

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2012 and 2011 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") and subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's and subsidiaries' management. Our responsibility is to issue a report based on our reviews.

Except for the matter stated in the next paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 2 to the consolidated financial statements, the financial statements as of March 31, 2012 and 2011 of some immaterial subsidiaries, with combined total assets that were 1.0% (NT\$986,542 thousand) and 3.7% (NT\$3,561,122 thousand), respectively, of the consolidated total assets and with combined total liabilities that were 2.6% (NT\$535,146 thousand) and 6.0% (NT\$1,293,600 thousand), respectively, of the consolidated total liabilities, had not been reviewed. In the three months ended March 31, 2012 and 2011, these subsidiaries' combined total operating revenues were 0.8% (NT\$163,196 thousand) and 2.8% (NT\$498,033 thousand), respectively, of the consolidated operating revenues, and their total net losses were (0.4%) (NT\$9,740 thousand) and (2.1%) (NT\$41,908 thousand), respectively, of combined net income. In addition, as disclosed in Note 10 to the consolidated financial statements, the financial statements of certain equity-method investees, with investment carrying values of NT\$344,468 thousand and NT\$486,737 thousand as of March 31, 2012 and 2011, respectively, had not been reviewed. The Company's equity of NT\$3,250 thousand in the gains and (NT\$14,394 thousand) in the losses of these investees was included in the consolidated net income of the three months ended March 31, 2012 and 2011, respectively. Related information on the Company's and subsidiaries' investments shown in Note 31 to the consolidated financial statements was not reviewed either.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the subsidiaries and other equity-method investees as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Far EasTone Telecommunications Co., Ltd. and subsidiaries referred to in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

April 20, 2012

Notice to Readers

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

For the convenience of readers, the accountants' review 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 accountants' review report and consolidated financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 5, 28 and 30)	\$ 11,361,247	12	\$ 8,884,400	9	Short-term bank loans (Notes 16 and 30)	\$ 974,275	1	\$ 3,342,100	4
Financial assets at fair value through profit or loss - current (Notes 2, 6 and 30)	204,419	-	1,250,736	1	Commercial paper payable (Note 17)	80,000	-	349,950	-
Available-for-sale financial assets - current (Notes 2, 7 and 30)	2,333,109	3	2,369,684	3	Notes payable	52,584	-	61,359	-
Held-to-maturity financial assets - current (Notes 2 and 11)	1,000,000	1	-	-	Accounts payable	5,058,598	5	4,172,394	4
Notes receivable (Note 2)	62,435	-	54,663	-	Accounts payable - related parties (Note 28)	5,678	-	7,117	-
Accounts receivable, net (Notes 2 and 8)	6,303,689	7	5,724,890	6	Income tax payable (Note 2)	2,010,431	2	2,102,773	2
Accounts receivable - related parties, net (Notes 2 and 28)	87,113	-	36,147	-	Accrued expenses (Note 18)	3,977,626	4	3,853,073	4
Other receivables - related parties (Note 28)	29,340	-	22,395	-	Other payables - related parties (Note 28)	133,401	-	136,150	-
Hedging derivative financial assets - current (Notes 2, 27 and 28)	23,835	-	20,700	-	Hedging derivative financial liabilities - current (Notes 2 and 27)	200	-	-	-
Inventories, net (Notes 2 and 9)	2,047,063	2	1,278,202	1	Payables for acquisition of properties	2,073,143	2	1,890,732	2
Prepaid expenses	807,878	1	831,901	1	Guarantee deposits received - current	361,111	1	474,338	1
Deferred income tax assets - current (Notes 2 and 24)	341,755	-	384,813	1	Unearned revenues (Notes 2 and 19)	2,766,273	3	2,347,744	3
Restricted assets - current (Notes 2, 19 and 28)	1,307,108	1	1,315,808	1	Current portion of long-term bank loans (Notes 20 and 31)	54,126	-	215,572	-
Pledged certificates of deposits - current (Note 30)	23,856	-	134,500	-	Other current liabilities (Notes 2 and 30)	517,236	1	519,043	1
Other current assets	205,034	-	191,972	-					
Total current assets	26,137,881	27	22,500,811	23	Total current liabilities	18,064,682	19	19,472,345	21
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Equity-method investments (Notes 2 and 10)	344,468	1	486,737	1	Long-term bank loans (Notes 20 and 31)	118,019	-	117,573	-
Held-to-maturity financial assets - noncurrent (Notes 2 and 11)	199,794	-	1,199,692	1					
Financial assets carried at cost - noncurrent (Notes 2 and 12)	29,188	-	68,546	-	OTHER LIABILITIES				
Total long-term investments	573,450	1	1,754,975	2	Accrued pension costs (Notes 2 and 21)	501,020	-	495,412	1
PROPERTIES (Notes 2, 13, 28 and 30)					Guarantee deposits received - noncurrent	359,076	-	303,565	-
Cost					Deferred income tax liabilities - noncurrent (Notes 2 and 24)	556,492	1	299,963	-
Land	5,301,986	5	5,355,501	6	Deferred revenue (Note 2)	536,187	1	457,577	1
Buildings and equipment	7,459,825	8	6,515,474	7	Other (Note 2)	540,094	1	423,244	-
Operating equipment	136,894,851	143	134,259,285	140	Total other liabilities	2,492,869	3	1,979,761	2
Computer equipment	25,462,687	27	21,841,527	23	Total liabilities	20,675,570	22	21,569,679	23
Office equipment	1,300,496	1	1,335,400	1	FAR EASTONE'S EQUITY (Notes 2 and 22)				
Leasehold improvements	3,416,335	4	3,076,956	3	Capital stocks - NT\$10.00 par value; authorized - 4,200,000 thousand shares				
Miscellaneous equipment	1,345,673	1	1,616,642	2	Issued and outstanding - 3,258,501 thousand shares	32,585,008	34	32,585,008	34
Total cost	181,181,853	189	174,000,785	182	Capital surplus				
Less: Accumulated depreciation	131,880,492	137	123,063,019	129	Additional paid-in capital - share issuance in excess of par value	10,964,702	11	10,964,702	11
Less: Accumulated impairment	2,604,468	3	2,616,601	3	From business combination	8,482,381	9	8,482,381	9
	46,696,893	49	48,321,165	50	From long-term equity-method investments	99,538	-	98,623	-
Construction-in-progress and prepayments for equipment	4,614,649	5	4,420,374	5	Total capital surplus	19,546,621	20	19,545,706	20
Net properties	51,311,542	54	52,741,539	55	Retained earnings				
INTANGIBLE ASSETS					Legal reserve	10,874,858	11	9,990,002	10
3G concession, net (Notes 1, 2 and 14)	4,932,268	5	5,662,974	6	Unappropriated earnings	11,339,853	12	11,033,170	12
Goodwill, net (Notes 2 and 14)	10,884,202	11	10,820,716	11	Total retained earnings	22,214,711	23	21,023,172	22
Other (Notes 2 and 14)	765,784	1	705,340	1	Other adjustments				
Total intangible assets	16,582,254	17	17,189,030	18	Cumulative translation adjustments	4,944	-	14,836	-
OTHER ASSETS					Unrealized gains on financial instruments	156,241	-	74,235	-
Rental assets, net (Notes 2 and 15)	419,528	-	261,094	-	Total other adjustments	161,185	-	89,071	-
Idle properties, net (Note 2)	124,764	-	145,416	-	Total controlling interest of Far EasTone	74,507,525	77	73,242,957	76
Refundable deposits (Note 28)	491,445	1	432,537	1	MINORITY INTEREST	738,646	1	876,019	1
Deferred charges, net (Note 2)	150,695	-	229,706	-	Total stockholders' equity	75,246,171	78	74,118,976	77
Deferred income tax assets - noncurrent (Notes 2 and 24)	80,220	-	-	-					
Pledged certificates of deposits - noncurrent (Notes 28 and 30)	41,117	-	424,622	1	TOTAL	\$ 95,921,741	100	\$ 95,688,655	100
Other	8,845	-	8,925	-					
Total other assets	1,316,614	1	1,502,300	2					
TOTAL	\$ 95,921,741	100	\$ 95,688,655	100					

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

(With Deloitte & Touche review report dated April 20, 2012)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 28)	\$ 21,294,915	100	\$ 17,674,629	100
OPERATING COSTS (Notes 2, 9, 25, 28 and 30)	<u>12,791,498</u>	<u>60</u>	<u>10,702,915</u>	<u>61</u>
GROSS PROFIT	<u>8,503,417</u>	<u>40</u>	<u>6,971,714</u>	<u>39</u>
OPERATING EXPENSES (Notes 2, 25 and 28)				
Marketing	3,844,714	18	3,264,179	18
General and administrative	1,527,196	7	1,187,407	7
Research and development	<u>13,537</u>	<u>-</u>	<u>16,148</u>	<u>-</u>
Total operating expenses	<u>5,385,447</u>	<u>25</u>	<u>4,467,734</u>	<u>25</u>
OPERATING INCOME	<u>3,117,970</u>	<u>15</u>	<u>2,503,980</u>	<u>14</u>
NONOPERATING INCOME AND GAINS				
Interest (Note 28)	36,308	-	32,297	-
Government grant (Note 2)	22,161	-	23,677	-
Rent (Note 28)	13,518	-	12,560	-
Gain on valuation of financial assets, net (Notes 2 and 6)	7,701	-	11,751	-
Equity in investees' net gains (Note 2)	3,250	-	-	-
Other	<u>32,625</u>	<u>-</u>	<u>49,800</u>	<u>1</u>
Total nonoperating income and gains	<u>115,563</u>	<u>-</u>	<u>130,085</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	247,325	1	164,002	1
Interest (Notes 2, 13 and 28)	13,803	-	11,590	-
Loss from sale of financial assets, net (Note 2)	-	-	63,318	1
Equity in investees' net losses (Note 2)	-	-	14,394	-
Other (Note 25)	<u>7,407</u>	<u>-</u>	<u>6,329</u>	<u>-</u>
Total nonoperating expenses and losses	<u>268,535</u>	<u>1</u>	<u>259,633</u>	<u>2</u>
COMBINED INCOME BEFORE INCOME TAX	2,964,998	14	2,374,432	13
INCOME TAX (Notes 2 and 24)	<u>530,969</u>	<u>3</u>	<u>418,570</u>	<u>2</u>
COMBINED NET INCOME	<u>\$ 2,434,029</u>	<u>11</u>	<u>\$ 1,955,862</u>	<u>11</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
ATTRIBUTABLE TO:				
Controlling interest	\$ 2,403,317	11	\$ 1,946,519	11
Minority interest	<u>30,712</u>	-	<u>9,343</u>	-
	<u>\$ 2,434,029</u>	<u>11</u>	<u>\$ 1,955,862</u>	<u>11</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.89</u>	<u>\$ 0.74</u>	<u>\$ 0.72</u>	<u>\$ 0.60</u>
Diluted	<u>\$ 0.89</u>	<u>\$ 0.74</u>	<u>\$ 0.72</u>	<u>\$ 0.60</u>

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

(With Deloitte & Touche review report dated April 20, 2012)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	\$ 2,434,029	\$ 1,955,862
Depreciation	2,446,988	2,538,438
Amortization	44,468	44,546
Amortization of 3G concession	182,677	182,677
Allowance for doubtful accounts	146,599	26,421
Provision (reversal) of loss on decline in value of inventories	29,450	(6,271)
Loss (gain) from sale of financial assets, net	(86)	28,405
Equity in investees' net losses (gains)	(3,250)	14,394
Amortization of discount on held-to-maturity financial assets	(26)	(26)
Loss on disposal of properties, net	247,325	164,002
Unrealized exchange gain	(115)	-
Deferred income on hedging derivative assets	28,748	44,750
Accrued (disbursement of) pension costs	(1,892)	495
Deferred income taxes	(53,273)	50,936
Other	-	316
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(7,701)	(62,331)
Notes receivable	(5,626)	14,665
Accounts receivable	7,852	366,026
Accounts receivable - related parties	21,459	(21,145)
Other receivables - related parties	(12,041)	1,181
Inventories	(91,888)	(248,866)
Prepaid expenses	(1,191)	(99,842)
Other current assets	25,402	19,678
Notes payable	1,146	(30,118)
Accounts payable	(185,205)	151,575
Accounts payable - related parties	2,728	(10,043)
Other payables - related parties	(16,643)	(87,876)
Income tax payable	588,846	364,817
Accrued expenses	(407,150)	(220,602)
Unearned revenues	(4,710)	318,092
Other current liabilities	(48,655)	(74,922)
Net cash provided by operating activities	5,368,265	5,425,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(90,000)	(613,524)
Proceeds of the disposal of available-for-sale financial assets	591,957	1,103,612
Acquisition of equity-method investments	-	(252,394)
Acquisition of properties	(2,334,036)	(1,749,438)
Proceeds of the disposal of properties	13,693	4,310
Decrease (increase) in refundable deposits	(8,222)	17,163
Increase in pledged certificates of deposits	(1,993)	(3,253)
		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
Increase in deferred charges	\$ (8,351)	\$ (27,904)
Decrease (increase) in restricted assets	<u>1,311</u>	<u>(12,979)</u>
Net cash used in investing activities	<u>(1,835,641)</u>	<u>(1,534,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(1,966,497)	(194,000)
Decrease in commercial paper payable	-	(2,498,789)
Repayment of long-term bank loans	(818)	(864)
Proceeds of long-term bank loans	-	125,014
Increase (decrease) in guarantee deposits received	974	(6,062)
Decrease in deferred revenue	(12,375)	(28,307)
Decrease in other liabilities	-	(21,641)
Decrease in minority interest	<u>(94,435)</u>	<u>(1,545,584)</u>
Net cash used in financing activities	<u>(2,073,151)</u>	<u>(4,170,233)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(3,860)</u>	<u>1,762</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,455,613	(277,644)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>9,905,634</u>	<u>9,162,044</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 11,361,247</u>	<u>\$ 8,884,400</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 14,945	\$ 18,508
Less: Interest capitalized	<u>1,402</u>	<u>5,981</u>
Interest paid, net of capitalized interest	<u>\$ 13,543</u>	<u>\$ 12,527</u>
Income tax paid	<u>\$ 2,438</u>	<u>\$ 3,545</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 54,126</u>	<u>\$ 215,572</u>
Reclassification of idle properties to properties	<u>\$ 11,300</u>	<u>\$ -</u>
Reclassification of properties to deferred charges	<u>\$ -</u>	<u>\$ 32,815</u>
Reclassification of properties to rental assets	<u>\$ -</u>	<u>\$ 2,373</u>
Reclassification of properties to idle properties	<u>\$ -</u>	<u>\$ 49,896</u>
Reclassification of idle properties to rental assets	<u>\$ -</u>	<u>\$ 20,309</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2012	2011
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 2,337,565	\$ 1,402,723
Decrease (increase) in other payables - related parties	(178)	3,779
Decrease in payables for acquisition of properties	9,096	356,245
Increase in other current liabilities	(4,938)	(2,870)
Increase in other liabilities - other	<u>(7,509)</u>	<u>(10,439)</u>
Cash paid for acquisition of properties	<u>\$ 2,334,036</u>	<u>\$ 1,749,438</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 9,706	\$ 4,455
Decrease (increase) in receivables from properties sold	3,838	(70)
Decrease (increase) in other receivables - related parties	<u>149</u>	<u>(75)</u>
Cash received from the disposal of properties	<u>\$ 13,693</u>	<u>\$ 4,310</u>
CASH PAID FOR ACQUISITION OF DEFERRED CHARGES		
Increase in deferred charges	\$ 7,874	\$ 27,933
Increase in other current liabilities	(1,182)	(29)
Decrease in other liabilities - other	<u>1,659</u>	<u>-</u>
	<u>\$ 8,351</u>	<u>\$ 27,904</u>

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

(With Deloitte & Touche review report dated April 20, 2012)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

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 March 31, 2012, Far Eastern New Century Corporation (“Far Eastern New Century”) and its affiliates directly and indirectly owned 41.38% 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.

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.

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

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the “Group”) had 6,596 and 5,691 employees as of March 31, 2012 and 2011, 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.

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

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

Consolidation

Investees in which Far EasTone directly or indirectly holds more than 50% of voting rights or has de facto control over its investees are included in the consolidated financial statements.

In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries were translated from their respective functional currencies into New Taiwan dollars as follows:

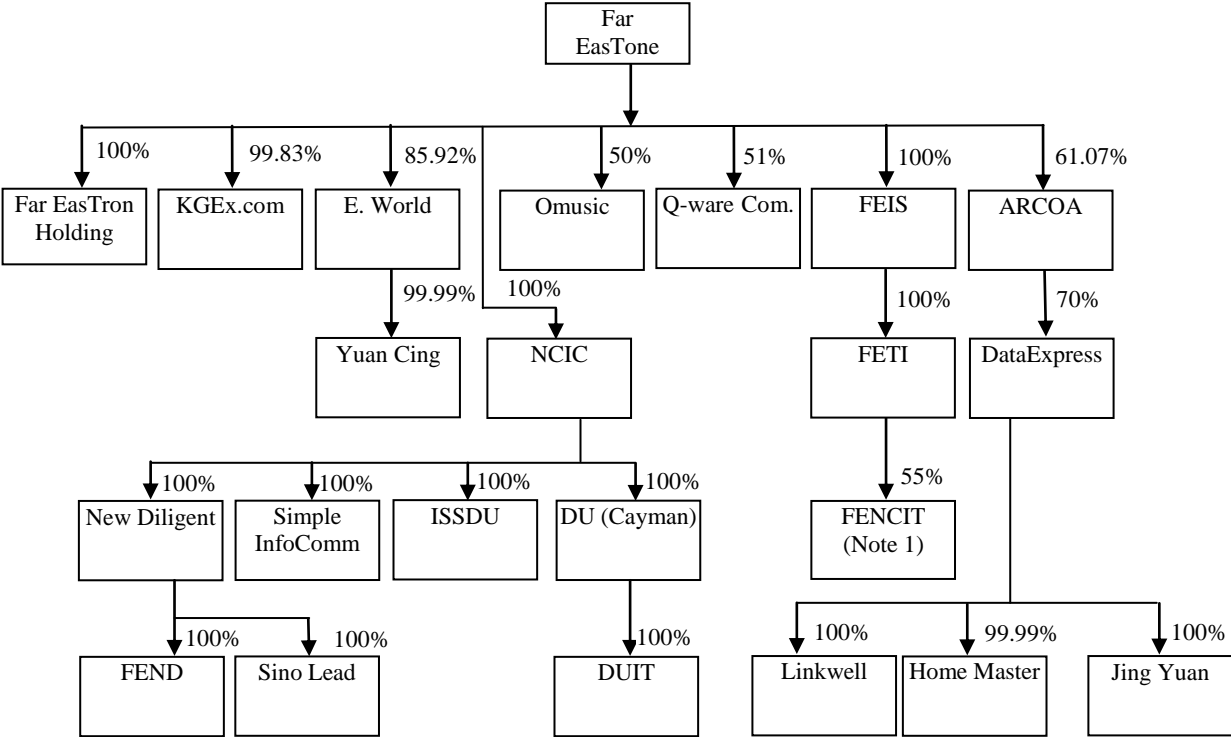
- a. All assets and liabilities at the exchange rate prevailing on the balance sheet dates;
- b. Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and
- c. All items in the statement of income at the average exchange rates for the period.

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.

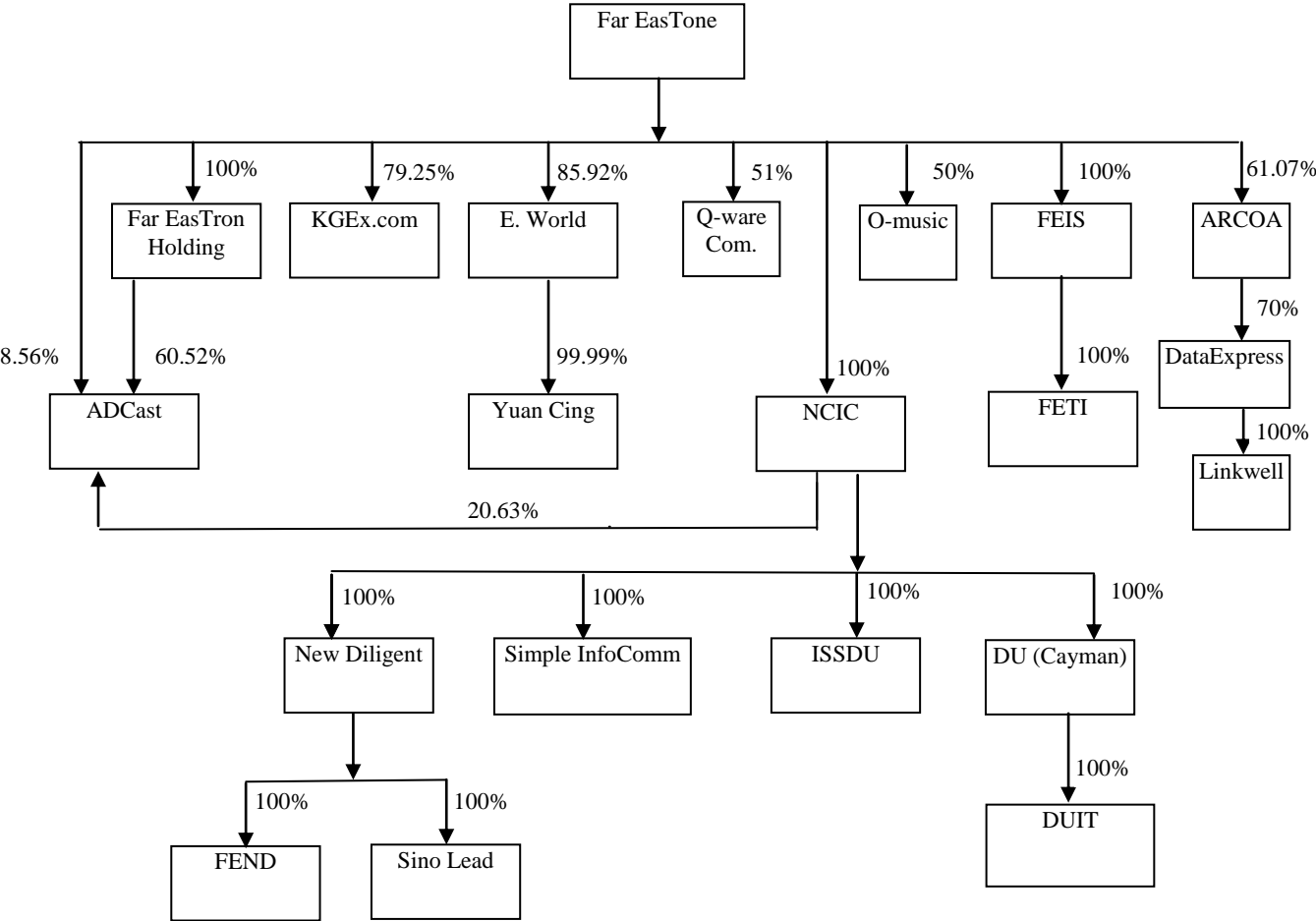
All significant intercompany transactions and balances were eliminated on consolidation.

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

<Figure 1>



<Figure 2>



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

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

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

ARCOA was incorporated in the ROC on May 4, 1981. ARCOA sells cellular phone units and other telecommunications equipment or accessories and provides related maintenance services. The DGT issued to ARCOA a type II license, allowing it to provide mobile virtual network operator services from July 2006 to July 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 ARCOA became a private company.

Considering the extensive demands and potential growth of Mainland China's market, the board of directors of ARCOA resolved to invest up to US\$8,000,000 in Mainland China indirectly through holding companies. Thus, ARCOA incorporated Arcoa Holding (Samoa) Co., Ltd. and Data Express Holding (Samoa) Co., Ltd. The Investment Commission under the Ministry of Economic Affairs (MOEA) approved the investments on August 19, 2011. However, the investment proceeds had not been remitted as of April 20, 2012.

2) Q-ware Communications Co., Ltd. ("Q-ware Com.")

Q-ware Com. was incorporated on February 13, 2007. It mainly provides type II telecommunications services. On July 3, 2007, Q-ware System Inc. spun off its WiFly business to Q-ware Com.; thus, Q-ware Com. became licensed to provide WiFly business in Taipei City until September 7, 2013, with an annual fee at 3% of total WiFly revenues. Moreover, the NCC issued to Q-ware Com. a type II license to provide Internet services for three years from 2007 for a fixed annual license fee based on Q-ware Com.'s paid-in capital. The term of validity of Q-ware Com.'s type II license was approved to be extended until May 2013.

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

On April 20, 2012, in order to strengthen Q-ware's capital structure and fulfill the operating cash needs for Taipei Free WiFi project, Far EasTone's board of directors authorized the chairman to subscribe for Q-ware's new shares to the extent of \$336,707 thousand.

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

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

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

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

5) Far Eastern Tech-info Ltd. (Shanghai) ("FETI")

FETI was incorporated in the People's Republic of China on November 18, 2002. FETI provides computer software, data processing and Internet content providing services.

6) ADCast Interactive Marketing Co., Ltd. (“ADCast”)

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

7) Omusic Co., Ltd. (“Omusic”)

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

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

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

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

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

On February 14, 2001, DGT issued to NCIC a type I license to provide fixed network telecommunications services, and NCIC began its commercial operations on March 2, 2001. The license is valid for 25 years, with an annual license fee of 1% of total telecommunications service revenue.

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

To simplify investment structure and enhance operation efficiency, NCIC has acquired the common shares of ADCast from related parties and minority interests in 2010, with the ownership of ADCast to be increased from 20.63% to 90.57%. On January 16, 2012, the board of directors of both companies resolved to approve the merger of NCIC and ADCast under the regulation of Article 19 of Business Mergers and Acquisitions Act. NCIC merged with ADCast by cash at NT\$9.86 per share, with NCIC as the survivor entity. The record date of this merger is set on March 31, 2012, and applying for the approval for the registration with the MOEA.

9) 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.

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

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

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

12) Digital United Information Technology Co., Ltd. (Shanghai) (“DUI”) (“DUI”)

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

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

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

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

15) E. World (Holdings) Ltd. (“E. World”), Far Eastern Info Service (Holding) Ltd. (“FEIS”), Far EasTron Holding Ltd. (“Far EasTron Holding”), New Diligent Co., Ltd. (“New Diligent”) and Digital United (Cayman) Ltd. (“DU (Cayman)”)

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

- b. Except for NCIC’s, New Diligent’s, ARCOA’s, DataExpress’, Linkwell’s, Q-ware Com.’s and KGEx. Com’s financial statements as of and for the three months ended March 31, 2012 and NCIC’s, ARCOA’s, DataExpress’ and Linkwell’s financial statements as of and for the three months ended March 31, 2011, all the financial statements were unreviewed.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

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

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

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

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

Accounting Estimates

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

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets held for trading and those designated on initial recognition as those to be measured at fair values, with fair value changes in profit or loss. The Group recognized a financial asset or a financial liability on its balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Group has lost control of its contractual rights over the financial assets. A financial liability is derecognized when the obligation specified in the relevant contract is discharged cancelled or expired.

On initial recognition, financial instruments at fair value through profit or loss are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. Subsequent changes in fair value are recognized as current gain or loss. Any cash dividends received are recognized as current income. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

Available-for-sale Financial Assets

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

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

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

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

Held-to-maturity Financial Assets

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

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

Hedge Accounting

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

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

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

The Group uses cross-currency swap contracts and foreign exchange swap contracts to hedge against the effect of exchange rate fluctuations of foreign currency-denominated assets.

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks, and domestic private mutual funds are carried at cost upon initial recognition. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets.

An impairment loss should be recognized and charged to current income if there is objective evidence that a financial asset is impaired. A reversal of this impairment loss is disallowed.

Impairment of Accounts Receivable

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

- Significant financial difficulty of the debtor;
- Accounts receivable become overdue; or
- It becomes probable that the debtor will enter bankruptcy or financial re-organization.

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

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

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

Impairment Loss

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

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

Inventories

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

Equity-method Investments

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

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

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

Deferral of Unrealized Intercompany Profit

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

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

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

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

Properties and Rental Assets

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

Equipment covered by capital lease agreements are stated at the lower of (1) the fair value of the equipment at the beginning of the lease or (2) the total present value of future lease payments and the bargain purchase price.

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

Useful lives are estimated as follows:

	Useful Life Years
Buildings	41-55
Building equipment	3-18
Operating equipment (except Indefeasible right of use)	2-15
Computer equipment	3-10
Office equipment	3-10
Leasehold improvements	2-11
Miscellaneous equipment	3-10

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

Indefeasible Right of Use

An indefeasible right of use (“IRU”) is a right to use a specified amount of capacity for a certain period, and this right cannot be revoked or voided. Costs of IRU acquisition are included in properties and depreciated over the economic useful life of the IRU, using the straight-line method over the useful lives of the IRU. The estimated useful life of the IRU is 15 to 25 years. IRUs still being used beyond their initial estimated service lives are depreciated over the estimated remaining service lives.

3G Concession

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

Operating Rights, Dealership and Customer Relationship

Operating rights, dealership and customer relationship are recognized by evaluating the fair value of a subsidiary’s net asset value, which is included in intangible assets - other.

Operating rights are measured in accordance with the integrated network business license issued by the National Communication Commission. Operating rights are amortized by the straight-line method, based on the useful life of the fixed network telecommunications business license. Dealership and customer relationship are also amortized by the straight-line method on basis of the expected duration of the related agreements.

Goodwill

Goodwill is the difference (the source of which cannot be identified) between investment costs and the equity in investees’ net assets, which is amortized using the straight-line method over 3 to 15 years. However, under the revised ROC Statement of Financial Accounting Standards, goodwill is no longer amortized starting on January 1, 2006.

Idle Properties

Properties not currently used in operations are transferred to idle properties at the lower of net book value or fair value, with difference charged to nonoperating expenses. However, starting on January 1, 2006, based on related regulations, depreciation of idle properties is calculated using the straight-line method over the estimated useful lives of the properties.

Deferred Charges

Deferred charges mainly refer to routers provided to customers, retail store renovation and computer software, which are amortized using the straight-line method over the shortest of the terms of leases, agreements on the rights of software use or their economical useful lives.

The Group estimates and capitalizes the costs of dismantling and removing properties and restoring the place where they are located, record these costs as deferred charges and accrues asset retirement cost.

Pension Costs

Far EasTone, ARCOA, Yuan Cing, Omusic, Q-ware Com., ADCast, NCIC, ISSDU, DataExpress, Linkwell and Home Master have two types of pension plans: Defined benefit and defined contribution. Under the defined benefit plan, pension costs are recognized on the basis of actuarial calculations. Under the defined contribution plan, Far EasTone, ARCOA, Yuan Cing, Omusic, Q-ware Com., ADCast, NCIC, ISSDU, DataExpress and Linkwell should make monthly contributions to employees' individual pension accounts at a fixed percentage of monthly salaries and wages and recognize these contributions as pension costs.

Under its government's regulations, FETI, DUIT and FENCIT, each have defined contribution pension plans. They make monthly contributions to employees' individual pension accounts at a fixed percentage of salaries and recognizes these contributions as pension costs.

FEIS, E. World, Far EasTron Holding, FEND, KGEx.com, YCIC, New Diligent, Simple InfoComm, DU (Cayman), Sino Lead and Jing Yuan do not have pension plans because they do not have any employees.

Income Tax

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

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

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

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

Revenue Recognition

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

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

Usage revenues from fixed network service, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenues are recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

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

Promotion Expenses

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

Government Grant

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

Reclassifications

Certain accounts in the consolidated financial statements as of and for the three months ended March 31, 2011 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the three months ended March 31, 2012.

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 three months ended March 31, 2011. The pro forma financial information based on the assumption that Far EasTone merged with FENCIT on January 1, 2011 are as follows:

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

	March 31, 2011
Current assets	\$ 22,504,567
Properties, net	52,741,539
Current liabilities	19,472,361
Operating revenues	17,674,629
Combined income before income tax	2,369,568
Combined net income	1,950,998
Earnings per share	0.60

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 FENCIT on January 1, 2011, nor does it indicate the Group's future financial position or operating result.

4. CHANGE IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revision includes loans and receivables originated by the Group are now covered by SFAS No. 34. This accounting change had no significant influence on the combined net income for the three months ended March 31, 2011.

Operating Segments

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

5. CASH AND CASH EQUIVALENTS

	March 31	
	2012	2011
Cash		
Cash on hand	\$ 22,025	\$ 7,844
Checking deposits	31,295	19,366
Demand deposits	2,147,486	1,458,214
Certificates of deposits	<u>8,215,067</u>	<u>7,140,133</u>
	<u>10,415,873</u>	<u>8,625,557</u>
Cash equivalents		
Bonds purchased under resell agreements	736,095	258,843
Commercial paper purchased under resell agreements	<u>209,279</u>	<u>-</u>
	<u>945,374</u>	<u>258,843</u>
	<u>\$ 11,361,247</u>	<u>\$ 8,884,400</u>

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

	March 31	
	2012	2011
Belgium (US\$1,281 thousand in 2012 and US\$824 thousand in 2011)	\$ 37,802	\$ 24,226
Hong Kong (HK\$14,277 thousand)	-	53,924
Hong Kong (US\$1 thousand)	<u>-</u>	<u>29</u>
	<u>\$ 37,802</u>	<u>\$ 78,179</u>

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

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>March 31</u>	
	2012	2011
Financial assets held for trading		
Open-end mutual funds	\$ 204,419	\$ 688,602
Quoted stocks	<u>-</u>	<u>562,134</u>
	<u>\$ 204,419</u>	<u>\$ 1,250,736</u>

Net gains and losses on financial assets held for trading for the three months ended March 31, 2012 and 2011 were as follows:

	<u>March 31</u>	
	2012	2011
Losses on sale of investments, net	\$ -	\$ (34,913)
Gain on valuation of financial instruments, net	<u>7,701</u>	<u>11,751</u>
	<u>\$ 7,701</u>	<u>\$ (23,162)</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>March 31</u>	
	2012	2011
Domestic quoted stocks	\$ 76,671	\$ 300,918
Open-end mutual funds	49,083	389,467
Private-placement share	<u>2,207,355</u>	<u>1,679,299</u>
	<u>\$ 2,333,109</u>	<u>\$ 2,369,684</u>

8. ACCOUNTS RECEIVABLE, NET

	<u>March 31</u>	
	2012	2011
Accounts receivable	\$ 7,279,128	\$ 6,515,147
Less: Allowance for doubtful accounts	<u>(975,439)</u>	<u>(790,257)</u>
	<u>\$ 6,303,689</u>	<u>\$ 5,724,890</u>

9. INVENTORIES, NET

	<u>March 31</u>	
	<u>2012</u>	<u>2011</u>
Cellular phone equipment	\$ 1,586,616	\$ 861,087
Computers and accessories	161,670	290,511
Customer premises equipment	67,053	42,448
Cellular phone accessories	47,133	13,677
SIM cards and prepaid cards	15,394	12,384
Others	<u>169,197</u>	<u>58,095</u>
	<u>\$ 2,047,063</u>	<u>\$ 1,278,202</u>

Allowances for losses were \$129,027 thousand and \$85,095 thousand as of March 31, 2012 and 2011, respectively.

Costs of inventories sold were \$5,264,167 thousand and \$3,330,096 thousand for the three months ended March 31, 2012 and 2011, respectively. The provision for loss on decline in value of inventories amounting to \$29,450 thousand and the reversal of provision for loss on decline in value of inventories amounting to \$6,271 thousand was included in the cost of sales for the three months ended March 31, 2012 and 2011, respectively.

10. EQUITY-METHOD INVESTMENTS

	<u>March 31</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Common stocks with no quoted market prices				
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 275,704	40.91	\$ 268,619	40.91
Far Eastern Electronic Commerce Co., Ltd.	26,820	18.98	40,000	19.95
Ding Ding Integrated Marketing Service Co., Ltd.	21,377	20.00	3,261	20.00
iScreen Corporation	20,567	40.00	22,527	40.00
FarEastern New Century Information Technology (Beijing) Limited	<u>-</u>	-	<u>152,330</u>	30.00
	<u>\$ 344,468</u>		<u>\$ 486,737</u>	

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

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

On April 20, 2012, to enhance operational efficiency of Far EasTone and support Government strategy of distance-based toll scheme with the expected boost of utilization of ETC lanes and enhance the utilization of existing properties of Far EasTone by providing FETC telecommunications service, the board of directors of Far EasTone resolved to subscribe for FETC's new common shares \$865,192 thousand and then Far EasTone's ownership is expected to be reduced to 39.42%.

b. Investment income or loss

Since the combined equity interests of the Far Eastern Group in Far Eastern Electronic Commerce Co., Ltd. (“FEEC”) and Ding Ding Integrated Marketing Service Co., Ltd. (“DDIM”) allow the Group to exercise significant influence on FEEC’s and DDIM’s operating and financial policy decisions, the investment in FEEC and DDIM are accounted for by the equity method even though the Group’s equity in FEEC was 18.98% and 19.95% for the three months ended March 31, 2012 and 2011, and in DDIM was 20% for the three months ended March 31, 2012 and 2011, respectively.

The bases for calculating the carrying values of investments were the equity-method investees’ financial statements as of and for the three months ended March 31, 2012 and 2011, which were not reviewed.

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	<u>March 31</u>	
	<u>2012</u>	<u>2011</u>
Bonds		
Yuan Ding Investment Corporation	\$ 1,000,000	\$ 1,000,000
Asia Cement Co., Ltd.	<u>199,794</u>	<u>199,692</u>
	1,199,794	1,199,692
Less: Due within one year	<u>(1,000,000)</u>	<u>-</u>
	<u>\$ 199,794</u>	<u>\$ 1,199,692</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>March 31</u>	
	<u>2012</u>	<u>2011</u>
Domestic unlisted common stock		
THI Consultants Inc.	\$ 13,729	\$ 13,729
Chunghwa Int’l Communication Network Co., Ltd.	6,714	6,714
Bank Pro E-Service Technology Co., Ltd.	4,500	4,500
VIBO Telecom Inc.	2,627	8,400
Web Point Co., Ltd.	1,618	1,618
Kaohsiung Rapid Transit Corporation	<u>-</u>	<u>33,585</u>
	<u>\$ 29,188</u>	<u>\$ 68,546</u>

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

13. PROPERTIES

a. Changes in properties consisted of:

	Three Months Ended March 31, 2012						
	Beginning Balance	Movement				Cumulative Translation Adjustments	Ending Balance
		Addition	Sale or Disposal	Adjustments and Reclassification	Adjustments and Reclassification		
Cost							
Land	\$ 5,301,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,301,986
Buildings and equipment	6,393,369	-	3,164	1,069,620	-	-	7,459,825
Operating equipment	138,828,805	2,887	434,497	(1,502,344)	-	-	136,894,851
Computer equipment	22,844,563	1,582	10,887	2,627,236	193	-	25,462,687
Office equipment	1,331,220	120	58,119	30,184	(2,909)	-	1,300,496
Leasehold improvements	3,151,716	5,902	8,532	267,249	-	-	3,416,335
Miscellaneous equipment	1,720,212	8,592	10,896	(372,235)	-	-	1,345,673
	<u>179,571,871</u>	<u>\$ 19,083</u>	<u>\$ 526,095</u>	<u>\$ 2,119,710</u>	<u>\$ (2,716)</u>		<u>181,181,853</u>
Accumulated depreciation							
Buildings and equipment	2,047,599	\$ 53,740	\$ 3,135	\$ 814,672	\$ -	-	2,912,876
Operating equipment	103,095,678	1,957,572	183,274	(1,611,925)	-	-	103,258,051
Computer equipment	19,512,418	352,438	9,513	1,191,911	445	-	21,047,699
Office equipment	1,131,815	15,819	58,107	16,768	(2,100)	-	1,104,195
Leasehold improvements	2,498,405	39,883	7,786	54,809	-	-	2,585,311
Miscellaneous equipment	1,402,878	24,958	9,267	(446,209)	-	-	972,360
	<u>129,688,793</u>	<u>\$ 2,444,410</u>	<u>\$ 271,082</u>	<u>\$ 20,026</u>	<u>\$ (1,655)</u>		<u>131,880,492</u>
Accumulated impairment							
Land	96,557	\$ -	\$ -	\$ -	\$ -	-	96,557
Buildings and equipment	101,201	-	-	14,991	-	-	116,192
Operating equipment	2,176,101	-	1,917	(112,157)	-	-	2,062,027
Computer equipment	185,960	-	442	56,451	-	-	241,969
Office equipment	3,693	-	-	1,139	-	-	4,832
Leasehold improvements	24,167	-	319	1,509	-	-	25,357
Miscellaneous equipment	16,710	-	961	41,785	-	-	57,534
	<u>2,604,389</u>	<u>\$ -</u>	<u>\$ 3,639</u>	<u>\$ 3,718</u>	<u>\$ -</u>		<u>2,604,468</u>
	47,278,689						46,696,893
Construction-in-progress and prepayments for equipment	4,378,460	\$ 2,318,482	\$ 2,552	\$ (2,079,741)	\$ -	-	4,614,649
	<u>\$ 51,657,149</u>						<u>\$ 51,311,542</u>

	Three Months Ended March 31, 2011						
	Beginning Balance	Movement				Cumulative Translation Adjustments	Ending Balance
		Addition	Sale or Disposal	Adjustments and Reclassification	Adjustments and Reclassification		
Cost							
Land	\$ 5,317,368	\$ -	\$ -	\$ 38,133	\$ -	\$ -	\$ 5,355,501
Buildings and equipment	6,503,267	-	2,682	14,889	-	-	6,515,474
Operating equipment	133,409,948	17,506	360,253	1,192,084	-	-	134,259,285
Computer equipment	21,650,325	1,974	9,487	198,367	348	-	21,841,527
Office equipment	1,330,478	1,780	1,367	3,234	1,275	-	1,335,400
Leasehold improvements	3,052,425	-	5,768	30,299	-	-	3,076,956
Miscellaneous equipment	1,613,189	1,062	2,602	4,993	-	-	1,616,642
	<u>172,877,000</u>	<u>\$ 22,322</u>	<u>\$ 382,159</u>	<u>\$ 1,481,999</u>	<u>\$ 1,623</u>		<u>174,000,785</u>
Accumulated depreciation							
Buildings and equipment	1,913,699	\$ 44,982	\$ 2,682	\$ (9,273)	\$ -	-	1,946,726
Operating equipment	95,755,626	2,091,173	190,537	(8,022)	-	-	97,648,240
Computer equipment	18,303,648	324,196	9,487	(580)	277	-	18,618,054
Office equipment	1,119,330	14,768	1,367	27	1,172	-	1,133,930
Leasehold improvements	2,398,641	33,436	4,445	(78)	-	-	2,427,554
Miscellaneous equipment	1,265,039	25,994	2,346	(172)	-	-	1,288,515
	<u>120,755,983</u>	<u>\$ 2,534,549</u>	<u>\$ 210,864</u>	<u>\$ (18,098)</u>	<u>\$ 1,449</u>		<u>123,063,019</u>
Accumulated impairment							
Land	116,175	\$ -	\$ -	\$ (19,618)	\$ -	-	96,557
Buildings and equipment	115,025	-	-	(13,300)	-	-	101,725
Operating equipment	2,189,483	-	2,793	-	-	-	2,186,690
Computer equipment	186,035	-	-	-	-	-	186,035
Office equipment	3,741	-	-	-	-	-	3,741
Leasehold improvements	24,701	-	15	-	-	-	24,686
Miscellaneous equipment	17,167	-	-	-	-	-	17,167
	<u>2,652,327</u>	<u>\$ -</u>	<u>\$ 2,808</u>	<u>\$ (32,918)</u>	<u>\$ -</u>		<u>2,616,601</u>
	49,468,690						48,321,165
Construction-in-progress and prepayments for equipment	4,546,022	\$ 1,380,401	\$ 129	\$ (1,505,920)	\$ -	-	4,420,374
	<u>\$ 54,014,712</u>						<u>\$ 52,741,539</u>

b. Capitalized interest on properties was as follows:

	Three Months Ended March 31	
	2012	2011
Total interest expense	\$ 15,205	\$ 17,571
Less: Interest capitalized (included in construction-in-process, and prepayments for equipment)	<u>1,402</u>	<u>5,981</u>
Interest expense, net of amounts capitalized	<u>\$ 13,803</u>	<u>\$ 11,590</u>
Interest rate capitalized	0.92%-1.00%	0.54%-0.70%

14. INTANGIBLE ASSETS

a. 3G concession

	Three Months Ended March 31	
	2012	2011
Cost	<u>\$ 10,169,000</u>	<u>\$ 10,169,000</u>
Accumulated amortization		
Beginning balance	5,054,055	4,323,349
Amortization	<u>182,677</u>	<u>182,677</u>
Ending balance	<u>5,236,732</u>	<u>4,506,026</u>
3G concession, net	<u>\$ 4,932,268</u>	<u>\$ 5,662,974</u>

b. Goodwill and the others

	Three Months Ended March 31			
	2012		2011	
	Goodwill	Other	Goodwill	Other
Beginning balance	\$ 10,881,018	\$ 783,817	\$ 10,806,693	\$ 670,649
Add: From merger with subsidiaries	3,184	-	14,023	47,988
Deduct: Amortization	<u>-</u>	<u>18,033</u>	<u>-</u>	<u>13,297</u>
	<u>\$ 10,884,202</u>	<u>\$ 765,784</u>	<u>\$ 10,820,716</u>	<u>\$ 705,340</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, the identifiable cash-generating units were defined as mobile telecommunications service business, telecommunications equipment business, WiFly business and integrated internet business.

As of December 31, 2011 and 2010, the carrying values of the tangible and intangible assets used by the Group were \$69,166,301 thousand and \$71,937,671 thousand, respectively. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus

based the cash flow forecast with the following discount rates as of December 31, 2011 and 2010: Mobile telecommunications service business - 9.31% and 8.33%, respectively; telecommunications equipment business - 7.01% and 9.71%, respectively; WiFly business - both 10.00%; and integrated network business - 4.54% and 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, 2011 and 2010, there was no indication of impairment loss. As of March 31, 2012, there were no significant changes showing that goodwill was impaired.

2) Other

Under SFAS No. 25 - "Business Combinations" and SFAS No. 37 - "Intangible Assets," the Group should measure the fair value of the acquired assets and identify major intangible assets as well as the amortization periods. As the Group acquired NCIC's, DataExpress' and FENCIT's common shares, the cash-generating units of each were identified and the major intangible assets as the operating rights, dealership and customer relationship were recognized, respectively.

15. RENTAL ASSETS, NET

	Three Months Ended March 31							
	2012				2011			
	Beginning Balance	Addition	Reclassification	Ending Balance	Beginning Balance	Addition	Reclassification	Ending Balance
Cost								
Land	\$ 176,905	\$ -	\$ -	\$ 176,905	\$ 106,114	\$ -	\$ 18,675	\$ 124,789
Buildings and equipment	<u>301,951</u>	<u>-</u>	<u>-</u>	<u>301,951</u>	<u>159,338</u>	<u>-</u>	<u>12,452</u>	<u>171,790</u>
	478,856	\$ -	\$ -	478,856	265,452	\$ -	\$ 31,127	296,579
Accumulated depreciation								
Buildings and equipment	<u>52,076</u>	<u>\$ 1,482</u>	<u>\$ -</u>	<u>53,558</u>	<u>25,742</u>	<u>\$ 786</u>	<u>\$ 3,187</u>	<u>29,715</u>
	426,780			425,298	239,710			266,864
Accumulated impairment	<u>5,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,770</u>	<u>512</u>	<u>\$ -</u>	<u>\$ 5,258</u>	<u>5,770</u>
Rental assets, net	<u>\$ 421,010</u>			<u>\$ 419,528</u>	<u>\$ 239,198</u>			<u>\$ 261,094</u>

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

Year	Amount
From April 1, 2012 to December 31, 2012	\$ 21,682
2013	22,938
2014	23,023
2015	21,802
2016	18,826
From January 1, 2017 to March 31, 2017	3,977

16. SHORT-TERM BANK LOANS

	March 31	
	2012	2011
Secured bank loans - interest of 1.12% in 2012 and 1.20%-3.88% in 2011	\$ 203,100	\$ 477,100
Unsecured bank loans - interest of 1.00%-6.71% in 2012 and 0.65%-4.02% in 2011 (including RMB1,903 thousand in 2012)	<u>771,175</u>	<u>2,865,000</u>
	<u>\$ 974,275</u>	<u>\$ 3,342,100</u>

Q-ware Com.'s short-term bank loan with Bank SinoPac as of March 31, 2011 required that the net loss for the year ended of 2011 shall not exceed \$150,000 thousand but Q-ware Com. has breached the above-mentioned conventions and negotiated with Bank SinoPac. Moreover, Q-ware Com.'s short-term bank loans with China Trust Bank required that net worth should turn into positive as of March 31, 2012. However, on April 20, 2012, Far EasTone's board of directors resolved to subscribe for new common shares up to 336,707 thousand. Thus, Q-ware Com's net worth will become positive after the share issuance by cash.

DE Infotech's president (Hui-lien Chu), has provided her personal properties as collateral for the short-term secured bank loans amounting to \$45,000 thousand as of March 31, 2011.

The short-term bank loans as of March 31, 2012, amounting to \$265,000 thousand had been repaid by April 20, 2012. The short-term bank loans as of March 31, 2011, amounting to \$1,040,000 thousand had been repaid by April 19, 2011.

17. COMMERCIAL PAPERS PAYABLE

As of March 31, 2012 and 2011, the Group issued commercial paper guaranteed by the financial institution, which were discounted at the interest rate of 1.16%-1.28% and 0.75%, respectively.

18. ACCRUED EXPENSES

	March 31	
	2012	2011
Commission	\$ 1,729,557	\$ 1,581,724
Maintenance fee	400,571	370,985
Bonus	353,193	220,104
Bonus to employees and remuneration to directors and supervisors	331,817	306,769
Utilities	119,615	130,939
Advertisement	107,452	142,633
Rent	107,065	323,109
Billing processing fee	66,021	71,900
Other	<u>762,335</u>	<u>704,910</u>
	<u>\$ 3,977,626</u>	<u>\$ 3,853,073</u>

19. UNEARNED REVENUES

	March 31	
	2012	2011
Unearned telecom revenues from prepaid cards	\$ 1,103,284	\$ 1,117,689
Unearned telecom revenues from postpaid	1,458,930	1,024,277
Other	<u>204,059</u>	<u>205,778</u>
	<u>\$ 2,766,273</u>	<u>\$ 2,347,744</u>

Far EasTone and NCIC entered into contracts with Far Eastern International Bank Co., Ltd. (FEIB) in accordance with NCC's prepaid card related regulation of the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificate. Far EasTone and NCIC consigned the proceeds of its sale of prepaid cards and international calling cards to FEIB as trust funds, which were included in the restricted assets - current. FEIB was designated as in charge of the trust funds to protect Far EasTone's prepaid cards customers' and NCIC's international calling cards customers' rights under the trust deeds. Moreover, Far EasTone provided a performance guarantee amounting to \$45,000 thousand to KGEx. com for prepaid cards already bought by customers.

Q-ware Com. provided a pledged certificates of deposits amounting to \$9,000 thousand in China Trust Bank as a collateral for performance guarantee provided by China Trust Bank in accordance with NCC's prepaid card related regulation of the mandatory and prohibitory provisions of standard contracts of telecommunication products (services) certificates.

20. LONG-TERM BANK LOANS

	March 31, 2012		
	Due Within One Year	Due After One Year	Total
Unsecured bank loan - Q-ware Com.	\$ 50,000	\$ -	\$ 50,000
Unsecured bank loan - FETI	-	109,187	109,187
Unsecured bank loans - DataExpress	<u>4,126</u>	<u>8,832</u>	<u>12,958</u>
	<u>\$ 54,126</u>	<u>\$ 118,019</u>	<u>\$ 172,145</u>

	March 31, 2011		
	Due Within One Year	Due After One Year	Total
Unsecured bank loan - Q-ware Com.	\$ 200,000	\$ -	\$ 200,000
Unsecured bank loan - FETI	-	109,014	109,014
Unsecured bank loans - DataExpress	<u>15,572</u>	<u>8,559</u>	<u>24,131</u>
	<u>\$ 215,572</u>	<u>\$ 117,573</u>	<u>\$ 333,145</u>

a. Unsecured bank loan - Q-ware Com.

Q-ware Com. obtained an unsecured bank loan at interest rates of 2.37% and 3.20% as of March 31, 2012 and 2011, payable monthly. Q-ware Com. should repay the full amount on loan maturity by February 2013 and December 2011, respectively.

b. Unsecured bank loan - FETI

FETI obtained an unsecured bank loan (US\$3,700,000) at an interest rate of 2.7% and 4% as of March 31, 2012 and 2011, payable monthly or quarterly. The loan was repayable periodically at equal installments from April 2013 to April 2014. Under the agreement, FETI should maintain its debt-to-equity ratio, a specific amount of tangible assets and an upper limit of debts on FETI's quarterly consolidated financial statements before maturity.

c. Unsecured bank loan - DataExpress

DataExpress obtained an unsecured bank loan at interest rates of 1.50% and 3.26%-3.90% as of March 31, 2012 and 2011, payable monthly. The loan was repayable periodically from October 2011 at equal installments, with final repayment due in September 2014.

21. PENSION PLAN

- a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of monthly contributions by Far EasTone, NCIC, ARCOA, Yuan Cing, O-music, Q-ware Com., ADCast, ISSDU, DataExpress, Linkwell and Home Master to the employees' individual pension fund accounts is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan amounted to \$64,218 thousand and \$48,753 thousand for the three months ended March 31, 2012 and 2011, respectively. Under the governments' regulations, FETI, FENCIT, and DUIT, have recognized pension costs of \$2,054 thousand and \$2,019 thousand for the three months ended March 31, 2012 and 2011, respectively.

- b. Far EasTone, ARCOA, NCIC and ISSDU have a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points. Far EasTone, ARCOA, NCIC and ISSDU accrue pension costs on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan. The pension cost under the defined benefit plan amounted to \$7,951 thousand and \$11,411 thousand for the three months ended March 31, 2012 and 2011, respectively.

22. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and that arising from business combination) may be capitalized, which however is limited to a certain percentage of Far EasTone's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

Capital surplus for the three months ended March 31, 2012 and 2011 were summarized as follows:

	Three Months Ended March 31	
	2012	2011
Beginning balance	\$ 19,546,610	\$ 19,536,368
Adjustment to change in ownership percentage due to investees' issuance of capital stock for cash	-	9,338
Adjustment to change in equity - method investees' stockholders' equity	<u>11</u>	<u>-</u>
	<u>\$ 19,546,621</u>	<u>\$ 19,545,706</u>

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 three months ended March 31, 2012 and 2011, the bonus to employees was \$43,260 thousand and \$35,037 thousand, respectively, and the remuneration to directors and supervisors was \$21,630 thousand and \$17,519 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 three months ended March 31, 2012 and 2011, respectively. The amounts were estimated based on past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a

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

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

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

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

The appropriation of the 2011 earnings was approved by Far EasTone's board of directors on April 20, 2012, and the appropriation of the 2010 earnings was approved by the Far EasTone's stockholders on June 9, 2011.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2011	2010	2011	2010
Legal reserve	\$ 888,099	\$ 884,856		
Cash dividend	8,045,239	8,146,252	\$2.469	\$2.50

On April 20, 2012, Far EasTone's board of directors also proposed to distribute cash of \$1,730,264 thousand from the above mentioned additional paid in capital - shares issuance in excess of par value at NT\$0.531 per share. With the appropriation of 2011 earnings, it is expected that Far EasTone's stockholders will receive NT\$3 per share in 2012.

The bonus to employees and the remuneration to directors and supervisors for 2011 was approved by Far EasTone's board of directors on April 20, 2012, and the bonus to employees and the remuneration to directors and supervisors for 2010 was approved by Far EasTone's stockholders on June 9, 2011, as follows:

	Years Ended December 31			
	2011		2010	
	Cash	Stock	Cash	Stock
Bonus to employees	\$ 159,858	\$ -	\$ 159,274	\$ -
Remuneration to directors and supervisors	79,929	-	79,637	-

	Year Ended December 31, 2010	
	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	\$ 159,274	\$ 79,637
Amounts recognized in 2010 financial statements	<u>159,274</u>	<u>79,637</u>
	<u>\$ -</u>	<u>\$ -</u>

There was no difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the year ended December 31, 2010.

The 2011 appropriation of earnings, capital surplus distributed in cash, bonus to employees and remuneration to directors and supervisors will be resolved by the stockholders in their meeting scheduled on June 13, 2012.

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

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of March 31, 2012 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)	23,019	345,278
GDRs transferred to common stock		<u>(32,246)</u>	<u>(483,695)</u>
Outstanding GDRs issued		<u>576</u>	<u>8,630</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 March 31, 2012, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.
- 3) In 2003, Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand common shares. Furthermore, in 2008, Far EasTone canceled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 thousand common shares.
- 4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of March 31, 2012, Far EasTone had reissued 23,019 thousand units of GDRs representing 345,278 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 April 20, 2012, Far EasTone's board of directors proposed to issue up to 444,341,020 common shares (provisional) by private placement, with a total issuance amount of up to \$17,773,641 thousand and the private placement price setting at NT\$40.00 per share (provisional) (definite private placement price will be set according to the resolution of stockholders' meeting after obtaining the authorities' approval under the related regulation), to catch up on industry development trends and to meet Far EasTone's future operating needs. This proposal replaced their private placement resolution made on June 9, 2011, June 15, 2010 and June 16, 2009. The subscriber for these privately placed shares will be China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. However, based on certain agreements, if the volume weighted average price of Far EasTone's common shares falls below NT\$35.00 or exceeds NT\$50.00 within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or Far EasTone sends the notice to the other party of the settlement date of the private placement, Far EasTone's board of directors has the authorization of the stockholders' meeting to discuss in good faith and set a new private placement price, provided that any upward or downward adjustment is not more than NT\$5 per Far EasTone's share and the new price should not be lower than 70% of the reference price on that date. The private placement will proceed after obtaining the authorities' approval under the related regulation.

- e. Cumulative translation adjustments

Cumulative translation adjustments for the three months ended March 31, 2012 and 2011 were summarized as follows:

	Three Months Ended March 31	
	2012	2011
Difference due to translation of foreign-currency financial statements		
Beginning balance	\$ 7,031	\$ 12,111
Recorded as adjustment under stockholders' equity	<u>(2,087)</u>	<u>2,725</u>
	<u>\$ 4,944</u>	<u>\$ 14,836</u>

f. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the three months ended March 31, 2012 and 2011 are summarized as follows:

	Recognized from Equity- method Investments	Available- for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedge	Total
<u>Three months ended March 31, 2012</u>				
Beginning balance	\$ 10,868	\$ 10,126	\$ 5,830	\$ 26,824
Recorded as adjustments to stockholders' equity	117,507	6,993	4,970	129,470
Recognized as profit or loss	<u>(53)</u>	<u>-</u>	<u>-</u>	<u>(53)</u>
Ending balance	<u>\$ 128,322</u>	<u>\$ 17,119</u>	<u>\$ 10,800</u>	<u>\$ 156,241</u>
<u>Three months ended March 31, 2011</u>				
Beginning balance	\$ 44,508	\$ 13,434	\$ 12,750	\$ 70,692
Recorded as adjustments to stockholders' equity	4,978	15,125	(1,350)	18,753
Recognized as profit or loss	<u>(7,749)</u>	<u>(7,461)</u>	<u>-</u>	<u>(15,210)</u>
Ending balance	<u>\$ 41,737</u>	<u>\$ 21,098</u>	<u>\$ 11,400</u>	<u>\$ 74,235</u>

24. 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:

	<u>Three Months Ended March 31</u>	
	2012	2011
Income tax expense computed at statutory tax	\$ 571,746	\$ 412,727
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses (gains)	(71,926)	1,254
Other	82,025	7,365
Temporary differences		
Allowance for doubtful account	42,164	363
Goodwill amortization	(33,618)	(33,618)
Other	42,447	(17,681)
Loss carryforwards used	<u>(48,596)</u>	<u>(3,129)</u>
Income tax payable - current	584,242	367,281
Prior year's adjustment	<u>-</u>	<u>353</u>
Income tax expense - current	<u>\$ 584,242</u>	<u>\$ 367,634</u>

b. Income tax expense consisted of:

	Three Months Ended March 31	
	2012	2011
Income tax expense - current	\$ 584,242	\$ 367,634
Income tax expense - deferred		
Temporary differences	<u>(53,273)</u>	<u>50,936</u>
	<u>\$ 530,969</u>	<u>\$ 418,570</u>

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

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

	March 31	
	2012	2011
Current		
Deferred income tax assets		
Allowance for doubtful accounts	\$ 387,198	\$ 425,354
Provision for losses on decline in value of inventories	18,364	11,065
Investment tax credits	8,462	7,191
Other	<u>15,849</u>	<u>10,562</u>
	429,873	454,172
Less: Valuation allowance	<u>70,608</u>	<u>68,748</u>
	359,265	385,424
Deferred income tax liabilities		
Other	<u>(17,510)</u>	<u>(611)</u>
	<u>\$ 341,755</u>	<u>\$ 384,813</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 1,926,762	\$ 1,973,152
Unrealized loss on properties and idle properties	602,052	532,673
Impairment loss on financial assets	215,145	193,748
Accrued pension cost	86,574	79,023
Equity in investees' net losses	13,300	355,631
Investment tax credits	-	8,638
Other	<u>34,682</u>	<u>24,932</u>
	2,878,515	3,167,797
Less: Valuation allowance	<u>2,514,347</u>	<u>2,761,790</u>
	364,168	406,007
Deferred income tax liabilities		
Goodwill amortization	<u>(840,440)</u>	<u>(705,970)</u>
	<u>\$ (476,272)</u>	<u>\$ (299,963)</u>
Included in:		
Deferred income tax assets, net - current	<u>\$ 341,755</u>	<u>\$ 384,813</u>
Deferred income tax assets, net - noncurrent	\$ 80,220	\$ -
Deferred income tax liabilities, net - noncurrent	<u>(556,492)</u>	<u>(299,963)</u>
	<u>\$ (476,272)</u>	<u>\$ (299,963)</u>

d. Integrated income tax information is as follows:

	March 31	
	2012	2011
Balance of imputation credit account (ICA)		
Far EasTone	\$ 1,070,825	\$ 933,662
ARCOA	\$ 11,420	\$ 16,196
Yuan Cing	\$ 8,909	\$ 6,808
NCIC	\$ 233,310	\$ 228,758
New Diligent	\$ 5,391	\$ 5,391
Simple Infocomm	\$ 177	\$ 177
KGEx.com	\$ 3	\$ 3
DataExpress	\$ 6,447	\$ 2,008
Linkwell	\$ 196	\$ 124

Far EasTone's creditable ratio for distribution of earnings of 2011 and 2010 was 19.65% (estimate) and 19.78% (actual), respectively. ARCOA's creditable ratio for distribution of earnings of 2011 and 2010 was 9.23% (estimate) and 4.16% (actual), respectively. DataExpress's creditable ratio for distribution of earnings of 2011 is 10.38% (estimate). Linkwell's creditable ratio for distribution of earnings of 2011 is 1.34% (estimate).

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

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 2011 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratios for the earnings appropriation of 2010 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 March 31, 2012 are summarized as follows:

ISSDU

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 1,708	\$ 1,532	2012

NCIC

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	\$ 6,930	\$ 6,930	2012

- f. KGEx.com, Q-ware Com., Omusic, NCIC, New Diligent, Simple Infocomm, ISSDU, Home Master and Jing Yuan unused loss carryforwards as of March 31, 2012 were as follows:

Year	Remaining Creditable Amount	Expiry Year
2003	\$ 263,168	2013
2004	361,122	2014
2005	209,270	2015
2006	247,778	2016
2007	193,452	2017
2008	206,773	2018
2009	292,837	2019
2010	96,923	2020
2011	49,566	2021
2012	<u>5,873</u>	2022
	<u>\$ 1,926,762</u>	

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

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

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

Income tax returns through 2008 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with the tax authorities' assessment of its 2002 return and thus filed an appeal for the reexamination of this return. Nevertheless, ARCOA accrued the related tax.

Income tax returns through 2007 of Digital United Inc. (DU) (dissolved due to the merger with NCIC on March 16, 2009) had been examined by the tax authorities. However, NCIC disagreed with the tax authorities' assessment of its 2006 and 2007 returns and thus filed appeals for the reexamination of these returns. Nevertheless, NCIC accrued the related tax.

Income tax returns through 2010 of KGEx.com, Yuan Cing and Omusic had been examined and cleared by the tax authorities. Income tax returns through 2009 of ISSDU, Simple Infocomm, New diligent, Q-ware Com., Date Express, Linkwell and ADcast had been examined and cleared by the tax authorities. The 2011 income tax return of YCIC (dissolved due to the merger with Far EasTone on March 1, 2011) also had been examined and cleared by the tax authorities. Income tax returns through 2008 of NCIC had been examined and cleared by the tax authorities. Home Master and Jing Yuan has not yet filed their income tax return since they were all incorporated in 2011.

25. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

Three Months Ended March 31, 2012				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	\$ 235,825	\$ 1,008,160	\$ -	\$ 1,243,985
Pension	17,884	56,339	-	74,223
Meal	5,537	27,620	-	33,157
Employee benefit	92	14,308	-	14,400
Insurance	18,294	80,413	-	98,707
Miscellaneous	<u>1,136</u>	<u>15,146</u>	<u>-</u>	<u>16,282</u>
	<u>\$ 278,768</u>	<u>\$ 1,201,986</u>	<u>\$ -</u>	<u>\$ 1,480,754</u>
Depreciation	<u>\$ 2,160,041</u>	<u>\$ 284,369</u>	<u>\$ 2,578</u>	<u>\$ 2,446,988</u>
Amortization	<u>\$ 12,353</u>	<u>\$ 32,115</u>	<u>\$ -</u>	<u>\$ 44,468</u>
Three Months Ended March 31, 2011				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	\$ 236,324	\$ 789,815	\$ -	\$ 1,026,139
Pension	16,533	45,650	-	62,183
Meal	5,529	21,551	-	27,080
Employee benefit	195	10,096	-	10,291
Insurance	18,064	61,989	-	80,053
Miscellaneous	<u>737</u>	<u>17,696</u>	<u>-</u>	<u>18,433</u>
	<u>\$ 277,382</u>	<u>\$ 946,797</u>	<u>\$ -</u>	<u>\$ 1,224,179</u>
Depreciation	<u>\$ 2,264,571</u>	<u>\$ 269,978</u>	<u>\$ 3,889</u>	<u>\$ 2,538,438</u>
Amortization	<u>\$ 20,402</u>	<u>\$ 24,144</u>	<u>\$ -</u>	<u>\$ 44,546</u>

26. 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>
Three months ended <u>March 31, 2012</u>					
Basic EPS					
Net income - Far EasTone	\$ 2,913,119	\$ 2,403,317	3,258,501	<u>\$ 0.89</u>	<u>\$ 0.74</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>3,532</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 2,913,119</u>	<u>\$ 2,403,317</u>	<u>3,262,033</u>	<u>\$ 0.89</u>	<u>\$ 0.74</u>
Three months ended <u>March 31, 2011</u>					
Basic EPS					
Net income - Far EasTone	\$ 2,359,417	\$ 1,946,519	3,258,501	<u>\$ 0.72</u>	<u>\$ 0.60</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>4,682</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 2,359,417</u>	<u>\$ 1,946,519</u>	<u>3,263,183</u>	<u>\$ 0.72</u>	<u>\$ 0.60</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.

27. FINANCIAL INSTRUMENTS

a. Fair values

	March 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 204,419	\$ 204,419	\$ 1,250,736	\$ 1,250,736
Available-for-sale financial assets - current	2,333,109	2,333,109	2,369,684	2,369,684
Hedging derivative financial assets - current	23,835	23,835	20,700	20,700
Held-to-maturity financial asset - noncurrent (including current portion)	1,199,794	1,204,895	1,199,692	1,203,635
Financial assets carried at cost - noncurrent (including current portion)	29,188	29,188	68,546	68,546
Refundable deposits	491,445	490,239	432,537	432,203
<u>Liabilities</u>				
Long-term bank loans (including current portion)	172,145	172,145	333,145	333,145
Hedging derivative financial liabilities - current	200	200	-	-
Lease payable (including current portion)	23,672	23,672	-	-
Guarantee deposits received (including current portion)	720,187	720,187	777,903	777,903
<u>Place of transaction for derivative financial instruments</u>				
<u>Assets</u>				
Domestic	23,835	23,835	20,700	20,700
<u>Liabilities</u>				
Domestic	200	200	-	-

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

- 1) Cash and cash equivalents, notes receivable, accounts receivable, accounts receivable - related parties, other receivables - related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial papers payable, notes payable, accounts payable, accounts payable - related parties, other payables - related parties and payables for acquisition of properties, excluded from the financial instruments mentioned in the table above, are recorded at their carrying values because of the short maturities of these instruments.
- 2) If quoted market prices are available, these are used as fair values of financial assets at fair value through profit or loss, hedging derivative financial instruments and available-for-sale financial assets - current.

If quoted market prices are not available, the fair values are evaluated by the Group using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Group.
- 3) The fair values of financial assets carried at cost - noncurrent with no quoted market prices will be measured by net worth of investees or their respective carrying values.
- 4) If quoted market prices are available, these are used as fair values of held-to-maturity financial assets - noncurrent; otherwise, fair values will be measured by carrying values.

- 5) Fair values of long-term bank loans, lease payable, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.
- c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	Quoted Price		Estimated Price	
	March 31		March 31	
	2012	2011	2012	2011
<u>Assets</u>				
Financial assets at fair value through profit or loss -				
current	\$ 204,419	\$ 1,250,736	\$ -	\$ -
Available-for-sale financial assets - current	2,333,109	2,369,684	-	-
Hedging derivative financial assets - current	-	-	23,835	20,700
Held-to-maturity financial assets - noncurrent	204,895	203,635	-	-
<u>Liabilities</u>				
Hedging derivative financial liabilities - current	-	-	200	-

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

	March 31			
	2012		2011	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
<u>Risk from interest fluctuations</u>				
Fair value risk	\$ 6,313,679	\$ 1,496,817	\$ 8,613,502	\$ 2,941,867
Cash flow risk	8,057,568	473,462	3,750,847	1,861,231

- e. Financial risks

1) Market risk

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

The Group used cross-currency swap contracts or foreign exchange swap contract to hedge against the effect of exchange rate fluctuations. The gains or losses on the changes in fair values on these contracts will offset the results of the exchange rate fluctuations of the hedged items. Thus, market risk is expected to be immaterial.

2) Credit risk

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

3) Liquidity risk

The Group has sufficient operating capital to meet cash flow requirement. Thus, the Group does not have liquidity risk.

The Group invested in domestic quoted stocks, bonds and mutual funds that have quoted prices in active markets and can be sold immediately at prices close to their fair values. However, the Group also invested in some private fund, bonds and unlisted stocks with no quoted prices in an active market; thus, these investments could expose the Group to liquidity risks.

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

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

4) Cash flow risk from interest rate fluctuations

The Group has demand deposits, short-term and long-term loans with floating interest rates. As a result, their effective interest rates will change as the market interest rates change.

f. Cash flow hedge

For the three months ended March 31, 2012 and 2011, the Group used cross-currency swaps and foreign exchange swap contracts to hedge against cash flow fluctuation on its foreign currency-denominated assets, respectively:

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
		Notional Amount		Fair Value			
		March 31		March 31			
		2012	2011	2012	2011		
Foreign currency-denominated asset	Cross- currency swap - Far EasTone	US\$ 5,000,000	US\$ 5,000,000	\$ 295	\$ 1,325	2012	2012
	Foreign exchange swap - NCIC	US\$55,000,000	US\$40,000,000	23,540	19,375	2012	2012
	Foreign exchange swap - NCIC	US\$10,000,000	-	(200)	-	2012	2012

28. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EasTone
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of the Group (same ultimate parent company since December 28, 2011)
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Equity-method investee of the Group (same ultimate parent company since December 28, 2011)
iScreen Corporation	Equity-method investee of Far EasTone
Yue Ding Industry Co., Ltd.	Director of Far EasTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Telecommunication and Transportation Foundation (TTF)	Far EasTone's donation is over one third of the foundation's fund

(Continued)

Related Party	Relationship with the Group
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same ultimate parent company
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Same chairman as parent company's
Der Ching Investment Corporation (Der Ching)	Same chairman as parent company's
Yue-Tung Investment Corporation (Yue-Tung)	Same chairman as parent company's
Far Eastern Citysuper Co., Ltd.	Same chairman as parent company's
Ya Tung Department Store Co., Ltd.	Same chairman as parent company's
Fu Dar Transportation Corporation	Same chairman as parent company's
Fu-Ming Transportation Co., Ltd.	Same chairman as parent company's
YDT Technology International Co., Ltd. (YDTTI)	Same ultimate parent company
Nan Hwa Cement Corporation	Same chairman as parent company's
Ya Tung Ready Mixed Concrete Co., Ltd.	Same chairman as parent company's
Oriental Securities Corporation Ltd.	Same chairman of mainly stockholders
Yuan Ding Co., Ltd.	Same ultimate parent company
Far Eastern Department Stores Co., Ltd. (FEDS)	Same chairman
Asia Cement Co., Ltd. (ACC)	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Plaza Hotel	Same chairman (same ultimate parent company since December 28, 2011)
Yuan-Ze University (YZU)	Same chairman
U-Ming Marine Transport Corporation	Same chairman
Chiahui Power Corporation	Same chairman
Far Eastern Medical Foundation	Same chairman
Far Eastern International Bank (FEIB)	Far EastTone's chairman is FEIB's vice chairman
Far Eastern Construction Co., Ltd.	Same ultimate parent company
Yuang Tong Investment Corporation	Same ultimate parent company
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Oriental Petrochemical (Taiwan) Co., Ltd.	Same ultimate parent company
Yuan Ding Investment Corporation (YDI)	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Far EastTone Fibertech Co., Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Far Eastern New Century (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Ltd	Same ultimate parent company

(Continued)

Related Party	Relationship with the Group
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Far Eastern Apparel (Vietnam) Ltd.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi) Ltd.	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Oriental Petrochemical (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Apparel (Suzhou) Ltd.	Same ultimate parent company
Sino Belgium (Suzhou) Limited	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Martens Beer (Shanghai) Ltd.	Same ultimate parent company
Shanghai Far Eastern Petrochemical Logistic Ltd.	Same ultimate parent company
Shanghai Far Eastern IT Company	Same ultimate parent company
Wu Han Far Eastern New Material Ltd.	Same ultimate parent company
Suzhou An He Apparel Ltd.	Same ultimate parent company
Worldwide Polychem (HK) Limited	Same ultimate parent company
FET Consulting Engineer Co., Ltd.	Same ultimate parent company
Far Eastern Realty Management Co., Ltd.	Same ultimate parent company
YDC (virgin Islands) Ltd.	Same ultimate parent company
Yuan Ding Integrated Information Service Inc.	Same ultimate parent company
Speedy (Shanghi) digital Tech. Co., Ltd.	Same ultimate parent company
Far Eastern Yihua Petrochemical (Yangzhou) Corporation	Same ultimate parent company
Far Eastern Textile Ltd.	Same ultimate parent company
Sugian Far Eastern Apparel Co., Ltd.	Same ultimate parent company
DDIMH (Virgin Islands) Ltd.	Same ultimate parent company
Far Eastern Leasing Corporation	Subsidiary of FEILC
Ding Ding Management consultant Co., Ltd.	Equity-method investee of ultimate parent company (same ultimate parent company since December 28, 2011)
Connie Hsu	Consanguinity within second degree to the chairman of Far EasTone (Concluded)

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

	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Operating revenue				
FEDS	\$ 117,674	1	\$ 34,786	1
SOGO	104,767		65,229	-
FEIB	11,481	-	10,335	-
FEEC	11,249	-	-	-
FENC	9,461	-	6,270	-
Other	<u>35,608</u>	<u>-</u>	<u>30,033</u>	<u>-</u>
	<u>\$ 290,240</u>	<u>1</u>	<u>\$ 146,653</u>	<u>1</u>

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

	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Operating costs and expenses				
Cost of telecommunications services				
Other	<u>\$ 730</u>	<u>-</u>	<u>\$ 2,654</u>	<u>-</u>
Rental				
FEILC	\$ 14,016	1	\$ 9,937	1
FETRD	13,007	1	12,975	1
FEDS	11,990	1	1,797	-
SOGO	6,057	1	2,026	-
Other	<u>3,857</u>	<u>-</u>	<u>4,286</u>	<u>-</u>
	<u>\$ 48,927</u>	<u>4</u>	<u>\$ 31,021</u>	<u>2</u>
Marketing expense				
DDIM	\$ 28,431	1	\$ 38,166	1
Other	<u>3,171</u>	<u>-</u>	<u>245</u>	<u>-</u>
	<u>\$ 31,602</u>	<u>1</u>	<u>\$ 38,411</u>	<u>1</u>
Service fee				
FCHRC	\$ 58,036	50	\$ 81,081	82
Other	<u>141</u>	<u>-</u>	<u>592</u>	<u>1</u>
	<u>\$ 58,177</u>	<u>50</u>	<u>\$ 81,673</u>	<u>83</u>
Donation expense				
TTF	\$ 1,753	7	\$ 1,753	4
YZU	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>96</u>
	<u>\$ 1,753</u>	<u>7</u>	<u>\$ 41,753</u>	<u>100</u>

The above companies provide telecommunications services to the Group. The terms and conditions conformed to normal business practice.

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

	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Acquisition of equity-method investments				
Der Ching	\$ -	-	\$ 701,981	39
FEILC	-	-	190,579	11
Yue-Tung	-	-	98,572	5
Other	<u>-</u>	<u>-</u>	<u>90</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 991,222</u>	<u>55</u>

	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Acquisition of properties				
Other	\$ 1,872	-	\$ 3,024	-

Far EasTone merged with YCIC (dissolved due to the merger with Far EasTone on March 1, 2011) by cash at NT\$10.93 per share, which included 90,688 shares acquired from related parties.

	March 31			
	2012		2011	
	Amount	%	Amount	%
Demand deposits and certificates of deposits				
FEIB	\$ 5,240,333	41	\$ 4,605,296	45

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.

	March 31			
	2012		2011	
	Amount	%	Amount	%
Hedging derivative financial assets				
FEIB	\$ 15,000	63	\$ 16,725	81

NCIC entered into foreign exchange swap contracts with FEIB to hedge against fluctuations on its foreign currency-denominated assets. The notional amounts were US\$30,000,000 each as of March 31, 2012 and 2011. Related expenses were treated as interest expenses.

	March 31			
	2012		2011	
	Amount	%	Amount	%
Accounts receivable - related parties				
FEDS	\$ 32,342	37	\$ 6,763	19
SOGO	26,515	30	16,110	45
FEEC	7,486	9	-	-
FETC	4,246	5	3,492	10
FEIB	3,578	4	2,150	6
DDIM	3,403	4	1,554	4
FETRD	2,771	3	2,740	8
Other	6,772	8	3,338	8
	<u>\$ 87,113</u>	<u>100</u>	<u>\$ 36,147</u>	<u>100</u>

	March 31			
	2012		2011	
	Amount	%	Amount	%
Other receivables - related parties				
YDI	\$ 12,556	43	\$ 12,535	56
FEIB	8,608	29	3,126	14
FETC	3,649	12	3,596	16
YDTTI	2,219	8	509	2
ACC	2,048	7	2,049	9
Other	<u>260</u>	<u>1</u>	<u>580</u>	<u>3</u>
	<u>\$ 29,340</u>	<u>100</u>	<u>\$ 22,395</u>	<u>100</u>
Refundable deposits				
DDIM	\$ 27,320	6	\$ 25,765	6
Other	<u>2,345</u>	<u>-</u>	<u>7,873</u>	<u>2</u>
	<u>\$ 29,665</u>	<u>6</u>	<u>\$ 33,638</u>	<u>8</u>
Accounts payable - related parties				
FEDS	\$ 4,885	86	\$ 71	1
FEEC	419	7	-	-
DDIM	307	6	5,069	71
FETC	-	-	1,199	17
Other	<u>67</u>	<u>1</u>	<u>778</u>	<u>11</u>
	<u>\$ 5,678</u>	<u>100</u>	<u>\$ 7,117</u>	<u>100</u>
Other payables - related parties				
DDIM	\$ 76,889	58	\$ 72,583	53
FENC	18,217	14	18,051	13
FCHRC	17,900	13	24,442	18
FEILC	7,590	6	4,815	4
Other	<u>12,805</u>	<u>9</u>	<u>16,259</u>	<u>12</u>
	<u>\$ 133,401</u>	<u>100</u>	<u>\$ 136,150</u>	<u>100</u>
Three Months Ended March 31				
	2012		2011	
	Amount	%	Amount	%
Nonoperating income and gains				
Interest				
FEIB	\$ 16,242	44	\$ 8,481	26
YDI	5,000	14	5,000	16
ACC	1,001	3	1,000	3
Other	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,246</u>	<u>61</u>	<u>\$ 14,481</u>	<u>45</u>

	Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Rent				
YDTTI	\$ 1,140	8	\$ 1,085	9
Other	<u>648</u>	<u>5</u>	<u>918</u>	<u>7</u>
	<u>\$ 1,788</u>	<u>13</u>	<u>\$ 2,003</u>	<u>16</u>
Nonoperating expenses and losses				
Interest				
FEIB	\$ 1,584	11	\$ 178	2
FEILC	<u>-</u>	<u>-</u>	<u>398</u>	<u>3</u>
	<u>\$ 1,584</u>	<u>11</u>	<u>\$ 576</u>	<u>5</u>

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

29. COMMITMENTS AS OF MARCH 31, 2012

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 \$3,259,489 thousand and \$3,234,022 thousand, respectively, of which \$426,989 thousand and \$1,270,761 thousand, respectively, had been received.
- b. DataExpress provided a \$30,000 thousand of bank guarantee for its purchases.
- c. Payments for the rentals of land, buildings and cell sites of the Group for the future years are summarized as follows:

Year	Amount
From April 1, 2012 to December 31, 2012	\$ 2,259,890
2013	3,058,943
2014	3,119,662
2015	3,189,539
2016	3,261,554
From January 1, 2017 to March 31, 2017	841,787

- d. Far EasTone provided a \$199,287 thousand guarantee for Q-ware Com.'s bank loans.

30. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for the purchase of inventory, long-term and short-term bank loans, administrative tax remedies, issuance of letters of credit and undertaking government projects, were as follows:

	<u>March 31</u>	
	<u>2012</u>	<u>2011</u>
Restricted assets - current	\$ 6	\$ 28,149
Pledged certificates of deposits - current	23,856	134,500
Pledged certificates of deposits - noncurrent	41,117	424,622
Properties, net	<u>418,601</u>	<u>422,041</u>
	<u>\$ 483,580</u>	<u>\$ 1,009,312</u>

31. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

1) Financing provided: Schedule A

2) Endorsement/guarantee provided: Schedule B

3) Marketable securities 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: None

5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None

7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D

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

9) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule F

10) Derivative financial instruments of investees: Note 27

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 G

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

- 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 H
 - 2) Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None

32. OPERATING SEGMENT FINANCIAL INFORMATION

The information provided to the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on the types of goods or services delivered or provided. As required by Statement of Financial Accounting Standards No. 41 - "Operating Segments," the Group divided its operating segments as follows:

- a. Mobile services business: Providing mobile telecommunications related services;
- b. Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access related services;
- c. Sales business: Providing sales of cellular phone, computer and rated accessories;

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

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

	Three Months Ended March 31, 2012				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from un-affiliates	\$ 14,401,147	\$ 2,497,642	\$ 4,396,126	\$ -	\$ 21,294,915
Revenues generated from the Group (Note A)	<u>389,583</u>	<u>419,965</u>	<u>12,013</u>	<u>(821,561)</u>	<u>-</u>
Total revenues	<u>\$ 14,790,730</u>	<u>\$ 2,917,607</u>	<u>\$ 4,408,139</u>	<u>\$ (821,561)</u>	<u>\$ 21,294,915</u>
Segment operating income (losses)	<u>\$ 2,626,233</u>	<u>\$ 309,911</u>	<u>\$ 334,919</u>	<u>\$ (306,065)</u>	<u>\$ 2,964,998</u>
	Three Months Ended March 31, 2011				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from un-affiliates	\$ 13,117,099	\$ 2,140,624	\$ 2,416,906	\$ -	\$ 17,674,629
Revenues generated from the Group (Note A)	<u>325,448</u>	<u>323,439</u>	<u>8,420</u>	<u>(657,307)</u>	<u>-</u>
Total revenues	<u>\$ 13,442,547</u>	<u>\$ 2,464,063</u>	<u>\$ 2,425,326</u>	<u>\$ (657,307)</u>	<u>\$ 17,674,629</u>
Segment operating income (losses)	<u>\$ 2,312,560</u>	<u>\$ 18,007</u>	<u>\$ 57,950</u>	<u>\$ (14,085)</u>	<u>\$ 2,374,432</u>

Note A: Represents sales between segments.

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

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

(In Thousands, Except Exchange Rate)

	March 31					
	2012			2011		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 13,847	29.51	\$ 408,625	\$ 10,702	29.4	\$ 314,639
EUR	3	39.41	118	1	41.71	42
JPY	5	0.3592	2	522	0.3550	185
HKD	5	3.802	19	14,348	3.777	54,192
RMB	46,328	4.685	217,047	3,460	4.48	15,501
SGD	30	23.49	705	30	23.34	700
Non-monetary items						
USD	74,800	29.51	2,207,355	46,959	29.4	1,380,595
HKD	-	-	-	16,675	3.777	62,981
Equity-method investments						
RMB	-	-	-	33,723	4.48	152,330
<u>Financial liabilities</u>						
Monetary items						
USD	15,667	29.51	462,333	14,212	29.4	417,833
EUR	31	39.41	1,222	56	41.71	2,336
JPY	89	0.359	32	654	0.355	232
HKD	2	3.802	8	15	3.777	57
RMB	27,733	4.685	129,929	35	4.48	157

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

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Group has set up a project team and made a plan to adopt the IFRSs. The main contents of the plan, anticipated schedule and status of execution as of March 31, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
1) Build a project team	IFRS project team	Completed
2) Establish a training plan	IFRS project team	Completed

(Continued)

<u>Contents of Plan</u>	<u>Responsible Department</u>	<u>Status of Execution</u>
3) Establish an IFRSs implementation plan	IFRS project team	Completed
4) Identify the consolidated entities under IFRSs	IFRS project team	Completed
5) Identify the difference between ROC GAAP and IFRSs	IFRS project team	Completed
6) Evaluate optional exemptions under IFRS based on IFRS1	IFRS project team	Completed
7) Evaluate the possible impact on information systems	IFRS project team	Completed
8) Evaluate the possible modification of internal control systems	IFRS project team	Completed
9) Select accounting policy under IFRS	IFRS project team	Completed
10) Select optional exemptions under IFRS based on IFRS1	IFRS project team	Completed
11) Prepare the opening balance sheet in conformity with the IFRSs	IFRS project team	Completed
12) Prepare the first IFRS financial statements	IFRS project team	Scheduled for completion in April 2013
13) Modify related internal control system (including financial reporting process and information systems)	IFRS project team	Completed

(Concluded)

- b. The Group had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

- 1) The reconciliation of consolidated balance sheet as of January 1, 2012

	ROC GAAP	Reconciliation	IFRSs	Note
<u>Assets</u>				
Cash and cash equivalent	\$ 9,905,634	\$ (7,695,765)	\$ 2,209,869	1)
Certificates of deposits	-	7,695,765	7,695,765	1)
Deferred income tax assets - current	298,944	(298,944)	-	2)

(Continued)

	ROC GAAP	Reconciliation	IFRSs	Note
Property, plant and equipment, net	\$ 51,657,149	\$ 252,572	\$ 51,909,721	3), 10) and f)
Intangible assets - computer software	-	31,689	31,689	3)
Intangible asset - other	783,817	24,101	807,918	10) and f)
Rental assets, net	421,010	(421,010)	-	4)
Investment properties, net	-	421,010	421,010	4)
Idle properties, net	139,262	(139,262)	-	3)
Deferred charges, net	169,100	(169,100)	-	3)
<u>Liabilities</u>				
Accrued expenses	4,379,446	(10,986)	4,368,460	11)
Other payables - related parties	149,866	(95,788)	54,078	9)
Other current liabilities	559,771	(59,206)	500,565	11)
Deferred revenues - current	-	95,788	95,788	9)
Provisions - current	-	145,478	145,478	6) and 11)
Accrued pension costs	502,912	225,985	728,897	5) and c)
Deferred income tax liabilities - noncurrent	488,033	(344,512)	143,521	2), 5) and c)
Other liabilities - other	534,242	(505,330)	28,912	11)
Provisions - noncurrent	-	505,330	505,330	11)
<u>Far EasTone's equity</u>				
Capital surplus - from long-term equity-method investments	99,527	(99,527)	-	7)
Retained earnings	19,811,394	(146,974)	19,664,420	5), 6), 7) and 8) (Concluded)

2) The reconciliation of consolidated balance sheet as of March 31, 2012

	ROC GAAP	Reconciliation	IFRSs	Note
<u>Assets</u>				
Cash and cash equivalent	\$ 11,361,247	\$ (8,142,237)	\$ 3,219,010	1)
Certificates of deposits	-	8,142,237	8,142,237	1)
Deferred income tax assets - current	341,755	(341,755)	-	2)
Property, plant and equipment, net	51,311,542	228,709	51,540,251	3), 10) and f)
Intangible assets - computer software	-	31,305	31,305	3)
Intangible assets - other	765,784	15,445	781,229	10) and f)
Rental assets, net	419,528	(419,528)	-	4)
Investment Properties, net	-	419,528	419,528	4)
Idle properties, net	124,764	(124,764)	-	3)
Deferred charges, net	150,695	(150,695)	-	3)
<u>Liabilities</u>				
Accrued expenses	3,977,626	(12,906)	3,964,720	11)
Other payables - related parties	133,401	(67,553)	65,848	9)
Other current liabilities	517,236	(63,178)	454,058	11)
Deferred revenues - current	-	67,553	67,553	9)
Provisions - current	-	151,370	151,370	6) and 11)
Accrued pension costs	501,020	224,353	725,373	5) and c)
Deferred income tax liabilities - noncurrent	556,492	(387,323)	169,169	2), 5) and c)
Other liabilities - other	540,094	(506,577)	33,517	11)
Provisions - noncurrent	-	506,577	506,577	11)
<u>Far EasTone's equity</u>				
Capital surplus - from long-term equity-method investments	99,538	(99,538)	-	7)
Retained earning	22,214,711	(130,535)	22,084,716	5), 6), 7), 8), and 9)

3) The reconciliation of consolidated statement of income for the three months ended March 31, 2012

	ROC GAAP	Reconciliation	IFRSs	Note
Operating revenues	\$ 21,294,915	\$ (18,245)	\$ 21,276,670	9)
Operating costs	(12,791,498)	(757)	(12,792,255)	5)
Operating expenses	(5,385,447)	19,643	(5,365,804)	5) and 9)

- c. The material reconciliations between the existing accounting policies and the accounting policies to be adopted under IFRSs:

Optional exemptions

IFRS 1, “First-time Adoption of International Financial Reporting Standards” sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies as at January 1, 2012 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition. This standard provides a number of optional exceptions to this general principle. The most significant of these are set out below, together with a description in each case of the exception to be adopted by the Group:

a) Business combinations

The Group has elected not to apply IFRS 3, “Business Combinations”, which took place before transition date of IFRSs. As a result, in the consolidated balance sheet as of January 1, 2012, goodwill arising from past business combinations and the related assets, liabilities and non-controlling interest of the Group remains the same as stated under ROC GAAP as of December 31, 2011.

The exemption is also used for the associates of the Group acquired before the transition date.

b) Deemed cost

The Group has measured to evaluate property, plant and equipment, investment properties and intangible assets by cost method under IFRSs retrospectively.

c) Employee benefits

The Group has elected to recognize all cumulative actuarial gains and losses in relation to employee benefit schemes into unappropriated earnings at the date of transition.

d) Cumulative translation adjustments

The Group has elected to recognize all cumulative translation adjustments arising from foreign operations into retained earnings at the date of transition.

e) Compound financial instruments

The liability components of the compound financial instruments issued before is no longer outstanding at the date of transition to IFRSs, thus the Group has elected not to separate these two portions.

f) Service concession arrangements

In practice, the Group has difficulties in retrospective application of IFRIC 12, “Service Concession Arrangements”, as of January 1, 2012. The Group has elected the recorded amount of specific service concession agreement under ROC GAAP as the recorded amounts of intangible assets under IFRSs and tests for any impairment of the intangible assets at the date of transition.

The possible impact of the optional exceptions mentioned above has been explained together with the difference description in the following items.

Material differences between IFRSs and ROC GAAP

The Group has identified the possible material differences of accounting policies between IFRSs and ROC GAAP, which are summarized as follows:

1) Certificates of deposits with over-three-month maturity period

Under ROC GAAP, cash and cash equivalents are cash on hand, demand deposits, checking deposits, certificates of deposits that are cancellable without any loss of principal and negotiable certificates of deposits that are readily saleable without any loss of principal. Transition to IFRSs, cash equivalents are investments that can transfer to cash at any time with immaterial risk on value.

Short-term investments with a short maturity, such as three months or less from the date of acquisition, are qualified as cash equivalents. Thus, certificates of deposits with maturity over three months from the date of acquisition will be separated from cash and cash equivalents in the balance sheet.

As of January 1 and March 31, 2012, the Group reclassified \$7,695,765 thousand and \$8,142,237 thousand from cash and cash equivalents to certificates of deposits, respectively.

2) Classification of deferred income tax assets or liabilities and valuation allowance

Under ROC GAAP, a deferred income tax asset and liability is classified as current or noncurrent on the basis of the classifications of the related assets and liabilities for financial reporting. A deferred asset or liability that cannot be related to an asset or a liability in the financial statements is classified as current or noncurrent according to the expected realization date of the temporary difference. In addition, a valuation allowance is recognized for deferred income tax assets that are not certain to be realized. Transition to IFRSs, a deferred income tax asset and liability is always classified as noncurrent and only if realization of tax benefit is probable. Thus, valuation allowance is no longer used.

As of January 1 and March 31, 2012, the Group reclassified \$298,944 thousand and \$341,755 thousand of deferred income tax assets - current to deferred income tax liabilities - noncurrent, respectively.

3) Classification of deferred charges and idle properties

Under ROC GAAP, deferred charges and idle properties are classified under other assets. Transition to IFRSs, deferred charges and idle properties are classified under property, plant and equipment and intangible assets - computer software according to the nature.

As of January 1, 2012, the Group reclassified \$31,689 thousand and \$276,673 thousand of deferred charges and idle properties to intangible assets - computer software and property, plant and equipment, respectively.

As of March 31, 2012, the Group reclassified \$31,305 thousand and \$244,154 thousand of deferred charges and idle properties to intangible assets - computer software and property, plant and equipment, respectively.

4) Investment properties

Under ROC GAAP, properties held for rental were recognized as other assets. Transition to IFRSs, a property or a building held to earn rentals or for capital appreciation or both, was recognized as investment properties. Thus, the Group reclassified a property or a building held for either or both purpose to investment properties.

As of January 1 and March 31, 2012, the Group reclassified \$421,010 thousand and \$419,528 thousand from rental assets to investment properties.

5) Employee benefits

Under ROC GAAP, actuarial gains and losses are recognized under corridor approach. The portion of those actuarial gains and losses to be recognized is calculated as the excess divided by the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. Transition to IFRSs, actuarial gains and losses should be recognized immediately in other comprehensive income and unappropriated earnings in statement of changes in equity and should not be recycled to profit or loss at a subsequent period.

Under ROC GAAP, unrecognized net transition obligation from first-adoption of SFAS No. 18, "Accounting for Pensions", should be amortized by expected average remaining service lives of the employees who are still in service and expected to receive pension benefits using the straight-line method and recorded in net pension cost. Transition to IFRSs, the Group is not subject to the transition requirements of IAS 19. Thus, unrecognized net transition obligation should all recognized immediately to unappropriated earnings.

As of January 1, 2012, the Group recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to \$177,522 thousand into unappropriated earnings and increased non-controlling interest amounting to \$1,381 thousand, meanwhile decreased \$45,568 thousand of deferred income tax liabilities, increased \$4,276 thousand of prepaid pension cost and increased \$225,985 thousand of accrued pension costs at the transition date.

For the three months ended March 31, 2012, the Group decreased \$1,738 thousand of net pension cost and \$1,632 thousand of accrued pension cost and increased \$106 thousand of prepaid pension cost due to the re-actuarial under IFRS.

6) Short-term accumulating compensated absences

Short-term accumulating compensated absences are not specifically addressed under ROC GAAP and usually recognized as salary expense while distributed. Transition to IFRSs, accumulating compensated absences are recognized as salary expense when the employees render services that increase their entitlement to future compensated absences.

As of January 1 and March 31, 2012, the Group accrued \$75,286 thousand of accumulating compensated absences.

7) Changes in subsidiary's or associate's ownership interest resulting from the issuance of shares by the subsidiary or associate

Under ROC GAAP, if an investee issues new shares and an investor does not subscribe for new shares proportionately, the investor's ownership percentage and also its interest in net assets of the investment will be changed. The resulting difference adjusted in capital surplus - from long-term equity-method investments and equity-method investments. Transition to IFRSs, changes in an associate's ownership interest without losing significant influence would be treated as a deemed acquisition or disposal. Moreover, changes in an subsidiary's ownership without losing control would be treated as an equity transaction.

In addition, according to "Q&A for Adoption of International Financial Reporting Standards by Companies in the ROC." issued by TWSE, capital surplus does not follow the regulations of IFRSs, or those with no violation of related regulation of Company Law and related interpretations issued by the MOEA should be adjusted at the transition date.

As of January 1 and March 31, 2012, the Group increased unappropriated earnings by \$99,527 thousand and \$99,538 thousand, respectively, as a result of changes in subsidiary's or associate's ownership.

8) Loss in excess of a subsidiary's interest

Under ROC GAAP, when negative book value of Group's long-term investment is resulting from net loss of an investee, unless there is any other evidence acquired, the Group has to bear all the losses in excess of the capital that originally attributable to non-controlling interest. Transition to IFRSs, comprehensive income should be attributed to equity stockholders of the parent and non-controlling interest, even though the balance of non-controlling interest becomes negative.

For the three months ended March 31, 2012, the Group recognized the loss in excess of a subsidiary's interest. Transition to IFRSs, the Group increased \$14,731 thousand of retained earnings attributable to non-controlling interest under IFRSs.

9) Bonus points of the Group

Under ROC GAAP, the liabilities arising from bonus points of the Group should recognized as marketing expenses when incurred. Transition to IFRSs, bonus points, which is allocated based on the relative fair value, should be included in deferred revenue and recognized as revenue when the third party fulfills the redemption obligations.

As of January 1 and March 31, 2012, the Group reclassified \$95,788 thousand and \$67,553 thousand of accrued bonus points to deferred revenues, respectively.

For the three months ended March 31, 2012, the Group reclassified \$18,245 thousand of bonus points expensed to operating revenues.

10) Service concession arrangements

In practice, the Group has difficulties in retrospective application of IFRIC 12, "Service Concession Arrangements", as of January 1 and March 31, 2012. The Group has elected the recorded amount of the specific service concession arrangement of \$24,101 thousand and \$15,445 thousand, respectively, under ROC GAAP as the recorded amounts of intangible assets under IFRSs.

11) Product warranty and dismantling obligation

As of January 1, 2012, the Group reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to \$69,543 thousand and \$505,330 thousand, respectively.

As of March 31, 2012, the Group reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to \$75,435 thousand and \$506,577 thousand, respectively.

- d. According to the related regulations of special reserve issued by FSC on April 6, 2012, the adjusted unappropriated earnings as of January 1, 2012 under IFRSs is less than the unappropriated earnings before adopting IFRSs, thus, the Group is not necessary to appropriate special reserve for the optional exemption of accumulated translation adjustments.
- e. The Group has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the related government authorities may issue new rules governing the adoption of IFRSs by companies. Actual accounting policies adopted under IFRSs in the future may differ from those contemplated during the assessments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED
THREE MONTHS ENDED MARCH 31, 2012
(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 A)	Financing Company's Financing Amount Limits (Note A)
											Item	Value		
1	Far Eastern Tech-Info Ltd. (Shanghi)	Far Eastern New Century Information Technology (Beijing) Limited	Other receivables - related parties	\$ 29,537 (RMB 6,300,000) (Note B)	\$ 29,537 (RMB 6,300,000) (Note B)	6.56%-7%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	\$ 32,809 (RMB 6,998,000)	\$ 82,024 (RMB 17,495,000)

Note A: The maximum total financing provided amount for short-term financing should not exceed 50% of Far Eastern Tech-Info Ltd. (Shanghi)'s net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counter - party should not exceed 20% of the Far Eastern Tech-Info Ltd. (Shanghi)'s net worth of most current audited or reviewed financial statements.

Note B: The maximum balance for the period shown above was the amounts allowed, while the actual withdrawal amount was RMB5,150,000.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2012
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Period (Note B)	Ending Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd. KGEx.com Co., Ltd.	Subsidiary Subsidiary	\$ 37,253,763 37,253,763	\$ 199,287 45,000	\$ 199,287 45,000	\$ - -	0.27% 0.06%	\$ 74,507,525 74,507,525

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

Note B: The maximum balance for the period and the ending balance shown above were the amounts allowed, while the actual appropriations by Q-ware Com. and KGEx.com were \$199,287 thousand and \$15,876 thousand, respectively.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2012

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

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2012				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stocks</u>							
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	2,599,448,983	\$ 27,905,180	100.00	\$ 27,905,180	Notes A and E
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,249,015	61.07	1,249,015	Notes A and E
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	112,212,396	872,733	99.83	872,733	Notes A and E
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	167,720,406	275,704	40.91	275,704	Notes B and E
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	146,801	100.00	146,801	Notes B and E
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	86,707	85.92	86,707	Notes B and E
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	25,708	100.00	25,708	Notes B and E
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	20,567	40.00	20,567	Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	4,202,000	19,754	13.98	19,754	Notes B and E
	Ding Ding Integrated Marketing Service Co., Ltd.	Equity-method investee	Equity-method investments	1,725,000	16,033	15.00	16,033	Notes B and E
	Omusic Co., Ltd.	Equity-method investee	Equity-method investments	2,500,000	14,987	50.00	14,987	Notes B and E
	Q-ware Communications Co., Ltd.	Equity-method investee	Other liability - other	36,459,930	(325,861)	51.00	(325,861)	Notes B and E
	ACC	-	Available-for-sale financial assets - current	2,132,718	76,671	-	76,671	Note C
	<u>Open-end mutual funds</u>							
	Eastspring Investments Global Green Solutions Fund	-	Available-for-sale financial assets - current	4,978,009.80	49,083	-	49,083	Note D
	<u>Private funds</u>							
Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	5,000.00	151,510	-	151,510	Note D	
<u>Bonds</u>								
Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,794	-	204,895	Note G	
ARCOA Communication Co., Ltd.	<u>Stock</u>							
	DataExpress Infotech Co., Ltd.	Equity-method investee	Equity-method investments	6,142,500	173,641	70.00	173,641	Notes A and E
	THI consultants	-	Financial assets carried at cost	1,213,594	13,729	18.32	13,729	Note E
	VIBO Telecom Inc.	-	Financial assets carried at cost	289,398	2,627	0.04	2,627	Note E
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost	2,086,854	6,714	3.98	6,714	Note E
	Web Point Co., Ltd.	-	Financial assets carried at cost	160,627	1,618	0.63	1,618	Note E
	<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 - current	10.00	10,000	-	10,000	Note G	
New Century InfoComm Tech Co., Ltd.	<u>Stock</u>							
	New Diligent Co., Ltd.	Equity-method investee	Equity-method investments	80,000,000	727,312	100.00	727,312	Notes A and E
	Information Security Service Digital United Co., Ltd.	Equity-method investee	Equity-method investments	14,877,747	98,183	100.00	98,183	Notes B and E
	Simple InfoComm Co., Ltd.	Equity-method investee	Equity-method investments	3,400,000	20,479	100.00	20,479	Notes B and E
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	575,000	5,344	5.00	5,344	Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Equity-method investee	Equity-method investments	1,503,000	7,066	5.00	7,066	Notes B and E
	BankPro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	4,500	Note E
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost - noncurrent	30,000,000	-	3.00	-	-
	C2C Holdings Pte. Ltd.	-	Financial assets carried at cost - noncurrent	30,000,000	-	6.38	-	-
	MetaEdge Corp.	-	Financial assets carried at cost - noncurrent	39,359	-	1.59	-	-
	YeServ Com. Limited	-	Financial assets carried at cost - noncurrent	160,000	-	1.32	-	-
	Auto TOOLS Co., Ltd.	-	Financial assets carried at cost - noncurrent	152,589	-	1.53	-	-
	<u>Share certificates</u>							
	Digital United (Cayman) Ltd.	Equity-method investee	Equity-method investments	3,320,000	26,543	100.00	26,543	Notes B and E

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2012				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	<u>Open-end mutual funds</u>							
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	3,989,223.30	\$ 51,432	-	\$ 51,432	Note D
	Deutsche Far Eastern DWS Global Agribusiness Fund	-	Financial assets at fair value through profit or loss - current	5,000,000.00	50,000	-	50,000	Note D
	DFE DWS Global Multi-asset Income Plus FOF-A	-	Financial assets at fair value through profit or loss - current	9,571,256.70	102,987	-	102,987	Note D
	<u>Private funds</u>							
	Opas Fund Segregated Portfolio Tranche C	-	Available-for-sale financial assets - current	30,000.00	973,467	-	973,467	Note D
	Opas Fund Segregated Portfolio Tranche D	-	Available-for-sale financial assets - current	10,000.00	303,019	-	303,019	Note D
	Opas Fund Segregated Portfolio Tranche E	-	Available-for-sale financial assets - current	25,000.00	779,359	-	779,359	Note D
	<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 - current	990.00	990,000	-	990,000	Note G
Digital United (Cayman) Ltd. (Note H)	<u>Stock</u> Digital United Information Technologies Co., Ltd.	Equity-method investee	Equity-method investments	-	US\$ 326,000	100.00	US\$ 326,000	Notes B and E
New Diligent Co., Ltd.	<u>Share certificates</u> Sino Lead Enterprise Limited	Equity-method investee	Equity-method investments	-	500	100.00	500	Notes B and E
	FarEastern New Diligent Company Ltd.	Equity-method investee	Equity-method investments	-	-	100.00	-	Notes B and E
DataExpress Infotech Co., Ltd.	<u>Stock</u> Linkwell Tech. Co., Ltd.	Equity-method investee	Equity-method investments	-	24,703	100.00	24,703	Notes A and E
	Home Master Technology Co., Ltd.	Equity-method investee	Equity-method investments	-	4,733	99.99	4,733	Notes B and E
	Jing Yuan Technology Co., Ltd.	Equity-method investee	Equity-method investments	-	9,984	100.00	9,984	Notes B and E
Far Eastern Info Service (Holding) Ltd. (Note H)	<u>Share certificates</u> Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 5,330,000	100.00	US\$ 5,330,000	Notes B and E
E. World (Holdings) Ltd. (Note H)	<u>Stocks</u> Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$ 3,177,000	100.00	US\$ 3,177,000	Notes B and E
Far Eastern Tech-info Ltd. (Shanghai) (Note H)	<u>Share certificates</u> FarEastern New Century Information Technology (Beijing) Limited	Equity-method investee	Equity-method investments	-	RMB 44,178,000	55.00	RMB 44,178,000	Notes B and E

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

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

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

Note D: The market values of open-ended mutual funds were calculated at their net asset values as of March 31, 2012.

Note E: 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 F: 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 March 31, 2012.

Note G: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of March 31, 2012. The bonds without quoted prices were measured by their carrying values.

Note H: The information was based on unreviewed financial statements as of March 31, 2012

(Concluded)

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
THREE MONTHS ENDED MARCH 31, 2012
(In Thousands of New Taiwan Dollars)**

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	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	\$ (114,892)	(1%)	Based on agreement	-	-	Accounts receivable	\$ 137,710	2%
			Cost of telecommunications services, marketing expenses and cost of sales	2,647,567	19%	Based on agreement	-	-	Accounts payable and accrued expense	(732,978)	(11%)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Sales of equipment and accessories and telecommunications service revenues	(291,502)	(2%)	Based on agreement	-	-	Accounts receivable (Note A)	4,463	-
			Cost of telecommunications services	372,639	6%	Based on agreement	-	-	Accounts payable and accrued expense (Notes A and B)	(332,896)	(5%)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(372,639)	(13%)	Based on agreement	-	-	Accounts receivable (Note B)	332,896	29%
			Cost of telecommunications services and cost of sales	291,502	13%	Based on agreement	-	-	Accounts payable (Note A)	(4,463)	(1%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(2,647,567)	(36%)	Based on agreement	-	-	Accounts receivable	732,978	72%
			Cost of telecommunications services and cost of sales	114,892	2%	Based on agreement	-	-	Accounts payable	(137,710)	(8%)

Note A: All interconnect revenues, costs and collection of international direct dial revenues and fixed-line 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

MARCH 31, 2012

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	\$ 141,799	12.04 (Note A)	\$ -	-	\$ 25,765	\$ -
	New Century InfoComm Tech Co., Ltd.	Subsidiary	396,600		-	-	102,973	-
	Q-ware Communications Co., Ltd.	Subsidiary	102,295		2.61	-	-	3,255
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	356,187	(Note B)	-	-	33,151	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	732,978	9.21	-	-	5,033	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2012			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				March 31, 2012	December 31, 2011	Shares	Percentage of Ownership (%)	Carrying Value			
Far Eastone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. (Note G)	Taiwan	Type I, II telecommunications services	\$ 27,243,773	\$ 27,243,773	2,599,448,983	100.00	\$ 27,905,180	\$ 306,233	\$ 380,610	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	1,249,015	90,829	55,702	Notes A and B
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,539,022	2,444,789	112,212,396	99.83	872,733	7,109	7,097	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,677,204	1,677,204	167,720,406	40.91	275,704	14,897	6,094	Notes C and D
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	146,801	(11,599)	(11,599)	Notes A and D
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	86,707	2,106	1,809	Notes A and D
	Far EastTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	25,708	(733)	(733)	Notes A and D
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	42,020	42,020	4,202,000	13.98	19,754	(33,106)	(6,347)	Notes C and D
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	20,567	(1,318)	(527)	Notes C and D
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	14,987	(4,459)	(2,229)	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	60,000	60,000	1,725,000	15.00	16,033	18,632	4,722	Notes C and D
	ADCast Interactive Marketing Co., Ltd. (Note G)	Taiwan	Internet advertisements and marketing	-	4,652	-	-	-	(1,953)	(167)	Notes A and D
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	(325,861)	(30,064)	(30,064)	Notes A and B
	ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	6,142,500	70.00	173,641	10,583	
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	727,312	4,727		Notes B and E
	Information Security Service Digital United	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	98,183	1,266		Notes D and E
	Digital United (Cayman) Ltd.	Cayman Islands	General investment	102,442	102,442	3,320,000	100.00	26,543	1,058		Notes D and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	20,479	(120)		Notes D and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	15,030	15,030	1,503,000	5.00	7,066	(33,106)		Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	20,000	20,000	575,000	5.00	5,344	18,632		Notes C and D
	ADCast Interactive Marketing Co., Ltd. (Note G)	Taiwan	Internet advertisements and marketing	-	85,433	-	-	-	(1,953)		Notes A and D
Digital United (Cayman) Ltd. (Note F)	Digital United Information Technology (Shanghai) Co., Ltd.	Shanghai	Design and research of computer system	US\$ 2,100,000	US\$ 2,100,000	-	100.00	US\$ 326,000	(991)		Notes D and E
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	500	(24)		Notes D and E
	FarEastern New Diligent Company Ltd.	British Virgin Islands	Electronic information providing services	-	-	-	100.00	-	-		Notes D and E
Far Eastern Info Service (Holding) Ltd. (Note F)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US\$ 2,500,000	US\$ 2,500,000	-	100.00	US\$ 5,330,000	(6,785)		Notes D and E

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2012			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				March 31, 2012	December 31, 2011	Shares	Percentage of Ownership (%)	Carrying Value			
E. World (Holdings) Ltd. (Note F)	Yuan Cing Co., Ltd.	Taiwan	Call center services	\$ 193,500	\$ 193,500	19,349,994	100.00	US\$ 3,177,000	\$ 2,352		Notes D and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Co., Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	24,703	5,432		Notes B and E
	Home Master Tech Co., Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	4,733	(2,798)		Notes D and E
	Jing Yuan Tech Co., Ltd.	Taiwan	Data processing	10,000	10,000	-	100.00	9,984	-		Notes D and E
Far Eastern Tech-info Ltd. (Shanghai) (Note F)	FarEastern New Century Information Technology (Beijing) Limited	Beijing	Electronic information providing services	RMB49,874,000	RMB49,874,000	-	55.00	RMB44,178,000	(13,070)		Notes D and E

Note A: Subsidiary.

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

Note C: Equity-method investee of the Group.

Note D: The calculation was based on unreviewed financial statements as of March 31, 2012.

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

Note F: The information was based on unreviewed financial statements as of March 31, 2012.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2012

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

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2012 (Note A)	Accumulated Inward Remittance of Earnings as of March 31, 2012	Accumulated Investment in Mainland China as of March 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								
Far EasTone Telecommunications Co., Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	\$ 73,775 (US\$ 2,500,000)	(Note B)	\$ 92,616	\$ -	\$ -	\$ 92,616	100%	\$ (6,785)	\$ 157,288 (US\$ 5,330,000)	\$ -	\$ 92,616	\$ 92,616	\$ 44,704,515 (Note D)
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.	Design and research of computer system	61,971 (US\$ 2,100,000)	(Note B)	61,971 (US\$ 2,100,000)	-	-	61,971 (US\$ 2,100,000)	100%	(991)	9,620 (US\$ 326,000)	-	61,971 (US\$ 2,100,000)	61,971 (US\$ 2,100,000)	15,726,674 (Note D)
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machine equipment	35,412 (US\$ 1,200,000)	(Note C)	35,412 (US\$ 1,200,000)	-	-	35,412 (US\$ 1,200,000)	100%	-	-	-	35,412 (US\$ 1,200,000)	35,412 (US\$ 1,200,000)	436,387 (Note D)
iScreen Corporation	Xiamen Lucku Technology Co., Ltd.	Mobile game and software	4,427 (US\$ 150,000)	(Note C)	2,656 (US\$ 90,000)	-	-	2,656 (US\$ 90,000)	60%	(483)	1,022	-	2,656 (US\$ 90,000)	2,656 (US\$ 90,000)	30,851 (Note D)

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

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 H for significant transactions with the investee company.

Note F: New Diligent Co., Ltd. has not been authorized by the Investment Commission, MOEA to cancel the investment amounts as of April 20, 2012.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
 THREE MONTHS ENDED MARCH 31, 2012 AND 2011
 (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	\$ 4,463	Note E	-
				Other receivables - related parties	392,137	Note E	-
				Accounts payable - related parties	187,092	Note E	-
				Other payables - related parties	169,095	Note E	-
				Telecommunications service revenues	291,423	Note E	1%
				Sales of cellular phone equipment and accessories, net	79	Note E	-
				Cost of telecommunications services	372,639	Note E	2%
				Rental	4,155	Note E	-
				Telephone fee	7,416	Note E	-
				Marketing expense	1,792	Note E	-
				Rent	4,860	Note E	-
				Management services revenue	14,018	Note E	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	137,710	Note E	-
				Other receivables - related parties	4,089	Note E	-
				Accounts payable - related parties	636,800	Note E	1%
				Other payables - related parties	96,178	Note E	-
				Unearned revenues	121,342	Note E	-
				Sales of cellular phone equipment and accessories, net	75,316	Note E	-
				Telecommunications service revenues	39,576	Note E	-
				Cost of sales	2,429,065	Note E	11%
				Cost of telecommunications services	14,579	Note E	-
				Marketing expense	203,923	Note E	1%
				General and administrative expense	2,249	Note E	-
				Nonoperating income and gains	266	Note E	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	52,296	Note E	-
				Other receivables - related parties	8,776	Note E	-
				Lease receivables	42,574	Note E	-
				Operating equipment	233,920	Note E	-
				Accumulated depreciation	233,920	Note E	-
				Other payables - related parties	11,867	Note E	-
				Telecommunications service revenues	55,845	Note E	-
				Cost of telecommunications services	7,596	Note E	-
				Marketing expense	328	Note E	-
				Rental	7,262	Note E	-
				Telephone fee	2,174	Note E	-
				Nonoperating income and gains	455	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	\$ 18,340	Note E	-
				General and administrative expenses	23,444	Note E	-
				Nonoperating income and gains	202	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	Telecommunications service revenues	5	Note E	-
				Marketing expense	1,619	Note E	-
				Nonoperating income and gains	6	Note E	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	4,737	Note E	-
				Other payables - related parties	3,357	Note E	-
				Nonoperating income and gains	31	Note E	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	92,854	Note E	-
				Other receivables - related parties	9,441	Note E	-
				Accounts payable - related parties	2,461	Note E	-
				Other payables - related parties	922	Note E	-
				Telecommunications service revenues	93	Note E	-
				Cost of telecommunications services	3,406	Note E	-
				Marketing expense	86	Note E	-
				Nonoperating income and gains	675	Note E	-
		Far EasTron Holding Ltd.	1	Other receivables - related parties	389	Note E	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	13,516	Note E	-
				Accounts payable - related parties	2,164	Note E	-
				Other payables - related parties	2,040	Note E	-
				Sales of cellular phone equipment and accessories, net	13,276	Note E	-
				Cost of sales	3,676	Note E	-
				Marketing expense	802	Note E	-
		Omusic Co., Ltd.	1	Other receivables - related parties	297	Note E	-
				Accounts payable -related parties	13,104	Note E	-
				Other payables - related parties	5,159	Note E	-
				Telecommunications service revenues	3	Note E	-
				Cost of telecommunications services	10,440	Note E	-
				Nonoperating income and gains	11	Note E	-
		Linkwell Tech. Co., Ltd.	1	Accounts receivable - related parties	6,337	Note E	-
				Sales of cellular phone equipment and accessories, net	6,103	Note E	-
				Marketing expense	182	Note E	-
		Information Security Services Digital United Inc.	1	Other receivables - related parties	134	Note E	-
				Other payables - related parties	16,507	Note E	-
				Cost of telecommunications services	17,203	Note E	-
				General and administrative expenses	534	Note E	-
				Nonoperating income and gains	6	Note E	-
		Far Eastern New Century Information Technology (Beijing) Limited	1	Other receivables - related parties	5,674	Note E	-
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	187,092	Note E	-
				Other receivables - related parties	169,095	Note E	-
				Accounts payable - related parties	4,463	Note E	-
				Other payables - related parties	392,137	Note E	-
				Telecommunications service revenues	383,270	Note E	2%

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Other operating costs	\$ 3,473	Note E	-
				Other operating revenues	42	Note E	-
				Cost of telecommunications services	288,935	Note E	1%
				Cost of cellular phone equipment and accessories	79	Note E	-
				Marketing expense	3,157	Note E	-
				General and administrative expenses	15,277	Note E	-
				Nonoperating income and gains	3,231	Note E	-
		ARCOA Communication Co., Ltd.	3	Accounts receivables - related parties	144	Note E	-
				Other payables - related parties	29	Note E	-
				Telecommunications service revenues	167	Note E	-
				Cost of telecommunications services	53	Note E	-
				Marketing expenses	63	Note E	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	2,740	Note E	-
				Accounts payable - related parties	58,883	Note E	-
				Other payables - related parties	19,504	Note E	-
				Telecommunications service revenues	9,614	Note E	-
				Cost of telecommunications services	95,241	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	4,403	Note E	-
				Accounts payable - related parties	688	Note E	-
				Other payables - related parties	43	Note E	-
				Guarantee deposits received	720	Note E	-
				Telecommunications service revenues	6,633	Note E	-
				Cost of telecommunications services	2	Note E	-
				Marketing expenses	30	Note E	-
				Nonoperating income and gains	1,325	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Accounts receivable - related parties	254	Note E	-
				Telecommunications service revenues	242	Note E	-
		ADCast Interactive Marketing Co., Ltd.	3	Telecommunications service revenues	50	Note E	-
				General and administrative expenses	116	Note E	-
				Nonoperating income and gains	549	Note E	-
		Simple Infocomm Co., Ltd.	3	Other payables - related parties	532	Note E	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	4,912	Note E	-
				Other payables - related parties	31,977	Note E	-
				Cost of telecommunications services	23,809	Note E	-
		Information Security Services Digital United Inc.	3	Accounts receivable - related parties	124	Note E	-
				Accounts payable - related parties	15,486	Note E	-
				Other payables - related parties	449	Note E	-
				Guarantee deposits received	990	Note E	-
				Telecommunications service revenues	308	Note E	-
				Cost of sales	1,891	Note E	-
				Other operating costs	10,383	Note E	-
				Nonoperating income and gains	1,502	Note E	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	636,800	Note E	1%
				Other receivables - related parties	96,178	Note E	-
				Inventories	121,342	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Accounts payable - related parties	\$ 137,710	Note E	-
				Other payables - related parties	4,089	Note E	-
				Sales of cellular phone equipment and accessories, net	2,477,982	Note E	12%
				Other operating revenues	173,435	Note E	1%
				Cost of sales	77,448	Note E	-
				Cost of telecommunications services	39,583	Note E	-
				Marketing expenses	1	Note E	-
				General and administrative expenses	132	Note E	-
				Nonoperating income and gains	405	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Other receivables - related parties	29	Note E	-
				Accounts payable - related parties	144	Note E	-
				Other operating revenues	116	Note E	-
		KGEx.com Co., Ltd.	3	General and administrative expenses	167	Note E	-
				Other payables - related parties	206	Note E	-
		Yuan Cing Co., Ltd.	3	General and administrative expenses	597	Note E	-
				Other payables - related parties	1,112	Note E	-
		DataExpress Infotech Co., Ltd.	3	General and administrative expenses	1,624	Note E	-
				Other receivables - related parties	490	Note E	-
		Linkwell Tech. Co., Ltd.	3	Nonoperating income and gains	53	Note E	-
				Deferred credits - gain on inter - company transactions	391	Note E	-
				Sales of cellular phone equipment and accessories, net	1	Note E	-
				Unrealized inter - company gain	297	Note E	-
		Home Master Tech. Co., Ltd.	3	Accounts receivable - related parties	3,181	Note E	-
				Sales of cellular phone equipment and accessories, net	31,619	Note E	-
				Other operating revenues	8	Note E	-
3	KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	11,867	Note E	-
				Accounts payable - related parties	52,296	Note E	-
				Other payables - related parties	8,776	Note E	-
				Lease payable	42,574	Note E	-
				Telecommunications service revenues	10,080	Note E	-
				Other operating revenues	5,249	Note E	-
				Cost of telecommunications services	54,820	Note E	-
				General and administrative expenses	376	Note E	-
				Telephone fee	1,025	Note E	-
				Nonoperating income and gains	2,031	Note E	-
				Nonoperating expenses and losses	79	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	58,883	Note E	-
				Other receivables - related parties	19,504	Note E	-
				Accounts payable - related parties	2,740	Note E	-
				Telecommunications service revenues	95,241	Note E	-
				Cost of telecommunications services	9,614	Note E	-
		ARCOA Communication Co., Ltd.	3	Other receivables - related parties	206	Note E	-
				Other operating revenues	597	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	13	Note E	-
				Telecommunications service revenues	36	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) (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	\$ 18,340	Note E	-
				Other operating revenues	23,444	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	General and administrative expenses	202	Note E	-
				Accounts payable - related parties	254	Note E	-
		Far Eastern New Century Information Technology (Beijing) Limited	3	General and administrative expenses	242	Note E	-
				Other receivables - related parties	24,928	Note E	-
Nonoperating income and gains	264	Note E	-				
5	Yuan Cing Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	3,357	Note E	-
				Other payables - related parties	4,737	Note E	-
		ARCOA Communication Co., Ltd.	3	General and administrative expenses	31	Note E	-
				Other receivables - related parties	1,112	Note E	-
Other operating revenues	1,624	Note E	-				
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	2,461	Note E	-
				Other receivables - related parties	922	Note E	-
				Accounts payable - related parties	92,854	Note E	-
				Other payables - related parties	9,441	Note E	-
				Telecommunications service revenues	3,406	Note E	-
				Cost of telecommunications services	93	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Other operating revenues	86	Note E	-
				General and administrative expenses	406	Note E	-
				Nonoperating expenses and losses	269	Note E	-
				Accounts receivable - related parties	688	Note E	-
				Other receivables - related parties	43	Note E	-
				Refundable deposits	720	Note E	-
		KGEx.com Co., Ltd.	3	Accounts payable - related parties	4,403	Note E	-
				Telecommunications service revenues	2	Note E	-
				Other operating revenues	30	Note E	-
				Cost of telecommunications services	6,633	Note E	-
				General and administrative expenses	1,325	Note E	-
				Accounts payable - related parties	13	Note E	-
Cost of telecommunications services	36	Note E	-				
7	ADCast Interactive Marketing Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other operating revenues	1,619	Note E	-
				General and administrative expenses	11	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Other operating revenues	116	Note E	-
				Other operating costs	50	Note E	-
General and administrative expenses	549	Note E	-				
8	Far EasTron Holding Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	389	Note E	-
9	Simple Infocomm Co., Ltd. (Note F)	New Century InfoComm Tech Co., Ltd.	3	Other receivables - related parties	532	Note E	-
10	Sino Lead Enterprise Limited (Note F)	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	4,912	Note E	-
				Other receivables - related parties	31,977	Note E	-
				Telecommunications service revenues	23,809	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)
11	Information Security Service Digital United Inc. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	\$ 16,507	Note E	-
				Other payables - related parties	134	Note E	-
				Other operating revenues	17,737	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	General and administrative expenses	6	Note E	-
				Accounts receivable - related parties	15,486	Note E	-
				Other receivables - related parties	449	Note E	-
				Refundable deposits	990	Note E	-
				Accounts payable - related parties	124	Note E	-
				Sales of cellular phone equipment and accessories, net	12,274	Note E	-
				Cost of telecommunications services	308	Note E	-
				Nonoperating expenses and losses	1,502	Note E	-
12	DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivables - related parties	2,164	Note E	-
				Other receivables - related parties	2,040	Note E	-
				Accounts payable - related parties	13,516	Note E	-
				Sales of cellular phone equipment and accessories, net	3,676	Note E	-
				Cost of cellular phone equipment and accessories, net	13,276	Note E	-
		ARCOA Communication Co., Ltd.	3	Other operating revenues	802	Note E	-
				Other payables - related parties	490	Note E	-
				General and administrative expenses	53	Note E	-
				Accounts receivables - related parties	1,870	Note E	-
		Linkwell Tech. Co., Ltd.	3	Accounts payable - related parties	1,981	Note E	-
				Other payables - related parties	17,550	Note E	-
				Sales of cellular phone equipment and accessories, net	352	Note E	-
				Cost of cellular phone equipment and accessories, net	945	Note E	-
		Home Master Tech. Co., Ltd.	3	Other receivables - related parties	7,733	Note E	-
				Accounts payable - related parties	8	Note E	-
				Other payables - related parties	41	Note E	-
13	Omusic Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	13,104	Note E	-
				Other receivables - related parties	5,159	Note E	-
				Other payables - related parties	297	Note E	-
				Other operating revenues	10,440	Note E	-
				General and administrative expenses	14	Note E	-
14	Linkwell Tech. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts payable - related parties	6,337	Note E	-
				Other operating revenues	182	Note E	-
				Cost of cellular phone equipment and accessories, net	6,103	Note E	-
		ARCOA Communication Co., Ltd.	3	Cost of cellular phone equipment and accessories	95	Note E	-
				Accounts receivable - related parties	1,981	Note E	-
		DataExpress Infotech Co., Ltd.	3	Other receivables - related parties	17,550	Note E	-
				Accounts payable - related parties	1,870	Note E	-
				Sales of cellular phone equipment and accessories, net	945	Note E	-
		Home Master Tech. Co., Ltd.	3	Cost of cellular phone equipment and accessories, net	352	Note E	-
				Accounts receivable - related parties	10,076	Note E	-
		Other receivables - related parties	10,725	Note E	-		

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details							
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)				
15	Home Master Tech. Co., Ltd. (Note F)	ARCOA Communication Co., Ltd.	3	Accounts payable - related parties	\$ 3,181	Note E	-				
				Cost of cellular phone equipment and accessories, net	31,619	Note E	-				
				General and administrative expenses	8	Note E	-				
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	8	Note E	-				
				Other receivables - related parties	41	Note E	-				
				Other payables - related parties	7,733	Note E	-				
		Linkwell Tech. Co., Ltd.	3	Accounts payable - related parties	10,076	Note E	-				
				Other payables - related parties	10,725	Note E	-				
16	Far Eastern New Century Information Technology (Beijing) Limited (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	5,674	Note E	-				
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Other payables - related parties	24,928	Note E	-				
				Nonoperating expenses and losses	264	Note E	-				
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	21,719	Note E	-				
				Other receivables - related parties	317,344	Note E	-				
				Accounts payable - related parties	128,310	Note E	-				
				Other payables - related parties	39,209	Note E	-				
				Telecommunications service revenues	196,303	Note E	1%				
				Cost of telecommunications services	301,525	Note E	2%				
				Rental	3,204	Note E	-				
				Telephone fee	5,529	Note E	-				
				Marketing expense	1,346	Note E	-				
				Rent revenue	4,679	Note E	-				
				Management services revenue	15,382	Note E	-				
				Accounts receivable - related parties	164,295	Note E	-				
				Other receivables - related parties	2,095	Note E	-				
				Inventories	23	Note E	-				
				Accounts payable - related parties	91,649	Note E	-				
				Other payables - related parties	88,876	Note E	-				
				Unearned revenues	161,483	Note E	-				
				Sales of cellular phone equipment and accessories, net	62,570	Note E	-				
				Telecommunications service revenues	47,161	Note E	-				
				Cost of sales	305,806	Note E	2%				
				Other operating costs	12,083	Note E	-				
				Marketing expense	165,384	Note E	1%				
				General and administrative expense	2,022	Note E	-				
				Nonoperating income and gains	102	Note E	-				
				Accounts receivable - related parties	38,086	Note E	-				
				Other receivables - related parties	9,202	Note E	-				
				Lease receivables	48,267	Note E	-				
				Operating equipment	289,309	Note E	-				
				Accumulated depreciation	233,920	Note E	-				
				Other payables - related parties	12,376	Note E	-				
				0	Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	21,719	Note E	-
								Other receivables - related parties	317,344	Note E	-
								Accounts payable - related parties	128,310	Note E	-
								Other payables - related parties	39,209	Note E	-
								Telecommunications service revenues	196,303	Note E	1%
								Cost of telecommunications services	301,525	Note E	2%
Rental	3,204	Note E	-								
Telephone fee	5,529	Note E	-								
Marketing expense	1,346	Note E	-								
Rent revenue	4,679	Note E	-								
Management services revenue	15,382	Note E	-								
Accounts receivable - related parties	164,295	Note E	-								
Other receivables - related parties	2,095	Note E	-								
Inventories	23	Note E	-								
Accounts payable - related parties	91,649	Note E	-								
Other payables - related parties	88,876	Note E	-								
Unearned revenues	161,483	Note E	-								
Sales of cellular phone equipment and accessories, net	62,570	Note E	-								
Telecommunications service revenues	47,161	Note E	-								
Cost of sales	305,806	Note E	2%								
Other operating costs	12,083	Note E	-								
Marketing expense	165,384	Note E	1%								
General and administrative expense	2,022	Note E	-								
Nonoperating income and gains	102	Note E	-								
Accounts receivable - related parties	38,086	Note E	-								
Other receivables - related parties	9,202	Note E	-								
Lease receivables	48,267	Note E	-								
Operating equipment	289,309	Note E	-								
Accumulated depreciation	233,920	Note E	-								
Other payables - related parties	12,376	Note E	-								
0	Far EasTone Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	1					Accounts receivable - related parties	21,719	Note E	-
								Other receivables - related parties	317,344	Note E	-
								Accounts payable - related parties	128,310	Note E	-
								Other payables - related parties	39,209	Note E	-
								Telecommunications service revenues	196,303	Note E	1%
								Cost of telecommunications services	301,525	Note E	2%
				Rental	3,204	Note E	-				
				Telephone fee	5,529	Note E	-				
				Marketing expense	1,346	Note E	-				
				Rent revenue	4,679	Note E	-				
				Management services revenue	15,382	Note E	-				
				Accounts receivable - related parties	164,295	Note E	-				
				Other receivables - related parties	2,095	Note E	-				
				Inventories	23	Note E	-				
				Accounts payable - related parties	91,649	Note E	-				
				Other payables - related parties	88,876	Note E	-				
				Unearned revenues	161,483	Note E	-				
				Sales of cellular phone equipment and accessories, net	62,570	Note E	-				
				Telecommunications service revenues	47,161	Note E	-				
				Cost of sales	305,806	Note E	2%				
				Other operating costs	12,083	Note E	-				
				Marketing expense	165,384	Note E	1%				
				General and administrative expense	2,022	Note E	-				
				Nonoperating income and gains	102	Note E	-				
				Accounts receivable - related parties	38,086	Note E	-				
				Other receivables - related parties	9,202	Note E	-				
				Lease receivables	48,267	Note E	-				
				Operating equipment	289,309	Note E	-				
				Accumulated depreciation	233,920	Note E	-				
				Other payables - related parties	12,376	Note E	-				

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Telecommunications service revenues	\$ 61,472	Note E	-
				Cost of telecommunications services	7,654	Note E	-
				Marketing expense	347	Note E	-
				General and administrative expenses	8,749	Note E	-
				Nonoperating income and gains	498	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Other payables - related parties	14,062	Note E	-
				Marketing expense	7,095	Note E	-
				General and administrative expenses	29,905	Note E	-
		ADCast Interactive Marketing Co., Ltd.	1	Accounts receivable - related parties	3	Note E	-
				Other receivables - related parties	143	Note E	-
				Other payables - related parties	10,398	Note E	-
				Marketing expense	1,213	Note E	-
				General and administrative expenses	74	Note E	-
				Management services revenue	7	Note E	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,604	Note E	-
				Other payables - related parties	1,718	Note E	-
				Management services revenue	45	Note E	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	39,945	Note E	-
				Other receivables - related parties	7,271	Note E	-
				Accounts payable - related parties	1,517	Note E	-
				Other payables - related parties	3,017	Note E	-
				Telecommunications service revenues	64	Note E	-
				Cost of telecommunications services	4,518	Note E	-
				Marketing expense	70	Note E	-
				Nonoperating income and gains	571	Note E	-
		Far EasTron Holding Ltd.	1	Other receivables - related parties	376	Note E	-
		Yuan Cing Infocomm Tech Co., Ltd.	1	Nonoperating income and gains	5,697	Note E	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	12,357	Note E	-
				Prepaid expenses	36,666	Note E	-
				Other payables - related parties	727	Note E	-
				Sales of cellular phone equipment and accessories	15,279	Note E	-
				Cost of cellular phone equipment and accessories	8,698	Note E	-
				Marketing expense	1,579	Note E	-
		Omusic Co., Ltd.	1	Other receivables - related parties	223	Note E	-
				Accounts payable -related parties	9,810	Note E	-
				Cost of telecommunications services	9,073	Note E	-
				Management services revenue	11	Note E	-
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	128,310	Note E	-
				Other receivables - related parties	39,209	Note E	-
				Accounts payable - related parties	21,719	Note E	-
				Other payables - related parties	317,344	Note E	-
				Telecommunications service revenues	308,801	Note E	2%
				Operating costs	192,932	Note E	1%
				Marketing expense	8,068	Note E	-
				General and administrative expenses	15,459	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	\$ 2,898	Note E	-
				Accounts receivables - related parties	347	Note E	-
				Other receivables - related parties	79	Note E	-
				Accounts payable - related parties	7	Note E	-
				Other payables - related parties	237	Note E	-
				Telecommunications service revenues	178	Note E	-
				Marketing expense	443	Note E	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	3,356	Note E	-
				Accounts payable - related parties	76,393	Note E	-
				Other payables - related parties	16,223	Note E	-
				Telecommunications service revenues	7,941	Note E	-
				Cost of telecommunications services	128,397	Note E	1%
				General and administrative expenses	3,421	Note E	-
				Nonoperating expenses and losses	155	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	2,240	Note E	-
				Accounts payable - related parties	231	Note E	-
				Other payables - related parties	15	Note E	-
				Guarantee deposits received	715	Note E	-
				Telecommunications service revenues	5,114	Note E	-
				Cost of telecommunications services	3	Note E	-
				Marketing expense	31	Note E	-
				Nonoperating income and gains	1,322	Note E	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Accounts payable - related parties	884	Note E	-
				Other payables - related parties	780	Note E	-
				Marketing expense	2,892	Note E	-
		ADCast Interactive Marketing Co., Ltd.	3	Accounts receivable - related parties	39	Note E	-
				Guarantee deposits received	280	Note E	-
				Telecommunications service revenues	113	Note E	-
				Nonoperating income and gains	549	Note E	-
		Simple Infocomm Co., Ltd.	3	Accounts receivable - related parties	2,805	Note E	-
				Telecommunications service revenues	45,993	Note E	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	2,384	Note E	-
				Other payables - related parties	14,832	Note E	-
				Cost of telecommunications services	6,092	Note E	-
		Information Security Services Digital United Inc.	3	Accounts payable - related parties	2,185	Note E	-
				Other payables - related parties	5,158	Note E	-
				Telecommunications service revenues	623	Note E	-
				Cost of sales	2,658	Note E	-
				Other operating costs	1,438	Note E	-
				Marketing expense	36	Note E	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	91,649	Note E	-
				Other receivables - related parties	88,876	Note E	-
				Inventories	161,483	Note E	-
				Accounts payable - related parties	164,295	Note E	-
				Other payables - related parties	2,095	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)
				Sales of cellular phone equipment and accessories, net	\$ 341,476	Note E	2%
				Other operating revenues	138,904	Note E	1%
				Cost of sales	62,449	Note E	-
				Cost of telecommunications services	46,807	Note E	-
				General and administrative expense	1,839	Note E	-
				Nonoperating income and gains	6,154	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	7	Note E	-
				Other receivables - related parties	237	Note E	-
				Accounts payable - related parties	347	Note E	-
				Other payables - related parties	79	Note E	-
				Other operating revenues	366	Note E	-
				General and administrative expenses	178	Note E	-
				Nonoperating income and gains	77	Note E	-
		KGEx.com Co., Ltd.	3	Accounts payable - related parties	1,882	Note E	-
				Other payables - related parties	184	Note E	-
				General and administrative expenses	512	Note E	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	1,258	Note E	-
				General and administrative expenses	1,781	Note E	-
		DataExpress Infotech Co., Ltd.	3	Prepaid expenses	30,612	Note E	-
				Other payables - related parties	189	Note E	-
				Cost of sales	7,415	Note E	-
				Nonoperating income and gains	180	Note E	-
3	KGEx.com Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	12,376	Note E	-
				Operating equipment	55,389	Note E	-
				Accounts payable - related parties	38,086	Note E	-
				Other payables - related parties	9,202	Note E	-
				Lease payable	48,267	Note E	-
				Telecommunications service revenues	7,654	Note E	-
				Cost of telecommunications services	61,472	Note E	-
				Other operating revenues	7,064	Note E	-
				General and administrative expenses	27	Note E	-
				Nonoperating income and gains	2,031	Note E	-
				Nonoperating expenses and losses	470	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	76,393	Note E	-
				Other receivables - related parties	16,223	Note E	-
				Accounts payable - related parties	3,356	Note E	-
				Telecommunications service revenues	128,397	Note E	1%
				Cost of telecommunications services	7,941	Note E	-
				Nonoperating income and gains	3,576	Note E	-
		ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	1,882	Note E	-
				Other receivables - related parties	184	Note E	-
				Other operating revenues	512	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	13	Note E	-
				Telecommunications service revenues	36	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) (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	\$ 14,062	Note E	-
				Other operating revenues	37,000	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	884	Note E	-
				Other receivables - related parties	780	Note E	-
				Other operating revenues	2,892	Note E	-
5	Yuan Cing Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	1,718	Note E	-
				Other payables - related parties	2,604	Note E	-
		ARCOA Communication Co., Ltd.	3	General and administrative expenses	45	Note E	-
				Other receivables - related parties	1,258	Note E	-
				Other operating revenues	1,781	Note E	-
6	Q-ware Communications Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties	1,517	Note E	-
				Other receivables - related parties	3,017	Note E	-
				Accounts payable - related parties	39,945	Note E	-
				Other payables - related parties	7,271	Note E	-
				Telecommunications service revenues	4,518	Note E	-
				Cost of telecommunications service	64	Note E	-
				Other operating revenues	70	Note E	-
				General and administrative expenses	571	Note E	-
				Other operating revenues	70	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties	231	Note E	-
				Other receivables - related parties	15	Note E	-
				Refundable deposits	715	Note E	-
				Accounts payable - related parties	2,240	Note E	-
				Telecommunications service revenues	58	Note E	-
				Other operating revenues	31	Note E	-
				Cost of telecommunications services	4,791	Note E	-
				General and administrative expenses	1,700	Note E	-
				Accounts payable - related parties	13	Note E	-
				Cost of telecommunications services	36	Note E	-
7	ADCast Interactive Marketing Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other receivables - related parties	10,398	Note E	-
				Accounts payable - related parties	3	Note E	-
				Other payables - related parties	143	Note E	-
				Other operating revenues	1,287	Note E	-
				General and administrative expenses	7	Note E	-
		New Century InfoComm Tech Co., Ltd.	3	Accounts payable - related parties	39	Note E	-
				Refundable deposits	280	Note E	-
				Other operating costs	484	Note E	-
				General and administrative expenses	178	Note E	-
				Other operating costs	178	Note E	-
8	Far EasTron Holding Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Other payables - related parties	376	Note E	-
9	Simple Infocomm Co., Ltd. (Note F)	New Century InfoComm Tech Co., Ltd.	3	Accounts payable - related parties	2,805	Note E	-
				Cost of telecommunications services	31,693	Note E	-
				Other operating costs	14,300	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
10	Sino Lead Enterprise Limited (Note F)	New Century InfoComm Tech Co., Ltd.	3	Accounts receivable - related parties Other receivables - related parties Telecommunications service revenues Other operating revenues	\$ 2,384 14,832 6,069 23	Note E Note E Note E Note E	- - - -
11	Information Security Service Digital United Inc. (Note F)	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	2,185 5,158 2,658 623 1,474	Note E Note E Note E Note E Note E	- - - - -
12	Yuan Cing Infocomm Tech Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Nonoperating expenses and losses	5,697	Note E	-
13	DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	2 3	Other receivables - related parties Unearned revenue Accounts payable - related parties Sales of cellular phone equipment and accessories Cost of cellular phone equipment and accessories Other operating revenues Other receivables - related parties Unearned revenues Sales of cellular phone equipment and accessories, net Marketing expense	727 36,666 12,357 8,698 15,298 1,598 189 30,612 7,415 180	Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - - -
14	Omusic Co., Ltd. (Note F)	Far EasTone Telecommunications Co., Ltd.	2	Accounts receivable - related parties Other payables - related parties Other operating revenues General and administrative expenses	9,810 223 9,073 11	Note E Note E Note E Note E	- - - -

Note A: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
2. Subsidiaries are numbered from "1".

Note B: The flow of related-party transactions is as follows:

1. From the parent company to its subsidiary.
2. From a subsidiary to its parent company.
3. Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2012 and 2011; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2012 and 2011.

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

Note E: The information was based on unreviewed financial statements as of March 31, 2012 and 2011.

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

(Concluded)