

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

**Consolidated Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (the "Company") and subsidiaries as of December 31, 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.

February 18, 2011

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

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

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 5, 29 and 30)	\$ 9,162,044	9	\$ 9,673,568	11	Short-term bank loans (Notes 16 and 31)	\$ 3,536,100	4	\$ 716,500	1
Financial assets at fair value through profit or loss -current (Notes 2, 6 and 30)	1,188,405	1	-	-	Commercial papers payable (Note 17)	2,848,739	3	-	-
Available-for-sale financial assets - current (Notes 2, 7 and 30)	2,496,132	3	2,541,012	3	Notes payable	91,477	-	56,923	-
Notes receivable (Note 2)	69,328	-	15,997	-	Accounts payable	4,020,819	4	2,647,223	3
Accounts receivable, net (Notes 2 and 8)	6,117,337	6	5,479,043	6	Accounts payable - related parties (Note 29)	17,160	-	137,573	-
Accounts receivable - related parties, net (Notes 2 and 29)	15,002	-	127,264	-	Income tax payable (Note 2)	1,737,956	2	1,304,165	2
Other receivables - related parties (Notes 2 and 29)	23,501	-	165,602	-	Accrued expenses (Note 18)	4,118,433	4	3,408,722	4
Hedging derivative financial assets - current (Notes 2, 28, 29 and 31)	78,670	-	2,750	-	Other payables - related parties (Note 29)	227,805	-	247,286	-
Inventories, net (Notes 2 and 9)	1,023,065	1	613,857	1	Payables for acquisition of properties	2,246,977	2	1,694,883	2
Prepaid expenses	732,059	1	587,881	1	Guarantee deposits received - current	488,620	1	561,727	1
Deferred income tax assets - current (Notes 2 and 25)	394,647	1	501,516	1	Unearned revenues (Notes 2 and 19)	2,029,652	2	1,102,930	1
Pledged certificates of deposits - current (Note 31)	134,500	-	23,128	-	Current portion of long-term bank loans (Notes 20 and 31)	203,318	-	19,048	-
Restricted assets - current (Notes 19 and 29)	1,302,829	1	1,168,330	1	Lease payable - current (Notes 2, 21 and 29)	-	-	8,360	-
Other current assets (Notes 8 and 30)	577,114	1	93,302	-	Other current liabilities (Notes 2, 23 and 30)	571,517	1	388,657	-
Total current assets	23,314,633	24	20,993,250	24	Total current liabilities	22,138,573	23	12,293,997	14
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Equity-method investments (Notes 2 and 10)	239,400	1	6,302,370	8	Long-term bank loans (Notes 20 and 31)	5,677	-	200,000	-
Held-to-maturity financial assets - noncurrent (Notes 2, 11 and 29)	1,199,666	1	209,567	-	OTHER LIABILITIES				
Financial assets carried at cost - noncurrent (Notes 2 and 12)	75,758	-	180,461	-	Accrued pension costs (Notes 2 and 22)	491,448	1	367,740	1
Total long-term investments	1,514,824	2	6,692,398	8	Guarantee deposits received - noncurrent	295,345	-	243,648	-
PROPERTIES (Notes 2, 13, 29 and 31)					Deferred income tax liabilities - noncurrent (Notes 2 and 25)	242,541	-	345,002	-
Cost					Deferred revenue (Notes 2 and 23)	485,884	1	394,891	1
Land	5,317,368	5	1,471,284	2	Other (Note 2)	434,446	-	174,451	-
Buildings and equipment	6,503,267	7	3,069,444	4	Total other liabilities	1,949,664	2	1,525,732	2
Operating equipment	133,409,948	137	110,140,318	127	Total liabilities	24,093,914	25	14,019,729	16
Computer equipment	21,650,325	22	17,217,479	20	FAR EASTONE'S EQUITY				
Office equipment	1,330,478	1	1,039,877	1	Capital stocks - NT\$10.00 par value; authorized - 4,200,000 thousand shares				
Leasehold improvements	3,052,425	3	1,987,333	2	Issued and outstanding - 3,258,501 thousand shares	32,585,008	33	32,585,008	38
Miscellaneous equipment	1,613,189	2	500,674	1	Capital surplus				
Total cost	172,877,000	177	135,426,409	157	Additional paid-in capital - share issuance in excess of par value	10,964,702	11	10,964,702	13
Less: Accumulated depreciation	120,755,983	123	98,437,473	114	From business combination	8,482,381	9	8,482,381	10
Less: Accumulated impairment	2,652,327	3	2,023	-	From long-term equity-method investments	89,285	-	40,266	-
	49,468,690	51	36,986,913	43	Total capital surplus	19,536,368	20	19,487,349	23
Construction-in-progress and prepayments for equipment	4,546,022	4	3,320,754	4	Retained earnings				
Net properties	54,014,712	55	40,307,667	47	Legal reserve	9,990,002	10	9,066,992	10
INTANGIBLE ASSETS (Notes 1, 2 and 14)					Special reserve	-	-	21,740	-
3G concession, net	5,845,651	6	6,576,358	8	Unappropriated earnings	9,086,651	10	10,263,158	12
Goodwill, net	10,806,693	11	10,521,331	12	Total retained earnings	19,076,653	20	19,351,890	22
Other	670,649	1	-	-	Other adjustments				
Total intangible assets	17,322,993	18	17,097,689	20	Cumulative translation adjustments	12,111	-	24,285	-
OTHER ASSETS					Unrealized gains on financial instruments	70,692	-	94,055	-
Rental assets, net (Notes 2 and 15)	239,198	-	210,630	-	Total other adjustments	82,803	-	118,340	-
Idle properties, net (Note 2)	118,586	-	210,915	-	Total controlling interest of Far EasTone	71,280,832	73	71,542,587	83
Refundable deposits (Note 29)	449,731	1	366,481	-	MINORITY INTEREST				
Deferred charges, net (Note 2)	242,182	-	83,739	-	Total stockholders' equity	73,553,239	75	72,375,141	84
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	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	<u>567,107</u>	<u>1</u>	<u>474,601</u>	<u>1</u>
Total operating revenues	<u>63,435,905</u>	<u>100</u>	<u>60,062,128</u>	<u>100</u>
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	<u>236,127</u>	<u>-</u>	<u>245,217</u>	<u>-</u>
Total operating costs	<u>36,779,290</u>	<u>58</u>	<u>33,320,451</u>	<u>55</u>
GROSS PROFIT	<u>26,656,615</u>	<u>42</u>	<u>26,741,677</u>	<u>45</u>
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	<u>79,646</u>	<u>-</u>	<u>104,331</u>	<u>-</u>
Total operating expenses	<u>15,482,277</u>	<u>25</u>	<u>14,309,910</u>	<u>24</u>
OPERATING INCOME	<u>11,174,338</u>	<u>17</u>	<u>12,431,767</u>	<u>21</u>
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	<u>139,928</u>	<u>-</u>	<u>203,609</u>	<u>1</u>
Total nonoperating income and gains	<u>637,817</u>	<u>1</u>	<u>605,995</u>	<u>1</u>
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)	<u>28,714</u>	<u>-</u>	<u>136,989</u>	<u>1</u>
Total nonoperating expenses and losses	<u>846,650</u>	<u>1</u>	<u>887,866</u>	<u>2</u>

(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)	<u>2,102,137</u>	<u>3</u>	<u>3,014,578</u>	<u>5</u>
COMBINED NET INCOME	<u>\$ 8,863,368</u>	<u>14</u>	<u>\$ 9,135,318</u>	<u>15</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 8,848,565	14	\$ 9,230,107	15
Minority interest	<u>14,803</u>	<u>-</u>	<u>(94,789)</u>	<u>-</u>
	<u>\$ 8,863,368</u>	<u>14</u>	<u>\$ 9,135,318</u>	<u>15</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 3.35</u>	<u>\$ 2.72</u>	<u>\$ 3.87</u>	<u>\$ 2.83</u>
Diluted	<u>\$ 3.35</u>	<u>\$ 2.71</u>	<u>\$ 3.86</u>	<u>\$ 2.83</u>

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		Controlling Interest of Far Eastone	Minority Interest	Total Stockholders' Equity
			Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 24)			
	Shares (Thousands)	Amount											
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	<u>3,258,501</u>	<u>\$ 32,585,008</u>	<u>\$ 10,964,702</u>	<u>\$ 8,482,381</u>	<u>\$ 89,285</u>	<u>\$ 9,990,002</u>	<u>\$ -</u>	<u>\$ 9,086,651</u>	<u>\$ 12,111</u>	<u>\$ 70,692</u>	<u>\$ 71,280,832</u>	<u>\$ 2,272,407</u>	<u>\$ 73,553,239</u>

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	-
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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	<u>(19,403,064)</u>	<u>-</u>
Net cash used in investing activities	<u>(24,064,682)</u>	<u>(8,956,779)</u>
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	<u>40,550</u>	<u>(11,472)</u>
Net cash used in financing activities	<u>(3,779,334)</u>	<u>(10,555,815)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(11,478)</u>	<u>(3,980)</u>
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	<u>9,673,568</u>	<u>7,235,872</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,162,044</u>	<u>\$ 9,673,568</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 57,501	\$ 28,901
Less: Interest capitalized	<u>13,894</u>	<u>7,950</u>
Interest paid, net of capitalized interest	<u>\$ 43,607</u>	<u>\$ 20,951</u>
Income tax paid	<u>\$ 1,560,736</u>	<u>\$ 3,596,234</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 203,318</u>	<u>\$ 27,408</u>
Reclassification of properties to deferred charges	<u>\$ 24,633</u>	<u>\$ 16,099</u>

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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	<u>\$ 8,215,656</u>	<u>\$ 6,410,993</u>
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	<u>\$ 32,731</u>	<u>\$ 19,654</u>
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	<u>\$ 23,914</u>	<u>\$ 12,821</u>

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:

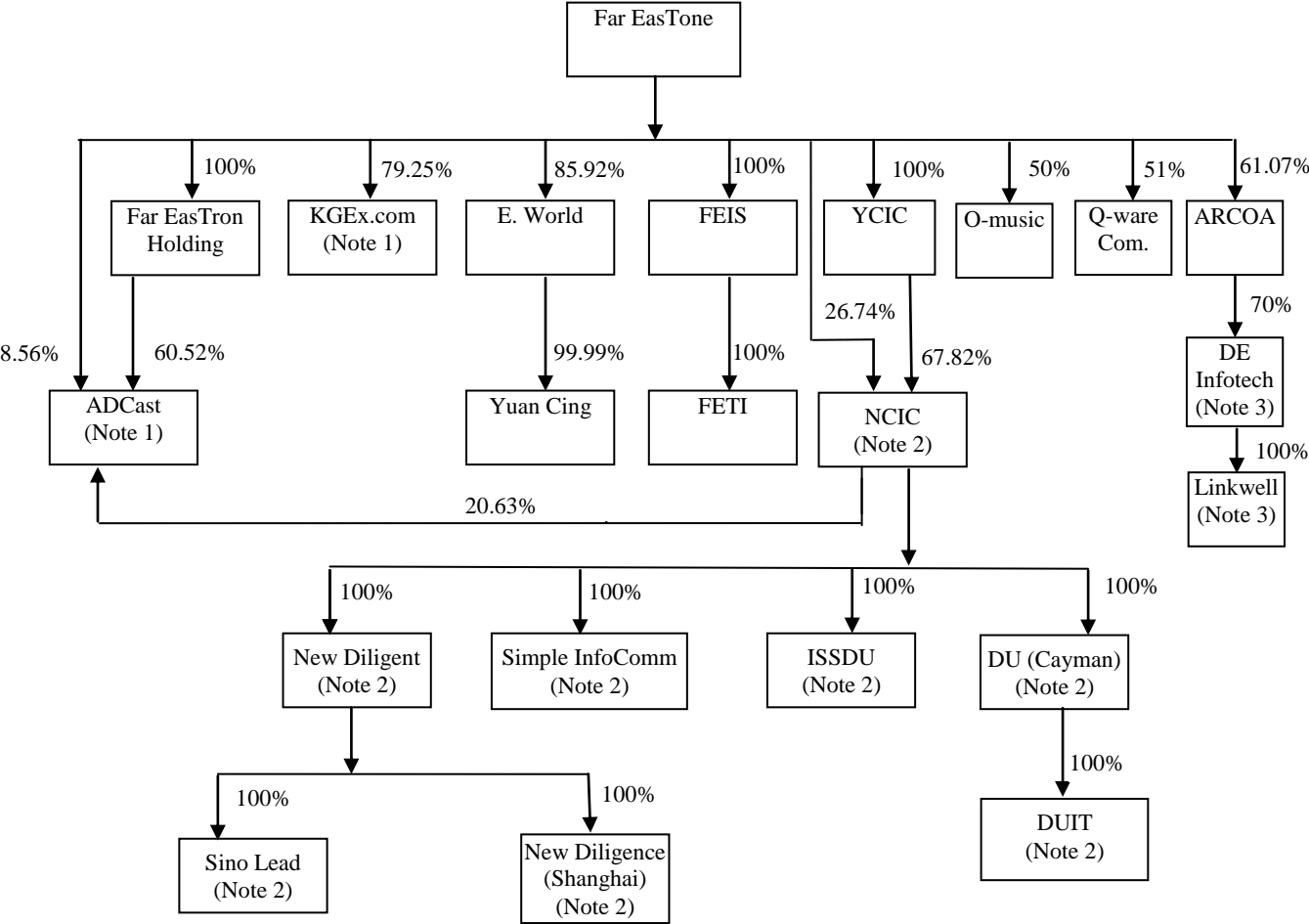
- a. All assets and liabilities at the exchange rate prevailing on the balance sheet dates;
- b. Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and
- c. All items in the statement of income at the average exchange rates for the period.

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 1 and Figure 2, respectively:

<Figure 1>

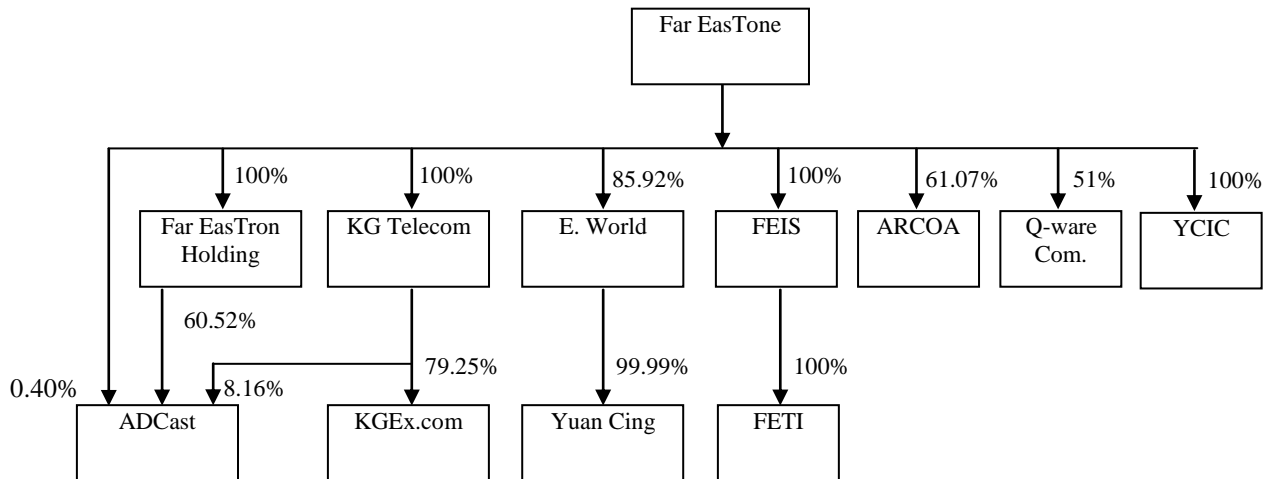


Note 1: KG Telecom dissolved on January 1, 2010 upon its merger with Far EasTone. Thus, KG Telecom’s holdings of the common shares of KGEx.com and ADCast were transferred to Far EasTone.

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 EastTone 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 EastTone's sales of products to its subsidiaries are deferred and included in deferred income, which is included in other current liabilities.

Far EastTone 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 EastTone defers its gains or losses on the subsidiaries' sales of products to Far EastTone 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 EastTone, KG Telecom (dissolved due to the merger with Far EastTone 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 EastTone, 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)

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
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

	<u>December 31</u>	
	2010	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	<u>6,175,626</u>	<u>4,169,730</u>
	<u>8,800,988</u>	<u>5,727,438</u>
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	<u>11,967</u>	<u>3,946,130</u>
	<u>361,056</u>	<u>3,946,130</u>
	<u>\$ 9,162,044</u>	<u>\$ 9,673,568</u>

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

	<u>December 31</u>	
	2010	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)	<u>29</u>	<u>96</u>
	<u>\$ 93,705</u>	<u>\$ 165,268</u>

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

	<u>December 31</u>	
	2010	2009
Financial assets held for trading		
Quoted stocks	\$ 501,881	\$ -
Open-end mutual funds	<u>686,524</u>	<u>-</u>
	<u>\$ 1,188,405</u>	<u>\$ -</u>

Net gains and losses on financial assets held for trading for the years ended December 31, 2010 and 2009 were as follows:

	<u>December 31</u>	
	2010	2009
Gains on sale of investments, net	\$ 111,234	\$ -
Gain on valuation of financial instruments, net	36,080	-
Dividend income	<u>7,777</u>	<u>-</u>
	<u>\$ 155,091</u>	<u>\$ -</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	2010	2009
Domestic quoted stocks	\$ 323,094	\$ 170,848
Open-end mutual funds	507,565	2,011,226
Private funds	<u>1,665,473</u>	<u>358,938</u>
	<u>\$ 2,496,132</u>	<u>\$ 2,541,012</u>

8. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2010	2009
Accounts receivable	\$ 6,944,738	\$ 6,186,964
Less: Allowance for doubtful accounts	<u>(827,401)</u>	<u>(707,921)</u>
	<u>\$ 6,117,337</u>	<u>\$ 5,479,043</u>

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	<u>434,760</u>	<u>-</u>	<u>488,697</u>	<u>-</u>
	<u>\$ 827,401</u>	<u>\$ -</u>	<u>\$ 707,921</u>	<u>\$ -</u>

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	<u>69,335</u>	<u>8,028</u>
	<u>\$ 1,023,065</u>	<u>\$ 613,857</u>

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.	<u>-</u>	-	<u>6,000,018</u>	26.59
	<u>\$ 239,400</u>		<u>\$ 6,302,370</u>	

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)	<u>(5,700)</u>	3,161	<u>1,265</u>
		<u>\$ (36,644)</u>		<u>\$ (46,106)</u>

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

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Bonds		
Yuan Ding Investment Corporation	\$ 1,000,000	\$ 10,000
Asia Cement Co., Ltd.	<u>199,666</u>	<u>199,567</u>
	<u>\$ 1,199,666</u>	<u>\$ 209,567</u>

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

In August 2009, ARCOA and NCIC bought a three-year corporate bond of Yuan Ding Investment Corporation at par value, amounting to \$10,000 thousand and \$990,000 thousand, respectively, with effective interest rate and coupon interest rate of 2.00% each. The interest is payable on August 14 annually.

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
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	<u>-</u>	<u>150,000</u>
	<u>\$ 75,758</u>	<u>\$ 180,461</u>

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					
	Beginning Balance	Movement				Cumulative Translation Adjustments
		Addition	Sale or Disposal	Reclassification		
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
	<u>135,426,409</u>	<u>\$ 32,129,822</u>	<u>\$ 2,477,594</u>	<u>\$ 7,805,104</u>	<u>\$ (6,741)</u>	<u>172,877,000</u>
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
	<u>98,437,473</u>	<u>\$ 24,036,059</u>	<u>\$ 1,791,419</u>	<u>\$ 79,699</u>	<u>\$ (5,829)</u>	<u>120,755,983</u>
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
	<u>2,023</u>	<u>\$ 2,647,605</u>	<u>\$ 1,258</u>	<u>\$ 3,957</u>	<u>\$ -</u>	<u>2,652,327</u>
	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
	<u>\$ 40,307,667</u>					<u>\$ 54,014,712</u>

	Year Ended December 31, 2009					
	Beginning Balance	Movement				Cumulative Translation Adjustments
		Addition	Sale or Disposal	Reclassification		
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
	<u>129,707,593</u>	<u>\$ 356,733</u>	<u>\$ 2,080,984</u>	<u>\$ 7,446,111</u>	<u>\$ (3,044)</u>	<u>135,426,409</u>
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
	<u>89,238,433</u>	<u>\$ 10,634,193</u>	<u>\$ 1,443,223</u>	<u>\$ 10,623</u>	<u>\$ (2,553)</u>	<u>98,437,473</u>
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
	<u>\$ 45,349,683</u>					<u>\$ 40,307,667</u>

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)	<u>13,894</u>	<u>7,950</u>
Interest expense, net of amounts capitalized	<u>\$ 47,118</u>	<u>\$ 23,784</u>
Interest rate capitalized	0.04%-2.70%	0.60%-1.56%

14. INTANGIBLE ASSETS

a. 3G concession

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

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	<u>-</u>	<u>(15,705)</u>	<u>50,578</u>
	<u>\$ 10,806,693</u>	<u>\$ 670,649</u>	<u>\$ 10,521,331</u>

1) Goodwill

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

In conformity with SFAS No. 35 - "Impairment for Assets," the Group was divided into several identifiable cash-generating units: To enhance the operating effectiveness, 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	(9,562)	159,338	107,797	-	145	145	107,797
	<u>232,586</u>	<u>\$ -</u>	<u>\$ 61,104</u>	<u>\$ (28,238)</u>	<u>265,452</u>	<u>232,586</u>	<u>\$ -</u>	<u>\$ 15,700</u>	<u>\$ (15,700)</u>	<u>232,586</u>
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	<u>\$ 210,630</u>				<u>\$ 239,198</u>	<u>\$ 212,797</u>				<u>\$ 210,630</u>

Rental assets are offices of Far EasTone, ARCOA and NCIC, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through 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	<u>3,194,000</u>	<u>250,000</u>
	<u>\$ 3,536,100</u>	<u>\$ 716,500</u>

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

	<u>December 31</u>	
	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	<u>641,391</u>	<u>547,145</u>
	<u>\$ 4,118,433</u>	<u>\$ 3,408,722</u>

19. UNEARNED REVENUES

	<u>December 31</u>	
	2010	2009
Unearned telecom revenues from prepaid cards	\$ 1,015,973	\$ 1,007,906
Unearned telecom revenues from postpaid	700,074	39,482
Other	<u>313,605</u>	<u>55,542</u>
	<u>\$ 2,029,652</u>	<u>\$ 1,102,930</u>

Far EasTone and NCIC entered into contracts with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card related regulation of the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificate. 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

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

	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.	<u>-</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 19,048</u>	<u>\$ 200,000</u>	<u>\$ 219,048</u>

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	<u>1,326</u>
	8,360
Less: Current portion of lease payable	<u>8,360</u>
Lease payable - noncurrent	<u>\$ -</u>

The capital lease contracts are summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid	
			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
			<u>\$ 10,126</u>	<u>\$ 10,166</u>

(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	<u>(18,236)</u>	<u>-</u>
Net pension cost	<u>\$ 42,527</u>	<u>\$ 68,372</u>

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	\$ 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	<u>\$ 491,448</u>	<u>\$ 367,740</u>
Vested benefit	<u>\$ 11,997</u>	<u>\$ 18,330</u>

3) Actuarial assumptions were as follows:

	December 31	
	2010	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	2009
d. Contributions to the fund	<u>\$ 39,457</u>	<u>\$ 46,589</u>
e. Payments from the fund	<u>\$ 7,010</u>	<u>\$ -</u>

23. DEFERRED REVENUE

	December 31	
	2010	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)	-
	<u>\$ 485,884</u>	<u>\$ 394,891</u>

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	<u>166,142</u>	<u>83,071</u>	<u>182,459</u>	<u>91,229</u>
	<u>\$ 435</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ -</u>

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		<u>(31,508)</u>	<u>(472,621)</u>
Outstanding GDRs issued		<u>627</u>	<u>9,413</u>

- 1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell to foreign investors 150,000 thousand shares of Far EasTone's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US\$13.219 per unit.
- 2) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs amounting to US\$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 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
<u>Year ended December 31, 2010</u>				
Beginning balance	\$ 92,005	\$ 2,050	\$ -	\$ 94,055
From merger with KG Telecom Recorded as adjustments to stockholders' equity	(59,466)	50,666	8,800	-
Recognized as profit or loss	37,427	(16,658)	3,950	24,719
	<u>(25,458)</u>	<u>(22,624)</u>	<u>-</u>	<u>(48,082)</u>
Ending balance	<u>\$ 44,508</u>	<u>\$ 13,434</u>	<u>\$ 12,750</u>	<u>\$ 70,692</u>
<u>Year ended December 31, 2009</u>				
Beginning balance	\$ (50,204)	\$ -	\$ -	\$ (50,204)
Recorded as adjustments to stockholders' equity	113,008	2,050	-	115,058
Recognized as profit or loss	<u>29,201</u>	<u>-</u>	<u>-</u>	<u>29,201</u>
Ending balance	<u>\$ 92,005</u>	<u>\$ 2,050</u>	<u>\$ -</u>	<u>\$ 94,055</u>

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%)	<u>5,365</u>	<u>1,468</u>
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	<u>85,705</u>	<u>61,686</u>
Income tax expense - current	<u>\$ 2,001,188</u>	<u>\$ 2,463,919</u>

- 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	<u>100,949</u>	<u>550,659</u>
	<u>\$ 2,102,137</u>	<u>\$ 3,014,578</u>

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	<u>23,704</u>	<u>21,375</u>
	464,014	529,722
Less: Valuation allowance	<u>69,367</u>	<u>28,206</u>
	<u>\$ 394,647</u>	<u>\$ 501,516</u>
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	<u>25,234</u>	<u>23,857</u>
	3,172,983	1,044,762
Less: Valuation allowance	<u>2,743,172</u>	<u>757,740</u>
	429,811	287,022
Deferred income tax liabilities		
Goodwill amortization	<u>(672,352)</u>	<u>(632,024)</u>
	<u>\$ (242,541)</u>	<u>\$ (345,002)</u>

d. Integrated income tax information is as follows:

	December 31	
	2010	2009
Balance of imputation credit account (ICA)		
Far EasTone	<u>\$ 933,662</u>	<u>\$ 293,676</u>
ARCOA	<u>\$ 16,196</u>	<u>\$ 12,316</u>
Yuan Cing	<u>\$ 6,808</u>	<u>\$ 5,597</u>
NCIC	<u>\$ 228,758</u>	<u>\$ -</u>
New Diligent	<u>\$ 5,391</u>	<u>\$ -</u>
Simple Infocomm	<u>\$ 177</u>	<u>\$ -</u>
KG Telecom	<u>\$ -</u>	<u>\$ 1,741</u>
KGEx.com	<u>\$ 3</u>	<u>\$ 3</u>
DE Infotech	<u>\$ 426</u>	<u>\$ -</u>

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	<u>\$ 1,708</u>	<u>\$ 1,708</u>	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	<u>\$ 526</u>	<u>\$ 526</u>	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
		<u>\$ 13,595</u>	<u>\$ 13,595</u>	

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	<u>105,819</u>	2020
	<u>\$ 1,972,097</u>	

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	<u>4,574</u>	<u>32,131</u>	<u>-</u>	<u>743</u>	<u>37,448</u>
	<u>\$ 872,290</u>	<u>\$ 2,989,839</u>	<u>\$ -</u>	<u>\$ 334,226</u>	<u>\$ 4,196,355</u>
Depreciation	<u>\$ 9,089,834</u>	<u>\$ 927,717</u>	<u>\$ 17,954</u>	<u>\$ -</u>	<u>\$ 10,035,505</u>
Amortization	<u>\$ 53,987</u>	<u>\$ 33,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,320</u>
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	<u>4,622</u>	<u>27,353</u>	<u>-</u>	<u>833</u>	<u>32,808</u>
	<u>\$ 773,992</u>	<u>\$ 2,805,101</u>	<u>\$ -</u>	<u>\$ 525,552</u>	<u>\$ 4,104,645</u>
Depreciation	<u>\$ 9,669,168</u>	<u>\$ 965,025</u>	<u>\$ 17,643</u>	<u>\$ -</u>	<u>\$ 10,651,836</u>
Amortization	<u>\$ 80,199</u>	<u>\$ 49,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,920</u>

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)

	<u>Amount (Numerator)</u>		<u>Common Stock (Denominator) (In Thousand Shares)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
Year ended <u>December 31, 2010</u>					
Basic EPS					
Net income - Far EasTone	\$ 10,923,961	\$ 8,848,565	3,258,501	<u>\$ 3.35</u>	<u>\$ 2.72</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>5,792</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 10,923,961</u>	<u>\$ 8,848,565</u>	<u>3,264,293</u>	<u>\$ 3.35</u>	<u>\$ 2.71</u>
Year ended <u>December 31, 2009</u>					
Basic EPS					
Net income - Far EasTone	\$ 12,598,706	\$ 9,230,107	3,258,501	<u>\$ 3.87</u>	<u>\$ 2.83</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>6,660</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 12,598,706</u>	<u>\$ 9,230,107</u>	<u>3,265,161</u>	<u>\$ 3.86</u>	<u>\$ 2.83</u>

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
<u>Assets</u>				
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
<u>Liabilities</u>				
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
<u>Place of transaction on derivative financial instruments</u>				
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:

	<u>Quoted Price</u>		<u>Estimated Price</u>	
	<u>December 31</u>		<u>December 31</u>	
	2010	2009	2010	2009
<u>Assets</u>				
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:

	<u>December 31</u>			
	<u>2010</u>		<u>2009</u>	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
<u>Risk from interest fluctuations</u>				
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:

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
		Notional Amount		Fair Value			
		December 31		December 31			
		2010	2009	2010	2009		
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) New Century InfoComm Tech Co., Ltd. (NCIC)	Ultimate parent company 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) iScreen Corporation	Equity-method investee of the Group 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	%
<u>During the year</u>					
Operating revenue	1)				
NCIC	2)	\$ 859,469	2	\$ 1,222,334	2
FEIB	19)	43,952	-	-	-
FENC	19)	28,769	-	-	-
Other	27)	<u>158,018</u>	<u>-</u>	<u>101,123</u>	<u>-</u>
		<u>\$ 1,090,208</u>	<u>2</u>	<u>\$ 1,323,457</u>	<u>2</u>
Operating costs and expenses					
Cost of telecommunications service					
NCIC	2)	\$ 509,846	2	\$ 587,913	2
Other	27)	<u>8,702</u>	<u>-</u>	<u>10,274</u>	<u>-</u>
		<u>\$ 518,548</u>	<u>2</u>	<u>\$ 598,187</u>	<u>2</u>
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)	<u>13,490</u>	<u>-</u>	<u>11,346</u>	<u>-</u>
		<u>\$ 136,225</u>	<u>3</u>	<u>\$ 146,303</u>	<u>3</u>
Marketing expense					
DDIM	6)	\$ 130,405	1	\$ 163,416	2
Other	27)	<u>557</u>	<u>-</u>	<u>2,999</u>	<u>-</u>
		<u>\$ 130,962</u>	<u>1</u>	<u>\$ 166,415</u>	<u>2</u>
Service fee					
FCHRC	7)	\$ 286,792	60	\$ 66,771	29
Other	27)	<u>987</u>	<u>-</u>	<u>156</u>	<u>-</u>
		<u>\$ 287,779</u>	<u>60</u>	<u>\$ 66,927</u>	<u>29</u>
Telephone fee					
NCIC	8)	\$ 21,904	7	\$ 26,720	8
Other	27)	<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>
		<u>\$ 21,904</u>	<u>7</u>	<u>\$ 26,735</u>	<u>8</u>
Donation expense					
YZU	9)	\$ 25,000	43	\$ -	-
TTF	10)	<u>7,000</u>	<u>12</u>	<u>9,000</u>	<u>44</u>
		<u>\$ 32,000</u>	<u>55</u>	<u>\$ 9,000</u>	<u>44</u>

		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)	<u>4,220</u>	<u>5</u>	<u>-</u>	<u>-</u>
		<u>\$ 44,002</u>	<u>52</u>	<u>\$ 23,932</u>	<u>36</u>
Management services revenue					
NCIC	11)	\$ 17,514	100	\$ 26,226	96
Other	27)	<u>-</u>	<u>-</u>	<u>1,038</u>	<u>4</u>
		<u>\$ 17,514</u>	<u>100</u>	<u>\$ 27,264</u>	<u>100</u>
Rent					
NCIC	4)	\$ 10,043	24	\$ 5,377	13
Other	27)	<u>3,540</u>	<u>9</u>	<u>308</u>	<u>1</u>
		<u>\$ 13,583</u>	<u>33</u>	<u>\$ 5,685</u>	<u>14</u>
Nonoperating expenses and losses					
Interest					
FEIB	13)	\$ 2,944	6	\$ -	-
FEILC	5)	<u>1,590</u>	<u>4</u>	<u>-</u>	<u>-</u>
		<u>\$ 4,534</u>	<u>10</u>	<u>\$ -</u>	<u>-</u>
Donation					
FETSTMF	14)	<u>\$ -</u>	<u>-</u>	<u>\$ 90,000</u>	<u>66</u>
Acquisition of properties					
FEILC	5)	\$ 236,508	3	\$ -	-
Other	27)	<u>12,645</u>	<u>-</u>	<u>52,121</u>	<u>1</u>
		<u>\$ 249,153</u>	<u>3</u>	<u>\$ 52,121</u>	<u>1</u>
Acquisition of bonds					
ACC	15)	\$ -	-	\$ 199,540	95
YDI	15)	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>5</u>
		<u>\$ -</u>	<u>-</u>	<u>\$ 209,540</u>	<u>100</u>
<u>At end of period</u>					
Demand deposits and certificates of deposits					
FEIB	11)	<u>\$ 4,437,394</u>	<u>40</u>	<u>\$ 3,300,138</u>	<u>29</u>

		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)	<u>4,245</u>	<u>28</u>	<u>290</u>	<u>-</u>
		<u>\$ 15,002</u>	<u>100</u>	<u>\$ 127,264</u>	<u>100</u>
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)	<u>8,306</u>	<u>35</u>	<u>1,886</u>	<u>1</u>
		<u>\$ 23,501</u>	<u>100</u>	<u>\$ 165,602</u>	<u>100</u>
Refundable deposits					
DDIM	6)	\$ 38,535	9	\$ 43,233	12
Other	27)	<u>6,637</u>	<u>1</u>	<u>11,377</u>	<u>3</u>
		<u>\$ 45,172</u>	<u>10</u>	<u>\$ 54,610</u>	<u>15</u>
Hedging derivative financial assets					
FEIB	13)	<u>\$ 50,550</u>	<u>64</u>	<u>\$ -</u>	<u>-</u>
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)	<u>2,573</u>	<u>15</u>	<u>238</u>	<u>-</u>
		<u>\$ 17,160</u>	<u>100</u>	<u>\$ 137,573</u>	<u>100</u>
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)	<u>43,588</u>	<u>19</u>	<u>12,049</u>	<u>5</u>
		<u>\$ 227,805</u>	<u>100</u>	<u>\$ 247,286</u>	<u>100</u>
Lease payable - current					
FEILC	5)	<u>\$ -</u>	<u>-</u>	<u>\$ 8,360</u>	<u>100</u>

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	<u>11,129</u>	<u>7,380</u>
	<u>\$ 297,485</u>	<u>\$ 237,588</u>

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	<u>(644)</u>
	<u>\$ 2,074,151</u> (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:

	<u>December 31</u>	
	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	<u>443,956</u>	<u>455,460</u>
	<u>\$ 1,013,840</u>	<u>\$ 900,183</u>

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)

	<u>December 31, 2010</u>		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Monetary assets</u>			
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
<u>Monetary liabilities</u>			
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
<u>Non-monetary assets</u>			
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
<u>Monetary assets</u>			
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
<u>Monetary liabilities</u>			
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
<u>Non-monetary assets</u>			
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. KGEEx.com Co., Ltd.	Subsidiary Subsidiary	\$ 35,640,416 35,640,416	\$ 149,840 45,000	\$ 149,840 45,000	\$ - -	0.21% 0.06%	\$ 71,280,832 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.	<u>Stocks</u>									
	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	
		<u>Open-end mutual funds</u>								
		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
		<u>Private funds</u>								
		Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000	147,438	-	147,438	Note C	5,000.00
		<u>Bonds</u>								
		Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,666	-	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.	<u>Stock</u>								
	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
	<u>Open-end mutual funds</u>								
	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
	<u>Bonds</u>								
The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.	Same ultimate parent company	Held-to-maturity financial assets - noncurrent	10.00	10,000	-	10,000	Note F	10.00	
New Century InfoComm Tech Co., Ltd.	<u>Stock</u>								
	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
<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	3,320,000
<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	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
<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	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
<u>Bonds</u> The First Private Placement of Unsecured Corporation Bond Issued by Yuan Ding Investment Co., Ltd.		Same ultimate parent company	Held-to-maturity financial assets - noncurrent	990.00	990,000	-	990,000	Note F	990.00

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 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.	<u>Stock</u> 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.	<u>Share certificates</u> 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	-
	<u>Open-end mutual funds</u> 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.	<u>Stock</u> 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.	<u>Stocks</u> 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.	<u>Share certificates</u> 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.	<u>Stocks</u> 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.	<u>Stocks</u> 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.	<u>Private funds</u>															
	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	-	-	-	
	<u>Open-end mutual funds</u>															
	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	-	-	-	
<u>Stocks</u>																
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.	Equity-method investments	(Note C)	(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.	<u>Open-end mutual funds</u>															
	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	-	-	-	
	<u>Private funds</u>															
	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		
<u>Stocks</u>																
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.	<u>Open-ended mutual funds</u>		-	-											
	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	-	-	-
	<u>Stocks</u>														
	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.	<u>Stocks</u>														
	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. New Century InfoComm Tech Co., Ltd.	Subsidiary	Telecommunications service revenues	(261,907)	-	Based on agreement	-	-	Accounts receivable	43,862	1%
		Subsidiary	Telecommunications service revenues	(750,433)	(1%)	Based on agreement	-	-	Accounts receivable (Note A)	-	-
	Far Cheng Human Resources Consultant Corp. Far Eastern Tech-info Ltd. (Shanghai) Ding Ding Integrated Marketing Service Co., Ltd.	Same ultimate parent company Subsidiary of FEIS Equity-method investee	Service fee	274,981	51%	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(119,364)	(2%)
			Service fee	115,518	22%	Based on agreement	-	-	Accrued expenses	(29,360)	1%
			Marketing	129,029	2%	Based on agreement	-	-	Accrued expenses	(13,806)	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(869,546)	(9%)	Based on agreement	-	-	Accrued expenses	(75,956)	2%
			Cost of telecommunications services	750,433	9%	Based on agreement	-	-	Accounts receivable (Note B)	119,364	13%
	KGEX.com Co., Ltd.	Same parent company	Cost of telecommunications services	668,870	8%	Based on agreement	-	-	Accounts payable (Note A)	-	-
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 payable	(130,774)	(17%)
			Cost of telecommunications services and cost of sales	394,428	9%	Based on agreement	-	-	Accounts receivable	182,202	80%
KGEX.com Co., Ltd.(Note C)	New Century InfoComm Tech Co., Ltd. Far EasTone Telecommunications Co., Ltd.	Same parent company Parent company	Telecommunications service revenues	(668,870)	(48%)	Based on agreement	-	-	Accounts receivable	130,774	51%
			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 INVESTEEES 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)
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
		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	-
		KGEx.com Co., Ltd.	1			Nonoperating income and gains	3,744
				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	-
		ADCast Interactive Marketing Co., Ltd.	1	General and administrative expenses	129,860	Note E	-
				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	-		
ARCOA Communication Co., Ltd.	3	Cost of telecommunications services	12,616	Note E	-				
		Nonoperating income and gains	4,084	Note E	-				
		Accounts receivable - related parties	2,216	Note E	-				
		Other receivables - related parties	180	Note E	-				
Q-ware Communications Co., Ltd.	3	Unearned revenues	12,895	Note E	-				
		Other operating revenues	2,065	Note E	-				
		Accounts receivable - related parties	13	Note E	-				
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Telecommunications service revenues	6,559	Note E	-		
				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	-		
				Yuan Cing 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	-		
		Other receivables - related parties	1,260			Note E	-		
		ARCOA Communication Co., Ltd.	3	Other operating revenues	7,509	Note E	-		
				6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	78
		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)
		KGEx.com Co., Ltd.	3	Other operating revenues Cost of telecommunications services Other operating costs Nonoperating expenses and losses Accounts payable - related parties Cost of telecommunications services	\$ 214 6,617 135 1,983 13 6,559	Note E Note E Note E Note E Note E Note E	- - - - - -
7	ADCast Interactive Marketing Co., Ltd.	Far EasTone Telecommunications Co., Ltd. New Century InfoComm Tech Co., Ltd.	2 3	Other receivables - related parties Accounts payable - related parties Other payables - related parties Other operating revenues General and administrative expenses Accounts payable - related parties Refundable deposits Other operating costs General and administrative expenses	7,598 3 150 23,806 43 42 280 183 823	Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - -
8	Far EasTron Holding Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	148	Note E	-
9	Simple Infocomm Co., Ltd.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Cost of telecommunications services Other operating costs	1,674 227 109,777 49,399	Note E Note E Note E Note E	- - - -
10	Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Telecommunications service revenues Other operating revenues	838 14,110 49,580 78	Note E Note E Note E Note E	- - - -
11	Information Security Service Digital United Inc.	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Sales of cellular phone equipment and accessories, net Cost of telecommunications services Other operating revenues	3,480 2,842 10,646 513 4,510	Note E Note E Note E Note E Note E	- - - - -
12	Yuan Cing Infocomm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties Nonoperating expenses and losses	4,306,086 12,828	Note E Note E	4% -
13	Data Express Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	2 3	Other current liabilities Other current liabilities Sales of cellular phone equipment and accessories, net	50,000 32,837 6,763	Note E Note E Note E	- - -

(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)
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
		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	-	
		Far Eastern Tech-Info Ltd. (Shanghai)	1	General and administrative expenses	19,701	Note E	-
		Nonoperating income and gains		1,235	Note E	-	
		ADCast Interactive Marketing Co., Ltd.	1	Payables to related parties	24,755	Note E	-
		General and administrative expenses		144,930	Note E	-	
Receivables from related parties	151	Note E		-			
Payables to related parties	16,630	Note E		-			
Yuan Cing Co., Ltd.	1	Marketing expenses	38,877	Note E	-		
General and administrative expenses		885	Note E	-			
Management service revenue		65	Note E	-			
Receivables from related parties		3,005	Note E	-			
Q-ware Communications Co., Ltd.	1	Payables to related parties	2,528	Note E	-		
General and administrative expenses		36	Note E	-			
Management service revenue		340	Note E	-			
Receivables from related parties		36,109	Note E	-			
			1	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)
		ARCOA Communication Co., Ltd.	3	Nonoperating income and gains	\$ 33,072	Note E	-
				Nonoperating expenses and losses	1,469	Note E	-
				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	-
		KGEx.com Co., Ltd.	3	Marketing expenses	34,307	Note E	-
				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	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Nonoperating income and gains	2,196	Note E	-
				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	-
		KG Telecommunications Co., Ltd.	3	Nonoperating income and gains	39,005	Note E	-
				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	-
		ARCOA communications Co., Ltd.	3	General and administrative expenses	340	Note E	-
				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)	<u>1,144,815</u>	<u>960,501</u>	<u>-</u>	<u>(2,105,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 54,526,374</u>	<u>\$ 4,671,359</u>	<u>\$ 6,343,488</u>	<u>\$ (2,105,316)</u>	<u>\$ 63,435,905</u>	<u>\$ 54,837,021</u>	<u>\$ 5,225,107</u>	<u>\$ -</u>	<u>\$ 60,062,128</u>
Segment operating income (loss) (Note C)	<u>\$ 17,869,019</u>	<u>\$ 729,511</u>	<u>\$ (3,296,137)</u>	<u>\$ 277,995</u>	\$ 15,580,388	<u>\$ 18,777,093</u>	<u>\$ (1,649,924)</u>	<u>\$ -</u>	\$ 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)					<u>(4,406,050)</u>				<u>(4,695,402)</u>
Income before income tax					<u>\$ 10,965,505</u>				<u>\$ 12,149,896</u>
Identifiable assets (Note E)	<u>\$ 53,516,927</u>	<u>\$ 17,541,391</u>	<u>\$ 1,544,634</u>	<u>\$ -</u>	\$ 72,602,952	<u>\$ 57,059,105</u>	<u>\$ 1,043,847</u>	<u>\$ -</u>	\$ 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					<u>19,766,170</u>				<u>19,055,758</u>
Total assets					<u>\$ 97,647,153</u>				<u>\$ 86,394,870</u>
Depreciation expense	<u>\$ 9,535,044</u>	<u>\$ 454,703</u>	<u>\$ 27,804</u>			<u>\$ 10,611,446</u>	<u>\$ 22,747</u>		
Amortization expense	<u>\$ 18,846</u>	<u>\$ 38,768</u>	<u>\$ 29,706</u>			<u>\$ 93,155</u>	<u>\$ 36,765</u>		
Capital expenditure	<u>\$ 7,398,531</u>	<u>\$ 772,027</u>	<u>\$ 32,615</u>			<u>\$ 6,176,193</u>	<u>\$ 26,960</u>		
Impairment loss	<u>\$ -</u>	<u>\$ 9,607</u>	<u>\$ -</u>		<u>\$ 9,607</u>	<u>\$ 44,315</u>	<u>\$ -</u>		<u>\$ 44,315</u>

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.