000	79.80

Note : The long-term investment of the Company

IV Fund Utilization Status

Service Centric

Innovation

Profitable growth

1. Capital and Shares

1-1 History of Capitalization

2011/4/11

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

Note 1: 1998.10.22 (87) Taiwan Finance Securities (I) Ruling Ref. No.87084
Note 2: 1999.5.21 (88) Taiwan Finance Securities (I) Ruling Ref. No.47451
Note 3: 2000.5.22 (89) Taiwan Finance Securities (I) Ruling Ref. No.41536
Note 4: 2000.10.11 (89) Taiwan Finance Securities (I) Ruling Ref. No.83771
Note 5: 2001.6.15 (90) Taiwan Finance Securities (I) Ruling Ref. No.138249
Note 6: 2002.7.9 (91) Taiwan Finance Securities (I) Ruling Ref. No.0910137602
Note 7: 2003.6.10 (92) Taiwan Finance Securities (I) Ruling Ref. No.0920125457
Note 8: 2004.5.18 MOEA Ruling Ref. No.09301085420
Note 9: 2004.4.8 (93) Taiwan Finance Securities (I) Ruling Ref. No.0930112339
Note 10: 2004.7.14 (93) Financial Supervisory Commission (I) Ruling Ref. No. 0930130872
Note 11: 2004.11.17 MOEA Ruling Ref. No. 09301207180
Note 12: 2005.3.4 MOEA Ruling Ref. No.09401035600
Note 13: 2005.5.3 MOEA Ruling Ref. No.09401077810
Note 14: 2008.1.14 MOEA Ruling Ref.No.09701002230
Note 15: 2008.1.22 MOEA Ruling Ref.No.09701015390

2011/4/11; 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

2011/4/11

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	7	36	153	17,871	402	18,469
Shares	95,758,840	529,009,736	1,624,813,785	105,825,588	903,092,861	3,258,500,810
%	2.94	16.23	49.87	3.25	27.71	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)

2011/4/11

Level			Number of shareholders	Shares	%
1	-	999	4,692	1,541,940	0.05
1,000	-	5,000	9,731	21,218,776	0.66
5,001	-	10,000	1,768	14,315,751	0.44
10,001	-	15,000	505	6,326,184	0.19
15,001	-	20,000	392	7,163,551	0.22
20,001	-	30,000	354	8,928,501	0.27
30,001	-	50,000	315	12,719,108	0.39
50,001	-	100,000	233	16,724,709	0.51
100,001	-	200,000	125	17,341,982	0.53
200,001	-	400,000	101	28,620,489	0.88
400,001	-	600,000	48	23,561,611	0.72
600,001	-	800,000	21	14,362,432	0.44
800,001	-	1,000,000	24	22,182,110	0.68
1,000,001 and above			160	3,063,493,666	94.02
Total			18,469	3,258,500,810	100.00

This Company has not yet issued any preferred shares until April 11, 2011.

1-5 Top 10 Major Shareholders

2011/4/11

Shares / Major Shareholders	Shares	%
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73
Cathay Life Insurance Co., Ltd.	167,035,000	5.13
NTT DoCoMo Inc.	153,543,573	4.71
Yuang Tung Investement Co., Ltd.	104,216,031	3.20
Taiwan Post Co., Ltd.	97,912,696	3.00
Kai Yuan International Investment Corp.	92,462,031	2.84
Shin Kong Life Insurance Co., Ltd.	89,551,000	2.75
Infocom Holding Company Pte Ltd.	81,310,309	2.50
An Ho Garment Co., Ltd.	80,171,592	2.46
Silchester International Investors International Value Equity Trust	51,988,000	1.60

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

Unit: NT$; shares

Item / Year			2009	2010	2011 (as of March 31)
Share price (Note 1)	High		41.00	45.60	44.50
	Low		31.20	36.90	41.55
	Average		36.53	40.71	42.65
Net Value per share	Before distribution		21.96	21.88	22.48
	After distribution		19.16	(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	2.83	2.72	0.60
		After adjustment (Note3)	2.83	2.72	0.60

Item \ Year			2009	2010	2011 (as of March 31)
Dividend per share	Cash dividend		(Note 7) 2.80	(Note 8) 2.50	Not Applicable
	Stock dividend	Retained earning	0	0	Not Applicable
		Capital surplus	0	0	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earning Ratio (Note 4)		12.91	14.97	Not Applicable
	Price/Dividend Ratio (Note 5)		13.05	16.28	Not Applicable
	Cash dividend yield (Note 6)		7.66%	6.14%	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 2009 distribution NT$2.8 per share is based on 3,258,500,810 shares.
Note 8: The Cash dividend of year 2010 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 26, 2011, the Board of Director resolved the proposed 2010 dividend distribution to be approved at 2011 Annual Shareholders' Meeting as following: 2010 earning of NT$8,146,252,025 will be distributed as cash dividends of NT$2.5 per share.

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

Not Applicable.

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

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

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

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

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

(1) The Board of Director resolved on April 26, 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

Item / Amount	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Recognized Estimated Amount (A)	$159,274	$79,637	None
Proposed Distribution (B)	$159,274	$79,637	
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 2010, hence not applicable.

1-9-4 The Board of Director resolved on April 27, 2010 and Shareholders' Meeting on June 15, 2010, to use the profits from the 2009 financial year to pay bonuses to employees and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the year these expenses are recognized, the treatment of discrepancy are as follows:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Remuneration for Directors and Supervisors	Treatment of Discrepancy
Recognized Estimated Amount (A)	$166,142	$83,071	The differences have been recognized in 2010
Actual Distribution（B）	$166,577	$83,288	
Variance（B）-（A）	$435	$217	

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

2011/3/31

Date of Issuance / Item	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
Depositary Bank	The Bank of New York (Luxembourg) S.A.
Custodian Bank	Far Eastern International Bank
Number of outstanding shares	12,148,255 shares
Bearers of Related charges incurred	Charges of GDR issuance shall be born by sellers; charges incurred during holding

Item \ Date of Issuance			June 11, 2004	
during issuance and holding period			period shall be born by the Company.	
Major terms of Depositary Agreement and Custodian Agreement			None	
Place of issuance			Luxembourg Stock Exchange	London Stock Exchange
Market Price per unit	2010	High	US$22.135	US$22.33
		Low	US$16.88	US$16.88
		Average	US$19.179	US$19.179
	2011 (as of March 31, 2011)	High	US$22.745	US$23.50
		Low	US$21.25	US$21.39
		Average	US$21.872	US$22.2881

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:

6-2-1 KG Telecommunications Co., Ltd.

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

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

Company name		KG Telecommunications Co., Ltd.
Company Address		38F, No 207 Tun-Hwa South Road, Section 2, Taipei
Chairman		Douglas Hsu
Paid-in Capital		13,329,979
Major Business Item		Type I Telecommunications Business,Wholesale of Telecom Instruments, Retail Sale of Telecom Instruments
Major Product		Telecommunication products and services
Recent Year Financial Data	**Total Assets**	33,064,274
	Total Liabilities	2,490,776
	Total Shareholders' Equity	30,573,498
	Operating Revenue	8,127,814
	Gross Loss	(74,042)
	Operating Loss	(1,352,299)
	Net Loss	(1,094,787)
	EPS	(0.82)

6-2-2 New Century InfoComm Tech Co., Ltd.

Please refer to "Status of Acquisitions" of page 10 for merger process between NCIC and the Company.

2010/12/31; Unit: Except EPS is NT dollar; others are NT$'000

Company name		New Century InfoComm Tech Co., Ltd.
Company Address		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	29,375,219
	Total Liabilities	3,553,146
	Total Shareholders' Equity	25,822,073
	Operating Revenue	9,757,962
	Gross Profit (Loss)	1,606,917
	Operating Income (Loss)	(378,716)
	Net Loss	(125,895)
	EPS (After Tax)	(0.05)

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.

V Operational Highlights

Service Centric

Innovation

Profitable growth

1. Business Activities

1-1 Business Scope

1-1-1 Major Business Items:

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

1-1-2 Operating Revenue Breakdowns

Unit: NT$'000

Year / Item	2009		2010	
	Amount	%	Amount	%
Telecommunication Service Revenue	49,615,364	92	52,535,664	90
Sales of Cellular Phones and Accessories	3,886,720	7	5,365,491	9
Others	238,207	1	276,188	1
Total	53,740,291	100	58,177,343	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 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.

(2) Type II Telecommunication Services: Non-E.164 internet phone, wholesale resale, simple voice resale (ISR), intranet communication services, 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, gyroscopic 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 for 2011:

- Aggregation of smart device application & management of app store: Ever since FET launched its S-market 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-market 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-market. 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 e-books available on the eBook Town. In addition, FET will also engage in strategic partnership with large publishing houses to secure more market share by delivering highly-interactive, multimedia e-books.
- 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": Social networking communities have grown to become an important force on the internet to be reckoned with in recent years. 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 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 key 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 Wi-Fi 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 26,930 thousand subscribers by the end of 2010; over 116% 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, due to the financial crisis that ravaged the world in 2008, the majority of corporations have become comparatively conservative in terms of their budget for mobile communications. Not only that, businesses have drastically cut down their manpower requirements and minimized relevant subsidies for employees. As a result, competition in the area of corporate mobile communication services became significantly tougher compared to previous years. For example, the number of PHS subscribers for a specific mobile communication service provider in Taiwan has fallen dramatically from its height of 1.5 million to less than 700,000 subscribers today. This illustrates the fact that the tactic of simply lowering mobile communication charges is no longer able to satisfy the needs of corporate clients. Integrated solutions that cover mobile networks, fixed networks and internet access functionalities will undoubtedly become the mainstream package for corporate clients in the foreseeable future.

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

The ECFA signed by the government with China in 2010 encouraged further promotion of corporate telecommunication operations. FET has also introduced a new value-added service known as "Corporate Cloud

Conference Room" under its existing MVPN architecture. The feature allows corporate users to access FET's cloud conference room functionalities in different nations at discounted rates simply through application. Starting from 2011, FET will launch more cloud-related services.

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.

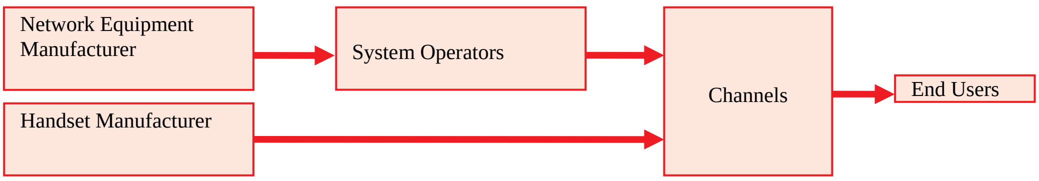
B. 3G – the next market focus, Wireless – the power of growth

As 3G service rolled out by all operators, total 3G subscribers has reached 18.73 million by the end of December 2010. Market penetration has also grown from 6.4% during January 2006 to the current 80%.

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.

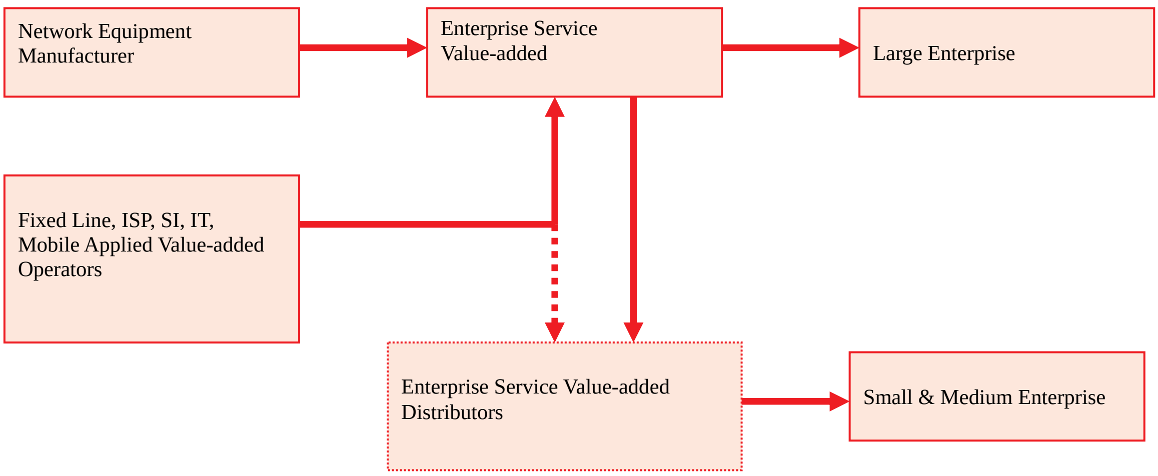
1-2-2 Industry Value Chain:

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

Widespread 3G base station coverage as well as variety smart phones and convenience internet access, the condition of "internet any time any where" has become more mature. This is because 3.5G can be used anywhere while also offering better mobility, security and connection speeds than 3G. It has therefore grown more rapidly than voice services. In 2010, the number of wireless data card subscribers grew around 80 thousands, and the growth rate for wireless data cards is expected to raise in 2011 as well. The Company is also stepping up the development of related value-added services so subscribers may not only access the Internet but also enjoy the convenience of services tailored to their needs.

While more clear criteria on Wireless broadband access systems (4G/LTE), the future development on LTE are still concerned by the global telecommunication companies. Whether LTE could replace WiMAX, it is also worthy to observe.

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

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 and smart phone, 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. Consumers shall lead the reform of the telecommunication industry

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

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

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

E. Integration of broadband media, telecommunication and technological platform

The trends of development for modern digital life technology have revolved around technologies of broadband, wireless and mobilization in order to achieve deep penetration into families and corporations. Current trends of development for mobile phone services primarily focus on catering to the diversified functions of smart phones. 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 such as pictures, music, ring tone, e-card download) and mobile transaction services (mobile banking, mobile payment) As the service contents provided by different operators are very similar, in order to increase ARPU, advertisements and promotions are mostly designed to enhance customer loyalty and establish clear market position.

With regards to corporate mobile service operations, in 2010, FET's mobile application services from mobile commerce to the services on the internet of things with the incorporation of cloud services and smart mobile services to be the first telecom service provider in Taiwan to launch mobile office integrated services in the cloud. In 2010 alone, FET's RPS on its MVPN grew by as much as 39%.

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

2011/3/31; Unit: NT$'000

Item / Year	2010	2011 Q1
R&D Expense	58,393	12,382
Total Operating Revenue	58,177,343	14,759,987
R&D Expense as percentage of Total Operating Revenue (%)	0.10	0.08

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
2010	M_Taiwan Project	The project is a major 3-year infrastructure undertaking proposed by the Industrial Development Bureau with the goal of transforming Taiwan into an island of mobile application and facilitating the development of domestic telecommunication manufacturing and service industries. The project blueprint and scope of operation proposed by FET is divided into two phases: the first phase will focus on the northern sections of highways and the acceptance trials were completed at the end of 2006. The second phase involved the implementation of a WiMAX network trial in Taichung City before commercial services began in addition to wireless broadband application services. The acceptance trials for the second phase have been completed by the end of November 2010.
	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 2010, the company is looking to establish more high speed base stations (7.2M bps/2nd carrier) in 2011 to work with various mobile phones, tablet PCs, notebook PCs and so forth so that subscribers could enjoy faster wireless internet access anytime, anywhere.
	FET eBook Town	FET's eBook Town is a platform of transaction services for the purchase of e-books by delivering integrated services such as e-book purchasing, cash flow and allocation to enable subscribers using devices of different OS (i.e. iOS, Android) could access the eBook Town and get their favorite e-books on the internet. In addition, publishers of electronic books could also upload their e-books and enrich the content available on FET eBook Town on this platform.
	FET mobile navigation	Adopting the latest A-GPS positioning technologies and professional navigation library information, FET has launched a powerful navigation service that will assist drivers, pedestrians and commuters alike. With the service, subscribers would be able to easily acquire whatever information they might need on the mobile network, be it to search for a specific sight of interest, sharing of store information, looking for directions on a map and so forth.

Year	Name of value-added service	Content of value-added service
	FET’s fortune-telling & dating services	In light of net surfers’ preferences for fortune-telling and dating services, FET has taken the initiative to establish a fortune-telling service that incorporates matchmaking and dating services to accommodate the needs of net surfers. Instead of offering the same experience of “service is over when your fortune-telling session expires” that conventional fortune-telling websites deliver, FET’s fortune-telling services is the first of its kind to feature a matchmaking/dating component that allows members to enjoy a new and revolutionary experience where “value-added services will begin when your fortune-telling session expires”. After subscribers have had their fortunes told, the system will perform relevant analyses and matching in sync using its social networking component so that subscribers could interact with one another via SMS, WAP Push, in-box and so forth, thereby bringing more value to the service.
	IPAY value added services	FET has gone at great lengths to integrate various payment and financial services for mobile network subscribers. In addition to offering payment via credit card, telephone bill payment, payment with virtual accounts and so forth. In addition, FET’s iPay services have already been connected to various payment platforms around Taiwan to allow customers to make easy direct payments at any bank. Not only that, FET has also launched a number of user-friendly services such as “1-Click”, which allows subscribers to configure their preferred method of payment (i.e. credit card, telephone bill, virtual accounts and so forth) to shorten the process. FET has also introduced a new payment interface for “monthly subscription value-added service” to offer more convenient and simplified means of payment for customers. In order to prepare for the era of multi-screen mobile devices, iPay will also be available in different screen resolutions for displays of different sizes so that when subscribers access iPay using different mobile devices (i.e. smart phones, PDA phones, tablet PC, PC and so forth) to make payments, iPay will automatically determine the size of the display device and automatically choose the right resolution to provide the best operating environment for users.

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

1-4-1 Short-term plans

A. Marketing Strategy

a. Various reasonable tariffs are consistently provided to meet all customer needs against competition. Special promotion plans are offered from time to time in aim of market share expansion and high-value customer gain.

b. Dedicate on developing and promoting new products and data services; keep up with current efforts in developing new distribution channels, service locations and delivery methods to consolidate the Company’s status in the market.

c. Strive to establish brands and business that are trustworthy to the customers; the Company has completed CRM (Customer Relation Management) and host various customer appreciation events regularly to maintain customer loyalty.

d. Besides expand 3.5G/3.75G coverage and optimize network aggressively, the Company will negotiate with other WiMAX operators for signing roaming agreement to provide good quality service.

e. In light of the growing popularity of smart phones, FET will collaborate with its partners in the development of various mobile applications to provide comprehensive services to corporate clients.

f. 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).

B. Direction for Product Development

a. Continuously improve network quality to reduce congestion and drop call rate and offer high quality voice service and high speed data service.

b. Continue to promote integrated multimedia services which includes ”mobile positioning”, “mobile multiple on-line game”, “smart phone application store” to offer customers a wider range of service choices and make mobile phone become a more personalized communication tool. 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.

c. With regards to internet-based multimedia services:

- FET’s S Mart app store will continue to provide quality application software, manage developer communities, expand visitor traffic and increase the number of users. In terms of device, S Mart will offer content for tablet PCs on Android platform and aggressively pursue content output to China and other Asian market.
- FET eBook town services and management will prioritize the enrichment of e-book content and optimization of user interface in the hopes of expanding user base, elevate customer retention rate to capitalize the momentum of tablet PC’s growth this year and propel sales performance.

- As for music content, FET will officially launch its innovative music download and streaming services in Q1 2011 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 will launch its “Online Cinema” services in Q2 2011 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 launch social networking services dedicated for gamers by creating a platform of information exchange, competition and interaction amongst gamers. FET’s platform will be associated with major social networking services to deliver more fun for gamers and their peers. This would in turn create value for game media and business opportunities from the sales of virtual merchandize in games.
- 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.

C. Operational Scale

a. Strengthen 3G mobile communication services to provide customers with faster and higher quality voice and data services.

b. Tailor promotional plans and marketing strategies to each customer segment and expand the Company’s market share.

c. Continue to release rates and value-added services that meet the needs of customers in order to gain high-value as well as loyal customer base.

d. Actively work to develop new sales channels and more extensive distribution networks in order to establish the Company’s market presence.

e. Continue to develop and market products for enterprise customers. Also develop the advertising business and provide integrated value-added services.

f. From 2006 to 2008, receive SGS service certification for three straight years and become the first Asian telecommunications company to achieve this certification in an effort to provide customers with more speedy, comprehensive and high quality sales and after-sales service.

g. 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 Wi-Fi hotspots in regions of heavy use to create an intricate parallel network structure with both Wi-Fi and 3.5G to satisfy consumers’ needs by achieving the operational objectives of traffic streaming and cost control.

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, cloud 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 has focused on its expansion of retail stores in major metropolitan areas in the second half of 2010 in light of the boom in smart telecommunication products and demands for integrated services. By constantly improving the quality of space at retail stores through the user-oriented arrangements of product display for the conversion of service opportunities that would bring high added value, consumers will be able to perceive FET’s innovative services through its offerings of zero-distance communication products, voice calls, broadband digital and other value-added services to achieve differentiation and stay ahead of competitors.

Apart from complete coverage via direct owned outlets, the hot selling of iPad and tablet PC, the Company will also set up strategic channels with 3C, IT and Data Express and so forth for providing the various sales channels and complete services and channel coverage to consumer. The Company currently boasts an integrated network consisting of more than 700 direct owned, franchisee stores, distributor owned or ARCOA outlets. In terms of coverage, the Company branded stores and ARCOA stores when combined have the highest coverage of the industry. The total number of subscribers between the Company was 6.36 million at the end of December 2010. As 3G network and voice products mature, the Company advances to plan voice and mobile data service and integrate the equipment, internet and service convergence to meet customer demand.

2-1-2 Market Share

Telecommunications companies are all running advertising campaigns, mobile phone subsidies and flexible rate plans to attract the consumer's attention. With the launching of 3G mobile phone services, new operators entering the market and increasing market saturation. Market shares by the end of 2010 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 35%, however, TWM and FET both at 26%, APTG Telecom and VIBO totally at 13% by the end of 2010. 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 2010. 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 2010. (Source: The subscribers and telecommunications service revenues were statistics from NCC as well as the announcement of each company by the end of 2010. 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 convergent enterprise communication solutions with other companies. As wireless telecommunication service is developed from pure voice service toward wireless data and 3G, a 3G/WLAN dual-mode network is another feasible direction.

2-1-4 Competitive Advantages

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

A. Customer Satisfaction

FET will remain steadfast in delivery services of the highest quality to promote high-standard customer services. The company has established a customer service center in Kaohsiung to serve subscribers with the intention to aggressively integrate mobile communication and broadband digital services. The customer service center will be instrumental in strengthening FET’s customer services by helping to solve whatever problems that subscribers may have with just one phone call through the delivery of rapid services that would save subscribers the trouble of paying personal visits to retail stores. 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 having technical 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 principle to “think ahead of customers and take the customers’ perspective in all endeavors” to develop exquisite services of unparalleled quality. In the future, FET shall continue to insist on such spirit so that consumers will be able to enjoy superb services from FET.

Successful marketing strategy, the brand names of its postpaid service, prepaid service "IF" card, value-added services "i-Style", and innovative rate plans "Bravo" and "Big on net" have created superior brand images and “Hala boss services” and “Big Broadband” had received recognition of consumers from all ages. The Company continually launched “SmartAssist”, “Plug & Save”, “S Mart” and “eBook town” 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.

There are two key factors that determine the quality of communication: system capacity and signal coverage. On the other hand, these factors are susceptible to the influence of base stations, data transfer, 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) In addition to the five major metropolitan areas in Taiwan and key LATAs, FET will also construct new 3G base stations in municipalities without 3G signal coverage so as to expand 3G signal coverage across the entire Taiwan proper, thereby allowing FET subscribers to enjoy fast mobile services of better quality.
   (2) FET will also continue to expand its IP base stations and second carrier frequency to enhance its digital service volume and speed.
2. Continue to introduce the latest technologies to strengthen wireless network signal coverage.
   (1) FET will establish more WiFi access points at specific hot spots across Taiwan to improve subscribers’ access to the digital network by strengthening communication quality.
   (2) FET will also construct a Femto Cell experimental network in preparation to elevate wireless network coverage in the future.
3. Continue to expand FET’s own access network to increase the bandwidth of network per unit price.
4. Expand Carrier-level Ethernet network coverage and capacities to lower costs.

5. Expand the capacity of core networks in conjunction with the number of existing base stations and capacity to achieve increase in overall capacity.
6. 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

Presently, there are close to 740 directly operated/licensed FET distributors and ARCOA retail stores across Taiwan. In order to duly deliver innovative services and challenge higher standards, FET has taken the initiative to define its C.S.I (Customer, Speed and Innovation) spirit that involves taking customers' perspectives in the delivery of services in order to bring zero-distance, friendly, active and professional services to customers. In addition to the renewal of hardware across retail stores (i.e. replacing mock samples with actual products on display) to maximize the influence of digital lifestyles, FET has also taken a more aggressive approach to the training of retail store staff across Taiwan by developing a certification system for "Smart service guru" – a series of stringent tests and drills involving a combination of 1,440 marketing scenarios with different customer demographics where staff would be asked to provide comprehensive configuration, application, installation and advanced application operation demonstrations and instructions for various smart devices. This certification system will serve as a guarantee for customer service quality.

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 increased the value-added service of enterprise MVPN-MVPN meeting. At the same time more grouping value-added services are developing actively. In the future, the Company expects to offer more diversified, complete and attractive services to customers, moreover, provide the consumers with more plentiful mobile life.

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

A. Advantages

(1) Dual-band system offers superior communication quality

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

(2) Professional Management Team and Outstanding Corporate Image

The Company's management team has extensive professional experiences and backgrounds. Therefore, with the combination of superior technology and professionalism the Company has been able to maintain outstanding corporate image and leading position in the market.

(3) Increased Added Value Due to Technology Advancement

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

(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.

B. Disadvantages

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

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

(2) Time required for WiMAX expansion and application services

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

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

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

(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. Increase customer loyalty through effective marketing strategies and fixed line integrated for providing more diversified value added services and brand efficiency.

c. Integrate mobile communication with the internet and build communication with internet multimedia integrated services to provide integrated mobile internet services.

d. Offer a variety of favorable rate plans to customer.

e. Create differential products and services in order to avoid Red Sea strategy that leads to a price war.

f. More precise to segment customers' needs, develop diversified internet application service aimed to the needs of the target customer groups for promoting service revenue of the whole market.

g. Optimize the quality of internet service and aim to explore new customers and stable existing customers' loyalty.

2-2 Main Features and Production Process of Major Products

2-2-1 Main Features of Major Services

Major Service	Main features
Voice Transmission	GSM900/1800 communications; interconnection with CHT and other operators' networks
Data Transmission	GSM900/1800 communications; interconnection with CHT and other operators' networks
GPRS Service	GSM900/1800 packet-switch data transmission service
Short message service	GSM900/1800 communications; interconnection with other operators' networks
3G Service	WCDMA communications; interconnection with CHT and operators' networks
WiMAX Service	WiMAX system offer mobility, wideband telecom network of IP

2-2-2 Manufacture Process:

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

2-3 Supply of Raw Material

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

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

2-4-1 Major Suppliers

2011/3/31; Unit: NT$'000, %

Year / Item	2009				2010				Mar. 31, 2011			
	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	3,555,391	13.17	None	Chunghwa Telecom	3,734,305	11.54	None	Apple	1,100,830	13.09	None

2-4-2 Major Customers

2011/3/31; Unit: NT$'000, %

Year / Item	2009				2010				Mar. 31, 2011			
	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	6,603,206	12.29	None	Chunghwa Telecom	7,235,430	12.44	None	Chunghwa Telecom	1,345,226	9.11	None

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

In order to satisfy user's demand for handset, the purchases of smartphone were increasing largely, iPhone especially. Thus Apple became the Company's major supplier in Q1, 2011.

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

2-6 Sales Volumes for the Recent 2 Years

2010/12/31; Unit: SIM card; piece; NT$'000

Quantity / Year / Item	2009				2010			
	Imports		Exports		Imports		Exports	
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts
Service revenue	*5,462,904	49,615,364	0	0	*6,263,988	52,535,664	0	0
Handset and Accessory Sales	1,193,324	3,886,720	0	0	1,883,894	5,365,491	0	0
Other revenue	Not Applicable	238,207	0	0	Not Applicable	276,188	0	0
Total	Not Applicable	53,740,291	0	0	Not Applicable	58,177,343	0	0

*Total number of subscriber at the end of the year

3. Employee Information in the Recent 2 Years

2011/3/31

Year		2009	2010	2011/3/31
Number of Employees	Manager and above	375	358	355
	Technical staff	1,062	1,165	1,167
	Customer care staff	893	762	805
	General staff	1,382	1,787	2,011
	Total	3,712	4,072	4,338
Average Age		35.50	36.20	35.85
Average Years of Service		5.98	5.47	5.31
Breakdown of Educational Level (%)	Ph. D	0.08	0.07	0.07
	Master	12.89	12.03	13.58
	College	79.86	79.24	79.54
	High School	7.17	8.66	6.81
	Below High School	0	0	0

4. Environmental Protection Expenditure

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

5. Employee Relations

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

5-1-1 Employee Welfare

A. Compensation and Benefit

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

B. 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. 247 training courses were conducted for 4,348 employees with total expense 16,564 thousands in 2010.

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

2011/4/30

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Procurement	Ericsson Taiwan Ltd.	Dec.5, 1996~present	BTS facilities, software and installation	None
		Jul.1, 2006~present	Provide the service for expansion and installation of 3G phase 4 mobile phone system	None
		Dec.4, 2006~present	Provide the service for expansion and installation of 3.5G mobile phone system	None
		Dec.5, 2006~present	Provide the service for expansion and installation of IMS system	None
		Feb.29, 2008~present	Addendum No. 2 of Master Contract for Service Acquisition of UMTS System Phase III for Y2008 3G & 3.5G Network Expansion and 2G Consolidation	None
		Feb.29, 2008~present	Addendum No. 2 of Master Contract for Equipment and Software Acquisition of UMTS System Phase III for Y2008 3G & 3.5G Network Expansion and 2G Consolidation	None
		Sep.21, 2009~present	Y2009 3G/3.5G Expansion for Service Acquisition	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
		Dec.24, 2009~present	Y2010 Master Agreement of Technical Support	None
		Dec.30, 2009~present	Master Contract For Services Acquisition of 3G/3.5G Network Expansion (Y2010)	None
		Dec.30, 2009~present	Master Contract For Equipment and Software Acquisition of 3G/3.5G Network Expansion (Y2010)	None
		Apr.13, 2011~present	Master Contract For Equipment and Software Acquisition of 3G/3.5G Network Expansion (Y2010)	None
	Sharp Corporation	Oct.9, 2002~present	Mobile phones	None
	Alcatel-Lucent Taiwan	Jan.1, 2009~ Jan.1, 2010	Addendum No. 6 for Intelligent Network Turnkey Agreement of PRBT	None
	Nokia Siemens Networks Taiwan Co., Ltd.	Apr.1, 2008~ Mar.31, 2010	Letter of Agreement For Y2008 3G/3.5G Network Equipment and Software Acquisition	None
	Nokia Siemens Networks Taiwan Co., Ltd.	Apr.1, 2009~present	Letter of Agreement For Y2008 3G/3.5G Network Equipment and Software Acquisition	None
	Gemalto Pte. Ltd.,	Aug.11, 2008~present	Contract Amendment for NFC Commercial Project Contract	None
	Stark Technology Inc.	Feb.2, 2009~ Feb.2, 2010	FETnet Portal DCM (FatWire) upgrade	None
	Yu-Wei Co., Ltd.	Oct.1, 2008~present	3G MCPA facilities and installation	None
	Xunwei Technologies Co., Ltd.	Dec.30, 2009~present	Frame Agreement For 3G & 3.5G RAN Acquisition (Xunwei)	None
	Xunwei Technologies Co., Ltd.	Mar.23, 2010~present	Frame Agreement For 3G & 3.5G RAN Acquisition (Xunwei)	None
	Xunwei Technologies Co., Ltd.	Apr. 13, 2011~present	Frame Agreement For 3G & 3.5G RAN Acquisition (Xunwei)	None
	Apple Asia LLC	Jan.29, 2010~Mar.31, 2013	iPhone purchase contract	None
Distribution	Apple Asia LLC	Sep.30, 2010~Sep.30, 2013	Wireless Service License for Apple's iPad Product Promotion of iPad wireless internet contract	None
Distribution	ARCOA Co., Ltd.	Jul.1, 2005~Jun.30, 2007 (Note 1)	Promotion and distribution of mobile services	None
Distribution	Systex Corporation Ltd.	Jun.1, 2005~May 31, 2007 (Note 1)	Promotion and distribution of mobile services	None
Distribution	Synnex Corporation Ltd.	Apr.1, 2005~Mar.31, 2007 (Note 1)	Promotion and distribution of mobile services	None
Distribution	AURORA Telecom	Apr.1, 2007~Mar.31, 2008 (Note 1)	Promotion and distribution of mobile services	None
Distribution	Tsann Kuen Taiwan	May 1, 2006~Apr.30, 2008 (Note 1)	Promotion and distribution of mobile services	None
Distribution	DFASHION International Inc.	Apr.1, 2007~Mar.31, 2008 (Note 1)	Promotion and distribution of mobile services	None
Distribution	Xander International Ltd.	Mar.1, 2008~Feb.28, 2009	Promotion and sales for prepaid recharge card	None
Distribution	OK Convenience Store (Taiwan) Ltd.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
Distribution	President Chain Store Corp.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
Distribution	Hi-Life International Co., Ltd.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
Distribution	Taiwan Familymart Corporation Ltd.	Jan.1, 2008~Dec.31, 2008 (Note 1)	Promotion and sales for prepaid recharge card	None
Distribution	Digital United Inc.	Apr.1, 2008~Mar.31, 2010	Agency contract	None
Distribution	New Century InfoComm.Tech Co.,Ltd	Apr.1, 2008~Mar.31, 2010	Agency contract	None
Network Interconnection	Chung Hwa Telecommunications	Dec.1, 2004~Nov.30, 2005 Negotiating for extension (Note 2)	Network Interconnection	None
Network Interconnection	Taiwan Fixed-Line Network	Jul.1, 2005 ~ Jun.30, 2006 Negotiating for extension (Note 2)	Network Interconnection	None
Network Interconnection	New Century InfoComm.Tech Co.,Ltd	Jul.1, 2007 ~ Jun.30, 2008	Network Interconnection	None
Network Interconnection	Asia Pacific Broadband Telecom	Sep.1, 2005 ~ Aug.31, 2006 Negotiating for extension (Note 2)	Network Interconnection	None
Network Interconnection	Taiwan Mobile	Feb.10, 2004 ~ Feb.9, 2005 Negotiating for extension (Note 2)	Network Interconnection	None
Network Interconnection	KG Telecommunications	Feb.5, 2004 ~ Feb.4, 2005 Negotiating for extension (Note 2)	Network Interconnection	None
Network Interconnection	Asia Pacific Broadband Wireless	Jul.7, 2003 ~ Jul.6, 2004 Negotiating for extension (Note 2)	Network Interconnection	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
	First International Telecom Corporation	Aug.1, 2005 ~ Jul.31, 2006 Negotiating for extension (Note2)	Network Interconnection	None
	Vibo Telecom	Sep.29, 2005~Sep.28, 2006 Negotiating for extension (Note 2)	Network Interconnection	None
Warehousing and transportation services	ARCOA Co., Ltd.	Mar.1, 2009~Feb.28, 2011	Warehousing and transportation services	None
Consignment for bulk mail	Chunghwa Post Co., Ltd., Taipei Branch	Jan.1, 2010~Dec.31, 2011	Consignment for bulk mail	None
Technology service and licensing	NTT DoCoMo Inc.	Oct.26, 2004~present	Technology license for upgrade of DoJa 2.5 version	None
Shareholders' Agreement	FET President Chain Store Corporate	Feb.14, 2007~present	The Company will subscribe the capital call shares of Q-Ware Communications Co., Ltd., setup by Q-Ware Systems & Service Corp. of Uni-President Group, if certain conditions are fulfilled.	None
Agreement for Acquisition Stake	FET Q-ware Communications Co., Ltd.	Feb.15, 2007~present	The Company will subscribe the capital call shares of Q-Ware Communications Co., Ltd.	None
Strategic Consortium	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	Feb.13, 2006~present	Asia Pacific Strategic Consortium for Telecommunication Providers	None
	All Conexus Members	Mar.1, 2007~present	Related Confidential Agreement of Conexus members	None
		Jun.15, 2010~present	Collaboration Agreement with Conexus Members	None
		Jun.15, 2010~present	Supplemental Agreement #4 to Conexus Mobile Alliance Agreement	None
	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.	None
Share Subscription Agreement	China Mobile	Apr.29, 2009 (The date of contract) ~present	The Company will issue not more than 444,341,020 new private placement common shares which will be subscribed by the China Mobile Limited's indirect 100% subsidiary in Taiwan. The private placement price is NT$40 per share. If the volume weighted average price of the common shares of the Company for the 14 consecutive trading days prior to and including the date on which either the place's parent company or the Company sent the notice to the other party, pursuant to the relevant agreements, to notify the settlement date of the private placement, has been beyond the range of NT$35 (inclusive) to NT$50 (inclusive), it is proposed that the Shareholders' Meeting hereby authorizes the Board of Director may discuss in good faith to agree a new private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT$5 per share of the Company. The new private placement price shall be no less than 70% of the Reference Price of the new pricing date. The completion of this private placement is subject to the satisfaction and fulfillment of all the conditions precedent set out in the relevant transaction documents, including without limitation that it is permitted under the relevant laws and regulations and approvals from relevant competent authorities have been obtained.	None

Contract type	Counter Party	Terms of the contract	Description	Restriction Clauses
Services Contract	YuanTa Financial Holdings Co., Ltd. NCIC	Nov.11, 2008~May10, 2011	Telecom services	None
Merger	KG Telecommunications Co., Ltd.	Feb.27, 2009~Dec.31, 2009	Merger Contract with KG Telecommunications Co., Ltd.	None
Merger	Yuan Cing Infocomm Tech Co., Ltd.	Feb.23, 2011~present	Merger Contract with Yuan Cing Infocomm Tech Co., Ltd.	None
Media Service	MindShare Communications Ltd.	Jan.1, 2010~present	Media Service	None
Media Service	MindShare Communications Ltd.	Jan.1, 2011~Dec.31, 2011	Purchase contract for varied advertisement platform	None
Engineering Contract	Wei Sheng Construction Company	Jun.1, 2009~May 31, 2010	Construction and maintenance for base station	None
	Winner-Tele Co., Ltd.	Jun.1, 2009~May 31, 2010	Construction and maintenance for base station	None
Investment Agreement	Oriental Securities Investment Advisory Co., Ltd.	Mar.19, 2010~Dec.31, 2011	Investment Contract for Discretionary Portfolio Management (DPM)	None

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

Note 2 : When an interconnection agreement is due and the two parties fail to reach an agreement for extension within three months, the solutions are as below:

a. If both parties are willing to negotiate, during the negotiation period, terms and conditions of the interconnection agreement shall remain effective.

b. If one party seeks NCC’s arbitration, the interconnection agreement shall remain effective until the arbitration is announced.

Note 3 : KGT had been merged by FET as the dissolved company on January 1, 2010.

VII Review and Analysis of the Financial Condition, Operating Performance and Risk Management

1. Financial Condition
2. Operating Performance
3. Cash Flow
4. Key Performance Indicator, KPI
5. Analysis of Major Capital Expenditure and Sources of Funding
6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan
7. Risk Management
8. Impact of the financial distress occurred to the Company and Affiliates
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Service Centric

Innovation

Profitable growth

1. Financial Condition

Financial Condition Review and Analysis

2010/12/31; Unit: NTD'000

Item \ Year	December 31, 2010	December 31, 2009	Variance: Amount	Variance: %
Current Assets	$ 14,625,272	$ 10,653,659	$ 3,971,613	37
Long-term Investments	23,883,565	38,251,031	(14,367,466)	(38)
Fixed Assets	35,707,574	27,629,692	8,077,882	29
Intangible Assets	16,128,682	6,576,358	9,552,324	145
Other Assets	940,623	759,454	181,169	24
Total Assets	91,285,716	83,870,194	7,415,522	9
Current Liabilities	18,396,775	11,193,073	7,203,702	64
Other Liabilities	1,608,109	1,134,534	473,575	42
Total Liabilities	20,004,884	12,327,607	7,677,277	62
Capital Stocks	32,585,008	32,585,008	0	0
Capital Surplus	19,536,368	19,487,349	49,019	0
Retained Earnings	19,076,653	19,351,890	(275,237)	(1)
Other Shareholders' Equity Item	82,803	118,340	(35,537)	(30)
Total Shareholders' Equity	71,280,832	71,542,587	(261,755)	(0)

1-1 Analysis of variation plus and minus 20%

1. The increase in current assets was due to loaning capital to Yuan Cing Infocomm Tech Co., Ltd. resulting from the increase in other receivables-related parties.
2. The decrease in long-term investments was due to merger with KG Telecommunications Co., Ltd. resulting from the decrease in equity-method investments in 2010.
3. The increase in fixed assets was combined the fixed assets of KG Telecommunications Co., Ltd. due to merger.
4. The increase in intangible assets was combined the goodwill of KG Telecommunications Co., Ltd. due to merger.
5. The increase in other assets was due to the increase in pledged time deposit.
6. The increase in current liabilities was due to the increase in short-term bank loans, commercial paper payable, accounts payable and unearned revenues.
7. The increase in other liabilities was due to the increase in deferred income tax liabilities-noncurrent.
8. The decrease in other shareholders' equity item was due to 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

2010/12/31; Unit: NTD '000; %

Item \ Year	2010 Subtotal	2010 Total	2009 Subtotal	2009 Total	Variance Amount	Variance (%)
Operating Revenue		$ 58,177,343		$ 53,740,291	$ 4,437,052	8
Operating Costs and Expenses		46,972,480		39,877,663	7,094,817	18
Operating Income		11,204,863		13,862,628	(2,657,765)	(19)
Non-Operating Income and Gains						
Gain from sale of financial assets, net	$ 113.163		$ -		$ 113.163	-
Government Grant	92,089		83,883		8,206	10
Management Service Revenue	40,142		48,184		(8,042)	(17)
Commission Revenue	-		43,844		(43,844)	(100)
Interest Income	63,092		5,122		57,970	1,132
Rental Income	34,816		25,803		9,013	35
Other	131,126		84,814		46,312	55
Total Non-Operating Income and Gain		474,428		291,650	182,778	63
Non-Operating Expenses and Losses						
Equity in Investees' Net Losses	$ 10,588		$ 1,178,421		($ 1,167,833)	(99)

Item \ Year	2010		2009		Variance	
	Subtotal	Total	Subtotal	Total	Amount	(%)
Loss on Disposal of Properties, net	706,678		229,553		477,125	208
Impairment Loss	-		44,315		(44,315)	(100)
Interest	26,760		7,725		19,035	246
Other	11,304		95,558		(84,254)	(88)
Total Non-Operating Expenses and Losses		755,330		1,555,572	(800,242)	(51)
Income Before Income Tax Expense		10,923,961		12,598,706	(1,674,745)	(13)
Income Tax Expense		2,075,396		3,368,599	(1,293,203)	(38)
Net Income		$ 8,848,565		$ 9,230,107	($ 381,542)	(4)

2-1 Analysis of variation

1. The decrease in commission income was due to commission income mainly resulted from KG Telecommunications Co., Ltd., that has been merged with the Company on January 1, 2010.
2. The increase in interest income was due to the increasing time deposits and financing to YCIC in 2010.
3. The increase in rental income was due to the increase in the system equipment leased to subsidiary in 2010.
4. The increase in other income was due to the increase in the inquiry income of communication records from investigators and inspectors and miscellaneous incomes.
5. The decrease in equity in investees' net loss was due to subsidiary, KG telecommunications Co., Ltd., being merged by the Company on January 1, 2010, the Company hasn't to recognize its loss under the equity method in 2010.
6. The increase in net loss on disposal of properties was due to subsidiary, KG telecommunications Co., Ltd., being merged by the Company on January 1, 2010, net loss on disposal of properties was counted by consolidated basis in 2010.
7. The decrease in impairment loss was due to the loss for recognized the carrying value of subsidiary and their recoverable amount with the ROC Statements of Financial Accounting Standards No. 35-"Accounting for Impairment Loss" in 2009.
8. The increase in interest expense was due to the interest expense of increasing financial derivative products and commercial papers payable. Because the financial derivative products held by the Company are designed for the cash flow hedge purpose to hedge the risk of foreign exchange rate fluctuation for its foreign assets.
9. The decrease in other expense was due to the donations to the Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation in 2009.
10. The decrease in income tax expense was due to the reducing income before income tax expense and income tax rate comparing with 2009.

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

3. Cash Flow

3-1 2010 Cash Flow Analysis

Unit: NT$ '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
8,813,434 (Note)	20,935,752	37,234,733	(7,485,547)	2,566,551	5,588,739

Note : Including Cash and Cash Equivalents arising $6,237,235 thousands from merger KG Telecom on Jan. 1, 2010.

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 2010.
2. Investing activities: The increase in cash outflow was due to capital increase $15,000,000 thousand in cash and $4,300,000 thousand financing to Yuan Cing Infocomm Tech Co., Ltd. (YCIC) for tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. (NCIC) in 2010.
3. Financing activities: The decrease in cash outflow was due to the increase in short-term bank loan and commercial paper payable in 2010.

3-2 Remedy plans for insufficient liquidity:

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

3-3 2010 Estimated Cash Flow Analysis

Unit: NT$ '000

Cash and Cash Equivalents in the Beginning (1)	Expected Total Cash Flows from Operating Activities (2)	Expected Total Cash Outflows(3)	Expected Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
669,743	21,590,503	20,573,074	1,687,172	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 2011.
2. Investing activities: The net cash used in investing activities in 2011 is expected to increase due to higher capital expenditure on network expansion, including 3G, HSPA and WiMAX constructions, and will merge YCIC by cash $1,545,584 thousand in first quarter of 2011.
3. Financing activities: No asset disposal plans or funding plan are scheduled because there will be sufficient cash to repay the bank loans due within one year.

4. Key Performance Indicator, KPI

Unit: NT$

KPI	Definition	2010 Target	Achievement in 2010	KPI Achievement ratio
ARPU	Customer's average monthly revenue (Unit: NT$)	$715	$713	99.7%
EBITDA	Earning before interest, taxes, depreciation and amortization (Unit: $1,000)	$22,393,005	$21,215,741	94.7%

The reason for KPI unachievement: Because of the effects of a saturated mobile communications market and mobile mandatory price cut by NCC resulted in ARPU failed to achieve the target. And because of Marketing expenses and Smartphone subsidies increase resulted in EBITDA failed to achieve the target.

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2010

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	2011	7,595,956

5-2 Expected Benefit: In the year of 2010, total operating revenue has increased by 8.3% in comparison with that of 2009.

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

Unit: NT$'000

Explanation / Item	Amount (Carrying Value as of 12/31/2010)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
New Century InfoCom	$6,170,177	Integrate the network	Performance of the fixed line	To continue the	Has become a

Explanation / Item	Amount (Carrying Value as of 12/31/2010)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
Tech Co., Ltd (NCIC hereinafter)		resources to improve operational performance and competitiveness.	business has been improving continuously in 2010 to result in 40% better operation loss than that in 2009. However, NCIC has a net loss in 2010 because non-operating income is much lower than previous year and not able to cover the operating loss as in 2009.	improvement in its core business for increasing the profit of the company.	100% subsidiary of YCIC via share exchange in Jan. 2011 and will, in turns, become a 100% subsidiary of FET when YCIC is merged into FET via Cash Merger in 1Q, 2011.
Far Eastern Electronic Toll Collection Co, Ltd.	$169,347	To expand businesses dimensions beyond FET's core business to enhance the productivity of existing resources for increasing FET shareholders' overall returns.	Although the company still posted a loss in 2010, the loss amount has been decreasing annually and is improved by over 60% from 2009.	Will continue to improve bottom-line via increasing ETC utilization rate to improve the revenue, and also, keeping to reduce costs & expenses by enhancing productivity.	Based on FET's ownership of FETC, plan to subscribe to around 10 millions of common stocks newly issued by FETC in 1Q, 2011 at NTD 10 per share, or invests around NTD 100 millions.
ARCOA Communications Co., Ltd.	$1,175,797	Implementing strategic investment to vertically integrate the mobile business with the telecommunication services.	Have enjoyed better results from the integration of telecommunications business and channel services in 2010, which resulted in higher profits than those in 2009.	None	No concrete investment plans at this moment.
Q-Ware Communications Co., Ltd.	($114,466)	To expand businesses dimensions beyond FET's core business to increase FET shareholders' overall returns from overall enhancement in the productivity of FET's existing resources.	Although the company still posted a loss in 2010, the loss amount has been smaller year over year, mainly from better operating cost control and from increasing revenue via business collaboration with 7-11 in virtual mobile service.	To enhance the productivity both in offering public Wifi internet service and in collaborating with 7-11 in virtual mobile service, while, improving overall operating results from better operating expenses control.	No concrete investment plans at this moment.
KGEx.com Co., Ltd.	$726,564	To increase utilization rate of network resources and overall company competitiveness.	Heavy burden in depreciation expense from the massive capital investment in the earlier years of the company makes KGEx very difficult to turn in a profit; however, KGEx's net loss amount has been declining annually contributed by continually growth in revenue and cost and expense control.	Continue to enhance its IDC utilization and rent-out rates to increase the profit contribution abilities of its core assets.	No concrete investment plans at this moment.
iScreen Corporation	$24,247	To expand FET's business dimensions and raise company's competitiveness via investing in provider of Mobile Content Value Added Service	With the prevalence of smart phones in the handset market, iScreen has seen its traditional Java based services threatened by a shrinking market and thus fails to be profitable in 2010.	Increase sales channels and thus revenue by expanding overseas and hastening the conversion process of applying its Java based services to smart phones.	No concrete investment plans at this moment.
Far Eastern Info Service (Holding) Ltd.	$174,185	Integrating resources and efficiently offering competitive information service to	The profit of the company in 2010 is better than that in 2009 because its 100% subsidiary, Far Eastern Tech	None	No concrete investment plans at this moment.

Item \ Explanation	Amount (Carrying Value as of 12/31/2010)	Policies	Reasons for Profit/Loss	Plans for Improvement	Future Investment Plans
		lower company's overall operational cost.	Info (Shanghai), has continued to be profitable in 2010.		
E.World (Holdings) Ltd.	$77,979	Implementing diversified investment strategy and providing logistic services to the Group.	Stable profits came from its subsidiary, Yuan Cing Co., Ltd.	None	No concrete investment plans at this moment.
Far EasTron Holding Ltd.	$26,922	Incorporate an offshore holding company to set foot in the international digital contents industry.	It is still profitable in 2010 because ADCast, its sole investment, continues to be profitable in 2010.	None	No concrete investment plans at this moment.
ADCast Interactive Marketing Co., Ltd.	$3,834	To utilize its expertise in internet marketing to enhance the competiveness in integrated marketing of the telecom group.	Positive results from the resources integration in the telecom group continue to contribute operating profit in 2010.	None	No concrete investment plans at this moment.
Yuan Cing Infocomm Tech Co., Ltd. (YCIC thereafter)	$15,076,670	Integrate resources in the telecom group to enhance overall operational performance and competitiveness.	Profit mainly results from recognizing the profits from investment of NCIC.	None	FET has merged YCIC on Mar. 1, 2011. YCIC was dissolved and FET has completed all the required registration processes.
Omusic Corporation Ltd.	$23,833	Increase the chance for FET to be successful in entering the telecom contents provider business by setting up the new company through partnership with professional experts in music industry.	Since the company was only set up in Oct. 2010 and has not launched its services, there has been no major profit or loss incurred yet.	None	No concrete investment plans at this moment.
Ding Ding Integrated Marketing Service Co., Ltd.	$34,346	Integrate marketing and operation development for the Conglomerate.	Loss in 2010 still came from the electronic commerce business, but the amount was lower than that in 2009.	Continue to expand revenue, while managing operating cost wisely.	To fully realize the benefits of business specialization and independent operation, DDIM has separated its electronic commerce business into an independent company, Far Eastern Electronic Commerce Co., Ltd., on Mar. 31, 2011.

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$3,060 millions of interest – bearing liability which accounts for the total asset ratio under 3.36% until March 31, 2011, the change of interest rate has the smaller impact on the Company's interest expense. However, it is expected the interest rate will be upward slowly in future, the Company's interest revenue for idle cash will be increased. 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 2010 and Q1 2011 are as follows:

2011/3/31; Unit: NT$'000

Year / Item	2010	2011 (as of March 31)
Foreign Exchange Gains (Losses) (A)	(5,759)	6,634
Operating Revenue (B)	58,177,343	14,759,987
% of Operating Revenue (A)/(B)	(0.010%)	0.045
Operating Income (C)	11,204,863	2,385,204
% of Operating Income (A)/(C)	(0.051%)	0.278

As shown in the above table the foreign exchange gains/losses account for a small percentage of operating revenue (0.01% in 2010 and 0.045% in Q1 2011) and operating income (0.051% in 2010 and 0.278% in Q1 2011).

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

Till March 31, 2011, the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., have held (short-term investments) foreign financial assets in total US$45,000 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

The global economy is stepping into relatively stable stage from recession, however, due to the abnormal climate and political risk on partial oil countries, the oil and raw material prices tend the upward trend. Because the global central banks are continuing to concern and manage the issue of inflation and cope with moderate rate hike, it is expected the higher inflationary pressure in the future, however, 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 2010 until March 31, 2011)

(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 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 2010 until the annual report being published.
2. Loan to others: The balances of loan to others made by the Company were NT$4,300,000 thousand and 0 respectively in the end of 2010 until the annual report being published. The Company financed NT$4,300,000 thousand Yuan Cing Infocomm Tech Co., Ltd. for tender offer and operation need.
3. Endorsements and guarantees provided: For the end of 2010 until the annual report being published, the both balance of endorsements and guarantees made by the Company were NT$194,840 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. Moreover, the Company provided the NT$149,840 thousand guarantee for the bank loan facilities of Q-Ware on the end of 2010 until the annual report being published were NT$149,840 thousand and NT$112,380 thousand respectively.
4. Financial derivative instruments: The Company and its subsidiary, New Century InfoComm Tech Co., Ltd., dealt the amount of US$55 million of derivative transactions for the non-trading purpose in 2010. Because the Company had redeemed the partial hedged foreign financial assets and reduced US$10 million of derivative transactions in February, 2011, the Company and its subsidiary, New Century InfoComm Tech Co., Ltd., dealt the amount of US$45 million of derivative transactions until March 31, 2011. 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
Integration of wireless broadband and access networks	According to FET President Yvonne Li, FET will commit itself to the integration of WCDMA, GSM, WiMAX, TD–SCDMA experimental network technologies and invest its comprehensive and profound experiences in technology and operation towards the development of WiMAX. FET will also be collaborating with Global Mobile Corp. and Tatung InfoComm towards the completion of seamless WiMAX integrated services, which would allow subscribers to access FET's Mobile Value-added Service Platform on mobile devices such as smart phones, notebook PCs, tablet PCs through WiMAX technologies. The technology would allow subscribers with different internet access needs and usage habits to enjoy high speed 4G WiMAX data transmission along with optimized telecommunication quality and services regardless of their location. WiMAX is a high speed, high quality wireless internet access service designed	FET has negotiated relevant terms on roaming protocols with Global Mobile Corp. and Tatung InfoComm to overcome the challenges of regional restriction by delivering complimentary WiMAX roaming services for six months. The service will cover Taipei County (now New Taipei City), Taipei City, Hsinchu County, Hsinchu City, Taichung City, Kaohsiung City, Kinmen County and Penghu County, thus	November 22, 2010	FET has profound experiences in 2G/3G wireless network maintenance and operation. FET has also taken the initiative to negotiate the terms of roaming protocols with WiMAX service providers in various areas in order to make the testing and services of WiMAX in Taiwan more complete.

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	specifically for consumers and FET will actively contribute to the construction of a WiMAX-based digital technology city.	allowing subscribers in these areas to take advantage of the highly convenient 4G WiMAX roaming services.		
4G Network Technology Research	This project involves pioneering Research into the NGN/4G network format and service requirements including 802.16m and LTE advance related technologies. The Company's NGN (Next Generation Network) communication strategies and risk assessments are developed, with existing and potential competitor technologies analyzed and studied in order to identify any technical difficulties associated with NGN/4G network roll-outs. This will allow advance planning to be carried out for resolving bottlenecks.	The wireless broadband network has been constructed and finished commercial operation for 1 year in Taichung City. Now is proceeding to optimize and adjust network to understand characteristics of 4G network for using in future assessment and planning of 4G wireless broadband network.	December 31, 2010	Experiences from M-Taiwan and wireless broadband access network in Taichung City mean we now have a faster understanding of NGN/4G.

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 2010, FET will now focus on constructing more high speed (7.2M bps/2nd carrier) base stations in 2011 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.	Provide a variety of wireless data cards and MID terminal devices. Maintain the quality of network service in order to promote wireless broadband Internet access services. The Company launched the latest smart phones with Windows mobile 7 operating system, Android and iPhone operating system in 2010.	Project on December 31, 2011	A wide variety of low-cost wireless data cards and a high quality broadband network will encourage the adoption of wireless broadband Internet service. Various smart phones are provided for customers to select.
Expansion of the 3G/3.5G network	Expansion of the 3G/3.5G capacity and coverage of the five metropolitan areas, the three top areas with highest transmission capacities and the townships of no 3G coverage across Taiwan along with various hot spots and work order improvement areas.	Implementation plan for base station and transmission network details.	Project on December 31, 2011	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
FET eBook Town	FET's eBook Town is a platform of transaction services for the purchase of e-books by delivering integrated services such as e-book purchasing, cash flow and allocation to enable subscribers using devices of different OS to get their favorite e-books on the internet.	Completed	July, 2010	FET has created a licensing platform for multi-screen, multi-device clouds and will be working with large publishers in a strategic

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
				alliance to enrich content offerings.
FET mobile navigation	Adopting the latest A-GPS positioning technologies and professional navigation library information, FET has launched a powerful navigation service that will assist drivers, pedestrians and commuters alike. With the service, subscribers would be able to easily acquire whatever information they might need on the mobile network, be it to search for a specific sight of interest, sharing of store information, looking for directions on a map and so forth.	Completed	May, 2010	FET has adopted the latest cloud and navigation technologies with professional navigation library information to provide the finest mobile navigation services.
FET's fortune-telling & dating services	FET's fortune-telling & dating services is the very first fortune-telling service in Taiwan that incorporates matchmaking and dating services to accommodate the needs of net surfers. The service is a breakthrough from what typical fortune-telling websites have to offer by featuring social networking functions. After subscribers have had their fortunes told, the system will perform relevant analyses and matching in sync using its social networking component so that subscribers could interact with one another and make new friends via SMS, WAP Push, in-box and so forth.	Completed	August, 2010	FET has integrated popular fortune-telling services and incorporated new concepts of social networking services to differentiate from traditional fortune-telling websites.
IPAY value-added service	IPAY is an integrated payment service for mobile network subscribers. In addition to offering payment via credit card, telephone bill payment, payment with virtual accounts and so forth. In addition, FET's IPAY services have already been connected to various payment platforms around Taiwan to allow customers to make easy direct payments at any bank as a new payment interface. In addition, IPAY will also be available in different screen resolutions to provide the best operating environment for users.	Completed	January, 2011	FET is in possession of key technologies for mobile internet access platform and cash flow integration to deliver diversified payment services.
Omusic online music access and full MP3 library download services	OMusic will offer features such as online music access, full MP3 downloads, original ringtones, answer ringtones, dynamic lyric display and so forth. In addition to access by household ADSL/optical network, consumers will also be able to take advantage of Omusic's outstanding services via wireless network access on mobile multimedia devices (i.e. smart phones, tablet PCs, etc.)	System integration has been completed in January 2011 with ongoing trial services.	February, 2011	Omusic offers comprehensive features including online music access, full MP3 downloads, original ringtones, ring back tone dynamic lyric display and so forth for consumers to enjoy one-stop shopping convenience for their music needs.
FET's Online Cinema services	FET's Online Cinema streaming services will be made available to subscribers on devices such as PC, iPhone, iPod touch, iPad, Android phone, Android Pad and so forth to enjoy multimedia content through the aforementioned devices for unlimited times within specific duration.	System integration tests are currently in progress (March 2011)	April, 2011	FET has an adequate control on multimedia content streaming qualities and sources of rich multimedia content.

B. The projected R&D funding for 2011 is estimated at around NT$48,024 thousand.

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

(1) Telecommunications numbers allocations and charges

To realize the effective use of telecommunications numbers, in 2008 the National Communications Commission (NCC) commissioned the Telecom Technology Center to begin the development of the "Telecommunications Number Management System". The NCC also requested industry input on "reducing number allocations" and "auctioning of prime numbers or fee-based number selection" schemes in preparation for future adjustments to the rates charged for number allocations. The NCC officially established a guideline governing the surcharge for special telecommunication numbers on March 18, 2010. Special telecommunication numbers refer to the “golden number” (i.e. numbers with unique combinations) that are highly sought after by the general public and it covers the identification code for access network service and “unique identification codes” designated to international and domestic telecommunication point codes. The guideline requires telecom service operators to pay a surcharge for the use of unique identification codes according to the stated amount. With regards to the “golden number”, service providers are required to pay 70% of the profit from end users’ choice of numbers and the sales of “golden number”.

(2) Transfer of pricing ownership to the call-originating telecommunications enterprises for calls made from local lines to mobile lines

In an effort to accommodate the trends of digital convergence and address the issues stemming from the discrepancies in subscription rates while establishing an environment of fair competition for the telecommunication service industry and safeguarding consumers’ rights, the NCC has amended the Regulations Governing Network Interconnection among Telecommunications Enterprises and Administrative Regulations Governing Tariffs of Type I Telecommunications Enterprises on August 4, 2010. The regulations stipulated that effective January 1, 2011, ownership pricing for communication fees generated from calls made from local lines to mobile communication network will be transferred from the mobile communication network operators to the call-originating telecommunications enterprises and that relevant revenues be given to the call-originating telecommunications enterprises.

Although the revenue that goes to the call-originating telecommunication enterprise would allow said enterprise to employ more versatile management strategies and marketing solutions to provide integrated services, CHT, the dominant player in fixed network services, remains unchallenged in the domestic local call market with its monopoly of over 97% market share. The transfer of pricing ownership back to the call-originating enterprises would no doubt result in severe impact in terms of revenue to other mobile telecommunication service providers. And as such, the NCC has amended the regulations by specifically appending a section on the amount that CHT has to pay during the period from January 1, 2011 to December 31, 2016 due to the transfer of ownership of pricing and revenue from the tariff to call-originating telecommunications enterprises and method of payment. It clearly stated that CHT has to compensate mobile network service operators for network connection fees and the aforementioned payment (gradually declining over the years) between 2010 and 2016 to minimize the impact.

(3) Approval from the government for the construction of direct underwater internet pipelines between Taiwan and China

In light of growing cross-strait interactions and exchanges in recent years, the sheer volume of cross-strait telecommunication services has become the largest portion of Taiwan’s external communications. In an effort to strengthen cross-strait communication infrastructure, 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 underwater internet pipelines between Taiwan and China. 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 underwater pipeline construction between China and Taiwan would officially be accepted starting from December 10, 2010.

The opening of cross-strait underwater pipeline would allow FET to lower relevant costs for construction and maintenance while boosting communication capacity and backup schemes and improve communication quality. Not only that, it would bring positive effects to the quality and the delivery of cross-strait telecommunication services provided by FET.

(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. The guideline was intended to serve as a useful reference to ensure effective utilization of spectrum data while safeguarding consumer rights and promoting further sector developments so that service providers, consumers and relevant organizations had a basis on which to proceed. According to the Executive Yuan's planning, the expiry date for current GSM operation licenses could be extended to June 2017; all spectrums would be reclaimed in a one-time operation.

Since the aforementioned policy is closely related to FET's operations in the future, FET will not only closely monitor the latest development on said policy but also continue to express the company's perspective and opinions in the hopes that FET could continue to deliver the best mobile telecommunication services to subscribers.

(5) Reshuffling of NCC commissioners

Commissioners Peng Yun, Li Ta-Song and Hsieh Chin-Nan completed their term of service on July 31, 2010. Four new commissioners were appointed to serve in their place on August 1, 2010: Su Heng, Chang Shih-Chong, Liu Cong-Chien and Wei Hsueh-Wen. Among the four, Liu Cong-Chien will be serving his second term as a commissioner after having completing his first term of service. The new roster NCC commissioners after the reshuffling consists of seven commissioners: Weng Hsiao-Ling, Chen Cheng-Cang, Chang Shih-Chong, Liu Cong-Chien, Chung Chih-Hui, Wei Hsueh-Wen and Su Heng. After a closed-door election process, Su Heng was named as the chief commissioner of NCC while Chen Cheng-Cang was chosen as the deputy chief commissioner. Every commissioner is equipped with the qualifications and expertise in telecommunication, information, broadcasting, legal affairs and finance as required in Item 2, Article 4 of the NCC Organization Act with separated appointment of commissioners as required by law. FET shall actively cooperate with all adjustments made to the organization of competent authorities in order to ensure minimal disruption to its operations.

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

The development of WLAN and 3G technologies in recent years has made wireless broadband network and broadband multimedia services become a part of our lives. Based on the trend of service change and market needs, the Company made an enormous investment to assist its subsidiary Yuan-Ze Telecommunications to obtain a 3G service license. With diversified development, the Company is expected to increase its revenue and market share. After approved by NCC for base station and system test in Dec. 28, 2009, the operation has been launched to provide the newer wireless broadband experience for citizen in Taichung.

The building of metropolitan WLAN (Wireless Local Area Network) is now proceeding rapidly ahead. In concert with the rise of mobile business applications, the advanced WiMAX technology is also beginning to make a difference. With the growing maturity and standardization of VoIP applications, operators whose business model relies on the use traditional telephony circuits to provide basic voice services will experience serious upheavals. Current trends in the development of communications technology suggest that the boundaries between Telecom and Datacom will become blurred. This means that how to quickly develop and offer different kinds of value added applications integrate dissimilar networks, expand wireless broadband service coverage and optimize network performance will all become key issues in future the Company development.

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

FET is the only telecommunication service provider in Taiwan to possess multi-net experimental network technologies by integrating GSM, WCDMA, Wimax, Wi-Fi and TD-SCDMA. The company is fully committed to the establishment of 4th generation wireless access technologies and application supply chains by offering comprehensive network access testing environments to vendors and the academia. The aforementioned experimental network offers an ideal testing environment for terminal vendors and chipset makers and is housed in T-Park, located in Banqiao and operated by Far Eastern Group. FET is adequately prepared to become a leader in the sector by providing an open platform for testing for local and foreign manufacturers of mobile phones, chipsets and even content. In the foreseeable future, Taiwanese enterprises will be able to engage in

R&D, production and testing domestically to save time and costs.

According to Jeffey 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 venders in Taiwan to significantly boost the domestic TD-LTE sector's advantages and development."

For 2010, in light of the prevalence of 3.5G mobile services, telecom service providers have to improve the coverage and quality of service network while integrating diversified services to develop application solutions 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:

(1) Simple merger with FET & KGT:

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

(2) 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 10 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. It is expected the synergy for the integration between the Company and NCIC will be more clear in the future. 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 and customer in 2010 was Chunghwa Telecommunications, which accounted for 11.54% of the total amount of supply and 12.44% of the total amount of sales. Therefore, there are no situations of concentration in supply and sales.

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

7-12 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

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%~2% for these financial instruments.
3) The fair values of bonds carried at amortized cost – current and equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.
4) Fair values of corporate bond payable, lease payable, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities. The discount rate of the Company is 0%~2% for these financial instruments.

VIII Special Notes

Service Centric

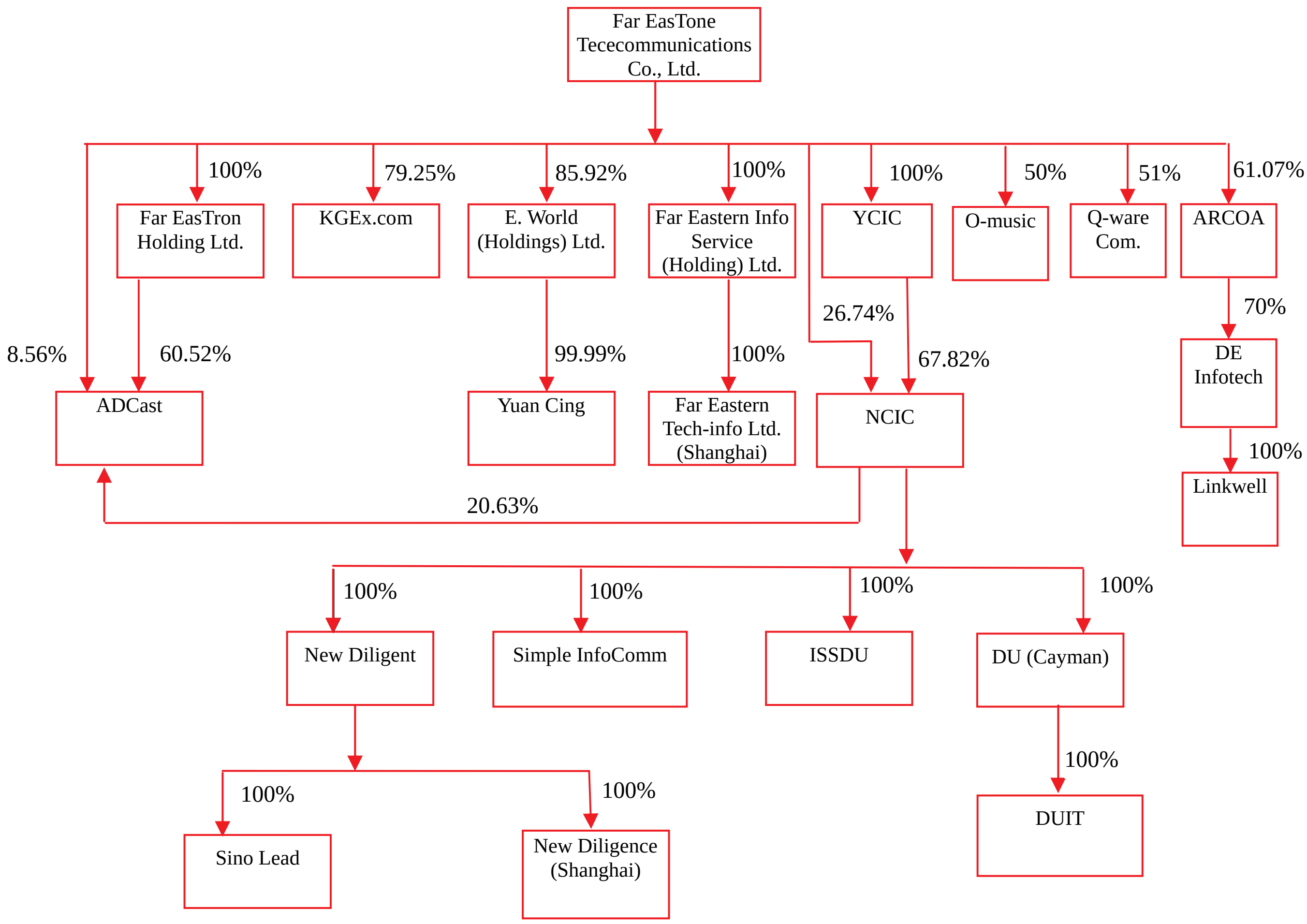
Innovation

Profitable growth

1. Affiliates Information

1-1 Consolidated Business Report of Affiliates

(1) Organizational chart of the affiliates:



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

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

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Far EasTone Telecommunications Co., Ltd.	April 11, 1997	28th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, 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

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
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
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
Yuan Cing Infocomm Tech Co., Ltd.	December 30, 2009	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	15,001,000	Production and sales of communications products
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 Tech. Co., Ltd.	April 8, 2005	2th Floor, No.2, Guanqian Rd., Taipei , Taiwan, R.O.C.	10,000	Sale of communications products
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
New Diligence Corporation (Shanghai)	August 23, 2005	Room 215, No. 2299,West Yan'an Rd., Min Hang District, Shanghai, P.R.C.	RMB 9,186,100	Consultant、System backup services and wholesale and retail of machine equipment
Information Security Service Digital United	December. 22, 2004	6 Floor., No.71, Zhouzi St., Neihu Dist., Taipei City 114, 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 17,382,382.5	Computer software and the system design, research and development

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

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

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

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. Far Eastern Tech-info Ltd. (Shanghai) and New Diligence Corporation (Shanghai) provide data processing and related consulting services to 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. ADCast 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 Infotech Co., Ltd.

i. Fas 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 Fas Eastone and NCIC.

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

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,066,657,614	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 Hellstrom	-	-
	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	-	-
	General manager	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. Jessica Chen	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 1)	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
KGEx.com Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	89,088,470	79.25
	Director	Far EasTone Telecommunications Co., Ltd. S. C. Lee	89,088,470	79.25
	Director	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	89,088,470	79.25
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	89,088,470	79.25
	Director	Far EasTone Telecommunications Co., Ltd. Samuel Yuan	89,088,470	79.25
	Supervisor	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	89,088,470	79.25
	General manager	Jeffey Gee	-	-
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Jessica Chen	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Robert Liu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Maggie Mei	-	100.00
Yuan Cing Co., Ltd.	Chairman	E. World (Holdings) Ltd. Jan Nilsson	19,349,994	99.99
	Director	E. World (Holdings) Ltd. Eton Shu	19,349,994	99.99
	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
	General manager	Maggie Mei	-	-
ARCOA Communication Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	82,009,242	61.07
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Guang-Ruey Chiang	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Jessie Teng	82,009,242	61.07
	Director	Taiwan Incubator SME Development Co.	1,122,979	0.84
	Supervisor	Far EasTone Telecommunications Co., Ltd. Francies Chen	82,009,242	61.07
	Supervisor	Far EasTone Telecommunications Co., Ltd. David Tsai	82,009,242	61.07
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	82,009,242	61.07
	General manager	Guang-Ruey Chiang	-	-
Far EasTron Holding Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	4,486,988	100.00
Q-ware Communications Co., Ltd.	Chairman	President Chain Store Co., Ltd. James Heieh	8,059,091	11.27
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	36,459,930	51.00
	Director	Far EasTone Telecommunications Co., Ltd. Belinda Chen	36,459,930	51.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	36,459,930	51.00
	Director	President Chain Store Co., Ltd. Nan Bey Lai	8,059,091	11.27

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
	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
	General manager	Pai Ling Chiang	-	-
ADCast Interactive Marketing Co., Ltd	Chairman	New Century InfoComm Tech Co., Ltd. Benjamin Ho	932,327	20.63
	Director	New Century InfoComm Tech Co., Ltd. Sharon Chao	932,327	20.63
	Director	New Century InfoComm Tech Co., Ltd. Vacancy	932,327	20.63
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	386,870	8.56
	Director	Far EasTone Telecommunications Co., Ltd. Roger Chen	386,870	8.56
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	386,870	8.56
	General manager	Wendy Tseng (Note 2)	-	-
Yuan Cing Infocomm Tech Co., Ltd. (Note 3)	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. Jeffey Gee	2,500,000	50.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Benjamin Ho	2,500,000	50.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Eton Shu	2,500,000	50.00
	Director	Gold Typhoon Music Co., Ltd. Joanna Huang	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
	General manager	Belung Chang	-	-
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 (Note 4)	6,142,500	70.00
	Director	ARCOA Communication Co., Ltd. Shing Chu	6,142,500	70.00
	Supervisor	ARCOA Communication Co., Ltd. Charlene Lin (Note 4)	6,142,500	70.00
Linkwell Tech. Co., Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	1,000,000	100.00
New Century InfoComm Tech Co., Ltd. (Note 5)	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,599,448,983	100.00
	Vice Chairman	Far EasTone Telecommunications Co., Ltd. Jan Nilsson	2,599,448,983	100.00

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
	Director	Far EasTone Telecommunications Co., Ltd. Peter Hsu	2,599,448,983	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Tze-Chi, Hsu	2,599,448,983	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jin Lin Liang	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. Jeffey Gee	2,599,448,983	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Champion Lee	2,599,448,983	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Alan Tsai	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. Jeffey 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. Jeffey 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
New Diligence Corporation (Shanghai)	Director	New Diligent Co., Ltd. Daniel Chang	-	100.00
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Jeffey 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. Daniel Wang	14,877,747	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	14,877,747	100.00
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffey 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
	General manager	P.L. Chiang	-	-

Note 1: Far EasTone Telecommunications Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

Note 2: Wendy Tseng was on board on February 25, 2011 and on leave without pay from April 16, 2011.

Note 3: Far EasTone Telecommunications Co., Ltd. conducted cash merger with Yuan Cing Infocomm Tech Co., Ltd. on March 1, 2011. And Yuan Cing Infocomm Tech Co., Ltd. was dissolved.

Note 4: Arcoa re-appointed Eric Lee as the Representative Director on May 10, 2011 and Charlene Lin as the Representative Supervisor that is proceeding to amend the corporate information registration.

Note 5: Far EasTone Telecommunications Co., Ltd. has become the single juristic shareholder of New Century InfoComm Tech Co., Ltd. and which was re-appointed Douglas Hsu, Jan Nilsson, Peter Hsu, Tze-Chi Hsu, Jin Lin Liang, Yvonne Li and Jeffey Gee as its representatives of Director and Champion Lee, Alan Tsai and T.Y. Yin as its representatives of Supervisor on March 1, 2011. Douglas Hsu as Chairman and Jan Nilsson as Vice Chairman. Far EasTone Telecommunications Co., Ltd. hold 2,599,448,983 common share of New Century InfoComm Tech Co., Ltd.

(6) Operation overview of Far EasTone and affiliates:

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

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT$)
Far EasTone Telecommunications Co., Ltd.	$32,585,008	$91,285,716	$20,004,884	$71,280,832	$58,177,343	$11,204,863	$8,848,565	$2.72
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	USD 12,000	USD 5,388,711	USD 2,122	USD 5,386,589	-	-	USD 703,679	USD 586.40
E. World (Holdings) Ltd. (British Cayman Islands)	USD 7,000,000	USD 3,117,630	USD 2,121	USD 3,115,509	-	-	USD 268,345	USD 0.04
KGEx.com Co., Ltd.	1,124,080	1,566,330	649,582	916,748	1,381,631	(75,656)	(86,036)	(0.77)
Far Eastern Tech-info Ltd. (Shanghai)	RMB 20,675,000	RMB 41,263,103	RMB 6,206,038	RMB 35,057,065	RMB 35,548,079	RMB 6,911,562	RMB 4,831,647	N/A
Yuan Cing Co., Ltd.	193,500	91,801	8,409	83,392	33,521	9,927	8,732	0.45
ARCOA Communication Co., Ltd.	1,342,800	2,282,628	714,823	1,567,805	5,177,510	101,268	141,064	1.05
Far EasTron Holding Ltd. (British Cayman Islands)	USD 4,486,988	USD 931,339	USD 7,190	USD 924,149	-	-	USD 28,055	USD 0.01
Q-ware Communications Co., Ltd.	714,901	359,068	473,533	(114,465)	107,399	(159,222)	(170,231)	(2.38)
ADCast Interactive Marketing Co., Ltd.	45,182	56,933	12,159	44,774	41,485	885	1,847	0.41
Yuan Cing Infocomm Tech Co., Ltd.	15,001,000	19,383,138	4,306,468	15,076,670	-	(6,434)	48,405	0.03
O-music Co., Ltd.	50,000	48,225	558	47,667	-	(2,395)	(2,333)	(0.47)
Data Express Infotech Co., Ltd.	87,750	423,760	340,331	83,429	1,081,636	20,337	12,682	1.45
Linkwell Tech. Co., Ltd.	10,000	46,295	39,930	6,365	123,065	(4,352)	(3,462)	(3.46)
New Century InfoComm Tech Co., Ltd.	25,994,490	29,375,219	3,553,146	25,822,073	9,757,962	(378,716)	(125,895)	(0.05)
New Diligent Co., Ltd	800,000	718,498	136	718,362	-	(272)	19,561	0.24
Simple InfoComm Co., Ltd	34,000	26,415	2,300	24,115	182,960	849	978	0.29
Information Security Service Digital United	148,777	180,460	53,088	127,372	207,070	(2,742)	(2,335)	(0.16)
Digital United (Cayman) Ltd.	USD 3,320,000	USD 925,410	USD 93,829	USD 831,581	-	-	(USD 215,861)	(USD 0.07)
Sino Lead Enterprise Limited	HKD 30,000	HKD 4,502,561	HKD 4,359,997	HKD 142,564	HKD 12,240,006	(HKD 11,116)	(HKD 10,638)	N/A
New Diligence Corporation (Shanghai)	RMB 9,186,100	RMB 465,411	-	RMB 465,411	-	(RMB 32,730)	(RMB 9,055)	N/A
Digital United Information Technology (Shanghai) Co., Ltd.	RMB 17,382,382.5	RMB 3,223,108	RMB 61,242	RMB 3,161,866	RMB 352,525	(RMB 848,723)	(RMB 785,034)	N/A

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

February 18, 2011

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended 2010 had been prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the entities in consol dated financial statements of affiliated enterprises are the same as those in consolidated financial statements in accordance with the "Guidelines for Securities Issuers' Financial Reporting for Public Company" and Statements of Financial Accounting Standards No. 7 "Consolidated Financial Statements". Besides, the information needed in consolidated financial statements of affiliated enterprises is enclosed in consolidated financial statements. Therefore, no consolidated financial statements of affiliated enterprises will be compiled.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU
Chairman

1-3 Affiliation Report

(1) Independent Auditor's Report

To: Far EasTone Telecommunications Co., Ltd.

According to the declaration of Far EasTone Telecommunications Co., Ltd. (the Company), the Affiliation Report of 2010 dated February 18, 2011 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, 2010("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 2010 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2010.

February 18, 2011

(2) Declaration for the Affiliation Report of the Company

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

February 18, 2011

We hereby declare that the Affiliation Report of 2010 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, 2010.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU

Chairman

A. The relationship between the subordinate company and the parent company: Schedule A.

B. Purchase (sale) of goods between the subordinate company and the parent company: None.

C. Property transactions between the subordinate company and the parent company: None.

D. Financing between the subordinate company and the parent company: None.

E. Asset leasing between the subordinate company and the parent company: Schedule B.

F. Endorsements and guarantees between the subordinate company and the parent company: None.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
THE RELATIONSHIP BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
DECEMBER 31, 2010

(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 Managing Director	Douglas Hsu Jan Nilsson Champion Lee
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	78,373,872	-	-
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	40,828,526	-	-
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	71,984,447	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Far Eastern 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	$256	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	210	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	2,615	None
Leasing	BTS1588	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2010.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	171	None
								$3,252	

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

In Accordance with the request for information disclosure evaluation, the related information for the provision item evaluative method and base of financial statement as follows:

Provision Item	Method	Evaluative Base
Bad debt provision	Aging Analysis	A. Unexpired bill provision rate 1% B. Overdue 1-30 days provision rate 2% C. Overdue 31-60 days provision rate 10% D. Overdue 61-90 days provision rate 40% E. Overdue 91-120 days provision rate 75% F. Overdue 120 days provision rate 100%

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”.

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2010

VI Financial Information

1. Condensed Financial Statement for the Recent 5 Years
2. Financial Analysis for the Recent 5 Years
3. 2010 Supervisors' Report
4. 2010 Independent Auditors' Report, Financial Statements and Notes
5. 2010 Independent Auditors' Report, Consolidated Financial Statements and Notes

Service Centric

Innovation

Profitable growth

1. Condensed Financial Statement for the Recent 5 Years

1-1 Condensed Balance Sheet

2011/3/31; Unit: NT$' 000

Item \ Year		Financial Information In Recent Years (Note 1)					
		2011 Q1	2010	2009	2008	2007	2006
Current Assets		9,921,065	14,625,272	10,653,659	7,895,390	10,594,966	9,363,567
Fund and Investments		29,873,142	23,883,565	38,251,031	39,857,195	43,342,778	37,883,330
Properties		34,396,171	35,707,574	27,629,692	29,334,104	29,794,143	32,927,648
Intangible assets		15,946,005	16,128,682	6,576,358	7,307,065	8,037,772	8,768,479
Other Assets		929,175	940,623	759,454	989,559	608,036	843,013
Total Assets		91,065,558	91,285,716	83,870,194	85,383,313	92,377,695	89,786,037
Current Liabilities	Before Distribution	16,134,878	18,396,775	11,193,073	13,183,044	12,384,336	12,748,687
	After Distribution	- (Note 2)	- (Note 2)	20,316,875	22,306,846	22,800,759	25,107,815
Long-term Liabilities		-	-	-	4,180	8,360	2,764,398
Other Liabilities		1,687,723	1,608,109	1,134,534	899,887	650,999	346,250
Total Liabilities	Before Distribution	17,822,601	20,004,884	12,327,607	14,087,111	13,043,695	15,859,335
	After Distribution	- (Note 2)	- (Note 2)	21,451,409	23,210,913	23,460,118	28,218,463
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	40,330,334	38,726,630
Capital Surplus		19,545,706	19,536,368	19,487,349	19,487,349	19,487,270	15,003,956
Retained Earnings	Before Distribution	21,023,172	19,076,653	19,351,890	19,245,585	19,501,261	20,240,948
	After Distribution	- (Note 2)	- (Note 2)	10,228,088	10,121,783	9,084,838	7,881,820
Unrealized loss on financial product		74,235	70,692	94,055	(50,204)	3,309	(49,792)
Cumulative Translation Adjustment		14,836	12,111	24,285	28,464	11,826	4,960
Unrecognized net loss on pension		-	-	-	-	-	-
Total Shareholders' Equity	Before Distribution	73,242,957	71,280,832	71,542,587	71,296,202	79,334,000	73,926,702
	After Distribution	- (Note 2)	- (Note 2)	62,418,785	62,172,400	68,917,577	61,567,574

Note 1: The financial statements for the first quarter of 2011 have been reviewed. Others have been audited.
Note 2: The appropriation of 2010 earning has not been approved by the shareholders' Meeting.

1-2 Condensed Income Statement

2011/3/31; Unit: Except EPS is NT dollar; others are NT$'000

Year / Item	Financial Information In Recent 5 Years (Note)					
	2011 Q1	2010	2009	2008	2007	2006
Operating Revenues	14,759,987	58,177,343	53,740,291	51,341,479	46,171,972	43,207,517
Gross Profit	6,349,759	28,812,140	26,739,039	25,797,276	22,096,267	19,747,593
Operating Income	2,385,204	11,204,863	13,862,628	12,985,332	10,274,570	9,403,731
Non-Operating Income and gain	154,554	474,428	291,650	422,863	3,873,681	5,550,647
Non-Operating Expense and loss	180,341	755,330	1,555,572	280,373	457,307	368,359
Income before Income Tax from Operating Business	2,359,417	10,923,961	12,598,706	13,127,822	13,690,944	14,586,019
Net Income from Operating Business	1,946,519	8,848,565	9,230,107	10,160,747	11,619,441	13,156,225
Net Income from Discontinued Business	-	-	-	-	-	-
Abnormal net income	-	-	-	-	-	-
Accumulated number from accounting principle changes	-	-	-	-	-	-
Net Income	1,946,519	8,848,565	9,230,107	10,160,747	11,619,441	13,156,225
Basic Earning per Share in NT$	0.60	2.72	2.83	3.09	3.00	3.40

Note: The financial statements for the first quarter of 2011 have been reviewed. Others have been audited.

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

1-3-1 Accounting principle for Inventory:

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

1-3-2 In order to have more effective utilization of telecom network resources and to enhance the operation performance, Far EasTone Telecommunications Co., Ltd. and its 100% owned subsidiary, KG Telecommunications Co., Ltd. held the board meeting simultaneously on February 26, 2009 to approve short form merger and had completed the merger on January 1, 2010. Upon the merger, Far EasTone Telecommunications Co., Ltd. is the surviving company, while KG Telecommunications Co., Ltd. was the dissolved company.

1-3-3 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
2006	Deloitte and Touche Co.	Annie Lin, Benjamin Shih	Modified Unqualified opinion
2007	Deloitte and Touche Co.	Annie Lin, Benjamin Shih	Unqualified opinion
2008	Deloitte and Touche Co.	Benjamin Shih, Tony C. Chung	Unqualified opinion
2009	Deloitte and Touche Co.	Annie Lin, Tony C. Chung	Unqualified opinion
2010	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

2011/3/31

Item	Year		Financial Analysis In Recent 5 Years (Note)					
			2011 Q1	2010	2009	2008	2007	2006
Financial Structure	Debt to Asset Ratio		19.57	21.91	14,70	16.50	14.12	17.66
	Long-term Funds to Fixed Assets Ratio		212.94	199.62	258.93	243.06	266.30	232.91
Liquidity Analysis	Current Ratio (%)		61.49	79.50	95.18	59.89	85.55	73.45
	Quick Ratio (%)		52.55	73.27	87.76	52.60	78.99	65.73
	Times Interest Earned (times)		1,010.16	409.22	1,631.90	1,573.57	498.04	157.70
Operating Performance	Accounts Receivable Turnover (times)		9.65	9.42	8.75	8.51	8.51	8.63
	Average Collection Days (days)		37.82	38.74	41.71	42.89	42.91	42.30
	Inventory Turnover (times)		15.93	17.53	11.80	8.86	8.67	6.77
	Accounts Payable Turnover (times)		9.84	11.46	11.24	12.81	14.83	13.37
	Inventory Turnover Days (times)		22.91	20.82	30.93	41.19	42.09	53.94
	Fixed Assets Turnover (times)		1.72	1.63	1.95	1.75	1.55	1.31
	Total Assets Turnover (times)		0.65	0.64	0.64	0.60	0.50	0.48
Profitability Analysis	Return on Assets (%)		8.55	10.13	10.91	11.44	12.78	14.47
	Return on Equity (%)		10.77	12.39	12.92	13.49	15.16	17.88
	To Capital ratio	Operating Income	29.28	34.39	42.54	39.85	25.48	24.28
		Income before Tax	28.96	33.52	38.66	40.29	33.95	37.66
	Net Income Ratio (%)		13.19	15.21	17.18	19.79	25.17	30.45
	Basic EPS in NT$		0.60	2.72	2.83	3.09	3.00	3.40
	Diluted EPS in NT$		0.60	2.71	2.83	3.09	3.00	3.40
	Earning Per Share in NT$		0.60	2.72	2.83	3.09	3.00	3.40
Cash flow	Cash Flow Ratio (%)		33.82	113.80	177.56	173.26	175.88	172.57
	Cash Flow Equivalent Ratio (%)		106.27	107.70	128.48	138.29	119.71	117.36
	Cash Reinvestment Ratio (%)		3.30	7.34	8.15	10.26	7.73	8.05
Leverage Ratio	Operating Leverage (times)		2.49	2.34	1.87	1.83	2.05	2.18
	Financial Leverage (times)		1.00	1.00	1.00	1.00	1.00	1.01

Note: The financial statements for the first quarter of 2011 have been reviewed. Others have been audited.

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

(1) Debts to Assets Ratio：Mainly due to the increase of short-term bank loans, commercial papers payable, accounts payable and unearned revenues of current liabilities in 2010.

(2) Long-term Funds to Fixed Assets Ratio：Mainly due to merger with subsidiary, KG Telecommunications Co., Ltd., the fixed assets was increasing in 2010.

(3) Times Interest Earned：Mainly due to the decrease of net income before income tax and the increase of interest expenses in 2010.

(4) Inventory Turnover：Mainly due to the increase of cost of goods sold for the sales of high-priced product, however, because the Company devoted to reduce inventory for hedging the risk of inventory, the increase of cost of goods

sold was over the increase of inventory to make the increase of inventory turnover in 2010.

(5) Inventory Turnover Days：Mainly due to the increase of the inventory turnover in 2010.

(6) Cash Flow Ratio：Mainly due to the increase of short-term bank loans, commercial papers payable, accounts payable and unearned revenues of current liabilities in 2010.

(7) Operating Leverage：Mainly due to the decrease of operating income in 2010.

2-2 Consolidated Financial Ratio Analysis:

2011/3/31

Item / Year			Financial Analysis In Recent 5 Years (Note)					
			2011 Q1	2010	2009	2008	2007	2006
Financial Structure	Debt to Asset Ratio		22.54	24.67	16.23	18.22	16.70	20.33
	Long-term Funds to Fixed Assets Ratio		140.76	136.18	180.05	159.36	164.50	142.10
Liquidity Analysis	Current Ratio (%)		115.55	105.31	170.76	118.46	137.71	112.23
	Quick Ratio (%)		104.72	97.38	160.99	108.19	128.61	101.20
	Times Interest Earned (times)		205.87	233.72	511.84	588.88	351.02	155.54
Operating Performance	Accounts Receivable Turnover (times)		10.37	9.50	8.93	8.58	8.59	8.45
	Average Collection Days (days)		35.20	38.43	40.89	42.56	42.47	43.18
	Inventory Turnover (times)		10.75	9.57	7.68	6.86	7.02	5.60
	Accounts Payable Turnover (times)		10.23	10.55	11.44	11.47	11.57	11.06
	Inventory Turnover Days		33.95	38.15	47.53	53.21	52.00	65.19
	Fixed Assets Turnover (times)		1.34	1.17	1.49	1.38	1.31	1.23
	Total Assets Turnover (times)		0.74	0.65	0.70	0.71	0.66	0.72
Profitability Analysis	Return on Assets (%)		8.13	9.67	10.48	10.86	12.03	13.55
	Return on Equity (%)		10.60	12.15	12.63	13.13	14.72	17.47
	To Capital ratio	Operating Income	30.74	34.29	38.15	44.08	37.32	42.81
		Income before Tax	29.15	33.65	37.29	40.89	36.11	41.65
	Net Income Ratio (%)		11.07	13.97	15.21	16.03	17.84	19.36
	Basic EPS in NT$		0.60	2.72	2.83	3.09	3.00	3.40
	Diluted EPS in NT$		0.60	2.71	2.83	3.09	3.00	3.40
	Earning Per Share in NT$		0.60	2.72	2.83	3.09	3.00	3.40
Cash flow	Cash Flow Ratio (%)		27.86	102.51	178.58	155.27	164.85	164.32
	Cash Flow Equivalent Ratio (%)		136.74	135.47	142.44	156.64	161.51	174.23
	Cash Reinvestment Ratio (%)		2.94	7.47	8.25	9.20	9.09	10.91
Leverage Ratio	Operating Leverage (times)		2.64	2.42	2.32	2.12	2.06	2.00
	Financial Leverage (times)		1.00	1.00	1.00	1.00	1.00	1.01

Note: The financial Statements for the first quarter of 2011 have been reviewed. Others have been audited.

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

(1) Debts to Assets Ratio：Mainly due to the increase of short-term bank loans, commercial papers payable, accounts payable and unearned revenues of current liabilities in 2010.

(2) Long-term Funds to Fixed Assets Ratio：Because the Company acquired the controlling interest for New Century InfoComm Tech Co., Ltd. and consolidated it and its subsidiaries to financial statement, the fixed assets was increasing in 2010.

(3) Current Ratio：Mainly due to the increase of short-term bank loans, commercial papers payable, accounts payable and unearned revenues of current liabilities in 2010.

(4) Quick Ratio：Mainly due to the increase of short-term bank loans, commercial papers payable, accounts payable and unearned revenues of current liabilities in 2010.

(5) Times Interest Earned：Mainly due to the decrease of net income before income tax and the increase of interest expenses in 2010.

(6) Inventory Turnover：Mainly due to the increase of cost of goods sold for the sales of high-priced product, however, because the Company devoted to reduce inventory for hedging the risk of inventory, the increase of cost of goods sold was over the increase of inventory to make the increase of inventory turnover in 2010.

(7) Fixed Assets Turnover：Because the Company acquired the controlling interest for New Century InfoComm Tech Co., Ltd. and consolidated it and its subsidiaries to financial statement, the fixed assets was increasing in 2010.

(8) Cash Flow Ratio：Mainly due to the increase of short-term bank loans, commercial papers payable, accounts payable and unearned revenues of current liabilities in 2010.

The formulas for the above table:

1. Financial Structure
   (1) Debts to Assets Ratio = Total Liabilities / Total Assets
   (2) Long-term Funds to Fixed Assets Ratio = (Total Shareholders' Equity plus Long-term Liabilities) / Net Fixed Assets
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - inventory - Prepaid Expense) / Current Liabilities
   (3) Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense
3. Operating Performance
   (1) Account Receivable Turnover = Net Sales / Average Accounts Receivable
   (2) Average Collection Days = 365/ Accounts Receivable Turnover
   (3) Inventory Turnover = Costs of Good Sold / Average Inventory
   (4) Accounts Payable Turnover = Costs of Good Sold / Average Accounts Payable
   (5) Inventory Turnover Days = 365 / Inventory Turnover
   (6) Fixed Assets Turnover Ratio = Net Sales / Net Fixed Assets
   (7) Total Assets Turnover Ratio = Net Sales / Total Assets
4. Profitability Analysis
   (1) Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets
   (2) Return on Shareholders' Equity =Net Income / Average Shareholders' Equity
   (3) Net Income Ratio = Net Income / Net Sales
   (4) Earnings per Share = (Net Income - Preferred Stock Dividend) / Weighed-average Number of Outstanding Shares
5. Cash Flow
   (1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
   (2) Cash Flow Equivalent Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years
   (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)
6. Leverage Ratio
   (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
   (2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

3. 2010 Supervisors' Report

April 26, 2011

The Board of Directors have prepared and submitted to us the Company's 2010 Business Reports, the Proposal for Profit Distribution, and the Financial Statements (included the consolidated Financial Reports) audited by the CPAs of Deloitte & Touche Co. The above reports, proposal, and financial statements have been further examined as being correct and accurate by the undersigned Supervisors of Far EasTone Telecommunications Co., Ltd. According to Article 219 of the Company Act, we hereby submit this report.

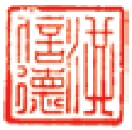
To

FET 2011 Shareholders' Meeting

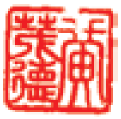
Supervisors

Chen-en Ko

Eli Hong



Morton Huang



4. 2010 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, 2010 and 2009, 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, 2010 and 2009, 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 board 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 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. On August 31, 2010, the boards of directors of the Company and YCIC resolved to adopt a two-stage process to merge NCIC, respectively. After the completion of the merger, NCIC will become a 100% owned subsidiary of the Company.

We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2010 and 2009 and have issued thereon a modified unqualified opinion and unqualified opinion, respectively, in our reports dated February 18, 2011 and February 1, 2010, respectively.

Deloitte & Touche

February 18, 2011

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, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010 Amount	%	2009 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 5, 26 and 27)	$ 669,743	1	$ 2,576,199	3
Available-for-sale financial assets - current (Notes 2, 6 and 27)	526,209	1	52,050	-
Hedging derivative financial assets - current (Notes 2 and 25)	13,820	-	-	-
Notes receivable, net (Note 2)	8,691	-	3,460	-
Accounts receivable, net (Notes 2 and 7)	5,189,764	6	4,719,298	6
Lease receivables (Notes 2 and 26)	9,924	-	-	-
Accounts receivable - related parties, net (Notes 2 and 26)	350,682	-	707,426	1
Other receivables - related parties (Notes 2 and 26)	4,761,960	5	193,370	-
Inventories, net (Notes 2 and 8)	511,606	1	299,173	-
Prepaid expenses (Note 26)	634,641	1	531,662	1
Deferred income tax assets - current (Notes 2 and 22)	394,647	-	393,841	1
Restricted assets - current (Notes 18 and 26)	1,174,504	1	1,168,330	1
Other current assets (Note 27)	379,081	-	8,850	-
Total current assets	14,625,272	16	10,653,659	13
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 9)	23,683,899	26	38,251,031	45
Held-to-maturity financial assets - noncurrent (Notes 2 and 10)	199,666	-	-	-
Total long-term investments	23,883,565	26	38,251,031	45
PROPERTIES (Notes 2, 11 and 26)				
Cost				
Land	1,227,914	1	852,980	1
Buildings and equipment	2,286,335	3	1,769,074	2
Operating equipment	111,332,726	122	72,676,163	87
Computer equipment	18,221,049	20	12,041,119	14
Office equipment	1,000,729	1	882,992	1
Leasehold improvements	1,913,554	2	1,767,793	2
Miscellaneous equipment	422,506	-	227,144	-
Total cost	136,404,813	149	90,217,265	107
Less: Accumulated depreciation	104,189,191	114	65,763,662	78
	32,215,622	35	24,453,603	29
Construction-in-progress and prepayments for equipment	3,491,952	4	3,176,089	4
Net properties	35,707,574	39	27,629,692	33
INTANGIBLE ASSETS				
3G concession, net (Notes 1, 2 and 12)	5,845,651	7	6,576,358	8
Goodwill, net (Notes 2 and 13)	10,283,031	11	-	-
Total intangible assets	16,128,682	18	6,576,358	8
OTHER ASSETS				
Rental assets, net (Notes 2 and 14)	179,384	-	181,316	-
Refundable deposits (Note 26)	324,246	-	284,783	1
Deferred charges, net (Note 2)	2,582	-	7,057	-
Lease receivables - noncurrent (Notes 2 and 26)	42,411	-	-	-
Deferred income tax assets - noncurrent (Notes 2 and 22)	-	-	284,298	-
Pledged certificate of deposits (Notes 26 and 28)	392,000	1	2,000	-
Total other assets	940,623	1	759,454	1
TOTAL	$ 91,285,716	100	$ 83,870,194	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2010 Amount	%	2009 Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Note 15)	$ 2,940,000	3	$ 200,000	-
Commercial papers payable (Note 16)	2,848,739	3	-	-
Notes payable	57,901	-	42,348	-
Accounts payable	2,962,669	3	1,951,968	2
Accounts payable - related parties (Note 26)	199,920	-	435,826	-
Income tax payable (Note 2)	1,702,462	2	914,742	1
Accrued expenses (Note 17)	3,330,593	4	3,069,524	4
Other payables - related parties (Note 26)	381,355	-	1,374,853	2
Payables for acquisition of properties	1,449,424	2	1,585,100	2
Guarantee deposits received - current	488,620	1	475,014	1
Unearned revenues (Notes 2 and 18)	1,743,858	2	857,399	1
Lease payable - current (Notes 2, 19 and 26)	-	-	4,180	-
Other current liabilities (Notes 2 and 27)	291,234	-	282,119	-
Total current liabilities	18,396,775	20	11,193,073	13
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 20)	388,299	1	367,740	1
Guarantee deposits received - noncurrent	262,718	-	233,914	-
Deferred income tax liabilities - noncurrent (Notes 2 and 22)	339,081	1	-	-
Deferred revenue (Note 2)	332,241	-	394,891	1
Other (Notes 2 and 9)	285,770	-	137,989	-
Total other liabilities	1,608,109	2	1,134,534	2
Total liabilities	20,004,884	22	12,327,607	15
CAPITAL STOCK - NT$10.00 PAR VALUE; AUTHORIZED - 4,200,000 THOUSAND SHARES; ISSUED AND OUTSTANDING - 3,258,501 THOUSAND SHARES	32,585,008	36	32,585,008	39
CAPITAL SURPLUS				
Additional paid-in capital - share issuance in excess of par value	10,964,702	12	10,964,702	13
From business combination	8,482,381	9	8,482,381	10
From long-term equity-method investments	89,285	-	40,266	-
Total capital surplus	19,536,368	21	19,487,349	23
RETAINED EARNINGS				
Legal reserve	9,990,002	11	9,066,992	11
Special reserve	-	-	21,740	-
Unappropriated earnings	9,086,651	10	10,263,158	12
Total retained earnings	19,076,653	21	19,351,890	23
OTHER ADJUSTMENTS				
Cumulative translation adjustments	12,111	-	24,285	-
Unrealized gains on financial instruments	70,692	-	94,055	-
Total other adjustments	82,803	-	118,340	-
Total stockholders' equity	71,280,832	78	71,542,587	85
TOTAL	$ 91,285,716	100	$ 83,870,194	100

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

(With Deloitte & Touche audit report dated February 18, 2011)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010 Amount	2010 %	2009 Amount	2009 %
OPERATING REVENUES (Notes 2 and 26)				
Sales of cellular phone equipment and accessories, net	$ 5,365,491	9	$ 3,886,720	7
Telecommunications service revenues	52,535,664	90	49,615,364	92
Other	276,188	1	238,207	1
Total operating revenues	58,177,343	100	53,740,291	100
OPERATING COSTS (Notes 2, 8, 23 and 26)				
Cost of sales	7,492,785	13	4,738,208	9
Cost of telecommunications services	24,851,348	43	22,253,043	41
Other	21,070	-	10,001	-
Total operating costs	32,365,203	56	27,001,252	50
GROSS PROFIT	25,812,140	44	26,739,039	50
OPERATING EXPENSES (Notes 2, 23 and 26)				
Marketing	10,507,016	18	9,361,619	18
General and administrative	4,041,868	7	3,410,477	6
Research and development	58,393	-	104,315	-
Total operating expenses	14,607,277	25	12,876,411	24
OPERATING INCOME	11,204,863	19	13,862,628	26
NONOPERATING INCOME AND GAINS				
Gain from sale of financial assets, net (Notes 2)	113,163	-	-	-
Government grant (Note 2)	92,089	-	83,883	-
Interest (Note 26)	63,092	-	5,122	-
Management services revenue (Note 26)	40,142	-	48,184	-
Rent (Notes 2 and 26)	34,816	-	25,803	-
Commission (Note 26)	-	-	43,844	-
Other (Note 26)	131,126	1	84,814	-
Total nonoperating income and gains	474,428	1	291,650	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010 Amount	2010 %	2009 Amount	2009 %
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	$ 706,678	1	$ 229,553	1
Interest (Notes 2, 11 and 26)	26,760	-	7,725	-
Equity in investees' net losses (Notes 2 and 9)	10,588	-	1,178,421	2
Impairment loss (Note 2)	-	-	44,315	-
Other (Notes 19, 23 and 26)	11,304	-	95,558	-
Total nonoperating expenses and losses	755,330	1	1,555,572	3
INCOME BEFORE INCOME TAX	10,923,961	19	12,598,706	23
INCOME TAX (Notes 2 and 22)	2,075,396	4	3,368,599	6
NET INCOME	$ 8,848,565	15	$ 9,230,107	17

	2010 Before Income Tax	2010 After Income Tax	2009 Before Income Tax	2009 After Income Tax
EARNINGS PER SHARE (Note 24)				
Basic	$ 3.35	$ 2.72	$ 3.87	$ 2.83
Diluted	$ 3.35	$ 2.71	$ 3.86	$ 2.83

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

(With Deloitte & Touche audit report dated February 18, 2011) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock Issued and Outstanding (Note 21)		Capital Surplus (Notes 2 and 21)			Retained Earnings (Note 21)			Other Adjustments		
	Shares (Thousands)	Amount	Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 21)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2009	3,258,501	$ 32,585,008	$ 10,964,702	$ 8,482,381	$ 40,266	$ 8,050,917	$ -	$ 11,194,668	$ 28,464	$ (50,204)	$ 71,296,202
Appropriation of the 2008 earnings											
Legal reserve	-	-	-	-	-	1,016,075	-	(1,016,075)	-	-	-
Special reserve	-	-	-	-	-	-	21,740	(21,740)	-	-	-
Cash dividends - NT$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)
Net income in 2009	-	-	-	-	-	-	-	9,230,107	-	-	9,230,107
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	2,050	2,050
Changes in subsidiary's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	-	-	142,209	142,209
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(4,179)	-	(4,179)
BALANCE, DECEMBER 31, 2009	3,258,501	32,585,008	10,964,702	8,482,381	40,266	9,066,992	21,740	10,263,158	24,285	94,055	71,542,587
Appropriation of the 2009 earnings											
Legal reserve	-	-	-	-	-	923,010	-	(923,010)	-	-	-
Special reserve	-	-	-	-	-	-	(21,740)	21,740	-	-	-
Cash dividends - NT$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)
Net income in 2010	-	-	-	-	-	-	-	8,848,565	-	-	8,848,565
Changes in equity-method investees' stockholders' equity	-	-	-	-	49,019	-	-	-	-	-	49,019
Change in unrealized gain (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 (losses) on financial assets	-	-	-	-	-	-	-	-	-	11,969	11,969
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(12,174)	-	(12,174)
BALANCE, DECEMBER 31, 2010	3,258,501	$ 32,585,008	$ 10,964,702	$ 8,482,381	$ 89,285	$ 9,990,002	$ -	$ 9,086,651	$ 12,111	$ 70,692	$ 71,280,832

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

(With Deloitte & Touche audit report dated February 18, 2011)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,848,565	$ 9,230,107
Depreciation	9,272,417	7,159,683
Amortization	9,686	80,162
Amortization of 3G concession	730,707	730,707
Allowance for doubtful accounts	412,220	338,054
Reversal of provision for loss on decline in value of inventories	(7,188)	(1,352)
Gain from sale of financial assets, net	(113,163)	-
Equity in investees' net losses	10,588	1,178,421
Cash dividends from equity-method investees	26,809	911,971
Amortization of discount on held-to-maturity financial assets	(99)	-
Loss on disposal of properties, net	706,678	229,553
Provision for impairment loss	-	44,315
Accrued pension cost	20,559	21,412
Deferred income on hedging derivative instruments	30,280	-
Deferred income taxes	100,949	332,950
Net changes in operating assets and liabilities		
Notes receivable	(5,158)	(172)
Accounts receivable	(282,148)	(167,914)
Accounts receivable - related parties	(79,084)	(50,558)
Other receivables - related parties	(269,967)	40,765
Inventories	(203,547)	153,483
Prepaid expenses	(53,479)	(21,518)
Other current assets	(830)	(497)
Notes payable	14,115	(3,061)
Accounts payable	731,575	(6,454)
Accounts payable - related parties	(105,451)	67,284
Other payables - related parties	15,815	21,842
Income tax payable	424,497	(846,589)
Accrued expenses	65,465	270,605
Unearned revenues	649,892	99,372
Other current liabilities	(14,951)	61,366
Net cash provided by operating activities	20,935,752	19,873,937
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,047,679)	(50,000)
Proceeds of the disposal of available-for-sale financial assets	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	(15,052,200)	(390,513)
Acquisition of properties	(7,595,956)	(5,897,027)
Proceeds of the disposal of properties	23,448	2,827
Decrease (increase) in refundable deposits	16,385	(3,443)
Decrease in deferred charges	418	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
Increase in pledged certificates of deposits	$ -	$ (2,000)
Increase in restricted assets	(6,174)	(1,095,884)
Net cash used in investing activities	(25,435,458)	(7,436,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	2,740,000	(950,000)
Increase (decrease) in commercial papers payable	2,848,739	(350,000)
Increase (decrease) in guarantee deposits received	(46,272)	60,596
Decrease in deferred revenue	(62,650)	(3,053)
Cash dividends paid	(9,123,802)	(9,123,802)
Net cash used in financing activities	(3,643,985)	(10,366,259)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,143,691)	2,071,638
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,576,199	504,561
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	6,237,235	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 669,743	$ 2,576,199
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 32,911	$ 16,146
Less: Interest capitalized	13,894	7,950
Interest paid, net of capitalized interest	$ 19,017	$ 8,196
Income tax paid	$ 1,549,951	$ 3,578,355
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ -	$ 4,180
Reclassification of properties to deferred charges	$ 5,629	$ 8,455
Reclassification of credit balance on the carrying value of long-term equity-method investments to other liabilities - other	$ 114,466	$ -
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 7,362,242	$ 5,694,203
Increase in other payables - related parties	(4,061)	-
Decrease in payables for acquisition of properties	242,982	274,101
Decrease in lease payable	8,360	4,180
Increase in other current liabilities	(16,714)	(13,359)
Decrease (increase) in other liabilities - other	3,147	(62,098)
Cash paid for acquisition of properties	$ 7,595,956	$ 5,897,027

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	$ 77,054	$ 2,856
Increase in receivables from properties sold	(1,292)	(8)
Decrease (increase) in other receivables - related parties	21	(21)
Increase in lease receivables	(52,335)	-
Cash received from disposal of properties	$ 23,448	$ 2,827

On January 1, 2010, the Company completed the merger with KG Telecommunications Co., Ltd.; the fair values of total assets and total liabilities upon completion of the merger were as follows:

	Amount
Cash and cash equivalents	$ 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	49,500
Deferred income tax assets - current	107,676
Other current assets	30,836
Equity-method investments	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	390,000
	$ 33,045,024
Notes payable	$ 1,438
Accounts payable	279,126
Accounts payable - related parties	450,833
Income tax payable	363,223
Accrued expenses	195,604
Other payables - related parties	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	31,569
Guarantee deposits received - noncurrent	1,969
Deferred income tax liabilities - noncurrent	629,300
Other liabilities - other	36,462
	$ 2,471,526

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

(With Deloitte & Touche audit report dated February 18, 2011) (Concluded)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares began to be traded on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) on December 10, 2001. Later, the Company's share ceased to be traded on the OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. The Company provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2010, Far Eastern New Century Corporation ("Far Eastern New Century, "formerly Far Eastern Textile Co., Ltd.) 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) license in the southern region of Taiwan and the Company began its commercial operation of WiMAX service, which is valid for six years. The Company has to pay an annual license fee that is equal to WiMAX service revenues multiplied by the bidding percentage (4.18%), but the annual license fee should not be less than a specified minimum amount.

In 2004, the Company 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 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.

The Company had 4,072 and 3,712 employees as of December 31, 2010 and 2009, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation and amortization, impairment loss on tangible and intangible assets, asset retirement obligation, product warranty reserve, income taxes, pension cost, bonus to employees and remuneration to directors and supervisors. Actual results may differ from these estimates.

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

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

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to the excess of minutes of traffic included in the fixed monthly service fees) from wireless services, international simple resale services, Internet access services and interconnection calls, net of any applicable discount, are billed according to customers’ usage and are recognized on the basis of minutes of traffic processed. Other revenues are recognized as follows: (a) fixed monthly service fees and leased-circuit service revenues are accrued each month; (b) prepaid call and recharge call services are recognized as income based upon customer usage.

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

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

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

Promotion Expenses

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

Inventories

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

Government Grant

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

Equity-method Investments

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

On the acquisition date or the adoption of the equity method for the first time, the 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 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 of 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.

Held-to-maturity Financial Assets

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

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

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, 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.

Properties and Rental Assets

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

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

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

Useful lives are estimated as follows:

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

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

Accounting for Leases

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

The asset held under an 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 capital lease, total leasehold receivables shall be recognized as all rental receivables plus the predetermined bargain purchase option offered to the lessee or estimated residual value. For a financing-type of capital lease, leasehold receivables should be recognized as the sum of present value derived from each future rental receivable based on an interest rate in the lease. The total leasehold receivables in excess of the present value of leasehold receivables should be deferred as unrealized interest income and should be amortized as interest income by the effective interest method upon each collection.

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.

Goodwill

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

Deferred Charges

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

Impairment Loss

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

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

Deferral of Unrealized Intercompany Profit

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

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

The Company defers its gains or losses on the subsidiaries' sales of products to the Company or on the sale among subsidiaries in proportion to its equity in the subsidiaries.

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

Pension Costs

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

Income Tax

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

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

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

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

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

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

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

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2010.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the balance sheets and statements of income as of and for the year ended December 31, 2009. The pro forma financial information based on the assumption that the Company merged with KG Telecom on January 1, 2009 is as follows:

(In Thousands, Except Earnings Per Share)

	Year Ended December 31, 2009
Current assets	$ 19,374,570
Properties, net	38,405,177
Current liabilities	11,354,970
Operating revenues	57,666,088
Income before income tax	12,598,706
Net income	9,230,107
Earnings per share	2.83

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 KG Telecom on January 1, 2009, nor does it necessarily show the Company's future financial position or results of operations.

4. CHANGE IN ACCOUNTING PRINCIPLE

Accounting for Inventories

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

5. CASH AND CASH EQUIVALENTS

	December 31 2010	December 31 2009
Cash		
Cash on hand	$ 3,439	$ 2,596
Checking deposits	18,986	12,609
Demand deposits	552,929	899,104
Certificates of deposits - interest of 0.30%-1.02% in 2010 and 0.56%-0.90% in 2009	65,300	1,562,000
	640,654	2,476,309
Cash equivalents		
Bonds purchased under resell agreements - interest of 0.37%	29,089	-
Commercial paper purchased under resell agreements - interests of 0.17%	-	99,890
	29,089	99,890
	$ 669,743	$ 2,576,199

As of December 31, 2010 and 2009, demand deposits overseas were as follows:

	December 31 2010	December 31 2009
Belgium (US$1,379 thousand in 2010 and US$5,018 thousand in 2009)	$ 40,170	$ 160,526

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31 2010	December 31 2009
Domestic quoted stocks	$ 323,094	$ -
Open-end mutual funds	55,677	52,050
Overseas private funds - US$5,061 thousand	147,438	-
	$ 526,209	$ 52,050

7. ACCOUNTS RECEIVABLE, NET

	December 31	
	2010	2009
Accounts receivable	$ 5,953,858	$ 5,313,426
Less: Allowance for doubtful accounts	(764,094)	(594,128)
	$ 5,189,764	$ 4,719,298

The change in allowance for doubtful accounts was as follows:

	Years Ended December 31	
	2010	2009
Beginning balance	$ 594,128	$ 703,716
Deduct: Bad debts written off	(542,172)	(683,398)
Add: From merger with KG Telecom	63,855	-
Collection after write-off	236,063	235,756
Accrual of bad debt expenses	412,220	338,054
	$ 764,094	$ 594,128

8. INVENTORIES

	December 31	
	2010	2009
Cellular phone equipment	$ 338,445	$ 180,400
Cellular phone accessories	11,934	9,726
SIM cards and prepaid cards	6,937	14,091
Others	154,290	94,956
	$ 511,606	$ 299,173

Allowances for losses were $18,339 thousand and $25,527 thousand as of December 31, 2010 and 2009, respectively.

Costs of inventories sold were $7,492,785 thousand and $4,738,208 thousand for the years ended December 31, 2010 and 2009, respectively. The reversal of provision for loss on decline in value of inventories amounted to $7,188 thousand and $1,352 thousand for the years ended December 31, 2010 and 2009, respectively.

9. EQUITY-METHOD INVESTMENTS

	December 31			
	2010		2009	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
Yuan Cing Infocomm Tech Co., Ltd.	$ 15,076,670	100.00	$ 993	100.00
New Century InfoComm Tech Co., Ltd.	6,170,177	26.74	6,000,018	26.59
ARCOA Communication Co., Ltd.	1,175,797	61.07	1,116,869	61.07
KGEx.com Co., Ltd.	726,564	79.25	-	-
Far Eastern Info Service (Holding) Ltd.	174,185	100.00	161,358	100.00
Far Eastern Electronic Toll Collection Co., Ltd.	169,347	41.18	232,803	41.18
E. World (Holdings) Ltd.	77,979	85.92	71,337	85.92
Ding Ding Integrated Marketing Services Co., Ltd.	34,346	15.00	39,519	15.00
Far EasTron Holding Ltd.	26,920	100.00	26,022	100.00
iScreen Corporation	24,247	40.00	-	-
O-music Co., Ltd.	23,833	50.00	-	-
ADCast Interactive Marketing Co., Ltd.	3,834	8.56	174	0.40
Q-ware Communications Co., Ltd.	(114,466)	51.00	28,440	51.00
KG Telecommunications Co., Ltd.	-		30,573,498	100.00
	23,569,433		38,251,031	
Credit balance on carrying values of long-term investments reclassified to other liabilities - other	114,466		-	
	$ 23,683,899		$ 38,251,031	

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 holding of the common shares of KGEx.com, iScreen and ADCast was transferred to the Company.

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

To prepare for service convergence, the Company has had a long-term strategy to integrate fixed-line and mobile communications. Thus, 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 jointly owned 94.56% of NCIC’s issued common shares.

To meet YCIC's tender offer payment needs and enhance its working capital, the Company's board of directors resolved on June 25, 2010 that the Company will subscribe for YCIC's shares issued for capital increase at not more than $15,000,000 thousand in cash and will lend to YCIC a maximum of $6,000,000 thousand. The Company's board of directors also approved to authorize the chairman to allow YCIC to make a drawdown on the loan within the approved ceiling of $6,000,000 thousand within one year from the loan grant date. As of February 18, 2011, the Company had already lent $4,300,000 thousand to YCIC.

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 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 1,500,100,000 shares to 2,336,603,547 shares, of which, the Company owned 2,195,196,070 shares, representing 93.95% ownership. The remaining 6.05% went to minority. The above share swap was approved on February 16, 2011 after the registration with MOEA. After the share swap, in the second stage of the merger, the Company will have a cash merger with YCIC at the target price of NT$10.93 per share, with the Company as the survivor entity. Thus, NCIC will become a 100% owned subsidiary of the Company. Under related laws and regulations, each phase of this two-stage merger and acquisition has to be approved by the board of directors, separately. On December 29, 2010, the National Communications Commission approved the merger.

c. Equity in investees' net gains or losses

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

	Years Ended December 31			
	2010		2009	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
Yuan Cing Infocomm Tech Co., Ltd.	$ 48,405	$ 48,405	$ (7)	$ (7)
New Century InfoComm Tech Co., Ltd.	(125,895)	111,735	6,078	139,780
ARCOA Communication Co., Ltd.	141,064	85,373	108,387	65,389
KGEx.com Co., Ltd.	(86,036)	(68,188)	-	-
Far Eastern Info Service (Holding) Ltd.	22,179	22,179	11,308	11,308
Far Eastern Electronic Toll Collection Co., Ltd.	(151,902)	(63,456)	(400,580)	(175,926)
E. World (Holdings) Ltd.	8,458	7,267	4,900	4,211
Ding Ding Integrated Marketing Services Co., Ltd.	(44,373)	(5,173)	(54,785)	(11,225)
Far EasTron Holding Ltd.	884	884	447	447
iScreen Corporation	(14,250)	(5,700)	-	-
O-music Co., Ltd.	(2,333)	(1,167)	-	-
ADCast Interactive Marketing Co., Ltd.	1,847	159	1,065	4
Q-ware Communications Co., Ltd.	(170,231)	(142,906)	(230,617)	(117,615)
KG Telecommunications Co., Ltd.	-	-	(1,094,787)	(1,094,787)
		$ (10,588)		$ (1,178,421)

The combined equity interests of the Far Eastern Group in 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 DDIM and ADCast are accounted for by the equity method even though the Company's equity in DDIM and ADCast are only 15% and 8.56% on December 31,2010 and 15% and 0.40% on December 31, 2009, respectively.

The Company committed to provide further financial support to Q-ware Communications Co., Ltd. ("Q-ware Com.") and continued applying equity method, therefore, the book value of long-term investment of Q-ware Com. as of December 31, 2010 with the credit balance of $114,466 thousand were included in other liabilities - other.

The investees' financial statements as of and for the years ended December 31, 2010, and 2009, which were used as bases for calculating the carrying values of investments, had been audited, except those of the equity-method investee of iScreen Corporation and those of YCIC for 2009. The Company believes that, had the financial statements of YCIC and the equity-method investee of iScreen Corporation been audited, any adjustments would have had no material effect on the Company's financial statements.

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

For the years ended December 31, 2010 and 2009, the changes in the difference between investment cost and the Company's equity in its investees' net assets were as follows:

	Years Ended December 31			
	2010		2009	
	Goodwill	Amortizable Assets	Goodwill	Amortizable Assets
Beginning balance	$ 238,300	$ (867,535)	$ 288,877	$ (808,673)
Increase	-	(12,364)	-	(197,575)
Decrease	-	145,218	50,577	138,713
Ending balance	$ 238,300	$ (734,681)	$ 238,300	$ (867,535)

e. Consolidation

The consolidated financial statements as of December 31, 2010 and 2009 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	2009
Bonds		
Asia Cement Co., Ltd.	$ 199,666	$ -

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, 2010					
		Movement				
	Beginning Balance	From Merger with KG Telecom	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost						
Land	$ 852,980	$ 188,854	$ -	$ -	$ 186,080	$ 1,227,914
Buildings and equipment	1,769,074	458,823	-	12,781	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	-	85,198	1,202,823	18,221,049
Office equipment	882,992	55,372	9,524	11,739	64,580	1,000,729
Leasehold improvements	1,767,793	219,058	-	223,978	150,681	1,913,554
Miscellaneous equipment	227,144	196,747	-	1,385	-	422,506
	90,217,265	$ 41,645,259	$ 30,628	$ 2,566,184	$ 7,077,845	136,404,813
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	764,606	52,204	50,953	11,695	-	856,068
Leasehold improvements	1,319,967	154,831	113,913	207,703	833	1,381,841
Miscellaneous equipment	167,455	147,922	58,629	1,385	-	372,621
	65,763,662	$ 31,011,148	$ 9,270,485	$ 1,856,104	$ -	104,189,191
	24,453,603					32,215,622
Construction-in-progress and prepayments for equipment	3,176,089	$ 141,375	$ 7,331,614	$ 73,652	$ (7,083,474)	3,491,952
	$ 27,629,692					$ 35,707,574

	Year Ended December 31, 2009				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost					
Land	$ 852,980	$ -	$ -	$ -	$ 852,980
Buildings and equipment	1,702,916	-	4,616	70,774	1,769,074
Operating equipment	68,296,823	266,039	792,820	4,906,121	72,676,163
Computer equipment	10,610,449	-	124,488	1,555,158	12,041,119
Office equipment	828,579	-	886	55,299	882,992
Leasehold improvements	1,514,714	-	5,281	258,360	1,767,793
Miscellaneous equipment	222,836	-	1,233	5,541	227,144
	84,029,297	$ 266,039	$ 929,324	$ 6,851,253	90,217,265
Accumulated depreciation					
Buildings and equipment	610,607	$ 55,101	$ 4,616	$ -	661,092
Operating equipment	47,934,251	5,894,577	569,496	-	53,259,332
Computer equipment	8,659,063	1,056,561	124,414	-	9,591,210
Office equipment	732,930	32,555	879	-	764,606
Leasehold improvements	1,234,972	89,421	4,426	-	1,319,967
Miscellaneous equipment	139,152	29,536	1,233	-	167,455
	59,310,975	$ 7,157,751	$ 705,064	$ -	65,763,662
	24,718,322				24,453,603
Construction-in-progress and prepayments for equipment	4,615,782	$ 5,428,164	$ 8,149	$ (6,859,708)	3,176,089
	$ 29,334,104				$ 27,629,692

b. Capitalized interest on properties was as follows:

	Years Ended December 31	
	2010	2009
Total interest expense	$ 40,654	$ 15,675
Less: Interest capitalized (included in construction-in-progress and prepayments for equipment)	13,894	7,950
Interest expense, net of amounts capitalized	$ 26,760	$ 7,725
Interest rate capitalized	0.04%-2.70%	0.60%-1.56%

12. 3G CONCESSION, NET

	Years Ended December 31	
	2010	2009
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	3,592,642	2,861,935
Amortization	730,707	730,707
Ending balance	4,323,349	3,592,642
Intangible assets, net	$ 5,845,651	$ 6,576,358

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 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, 2010 and 2009, the carrying values of the tangible and intangible assets used by the Company and KG Telecom were $52,018,222 thousand and $55,452,940 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 8.33% and 10.61% on December 31, 2010 and 2009, 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:

a. Expected future growth rate of the telecommunications industry

1) 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.

2) 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.

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.

Using the key assumptions of each cash-generating unit, the Company's management believes that, for the years ended December 31, 2010 and 2009, 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, 2010 and 2009, there was also no indication of impairment loss.

14. RENTAL ASSETS, NET

	Year Ended December 31, 2010		
	Land	Buildings and Equipment	Total
Cost			
Beginning balance	$ 99,524	$ 94,673	$ 194,197
Accumulated depreciation			
Beginning balance	-	12,881	12,881
Depreciation	-	1,932	1,932
Ending balance	-	14,813	14,813
Rental assets, net	$ 99,524	$ 79,860	$ 179,384

	Year Ended December 31, 2009		
	Land	Buildings and Equipment	Total
Cost			
Beginning balance	$ 99,524	$ 94,673	$ 194,197
Accumulated depreciation			
Beginning balance	-	10,949	10,949
Depreciation	-	1,932	1,932
Ending balance	-	12,881	12,881
Rental assets, net	$ 99,524	$ 81,792	$ 181,316

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

Year	Amount
2011	$ 6,989
2012	5,503

15. SHORT-TERM BANK LOANS

	December 31	
	2010	2009
Unsecured bank loans - interest of 0.59%-0.71% in 2010 and 0.60% in 2009	$ 2,940,000	$ 200,000

Of the short-term bank loans, loans of $790,000 thousand will be repaid before February 18, 2011, and loans of $200,000 thousand in 2009 were repaid in January 2010.

16. COMMERCIAL PAPERS PAYABLE

As of December 31, 2010, the Company issued commercial paper, which was guaranteed by the financial institution and discounted at the interest rate of 0.648% to 0.748%. The Company will repay $2,050,000 thousand before February 18, 2011.

17. ACCRUED EXPENSES

	December 31	
	2010	2009
Commission	$ 1,416,512	$ 1,357,258
Bonus	613,813	635,797
Bonus to employees and remuneration to directors and supervisors	238,911	249,213
Maintenance fee	190,063	98,341
Utilities	109,412	83,061
Advertisement	103,424	113,636
Rental	86,278	42,843
Billing processing fee	54,037	60,269
Other	518,143	429,106
	$ 3,330,593	$ 3,069,524

18. UNEARNED REVENUES

	December 31	
	2010	2009
Unearned telecom revenues from prepaid cards	$ 960,329	$ 761,408
Unearned telecom revenues from postpaid	700,074	39,407
Other	83,455	56,584
	$ 1,743,858	$ 857,399

The Company entered into a contract with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card related regulation of the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificate. For the year ended December 31, 2010, the Company consigned the proceeds of its sale of prepaid cards to FEIB as a trust fund, which was included in the restricted assets - current. FEIB was designated as in charge of the trust fund to protect prepaid cards customers' rights under the trust deed. KG Telecom provided a performance guarantee to the Company for prepaid cards already bought by customers for the year ended December 31, 2009 (Note 26).

19. LEASE PAYABLE

	December 31, 2009
Total future lease payments	$ 4,843
Less: Imputed interest expense	663
	4,180
Less: Current portion of lease payable	4,180
Lease payable - noncurrent	$ -

The capital lease contracts are summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Year Ended December 31 2010	2009
Far Eastern International Leasing Corp.	Computer equipment	July 2004 - June 2009 annual payment of $15,414 thousand (equipment were transferred unconditionally to the Company on contract expiry)	$ -	$ -
Far Eastern International Leasing Corp.	Computer equipment	March 2006 - February 2011 annual payment of $5,063 thousand	5,063	5,063
Far Eastern International Leasing Corp. - from merger with KG Telecom	Computer equipment	March 2006 - February 2011 annual payment of $5,063 thousand	5,063	-
			$ 10,126	$ 5,063

20. PENSION PLAN

a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, rate of monthly contributions by the Company to the employees' individual pension fund accounts starting on July 1, 2005 is at 6% of monthly wages and salaries. The pension cost under the defined contribution plan amounted to $147,597 thousand and $138,026 thousand for the years ended December 31, 2010 and 2009, respectively.

b. The Company has a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points.

The Company including KG Telecom, KGEx.com Co., Ltd., and Yuan Cing Co., Ltd. accrue pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan.

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

1) Net pension cost consisted of:

	Years Ended December 31 2010	2009
Service cost	$ 30,812	$ 34,834
Interest cost	25,971	34,425
Expected return on plan assets	(8,451)	(14,123)
Amortization of net transition obligation	911	911
Amortization of prior service cost	(1,162)	(1,162)
Amortization of unrecognized pension loss	6,804	13,186
Net pension cost	$ 54,885	$ 68,071

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

	December 31 2010	2009
Benefit obligation		
Vested benefit obligation	$ 7,609	$ 13,132
Non-vested benefit obligation	675,491	699,360
Accumulated benefit obligation	683,100	712,492
Additional benefits based on projected and future salaries	395,144	441,718
Projected benefit obligation	1,078,244	1,154,210
Fair value of plan assets	(579,177)	(543,075)
Funded status	499,067	611,135
Unrecognized net transition asset	2,705	1,794
Unrecognized prior service cost	25,567	26,729
Unrecognized pension loss	(139,040)	(271,918)
Accrued pension cost	$ 388,299	$ 367,740
Vested benefit	$ 9,657	$ 16,280

3) Actuarial assumptions were as follows:

	December 31 2010	2009
Discount rate used in determining present value	2.25%	2.25%
Rate of future salary increase	2.50%	2.50%
Expected rate of return on plan assets	1.50%	1.50%

	Year Ended December 31 2010	2009
d. Contributions to the fund	$ 34,326	$ 46,552
e. Payments from the fund	$ 7,010	$ -

21. STOCKHOLDERS' EQUITY

a. Capital surplus

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

b. Appropriation of earnings and dividend policy

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

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

For the years ended December 31, 2010 and 2009, the bonus to employees was $159,274 thousand and $166,142 thousand, respectively, and the remuneration to directors and supervisors was $79,637 thousand and $83,071 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 2% and 1% of net income (net of the bonus and remuneration) less 10% legal reserve and special reserve, respectively, were recognized for the years ended December 31, 2010 and 2009, respectively. The amounts were estimated on the basis of past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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

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

Under the integrated income tax system, noncorporate ROC-resident stockholders are allowed tax credits for the income tax paid by the Company on earnings generated from January 1, 1998. Under this system, the Company maintains an imputation credit account (ICA) for the income tax and the tax credits allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.

The appropriation of the 2009 and 2008 earnings was approved by the stockholders on June 15, 2010 and June 16, 2009, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2009	2008	2009	2008
Legal reserve	$ 923,010	$ 1,016,075		
Special reserve	(21,740)	21,740		
Cash dividend	9,123,802	9,123,802	$2.80	$2.80

The bonus to employees and the remuneration to directors and supervisors for 2009 and 2008 approved in the stockholders' meetings on June 15, 2010 and June 16, 2009, respectively, were as follows:

	Years Ended December 31			
	2009		2008	
	Cash	Stock	Cash	Stock
Bonus to employees	$ 166,577	$ -	$ 182,459	$ -
Remuneration to directors and supervisors	83,288	-	91,229	-

	Years Ended December 31			
	2009		2008	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	$ 166,577	$ 83,288	$ 182,459	$ 91,229
Amounts recognized in respective financial statements	166,142	83,071	182,459	91,229
	$ 435	$ 217	$ -	$ -

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. 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, 2008.

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

c. Global depositary receipts

The Company's Global Depositary Receipts (GDRs) as of December 31, 2010 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)	22,332	334,987
GDRs transferred to common stock		(31,508)	(472,621)
Outstanding GDRs issued		627	9,413

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, 2010, 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 represent 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, GDRs re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2010, the Company had reissued 22,332 thousand units of GDR, representing 334,987 thousand common shares.

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

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

d. Share issuance for cash - private placement

On June 15, 2010, 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, 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 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. On June 25, 2010, the Company's board of directors resolved to set the private placement price at NT$40.00 per share. However, based on certain agreements, if the volume weighted average price of the 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 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, 2010 and 2009 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, 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	(25,458)	(22,624)	-	(48,082)
Ending balance	$ 44,508	$ 13,434	$ 12,750	$ 70,692
Year ended December 31, 2009				
Beginning balance	$ (50,204)	$ -	$ -	$ (50,204)
Recorded as adjustments to stockholders' equity	113,008	2,050	-	115,058
Recognized as profit or loss	29,201	-	-	29,201
Ending balance	$ 92,005	$ 2,050	$ -	$ 94,055

22. INCOME TAX

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

	Years Ended December 31 2010	2009
Income tax expense computed at statutory tax	$ 1,857,073	$ 3,149,677
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses	1,167	273,697
Other	124,643	(2,596)
Temporary differences		
Allowance for doubtful accounts	(42,173)	(110,105)
Equity in investee's net losses (gains)	28,139	(71,824)
Loss on disposal of properties	58,027	-
Goodwill amortization	(134,470)	-
Other	7,555	(20,397)
Investment tax credits used	-	(222,019)
Income tax payable - current	1,899,961	2,996,433
Income tax expense on income subjected to a separate rate of 20%	-	342
Prior year's adjustment	74,486	38,874
Income tax expense - current	$ 1,974,447	$ 3,035,649

b. Income tax expense consisted of:

	Years Ended December 31 2010	2009
Income tax expense - current	$ 1,974,447	$ 3,035,649
Income tax expense - deferred		
Temporary differences	100,949	332,950
	$ 2,075,396	$ 3,368,599

During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

1) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.

2) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.

3) 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	2009
Current		
Deferred income tax assets		
Allowance for doubtful accounts	$ 373,146	$ 373,341
Provision for loss on decline in value of inventories	3,116	5,105
Other	18,385	15,395
	$ 394,647	$ 393,841
Noncurrent		
Deferred income tax assets		
Equity in investees' net losses	$ 346,249	$ 368,740
Accrued pension cost	72,723	77,771
Loss on disposal of properties	62,172	-
Other	13,735	14,173
	494,879	460,684
Less: Valuation allowance	161,608	176,386
	333,271	284,298
Deferred income tax liabilities		
Goodwill amortization	(672,352)	-
	$ (339,081)	$ 284,298

d. Integrated income tax information is as follows:

	December 31 2010	2009
Balance of imputation credit account (ICA)	$ 933,662	$ 293,676

The creditable ratio for distribution of earnings of 2010 and 2009 was 20.67% (estimate) and 26.78%, respectively.

Based on the Income Tax Law, the imputation tax credits distributed to each stockholder are based on the ICA balance as of the date of dividend distribution. Thus, the estimated creditable ratio for the 2010 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2009 earnings appropriation had been determined, the actual ratio was disclosed

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

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

Income tax returns through 2004 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 its 2001 to 2004 returns and thus filed appeals for the reexamination of these returns. Nevertheless, the Company accrued the related tax.

23. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2010				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 517,139	$ 1,791,763	$ -	$ 620,777	$ 2,929,679
Pension	45,515	116,809	-	40,158	202,482
Meal	10,791	45,561	-	13,554	69,906
Employee benefit	-	29,096	-	-	29,096
Insurance	35,958	127,671	-	43,891	207,520
Miscellaneous	2,136	28,944	-	2,063	33,143
	$ 611,539	$ 2,139,844	$ -	$ 720,443	$ 3,471,826
Depreciation	$ 8,465,205	$ 805,280	$ 1,932	$ -	$ 9,272,417
Amortization	$ 9,686	$ -	$ -	$ -	$ 9,686

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

The Company provided management services to certain equity-method investees (Note 26). The employee expenses were charged on the basis of agreed-upon terms and recorded as reductions of operating costs or expenses.

To enhance their competency, the Company, New Century InfoComm Tech Co., Ltd. and Digital United Inc. (dissolved on March 16, 2009 due to merger with NCIC) made a strategic business alliance to integrate the resources of their marketing departments and operating management departments and to support each other's human resources. The related employee revenues and expenses were charged and paid on the basis of agreed-upon terms and recorded as nonoperating income and operating cost or expense. In addition, in the special meeting on October 5, 2010, NCIC's stockholders resolved to entrust all its business operation to the Company.

24. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (In Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2010					
Basic EPS					
Net income	$ 10,923,961	$ 8,848,565	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	$ 10,923,961	$ 8,848,565	3,264,293	$ 3.35	$ 2.71

(Continued)

	Amount (Numerator)		Common Stock (Denominator) (In Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2009					
Basic EPS					
Net income	$ 12,598,706	$ 9,230,107	3,258,501	$ 3.87	$ 2.83
Effect of dilutive potential common stock					
Bonus to employees	-	-	6,660		
Diluted EPS					
Net income including the effect of potential dilutive common stock	$ 12,598,706	$ 9,230,107	3,265,161	$ 3.86	$ 2.83

(Concluded)

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

25. FINANCIAL INSTRUMENTS

a. Fair value information

	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Available-for-sale financial assets - current	$ 526,209	$ 526,209	$ 52,050	$ 52,050
Lease receivable (including current portion)	52,335	52,335	-	-
Hedging derivative financial assets - current	13,820	13,820	-	-
Held-to-maturity financial assets - noncurrent	199,666	203,931	-	-
Refundable deposits	324,246	323,881	284,783	284,783
Liabilities				
Lease payable (including current portion)	-	-	4,180	4,180
Guarantee deposits received (including current portion)	751,338	751,338	708,928	708,928
Place of transaction on derivative financial instruments				
Domestic	13,820	13,820	-	-

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 certificate 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 value of derivative financial instruments and available-for-sale financial assets.

   If quoted market prices are not available, the fair values are evaluated by the Company using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Company.

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

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

	December 31			
	Quoted Price		Estimated Price	
	2010	2009	2010	2009
Assets				
Available-for-sale financial assets - current	$ 526,209	$ 52,050	$ -	$ -
Held-to-maturity financial assets - noncurrent	203,931	-	-	-
Hedging derivative financial assets - current	-	-	13,820	-

d.

	December 31			
	2010		2009	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Risk of interest rate change				
Fair value risk	$ 625,136	$ 6,540,077	$ 1,554,673	$ 913,108
Cash flow risk	6,464,933	-	2,461,434	-

e. Financial risks

1) Market risk

   Fair values of mutual funds, bonds and domestic quoted stocks held by the Company, KG Telecom (dissolved due to the merger with the Company on January 1, 2010), 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, KG Telecom, NCIC and ARCOA periodically evaluate the performance of these investments, market risk is expected to be immaterial.

   For the years ended December 31, 2010 and 2009, the Company, NCIC and KG Telecom used cross-currency swap contracts or foreign exchange swap contract to hedge against the effect of exchange rate fluctuations, respectively. 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, KG Telecom, NCIC and ARCOA invested in domestic quoted stocks, bonds and mutual funds that have quoted price in an active market and can be sold immediately at prices close to their fair values.

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

   For the years ended December 31, 2010, NCIC used foreign exchange swap contract, which resulted in simultaneous cash inflows and outflows that balanced each other at maturity; thus, the expected extra cash demand is not significant.

4) Cash flow risk from interest fluctuations

   The Company and its subsidiaries have demand deposits, other receivables - related parties and short-term liabilities with floating interest rates. As a result, the effective interest rates on these loans will change as the market interest rates change.

f. Cash flow hedge

NCIC used foreign exchange swap contracts in 2010 while KG Telecom used cross-currency swap contracts in 2009 to hedge against cash flow fluctuations on its foreign currency-denominated assets, respectively:

	Designated Hedging Instruments					Expected	Expected Year for
		Notional Amount		Fair Value		Year	Realization
	Financial Instruments	December 31		December 31			of Gains or
Hedged Items	Designated	2010	2009	2010	2009	of Cash Flows	Losses
Foreign currency-denominated asset	Cross-currency swap - the Company	US$15,000,000	$ -	$ 13,820	$ -	2011	2011
	Foreign exchange swap - NCIC	US$40,000,000	-	64,850	-	2011	2011
	Cross-currency swap - KG Telecom (dissolved due to the merger with the Company on January 1, 2010)	$ -	US$10,000,000	-	2,750	2010	2010

26. 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
Data Express Infotech Co., Ltd. (DE Infotech)	Subsidiary of ARCOA (subsidiary of the Company since December 1, 2010)
Linkwell Tech. Co., Ltd.	Subsidiary of DE Infotech (subsidiary of the Company since December 1, 2010)
Q-ware Communications Co., Ltd. (Q-ware)	Subsidiary
E. World (Holdings) Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (Bermuda) (FEIS)	Subsidiary
Far EasTron Holding Ltd.	Subsidiary
Yuan Cing Infocomm Tech Co., Ltd. (YCIC)	Subsidiary
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)	Subsidiary of FEIS
O-music Co., Ltd.	Subsidiary
ADCast Interactive Marketing Co., Ltd. (ADCast)	Subsidiary
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee (subsidiary of the Company since August 16, 2010)
Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee
iScreen Corporation	Equity-method investee of KG Telecom (equity-method investee of the Company since January 1, 2010)
Digital United Inc. (DU)	Subsidiary of NCIC (dissolved due to merger with NCIC on March 16, 2009)
Information Security Service Digital United, Inc.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
New Diligent Co., Ltd.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Simple InfoComm Co., Ltd.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
New Diligence Corporation (Shanghai)	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
NTT DoCoMo Inc.	Director (became an unrelated party since June 2009)
Far Eastern International Leasing Corp. (FEILC)	Supervisor

(Continued)

Related Party	Relationship with the Company
Telecommunication and Transportation Foundation (TTF)	The Company's donation is over one third of the foundation's fund
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same ultimate parent company
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.	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
Bai Ding Investment Ltd.	Same chairman
Yuan Ding Co.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Plaza Hotel	Same chairman
Yuan-Ze University (YZU)	Same chairman
U-Ming Marine Transport Corporation	Same chairman
Chiahui Power Corporation	Same chairman
Tranquil Enterprise Ltd.	Same chairman
Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation (FETSTMF)	Same chairman
Far Eastern International Bank (FEIB)	The Company's chairman is FEIB's vice chairman
Far Eastern Construction Co., Ltd.	Same ultimate parent company
Yuang Tong Investment Corporation	Same ultimate parent company
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Oriental Petrochemical (Taiwan) Co., Ltd.	Same ultimate parent company
Yuan Ding Investment Corporation	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Far EasTone Fibertech Co., Ltd.	Same ultimate parent company

(Continued)

Related Party	Relationship with the Company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Far Eastern Apparel (Vietnam) Ltd.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
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
Far Eastern Leasing Corporation	Subsidiary of FEILC

(Concluded)

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

		2010		2009	
		Amount	%	Amount	%
During the year					
Operating revenue	1)				
NCIC	2)	$ 750,433	1	$ 603,718	1
ARCOA	3)	394,428	1	315,215	1
KGEx	4)	261,907	-	198,362	-
KG Telecom	5)	-	-	3,128,129	6
NTT DoCoMo Inc.	27)	-	-	46,438	-
Other	30)	5,122	-	5,170	-
		$ 1,411,890	2	$ 4,297,032	8
Operating costs and expenses					
Cost of telecommunications service					
NCIC	2) and 6)	$ 869,546	4	$ 551,919	3
ARCOA	3)	49,705	-	57,343	-
KG Telecom	5)	-	-	1,073,889	5
Other	30)	30,741	-	39,133	-
		$ 949,992	4	$ 1,722,284	8

		2010		2009	
		Amount	%	Amount	%
Purchase					
ARCOA	3)	$ 1,745,281	23	$ 1,783,304	38
Rental					
FEILC	7)	$ 42,317	1	$ 39,765	1
FETRD	8)	41,837	1	45,511	1
NCIC	6)	11,368	-	26,788	1
Other	30)	52,181	1	62,824	2
		$ 147,703	3	$ 174,888	5
Service fee					
FCHRC	9)	$ 274,981	51	$ 57,970	20
FETI	10)	115,518	22	144,930	50
Other	30)	506	-	921	-
		$ 391,005	73	$ 203,821	70
Marketing expense					
ARCOA	3)	$ 614,469	6	$ 485,164	5
DDIM	11)	129,029	2	140,535	2
Other	30)	49,523	-	43,770	-
		$ 793,021	8	$ 669,469	7
Telephone fee					
NCIC	12)	$ 27,107	10	$ 26,297	11
Other	30)	4,607	2	-	-
		$ 31,714	12	$ 26,297	11
Donation					
YZU	13)	$ 25,000	43	$ -	-
TTF	14)	7,000	12	9,000	42
		$ 32,000	55	$ 9,000	42
Nonoperating income and gains					
Management services revenue					
NCIC	15)	$ 37,507	93	$ 26,226	54
KG Telecom	15)	-	-	19,698	41
Other	30)	2,635	7	2,260	5
		$ 40,142	100	$ 48,184	100
Commission					
KG Telecom	16)	$ -	-	$ 43,844	100

		2010 Amount	2010 %	2009 Amount	2009 %
Rent					
NCIC	6)	$ 15,992	46	$ 5,225	20
Other	30)	1,075	3	3,187	13
		$ 17,067	49	$ 8,412	33
Interest					
FEIB	17)	$ 21,501	34	$ 2,262	44
YCIC	18)	12,800	20	-	-
Asia Cement Co., Ltd.	19)	3,999	7	-	-
Other	30)	234	-	-	-
		$ 38,534	61	$ 2,262	44
Guarantee services revenue					
Q-ware	20)	$ 466	-	$ 111	-
KGEx	21)	73	-	75	-
KG Telecom	21)	-	-	1,469	2
		$ 539	-	$ 1,655	2
Other revenue					
ARCOA	3)	$ 3,744	3	$ 4,051	5
Q-ware	22)	2,785	2	11,212	13
Other	30)	680	-	-	-
		$ 7,209	5	$ 15,263	18
Nonoperating expenses and losses					
Guarantee services expenses					
KG Telecom	21)	$ -	-	$ 4,181	54
Donation					
FETSTMF	24)	$ -	-	$ 90,000	94
Acquisition of properties					
FEILC	7)	$ 236,508	3	$ -	-
NCIC	28)	952	-	40,778	1
Other	30)	25,972	1	22,259	-
		$ 263,432	4	$ 63,037	1
Disposal of properties					
KGEx	25)	$ 55,389	72	$ -	-
At end of year					
Demand deposits and certificates of deposits					
FEIB	17)	$ 1,799,260	80	$ 1,648,650	44

		2010 Amount	2010 %	2009 Amount	2009 %
Accounts receivable - related parties					
ARCOA	3)	$ 220,928	63	$ 203,027	29
NCIC	2)	45,556	13	-	-
KGEx	4)	43,862	13	32,649	4
Q-ware	23)	34,765	10	-	-
KG Telecom	5)	-	-	438,482	62
Other	30)	5,571	1	33,268	5
		$ 350,682	100	$ 707,426	100
Other receivables - related parties					
YCIC	18)	$ 4,306,086	90	$ -	-
NCIC	15)	425,131	9	156,597	81
KG Telecom	15), 16) and 21)	-	-	10,846	6
Other	30)	30,743	1	25,927	13
		$ 4,761,960	100	$ 193,370	100
Lease receivable (including current portion)					
KGEx	25)	$ 52,335	100	$ -	-
Prepaid expenses					
DE Infotech	29)	$ 50,000	8	$ -	-
Other	30)	10,944	2	14,018	3
		$ 60,944	10	$ 14,018	3
Refundable deposits					
DDIM	11)	$ 38,107	12	$ 36,192	13
Other	30)	8,992	3	10,360	3
		$ 47,099	15	$ 46,552	16
Accounts payable - related parties					
NCIC	2)	$ 98,941	49	$ 119,766	27
ARCOA	3)	93,992	47	170,630	39
KG Telecom	5)	-	-	142,806	33
Other	30)	6,987	4	2,624	1
		$ 199,920	100	$ 435,826	100

		2010 Amount	2010 %	2009 Amount	2009 %
Other payables - related parties					
ARCOA	3)	$ 88,210	23	$ 55,125	4
DDIM	11)	75,956	20	63,021	5
YZU	13)	40,100	10	-	-
FENC	26)	34,819	9	6,357	-
NCIC	6) and 12)	32,622	9	121,206	9
FCHRC	9)	29,360	8	8,647	1
FETI	10)	13,806	4	24,755	2
KG Telecom	16) and 21)	-	-	1,049,764	76
Other	30)	66,482	17	45,978	3
		$ 381,355	100	$ 1,374,853	100
Lease payable (including current portion)					
FEILC	7)	$ -	-	$ 4,180	100

Descriptions of transactions with related parties were as follows:

1) Operating revenues (such as service revenues, revenues from sales of cellular phone equipment, accessories and leased-circuit revenue) from related parties were based on normal service rates, selling prices and collection terms.

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

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

4) The interconnection fees paid by KGEx for its use of the Company's network and related services provided by the Company to KGEx were included in telecommunications service revenue and accounts receivable - related parties. The international direct dialing revenues collected by the Company for KGEx through call-by-call selection service were treated as a reduction of the telecommunications service revenues and were settled at net amounts.

5) The transactions between the Company and KG Telecom (dissolved due to the merger with the Company on January 1, 2010) consisted of the interconnection activities for KG Telecom's use of the Company's network and vice versa. The interconnection fees received from KG Telecom for its use of the Company's network were included in telecommunications service revenues. The interconnection fee paid by the Company on its use of KG Telecom's network and related billing processing costs were included in the cost of telecommunications services.

6) The Company leased from NCIC the leased line, office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts. Also, the Company rented some telecommunication equipments to NCIC.

7) Under operating lease agreements, the Company leased from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; (b) the land and mobile switch centers located in Neihu, Taichung and Xinzhu from November 1999 to June 2004; and (c) vehicles. Some of these contracts will be automatically renewed unless either the Company or FEILC informs the other party of contract termination.

The Company bought from FEILC the Neihu switch center, the Taichung land for switch center and the Kaohsiung office space for $239,177 thousand (including VAT) based on appraisal reports and market prices. The ownership of these properties had been transferred to the Company.

The Company also leased from FEILC computer equipment under capital lease agreements, with amounts of $10,126 thousand and $5,063 thousand paid for the years ended December 31, 2010 and 2009, respectively. Part of the agreements on the computer expired on June 30, 2009 and the ownership was already transferred to the Company without condition (Note 19).

8) The Company leased from FETRD several building spaces and parcels of land under contracts with terms from September 2003 to November 2013. The properties are located on Yatung Street and Renai Street in Panchao City, Wuku in Taipei County and other locations in Taiwan.

9) The Company had contracts with FCHRC for manpower dispatching services, under which the Company paid service charges for FCHRC's providing the Company with temporary or specific personnel demands.

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

11) The Company authorized DDIM to manage the accumulation and redemption of reward points for customers. The related service charges were treated as marketing expense and other payables - related parties. The Company had given DDIM monthly refundable deposits, which were calculated at a fixed percentage of the unused reward points.

12) The Company used the fixed network and internet access services provided by NCIC.

13) The Company made donations to nonprofit organizations for further integration and development of telecommunications business and personnel.

14) The Company made donations to TTF for telecommunications technology researches.

15) The Company provided management services and advances to KG Telecom and NCIC for its daily operating expenditures.

16) The Company and KG Telecom agreed to receive or pay handset subsidies and commissions due to the promotion of opposite SIM card numbers and advances for the costs of handsets purchased for each other in the net amount. Bills collected on behalf of KG Telecom were included in other payables - related parties.

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

18) The Company lent $4,300,000 thousand to YCIC and received interest based on agreement.

19) The Company accrued interest revenue from investment in Asia Cement Co., Ltd.'s five-year corporate bond (Note 10).

20) The Company provided a $149,840 thousand guarantee for Q-ware's bank loans and charged it the guarantee service revenues based on the agreed rate.

21) Under the NCC's policy effective April 1, 2007, the Company had provided performance guarantees amounting to $450,000 thousand (before December 31, 2009) to KG Telecom and $45,000 thousand to KGEx for prepaid cards already bought by customers. KG Telecom had also provided the Company a similar guarantee amounting to $850,000 thousand (before December 31, 2009). Moreover, KG Telecom had also provided its certificate of deposits amounting to $390,000 thousand (before December 31, 2009) to the National Tax Administration of Taipei as collaterals for the Company's administrative tax remedies for certain tax assessments. The guarantee service revenues and expenses were charged and paid on the basis of actual appropriation amounts multiplied at the agreed rate.

22) The Company provided the billing processing services for Q-ware's mobile virtual network services

23) The proceeds of Q-ware's selling MVNO cards on behalf of the Company were recorded as accounts receivable - related parties.

24) To honor Mr. You-Shiang Hsu's contributions to the foundation of the Far Eastern Group and in remembrance for his spirit on the promotion of industrial and public welfare, the Company made a donation to a fund for the construction of his memorial.

25) Under capital lease agreements, KGEx leased from the Company certain switches based on market prices from May 2010 to April 2017, with quarterly rental payment of $2,020 thousand. The switches will be transferred to KGEx unconditionally when the contract expires.

26) The Company shared in the management expenses of the Far Eastern Group.

27) The Company provided international roaming services to the customer of NTT DoCoMo Inc. The service revenues were treated as telecommunications service revenues.

28) The Company bought computer equipment and telecommunications equipment from NCIC.

29) The advances made by the Company for purchasing computers and accessories from DE Infotech.

30) Accounts of other related parties were less than 5% of the respective accounts.

All of the above rental rates and terms were comparable to leases with third parties.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salary and bonus	$ 144,307	$ 116,372
Remuneration paid from distribution of earnings	79,637	83,071
Bonus paid from distribution of earnings	33,978	30,765
Operation allowance of directors	8,248	7,380
	$ 266,170	$ 237,588

27. COMMITMENTS AS OF DECEMBER 31, 2010

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 $2,851,796 thousand and $3,918,197 thousand, respectively, of which $881,455 thousand and $1,028,543 thousand, respectively, had been received.

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

Year	Amount
2011	$ 2,642,678
2012	2,745,164
2013	2,851,652
2014	2,962,301
2015	3,077,273

c. Oriental Securities Investment Advisory Co., Fuh Hwa Securities Investment Trust Co., Ltd., SinoPac Securities Investment Trust Co., Ltd., Prudential Financial Securities Investment Trust Enterprise, Jin Sun Securities Investment Trust Co. Ltd. and Yuanta Securities Investment Trust Co. Ltd. are managing the Company's funds of $350,000 thousand through March 2011 under a discretionary portfolio management agreements, which are automatically renewed for one year unless the Company gives a notice of contract termination. Under these agreements, the portfolio may include domestic quoted stocks, government bonds, corporate bonds, mutual funds and commercial papers or bonds under resell agreements. However, under the Company's agreement, investments in the affiliates of the Company and other domestic telecommunications companies (except Chunghwa Telecom Co., Ltd.) and related derivatives are prohibited. As of December 31, 2010, the carrying value of the funds of $352,434 thousand is as follows:

	December 31, 2010
Cash and cash equivalents	
Demand deposits	$ 56,995
Certificates of deposits	9,900
Bonds purchased under resell agreements	29,089
	95,984
Available-for-sale financial assets - current	255,662
Receivables from the sale of securities (included in other current assets)	1,880
Payable from the acquisition of securities (included in other current liabilities)	(926)
Other	(166)
	$ 352,434

28. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2010	2009
Pledged certificates of deposits	$ 392,000	$ 2,000

29. OTHER

The Company's assets and liabilities which are not denominated in New Taiwan Dollars as of December 31, 2010 and 2009 are as follows:

(In Thousands, Except Exchange Rate)

	December 31, 2010		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Monetary assets			
United States Dollars	$ 19,003	29.13	$ 553,557
EURO	10	38.92	389
Japanese Yen	306	0.3582	110
Hong Kong Dollars	19	3.748	71
Monetary liabilities			
United States Dollars	$ 10,017	29.13	$ 291,795
EURO	35	38.92	1,362
Non-monetary assets			
United States Dollars	$ 14,049	29.13	$ 409,247

	December 31, 2009		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Monetary assets			
United States Dollars	$ 6,341	31.99	$ 202,849
EURO	3	46.10	138
Japanese Yen	3,128	0.3472	1,086
Hong Kong Dollars	48	4.126	198
Monetary liabilities			
United States Dollars	$ 16,530	31.99	$ 528,795
EURO	3,405	46.10	156,971
Japanese Yen	11	0.3472	4

(Continued)

	December 31, 2009		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Non-monetary assets			
United States Dollars	$ 7,547	31.99	$ 241,429

(Concluded)

30. 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: Schedule E

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 F

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

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

10) Derivative financial instruments of investees: Note 25

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 I

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 26

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

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

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

31. SEGMENT INFORMATION

a. Industry

The Company is comprised of telecommunications services department and cellular phone equipment sales department. The telecommunications services department is the primary department since the revenues and identifiable assets from telecommunications services accounted for more than 90% of the Company's total revenues and identifiable assets.

The primary department provides wireless communications, international simple resale (ISR), leased circuit and Internet services.

b. Foreign operations

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

c. Foreign revenues

The Company has no foreign revenues.

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

	Years Ended December 31			
	2010		2009	
	Amount	Percentage of Operating Revenue (%)	Amount	Percentage of Operating Revenue (%)
Company A	$ 7,235,430	12	$ 6,603,206	12

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2010
(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 (Note)	Financing Company's Financing Amount Limits
											Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Yuan-Cing Infocomm Tech Co., Ltd.	Other receivables - related parties	$ 4,300,000	$ 4,300,000	0.787%-0.821%	Short-term financing	$ -	For the tender offer payment and business operations	$ -	-	$ -	$ 7,128,083	$ 10,692,125

Note: The maximum total financing provided amount for short-term financing should not exceed 15% of The Company'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 the Company's net worth of most current audited or reviewed financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010
(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.	Subsidiary	$ 35,640,416	$ 149,840	$ 149,840	$ -	0.21%	$ 71,280,832
		KGEx.com Co., Ltd.	Subsidiary	35,640,416	45,000	45,000	-	0.06%	71,280,832

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(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, 2010				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	Yuan Cing Infocomm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,500,100,000	$ 15,076,670	100.00	$ 15,076,670	Notes A and D
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	695,096,070	6,170,177	26.74	6,170,177	Notes A and D
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,175,797	61.07	1,175,797	Notes A and D
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	89,088,470	726,564	79.25	726,564	Notes A and D
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	174,185	100.00	174,185	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	169,347	41.18	169,347	Notes A and D
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	77,979	85.92	77,979	Notes A and D
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,725,000	34,346	15.00	34,346	Notes A and D
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	26,920	100.00	26,920	Notes A and D
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	24,247	40.00	24,247	Notes A and D
	O-music Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	23,833	50.00	23,833	Notes A and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	386,870	3,834	8.56	3,834	Notes A and D
	Q-ware Communications Co., Ltd	Equity-method investee	Other liability - other	36,459,930	(114,466)	51.00	(114,466)	Notes A and D
	TCC	-	Available-for-sale financial assets - current	550,000	18,040	-	18,040	Note B
	ACC	-	Available-for-sale financial assets - current	2,090,900	67,432	-	67,432	Note B
	DAIOKU	-	Available-for-sale financial assets - current	100,000	6,400	-	6,400	Note B
	TSRC	-	Available-for-sale financial assets - current	150,000	10,125	-	10,125	Note B
	WEC	-	Available-for-sale financial assets - current	900,000	7,749	-	7,749	Note B
	CHROMA	-	Available-for-sale financial assets - current	160,000	13,936	-	13,936	Note B
	LPI	-	Available-for-sale financial assets - current	1,310,000	32,357	-	32,357	Note B
	ARES	-	Available-for-sale financial assets - current	300,000	8,790	-	8,790	Note B
	STARK	-	Available-for-sale financial assets - current	415,000	12,741	-	12,741	Note B
	EVAAIR	-	Available-for-sale financial assets - current	275,000	10,120	-	10,120	Note B
	Yuanta Group	-	Available-for-sale financial assets - current	400,000	8,720	-	8,720	Note B
	NOVATEK	-	Available-for-sale financial assets - current	30,000	2,820	-	2,820	Note B
	Ardentec	-	Available-for-sale financial assets - current	300,000	9,075	-	9,075	Note B
	GPI	-	Available-for-sale financial assets - current	108,763	5,677	-	5,677	Note B
	GET	-	Available-for-sale financial assets - current	100,000	8,400	-	8,400	Note B
	Orisetech	-	Available-for-sale financial assets - current	108,000	6,858	-	6,858	Note B
	GS	-	Available-for-sale financial assets - current	655,000	14,574	-	14,574	Note B
	RECHI	-	Available-for-sale financial assets - current	300,000	5,520	-	5,520	Note B
	SWANCOR	-	Available-for-sale financial assets - current	200,000	11,220	-	11,220	Note B
	CHIPBOND	-	Available-for-sale financial assets - current	270,000	13,743	-	13,743	Note B
	SYSTEX	-	Available-for-sale financial assets - current	320,000	15,008	-	15,008	Note B
	SIGURD	-	Available-for-sale financial assets - current	300,000	8,340	-	8,340	Note B

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	WNC	-	Available-for-sale financial assets - current	130,000	$ 9,087	-	$ 9,087	Note B
	PChome online	-	Available-for-sale financial assets - current	51,000	9,027	-	9,027	Note B
	Phison	-	Available-for-sale financial assets - current	45,000	7,335	-	7,335	Note B
	Open-end mutual funds							
	KGI EM Trend ETF Fund of Funds	-	Available-for-sale financial assets - current	500,000.00	5,250	-	5,250	Note C
	PCA Global Green Solutions Fund	-	Available-for-sale financial assets - current	4,978,009.80	50,427	-	50,427	Note C
	Private funds							
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000	147,438	-	147,438	Note C
	Bonds							
	Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,666	-	203,931	Note F
ARCOA Communication Co., Ltd.	Stock							
	Data Express Infotech Co., Ltd.	Equity-method investee	Equity-method investments	6,142,500	142,401	70.00	142,401	Notes A and D
	THI consultants	-	Financial assets carried at cost	1,213,594	13,729	18.32	13,729	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost	840,000	8,400	0.04	8,400	Note D
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost	2,086,854	6,714	3.98	6,714	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost	160,627	1,618	0.63	1,618	Note D
	Open-end mutual funds							
	PCA Well Pool Money Market Fund	-	Available-for-sale financial assets - current	4,612,209.30	60,076	-	60,076	Note C
	Bond Fund	-	Available-for-sale financial assets - current	9,509,661.20	120,357	-	120,357	Note C
	Capital Income Fund	-	Available-for-sale financial assets - current	7,777,877.60	120,272	-	120,272	Note C
	Fuh Hwa Bond Fund	-	Available-for-sale financial assets - current	4,339,572.10	60,167	-	60,167	Note C
	Fuh Hwa Global Fixed Income Fund of Funds	-	Available-for-sale financial assets - current	3,094,939.80	40,946	-	40,946	Note C
	Fuh Hwa Global Short-Term Income Fund	-	Available-for-sale financial assets - current	4,709,368.40	50,070	-	50,070	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	10.00	10,000	-	10,000	Note F
New Century InfoComm Tech Co., Ltd.	Stock							
	New Diligent Co., Ltd.	Equity-method investee	Equity-method investments	80,000,000	718,362	100.00	718,362	Notes A and D
	Information Security Service Digital United Co., Ltd.	Equity-method investee	Equity-method investments	14,877,747	127,013	100.00	127,013	Notes A and D
	Simple InfoComm Co., Ltd.	Equity-method investee	Equity-method investments	3,400,000	24,116	100.00	24,116	Notes A and D
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	1,575,000	11,460	5.00	11,460	Notes A and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	932,327	9,237	20.63	9,237	Notes A and D
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost	30,000,000	40,797	3.00	40,797	Note D
	BankPro E-service Technology Co., Ltd.	-	Financial assets carried at cost	450,000	4,500	3.33	4,500	Note D
	C2C Holdings Pte. Ltd.	-	Financial assets carried at cost	30,000,000	-	6.38	-	-
	MetaEdge Corp.	-	Financial assets carried at cost	39,359	-	1.59	-	-

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	YeServ Com. Limited	-	Financial assets carried at cost	160,000	$ -	1.32	$ -	-
	Auto TOOLS Co., Ltd.	-	Financial assets carried at cost	152,589	-	1.53	-	-
	TCC	-	Financial assets at fair value through profit or loss - current	110,817	3,635	-	3,635	Note B
	GPPC	-	Financial assets at fair value through profit or loss - current	287,000	5,984	0.04	5,984	Note B
	SHINKO. TEXTILE	-	Financial assets at fair value through profit or loss - current	90,000	4,995	0.03	4,995	Note B
	LP	-	Financial assets at fair value through profit or loss - current	177,000	2,858	0.03	2,858	Note B
	ECLAT	-	Financial assets at fair value through profit or loss - current	65,000	2,499	0.03	2,499	Note B
	YUNGTAY	-	Financial assets at fair value through profit or loss - current	96,000	4,205	0.02	4,205	Note B
	WALSIN	-	Financial assets at fair value through profit or loss - current	1,389,000	25,696	0.04	25,696	Note B
	TSRC	-	Financial assets at fair value through profit or loss - current	60,000	4,050	0.01	4,050	Note B
	YL	-	Financial assets at fair value through profit or loss - current	325,000	20,053	0.02	20,053	Note B
	SY	-	Financial assets at fair value through profit or loss - current	287,000	5,310	0.03	5,310	Note B
	CSBC	-	Financial assets at fair value through profit or loss - current	142,000	3,905	0.02	3,905	Note B
	ASE	-	Financial assets at fair value through profit or loss - current	90,000	3,037	-	3,037	Note B
	Synnex	-	Financial assets at fair value through profit or loss - current	60,000	4,722	-	4,722	Note B
	Qisda	-	Financial assets at fair value through profit or loss - current	612,000	12,179	0.03	12,179	Note B
	ACER	-	Financial assets at fair value through profit or loss - current	46,000	4,145	-	4,145	Note B
	ASUSTEK	-	Financial assets at fair value through profit or loss - current	12,000	3,324	-	3,324	Note B
	WINTEK CORP.	-	Financial assets at fair value through profit or loss - current	77,000	3,858	0.01	3,858	Note B
	EPISTAR	-	Financial assets at fair value through profit or loss - current	70,000	7,455	-	7,455	Note B
	MTK	-	Financial assets at fair value through profit or loss - current	43,000	17,952	-	17,952	Note B
	STARK	-	Financial assets at fair value through profit or loss - current	302,000	9,271	0.23	9,271	Note B
	ZINWELL	-	Financial assets at fair value through profit or loss - current	45,000	2,583	0.01	2,583	Note B
	HTC	-	Financial assets at fair value through profit or loss - current	10,000	9,000	-	9,000	Note B
	KINDOM	-	Financial assets at fair value through profit or loss - current	153,000	5,095	0.03	5,095	Note B

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	FSC	-	Financial assets at fair value through profit or loss - current	34,000	$ 2,312	0.01	$ 2,312	Note B
	EMC	-	Financial assets at fair value through profit or loss - current	55,000	1,666	-	1,666	Note B
	YMTC	-	Financial assets at fair value through profit or loss - current	140,000	3,955	0.01	3,955	Note B
	EVAAIR	-	Financial assets at fair value through profit or loss - current	88,000	3,238	-	3,238	Note B
	GFRT	-	Financial assets at fair value through profit or loss - current	16,000	8,256	0.02	8,256	Note B
	C.H.B	-	Financial assets at fair value through profit or loss - current	290,000	7,511	-	7,511	Note B
	CATHAY HOLDINGS	-	Financial assets at fair value through profit or loss - current	68,250	3,528	-	3,528	Note B
	Yuanta Group	-	Financial assets at fair value through profit or loss - current	155,000	3,379	-	3,379	Note B
	MEGA FHC	-	Financial assets at fair value through profit or loss - current	703,000	15,782	0.01	15,782	Note B
	TSFHC	-	Financial assets at fair value through profit or loss - current	100,000	1,725	-	1,725	Note B
	FFHC	-	Financial assets at fair value through profit or loss - current	261,500	7,021	-	7,021	Note B
	MERCURIES	-	Financial assets at fair value through profit or loss - current	381,000	9,373	0.07	9,373	Note B
	PCSC	-	Financial assets at fair value through profit or loss - current	109,000	14,660	0.01	14,660	Note B
	AVC	-	Financial assets at fair value through profit or loss - current	70,000	2,415	0.03	2,415	Note B
	NOVATEK	-	Financial assets at fair value through profit or loss - current	20,000	1,880	-	1,880	Note B
	WT	-	Financial assets at fair value through profit or loss - current	76,000	3,564	0.03	3,564	Note B
	TXC	-	Financial assets at fair value through profit or loss - current	173,897	9,686	0.06	9,686	Note B
	DAVICOM	-	Financial assets at fair value through profit or loss - current	323,060	13,601	0.38	13,601	Note B
	KINSUS	-	Financial assets at fair value through profit or loss - current	46,000	4,554	0.01	4,554	Note B
	Wistron	-	Financial assets at fair value through profit or loss - current	82,000	4,871	-	4,871	Note B
	Ardentec	-	Financial assets at fair value through profit or loss - current	130,000	3,933	0.03	3,933	Note B
	VIVOTEK	-	Financial assets at fair value through profit or loss - current	60,000	3,960	0.10	3,960	Note B
	JTOUCH	-	Financial assets at fair value through profit or loss - current	40,000	4,320	0.04	4,320	Note B

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	PAHSCO	-	Financial assets at fair value through profit or loss - current	10,376	$ 1,271	0.02	$ 1,271	Note B
	NEE	-	Financial assets at fair value through profit or loss - current	227,000	13,325	0.27	13,325	Note B
	SAS	-	Financial assets at fair value through profit or loss - current	36,000	3,334	0.01	3,334	Note B
	RICH	-	Financial assets at fair value through profit or loss - current	500,000	9,575	0.09	9,575	Note B
	SMP	-	Financial assets at fair value through profit or loss - current	31,000	6,572	0.01	6,572	Note B
	CHIPBOND	-	Financial assets at fair value through profit or loss - current	115,000	5,854	0.02	5,854	Note B
	Career Tech.	-	Financial assets at fair value through profit or loss - current	155,000	6,991	0.05	6,991	Note B
	SIGURD	-	Financial assets at fair value through profit or loss - current	398,000	11,064	0.12	11,064	Note B
	FLEXIUM	-	Financial assets at fair value through profit or loss - current	105,000	5,723	0.07	5,723	Note B
	GMT	-	Financial assets at fair value through profit or loss - current	17,000	2,380	0.02	2,380	Note B
	ACME	-	Financial assets at fair value through profit or loss - current	45,000	5,558	0.04	5,558	Note B
	RUENTEX DEVELOP	-	Financial assets at fair value through profit or loss - current	81,000	4,155	0.01	4,155	Note B
	Polaris Taiwan Top 50 Tracker Fund	-	Financial assets at fair value through profit or loss - current	1,065,000	65,391	-	65,391	Note B
	iShares FTSE/Xinhua A50 China Index ETF	-	Financial assets at fair value through profit or loss - current	1,250,000	59,687	-	59,687	Note B
	<u>Share certificates</u>							
	Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investments	3,320,000	24,224	100.00	24,224	Notes A and D
	<u>Open-end mutual funds</u>							
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,667,475.00	154,838	-	154,838	Note C
	Prudential Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	5,490,636.00	83,348	-	83,348	Note C
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss - current	3,593,965.48	43,066	-	43,066	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	105,380	-	105,380	Note C
	Deutsche Far Eastern DWS Global Agribusiness Fund	-	Financial assets at fair value through profit or loss - current	5,000,000.00	51,550	-	51,550	Note C
	<u>Private funds</u>							
	Opas Fund Segregated Portfolio Tranche C	-	Available-for-sale financial assets - current	30,000.00	922,030	-	922,030	Note C
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	10,000.00	294,877	-	294,877	Note C

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Capital Convertible Bond Arbitrage Plus I Fund	-	Available-for-sale financial assets - current	9,558,081.40	$ 100,169	-	$ 100,169	Note C
	Capital CB Arbitrage VIII Fund	-	Available-for-sale financial assets - current	9,535,417.00	100,026	-	100,026	Note C
	Fuh Hwa Angel Fund	-	Available-for-sale financial assets - current	8,113,602.30	100,933	-	100,933	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	-	990,000	Note F
Digital United (Cayman) Ltd.	Stock							
	Digital United Information Technologies Co., Ltd.	Equity-method investee	Equity-method investments	-	US$ 480,000	100.00	US$ 480,000	Notes A and D
New Diligent Co., Ltd.	Share certificates							
	New Diligence Corporation (Shanghai)	Equity-method investee	Equity-method investments	-	2,057	100.00	2,057	Notes A and D
	Sino Lead Enterprise Limited	Equity-method investee	Equity-method investments	-	535	100.00	535	Notes A and D
	Open-end mutual funds							
	UPAMC JAMES BOND Fund	-	Financial assets at fair value through profit or loss - current	5,495,860.58	88,108	-	88,108	Note C
	FSITC Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	10,940,283.20	160,234	-	160,234	Note C
Data Express Infotech Co., Ltd.	Stock							
	Linkwell Tech. Co., Ltd.	Equity-method investee	Equity-method investments	1,000,000	6,366	100.00	6,366	Notes A and D
Yuan Cing Infocomm Tech Co., Ltd.	Stocks							
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,762,945,436	19,314,233	67.82	19,314,233	Notes A and D
Far Eastern Info Service (Holding) Ltd.	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$ 5,320,000	100.00	US$ 5,320,000	Notes A and D
Far EasTron Holding Ltd.	Stocks							
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US$ 930,000	60.52	US$ 930,000	Notes A and D
E. World (Holdings) Ltd.	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 2,863,000	100.00	US$ 2,863,000	Notes A and D

Note A: The calculation was based on audited financial statements as of December 31, 2010

Note B: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2010.

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of December 31, 2010.

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, 2010.

Note F: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of December 31, 2010. The bonds without quoted prices were measured by their carrying values

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Equity in Net Gain (Loss)	Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	Private funds														
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current			10,000.00	$ 328,700	-	$ -	10,000.00	$ 395,501	$ 328,700	$ 66,801	$ -	-	$ -
	Opas Fund Segregated Portfolio Tranche D	Available-for-sale financial assets - current	-	-	-	-	5,000.00	158,400	-	-	-	-	-	5,000.00	158,400
	Fuh Hwa Value Added Strategy Fund	Financial assets carried at cost - current	-	-	14,866,204.20	150,000	-	-	14,866,204.20	164,123	150,000	14,123	-	-	-
	Open-end mutual funds														
	DFE DWS Global Multi-asset Income Plus FOF-A	Available-for-sale financial assets - current	-	-	9,766,444.20	100,000	938,967.10	10,000	10,705,411.30	117,117	110,000	7,117	-	-	-
	Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	Available-for-sale financial assets - current	-	-	67,798,918.35	750,000	-	-	67,798,918.35	758,506	750,000	8,506	-	-	-
	Hua Nan Phoenix Bond Fund	Available-for-sale financial assets - current	-	-	16,072,953.40	250,000	-	-	16,072,953.40	250,743	250,000	743	-	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets - current	-	-	16,539,533.00	250,000	-	-	16,539,533.00	250,700	250,000	700	-	-	-
	PCA Well Pool Money Market Fund	Available-for-sale financial assets - current	-	-	19,276,261.40	250,000	-	-	19,276,261.40	250,657	250,000	657	-	-	-
	Stocks														
	Yuan Cing Infocomm Tech Co., Ltd.	Equity-method investments	Issuance of common stocks for cash	-	100,000	993	1,500,000,000	15,000,000	-	-	-	-	75,677 (Note B)	1,500,100,000	15,076,670
Yuan Cing Infocomm Tech Co., Ltd.	Stocks														
	New Century InfoComm Tech Co., Ltd.	Equity-method investments	(Note C)	(Note C)	-	-	1,762,945,436	19,275,948	-	-	-	-	38,285 (Note D)	1,762,945,436	19,314,233
New Century InfoComm Tech Co., Ltd.	Open-end mutual funds														
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	29,364,918.90	424,455	-	-	18,697,443.90	270,647	270,262	385	-	10,667,475.00	154,193
	Capital Income Fund	Financial assets at fair value through profit or loss	-	-	-	-	14,328,739.00	221,000	14,328,739.00	221,029	221,000	29	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	-	-	6,978,719.60	105,445	18,032,403.30	273,000	19,520,486.90	295,549	295,337	212	-	5,490,636.00	83,108
	UPAMC James Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,252,774.67	100,000	6,252,774.67	100,012	100,000	12	-	-	-
	Private funds														
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	-	-	30,000.00	985,500	-	-	30,000.00	1,093,254	985,500	107,754	-	-	-
	Opas Fund Segregated Portfolio Tranche C	Available-for-sale financial assets - current	-	-	-	-	30,000.00	955,500	-	-	-	-	-	30,000.00	955,500
	Opas Fund Segregated Portfolio Tranche D	Available-for-sale financial assets - current	-	-	-	-	10,000.00	318,300	-	-	-	-	-	10,000.00	318,300
	Capital Convertible Bond Arbitrage Plus I Fund	Available-for-sale financial assets - current	-	-	-	-	9,558,081.40	100,000	-	-	-	-	-	9,558,081.40	100,000
	Capital CB Arbitrage Plus VIII Fund	Available-for-sale financial assets - current	-	-	-	-	9,535,417.00	100,000	-	-	-	-	-	9,535,417.00	100,000
	Fuh Hwa Angel Fund	Available-for-sale financial assets - current	-	-	-	-	8,113,602.30	100,000	-	-	-	-	-	8,113,602.30	100,000
	Stocks														
	Polaris Taiwan Top 50 Tracker Fund	Financial assets at fair value through profit or loss	-	-	-	-	3,400,000.00	178,851	2,335,000.00	133,304	122,829	10,475	-	1,065,000.00	56,022
	iShares FTSE/Xinhua A50 China Index ETF	Financial assets at fair value through profit or loss	-	-	-	-	2,200,000.00	111,697	950,000.00	53,678	48,233	5,445	-	1,250,000.00	63,464

(Continued)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Equity in Net Gain (Loss)	Share/Units	Amount
ARCOA Communication Co., Ltd.	Open-ended mutual funds		-	-											
	Bond Fund	Available-for-sale financial assets - current	-	-	4,764,682.59	$ 60,000	9,509,661.20	$ 120,000	4,764,682.59	$ 60,277	$ 60,000	$ 277	$ -	9,509,661.20	$ 120,000
	Capital Income fund	Available-for-sale financial assets - current	-	-	1,946,307.90	30,000	7,777,877.60	120,000	1,946,307.90	30,083	30,000	83	-	7,777,877.60	120,000
	Prudential Financial Bond Fund	Available-for-sale financial assets - current			5,302,403.60	80,000	1,980,498.70	30,000	7,282,902.30	110,378	110,000	378	-	-	-
	Stocks														
	Data Express Infotech Co., Ltd.	Equity-method investments	-	-	-	-	6,142,500	141,750	-	-	-	-	651 (Note E)	6,142,500	142,401
New Diligent Co., Ltd.	Stocks														
	New Century InfoComm Tech Co., Ltd.	Financial assets carried at cost - noncurrent	Yuan Ching InfoComm Tech Co., Ltd.	Same chairman of parent company	16,822,533	167,311	-	-	16,822,533	183,319	167,311	16,008	-	-	-
	FSITC Taiwan Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	10,940,283.20	160,000	-	-	-	-	-	10,940,283.20	160,000

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

Note B: The investment income recognized under equity method was $48,405 thousand and the adjustment arising from changes in stockholder's equity was $27,272 thousand.

Note C: Though the tender offer, YCIC had acquired 1,762,945 thousand shares 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.

Note D: The investment income recognized under equity method was $11,013 thousand and the adjustment arising from changes in stockholder's equity was $27,272 thousand.

Note E: The investment income recognized under equity method was $651 thousand.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Far EasTone Telecommunications Co., Ltd.	Neihu switch center	2010.2.25	$ 154,100	Fully paid	Far Eastern International Leasing Corp.	Supervisor	San Hsing Construction Co., Ltd.	-	2000.12.16	$ 130,000	$160,952 thousand based on DZT's appraisal report	Switch center	-
	Taichung land for switch center	2010.2.25	55,877	Fully paid	Far Eastern International Leasing Corp.	Supervisor	Super Century Information Co., Ltd.	-	2000.5.24	63,277	$58,093 thousand based on DZT's appraisal report	Switch center	-
	Kaohsiung office space	2010.2.25	29,200	Fully paid	Far Eastern International Leasing Corp.	Supervisor	Durban Group	-	1999.12.21 2000.12.17	27,300 18,600	$30,071 thousand based on DZT's appraisal report	Switch center	-

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Sales of equipment and accessories and telecommunications service revenues	$ (394,428)	(1%)	Based on agreement	-	-	Accounts receivable	$ 220,928	4%
			Cost of telecommunications services, marketing expenses and cost of sales	2,409,455	6%	Based on agreement	-	-	Accounts payable and accrued expense	(182,202)	(3%)
	KGEx.com Co., Ltd.	Subsidiary	Telecommunications service revenues	(261,907)	-	Based on agreement	-	-	Accounts receivable	43,862	1%
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Telecommunications service revenues	(750,433)	(1%)	Based on agreement	-	-	Accounts receivable (Note A)	-	-
			Cost of telecommunications services	869,546	3%	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(119,364)	(2%)
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	274,981	51%	Based on agreement	-	-	Accrued expenses	(29,360)	1%
	Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of FEIS	Service fee	115,518	22%	Based on agreement	-	-	Accrued expenses	(13,806)	-
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Marketing	129,029	2%	Based on agreement	-	-	Accrued expenses	(75,956)	2%
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(869,546)	(9%)	Based on agreement	-	-	Accounts receivable (Note B)	119,364	13%
			Cost of telecommunications services	750,433	9%	Based on agreement	-	-	Accounts payable (Note A)	-	-
	KGEX.com Co., Ltd.	Same parent company	Cost of telecommunications services	668,870	8%	Based on agreement	-	-	Accounts payable	(130,774)	(17%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(2,409,455)	(52%)	Based on agreement	-	-	Accounts receivable	182,202	80%
			Cost of telecommunications services and cost of sales	394,428	9%	Based on agreement	-	-	Accounts payable	(220,928)	(44%)
KGEx.com Co., Ltd.(Note C)	New Century InfoComm Tech Co., Ltd.	Same parent company	Telecommunications service revenues	(668,870)	(48%)	Based on agreement	-	-	Accounts receivable	130,774	51%
	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	261,907	23%	Based on agreement	-	-	Accounts payable	(43,862)	(16%)
Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenue	(115,518)	(70%)	Based on agreement	-	-	Accounts receivable	13,806	73%

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	$ 222,918	8.43	$ -	-	$ 140,506	$ -
	New Century InfoComm Tech Co., Ltd.	Subsidiary	470,687	(Note A)	-	-	185,692	-
	Yuan Cing Infocomm Tech Co., Ltd.	Subsidiary	4,306,086	(Note B)	-	-	2,933	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	131,563	(Note C)	-	-	75,628	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	182,202	11.81	-	-	105,717	-
KGEx.com Co., Ltd. (Note D)	New Century InfoComm Tech Co., Ltd.	Same parent company	130,774	5.38	-	-	55,417	-

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 mainly due to financing provided for YCIC by the Company.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2010
(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, 2010			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	Yuan Cing Infocomm Tech Co., Ltd.	Taiwan	Production and sale of communications products	$ 15,001,000	$ 1,000	1,500,100,000	100.00	$ 15,076,670	$ 48,405	$ 48,405	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,422,241	6,395,041	695,096,070	26.74	6,170,177	(125,895)	111,735	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	1,175,797	141,064	85,373	Notes A and B
	KGEx.com Co., Ltd. (Note E)	Taiwan	Type II telecommunications services	2,355,649	2,355,649	89,088,470	79.25	726,564	(86,036)	(68,188)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	174,185	22,179	22,179	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,577,140	157,714,020	41.18	169,347	(151,902)	(63,456)	Notes B and C
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	77,979	8,458	7,267	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	90,000	90,000	4,725,000	15.00	34,346	(44,373)	(5,173)	Notes B and C
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	26,920	884	884	Notes A and B
	iScreen Corporation (Note E)	Taiwan	Information service	100,000	100,000	4,000,000	40.00	24,247	(14,250)	(5,700)	Notes B and C
	O-music Co., Ltd.	Taiwan	Electronic information providing services	25,000	-	2,500,000	50.00	23,833	(2,333)	(1,167)	Notes A and B
	ADCast Interactive Marketing Co., Ltd. (Note E)	Taiwan	Internet advertisements and marketing	4,652	4,652	386,870	8.56	3,834	1,847	159	Notes A and B
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	(114,466)	(170,231)	(142,906)	Notes A and B
	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	-	29,629,139	-	-	-	-		Note E
ARCOA Communication Co., Ltd.	Data Express Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	-	6,142,500	70.00	142,401	12,682		Notes B and D
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	718,362	19,561		Notes B, D and F
	Information Security Service Digital United	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	127,013	(2,335)		Notes B, D and F
	Digital United (Cayman) Ltd.	Cayman Islands	General investment	102,442	102,442	3,320,000	100.00	24,224	(6,804)		Notes B, D and F
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	24,116	978		Notes B, D and F
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Market Sales	30,000	30,000	1,575,000	5.00	11,460	(44,373)		Notes B, C and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	54,275	54,275	932,327	20.63	9,237	1,847		Notes A, B and F
Digital United (Cayman) Ltd.	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$ 480,000	US$ (116,000)	-	Notes B, D and F
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Shanghai	Consulting services, supporting services, and wholesale of machine equipment	39,630	39,630	-	100.00	2,057	(42)	-	Notes B, D and F
	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	535	(43)	-	Notes B, D and F
Yuan Cing Infocomm Tech Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	19,275,948	-	1,762,945,436	67.82	19,314,233	(125,895)		Notes A and B
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 5,320,000	22,497		Notes B and D

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTron Holding Ltd.	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	US$ 4,532,000	US$ 4,532,000	2,734,446	60.52	US$ 930,000	$ 1,847		Notes A and B
E. World (Holdings) Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	100.00	US$2,863,000	8,732		Notes B and D
Data Express Infotech Co., Ltd.	Linkwell Tech. Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	1,000,000	100.00	6,366	(3,462)		Notes B, D and G

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2010.

Note C: Equity-method investee of the Company.

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

Note E: KG Telecom dissolved on January 1, 2010 upon its merger with the Company. Thus, KG Telecom's holding of the common shares of KGEx.com, iScreen and ADCast was transferred to the Company.

Note F: The original investment amounts were equal to those of NCIC's account balances as of December 31, 2009 due to the combination with NCIC in August 2010.

Note G: The original investment amounts were equal to those of DE Infotech's account balances as of December 31, 2009 due to the combination with DE Infotech in December 2010.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(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, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2010 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2010	Accumulated Investment in Mainland China as of December 31, 2010	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	$ 72,825 (US$ 2,500,000)	(Note B)	$ 92,616	$ -	$ -	$ 92,616	100%	$ 22,497	$ 154,972 (US$ 5,320,000)	$ -	$ 92,616	$ 92,616	$ 42,768,499 (Note D)
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.	Design and research of computer system	61,173 (US$ 2,100,000)	(Note B)	61,173 (US$ 2,100,000)	-	-	61,173 (US$ 2,100,000)	100%	(3,656) (US$ 116,000)	13,982 (US$ 480,000)	-	61,173 (US$ 2,100,000)	61,173 (US$ 2,100,000)	15,493,244 (Note D)
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machine equipment	34,956 (US$ 1,200,000)	(Note C)	34,956 (US$ 1,200,000)	-	-	34,956 (US$ 1,200,000)	100%	(42)	2,057	-	34,956 (US$ 1,200,000)	34,956 (US$ 1,200,000)	431,017 (Note D)
iScreen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,370 (US$ 150,000)	(Note C)	-	2,622 (US$ 90,000)	-	2,622 (US$ 90,000)	60%	(932)	1,807	-	2,622 (US$ 90,000)	2,622 (US$ 90,000)	36,371 (Note D)

Note A: The calculation was based on audited financial statements as of December 31, 2010, except Xiamen Lucku Technology Co., Ltd..

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

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

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

Note E: Please refer to Note 26 for significant transactions with the investee company.

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, 2010 and 2009, 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, 2010 and 2009, 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 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. On August 31, 2010, the board of directors of the Company and YCIC resolved to adopt a two-stage process to merge NCIC, respectively. After the completion of the merger, NCIC will become a 100% owned subsidiary of the Company.

Deloitte & Touche

February 18, 2011

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such 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, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 5, 29 and 30)	$ 9,162,044	9	$ 9,673,568	11
Financial assets at fair value through profit or loss -current (Notes 2, 6 and 30)	1,188,405	1	-	-
Available-for-sale financial assets - current (Notes 2, 7 and 30)	2,496,132	3	2,541,012	3
Notes receivable (Note 2)	69,328	-	15,997	-
Accounts receivable, net (Notes 2 and 8)	6,117,337	6	5,479,043	6
Accounts receivable - related parties, net (Notes 2 and 29)	15,002	-	127,264	-
Other receivables - related parties (Notes 2 and 29)	23,501	-	165,602	-
Hedging derivative financial assets - current (Notes 2, 28, 29 and 31)	78,670	-	2,750	-
Inventories, net (Notes 2 and 9)	1,023,065	1	613,857	1
Prepaid expenses	732,059	1	587,881	1
Deferred income tax assets - current (Notes 2 and 25)	394,647	1	501,516	1
Pledged certificates of deposits - current (Note 31)	134,500	-	23,128	-
Restricted assets - current (Notes 19 and 29)	1,302,829	1	1,168,330	1
Other current assets (Notes 8 and 30)	577,114	1	93,302	-
Total current assets	23,314,633	24	20,993,250	24
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 10)	239,400	1	6,302,370	8
Held-to-maturity financial assets - noncurrent (Notes 2, 11 and 29)	1,199,666	1	209,567	-
Financial assets carried at cost - noncurrent (Notes 2 and 12)	75,758	-	180,461	-
Total long-term investments	1,514,824	2	6,692,398	8
PROPERTIES (Notes 2, 13, 29 and 31)				
Cost				
Land	5,317,368	5	1,471,284	2
Buildings and equipment	6,503,267	7	3,069,444	4
Operating equipment	133,409,948	137	110,140,318	127
Computer equipment	21,650,325	22	17,217,479	20
Office equipment	1,330,478	1	1,039,877	1
Leasehold improvements	3,052,425	3	1,987,333	2
Miscellaneous equipment	1,613,189	2	500,674	1
Total cost	172,877,000	177	135,426,409	157
Less: Accumulated depreciation	120,755,983	123	98,437,473	114
Less: Accumulated impairment	2,652,327	3	2,023	-
	49,468,690	51	36,986,913	43
Construction-in-progress and prepayments for equipment	4,546,022	4	3,320,754	4
Net properties	54,014,712	55	40,307,667	47
INTANGIBLE ASSETS (Notes 1, 2 and 14)				
3G concession, net	5,845,651	6	6,576,358	8
Goodwill, net	10,806,693	11	10,521,331	12
Other	670,649	1	-	-
Total intangible assets	17,322,993	18	17,097,689	20
OTHER ASSETS				
Rental assets, net (Notes 2 and 15)	239,198	-	210,630	-
Idle properties, net (Note 2)	118,586	-	210,915	-
Refundable deposits (Note 29)	449,731	1	366,481	-
Deferred charges, net (Note 2)	242,182	-	83,739	-
Pledged certificate of deposits - noncurrent (Notes 29 and 31)	421,369	-	421,595	1
Other	8,925	-	10,506	-
Total other assets	1,479,991	1	1,303,866	1
TOTAL	$ 97,647,153	100	$ 86,394,870	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 31)	$ 3,536,100	4	$ 716,500	1
Commercial papers payable (Note 17)	2,848,739	3	-	-
Notes payable	91,477	-	56,923	-
Accounts payable	4,020,819	4	2,647,223	3
Accounts payable - related parties (Note 29)	17,160	-	137,573	-
Income tax payable (Note 2)	1,737,956	2	1,304,165	2
Accrued expenses (Note 18)	4,118,433	4	3,408,722	4
Other payables - related parties (Note 29)	227,805	-	247,286	-
Payables for acquisition of properties	2,246,977	2	1,694,883	2
Guarantee deposits received - current	488,620	1	561,727	1
Unearned revenues (Notes 2 and 19)	2,029,652	2	1,102,930	1
Current portion of long-term bank loans (Notes 20 and 31)	203,318	-	19,048	-
Lease payable - current (Notes 2, 21 and 29)	-	-	8,360	-
Other current liabilities (Notes 2, 23 and 30)	571,517	1	388,657	-
Total current liabilities	22,138,573	23	12,293,997	14
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Long-term bank loans (Notes 20 and 31)	5,677	-	200,000	-
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 22)	491,448	1	367,740	1
Guarantee deposits received - noncurrent	295,345	-	243,648	-
Deferred income tax liabilities - noncurrent (Notes 2 and 25)	242,541	-	345,002	-
Deferred revenue (Notes 2 and 23)	485,884	1	394,891	1
Other (Note 2)	434,446	-	174,451	-
Total other liabilities	1,949,664	2	1,525,732	2
Total liabilities	24,093,914	25	14,019,729	16
FAR EASTONE'S EQUITY				
Capital stocks - NT$10.00 par value; authorized - 4,200,000 thousand shares				
Issued and outstanding - 3,258,501 thousand shares	32,585,008	33	32,585,008	38
Capital surplus				
Additional paid-in capital - share issuance in excess of par value	10,964,702	11	10,964,702	13
From business combination	8,482,381	9	8,482,381	10
From long-term equity-method investments	89,285	-	40,266	-
Total capital surplus	19,536,368	20	19,487,349	23
Retained earnings				
Legal reserve	9,990,002	10	9,066,992	10
Special reserve	-	-	21,740	-
Unappropriated earnings	9,086,651	10	10,263,158	12
Total retained earnings	19,076,653	20	19,351,890	22
Other adjustments				
Cumulative translation adjustments	12,111	-	24,285	-
Unrealized gains on financial instruments	70,692	-	94,055	-
Total other adjustments	82,803	-	118,340	-
Total controlling interest of Far EasTone	71,280,832	73	71,542,587	83
MINORITY INTEREST	2,272,407	2	832,554	1
Total stockholders' equity	73,553,239	75	72,375,141	84
TOTAL	$ 97,647,153	100	$ 86,394,870	100

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

(With Deloitte & Touche audit report dated February 18, 2011)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 29)				
Sales of cellular phone equipment and accessories, net	$ 6,343,488	10	$ 5,225,107	9
Telecommunications service revenues	56,525,310	89	54,362,420	90
Other	567,107	1	474,601	1
Total operating revenues	63,435,905	100	60,062,128	100
OPERATING COSTS (Notes 2, 9, 26, 29 and 31)				
Cost of sales	8,508,103	14	6,047,693	10
Cost of telecommunications services	28,035,060	44	27,027,541	45
Other	236,127	-	245,217	-
Total operating costs	36,779,290	58	33,320,451	55
GROSS PROFIT	26,656,615	42	26,741,677	45
OPERATING EXPENSES (Notes 2, 26 and 29)				
Marketing	10,996,581	18	9,510,177	16
General and administrative	4,406,050	7	4,695,402	8
Research and development	79,646	-	104,331	-
Total operating expenses	15,482,277	25	14,309,910	24
OPERATING INCOME	11,174,338	17	12,431,767	21
NONOPERATING INCOME AND GAINS				
Gain from sale of financial assets, net (Note 2)	226,328	1	183,694	-
Government grant (Note 2)	92,089	-	83,883	-
Interest (Note 29)	84,432	-	66,606	-
Rent (Note 29)	41,446	-	40,939	-
Gain on valuation of financial assets, net (Note 2)	36,080	-	-	-
Management services revenues (Note 29)	17,514	-	27,264	-
Other	139,928	-	203,609	1
Total nonoperating income and gains	637,817	1	605,995	1
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	724,567	1	636,672	1
Interest (Notes 2, 13 and 29)	47,118	-	23,784	-
Equity in investees' net losses (Notes 2 and 10)	36,644	-	46,106	-
Impairment loss (Note 2)	9,607	-	44,315	-
Other (Notes 26 and 29)	28,714	-	136,989	1
Total nonoperating expenses and losses	846,650	1	887,866	2

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
COMBINED INCOME BEFORE INCOME TAX	$ 10,965,505	17	$ 12,149,896	20
INCOME TAX (Notes 2 and 25)	2,102,137	3	3,014,578	5
COMBINED NET INCOME	$ 8,863,368	14	$ 9,135,318	15
ATTRIBUTABLE TO:				
Controlling interest	$ 8,848,565	14	$ 9,230,107	15
Minority interest	14,803	-	(94,789)	-
	$ 8,863,368	14	$ 9,135,318	15

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 27)				
Basic	$ 3.35	$ 2.72	$ 3.87	$ 2.83
Diluted	$ 3.35	$ 2.71	$ 3.86	$ 2.83

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

(With Deloitte & Touche audit report dated February 18, 2011)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock Issued and Outstanding (Note 24)		Capital Surplus (Notes 2 and 24)			Retained Earnings (Note 24)			Other Adjustments				
	Shares (Thousands)	Amount	Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 24)	Controlling Interest of Far EasTone	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2009	3,258,501	$ 32,585,008	$ 10,964,702	$ 8,482,381	$ 40,266	$ 8,050,917	$ -	$ 11,194,668	$ 28,464	$ (50,204)	$ 71,296,202	$ 945,101	$ 72,241,303
Acquisition of ARCOA's capital stock in 2009	-	-	-	-	-	-	-	-	-	-	-	(17,734)	(17,734)
Appropriation of the 2008 earnings													
Legal reserve	-	-	-	-	-	1,016,075	-	(1,016,075)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	21,740	(21,740)	-	-	-	-	-
Cash dividend - NT$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)	-	(9,123,802)
Combined net income in 2009	-	-	-	-	-	-	-	9,230,107	-	-	9,230,107	(94,789)	9,135,318
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	2,050	2,050	-	2,050
Changes in subsidiary's unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	142,209	142,209	6	142,215
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(4,179)	-	(4,179)	(30)	(4,209)
BALANCE, DECEMBER 31, 2009	3,258,501	32,585,008	10,964,702	8,482,381	40,266	9,066,992	21,740	10,263,158	24,285	94,055	71,542,587	832,554	72,375,141
Acquired controlling interest in NCIC in August 2010	-	-	-	-	-	-	-	-	-	-	-	1,389,521	1,389,521
Incorporated O-music in October 2010	-	-	-	-	-	-	-	-	-	-	-	25,000	25,000
Acquired controlling interest in DE Infotech in November 2010	-	-	-	-	-	-	-	-	-	-	-	25,299	25,299
Appropriation of the 2009 earnings													
Legal reserve	-	-	-	-	-	923,010	-	(923,010)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(21,740)	21,740	-	-	-	-	-
Cash dividend - NT$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)	-	(9,123,802)
Combined net income in 2010	-	-	-	-	-	-	-	8,848,565	-	-	8,848,565	14,803	8,863,368
Changes in capital surplus in investees	-	-	-	-	49,019	-	-	-	-	-	49,019	-	49,019
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(39,282)	(39,282)	-	(39,282)
Changes in unrealized gains on cash flow hedge	-	-	-	-	-	-	-	-	-	3,950	3,950	-	3,950
Changes in subsidiary's unrealized gains (losses) on financial assets	-	-	-	-	-	-	-	-	-	11,969	11,969	2,545	14,514
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(17,088)	(17,088)
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(12,174)	-	(12,174)	(227)	(12,401)
BALANCE, DECEMBER 31, 2010	3,258,501	$ 32,585,008	$ 10,964,702	$ 8,482,381	$ 89,285	$ 9,990,002	$ -	$ 9,086,651	$ 12,111	$ 70,692	$ 71,280,832	$ 2,272,407	$ 73,553,239

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

(With Deloitte & Touche audit report dated February 18, 2011)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 8,863,368	$ 9,135,318
Depreciation	10,035,505	10,651,836
Amortization	87,320	129,920
Amortization of 3G concession	730,707	730,707
Allowance for doubtful accounts	434,760	488,697
Reversal of provision for loss on decline in value of inventories	(1,054)	(7,605)
Gain from sale of financial assets, net	(115,094)	(183,694)
Equity in investees' net losses	36,644	46,106
Provision for impairment loss	9,607	44,315
Amortization of discount on held-to-maturity financial assets	(99)	(27)
Loss on disposal of properties, net	724,567	636,672
Gain on disposal of rental assets, net	-	(853)
Loss on disposal of deferred charges	2,420	-
Deferred income on hedging derivative assets	79,770	6,050
Accrued pension cost	3,460	21,412
Deferred income taxes	100,948	550,659
Other	783	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	293,915	-
Notes receivable	(6,971)	(1,325)
Accounts receivable	(149,562)	216,097
Accounts receivable - related parties	287,717	(47,722)
Other receivables - related parties	201,208	(37,107)
Inventories	(252,752)	246,415
Prepaid expenses	(37,442)	108,008
Other current assets	171,750	21,337
Notes payable	21,523	(26,901)
Accounts payable	667,509	(95,909)
Accounts payable - related parties	(260,328)	(19,114)
Other payables - related parties	(217,060)	60,826
Income tax payable	429,091	(707,834)
Accrued expenses	(18,949)	(21,238)
Unearned revenues	605,511	(68,916)
Other current liabilities	(34,581)	78,140
Net cash provided by operating activities	22,694,191	21,954,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,522,359)	(2,780,183)
Proceeds of the disposal of available-for-sale financial assets	4,049,354	2,254,822
Acquisition of equity-method investments	-	(378,041)
Proceeds of the disposal of bonds carried at amortized cost	-	3,000
Acquisition of held-to-maturity financial assets	-	(209,540)
Redemption of held-to-maturity financial assets	800,000	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
Proceeds of the disposal of financial assets carried at cost	$ 164,123	$ -
Acquisition of properties	(8,215,656)	(6,410,993)
Proceeds of the disposal of properties	32,731	19,654
Proceeds of the disposal of rental assets	-	16,493
Decrease in refundable deposits	16,441	42,882
Decrease (increase) in pledged certificates of deposits	27,863	(406,431)
Increase in deferred charges	(23,914)	(12,821)
Decrease (increase) in restricted assets	8,492	(1,095,884)
Decrease in other assets	1,307	263
Cash payment due to merger	(19,403,064)	-
Net cash used in investing activities	(24,064,682)	(8,956,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	2,649,600	(972,950)
Increase (decrease) in commercial papers payable	2,848,739	(379,964)
Repayment of long-term bank loans	(19,523)	(38,095)
Decrease in guarantee deposits received	(51,905)	(26,479)
Decrease in deferred revenue	(63,937)	(3,053)
Decrease in other liabilities	(41,968)	-
Cash dividends paid	(9,140,890)	(9,123,802)
Increase (decrease) in minority interest	40,550	(11,472)
Net cash used in financing activities	(3,779,334)	(10,555,815)
EFFECT OF EXCHANGE RATE CHANGES	(11,478)	(3,980)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,161,303)	2,437,696
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	4,649,779	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,673,568	7,235,872
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,162,044	$ 9,673,568
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 57,501	$ 28,901
Less: Interest capitalized	13,894	7,950
Interest paid, net of capitalized interest	$ 43,607	$ 20,951
Income tax paid	$ 1,560,736	$ 3,596,234
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 203,318	$ 27,408
Reclassification of properties to deferred charges	$ 24,633	$ 16,099

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
Reclassification of properties to idle properties	$ -	$ 3,583
Reclassification of rental assets to idle properties	$ 20,438	$ -
Reclassification of idle properties to properties	$ 134,766	$ 57,878
Reclassification of idle properties to rental assets	$ -	$ 15,641
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 8,203,173	$ 6,203,153
Decrease in payables for acquisition of properties	57,310	293,404
Decrease in other payables - related parties	(4,061)	-
Decrease in lease payables	8,360	8,394
Increase in other current liabilities	(50,693)	(16,647)
Decrease (increase) in other liabilities - other	1,567	(77,311)
Cash paid for acquisition of properties	$ 8,215,656	$ 6,410,993
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	$ 34,002	$ 12,009
Increase in receivables from properties sold	(1,292)	(884)
Decrease in other receivables - related parties	21	8,529
Cash received from disposal of properties	$ 32,731	$ 19,654
CASH PAID FOR ACQUISITION OF DEFERRED CHARGES		
Increase in deferred charges	$ 35,651	$ 12,821
Increase in other current liabilities	(3,049)	-
Increase in other liabilities - other	(8,688)	-
Cash paid for acquisition of deferred charges	$ 23,914	$ 12,821

SUPPLEMENTARY INFORMATION ON SUBSIDIARY ACQUISITIONS:

In August, 2010, Yuan Cing Infocomm Tech Co., Ltd. ("YCIC") acquired 67.82% of New Century InfoComm Tech Co., Ltd.'s ("NCIC") common shares. In December 2010, ARCOA Communication Co., Ltd. (ARCOA) acquired 70% of Data Express Infotech Co., Ltd.'s ("DE Infotech") common shares. The fair values of total assets and total liabilities at the time of acquisition were as follows:

	DE Infotech	NCIC
Cash and cash equivalents	$ 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
Accounts receivable - related parties, net	-	175,455

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	DE Infotech	NCIC
Other receivables - related parties	$ -	$ 59,128
Other financial assets - current	-	1,297,860
Inventories, net	141,124	122,057
Prepaid expense	15,911	90,825
Restricted assets - current	29,000	113,991
Other current assets	70,976	204,907
Equity-method investments	-	21,362
Held-to-maturity financial assets - noncurrent	-	1,007,478
Financial assets carried at cost - noncurrent	-	4,500
Properties, net	3,921	17,345,899
Intangible assets - operating rights, net	-	904,000
Intangible assets - dealership	104,660	-
Rental assets, net	-	169,995
Idle properties, net	-	7,219
Refundable deposits	8,805	86,032
Deferred charge, net	23,614	125,927
Pledged certificates of deposits - noncurrent	19,009	124,675
Other assets	-	48,357
Short-term bank loans	(170,000)	-
Notes payable	(5,682)	(7,349)
Accounts payable	(53,258)	(652,829)
Accounts payable - related parties	-	(139,915)
Income tax payable	(4,700)	-
Accrued expenses	(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 revenues	(20,324)	(300,887)
Other current liabilities	(653)	(187,263)
Long-term bank loans	(9,470)	-
Accrued pension cost	-	(141,043)
Deferred revenues	-	(154,930)
Guarantee deposits received - noncurrent	(970)	(29,525)
Other liabilities - other	(61,731)	(309,084)
	188,991	28,015,413
Percentage of ownership acquired	70%	67.82%
	132,292	19,000,044
Goodwill	9,458	275,904
Proceeds of merger	141,750	19,275,948
Deduct: Increase in other current liabilities	14,634	-
Cash payment due to merger	$ 127,116	$ 19,275,948

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

(With Deloitte & Touche audit report dated February 18, 2011) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(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, 2010, 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.

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the "Group") had 5,446 and 4,812 employees as of December 31, 2010 and 2009, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers and accounting principles generally accepted in the ROC. In preparing consolidated financial statements in conformity with these guidelines and principles, the Group is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for loss on decline in value of inventories, depreciation and amortization, impairment losses on tangible and intangible assets, asset retirement obligation, product warranty reserve, income taxes and pension cost, bonus to employees and remuneration to directors and supervisors. Actual results may differ from these estimates.

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

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

Consolidation

Investees in which Far EasTone directly or indirectly holds more than 50% of voting rights or de facto control are included in the consolidated financial statements.

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

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

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

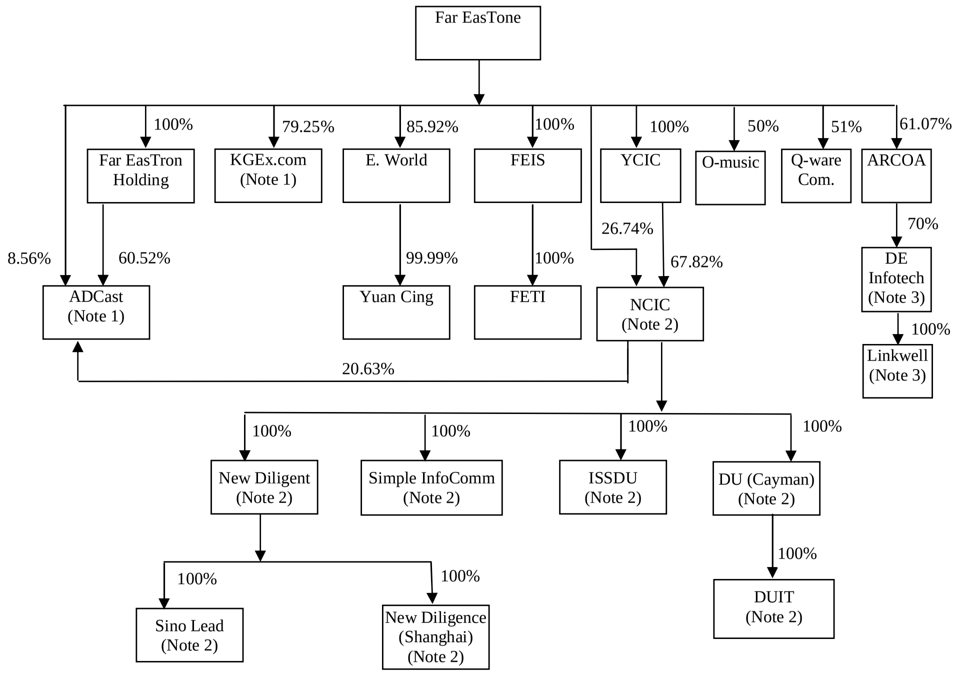
c. All items in the statement of income at the average exchange rates for the period.

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

All significant intercompany transactions and balances were eliminated on consolidation.

Intercompany relationships and percentages of ownership as of December 31, 2010 and 2009 are shown as Figure l and Figure 2, respectively:

<Figure l>

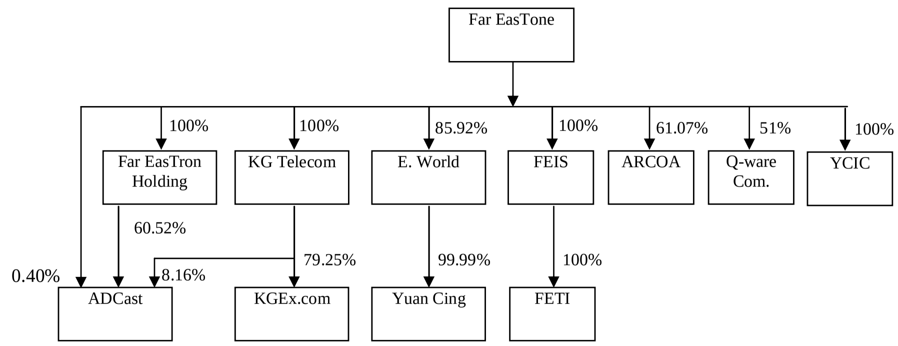


Note 1: KG Telecom dissolved on January 1, 2010 upon its merger with Far EasTone. Thus, KG Telecom's holdings of the common shares of KGEx.com and ADCast were transferred to Far EasTone.

Note 2: Far EasTone and YCIC 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.

Note 3: Far EasTone and ARCOA acquired controlling interest in DE Infotech on November 30, 2010; thus, DE Infotech's and its subsidiary's revenues and expenses were included in the consolidated financial statements from then on.

<Figure 2>



a. Entities included in the consolidated financial statements as of and for the years ended December 31, 2010 and 2009 and their major business activities were as follows:

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

KG Telecom (formerly Yuan Ho Telecommunications Co., Ltd.) was incorporated in the ROC on September 25, 2003. Through the merger with the former KGT, KG Telecom was allowed to provide 2G wireless communications services and local/domestic long distance land cable leased circuit services.

On August 28, 2009, the National Communications Commission approved the merger between Far EasTone and KG Telecom, and the record date of this merger was January 1, 2010. The merger was approved on January 18, 2010 after the registration with the MOEA.

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

ARCOA was incorporated in the ROC on May 4, 1981. ARCOA sells cellular phone units and other telecommunications equipment or accessories and provides related maintenance services. The DGT issued to ARCOA a type II license, allowing it to provide mobile virtual network operator services 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 Data Express Infotech Co., Ltd. ("DE Infotech") on November 30, 2010; thus, DE Infotech's and its subsidiary's revenues and expenses were included in the consolidated financial statements from then on.

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

Q-ware Com. was incorporated on February 13, 2007. It mainly provides type II telecommunications services. On 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.

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

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

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

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

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

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

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

ADCast was incorporated in the R.O.C. on June 12, 2000. ADCast mainly provides Internet marketing services.

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

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

To prepare for service convergence, Far EasTone aims to enhance the business cooperation between its mobile and fixed-line components by group integration to provide more comprehensive telecom services to consumers as well as to reach the long-term synergy in operating costs. On June 25, 2010, the board of directors of YCIC resolved to conduct a tender offer to acquire the common shares of New Century InfoComm Tech Co., Ltd. ("NCIC") with the tender offer price at NT$10.93 per share.

As of August 16, 2010, the expiry date of the tender offer, YCIC had acquired 1,762,945 thousand of NCIC's common shares, which included 577,732 thousand shares acquired from related parties for $6,314,615 thousand, as follows: Yuang Tong Investment Corporation - 312,221 thousand shares; Yuan Ding Investment Corporation - 100,694 thousand shares; Der Ching Investment Corporation - 63,000 thousand shares; Bai Ding Investment Ltd. - 24,386 thousand shares; New Diligent Co., Ltd. - 16,822 thousand shares; Yuan Ding Co., Ltd. - 16,337 thousand shares; Bai Yang Investment Co. - 11,251 thousand shares; Tranquil Enterprise Ltd. - 10,945 thousand shares; Yue-Tung Investment Corporation - 8,800 thousand shares; Far Eastern International Leasing Corp. - 8,000 thousand shares; Far Eastern New Century Corporation - 2,605 thousand shares; Asia Investment Corp. - 2,605 thousand shares and Yue Ding Industry Co., Ltd. - 66 thousand shares.

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

On August 31, 2010, the boards of directors of Far EasTone and YCIC resolved to merge NCIC and YCIS 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 1,500,100,000 shares to 2,336,603,547 shares, of which, Far EasTone owned 2,195,196,070 shares, representing 93.95% ownership. The remaining 6.05% ownership went to minority. The above share swap was approved on February 16, 2011 after the registration with the MOEA. After the share swap, Far EasTone will have a cash merger with YCIC at the target price of NT$10.93 per share, with Far EasTone as the survivor entity in the second stage. Thus, NCIC will become a 100% owned subsidiary of Far EasTone. Under related laws and regulations, each phase of this two-stage merger and acquisition has to be approved by the board of directors, separately. On December 29, 2010, the National Communications Commission approved the merger.

To meet YCIC's tender offer payment needs and enhance its working capital, Far EasTone's board of directors resolved on June 25, 2010 that Far EasTone subscribed for YCIC's shares issued for capital increase at $15,000,000 thousand in cash and would lend to YCIC a maximum of $6,000,000 thousand. Far EasTone's board of directors also approved to authorize the chairman to allow YCIC to make a drawdown on the loan within the approved ceiling of $6,000,000 thousand within one year from the loan grant date. As of February 18, 2011, Far EasTone had already lent $4,300,000 thousand to YCIC.

9) O-music Co., Ltd. ("O-Music")

O-music was incorporated on October 5, 2010. It mainly provides electronic information services.

10) 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. 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, by buying DU's shares at NT$18.3 per share, 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.

11) 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.

12) Information Security Service Digital United Inc. ("ISSDU")

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

13) Sino Lead Enterprise Limited ("Sino Lead")

Sino Lead was incorporated on April 11, 2006. Sino Lead mainly provides Internet services, system integration services, information software services and electronic information providing services.

14) New Diligence Corporation (Shanghai) ("New Diligence (Shanghai)")

New Diligence (Shanghai) was incorporated on October 8, 2000. New Diligence (Shanghai) provides business consulting and machinery selling.

15) Digital United Information Technology Co., Ltd. (Shanghai) ("DUIT")

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

16) Data Express Infotech Co., Ltd. ("DE Infotech")

DE Infotech was incorporated on July 22, 2004. DE Infotech mainly wholesales communications products.

17) Linkwell Tech. Co., Ltd. ("Linkwell")

Linkwell was incorporated on April 8, 2005. Linkwell mainly wholesales communications products.

18) E. World (Holdings) Ltd. ("E. World"), Far Eastern Info Service (Holding) Ltd. ("FEIS"), Far EasTron Holding Ltd. ("Far EasTron Holding"), New Diligent Co., Ltd. ("New Diligent") and Digital United (Cayman) Ltd. ("Du (Cayman)").

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

b. All of the financial statements of subsidiaries as of and for the years ended December 31, 2010 and 2009 were audited, except those of YCIC for 2009. The Group's management believes that, had the financial statements of YCIC 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.

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Commercial paper and bonds purchased under resell agreements with original maturities of not more than three months are classified as cash equivalents. Their carrying values approximate their fair values.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets held for trading and those designated on initial recognition as those to be measured at fair values, with fair value changes in profit or loss. On initial recognition, financial instruments at fair value through profit or loss are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. Subsequent changes in fair value are recognized as current gain or loss. Any cash dividends received are recognized as current income. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

Available-for-sale Financial Assets

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

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

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

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

Bonds Carried at Amortized Cost

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

Revenue Categories	Recognition Bases
Revenues of wireless services, mobile virtual network operator services, fixed network service, international simple resale services, interconnection services, Internet access services and voice on IP services	Revenues are recognized on the basis of minutes or data of traffic processed, net of any applicable discount.
Monthly fees and leased-circuit service revenues	Revenues are accrued each month.
Revenues of prepaid card and recharge card	Revenues are recognized on the basis of customer usage.
Sale of cellular phone, telephone and accessories	Revenues are recognized when the products are delivered to and accepted by the customers.
Revenues from individual broadband service, enterprise leased lines and Internet data centers	Revenues are recognized on the basis of minutes or data of traffic processed in the service provision period.

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

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

Promotion Expenses

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

Inventories

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

Government Grant

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

to the depreciation expenses for these assets; or (2) if the grant is related to income, the grant amount should be deducted from the related expense when the revenue is realized.

Equity-method Investments

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

On the acquisition date or the adoption of the equity method for the first time, the 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.

Held-to-maturity Financial Assets

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

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

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks, and 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.

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 and Dealership

Operating rights and dealership 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 is also amortized by the straight-line method, based on expected duration of dealer 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 terms of leases or agreements on the rights of software use.

Impairment Loss

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

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

Deferral of Unrealized Intercompany Profit

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

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

Far EasTone defers its gains or losses on the subsidiaries' sales of products to Far EasTone or on the sale among subsidiaries in proportion to its equity in the subsidiaries.

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

Pension Costs

Far EasTone, KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010), ARCOA, Yuan Cing, O-music, Q-ware Com., ADCast, NCIC, ISSDU, DE Infotech and Linkwell have two types of pension plans: Defined benefit and defined contribution. Under the defined benefit plan, pension costs are recognized on the basis of actuarial calculations. Under the defined contribution plan, Far EasTone, KG Telecom, ARCOA, Yuan Cing, Q-ware Com., ADCast and ISSDU 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, New Diligence (Shanghai) and DUIT under its government's regulations, has a defined contribution pension plan. It makes monthly contributions to employees' individual pension accounts at a fixed percentage of salaries and recognizes these contributions as pension costs.

FEIS, E. World, Far EasTron Holding, KGEx.com, YCIC, New Diligent, Simple InfoComm, DU (Cayman) and Sino Lead 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.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

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

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

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

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

Derivative instruments held by the Group are for cash flow hedge 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.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2009 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the year ended December 31, 2010.

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, 2010 and 2009. The pro forma financial information based on the assumption that the Group merged with NCIC and DE Infotech on January 1, 2010 and 2009 are as follows:

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

	December 31	
	2010	**2009**
Current assets	$ 23,314,633	$ 32,464,931
Properties, net	54,014,712	56,341,028
Current liabilities	22,138,573	14,916,659
Operating revenues	69,075,716	68,070,770
Combined income before income tax	10,792,559	12,174,664
Combined net income	8,681,300	9,158,416
Earnings per share	2.67	2.82

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 and DE Infotech on January 1, 2009, nor is it necessarily indicative of future financial position or results of operations of the Group.

4. CHANGE IN ACCOUNTING PRINCIPLES

Accounting for Inventories

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

5. CASH AND CASH EQUIVALENTS

	December 31 2010	December 31 2009
Cash		
Cash on hand	$ 6,948	$ 6,438
Checking deposits	28,851	15,721
Demand deposits	2,589,563	1,535,549
Certificates of deposits - interest of 0.20%-2.25% in 2010 and 0.14%-2.25% in 2009	6,175,626	4,169,730
	8,800,988	5,727,438
Cash equivalents		
Bonds purchased under resell agreements - interest of 0.35%-0.38% in 2010	349,089	-
Commercial paper purchased under resell agreements - interest of 0.40% in 2010 and 0.17%-0.20% in 2009	11,967	3,946,130
	361,056	3,946,130
	$ 9,162,044	$ 9,673,568

As of December 31, 2010 and 2009, demand deposits overseas were as follows:

	December 31 2010	December 31 2009
Belgium (US$1,379 thousand in 2010 and US$5,163 thousand in 2009)	$ 40,170	$ 165,172
Hong Kong (HK$14,276 thousand)	53,506	-
Hong Kong (US$1 thousand in 2010 and US$3 thousand in 2009)	29	96
	$ 93,705	$ 165,268

Multinational Automated Clearing House (MACH) is Far EasTone's and KG Telecom's (dissolved due to the merger with Far EasTone on January 1, 2010) 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 2010	December 31 2009
Financial assets held for trading		
Quoted stocks	$ 501,881	$ -
Open-end mutual funds	686,524	-
	$ 1,188,405	$ -

Net gains and losses on financial assets held for trading for the years ended December 31, 2010 and 2009 were as follows:

	December 31 2010	December 31 2009
Gains on sale of investments, net	$ 111,234	$ -
Gain on valuation of financial instruments, net	36,080	-
Dividend income	7,777	-
	$ 155,091	$ -

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31 2010	December 31 2009
Domestic quoted stocks	$ 323,094	$ 170,848
Open-end mutual funds	507,565	2,011,226
Private funds	1,665,473	358,938
	$ 2,496,132	$ 2,541,012

8. ACCOUNTS RECEIVABLE, NET

	December 31 2010	December 31 2009
Accounts receivable	$ 6,944,738	$ 6,186,964
Less: Allowance for doubtful accounts	(827,401)	(707,921)
	$ 6,117,337	$ 5,479,043

The change in allowance for doubtful accounts was as follows:

	Years Ended December 31			
	2010		2009	
	Accounts Receivable	Other Receivables (Included in Other Current Assets)	Accounts Receivable	Other Receivables (Included in Other Current Assets)
Beginning balance	$ 707,921	$ -	$ 866,639	$ 2,090
From merger with NCIC	11,423	6,043	-	-
Deduct: Bad debts written off	(573,644)	(6,043)	(988,716)	(2,090)
Add: Collection after write-off	246,941	-	341,301	-
Accrual of bad debt expenses	434,760	-	488,697	-
	$ 827,401	$ -	$ 707,921	$ -

9. INVENTORIES, NET

	December 31	
	2010	2009
Cellular phone equipment	$ 572,394	$ 477,902
Customer premises equipment	44,105	-
SIM cards and prepaid cards	14,181	16,699
Cellular phone accessories	12,215	15,848
Computers and accessories	310,835	95,380
Others	69,335	8,028
	$ 1,023,065	$ 613,857

Allowances for losses were $91,366 thousand and $50,393 thousand as of December 31, 2010 and 2009, respectively.

Costs of inventories sold were $8,508,103 thousand and $6,047,693 thousand for the years ended December 31, 2010 and 2009, respectively. The reversal of provision for loss on decline in value of inventories amounted to $1,054 thousand and $7,605 thousand was included in the cost of sales for the years ended December 31, 2010 and 2009, respectively.

10. EQUITY-METHOD INVESTMENTS

	December 31			
	2010		2009	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
Far Eastern Electronic Toll Collection Co., Ltd.	$ 169,347	41.18	$ 232,803	41.18
Ding Ding Integrated Marketing Service Co., Ltd.	45,806	20.00	39,519	15.00
iScreen Corporation	24,247	40.00	30,030	40.00
New Century InfoComm Tech Co., Ltd.	-	-	6,000,018	26.59
	$ 239,400		$ 6,302,370	

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

To prepare for service convergence, Far EasTone aims to enhance the business cooperation between its mobile and fixed-line components by group integration to provide more comprehensive telecom services to consumers as well as to reach the long-term synergy in operating costs. On June 25, 2010, the board of directors of Yuan Cing Infocomm Tech Co., Ltd. (YCIC), a 100% subsidiary of Far EasTone, resolved to conduct a tender offer to acquire the common shares of NCIC. As of August 16, 2010, the expiry date of the tender offer, Far EasTone and YCIC jointly own 94.56% of NCIC's issued common shares; thus, the revenues and expenses of NCIC and its subsidiaries were included in the consolidated financial statements since then.

b. Equity in investees' net gains or losses

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

	Years Ended December 31			
	2010		2009	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
New Century InfoComm Tech Co., Ltd.	$ (125,895)	$ 40,052	$ 6,078	$ 139,780
Far Eastern Electronic Toll Collection Co., Ltd.	(151,902)	(63,456)	(400,580)	(175,926)
Ding Ding Integrated Marketing Services Co., Ltd.	(44,373)	(7,540)	(54,785)	(11,225)
iScreen Corporation	(14,250)	(5,700)	3,161	1,265
		$ (36,644)		$ (46,106)

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") allow the Group to exercise significant influence on DDIM's operating and financial policy decisions, the investment in DDIM is accounted for by the equity method even though the Group's equity in DDIM are only 20% and 15% for the years ended December 31, 2010 and 2009, 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, 2010, which were audited, except the equity-method investee's financial statements of iScreen Corporation. 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, 2009, which were audited. 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 Company's financial statements.

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2010	2009
Bonds		
Yuan Ding Investment Corporation	$ 1,000,000	$ 10,000
Asia Cement Co., Ltd.	199,666	199,567
	$ 1,199,666	$ 209,567

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	2009
Domestic unlisted common stock		
THI Consultants Inc.	$ 13,729	$ 13,729
Kaohsiung Rapid Transit Corporation	40,797	-
VIBO Telecom Inc.	8,400	8,400
Chunghwa Int'l Communication Network Co., Ltd.	6,714	6,714
Bank Pro E-Service Technology Co., Ltd.	4,500	-
Web Point Co., Ltd.	1,618	1,618
Domestic private fund		
Fuh Hwa Value Added Strategy Fund	-	150,000
	$ 75,758	$ 180,461

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

13. PROPERTIES

a. Changes in properties consisted of:

	Year Ended December 31, 2010					
		Movement				
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Cumulative Translation Adjustments	Ending Balance
Cost						
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	-	6,503,267
Operating equipment	110,140,318	20,038,724	2,005,806	5,236,712	-	133,409,948
Computer equipment	17,217,479	3,297,733	94,911	1,231,479	(1,455)	21,650,325
Office equipment	1,039,877	273,596	45,262	67,553	(5,286)	1,330,478
Leasehold improvements	1,987,333	523,476	228,217	769,833	-	3,052,425
Miscellaneous equipment	500,674	1,090,030	7,878	30,363	-	1,613,189
	135,426,409	$ 32,129,822	$ 2,477,594	$ 7,805,104	$ (6,741)	172,877,000
Accumulated depreciation						
Buildings and equipment	1,121,618	$ 814,468	$ 95,456	$ 73,069	$ -	1,913,699
Operating equipment	80,192,573	17,380,208	1,341,208	(475,947)	-	95,755,626
Computer equipment	14,376,478	4,020,906	94,482	1,925	(1,179)	18,303,648
Office equipment	901,550	266,490	42,538	(1,522)	(4,650)	1,119,330
Leasehold improvements	1,474,832	651,423	209,983	482,369	-	2,398,641
Miscellaneous equipment	370,422	902,564	7,752	(195)	-	1,265,039
	98,437,473	$ 24,036,059	$ 1,791,419	$ 79,699	$ (5,829)	120,755,983
Accumulated impairment						
Land	-	$ 116,175	$ -	$ -	$ -	116,175
Buildings and equipment	2,023	111,834	-	1,168	-	115,025
Operating equipment	-	2,208,917	1,258	(18,176)	-	2,189,483
Computer equipment	-	186,035	-	-	-	186,035
Office equipment	-	3,741	-	-	-	3,741
Leasehold improvements	-	3,736	-	20,965	-	24,701
Miscellaneous equipment	-	17,167	-	-	-	17,167
	2,023	$ 2,647,605	$ 1,258	$ 3,957	$ -	2,652,327
	36,986,913					49,468,690
Construction-in-progress and prepayments for equipment	3,320,754	$ 8,910,465	$ 73,652	$ (7,611,545)	$ -	4,546,022
	$ 40,307,667					$ 54,014,712

	Year Ended December 31, 2009					
		Movement				
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Cumulative Translation Adjustments	Ending Balance
Cost						
Land	$ 1,473,588	$ -	$ -	$ (2,304)	$ -	$ 1,471,284
Buildings and equipment	2,935,661	380	7,819	141,222	-	3,069,444
Operating equipment	106,295,730	347,630	1,876,243	5,373,201	-	110,140,318
Computer equipment	15,770,006	2,508	159,260	1,604,794	(569)	17,217,479
Office equipment	998,804	2,008	18,157	59,697	(2,475)	1,039,877
Leasehold improvements	1,736,987	482	14,225	264,089	-	1,987,333
Miscellaneous equipment	496,817	3,725	5,280	5,412	-	500,674
	129,707,593	$ 356,733	$ 2,080,984	$ 7,446,111	$ (3,044)	135,426,409
Accumulated depreciation						
Buildings and equipment	1,020,177	$ 96,451	$ 5,556	$ 10,546	$ -	1,121,618
Operating equipment	72,444,975	8,993,854	1,246,333	77	-	80,192,573
Computer equipment	13,204,592	1,331,296	158,950	-	(460)	14,376,478
Office equipment	880,293	40,330	16,980	-	(2,093)	901,550
Leasehold improvements	1,380,762	104,298	10,228	-	-	1,474,832
Miscellaneous equipment	307,634	67,964	5,176	-	-	370,422
	89,238,433	$ 10,634,193	$ 1,443,223	$ 10,623	$ (2,553)	98,437,473
Accumulated impairment						
Buildings and equipment	-	$ -	$ -	$ 2,023	$ -	2,023
	40,469,160					36,986,913
Construction-in-progress and prepayments for equipment	4,880,523	$ 5,846,420	$ 10,920	$ (7,395,269)	$ -	3,320,754
	$ 45,349,683					$ 40,307,667

b. Capitalized interest on properties was as follows:

	Years Ended December 31	
	2010	2009
Total interest expense	$ 61,012	$ 31,734
Less: Interest capitalized (included in construction-in-process and prepayments for equipment)	13,894	7,950
Interest expense, net of amounts capitalized	$ 47,118	$ 23,784
Interest rate capitalized	0.04%-2.70%	0.60%-1.56%

14. INTANGIBLE ASSETS

a. 3G concession

	Years Ended December 31	
	2010	2009
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	3,592,642	2,861,935
Amortization	730,707	730,707
Ending balance	4,323,349	3,592,642
3G concession, net	$ 5,845,651	$ 6,576,358

b. Goodwill and the others

	Years Ended December 31		
	2010		2009
	Goodwill	Other	Goodwill
Beginning balance	$ 10,521,331	$ -	$ 10,571,909
Add: From merger with NCIC and DE Infotech	285,362	686,354	-
Deduct: Amortization	-	(15,705)	50,578
	$ 10,806,693	$ 670,649	$ 10,521,331

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, the Group integrated its telecommunications resources actively in 2010 and 2009. Thus, in 2010, the identifiable cash-generating units were defined as mobile telecommunications service business, telecommunications equipment business, WiFly business and integrated internet business; in 2009, the identifiable cash-generating units were defined as mobile telecommunications service business, telecommunications equipment business and WiFly business, which were divided by distinct business functions.

On December 31, 2010 and 2009, the carrying values of the tangible and intangible assets used by the Group were $71,937,671 thousand and $57,910,640 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, 2010 and 2009: Mobile telecommunications service business - 8.33% and 10.61%, respectively; telecommunications equipment business - 9.71% and 10.42%, respectively; WiFly business - both 10.00%, integrated network business - 5.94%. 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, 2010, there was no indication of impairment loss. Estimated impairment losses of $44,315 thousand for 2009 were recorded.

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. On August 16, 2010, YCIC acquired 67.82% of NCIC’s common shares by a tender offer at NT$10.93 per share, and on November 30, 2010, ARCOA acquired 70% of DE Infotech’s common shares. Thus, the identifiable cash-generating units of NCIC and its subsidiaries were defined as integrated network business, and the operating rights on the integrated network business was identified and recognized accordingly. The identifiable cash-generating unit of DE Infotech was defined as a part of the telecommunications equipment business, and the dealership on the telecommunications equipment business was identified and recognized accordingly.

15. RENTAL ASSETS, NET

	Years Ended December 31									
	2010					2009				
	Beginning Balance	Addition	From Merger with NCIC	Reclassification	Ending Balance	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost										
Land	$ 124,789	$ -	$ -	$ (18,675)	$ 106,114	$ 124,789	$ -	$ 15,555	$ 15,555	$ 124,789
Buildings and equipment	107,797	-	61,104	(9,563)	159,338	107,797	-	145	145	107,797
	232,586	$ -	$ 61,104	$ (28,238)	265,452	232,586	$ -	$ 15,700	$ 15,700	232,586
Accumulated depreciation										
Buildings and equipment	16,186	$ 2,490	$ 9,608	$ (2,542)	25,742	14,019	$ 2,168	$ 60	$ 59	16,186
	216,400				239,710	218,567				216,400
Accumulated impairment	5,770	$ -	$ -	$ (5,258)	512	5,770	$ -	$ -	$ -	5,770
Rental assets, net	$ 210,630				$ 239,198	$ 212,797				$ 210,630

Rental assets are offices of Far EasTone, ARCOA and NCIC, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through December 2015. Future rental income is summarized as follows:

Year	Amount
2011	$ 11,579
2012	9,884
2013	3,998
2014	3,751
2015	2,138

16. SHORT-TERM BANK LOANS

	December 31	
	2010	2009
Secured bank loans - interest of 1.15%-3.90% in 2010 and 1.25%-2.00% in 2009	$ 342,100	$ 466,500
Unsecured bank loans - interest of 0.59%-1.88% in 2010 and 0.60%-1.99% in 2009	3,194,000	250,000
	$ 3,536,100	$ 716,500

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

17. COMMERCIAL PAPERS PAYABLE

As of December 31, 2010, Far EasTone issued commercial paper guaranteed by the financial institution, which were discounted at the interest rate of 0.648% to 0.748%. Far EasTone already repaid $2,050,000 thousand on February 18, 2011.

18. ACCRUED EXPENSES

	December 31	
	2010	2009
Commission	$ 1,451,041	$ 1,443,466
Bonus	770,294	668,370
Maintenance fee	392,806	140,985
Bonus to employees and remuneration to directors and supervisors	251,607	254,090
Rent	237,890	69,399
Advertisement	191,806	113,712
Utilities	125,493	107,407
Billing processing fee	56,105	64,148
Other	641,391	547,145
	$ 4,118,433	$ 3,408,722

19. UNEARNED REVENUES

	December 31	
	2010	2009
Unearned telecom revenues from prepaid cards	$ 1,015,973	$ 1,007,906
Unearned telecom revenues from postpaid	700,074	39,482
Other	313,605	55,542
	$ 2,029,652	$ 1,102,930

Far EasTone and NCIC entered into contracts with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card related regulation of the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificate. For the year ended December 31, 2010, Far EasTone and NCIC consigned the proceeds of its sale of prepaid cards and international calling cards to FEIB as trust funds, which were included in the restricted assets - current. FEIB was designated as in charge of the trust funds to protect Far EasTone's prepaid cards customers' and NCIC's international calling cards customers' rights under the trust deeds. Moreover, Far EasTone provided a performance guarantee amounting to $450,000 thousand (before December 31, 2009) to KG Telecom and $45,000 thousand to KGEx.com for prepaid cards already bought by customers. KG Telecom also provided Far EasTone with a similar guarantee amounting to $850,000 thousand (before December 31, 2009).

20. LONG-TERM BANK LOANS

	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	3,318	5,677	8,995
	$ 203,318	$ 5,677	$ 208,995

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

a. Secured bank loan - KGEx.com

KGEx.com obtained a secured bank loan at interest rates of 1.80% as of December 31, 2009, payable monthly. The loan is secured and repayable quarterly from April 2005 at equal installments, with final repayment due in April 2010. KGEx.com already repaid the loan fully by January 2010.

b. Unsecured bank loan - Q-ware Com.

Q-ware Com. obtained an unsecured bank loan at interest rates of 3.20% as of December 31, 2009, payable monthly. Q-ware Com. should repay the full amount on loan maturity by December 2011. Moreover, Far EasTone's equity in Q-ware Com. should not be less than 51% before the maturity.

c. Unsecured bank loan - DE Infotech

DE Infotech obtained a secured bank loan at an interest of 3.26% as of December 31, 2010. The original amount was $10,000 thousand and repayable monthly from September 2010 at equal installments, with final repayment due in August 2013.

21. LEASE PAYABLE

	December 31, 2009
Total future lease payments	$ 9,686
Less: Imputed interest expense	1,326
	8,360
Less: Current portion of lease payable	8,360
Lease payable - noncurrent	$ -

The capital lease contracts are summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Years Ended December 31 2010	2009
Far Eastern International Leasing Corp. - Far EasTone	Computer equipment	July 2004 - June 2009 annual payment of $15,414 thousand (equipment were transferred unconditionally to Far EasTone on contract expiry)	$ -	$ -
Far Eastern International Leasing Corp. - Far EasTone	Computer equipment	March 2006 - February 2011 annual payment of $5,063 thousand	-	5,063
Far Eastern International Leasing Corp. - KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010)	Computer equipment	July 2004 - June 2009 annual payment of $15,414 thousand (equipment were transferred unconditionally to KG Telecom on contract expiry)	-	-

(Continued)

Lessor	Properties	Payment Terms	Rental Paid Years Ended December 31 2010	2009
Far Eastern International Leasing Corp. - KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010)	Computer equipment	March 2006 - February 2011 annual payment of $5,063 thousand	$ 5,063	$ 5,063
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	September 2006 - August 2009 $5 thousand monthly (equipment were transferred unconditionally to KGEX.com on contract expiry)	-	40
			$ 10,126	$ 10,166

(Concluded)

22. PENSION PLAN

a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of monthly contributions by Far EasTone, KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010), NCIC, ARCOA, Yuan Cing, Q-ware Com., ADCast, ISSDU, DE Infotech and Linkwell 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 $170,201 thousand and $160,361 thousand for the years ended December 31, 2010 and 2009, respectively. FETI, New Diligent (Shanghai), and DUIT under their government's regulations, have recognized pension costs of $4,747 thousand and $3,635 thousand for the years ended December 31, 2010 and 2009, respectively.

b. Far EasTone, KG Telecom, Yuan Cing, ARCOA, NCIC, ISSDU and ADCast have a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points. Far EasTone, KG Telecom, Yuan Cing, ARCOA, NCIC, ISSDU and ADCast accrue pension costs on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan.

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

1) Net pension cost consisted of:

	Years Ended December 31 2010	2009
Service cost	$ 31,836	$ 35,127
Interest cost	32,813	35,277
Expected return on plan assets	(11,947)	(15,303)
Amortization of net transition obligation	2,159	1,333
Amortization of prior service cost	(1,162)	(1,162)
Amortization of unrecognized pension loss	7,064	13,100
Curtailment gain	(18,236)	-
Net pension cost	$ 42,527	$ 68,372

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

	December 31 2010	December 31 2009
Benefit obligation		
Vested benefit obligation	$ 11,724	$ 15,096
Non-vested benefit obligation	909,918	730,251
Accumulated benefit obligation	921,642	745,347
Additional benefits based on projected and future salaries	502,328	446,868
Projected benefit obligation	1,423,970	1,192,215
Fair value of plan assets	(794,015)	(595,907)
Funded status	629,955	596,308
Unrecognized net transition asset (obligation)	(1,033)	530
Unamortized of prior service cost	25,567	26,729
Unamortized pension loss	(171,965)	(265,025)
Included in prepaid pension cost	8,924	9,198
Accrued pension cost	$ 491,448	$ 367,740
Vested benefit	$ 11,997	$ 18,330

3) Actuarial assumptions were as follows:

	December 31 2010	December 31 2009
Discount rate used in determining present value	2.00%-2.25%	2.25%
Rate of future salary increase	1.00%-2.50%	1.00%-2.50%
Expected rate of return on plan assets	1.50%-2.25%	1.50%-2.25%

	Year Ended December 31 2010	Year Ended December 31 2009
d. Contributions to the fund	$ 39,457	$ 46,589
e. Payments from the fund	$ 7,010	$ -

23. DEFERRED REVENUE

	December 31 2010	December 31 2009
Government grant	$ 332,241	$ 394,891
Advance lease payment	169,049	-
	501,290	394,891
Deduct: Due within one year (included in other current liability)	(15,406)	-
	$ 485,884	$ 394,891

NCIC entered into a landing party agreement (LPA) with C2C Pte., Ltd. (C2C). Under the LPA, NCIC (i) identified an appropriate location for cable landing; (ii) constructed landing stations, some of which were leased to C2C; (iii) helped in installing terminal equipment and other facilities; and (iv) rendered related operation and maintenance services. NCIC also received an advance lease payment from C2C for the usage of space at the landing station for 25 years. This payment was recognized as rental income based on an operating lease.

24. STOCKHOLDERS' EQUITY

a. Capital surplus

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

b. Appropriation of earnings and dividend policy

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

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

For the years ended December 31, 2010 and 2009, the bonus to employees was $159,274 thousand and $166,142 thousand, respectively, and the remuneration to directors and supervisors was $79,637 thousand and $83,071 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, 2010 and 2009, respectively. The amounts were estimated based on past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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

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

Under the integrated income tax system, noncorporate ROC-resident stockholders are allowed tax credits for the income tax paid by Far EasTone on earnings generated from January 1, 1998. Under this system, Far EasTone maintains an imputation credit account (ICA) for the income tax and the tax credits allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.

The appropriation of the 2009 and 2008 earnings was approved by the Far EasTone's stockholders on June 15, 2010 and June 16, 2009, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2009	2008	2009	2008
Legal reserve	$ 923,010	$ 1,016,075		
Special reserve	(21,740)	21,740		
Cash dividend	9,123,802	9,123,802	$2.80	$2.80

The bonus to employees and the remuneration to directors and supervisors for 2009 and 2008 approved in Far EasTone's stockholders' meetings on June 15, 2010 and June 16, 2009, respectively, were as follows:

	Years Ended December 31			
	2009		2008	
	Cash	Stock	Cash	Stock
Bonus to employees	$ 166,577	$ -	$ 182,459	$ -
Remuneration to directors and supervisors	83,288	-	91,229	-

	Years Ended December 31			
	2009		2008	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	$ 166,577	$ 83,288	$ 182,459	$ 91,229
Amounts recognized in respective financial statements	166,142	83,071	182,459	91,229
	$ 435	$ 217	$ -	$ -

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. 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, 2008.

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

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of December 31, 2010 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)	22,332	334,987
GDRs transferred to common stock		(31,508)	(472,621)
Outstanding GDRs issued		627	9,413

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, 2010, 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, 2010, Far EasTone had reissued 22,332 thousand units of GDRs representing 334,987 thousand common shares.

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

1) Exercise voting rights;

2) Transfer the GDRs into common stocks; and

3) Receive dividends and exercise preemptive rights or other rights and interests.

d. Share issuance for cash - private placement

On June 15, 2010, 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, 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 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. On June 25, 2010, Far EasTone's board of directors resolved to set the private placement price at NT$40.00 per share. However, based on certain agreements, if the volume weighted average price of Far EasTone's common shares falls below NT$35.00 or exceeds NT$50.00 within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or Far EasTone sends the notice to the other party of the settlement date of the private placement, Far EasTone's board of directors has the authorization of the stockholders' meeting to discuss in good faith and set a new private placement price, provided that any upward or downward adjustment is not more than NT$5 per Far EasTone 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, 2010 and 2009 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, 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	(25,458)	(22,624)	-	(48,082)
Ending balance	$ 44,508	$ 13,434	$ 12,750	$ 70,692
Year ended December 31, 2009				
Beginning balance	$ (50,204)	$ -	$ -	$ (50,204)
Recorded as adjustments to stockholders' equity	113,008	2,050	-	115,058
Recognized as profit or loss	29,201	-	-	29,201
Ending balance	$ 92,005	$ 2,050	$ -	$ 94,055

25. INCOME TAX

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

	Years Ended December 31 2010	2009
Income tax expense computed at statutory tax	$ 1,893,887	$ 2,823,308
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses	1,057	273,381
Other	124,055	80,225
Temporary differences		
Allowance for doubtful account	(50,096)	(141,800)
Goodwill amortization	(134,470)	(197,750)
Equity in investee's net losses (gains)	28,139	(172,597)
Other	66,736	(9,110)
Loss carryforwards used	(16,971)	(33,950)
Investment tax credits used	(2,219)	(222,753)
Unappropriated earnings tax (10%)	5,365	1,468
Income tax payable - current	1,915,483	2,400,422
Income tax expense on income subject to a separate rate of 20%	-	1,811
Prior year's adjustment	85,705	61,686
Income tax expense - current	$ 2,001,188	$ 2,463,919

b. Income tax expense consisted of:

	Years Ended December 31 2010	2009
Income tax expense - current	$ 2,001,188	$ 2,463,919
Income tax expense - deferred		
Temporary differences	100,949	550,659
	$ 2,102,137	$ 3,014,578

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

During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

1) In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law which extends the operating loss carryforward period from 5 years to 10 years.

2) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the related interest income, which was taxed separately prior to January 1, 2010, in its taxable income.

3) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.

4) 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	2009
Current		
Deferred income tax assets		
Allowance for doubtful accounts	$ 425,393	$ 496,837
Provision for losses on decline in value of inventories	7,726	9,490
Investment tax credits	7,191	2,020
Other	23,704	21,375
	464,014	529,722
Less: Valuation allowance	69,367	28,206
	$ 394,647	$ 501,516
Noncurrent		
Deferred income tax assets		
Loss carryforwards	$ 1,972,097	$ 471,000
Impairment loss on properties and idle properties	540,297	100,970
Equity in investees' net losses	348,333	365,931
Impairment loss on financial assets	193,548	2,698
Accrued pension cost	84,836	77,771
Investment tax credits	8,638	2,535
Other	25,234	23,857
	3,172,983	1,044,762
Less: Valuation allowance	2,743,172	757,740
	429,811	287,022
Deferred income tax liabilities		
Goodwill amortization	(672,352)	(632,024)
	$ (242,541)	$ (345,002)

d. Integrated income tax information is as follows:

	December 31	
	2010	2009
Balance of imputation credit account (ICA)		
Far EasTone	$ 933,662	$ 293,676
ARCOA	$ 16,196	$ 12,316
Yuan Cing	$ 6,808	$ 5,597
NCIC	$ 228,758	$ -
New Diligent	$ 5,391	$ -
Simple Infocomm	$ 177	$ -
KG Telecom	$ -	$ 1,741
KGEx.com	$ 3	$ 3
DE Infotech	$ 426	$ -

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2010 to unappropriated earnings as of such date was 20.67%. When the dividends from the unappropriated earnings as of December 31, 2009 were distributed in 2010, the actual ratio that Far EasTone used was 26.78%. KG Telecom had no unappropriated earnings as of December 31, 2009.

Estimated ratio of the ICA balance for ARCOA as of December 31, 2010 to unappropriated earnings as of such date was 7.74%. When the dividends from the unappropriated earnings as of December 31, 2009 were distributed in 2010, the actual ratio that ARCOA used was 10.13%.

Yuan Cing, KGEx.com, NCIC, New Diligent, Simple Infocomm and DE Infotech had no unappropriated earnings as of December 31, 2010. Thus, their ICA balances will be accumulated until dividend distribution in the future.

Based on the Income Tax Law, the imputation tax credits distributed to each stockholder are based on the ICA balance as of the date of dividend distribution. Thus, the estimated creditable ratios for the 2010 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratios for the earnings appropriation of 2009 had been determined, the actual ratios were disclosed.

e. Investment tax credits are as follows:

The unused investment tax credits of the Group as of December 31, 2010 are summarized as follows:

ISSDU

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 1,708	$ 1,708	2012

Q-ware Com.

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	$ 526	$ 526	2011

NCIC

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	$ 5,925	$ 5,925	2011
	Purchase of automated equipment or technology	6,930	6,930	2012
	Research and development expenditures	740	740	2011
		$ 13,595	$ 13,595	

f. The Group's unused loss carryforwards as of December 31, 2010 were as follows:

Year	Remaining Creditable Amount	Expiry Year
2003	$ 327,987	2013
2004	361,122	2014
2005	210,361	2015
2006	253,552	2016
2007	207,994	2017
2008	208,310	2018
2009	296,952	2019
2010	105,819	2020
	$ 1,972,097	

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

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

Income tax returns through 2004 of KG Telecom (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 2003 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 2006 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 returns and thus filed appeals for reexamination of these returns. Nevertheless, NCIC accrued the related tax.

Income tax returns through 2009 of Simple Infocomm and 2008 of NCIC, Q-ware Com., KGEx.com, ADCast, Yuan Cing, ISSDU, New Diligent, DE Infotech and Linkwell had been examined and cleared by the tax authorities. Income tax returns through 2009 of YCIC had not been examined and cleared by the tax authorities.

26. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2010				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 728,540	$ 2,528,578	$ -	$ 289,518	$ 3,546,636
Pension	59,736	139,476	-	18,263	217,475
Meal	17,594	69,183	-	6,074	92,851
Employee benefit	1,454	37,753	-	-	39,207
Insurance	60,392	182,718	-	19,628	262,738
Miscellaneous	4,574	32,131	-	743	37,448
	$ 872,290	$ 2,989,839	$ -	$ 334,226	$ 4,196,355
Depreciation	$ 9,089,834	$ 927,717	$ 17,954	$ -	$ 10,035,505
Amortization	$ 53,987	$ 33,333	$ -	$ -	$ 87,320

	Year Ended December 31, 2009				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 645,368	$ 2,344,359	$ -	$ 455,720	$ 3,445,447
Pension	53,679	149,501	-	29,188	232,368
Meal	16,253	71,340	-	9,919	97,512
Employee benefit	499	34,548	-	-	35,047
Insurance	53,571	178,000	-	29,892	261,463
Miscellaneous	4,622	27,353	-	833	32,808
	$ 773,992	$ 2,805,101	$ -	$ 525,552	$ 4,104,645
Depreciation	$ 9,669,168	$ 965,025	$ 17,643	$ -	$ 10,651,836
Amortization	$ 80,199	$ 49,721	$ -	$ -	$ 129,920

To enhance their competency, Far EasTone, New Century InfoComm Tech Co., Ltd. (included in the consolidated financial statements since August 16, 2010) and Digital United Inc. (dissolved on March 16, 2009 due to merger with NCIC) made a strategic business alliance to integrate the resources of their marketing departments and operating management departments and to support each other's human resources. The related employee revenues and expenses were charged and paid on the basis of agreed-upon terms and recorded as nonoperating income and operating cost or expense. In addition, in the special meeting on October 5, 2010, NCIC's stockholders resolved to entrust all its business operation to Far EasTone.

27. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (In Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2010					
Basic EPS					
Net income - Far EasTone	$ 10,923,961	$ 8,848,565	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	$ 10,923,961	$ 8,848,565	3,264,293	$ 3.35	$ 2.71
Year ended December 31, 2009					
Basic EPS					
Net income - Far EasTone	$ 12,598,706	$ 9,230,107	3,258,501	$ 3.87	$ 2.83
Effect of dilutive potential common stock					
Bonus to employees	-	-	6,660		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	$ 12,598,706	$ 9,230,107	3,265,161	$ 3.86	$ 2.83

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.

28. FINANCIAL INSTRUMENTS

a. Fair values

	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 1,188,405	$ 1,188,405	$ -	$ -
Available-for-sale financial assets - current	2,496,132	2,496,132	2,541,012	2,541,012
Hedging derivative financial assets - current	78,670	78,670	2,750	2,750
Held-to-maturity financial asset - noncurrent	1,199,666	1,203,931	209,567	209,172
Financial assets carried at cost - noncurrent	75,758	75,758	180,461	180,461
Refundable deposits	449,731	449,366	366,481	366,481
Liabilities				
Long-term bank loans (including current portion)	208,995	208,995	219,048	219,048
Lease payable (including current portion)	-	-	8,360	8,360
Guarantee deposits received (including current portion)	783,965	783,965	805,375	805,375
Place of transaction on derivative financial instruments				
Domestic	78,670	78,670	2,750	2,750

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

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

	Quoted Price December 31		Estimated Price December 31	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss - current	$ 1,188,405	$ -	$ -	$ -
Available-for-sale financial assets - current	2,496,132	2,541,012	-	-
Hedging derivative financial assets - current	-	-	78,670	2,750
Held-to-maturity financial assets - noncurrent	203,931	199,172	-	-

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

	December 31			
	2010		2009	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Risk from interest fluctuations				
Fair value risk	$ 7,681,865	$ 6,922,704	$ 6,290,172	$ 1,263,735
Cash flow risk	4,952,475	455,095	5,550,338	485,548

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, 2010 and 2009, 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.

For the years ended December 31, 2010 and 2009, the Group 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.

For the year ended December 31, 2010, 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, 2010 and 2009, the Group used cross-currency swaps and foreign exchange swap contracts to hedge against cash flow fluctuation on its foreign currency-denominated assets, respectively:

	Designated Hedging Instruments						
		Notional Amount December 31		Fair Value December 31			
Hedged Items	Financial Instruments Designated	2010	2009	2010	2009	Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
Foreign currency-denominated asset	Cross- currency swap - Far EasTone	US$15,000,000	$ -	$ 13,820	$ -	2011	2011
	Foreign exchange swap - NCIC	US$40,000,000	-	64,850	-	2011	2011
	Cross-currency swap - KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010)	$ -	US$10,000,000	-	2,750	2010	2010

29. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee of Far EasTone (became a subsidiary since August 16, 2010)
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EasTone
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of the Group
iScreen Corporation	Equity-method investee of KG Telecom (equity-method investee of Far EasTone since January 1, 2010)
Digital United Inc.	Subsidiary of NCIC (dissolved due to merger with NCIC on March 16, 2009)
Information Security Service Digital United Inc.	Subsidiary of NCIC (became a subsidiary since August 16, 2010)
New Diligent Co., Ltd.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)

(Continued)

Related Party	Relationship with the Group
Simple InfoComm Co., Ltd.	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
New Diligence Corporation (Shanghai)	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Sino Lead Enterprise Limited	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Digital United Information Technology Co., Ltd. (Shanghai)	Subsidiary of NCIC (subsidiary of the Company since August 16, 2010)
Yue Ding Industry Co., Ltd.	Director of Far EasTone
NTT DoCoMo Inc.	Director of Far EasTone (became an unrelated party since June 2009)
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Telecommunication and Transportation Foundation (TTF)	Far EasTone's donation is over one third of the foundation's fund
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same ultimate parent company
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
Bai Ding Investment Ltd.	Same chairman
Yuan Ding Co., Ltd. (YD)	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd. (ACC)	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Plaza Hotel	Same chairman
Yuan-Ze University (YZU)	Same chairman
U-Ming Marine Transport Corporation	Same chairman
Chiahui Power Corporation	Same chairman
Tranquil Enterprise Ltd.	Same chairman
Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation (FETSTMF)	Same chairman
Far Eastern International Bank (FEIB)	Far EasTone's chairman is FEIB's vice chairman
Far Eastern Construction Co., Ltd.	Same ultimate parent company
Yuang Tong Investment Corporation	Same ultimate parent company

(Continued)

Related Party	Relationship with the Group
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Oriental Petrochemical (Taiwan) Co., Ltd.	Same ultimate parent company
Yuan Ding Investment Corporation (YDI)	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Far EasTone Fibertech Co., Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Far Eastern New Century (China) Investment Limited (former Far Eastern (China) Investment Limited)	Same ultimate parent company
Sino Belgium (Holding) Limited	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Far Eastern Apparel (Vietnam) 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
Far Eastern Leasing Corporation	Subsidiary of FEILC
Ding Ding Management Consultants Co. (DDMC)	Equity method investee of FENC
Hui-lien Chu	President of DE Infotech

(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:

		2010		2009	
		Amount	%	Amount	%
During the year					
Operating revenue	1)				
NCIC	2)	$ 859,469	2	$ 1,222,334	2
FEIB	19)	43,952	-	-	-
FENC	19)	28,769	-	-	-
Other	27)	158,018	-	101,123	-
		$ 1,090,208	2	$ 1,323,457	2
Operating costs and expenses					
Cost of telecommunications service					
NCIC	2)	$ 509,846	2	$ 587,913	2
Other	27)	8,702	-	10,274	-
		$ 518,548	2	$ 598,187	2
Rental					
FETRD	3)	$ 46,497	1	$ 45,511	1
FEILC	5)	42,943	1	39,909	1
NCIC	4)	33,295	1	49,537	1
Other	27)	13,490	-	11,346	-
		$ 136,225	3	$ 146,303	3
Marketing expense					
DDIM	6)	$ 130,405	1	$ 163,416	2
Other	27)	557	-	2,999	-
		$ 130,962	1	$ 166,415	2
Service fee					
FCHRC	7)	$ 286,792	60	$ 66,771	29
Other	27)	987	-	156	-
		$ 287,779	60	$ 66,927	29
Telephone fee					
NCIC	8)	$ 21,904	7	$ 26,720	8
Other	27)	-	-	15	-
		$ 21,904	7	$ 26,735	8
Donation expense					
YZU	9)	$ 25,000	43	$ -	-
TTF	10)	7,000	12	9,000	44
		$ 32,000	55	$ 9,000	44

		2010		2009	
		Amount	%	Amount	%
Nonoperating income and gains					
Interest					
FEIB	11)	$ 27,990	33	$ 23,932	36
YDI	21)	7,425	9	-	-
FENC	21)	4,367	5	-	-
Other	27)	4,220	5	-	-
		$ 44,002	52	$ 23,932	36
Management services revenue					
NCIC	11)	$ 17,514	100	$ 26,226	96
Other	27)	-	-	1,038	4
		$ 17,514	100	$ 27,264	100
Rent					
NCIC	4)	$ 10,043	24	$ 5,377	13
Other	27)	3,540	9	308	1
		$ 13,583	33	$ 5,685	14
Nonoperating expenses and losses					
Interest					
FEIB	13)	$ 2,944	6	$ -	-
FEILC	5)	1,590	4	-	-
		$ 4,534	10	$ -	-
Donation					
FETSTMF	14)	$ -	-	$ 90,000	66
Acquisition of properties					
FEILC	5)	$ 236,508	3	$ -	-
Other	27)	12,645	-	52,121	1
		$ 249,153	3	$ 52,121	1
Acquisition of bonds					
ACC	15)	$ -	-	$ 199,540	95
YDI	15)	-	-	10,000	5
		$ -	-	$ 209,540	100
At end of period					
Demand deposits and certificates of deposits					
FEIB	11)	$ 4,437,394	40	$ 3,300,138	29

		2010		2009	
		Amount	%	Amount	%
Accounts receivable - related parties					
FETC	16)	$ 4,271	29	$ 3,433	3
FETRD	17)	3,378	23	-	-
FEIB	19)	1,547	10	-	-
DDIM	19) and 20)	1,561	10	2,083	2
NCIC	2)	-	-	121,458	95
Other	27)	4,245	28	290	-
		$ 15,002	100	$ 127,264	100
Other receivables - related parties					
YDI	21)	$ 7,552	32	$ -	-
FETC	18)	3,204	14	3,852	2
FEIB	11)	2,857	12	940	1
DDIM	6)	1,582	7	1,671	1
NCIC	12)	-	-	157,253	95
Other	27)	8,306	35	1,886	1
		$ 23,501	100	$ 165,602	100
Refundable deposits					
DDIM	6)	$ 38,535	9	$ 43,233	12
Other	27)	6,637	1	11,377	3
		$ 45,172	10	$ 54,610	15
Hedging derivative financial assets					
FEIB	13)	$ 50,550	64	$ -	-
Accounts payables - related parties					
FETC	22)	$ 6,333	37	$ -	-
DDMC	23)	4,162	24	-	-
YD	24)	2,275	13	2,275	2
YDTTI	25)	1,817	11	-	-
NCIC	2)	-	-	135,060	98
Other	27)	2,573	15	238	-
		$ 17,160	100	$ 137,573	100
Other payables - related parties					
DDIM	6)	$ 77,550	34	$ 75,166	30
YZU	9)	40,100	18	15,080	6
FENC	26)	35,871	16	6,364	3
FCHRC	7)	30,696	13	9,690	4
NCIC	4) and 8)	-	-	128,937	52
Other	27)	43,588	19	12,049	5
		$ 227,805	100	$ 247,286	100
Lease payable - current					
FEILC	5)	$ -	-	$ 8,360	100

Descriptions of transactions with related parties are as follows:

1) Operating revenues (such as service revenue and revenues from sales of equipment, accessories logistics service revenue, and customer service revenues) from related parties were based on normal service rates, selling prices and collection terms.

2) The transactions between Far EasTone, KG Telecom, (dissolved due to the merger with Far EasTone on January 1, 2010), KGEx.com and NCIC were sales of cellular phone units and accessories and interconnection activities for NCIC's use of Far EasTone's, KG Telecom's and KGEx.com's network were included in telecommunications service revenues. The interconnection fees paid by Far EasTone, KG Telecom and KGEx.com on their use of NCIC's fixed-line network and billing processing costs pertaining to the interconnection services provided by NCIC to Far EasTone, KG Telecom and KGEx.com were included in cost of telecommunications services. The international direct dialing revenue collected by Far EasTone and KG Telecom for NCIC was treated as a reduction of telecommunications service revenue and was included in accounts payable - related parties.

3) Far EasTone and NCIC lease from FETRD several parcels of the land and building spaces under contracts with terms from September 2003 to April 2015. The properties are located on Yatung Street and Renai Street in Panchao City, Wuku in Taipei County, and other locations in Taiwan.

4) The Group leases from NCIC the leased line, office space in Neihu, telecommunications network under operating lease contracts. Also, the Group rented some telecommunication equipments to NCIC.

5) Under operating lease agreements, Far EasTone and NCIC rented from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; (b) the land and mobile switch centers located in Neihu, Taichung and Xinzhu from November 1999 to June 2004; and (c) vehicles. Some of these contracts will be automatically renewed unless either Far EasTone or FEILC informs the other party of contract termination.

Far EasTone bought from FEILC the Neihu switch center, the Taichung land for switch center and the Kaohsiung office space for $239,177 thousand (including VAT) based on appraisal reports and market prices. The ownership of these properties had been transferred to Far EasTone.

Far EasTone, KG Telecom and KGEx.com also leased from FEILC computer equipment and office equipment under capital lease agreements, with amounts of $10,126 thousand and $10,166 thousand paid for the years ended December 31, 2010 and 2009, respectively. Parts of the agreements on the computer equipment and office equipment expired on June 30, 2009 and the ownership of the related equipments was already transferred to the Group without condition (Note 21).

6) Far EasTone, KG Telecom and NCIC authorized DDIM to manage the accumulation and redemption of customers' reward points. The related service charges were treated as marketing expense and other payables - related parties. The Group also purchased goods from DDIM, which was included in accounts payable - related parties. In addition, Far EasTone, KG Telecom and NCIC give DDIM monthly refundable deposits for the points accumulated but not yet redeemed, and these deposits are calculated at a fixed percentage of the unused reward points.

7) The Group had contracts with FCHRC for manpower dispatching services, under which the Group paid for FCHRC's providing the Group with temporary or specific personnel demands.

8) The Group used the fixed network and Internet access services provided by NCIC and were included in other payables - related parties.

9) Far EasTone made donations to nonprofit organizations for further integration and development of telecommunications business and personnel.

10) Far EasTone made donations to TTF for telecommunications technology researches.

11) The Group had demand deposits and certificates of deposits (CDs) in FEIB. These deposits include the proceeds of Far EasTone's sale of prepaid cards and NCIC's sale of international calling cards, which were consigned to FEIB as trust funds (Note 19). Some of these CDs had been pledged as collaterals to the National Tax Administration of Taipei and FEIB; thus, these CDs were included in the pledged certificates of deposits.

12) Far EasTone provided management services and advances to NCIC for its daily operating expenditures.

13) NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. Related expenses are treated as interest expenses.

14) To honor Mr. You-Shiang Hsu's contributions to the foundation of the Far Eastern Group and in remembrance for his spirit of industrial and public welfare, Far EasTone made a donation to a fund for the construction of his memorial.

15) KG Telecom and AROCA purchased the corporate bonds issued by ACC and YDI, respectively.

16) KGEx.com and AROCA charged FETC for the providing of co-location service and logistics service, which were included in accounts receivable - related parties.

17) NCIC provides project installation to FETRD, which were treated as accounts receivable-related parties.

18) Far EasTone gave advances for FETC's daily operating expenditures, which were treated as other receivables - related parties.

19) NCIC provided fixed-line network services to FENC, DDIM and FEIB, which were treated as accounts receivable - related parties.

20) Yuan Cing provided call center services to DDIM, which were treated as accounts receivable - related parties.

21) NCIC accrued interest revenue from investment in FENC's and YDI's corporate bonds.

22) ARCOA purchased OBUs from FETC, which were treated as accounts payable - related parties.

23) NCIC signed with DDMC a software system development contract. The fees were recorded as accounts payable - related parties.

24) Far EasTone leases from YD several parcels of the land and building spaces.

25) NCIC committed YDTTI with the establishment of equipment in office security and monitoring system. The fees were recorded as accounts payable - related parties.

26) Far EasTone shared in the management expenses of the Far Eastern Group, which were treated as other payables - related parties.

27) Accounts of other related parties were less than 5% of the respective accounts.

All the above rental rates and terms were comparable to leases with third parties.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	**2009**
Salary and bonus	$ 172,741	$ 116,372
Remuneration paid from distribution of earnings	79,637	83,071
Bonus paid from distribution of earnings	33,978	30,765
Operation allowance of directors	11,129	7,380
	$ 297,485	$ 237,588

30. COMMITMENTS AS OF DECEMBER 31, 2010

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

a. The Group was under contracts to acquire properties and cellular phone equipment for $5,528,580 thousand and $4,299,320 thousand, respectively, of which $2,076,933 thousand and $1,126,372 thousand, respectively, had been received.

b. ARCOA's outstanding letters of credit amounted to $8,700 thousand.

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

Year	
2011	$ 2,827,620
2012	2,857,170
2013	2,914,554
2014	2,991,046
2015	3,071,908

d. Oriental Securities Investment Advisory Co., Fuh Hwa Securities Investment Trust Co., Ltd., SinoPac Securities Investment Trust Co., Ltd., Prudential Financial Securities Investment Trust Enterprise, Jin Sun Securities Investment Trust Co., Ltd. and Yuanta Securities Investment Trust Co., Ltd. are managing the Group's funds of $2,010,727 thousand through March 2011 under a discretionary portfolio management agreements, which are automatically renewed for one year unless the Group gives a notice of contract termination. Under these agreements, the portfolio may include domestic quoted stocks, government bonds, corporate bonds, mutual funds and commercial papers or bonds under resell agreements. However, under Far EasTone's agreement, investments in the affiliates of the Group and other domestic telecommunications companies (except Chunghwa Telecom Co., Ltd.) and related derivatives are prohibited. The breakdown of the carrying value of the funds of $2,074,151 thousand is as follows:

	December 31, 2010
Cash and cash equivalents	
Demand deposits	$ 1,399,752
Certificates of deposits	9,900
Bonds purchased under resell agreements	29,089
Financial assets at fair value through profit or loss - current (domestic quoted stocks)	376,803
Available-for-sale financial assets - current	255,662

(Continued)

	December 31, 2010
Receivables from the sale of securities (included in other current assets)	$ 4,515
Payables for the purchase of securities (included in other current liabilities)	(926)
Other	(644)
	$ 2,074,151

(Concluded)

31. 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, undertaking government projects and foreign exchange swap contracts, were as follows:

	December 31	
	2010	2009
Restricted assets - current	$ 14,015	$ -
Pledged certificates of deposits - current	134,500	23,128
Pledged certificates of deposits - noncurrent	421,369	421,595
Properties, net	443,956	455,460
	$ 1,013,840	$ 900,183

32. OTHER

The Group's assets and liabilities which are not denominated in New Taiwan Dollars as of December 31, 2010 and 2009 are as follows:

(In Thousands, Except Exchange Rate)

	December 31, 2010		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Monetary assets			
United States Dollars	$ 23,889	29.13	$ 695,887
EURO	10	38.92	389
Japanese Yen	306	0.3582	110
Hong Kong Dollars	14,348	3.748	53,776
Chinese Renminbi	27,856	4.42	123,124
Monetary liabilities			
United States Dollars	18,225	29.13	530,894
EURO	36	38.92	1,401
Japanese Yen	654	0.3582	234
Hong Kong Dollars	23	3.748	86
Chinese Renminbi	3,780	4.42	16,708
Singapore Dollars	4	22.73	91

(Continued)

	December 31, 2010		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Non-monetary assets			
United States Dollars	$ 46,836	29.13	$ 1,364,333
Hong Kong Dollars	15,925	3.748	59,687

	December 31, 2009		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Monetary assets			
United States Dollars	$ 7,601	31.99	$ 243,156
EURO	3	46.10	138
Japanese Yen	3,634	0.3472	1,262
Hong Kong Dollars	48	4.126	198
Chinese Renminbi	26,330	4.69	123,488
Monetary liabilities			
United States Dollars	16,873	31.99	539,767
EURO	3,405	46.10	156,971
Japanese Yen	11	0.3472	4
Chinese Renminbi	5,519	4.69	25,884
Non-monetary assets			
United States Dollars	11,220	31.99	358,928

33. 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: Schedule E

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 F

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

9) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule H

10) Derivative financial instruments of investees: Note 28

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 I

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

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

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

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

d. Additional disclosure for consolidated financial statements:

1) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule J

2) Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None

34. SEGMENT INFORMATION

a. Industry: Schedule K.

b. Foreign operations

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

c. Foreign revenues

The Group has no foreign revenues.

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

	2010		2009	
	Amount	**Percentage of Operating Revenue (%)**	**Amount**	**Percentage of Operating Revenue (%)**
Company A	$ 7,292,482	11	$ 7,646,083	13

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2010
(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 (Note)	Financing Company's Financing Amount Limits
											Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Yuan Cing Infocomm Tech Co., Ltd.	Other receivables - related parties	$ 4,300,000	$ 4,300,000	0.787%-0.821%	Short-term financing	$ -	For the tender offer payment and business operations	$ -	-	$ -	$ 7,128,083	$ 10,692,125

Note: 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 the Far EasTone's net worth of most current audited or reviewed financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010
(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.	Subsidiary	$ 35,640,416	$ 149,840	$ 149,840	$ -	0.21%	$ 71,280,832
		KGEx.com Co., Ltd.	Subsidiary	35,640,416	45,000	45,000	-	0.06%	71,280,832

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, not the actual appropriations.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(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, 2010				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value		
Far EasTone Telecommunications Co., Ltd.	Stocks								
	Yuan Cing Infocomm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,500,100,000	$ 15,076,670	100.00	$ 15,076,670	Notes A and D	1,500,100,000
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	695,096,070	6,170,177	26.74	6,170,177	Notes A and D	695,096,070
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,175,797	61.07	1,175,797	Notes A and D	82,009,242
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	89,088,470	726,564	79.25	726,564	Notes A and D	89,088,470
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	174,185	100.00	174,185	Notes A and D	1,200
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	169,347	41.18	169,347	Notes A and D	157,714,020
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	77,979	85.92	77,979	Notes A and D	6,014,622
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,725,000	34,346	15.00	34,346	Notes A and D	4,725,000
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	26,920	100.00	26,920	Notes A and D	4,486,988
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	24,247	40.00	24,247	Notes A and D	4,000,000
	O-music Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	23,833	50.00	23,833	Notes A and D	2,500,000
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	386,870	3,834	8.56	3,834	Notes A and D	386,870
	Q-ware Communications Co., Ltd	Equity-method investee	Other liability - other	36,459,930	(114,466)	51.00	(114,466)	Notes A and D	36,459,930
	TCC	-	Available-for-sale financial assets - current	550,000	18,040	-	18,040	Note B	550,000
	ACC	-	Available-for-sale financial assets - current	2,090,900	67,432	-	67,432	Note B	2,090,900
	DAIOKU	-	Available-for-sale financial assets - current	100,000	6,400	-	6,400	Note B	508,000
	TSRC	-	Available-for-sale financial assets - current	150,000	10,125	-	10,125	Note B	200,000
	WEC	-	Available-for-sale financial assets - current	900,000	7,749	-	7,749	Note B	900,000
	CHROMA	-	Available-for-sale financial assets - current	160,000	13,936	-	13,936	Note B	200,000
	LPI	-	Available-for-sale financial assets - current	1,310,000	32,357	-	32,357	Note B	1,310,000
	ARES	-	Available-for-sale financial assets - current	300,000	8,790	-	8,790	Note B	300,000
	STARK	-	Available-for-sale financial assets - current	415,000	12,741	-	12,741	Note B	490,000
	EVAAIR	-	Available-for-sale financial assets - current	275,000	10,120	-	10,120	Note B	275,000
	Yuanta Group	-	Available-for-sale financial assets - current	400,000	8,720	-	8,720	Note B	400,000
	NOVATEK	-	Available-for-sale financial assets - current	30,000	2,820	-	2,820	Note B	30,000
	Ardentec	-	Available-for-sale financial assets - current	300,000	9,075	-	9,075	Note B	300,000
	GPI	-	Available-for-sale financial assets - current	108,763	5,677	-	5,677	Note B	108,763
	GET	-	Available-for-sale financial assets - current	100,000	8,400	-	8,400	Note B	100,000
	Orisetech	-	Available-for-sale financial assets - current	108,000	6,858	-	6,858	Note B	138,000
	GS	-	Available-for-sale financial assets - current	655,000	14,574	-	14,574	Note B	655,000
	RECHI	-	Available-for-sale financial assets - current	300,000	5,520	-	5,520	Note B	300,000
	SWANCOR	-	Available-for-sale financial assets - current	200,000	11,220	-	11,220	Note B	200,000
	CHIPBOND	-	Available-for-sale financial assets - current	270,000	13,743	-	13,743	Note B	270,000
	SYSTEX	-	Available-for-sale financial assets - current	320,000	15,008	-	15,008	Note B	320,000
	SIGURD	-	Available-for-sale financial assets - current	300,000	8,340	-	8,340	Note B	300,000
	WNC	-	Available-for-sale financial assets - current	130,000	9,087	-	9,087	Note B	130,000
	PChome online	-	Available-for-sale financial assets - current	51,000	9,027	-	9,027	Note B	190,000
	Phison	-	Available-for-sale financial assets - current	45,000	7,335	-	7,335	Note B	45,000
	Open-end mutual funds								
	KGI EM Trend ETF Fund of Funds	-	Available-for-sale financial assets - current	500,000.00	5,250	-	5,250	Note C	500,000.00
	PCA Global Green Solutions Fund	-	Available-for-sale financial assets - current	4,978,009.80	50,427	-	50,427	Note C	4,978,009.80
	Private funds								
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000	147,438	-	147,438	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	199,666	-	203,931	Note F	200.00

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value		
ARCOA Communication Co., Ltd.	Stock								
	Data Express Infotech Co., Ltd.	Equity-method investee	Equity-method investments	6,142,500	$ 142,401	70.00	$ 142,401	Notes A and D	6,142,500
	THI consultants	-	Financial assets carried at cost	1,213,594	13,729	18.32	13,729	Note D	1,213,594
	VIBO Telecom Inc.	-	Financial assets carried at cost	840,000	8,400	0.04	8,400	Note D	840,000
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost	2,086,854	6,714	3.98	6,714	Note D	2,086,854
	Web Point Co., Ltd.	-	Financial assets carried at cost	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	4,612,209.30	60,076	-	60,076	Note C	4,635,690.50
	Bond Fund	-	Available-for-sale financial assets - current	9,509,661.20	120,357	-	120,357	Note C	9,509,661.20
	Capital Income Fund	-	Available-for-sale financial assets - current	7,777,877.60	120,272	-	120,272	Note C	9,724,185.50
	Fuh Hwa Bond Fund	-	Available-for-sale financial assets - current	4,339,572.10	60,167	-	60,167	Note C	6,511,109.00
	Fuh Hwa Global Fixed Income Fund of Funds	-	Available-for-sale financial assets - current	3,094,939.80	40,946	-	40,946	Note C	3,094,939.80
	Fuh Hwa Global Short-Term Income Fund	-	Available-for-sale financial assets - current	4,709,368.40	50,070	-	50,070	Note C	4,709,368.40
	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
New Century InfoComm Tech Co., Ltd.	Stock								
	New Diligent Co., Ltd.	Equity-method investee	Equity-method investments	80,000,000	718,362	100.00	718,362	Notes A and D	80,000,000
	Information Security Service Digital United Co., Ltd.	Equity-method investee	Equity-method investments	14,877,747	127,013	100.00	127,013	Notes A and D	14,877,747
	Simple InfoComm Co., Ltd.	Equity-method investee	Equity-method investments	3,400,000	24,116	100.00	24,116	Notes A and D	3,400,000
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	1,575,000	11,460	5.00	11,460	Notes A and D	1,575,000
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	932,327	9,237	20.63	9,237	Notes A and D	932,327
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost	30,000,000	40,797	3.00	40,797	Note D	30,000,000
	BankPro E-service Technology Co., Ltd.	-	Financial assets carried at cost	450,000	4,500	3.33	4,500	Note D	450,000
	C2C Holdings Pte. Ltd.	-	Financial assets carried at cost	30,000,000	-	6.38	-	-	30,000,000
	MetaEdge Corp.	-	Financial assets carried at cost	39,359	-	1.59	-	-	39,359
	YeServ Com. Limited	-	Financial assets carried at cost	160,000	-	1.32	-	-	160,000
	Auto TOOLS Co., Ltd.	-	Financial assets carried at cost	152,589	-	1.53	-	-	152,589
	TCC	-	Financial assets at fair value through profit or loss - current	110,817	3,635	-	3,635	Note B	801,000
	GPPC	-	Financial assets at fair value through profit or loss - current	287,000	5,984	0.04	5,984	Note B	1,218,000
	SHINKO. TEXTILE	-	Financial assets at fair value through profit or loss - current	90,000	4,995	0.03	4,995	Note B	90,000
	LP	-	Financial assets at fair value through profit or loss - current	177,000	2,858	0.03	2,858	Note B	1,369,000
	ECLAT	-	Financial assets at fair value through profit or loss - current	65,000	2,499	0.03	2,499	Note B	168,000
	YUNGTAY	-	Financial assets at fair value through profit or loss - current	96,000	4,205	0.02	4,205	Note B	96,000
	WALSIN	-	Financial assets at fair value through profit or loss - current	1,389,000	25,696	0.04	25,696	Note B	2,203,000
	TSRC	-	Financial assets at fair value through profit or loss - current	60,000	4,050	0.01	4,050	Note B	585,000
	YL	-	Financial assets at fair value through profit or loss - current	325,000	20,053	0.02	20,053	Note B	688,000
	SY	-	Financial assets at fair value through profit or loss - current	287,000	5,310	0.03	5,310	Note B	287,000
	CSBC	-	Financial assets at fair value through profit or loss - current	142,000	3,905	0.02	3,905	Note B	142,000
	ASE	-	Financial assets at fair value through profit or loss - current	90,000	3,037	-	3,037	Note B	592,000
	Synnex	-	Financial assets at fair value through profit or loss - current	60,000	4,722	-	4,722	Note B	231,000
	Qisda	-	Financial assets at fair value through profit or loss - current	612,000	12,179	0.03	12,179	Note B	612,000
	ACER	-	Financial assets at fair value through profit or loss - current	46,000	4,145	-	4,145	Note B	46,000

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value		
	ASUSTEK	-	Financial assets at fair value through profit or loss - current	12,000	$ 3,324	-	$ 3,324	Note B	26,000
	WINTEK CORP.	-	Financial assets at fair value through profit or loss - current	77,000	3,858	0.01	3,858	Note B	832,000
	EPISTAR	-	Financial assets at fair value through profit or loss - current	70,000	7,455	-	7,455	Note B	260,000
	MTK	-	Financial assets at fair value through profit or loss - current	43,000	17,952	-	17,952	Note B	68,000
	STARK	-	Financial assets at fair value through profit or loss - current	302,000	9,271	0.23	9,271	Note B	450,000
	ZINWELL	-	Financial assets at fair value through profit or loss - current	45,000	2,583	0.01	2,583	Note B	263,000
	HTC	-	Financial assets at fair value through profit or loss - current	10,000	9,000	-	9,000	Note B	97,000
	KINDOM	-	Financial assets at fair value through profit or loss - current	153,000	5,095	0.03	5,095	Note B	607,000
	FSC	-	Financial assets at fair value through profit or loss - current	34,000	2,312	0.01	2,312	Note B	75,000
	EMC	-	Financial assets at fair value through profit or loss - current	55,000	1,666	-	1,666	Note B	773,000
	YMTC	-	Financial assets at fair value through profit or loss - current	140,000	3,955	0.01	3,955	Note B	743,000
	EVAAIR	-	Financial assets at fair value through profit or loss - current	88,000	3,238	-	3,238	Note B	1,246,000
	GFRT	-	Financial assets at fair value through profit or loss - current	16,000	8,256	0.02	8,256	Note B	28,000
	C.H.B	-	Financial assets at fair value through profit or loss - current	290,000	7,511	-	7,511	Note B	578,000
	CATHAY HOLDINGS	-	Financial assets at fair value through profit or loss - current	68,250	3,528	-	3,528	Note B	596,000
	Yuanta Group	-	Financial assets at fair value through profit or loss - current	155,000	3,379	-	3,379	Note B	440,000
	MEGA FHC	-	Financial assets at fair value through profit or loss - current	703,000	15,782	0.01	15,782	Note B	1,213,000
	TSFHC	-	Financial assets at fair value through profit or loss - current	100,000	1,725	-	1,725	Note B	100,000
	FFHC	-	Financial assets at fair value through profit or loss - current	261,500	7,021	-	7,021	Note B	520,500
	MERCURIES	-	Financial assets at fair value through profit or loss - current	381,000	9,373	0.07	9,373	Note B	381,000
	PCSC	-	Financial assets at fair value through profit or loss - current	109,000	14,660	0.01	14,660	Note B	109,000
	AVC	-	Financial assets at fair value through profit or loss - current	70,000	2,415	0.03	2,415	Note B	301,000
	NOVATEK	-	Financial assets at fair value through profit or loss - current	20,000	1,880	-	1,880	Note B	313,000
	WT	-	Financial assets at fair value through profit or loss - current	76,000	3,564	0.03	3,564	Note B	385,000
	TXC	-	Financial assets at fair value through profit or loss - current	173,897	9,686	0.06	9,686	Note B	672,000
	DAVICOM	-	Financial assets at fair value through profit or loss - current	323,060	13,601	0.38	13,601	Note B	323,060
	KINSUS	-	Financial assets at fair value through profit or loss - current	46,000	4,554	0.01	4,554	Note B	247,000
	Wistron	-	Financial assets at fair value through profit or loss - current	82,000	4,871	-	4,871	Note B	189,000
	Ardentec	-	Financial assets at fair value through profit or loss - current	130,000	3,933	0.03	3,933	Note B	300,000
	VIVOTEK	-	Financial assets at fair value through profit or loss - current	60,000	3,960	0.10	3,960	Note B	62,000

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value		
	JTOUCH	-	Financial assets at fair value through profit or loss - current	40,000	$ 4,320	0.04	$ 4,320	Note B	176,000
	PAHSCO	-	Financial assets at fair value through profit or loss - current	10,376	1,271	0.02	1,271	Note B	166,000
	NEE	-	Financial assets at fair value through profit or loss - current	227,000	13,325	0.27	13,325	Note B	227,000
	SAS	-	Financial assets at fair value through profit or loss - current	36,000	3,334	0.01	3,334	Note B	67,000
	RICH	-	Financial assets at fair value through profit or loss - current	500,000	9,575	0.09	9,575	Note B	845,000
	SMP	-	Financial assets at fair value through profit or loss - current	31,000	6,572	0.01	6,572	Note B	45,000
	CHIPBOND	-	Financial assets at fair value through profit or loss - current	115,000	5,854	0.02	5,854	Note B	744,000
	Career Tech.	-	Financial assets at fair value through profit or loss - current	155,000	6,991	0.05	6,991	Note B	545,000
	SIGURD	-	Financial assets at fair value through profit or loss - current	398,000	11,064	0.12	11,064	Note B	1,100,000
	FLEXIUM	-	Financial assets at fair value through profit or loss - current	105,000	5,723	0.07	5,723	Note B	422,000
	GMT	-	Financial assets at fair value through profit or loss - current	17,000	2,380	0.02	2,380	Note B	19,000
	ACME	-	Financial assets at fair value through profit or loss - current	45,000	5,558	0.04	5,558	Note B	116,000
	RUENTEX DEVELOP	-	Financial assets at fair value through profit or loss - current	81,000	4,155	0.01	4,155	Note B	81,000
	Polaris Taiwan Top 50 Tracker Fund	-	Financial assets at fair value through profit or loss - current	1,065,000	65,391	-	65,391	Note B	3,400,000
	iShares FTSE/Xinhua A50 China Index ETF	-	Financial assets at fair value through profit or loss - current	1,250,000	59,687	-	59,687	Note B	2,200,000
	Share certificates								
	Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investments	3,320,000	24,224	100.00	24,224	Notes A and D	3,320,000
	Open-end mutual funds								
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,667,475.00	154,838	-	154,838	Note C	29,364,918.90
	Prudential Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	5,490,636.00	83,348	-	83,348	Note C	12,659,792.30
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss - current	3,593,965.48	43,066	-	43,066	Note C	3,593,965.48
	DFE DWS Global Multi-asset Income Plus FOF-A	-	Financial assets at fair value through profit or loss - current	9,571,256.70	105,380	-	105,380	Note C	9,571,256.70
	Deutsche Far Eastern DWS Global Agribusiness Fund	-	Financial assets at fair value through profit or loss - current	5,000,000.00	51,550	-	51,550	Note C	5,000,000.00
	Private funds								
	Opas Fund Segregated Portfolio Tranche C	-	Available-for-sale financial assets - current	30,000.00	922,030	-	922,030	Note C	30,000.00
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	10,000.00	294,877	-	294,877	Note C	10,000.00
	Capital Convertible Bond Arbitrage Plus I Fund	-	Available-for-sale financial assets - current	9,558,081.40	100,169	-	100,169	Note C	9,558,081.40
	Capital CB Arbitrage VIII Fund	-	Available-for-sale financial assets - current	9,535,417.00	100,026	-	100,026	Note C	9,535,417.00
	Fuh Hwa Angel Fund	-	Available-for-sale financial assets - current	8,113,602.30	100,933	-	100,933	Note C	8,113,602.30
	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, 2010				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value		
Digital United (Cayman) Ltd.	Stock								
	Digital United Information Technologies Co., Ltd.	Equity-method investee	Equity-method investments	-	US$ 480,000	100.00	US$ 480,000	Notes A and D	-
New Diligent Co., Ltd.	Share certificates								
	New Diligence Corporation (Shanghai)	Equity-method investee	Equity-method investments	-	2,057	100.00	2,057	Notes A and D	-
	Sino Lead Enterprise Limited	Equity-method investee	Equity-method investments	-	535	100.00	535	Notes A and D	-
	Open-end mutual funds								
	UPAMC JAMES BOND Fund	-	Financial assets at fair value through profit or loss - current	5,495,860.58	88,108	-	88,108	Note C	5,495,860.58
	FSITC Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	10,940,283.20	160,234	-	160,234	Note C	10,940,283.20
Data Express Infotech Co., Ltd.	Stock								
	Linkwell Tech. Co., Ltd.	Equity-method investee	Equity-method investments	1,000,000	6,366	100.00	6,366	Notes A and D	1,000,000
Yuan Cing Infocomm Tech Co., Ltd.	Stocks								
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,762,945,436	19,314,233	67.82	19,314,233	Notes A and D	1,762,945,436
Far Eastern Info Service (Holding) Ltd.	Share certificates								
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$ 5,320,000	100.00	US$ 5,320,000	Notes A and D	-
Far EasTron Holding Ltd.	Stocks								
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US$ 930,000	60.52	US$ 930,000	Notes A and D	2,734,446
E. World (Holdings) Ltd.	Stocks								
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 2,863,000	100.00	US$ 2,863,000	Notes A and D	19,349,994

Note A: The calculation was based on audited financial statements as of December 31, 2010

Note B: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2010.

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of December 31, 2010.

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, 2010.

Note F: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of December 31, 2010. The bonds without quoted prices were measured by their carrying values.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Equity in Net Gain (Loss)	Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	Private funds														
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current			10,000.00	$ 328,700	-	$ -	10,000.00	$ 395,501	$ 328,700	$ 66,801	$ -	-	$ -
	Opas Fund Segregated Portfolio Tranche D	Available-for-sale financial assets - current	-	-	-	-	5,000.00	158,400	-	-	-	-	-	5,000.00	158,400
	Fuh Hwa Value Added Strategy Fund	Financial assets carried at cost - current	-	-	14,866,204.20	150,000	-	-	14,866,204.20	164,123	150,000	14,123	-	-	-
	Open-end mutual funds														
	DFE DWS Global Multi-asset Income Plus FOF-A	Available-for-sale financial assets - current	-	-	9,766,444.20	100,000	938,967.10	10,000	10,705,411.30	117,117	110,000	7,117	-	-	-
	Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	Available-for-sale financial assets - current	-	-	67,798,918.35	750,000	-	-	67,798,918.35	758,506	750,000	8,506	-	-	-
	Hua Nan Phoenix Bond Fund	Available-for-sale financial assets - current	-	-	16,072,953.40	250,000	-	-	16,072,953.40	250,743	250,000	743	-	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets - current	-	-	16,539,533.00	250,000	-	-	16,539,533.00	250,700	250,000	700	-	-	-
	PCA Well Pool Money Market Fund	Available-for-sale financial assets - current	-	-	19,276,261.40	250,000	-	-	19,276,261.40	250,657	250,000	657	-	-	-
	Stocks														
	Yuan Cing Infocomm Tech Co., Ltd.	Equity-method investments	Issuance of common stocks for cash	-	100,000.	993	1,500,000,000	15,000,000	-	-	-	-	75,677 (Note B)	1,500,100,000	15,076,670
Yuan Cing Infocomm Tech Co., Ltd.	Stocks														
	New Century InfoComm Tech Co., Ltd.	Equity-method investments	(Note C)	(Note C)	-	-	1,762,945,436	19,275,948	-	-	-	-	38,285 (Note D)	1,762,945,436	19,314,233
New Century InfoComm Tech Co., Ltd.	Open-end mutual funds														
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	29,364,918.90	424,455	-	-	18,697,443.90	270,647	270,262	385	-	10,667,475.00	154,193
	Capital Income Fund	Financial assets at fair value through profit or loss	-	-	-	-	14,328,739.00	221,000	14,328,739.00	221,029	221,000	29	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	-	-	6,978,719.60	105,445	18,032,403.30	273,000	19,520,486.90	295,549	295,337	212	-	5,490,636.00	83,108
	UPAMC James Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,252,774.67	100,000	6,252,774.67	100,012	100,000	12	-	-	-
	Private funds														
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	-	-	30,000.00	985,500	-	-	30,000.00	1,093,254	985,500	107,754	-	-	-
	Opas Fund Segregated Portfolio Tranche C	Available-for-sale financial assets - current	-	-	-	-	30,000.00	955,500	-	-	-	-	-	30,000.00	955,500
	Opas Fund Segregated Portfolio Tranche D	Available-for-sale financial assets - current	-	-	-	-	10,000.00	318,300	-	-	-	-	-	10,000.00	318,300
	Capital Convertible Bond Arbitrage Plus I Fund	Available-for-sale financial assets - current	-	-	-	-	9,558,081.40	100,000	-	-	-	-	-	9,558,081.40	100,000
	Capital CB Arbitrage Plus VIII Fund	Available-for-sale financial assets - current	-	-	-	-	9,535,417.00	100,000	-	-	-	-	-	9,535,417.00	100,000
	Fuh Hwa Angel Fund	Available-for-sale financial assets - current	-	-	-	-	8,113,602.30	100,000	-	-	-	-	-	8,113,602.30	100,000
	Stocks														
	Polaris Taiwan Top 50 Tracker Fund	Financial assets at fair value through profit or loss	-	-	-	-	3,400,000.00	178,851	2,335,000.00	133,304	122,829	10,475	-	1,065,000.00	56,022
	iShares FTSE/Xinhua A50 China Index ETF	Financial assets at fair value through profit or loss	-	-	-	-	2,200,000.00	111,697	950,000.00	53,678	48,233	5,445	-	1,250,000.00	63,464

(Continued)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Equity in Net Gain (Loss)	Share/Units	Amount
ARCOA Communication Co., Ltd.	Open-ended mutual funds		-	-											
	Bond Fund	Available-for-sale financial assets - current	-	-	4,764,682.59	$ 60,000	9,509,661.20	$ 120,000	4,764,682.59	$ 60,277	$ 60,000	$ 277	$ -	9,509,661.20	$ 120,000
	Capital Income fund	Available-for-sale financial assets - current	-	-	1,946,307.90	30,000	7,777,877.60	120,000	1,946,307.90	30,083	30,000	83	-	7,777,877.60	120,000
	Prudential Financial Bond Fund	Available-for-sale financial assets - current			5,302,403.60	80,000	1,980,498.70	30,000	7,282,902.30	110,378	110,000	378	-	-	-
	Stocks														
	Data Express Infotech Co., Ltd.	Equity-method investments	-	-	-	-	6,142,500	141,750	-	-	-	-	651 (Note E)	6,142,500	142,401
New Diligent Co., Ltd.	Stocks														
	New Century InfoComm Tech Co., Ltd.	Financial assets carried at cost - noncurrent	Yuan Ching InfoComm Tech Co., Ltd.	Same chairman of parent company	16,822,533	167,311	-	-	16,822,533	183,319	167,311	16,008	-	-	-
	FSITC Taiwan Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	10,940,283.20	160,000	-	-	-	-	-	10,940,283.20	160,000

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

Note B: The investment income recognized under equity method was $48,405 thousand and the adjustment arising from changes in stockholder's equity was $27,272 thousand.

Note C: Though the tender offer, YCIC had acquired 1,762,945 thousand shares 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; Vai 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.

Note D: The investment income recognized under equity method was $11,013 thousand and the adjustment arising from changes in stockholder's equity was $27,272 thousand.

Note E: The investment income recognized under equity method was $651 thousand.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Far EasTone Telecommunications Co., Ltd.	Neihu switch center	2010.2.25	$ 154,100	Fully paid	Far Eastern International Leasing Corp.	Far EasTone 's supervisor	San Hsing Construction Co., Ltd.	-	2000.12.16	$ 130,000	$160,952 thousand based on DZT's appraisal report	Switch center	-
	Taichung land for switch center	2010.2.25	55,877	Fully paid	Far Eastern International Leasing Corp.	Far EasTone 's supervisor	Super Century Information Co., Ltd.	-	2000.5.24	63,277	$58,093 thousand based on DZT's appraisal report	Switch center	-
	Kaohsiung office space	2010.2.25	29,200	Fully paid	Far Eastern International Leasing Corp.	Far EasTone 's supervisor	Durban Group	-	1999.12.21 2000.12.17	27,300 18,600	$30,071 thousand based on DZT's appraisal report	Switch center	-

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, 2010
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Sales of equipment and accessories and telecommunications service revenues	$ (394,428)	(1%)	Based on agreement	-	-	Accounts receivable	$ 220,928	4%
			Cost of telecommunications services, marketing expenses and cost of sales	2,409,455	6%	Based on agreement	-	-	Accounts payable and accrued expense	(182,202)	(3%)
	KGEx.com Co., Ltd.	Subsidiary	Telecommunications service revenues	(261,907)	-	Based on agreement	-	-	Accounts receivable	43,862	1%
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Telecommunications service revenues	(750,433)	(1%)	Based on agreement	-	-	Accounts receivable (Note A)	-	-
			Cost of telecommunications services	869,546	3%	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(119,364)	(2%)
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	274,981	51%	Based on agreement	-	-	Accrued expenses	(29,360)	1%
	Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of FEIS	Service fee	115,518	22%	Based on agreement	-	-	Accrued expenses	(13,806)	-
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Marketing	129,029	2%	Based on agreement	-	-	Accrued expenses	(75,956)	2%
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(869,546)	(9%)	Based on agreement	-	-	Accounts receivable (Note B)	119,364	13%
			Cost of telecommunications services	750,433	9%	Based on agreement	-	-	Accounts payable (Note A)	-	-
	KGEX.com Co., Ltd.	Same parent company	Cost of telecommunications services	668,870	8%	Based on agreement	-	-	Accounts payable	(130,774)	(17%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(2,409,455)	(52%)	Based on agreement	-	-	Accounts receivable	182,202	80%
			Cost of telecommunications services and cost of sales	394,428	9%	Based on agreement	-	-	Accounts payable	(220,928)	(44%)
KGEx.com Co., Ltd.(Note C)	New Century InfoComm Tech Co., Ltd.	Same parent company	Telecommunications service revenues	(668,870)	(48%)	Based on agreement	-	-	Accounts receivable	130,774	51%
	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	261,907	23%	Based on agreement	-	-	Accounts payable	(43,862)	(16%)
Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Service revenue	(115,518)	(70%)	Based on agreement	-	-	Accounts receivable	13,806	73%

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

Note B: Including the receivables collected by Far EasTone for NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	$ 222,918	8.43	$ -	-	$ 140,506	$ -
	New Century InfoComm Tech Co., Ltd.	Subsidiary	470,687	(Note A)	-	-	185,692	-
	Yuan Cing Infocomm Tech Co., Ltd.	Subsidiary	4,306,086	(Note B)	-	-	2,933	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	131,563	(Note C)	-	-	75,628	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	182,202	11.81	-	-	105,717	-
KGEx.com Co., Ltd. (Note D)	New Century InfoComm Tech Co., Ltd.	Same parent company	130,774	5.38	-	-	55,417	-

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 mainly due to financing provided for YCIC by Far EasTone.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2010
(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, 2010			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	Yuan Cing Infocomm Tech Co., Ltd.	Taiwan	Production and sale of communications products	$ 15,001,000	$ 1,000	1,500,100,000	100.00	$ 15,076,670	$ 48,405	$ 48,405	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,422,241	6,395,041	695,096,070	26.74	6,170,177	(125,895)	111,735	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	1,175,797	141,064	85,373	Notes A and B
	KGEx.com Co., Ltd. (Note E)	Taiwan	Type II telecommunications services	2,355,649	2,355,649	89,088,470	79.25	726,564	(86,036)	(68,188)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	174,185	22,179	22,179	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,577,140	157,714,020	41.18	169,347	(151,902)	(63,456)	Notes B and C
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	77,979	8,458	7,267	Notes A and B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	90,000	90,000	4,725,000	15.00	34,346	(44,373)	(5,173)	Notes B and C
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	26,920	884	884	Notes A and B
	iScreen Corporation (Note E)	Taiwan	Information service	100,000	100,000	4,000,000	40.00	24,247	(14,250)	(5,700)	Notes B and C
	O-music Co., Ltd.	Taiwan	Electronic information providing services	25,000	-	2,500,000	50.00	23,833	(2,333)	(1,167)	Notes A and B
	ADCast Interactive Marketing Co., Ltd. (Note E)	Taiwan	Internet advertisements and marketing	4,652	4,652	386,870	8.56	3,834	1,847	159	Notes A and B
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	(114,466)	(170,231)	(142,906)	Notes A and B
	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	-	29,629,139	-	-	-	-		Note E
ARCOA Communication Co., Ltd.	Data Express Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	-	6,142,500	70.00	142,401	12,682		Notes B and D
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	718,362	19,561		Notes B, D and F
	Information Security Service Digital United	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	127,013	(2,335)		Notes B, D and F
	Digital United (Cayman) Ltd.	Cayman Islands	General investment	102,442	102,442	3,320,000	100.00	24,224	(6,804)		Notes B, D and F
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	24,116	978		Notes B, D and F
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Market Sales	30,000	30,000	1,575,000	5.00	11,460	(44,373)		Notes B, C and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	54,275	54,275	932,327	20.63	9,237	1,847		Notes A, B and F
Digital United (Cayman) Ltd.	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$ 480,000	US$ (116,000)	-	Notes B, D and F
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Shanghai	Consulting services, supporting services, and wholesale of machine equipment	39,630	39,630	-	100.00	2,057	(42)	-	Notes B, D and F
	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	535	(43)	-	Notes B, D and F
Yuan Cing Infocomm Tech Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	19,275,948	-	1,762,945,436	67.82	19,314,233	(125,895)		Notes A and B
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 5,320,000	22,497		Notes B and D

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTron Holding Ltd.	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	US$ 4,532,000	US$ 4,532,000	2,734,446	60.52	US$ 930,000	$ 1,847	$	Notes A and B
E. World (Holdings) Ltd.	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	100.00	US$2,863,000	8,732		Notes B and D
Data Express Infotech Co., Ltd.	Linkwell Tech. Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	1,000,000	100.00	6,366	(3,462)		Notes B, D and G

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2010.

Note C: Equity-method investee of Far EasTone.

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

Note E: KG Telecom dissolved on January 1, 2010 upon its merger with Far EasTone. Thus, KG Telecom's holding of the common shares of KGEx.com, iScreen and ADCast was transferred to Far EasTone.

Note F: The original investment amounts were equal to those of NCIC's account balances as of December 31, 2009 due to the combination with NCIC in August 2010.

Note G: The original investment amounts were equal to those of DE Infotech's account balances as of December 31, 2009 due to the combination with DE Infotech in December 2010.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(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, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2010 (Note A)	Accumulated Inward Remittance of Earnings as of December 31, 2010	Accumulated Investment in Mainland China as of December 31, 2010	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	$ 72,825 (US$ 2,500,000)	(Note B)	$ 92,616	$ -	$ -	$ 92,616	100%	$ 22,497	$ 154,972 (US$ 5,320,000)	$ -	$ 92,616	$ 92,616	$ 42,768,499 (Note D)
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.	Design and research of computer system	61,173 (US$ 2,100,000)	(Note B)	61,173 (US$ 2,100,000)	-	-	61,173 (US$ 2,100,000)	100%	(3,656) (US$ 116,000)	13,982 (US$ 480,000)	-	61,173 (US$ 2,100,000)	61,173 (US$ 2,100,000)	15,493,244 (Note D)
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machine equipment	34,956 (US$ 1,200,000)	(Note C)	34,956 (US$ 1,200,000)	-	-	34,956 (US$ 1,200,000)	100%	(42)	2,057	-	34,956 (US$ 1,200,000)	34,956 (US$ 1,200,000)	431,017 (Note D)
iScreen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,370 (US$ 150,000)	(Note C)	-	2,622 (US$ 90,000)	-	2,622 (US$ 90,000)	60%	(932)	1,807	-	2,622 (US$ 90,000)	2,622 (US$ 90,000)	36,371 (Note D)

Note A: The calculation was based on audited financial statements as of December 31, 2010, except Xiamen Lucku Technology Co., Ltd.

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

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	Year ended December 31, 2010						
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	$ 45,556	Note E	-
				Other receivables - related parties	425,131	Note E	-
				Accounts payable - related parties	98,941	Note E	-
				Other payables - related parties	32,622	Note E	-
				Sales of cellular phone equipment and accessories, net	13,535	Note E	-
				Telecommunications service revenues	285,346	Note E	-
				Cost of telecommunications services	382,240	Note E	1%
				Rental	4,415	Note E	-
				Telephone fee	8,621	Note E	-
				Marketing expense	1,416	Note E	-
				Rent	5,948	Note E	-
				Management services revenue	19,995	Note E	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	220,928	Note E	-
				Other receivables - related parties	1,990	Note E	-
				Inventories	780	Note E	-
				Accounts payable - related parties	93,992	Note E	-
				Other payables - related parties	88,210	Note E	-
				Unearned revenues	96,594	Note E	-
				Sales of cellular phone equipment and accessories, net	180,607	Note E	-
				Telecommunications service revenues	213,821	Note E	-
				Cost of sales	1,745,281	Note E	3%
				Other operating costs	49,705	Note E	-
				Marketing expense	614,469	Note E	1%
				Telephone fee	4,607	Note E	-
				Nonoperating income and gains	3,744	Note E	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	43,862	Note E	-
				Other receivables - related parties	10,071	Note E	-
				Lease receivables	52,335	Note E	-
				Operating equipment	289,309	Note E	-
				Accumulated depreciation	233,920	Note E	-
				Other payables - related parties	11,265	Note E	-
				Telecommunications service revenues	261,907	Note E	-
				Cost of telecommunications services	30,519	Note E	-
				Marketing expense	1,538	Note E	-
				General and administrative expenses	34,703	Note E	-
				Nonoperating income and gains	3,002	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Other payables - related parties	$ 13,806	Note E	-
				General and administrative expenses	129,860	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	Accounts receivable - related parties	3	Note E	-
				Other receivables - related parties	150	Note E	
				Other payables - related parties	7,598	Note E	-
				Other operating costs	222	Note E	-
				Marketing expense	23,078	Note E	-
				General and administrative expenses	506	Note E	-
				Management services revenue	43	Note E	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,397	Note E	-
				Other payables - related parties	3,010	Note E	-
				Management services revenue	267	Note E	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	34,765	Note E	-
				Other receivables - related parties	6,141	Note E	-
				Accounts payable - related parties	78	Note E	-
				Other payables - related parties	1,001	Note E	-
				Marketing expense	5,856	Note E	-
				Nonoperating income and gains	3,484	Note E	-
		Far EasTron Holding Ltd.	1	Other receivables - related parties	148	Note E	-
		Yuan Cing Infocomm Tech Co., Ltd.	1	Other receivables - related parties	4,306,086	Note E	4%
				Nonoperating income and gains	12,828	Note E	-
		Data Express Infotech Co., Ltd.	1	Prepaid expenses	50,000	Note E	-
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	98,941	Note E	-
				Other receivables - related parties	32,622	Note E	-
				Accounts payable - related parties	45,556	Note E	-
				Other payables - related parties	425,131	Note E	-
				Telecommunications service revenues	393,627	Note E	1%
				Cost of sales	286,554	Note E	-
				Marketing expense	18,344	Note E	-
				General and administrative expenses	21,676	Note E	-
				Nonoperating income and gains	4,815	Note E	-
		ARCOA Communication Co., Ltd.	3	Accounts receivables - related parties	23	Note E	-
				Accounts payable - related parties	169	Note E	-
				Other payables - related parties	1,186	Note E	-
				Marketing expense	1,786	Note E	-
				Telecommunications service revenues	232	Note E	-
		KGEx.com Co., Ltd.	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	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	4,146	Note E	-
				Guarantee deposits received	715	Note E	-
				Accounts payable - related parties	188	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Other payables - related parties	$ 39	Note E	-
				Telecommunications service revenues	6,617	Note E	-
				Other operating revenues	135	Note E	-
				Cost of telecommunications services	9	Note E	-
				Other operating costs	150	Note E	-
				Marketing expense	64	Note E	-
				Nonoperating income and gains	1,983	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Accounts payable - related parties	1,461	Note E	-
				Other payables - related parties	1,624	Note E	-
				Marketing expense	5,920	Note E	-
		ADCast Interactive Marketing Co., Ltd.	3	Accounts receivable - related parties	42	Note E	-
				Guarantee deposits received	280	Note E	-
				Telecommunications service revenues	183	Note E	-
				Nonoperating income and gains	823	Note E	-
		Simple Infocomm Co., Ltd.	3	Accounts payable - related parties	1,674	Note E	-
				Other payables - related parties	227	Note E	-
				Telecommunications service revenues	159,176	Note E	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	838	Note E	-
				Other payables - related parties	14,110	Note E	-
				Cost of telecommunications services	49,658	Note E	-
		Information Security Services Digital United Inc.	3	Accounts payable - related parties	3,480	Note E	-
				Other payables - related parties	2,842	Note E	-
				Telecommunications service revenues	513	Note E	-
				Cost of sales	10,646	Note E	-
				Other operating costs	4,510	Note E	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	93,992	Note E	-
				Other receivables - related parties	88,210	Note E	-
				Inventories	96,594	Note E	-
				Accounts payable - related parties	220,928	Note E	-
				Other payables - related parties	1,990	Note E	-
				Sales of cellular phone equipment and accessories, net	1,877,202	Note E	3%
				Other operating revenues	518,525	Note E	1%
				Cost of sales	180,876	Note E	-
				Cost of telecommunications services	216,820	Note E	-
				Nonoperating income and gains	18,639	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	169	Note E	-
				Other receivables - related parties	1,186	Note E	-
				Accounts payable - related parties	23	Note E	-
				Other operating revenues	1,786	Note E	-
				Cost of telecommunications services	232	Note E	-
		KGEx.com Co., Ltd.	3	Accounts payable - related parties	2,216	Note E	-
				Other payables - related parties	180	Note E	-
				Cost of sales	12,895	Note E	-
				General and administrative expenses	2,065	Note E	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	1,260	Note E	-
				General and administrative expenses	7,509	Note E	-
		Data Express Infotech Co., Ltd.	3	Prepaid expenses	32,837	Note E	-
				Cost of sales	6,763	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	$ 11,265	Note E	-
				Operating equipment	55,389	Note E	-
				Accounts payable - related parties	43,862	Note E	-
				Other payables - related parties	10,071	Note E	-
				Lease payable	52,335	Note E	-
				Telecommunications service revenues	30,519	Note E	-
				Cost of telecommunications services	261,907	Note E	-
				Other operating revenues	28,615	Note E	-
				General and administrative expenses	73	Note E	-
				Nonoperating income and gains	7,626	Note E	-
				Nonoperating expenses and losses	2,929	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	130,774	Note E	-
				Other receivables - related parties	6,491	Note E	-
				Accounts payable - related parties	2,753	Note E	-
				Other payables - related parties	174	Note E	-
				Telecommunications service revenues	264,761	Note E	-
				Cost of telecommunications services	12,616	Note E	-
				Nonoperating income and gains	4,084	Note E	-
		ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	2,216	Note E	-
				Other receivables - related parties	180	Note E	-
				Unearned revenues	12,895	Note E	-
				Other operating revenues	2,065	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	13	Note E	-
				Telecommunications service revenues	6,559	Note E	-
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	13,806	Note E	-
				Other operating revenues	129,860	Note E	-
				Accounts receivable - related parties	1,461	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Other receivables - related parties	1,624	Note E	-
				Service revenues	5,920	Note E	-
5	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	3,010	Note E	-
				Other payables - related parties	2,397	Note E	-
				General and administrative expenses	267	Note E	-
		ARCOA Communication Co., Ltd.	3	Other receivables - related parties	1,260	Note E	-
				Other operating revenues	7,509	Note E	-
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	78	Note E	-
				Other receivables - related parties	1,001	Note E	-
				Accounts payable - related parties	34,765	Note E	-
				Other payables - related parties	6,141	Note E	-
				Other operating revenues	5,856	Note E	-
				General and administrative expenses	3,484	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	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	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Other operating revenues	$ 214	Note E	-
				Cost of telecommunications services	6,617	Note E	-
				Other operating costs	135	Note E	-
				Nonoperating expenses and losses	1,983	Note E	-
		KGEx.com Co., Ltd.	3	Accounts payable - related parties	13	Note E	-
				Cost of telecommunications services	6,559	Note E	-
7	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	7,598	Note E	-
				Accounts payable - related parties	3	Note E	-
				Other payables - related parties	150	Note E	-
				Other operating revenues	23,806	Note E	-
				General and administrative expenses	43	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	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	-
8	Far EasTron Holding Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	148	Note E	-
9	Simple Infocomm Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	1,674	Note E	-
				Other receivables - related parties	227	Note E	-
				Cost of telecommunications services	109,777	Note E	-
				Other operating costs	49,399	Note E	-
10	Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	838	Note E	-
				Other receivables - related parties	14,110	Note E	-
				Telecommunications service revenues	49,580	Note E	-
				Other operating revenues	78	Note E	-
11	Information Security Service Digital United Inc.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	3,480	Note E	-
				Other receivables - related parties	2,842	Note E	-
				Sales of cellular phone equipment and accessories, net	10,646	Note E	-
				Cost of telecommunications services	513	Note E	-
				Other operating revenues	4,510	Note E	-
12	Yuan Cing Infocomm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	4,306,086	Note E	4%
				Nonoperating expenses and losses	12,828	Note E	-
13	Data Express Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other current liabilities	50,000	Note E	-
		ARCOA Communication Co., Ltd.	3	Other current liabilities	32,837	Note E	-
				Sales of cellular phone equipment and accessories, net	6,763	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	Year ended December 31, 2009						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$ 449,328	Note E	1%
				Inventories	2,260	Note E	-
				Payables to related parties	1,192,570	Note E	1%
				Telecommunications service revenues	3,128,129	Note E	5%
				Cost of telecommunications services	1,073,889	Note E	2%
				General and administrative expenses	28,891	Note E	-
				Nonoperating income and gains	45,313	Note E	-
				Management service revenue	19,698	Note E	-
				Nonoperating expenses and losses	4,181	Note E	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	205,974	Note E	-
				Inventories	930	Note E	-
				Payables to related parties	225,755	Note E	-
				Unearned revenues	63,806	Note E	-
				Sales of cellular phone equipment and accessories, net	65,510	Note E	-
				Telecommunications service revenues	249,705	Note E	-
				Cost of sales	1,783,304	Note E	3%
				Other operating cost	57,343	Note E	-
				Marketing expenses	485,164	Note E	1%
				Nonoperating income and gains	4,051	Note E	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	38,479	Note E	-
				Payables to related parties	14,227	Note E	-
				Telecommunications service revenues	198,362	Note E	-
				Cost of telecommunications services	30,205	Note E	-
				General and administrative expenses	19,701	Note E	-
				Nonoperating income and gains	1,235	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	24,755	Note E	-
				General and administrative expenses	144,930	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	Receivables from related parties	151	Note E	-
				Payables to related parties	16,630	Note E	-
				Marketing expenses	38,877	Note E	-
				General and administrative expenses	885	Note E	-
				Management service revenue	65	Note E	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	3,005	Note E	-
				Payables to related parties	2,528	Note E	-
				General and administrative expenses	36	Note E	-
				Management service revenue	340	Note E	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties	36,109	Note E	-
				Nonoperating income and gains	11,323	Note E	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,192,570	Note E	1%
				Payables to related parties	449,328	Note E	1%
				Unearned revenues	2,260	Note E	-
				Telecommunications service revenues	1,073,889	Note E	2%
				Cost of telecommunications services	3,131,594	Note E	5%
				Marketing expenses	48,671	Note E	-
				General and administrative expenses	11,406	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Nonoperating income and gains	$ 33,072	Note E	-
				Nonoperating expenses and losses	1,469	Note E	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	407	Note E	-
				Payables to related parties	3,786	Note E	-
				Unearned revenues	1,242	Note E	-
				Other operating revenues	14	Note E	-
				Cost of sales	4,498	Note E	-
				Marketing expenses	34,307	Note E	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	8,555	Note E	-
				Telecommunications service revenues	37,383	Note E	-
				General and administrative expenses	9,215	Note E	-
				Management service revenue	1,980	Note E	-
				Nonoperating income and gains	2,196	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Receivables from related parties	300	Note E	-
				Payables to related parties	714	Note E	-
				General and administrative expenses	9,439	Note E	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	225,755	Note E	-
				Inventories	63,806	Note E	-
				Payables to related parties	205,974	Note E	-
				Sales of cellular phone equipment and accessories, net	3,119,663	Note E	5%
				Other operating revenues	377,057	Note E	1%
				Cost of sales	1,275,984	Note E	2%
				Cost of telecommunications services	252,266	Note E	-
				Nonoperating income and gains	39,005	Note E	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	3,786	Note E	-
				Inventories	1,242	Note E	-
				Payables to related parties	407	Note E	-
				Sales of cellular phone equipment and accessories, net	107,988	Note E	-
				Other operating revenues	26,323	Note E	-
				Cost of sales	95,520	Note E	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	1,479	Note E	-
				Marketing expenses	6,854	Note E	-
3	KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	14,227	Note E	-
				Payables to related parties	38,479	Note E	-
				Telecommunications service revenues	30,205	Note E	-
				Cost of telecommunications services	198,362	Note E	-
				Nonoperating expenses and losses	1,235	Note E	-
				Other operating revenues	19,701	Note E	-
		KG Telecommunications Co., Ltd.	3	Payables to related parties	8,555	Note E	-
				Other operating revenues	9,215	Note E	-
				Cost of telecommunications services	37,383	Note E	-
				General and administrative expenses	4,176	Note E	-
		Q-ware communications Co., Ltd.	3	Receivables from related parties	766	Note E	-
				Telecommunications service revenues	9,002	Note E	-
				Telecommunications service cost	1,109	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	$ 24,755	Note E	-
				Other operating revenues	144,930	Note E	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	714	Note E	-
				Payables to related parties	300	Note E	-
				Other operating revenues	9,439	Note E	-
5	Yuan Cing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	2,528	Note E	-
				Payables to related parties	3,005	Note E	-
				Other operating revenues	36	Note E	-
				General and administrative expenses	340	Note E	-
		ARCOA communications Co., Ltd.	3	Receivables from related parties	1,479	Note E	-
				Other operating revenues	6,854	Note E	-
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	36,109	Note E	-
				General and administrative expenses	11,323	Note E	-
		KGEx.com Co., Ltd.	3	Payables to related parties	766	Note E	-
				Telecommunication service revenues	1,109	Note E	-
				Cost of telecommunications services	9,002	Note E	-
7	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	16,630	Note E	-
				Payables to related parties	151	Note E	-
				Other operating revenues	39,762	Note E	-
				General and administrative expenses	65	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, 2010 and 2009; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the years ended December 31, 2010 and 2009.

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)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Years Ended December 31								
	2010					2009			
	Mobile Services	Fixed-line Services	Sales	Adjustment and Eliminations	Combined	Telecommunications Services	Sales	Adjustment and Eliminations	Combined
Revenues generated from un-affiliates	$ 53,381,559	$ 3,710,858	$ 6,343,488	$ -	$ 63,435,905	$ 54,837,021	$ 5,225,107	$ -	$ 60,062,128
Revenues generated from the Group (Note B)	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	$ 54,837,021	$ 5,225,107	$ -	$ 60,062,128
Segment operating income (loss) (Note C)	$ 17,869,019	$ 729,511	$ (3,296,137)	$ 277,995	$ 15,580,388	$ 18,777,093	$ (1,649,924)	$ -	$ 17,127,169
Interest revenue					84,432				66,606
Other revenue					553,385				539,389
Equity in investees' net losses					(36,644)				(46,106)
Interest expense					(47,118)				(23,784)
Other expense					(762,888)				(817,976)
General and administrative expense (Note D)					(4,406,050)				(4,695,402)
Income before income tax					$ 10,965,505				$ 12,149,896
Identifiable assets (Note E)	$ 53,516,927	$ 17,541,391	$ 1,544,634	$ -	$ 72,602,952	$ 57,059,105	$ 1,043,847	$ -	$ 58,102,952
Financial products					3,763,207				2,543,762
Long-term investment					1,514,824				6,692,398
Assets not identifiable to a specified segment					19,766,170				19,055,758
Total assets					$ 97,647,153				$ 86,394,870
Depreciation expense	$ 9,535,044	$ 454,703	$ 27,804			$ 10,611,446	$ 22,747		
Amortization expense	$ 18,846	$ 38,768	$ 29,706			$ 93,155	$ 36,765		
Capital expenditure	$ 7,398,531	$ 772,027	$ 32,615			$ 6,176,193	$ 26,960		
Impairment loss	$ -	$ 9,607	$ -		$ 9,607	$ 44,315	$ -		$ 44,315

Note A: The Group is distinguished into mobile services business, fixed-line services business and sales business in 2010; while the Group is distinguished into telecommunications services business and sales business in 2009.

Note B: Represents sales between segments.

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

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

Note E: Represents tangible and intangible assets which can be separately allocated to each segment. However, those assets do not include:

a. Assets not for use by any specific segment.
b. Advances or loans to another segment.
c. Mutual funds and long-term investments.

FAREASTONE
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