

Far Eastern Textile Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2006 and 2005 and
Independent Auditors' Report**

REPRESENTATION LETTER

The affiliates of Far Eastern Textile Ltd. (FETL) that should have been included in the combined financial statements of FETL and its affiliates as of and for the year ended December 31, 2006 in accordance with the “Regulations Governing the Preparation of Combined Financial Statements of Public Companies and their Affiliates” in the Republic of China (ROC) are the same as those already included in the consolidated financial statements of FETL and its subsidiaries as of and for the year ended December 31, 2006. The consolidated financial statements have been prepared under the ROC Statement of Financial Accounting Standards No. 7 - “Consolidated Financial Statements.” The information required to be disclosed in the combined financial statements has already been disclosed in the consolidated financial statements. Thus, preparing separate combined financial statements of FETL and its affiliates for the same period is not needed.

Very truly yours,

FAR EASTERN TEXTILE LTD.

By

DOUGLAS TONG HSU
Chairman

March 5, 2007

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Far Eastern Textile Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Far Eastern Textile Ltd. and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of certain consolidated subsidiaries. These subsidiaries' total assets, as shown in their financial statements, were 1.14% (NT\$2,861,515 thousand, or US\$87,790 thousand) and 0.11% (NT\$260,837 thousand, or US\$8,002 thousand) of the consolidated total assets as of December 31, 2006 and 2005, respectively. Their total net operating revenues were 0.10% (NT\$140,446 thousand, or US\$4,309 thousand) and 0.11% (NT\$145,553 thousand, or US\$4,466 thousand) of the consolidated net operating revenues in 2006 and 2005, respectively. We also did not audit the financial statements of certain equity-method investees, as shown in the accompanying consolidated financial statements. The carrying values of these investments were 1.26% (NT\$3,169,877 thousand, or US\$97,250 thousand) and 1.35% (NT\$3,336,891 thousand, or US\$102,374 thousand) of the consolidated total assets as of December 31, 2006 and 2005, respectively. The Company's equity in their net income was 0.19% (NT\$35,687 thousand, or US\$1,095 thousand) and 1.28% (NT\$247,711 thousand, or US\$7,600 thousand) of the consolidated income before income tax in 2006 and 2005, respectively. The financial statements of the foregoing consolidated subsidiaries and equity-method investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the consolidated subsidiaries and other equity-method investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Textile Ltd. and subsidiaries as of December 31, 2006 and 2005 and the results of their operations and their cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, on January 1, 2006, the Company and subsidiaries adopted the newly released ROC Statements of Financial Accounting Standards (“Statements” or SFAS) No. 34 - “Accounting for Financial Instruments” and No. 36 - “Disclosure and Presentation of Financial Instruments” and related revisions of previously released Statements.

Our audits also comprehended the translation of the 2006 and 2005 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 4. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 5, 2007

Notice to Readers

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

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

FAR EASTERN TEXTILE LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(In Thousands, Except Par Value)

ASSETS	New Taiwan Dollars				U.S. Dollars (Note 4)		LIABILITIES AND STOCKHOLDERS' EQUITY	New Taiwan Dollars				U.S. Dollars (Note 4)	
	2006		2005		2006	2005		2006		2005		2006	2005
	Amount	%	Amount	%	Amount	Amount		Amount	%	Amount	%	Amount	Amount
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 2, 5 and 7)	\$ 17,570,203	7	\$ 15,330,995	6	\$ 539,046	\$ 470,348	Short-term bank loans (Notes 16 and 30)	\$ 17,374,626	7	\$ 15,094,971	6	\$ 533,046	\$ 463,107
Financial assets at fair value through profit or loss (Notes 2, 3, 6, 30 and 33)	642,936	-	1,557,878	1	19,725	47,795	Commercial paper (Notes 18 and 30)	4,265,299	2	5,568,876	2	130,857	170,851
Available-for-sale financial assets - current (Notes 2, 3, 7, 30 and 33)	808,495	-	232,111	-	24,804	7,121	Notes and accounts payable, net (Note 21)	6,846,908	3	6,018,507	2	210,060	184,645
Held-to-maturity financial assets - current (Notes 2, 30 and 33)	3,505	-	-	-	108	-	Accounts and notes payable to related parties (Notes 21 and 29)	2,814,170	1	1,881,182	1	86,337	57,714
Bonds carried at amortized cost - current (Notes 2, 3, 8 and 33)	3,000	-	3,000	-	92	92	Income tax payable (Notes 2 and 24)	2,216,155	1	2,216,469	1	67,991	68,000
Notes and accounts receivable, net (Notes 2, 21, 25, 29 and 30)	16,939,670	7	15,460,873	6	519,701	474,333	Accrued expenses	6,970,700	3	7,762,730	3	213,858	238,157
Receivables from related parties, net (Notes 2, 21 and 29)	2,299,363	1	556,278	-	70,543	17,066	Guarantee deposits - current	1,047,667	-	1,226,683	1	32,142	37,634
Inventories, net (Notes 2 and 9)	12,245,243	5	12,028,527	5	375,679	369,030	Payables to suppliers of machinery and equipment	1,975,374	1	2,898,580	1	60,604	88,927
Available for sale - building and land, net (Notes 2 and 21)	-	-	53,336	-	-	1,636	Sales revenue received in advance	624,779	-	415,483	-	19,168	12,747
Available for construction - land (Notes 2, 10, 21 and 30)	75,555	-	1,018,174	-	2,318	31,237	Advances on land and building (Notes 2, 11, 18 and 21)	379,056	-	255,261	-	11,629	7,831
Construction-in-progress (net of billings on construction-in-progress) (Notes 2, 11, 21 and 30)	4,248,296	2	1,757,127	1	130,336	53,908	Revenue received in advance (Notes 2 and 29)	1,082,025	-	1,321,640	1	33,196	40,547
Other financial assets - current (Notes 11, 29 and 30)	868,563	-	518,343	-	26,647	15,903	Billings on construction-in-progress (net of construction-in-progress) (Notes 2, 19, 21 and 29)	4,144	-	135,374	-	127	4,153
Deferred income taxes - current (Notes 2 and 24)	1,200,882	1	1,176,822	1	36,843	36,104	Current portion of long-term liabilities (Notes 20, 30 and 33)	9,336,301	4	8,502,932	3	286,434	260,866
Prepayments and other current assets (Notes 2, 11 and 29)	3,257,338	1	1,963,805	1	99,933	60,248	Other current liabilities (Notes 2, 14 and 26)	1,891,177	1	2,055,967	1	58,021	63,077
Total current assets	60,163,049	24	51,657,269	21	1,845,775	1,584,821	Total current liabilities	56,828,381	23	55,354,655	22	1,743,470	1,698,256
FUNDS AND INVESTMENTS (Notes 2, 3, 7, 12, 13, 29, 30 and 33)							LONG-TERM LIABILITIES, NET OF CURRENT PORTION (Notes 2, 14, 20, 30 and 33)						
Available-for-sale financial assets - noncurrent	217,513	-	220,406	-	6,673	6,762	Long-term debts payable	37,587,710	15	36,800,145	15	1,153,174	1,129,012
Held-to-maturity financial assets - noncurrent	-	-	3,513	-	-	108	Bonds payable	17,670,000	7	21,480,000	9	542,108	658,997
Equity-method investments	42,318,475	17	38,577,241	16	1,298,312	1,183,532	Long-term lease obligations - noncurrent	58,825	-	109,925	-	1,805	3,372
Financial assets carried at cost - noncurrent	7,773,005	3	8,389,131	3	238,472	257,375	Derivative financial liabilities for hedging - noncurrent (Note 3)	187,703	-	-	-	5,758	-
Total funds and investments	50,308,993	20	47,190,291	19	1,543,457	1,447,777	Total long-term liabilities	55,504,238	22	58,390,070	24	1,702,845	1,791,381
PROPERTIES (Notes 2, 14, 26, 29 and 30)							RESERVE FOR LAND VALUE INCREMENT TAX (Note 14)	6,660,699	3	6,660,699	3	204,347	204,347
Cost							OTHER LIABILITIES						
Land	3,520,887	1	3,315,926	1	108,019	101,731	Accrued pension cost (Notes 2 and 28)	1,914,193	1	2,407,942	1	58,727	73,875
Buildings and equipment	15,239,451	6	13,319,464	5	467,540	408,635	Deferred income (Notes 2 and 29)	1,046,897	-	995,575	1	32,118	30,544
Machinery and equipment	57,708,257	23	48,022,404	20	1,770,463	1,473,306	Miscellaneous (Notes 2 and 31)	485,177	-	836,728	-	14,884	25,670
Operating equipment	99,889,602	40	94,351,784	38	3,064,568	2,894,670	Total other liabilities	3,446,267	1	4,240,245	2	105,729	130,089
Computer equipment	14,351,213	6	13,800,245	6	440,289	423,385	Total liabilities	122,439,585	49	124,645,669	51	3,756,391	3,824,073
Leasehold improvements	1,715,118	-	1,692,662	-	52,619	51,930	STOCKHOLDERS' EQUITY OF PARENT COMPANY						
Miscellaneous equipment	5,011,034	2	4,602,034	2	153,737	141,189	Capital stock - NTS10.00 par value						
Total cost	197,435,562	78	179,104,519	73	6,057,235	5,494,846	Authorized - 4,950,000 thousand shares in 2006; 4,250,000 thousand shares in 2005						
Accumulated depreciation	22,529,670	9	22,471,237	9	691,200	689,408	Issued and outstanding - 4,349,851 thousand shares in 2006; 4,103,633 thousand shares in 2005	43,498,513	17	41,036,333	17	1,334,515	1,258,976
Total cost and appreciation	219,965,232	87	201,575,756	82	6,748,435	6,184,254	Capital surplus						
Less: Accumulated depreciation	113,493,178	45	100,639,639	41	3,481,920	3,087,579	Paid-in capital in excess of par value	932,814	-	932,814	-	28,618	28,618
Construction in progress and prepayments for business facilities	106,472,054	42	100,936,117	41	3,266,515	3,096,675	Equity in capital surplus reported by investees	6,878,584	3	7,105,341	3	211,032	217,989
	9,375,465	4	18,765,010	8	287,635	575,702	Others	8,719	-	8,719	-	268	267
Net properties	115,847,519	46	119,701,127	49	3,554,150	3,672,377	Total capital surplus	7,820,117	3	8,046,874	3	239,918	246,874
INTANGIBLE ASSETS							Retained earnings						
Deferred pension costs (Notes 2 and 28)	402,657	-	766,818	-	12,353	23,526	Legal reserve	6,231,874	3	5,410,930	2	191,191	166,005
Goodwill (Notes 2 and 15)	10,542,521	4	10,543,694	4	323,440	323,476	Special reserve	3,378,850	1	3,535,789	1	103,662	108,476
3G license fee (Notes 1 and 2)	8,768,479	4	9,499,186	4	269,013	291,431	Unappropriated earnings	9,864,900	4	9,296,039	4	302,650	285,199
Professional technologies (Note 2)	-	-	375,384	-	-	11,517	Total retained earnings	19,475,624	8	18,242,758	7	597,503	559,680
Land leasehold rights, net (Notes 2 and 30)	884,189	-	830,481	-	27,127	25,478	Other stockholders' equity						
Other intangible assets	7,363	-	-	-	226	-	Cumulative translation adjustments	845,490	-	707,385	-	25,939	21,702
Total intangible assets	20,605,209	8	22,015,563	9	632,159	675,428	Net loss not recognized as pension cost	(60,797)	-	(419,240)	-	(1,865)	(12,862)
OTHER ASSETS							Unrealized valuation gains on financial instruments	1,823,497	1	(632,230)	-	55,944	(19,397)
Nonoperating properties, net (Notes 2, 14 and 30)	1,186,768	1	1,216,274	1	36,410	37,315	Unrealized revaluation increment on properties	8,848,431	4	8,847,006	4	271,466	271,423
Deferred income taxes - noncurrent (Notes 2 and 24)	729,127	1	933,643	-	22,369	28,644	Total other stockholders' equity	11,456,621	5	8,502,921	4	351,484	260,866
Refundable deposits (Notes 29 and 33)	476,845	-	476,602	-	14,629	14,622	Total stockholders' equity of parent company	82,250,875	33	75,828,886	31	2,523,420	2,326,396
Consolidation debits	611,033	-	1,641,747	1	18,746	50,368	MINORITY INTEREST						
Farmland (Note 16)	292,644	-	292,644	-	8,978	8,978	Total stockholders' equity	128,334,132	51	121,675,043	49	3,937,234	3,732,936
Deferred charges, net (Notes 2 and 26)	355,839	-	627,891	-	10,917	19,263	TOTAL	\$ 250,773,717	100	\$ 246,320,712	100	\$ 7,693,625	\$ 7,557,009
Miscellaneous (Notes 29 and 30)	196,691	-	567,661	-	6,035	17,416							
Total other assets	3,848,947	2	5,756,462	2	118,084	176,606							
TOTAL	\$ 250,773,717	100	\$ 246,320,712	100	\$ 7,693,625	\$ 7,557,009							

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

(With Deloitte & Touche audit report dated March 5, 2007)

FAR EASTERN TEXTILE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands, Except Net Income Per Share)

	New Taiwan Dollars				U.S. Dollars (Note 4)	
	2006		2005		2006	2005
	Amount	%	Amount	%	Amount	Amount
REVENUES (Notes 2 and 29)						
Net sales	\$ 76,068,677	53	\$ 65,451,037	48	\$ 2,333,753	\$ 2,008,008
Telecommunications service income, net	59,831,749	42	62,483,004	46	1,835,611	1,916,951
Income from sale of investments	3,206,754	2	2,524,411	2	98,382	77,448
Net construction income	2,734,074	2	4,097,657	3	83,880	125,714
Rental income	461,542	-	480,777	-	14,160	14,750
Other income	<u>1,131,267</u>	<u>1</u>	<u>971,119</u>	<u>1</u>	<u>34,707</u>	<u>29,794</u>
Total revenues	<u>143,434,063</u>	<u>100</u>	<u>136,008,005</u>	<u>100</u>	<u>4,400,493</u>	<u>4,172,665</u>
COSTS OF REVENUES (Notes 2, and 29)						
Cost of sales	72,064,231	50	61,855,588	46	2,210,898	1,897,702
Cost of telecommunications services	27,429,567	19	26,913,298	20	841,527	825,688
Construction cost	2,345,144	2	3,861,439	3	71,948	118,467
Rental cost	325,124	-	327,509	-	9,975	10,048
Other cost	<u>1,000,922</u>	<u>1</u>	<u>643,863</u>	<u>-</u>	<u>30,708</u>	<u>19,753</u>
Total costs of revenues	<u>103,164,988</u>	<u>72</u>	<u>93,601,697</u>	<u>69</u>	<u>3,165,056</u>	<u>2,871,658</u>
GROSS PROFIT EXCLUDING REALIZED CONSTRUCTION INCOME	40,269,075	28	42,406,308	31	1,235,437	1,301,007
REALIZED CONSTRUCTION INCOME (Notes 2 and 29)	<u>556</u>	<u>-</u>	<u>556</u>	<u>-</u>	<u>17</u>	<u>17</u>
GROSS PROFIT	<u>40,269,631</u>	<u>28</u>	<u>42,406,864</u>	<u>31</u>	<u>1,235,454</u>	<u>1,301,024</u>
OPERATING EXPENSES (Notes 2, 26 and 29)						
Marketing	13,997,840	10	12,871,460	9	429,447	394,891
General and administrative	7,370,026	5	9,298,418	7	226,109	285,271
Research and development	<u>756,663</u>	<u>-</u>	<u>801,834</u>	<u>1</u>	<u>23,214</u>	<u>24,600</u>
Total operating expenses	<u>22,124,529</u>	<u>15</u>	<u>22,971,712</u>	<u>17</u>	<u>678,770</u>	<u>704,762</u>
OPERATING INCOME	<u>18,145,102</u>	<u>13</u>	<u>19,435,152</u>	<u>14</u>	<u>556,684</u>	<u>596,262</u>
NONOPERATING INCOME AND GAINS						
Investment income recognized under the equity method (Notes 2 and 13)	3,268,918	2	3,521,535	3	100,289	108,039
Interest (Note 29)	299,801	-	147,709	-	9,198	4,532
Foreign exchange gain, net	212,682	-	80,827	-	6,525	2,480
Gain on disposal of properties, net (Notes 2,11 and 29)	64,997	-	109,379	-	1,994	3,356
Cash dividends	28,738	-	200,639	-	882	6,156
Rental (Note 29)	25,507	-	30,163	-	783	925
Gain on valuation of financial assets (Notes 2 and 3)	16,796	-	30,728	-	515	943
Other (Note 29 and 30)	<u>777,656</u>	<u>1</u>	<u>442,570</u>	<u>-</u>	<u>23,858</u>	<u>13,577</u>
Total nonoperating income and gains	<u>4,695,095</u>	<u>3</u>	<u>4,563,550</u>	<u>3</u>	<u>144,044</u>	<u>140,008</u>
NONOPERATING EXPENSES AND LOSSES						
Interest (Note 13 and 29)	1,776,676	1	1,863,694	1	54,508	57,177
Impairment loss on financial assets (Notes 2 and 12)	627,756	1	968,208	1	19,259	29,704
Loss on disposal of properties	411,860	-	142,716	-	12,636	4,378
Loss on decline in inventory market value	66,619	-	29,881	-	2,044	917
Impairment loss on nonoperating properties	53,254	-	346,650	-	1,634	10,635
Others (Notes 29 and 31)	<u>1,499,768</u>	<u>1</u>	<u>1,304,695</u>	<u>1</u>	<u>46,011</u>	<u>40,027</u>
Total nonoperating expenses and losses	<u>4,435,933</u>	<u>3</u>	<u>4,655,844</u>	<u>3</u>	<u>136,092</u>	<u>142,838</u>

(Continued)

FAR EASTERN TEXTILE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands, Except Net Income Per Share)

	New Taiwan Dollars				U.S. Dollars (Note 4)	
	2006		2005		2006	2005
	Amount	%	Amount	%	Amount	Amount
INCOME BEFORE INCOME TAX	\$ 18,404,264	13	\$ 19,342,858	14	\$ 564,636	\$ 593,432
INCOME TAX (Notes 2 and 24)	<u>3,385,977</u>	<u>3</u>	<u>3,249,717</u>	<u>2</u>	<u>103,881</u>	<u>99,700</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE	15,018,287	10	16,093,141	12	460,755	493,732
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE (Note 3)	<u>30,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>936</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 15,048,796</u>	<u>10</u>	<u>\$ 16,093,141</u>	<u>12</u>	<u>\$ 461,691</u>	<u>\$ 493,732</u>
BELONG TO:						
Stockholders of parent company	\$ 8,337,183	6	\$ 8,383,354	6	\$ 255,781	\$ 257,199
Minority interest	<u>6,711,613</u>	<u>4</u>	<u>7,709,787</u>	<u>6</u>	<u>205,909</u>	<u>236,533</u>
	<u>\$ 15,048,796</u>	<u>10</u>	<u>\$ 16,093,141</u>	<u>12</u>	<u>\$ 461,690</u>	<u>\$ 493,732</u>

	New Taiwan Dollars				U.S. Dollars (Note 4)			
	2006		2005		2006		2005	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$ 1.91</u>	<u>\$ 1.92</u>	<u>\$ 1.92</u>	<u>\$ 1.93</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>

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

(With Deloitte & Touche audit report dated March 5, 2007)

(Concluded)