Far EasTone Telecommunications Co., Ltd.

Financial Statements for the Six Months Ended June 30, 2008 and 2007 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") as of June 30, 2008 and 2007, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 7 to the financial statements, the financial statements of certain equity-method investees, with investment carrying values of NT$1,687,192 thousand as of June 30, 2007 had not been audited. The Company's equity of NT$233,817 thousand in the losses of these investees was included in the net income of the six months ended June 30, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of some equity-method investees as described in the preceding paragraph been audited, the financial statements of Far EasTone Telecommunications Co., Ltd. referred to in the first paragraph above present fairly, in all material respects, the financial position of the Company as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the six months ended June 30, 2008 and 2007 and have issued thereon an unqualified opinion and a qualified opinion, respectively, in our reports dated August 6, 2008 and July 27, 2007, respectively.

August 6, 2008

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS
JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 867,366	1	$ 6,940,034	8
Receivable, net (Notes 2 and 5)	4,888,159	5	4,082,297	4
Receivables from related parties, net (Notes 2, 5 and 21)	758,235	1	738,382	1
Dividends receivable (Note 7)	3,505,651	4	5,011,672	5
Inventories, net (Notes 2 and 6)	236,186	-	365,128	-
Prepaid expenses	501,146	1	502,201	1
Hedging derivative financial assets - current (Notes 2 and 20)	351	-	-	-
Deferred income tax assets - current (Notes 2 and 16)	539,911	1	516,362	1
Restricted assets - current (Note 2)	260,293	-	14,719	-
Refundable deposits - current	-	-	67,500	-
Other current assets	24,062	-	27,843	-
Total current assets	11,581,360	13	18,266,138	20
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 7)	40,226,388	45	35,015,411	38
PROPERTIES (Notes 2, 8 and 21)				
Cost				
Land	847,138	1	847,138	1
Buildings and equipment	1,682,725	2	1,659,787	2
Operating equipment	66,255,628	75	63,058,021	68
Computer equipment	10,246,040	11	9,232,114	10
Office equipment	828,381	1	782,780	1
Leasehold improvements	1,506,557	2	1,523,160	1
Miscellaneous equipment	222,836	-	228,800	-
Total cost	81,589,305	92	77,331,800	83
Less: Accumulated depreciation	56,205,218	63	49,470,395	53
	25,384,087	29	27,861,405	30
Construction-in-progress and prepayments for equipment	2,871,108	3	2,403,066	2
Net properties	28,255,195	32	30,264,471	32
INTANGIBLE ASSETS				
3G concession, net (Notes 1, 2 and 9)	7,672,419	9	8,403,126	9
OTHER ASSETS				
Rental assets, net (Notes 2 and 10)	194,943	-	196,987	-
Refundable deposits (Note 21)	259,683	-	254,329	-
Deferred income tax assets - noncurrent (Notes 2 and 16)	418,847	1	260,333	1
Other	-	-	1,785	-
Total other assets	873,473	1	713,434	1
TOTAL	$ 88,608,835	100	$ 92,662,580	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable	$ 30,486	-	$ 39,077	-
Accounts payable	586,319	1	430,742	-
Payables to related parties (Note 21)	1,441,672	2	1,510,191	2
Income tax payable (Notes 2 and 16)	1,527,771	2	862,295	1
Accrued expenses (Note 11)	3,623,900	4	3,359,421	4
Hedging derivative financial liabilities - current (Notes 2 and 20)	-	-	18,204	-
Dividends payable (Note 15)	10,101,353	11	12,005,255	13
Payables for acquisition of properties	1,312,181	1	1,000,011	1
Guarantee deposits received - current	607,890	1	695,672	1
Unearned revenues (Note 2)	641,955	1	672,868	1
Current portion of long-term bonds payable (Note 12)	1,200,000	1	2,370,000	2
Lease payable - current (Notes 2, 13 and 21)	4,180	-	19,880	-
Other current liabilities (Note 15)	336,339	-	438,092	-
Total current liabilities	21,414,046	24	23,421,708	25
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds payable (Note 12)	-	-	1,200,000	1
Hedging derivative financial liabilities - noncurrent (Notes 2 and 20)	-	-	32,295	-
Lease payable - noncurrent (Notes 2, 13 and 21)	4,180	-	8,360	-
Total long-term liabilities	4,180	-	1,240,655	1
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 14)	326,056	-	302,069	1
Guarantee deposits received - noncurrent	75,944	-	68,223	-
Deferred revenue (Note 2)	405,620	1	50,277	-
Total other liabilities	807,620	1	420,569	1
Total liabilities	22,225,846	25	25,082,932	27
STOCKHOLDERS' EQUITY				
Capital stock - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding - 3,258,501 thousand shares in 2008 and 3,872,663 thousand shares in 2007	32,585,008	37	38,726,630	42
Capital surplus				
Additional paid-in capital - share issuance in excess of par value	10,964,702	12	6,510,964	7
From business combination	8,482,381	10	8,482,381	9
From long-term equity-method investments	40,187	-	10,611	-
Total capital surplus	19,487,270	22	15,003,956	16
Retained earnings				
Legal reserve	8,050,917	9	6,888,973	7
Special reserve	-	-	44,832	-
Unappropriated earnings	6,250,407	7	6,914,607	8
Total retained earnings	14,301,324	16	13,848,412	15
Other adjustments				
Cumulative translation adjustments	10,989	-	9,248	-
Unrealized gains (losses) on financial instruments	(1,602)	-	(8,598)	-
Total other adjustments	9,387	-	650	-
Total stockholders' equity	66,382,989	75	67,579,648	73
TOTAL	$ 88,608,835	100	$ 92,662,580	100

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

(With Deloitte & Touche audit report dated August 6, 2008)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 21)				
Sales of cellular phone equipment and accessories, net	$ 1,829,881	7	$ 1,422,169	7
Telecommunications service revenues	23,528,552	93	20,588,786	93
Other	86,198	-	56,106	-
Total operating revenues	25,444,631	100	22,067,061	100
OPERATING COSTS (Notes 2, 18 and 21)				
Cost of sales	2,066,869	8	1,760,434	8
Cost of telecommunications services	10,761,741	42	10,017,894	46
Total operating costs	12,828,610	50	11,778,328	54
GROSS PROFIT	12,616,021	50	10,288,733	46
OPERATING EXPENSES (Notes 2, 18 and 21)				
Marketing	4,572,281	18	3,734,277	17
General and administrative	1,875,400	8	1,705,306	8
Research and development	81,021	-	137,554	-
Total operating expenses	6,528,702	26	5,577,137	25
OPERATING INCOME	6,087,319	24	4,711,596	21
NONOPERATING INCOME AND GAINS				
Equity in investees' net gains (Notes 2 and 7)	411,473	2	2,116,563	10
Government grant (Note 2)	33,849	-	8,691	-
Management services revenue (Note 21)	32,441	-	65,980	-
Commission (Note 21)	30,388	-	94,873	1
Interest (Note 21)	28,725	-	35,932	-
Reversal of losses on decline in value of inventories (Note 2)	15,277	-	-	-
Gain from sale of nonperforming accounts receivable (Note 17)	-	-	26,979	-
Other (Note 21)	38,655	-	27,616	-
Total nonoperating income and gains	590,808	2	2,376,634	11

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	$ 47,783	-	$ 101,801	1
Interest (Notes 2, 8 and 21)	3,406	-	16,709	-
Provision for losses on decline in value of inventories (Note 2)	-	-	14,450	-
Other (Note 18)	2,169	-	8,529	-
Total nonoperating expenses and losses	53,358	-	141,489	1
INCOME BEFORE INCOME TAX	6,624,769	26	6,946,741	31
INCOME TAX (Notes 2 and 16)	1,408,283	6	980,149	4
NET INCOME	$ 5,216,486	20	$ 5,966,592	27

	2008		2007	
	Income Before Income Tax	**After Income Tax**	**Income Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 2.00	$ 1.57	$ 1.79	$ 1.54
Diluted	$ 2.00	$ 1.57	$ 1.79	$ 1.54

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

(With Deloitte & Touche audit report dated August 6, 2008) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock Issued and Outstanding (Notes 7 and 15)		Capital Surplus (Notes 2, 7 and 15)			Retained Earnings (Notes 2, 3 and 15)			Other Adjustments		
	Shares (Thousands)	Amount	Additional Paid-in Capital - Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Notes 2 and 15)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 15)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2008	4,033,033	$ 40,330,334	$ 10,964,702	$8,482,381	$40,187	$6,888,973	$44,832	$ 12,567,456	$11,826	$ 3,309	$ 79,334,000
Capital reduction - NT$1.9204715 per share	(774,532)	(7,745,326)	-	-	-	-	-	-	-	-	(7,745,326)
Appropriation of the 2007 earnings											
Legal reserve	-	-	-	-	-	1,161,944	-	(1,161,944)	-	-	-
Special reserve	-	-	-	-	-	-	(44,832)	44,832	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(210,047)	-	-	(210,047)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(105,023)	-	-	(105,023)
Cash dividends - NT$3.1 per share	-	-	-	-	-	-	-	(10,101,353)	-	-	(10,101,353)
Net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	5,216,486	-	-	5,216,486
Changes in subsidiary's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(21,375)	(21,375)
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	16,464	16,464
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(837)	-	(837)
BALANCE, JUNE 30, 2008	3,258,501	$ 32,585,008	$ 10,964,702	$8,482,381	$40,187	$8,050,917	$ -	$ 6,250,407	$10,989	$ (1,602)	$ 66,382,989
BALANCE, JANUARY 1, 2007	3,872,663	$ 38,726,630	$ 6,510,964	$8,482,381	$10,611	$5,573,350	$ -	$ 14,667,598	$ 4,960	$ (49,792)	$ 73,926,702
Appropriation of the 2006 earnings											
Legal reserve	-	-	-	-	-	1,315,623	-	(1,315,623)	-	-	-
Special reserve	-	-	-	-	-	-	44,832	(44,832)	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(235,915)	-	-	(235,915)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(117,958)	-	-	(117,958)
Cash dividends - NT$3.1 per share	-	-	-	-	-	-	-	(12,005,255)	-	-	(12,005,255)
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	-	5,966,592	-	-	5,966,592
Changes in subsidiary's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	29,451	29,451
Changes in unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	11,743	11,743
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	4,288	-	4,288
BALANCE, JUNE 30, 2007	3,872,663	$ 38,726,630	$ 6,510,964	$8,482,381	$10,611	$6,888,973	$44,832	$ 6,914,607	$ 9,248	$ (8,598)	$ 67,579,648

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

(With Deloitte & Touche audit report dated August 6, 2008)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,216,486	$ 5,966,592
Depreciation and amortization	3,634,863	3,746,697
Amortization of 3G concession	365,353	365,353
Allowance for doubtful accounts	277,856	280,363
Provision for (reversal of) losses on decline in value of inventories	(15,277)	14,450
Equity in investees' net gains	(411,473)	(2,116,563)
Losses on disposal of properties, net	47,783	101,801
Provision for impairment loss	-	6,549
Accrued pension cost	11,252	13,990
Deferred income taxes	(317,943)	214,822
Net changes in operating assets and liabilities		
Accounts and notes receivable	(559,319)	(539,527)
Receivables from related parties	150,756	55,260
Inventories	84,450	96,200
Prepaid expenses	7,643	5,635
Other current assets	16,603	23,896
Notes payable	(8,562)	4,348
Accounts payable	49,406	(114,515)
Payables to related parties	198,812	(295,007)
Income tax payable	374,646	139,710
Accrued expenses	(115,223)	136,304
Unearned revenues	61,800	(41,840)
Other current liabilities	21,085	90,702
Net cash provided by operating activities	9,090,997	8,155,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties	(2,381,583)	(1,938,355)
Proceeds of the disposal of properties	6,984	5,494
Decrease (increase) in refundable deposits	2,307	(62,693)
Increase in restricted assets	(147,034)	(14,719)
Decrease in other assets	-	534
Net cash used in investing activities	(2,519,326)	(2,009,739)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term liabilities	(1,470,000)	(2,060,000)
Decrease in guarantee deposits received	(31,987)	(55,738)
Increase in deferred revenue	138,395	50,277
Capital reduction	(7,745,326)	-
Bonus paid to employees	(210,047)	(235,915)
Net cash used in financing activities	(9,318,965)	(2,301,376)

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (2,747,294)	$ 3,844,105
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,614,660	3,095,929
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 867,366	$ 6,940,034
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 26,984	$ 93,485
Less: Interest capitalized	18,857	24,377
Interest paid, net of capitalized interest	$ 8,127	$ 69,108
Income tax paid	$ 1,351,580	$ 625,617
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 1,204,180	$ 2,408,084
Cash dividend receivable from subsidiary	$ 3,505,651	$ 5,011,672
Declaration of cash dividend	$ 10,101,353	$ 12,005,255
Declaration of remuneration to directors and supervisors	$ 105,023	$ 117,958
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 2,149,335	$ 1,186,167
Decrease in payables for acquisition of properties	212,368	732,308
Decrease in lease payable	19,880	19,880
Cash paid for acquisition of properties	$ 2,381,583	$ 1,938,355
PROCEEDS OF DISPOSAL OF PROPERTIES		
Total amount of sold properties	$ 6,673	$ 2,099
Decrease in receivables from properties sold	353	3,499
Increase in receivables from related parties	(42)	(104)
Cash received from the disposal of properties	$ 6,984	$ 5,494

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

(With Deloitte & Touche audit report dated August 6, 2008) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares began to be traded on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) on December 10, 2001. Later, the Company's share ceased to be traded on the OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. The Company provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of June 30, 2008, Far Eastern Textile Co., Ltd. ("Far Eastern Textile") and its affiliates directly and indirectly owned 41.08% of the Company's shares. Since the Company's chief executive officer is appointed by Far Eastern Textile's 99.99% subsidiary, Far Eastern Textile has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern Textile is the ultimate parent company of the Company.

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

The DGT also issued to the Company a type II license, allowing it to provide Internet services for 10 years from 1999 for a fixed annual license fee based on the Company's paid-in capital. In addition, the Company provides services under a type II-ISR license for 10 years from December 2001 and pays an annual license fee of 1% of ISR service revenues. The Company is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003, with an annual license fee of 1% of leased circuit service revenues.

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

On July 26, 2007, the National Communications Commission (NCC) awarded the Company a license to have operations in worldwide interoperability for microwave access (WiMAX) in southern region of Taiwan. On August 30, 2007, the Company paid a guarantee deposit of $40,000 thousand and a minimum advance payment of $210,000 thousand for the license fee through a guarantee provided by a bank. On October 1, 2007, the Company got the NCC's permission to start preparations for the construction of WiMAX networks.

The Company had 3,370 and 3,313 employees as of June 30, 2008 and 2007, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

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

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

Promotion Expenses

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

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the weighted-average method. Losses on disposal of inventories are evaluated on the basis of the changes in marketing strategy. Losses on decline in value of inventories are evaluated on the basis of market demand and should be recognized when the net realizable value is lower than the cost.

Government Grant

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

Equity-method Investments

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

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over 3 to 5 years. As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long Term Investments in Equity Securities," starting on January 1, 2006, 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. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subjected to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

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

Properties and Rental Assets

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

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

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48
Building and equipment	5-8
Operating equipment	5-8
Computer equipment	3-5
Office equipment	5
Leasehold improvements	5-10
Miscellaneous equipment	5-8

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

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.

Impairment Loss

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

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

Deferral of Unrealized Intercompany Profit

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

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

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

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

Pension Costs

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

Income Tax

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

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

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

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

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

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

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

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

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

The Company uses interest rate swaps to hedge cash flow risk from interest rate fluctuations of liabilities.

Reclassifications

Certain accounts in the financial statements as of and for six months ended June 30, 2007 have been reclassified to be consistent with the presentation of the financial statements as of and for six months ended June 30, 2008.

3. CHANGE IN ACCOUNTING PRINCIPLE

In March 2007, the Accounting Research and Development Foundation issued Interpretation No. 2007-052 that requires companies to recognize bonuses to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. This accounting change resulted in a decrease of $111,717 thousand in net income and a decrease of NT$0.03 in basic earnings per share after income tax for the six months ended June 30, 2008.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2008	2007
Cash		
Cash on hand	$ 2,711	$ 2,741
Demand deposits	556,442	939,652
Checking accounts	6,453	14,681
	565,606	957,074
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.98%-2.00% in 2008 and 1.75%-1.98% in 2007	301,760	5,982,960
	$ 867,366	$ 6,940,034

As of June 30, 2008 and 2007, foreign demand deposits were as follows:

	June 30	
	2008	2007
Belgium (US$537 thousand in 2008 and US$308 thousand in 2007)	$ 16,293	$ 10,121

5. ACCOUNTS AND NOTES RECEIVABLE, NET

	June 30	
	2008	2007
Accounts and notes receivable	$ 5,581,409	$ 4,906,498
Less: Allowance for doubtful accounts	(693,250)	(824,201)
	$ 4,888,159	$ 4,082,297

The change in allowance for doubtful accounts was as follows:

	Six Months Ended June 30		
	2008	2007	
	Accounts Receivable	Accounts Receivable	Receivables from Related Parties
Beginning balance	$ 665,642	$ 809,203	$ -
Deduct: Bad debts written off	(352,027)	(337,684)	-
Add: Collection after write-off	101,779	92,372	-
Accrual of bad debt expenses	277,856	260,310	20,053
	$ 693,250	$ 824,201	$ 20,053

6. INVENTORIES

	June 30	
	2008	2007
Cellular phone equipment	$ 179,963	$ 332,461
Cellular phone accessories	53,761	26,376
Costs of SIM cards and prepaid cards	28,218	44,001
Others	54	276
	261,996	403,114
Less: Allowance for losses	25,810	37,986
	$ 236,186	$ 365,128

7. EQUITY-METHOD INVESTMENTS

	June 30			
	2008		2007	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
KG Telecommunications Co., Ltd.	$ 32,374,094	100.00	$ 33,465,647	100.00
New Century InfoComm Tech Co., Ltd.	5,775,189	24.51	-	-
ARCOA Communication Co., Ltd.	1,023,867	59.10	987,845	59.10
Far Eastern Electronic Toll Collection Co., Ltd.	525,014	41.18	257,717	42.66
Q-ware Communications Co., Ltd.	276,111	51.00	-	-
Far Eastern Info Service (Holding) Ltd.	146,758	100.00	141,018	100.00
E. World (Holdings) Ltd.	63,823	85.92	58,498	85.92
Far EasTron Holding Ltd.	28,112	100.00	78,473	100.00
Ding Ding Integrated Marketing Services Co., Ltd.	13,260	15.00	25,718	15.00
Far EasTron Co., Ltd.	160	0.67	495	0.67
	$ 40,226,388		$ 35,015,411	

a. KG Telecommunications Co., Ltd. (“KG Telecom”)

KG Telecom, formerly Yuan Ho Telecommunications Co., Ltd., was incorporated in the ROC on September 25, 2003. It is a wholly owned subsidiary of the Company. On January 1, 2004, KG Telecom merged with the former KG Telecommunications Co., Ltd. (the “former KGT”) through a two-step merger agreement. The merger was completed on May 20, 2004 after the registration of the shares with the Ministry of Economics Affairs (MOEA).

The former KGT provides 2G wireless communications services under a type I license - GSM1800 for the northern region of Taiwan issued by the DGT. The license allows the former KGT to provide services for 15 years from 1997, with an annual license fee at 2% of total 2G wireless communications service revenues. Moreover, the merger of former KGT with TUNTEX (with a license of 2G to provide wireless communications service under a type I license - GSM1800 for the central and southern region of Taiwan issued by the DGT) is effective from January 1, 2000. Thus, the former KGT provided island-wide 2G wireless communications services under a type I license - GSM1800. The DGT also issued the former KGT a type I license, allowing it 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.

b. New Century InfoComm Tech Co., Ltd. (NCIC)

The Company issued 100,637,444 and 59,732,926 common shares to exchange for 615,178,755 and 365,136,728, respectively, of NCIC's common shares after NCIC's capital reduction from Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited on December 31, 2007 (the record date of the share swap). The ratio for this share swap was 1:6.11282174. The share swap was approved by the Financial Supervisory Commission under the Executive Yuan on December 26, 2007 and registered with the MOEA on January 14, 2008. After the share swap, the Company acquired about 24.51% of NCIC's issued shares.

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

The Company bought from ARCOA's stockholders 79,353 thousand shares between February 4, 2005 and July 25, 2005 for $1,278,944 thousand. As a result, the Company owned 59.10% of ARCOA's common shares and became its parent company.

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

On February 26, 2004, Far Eastern Electronic Toll Collection Co. was selected by the Taiwan Area National Freeway Bureau ("the TANFB") as the best qualified candidate for its "Private Participation in the Electronic Toll Collection BOT Project" ("ETC Project"). On April 27, 2004, FETC and the TANFB completed the related negotiations and signed the project contract.

On February 24, 2006, however, the Taipei High Administrative Court announced its decision to revoke the status of FETC as the best qualified candidate for the ETC project. Then, on August 3, 2006, the Supreme Administrative Court ruled that the original screening process conducted by the TANFB was flawed and in violation of the principles of equality and promotion of public interest and stripped FETC of its "best qualified candidate" status. In response to the verdict, the TANFB announced a second bidding for the ETC project. On April 14, 2007, the TANFB announced that FETC was again the best qualified candidate. FETC then completed the ETC project negotiations and on August 22, 2007, signed the project contract with a term of 18 years and 4 months with the TANFB.

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

On February 14, 2007, the board of directors of the Company approved a cooperation plan with Q-ware System Inc. ("Q-ware") to operate WiFly and other businesses agreed upon by both the Company and Q-ware. After obtaining the authorities' approval of this agreement, the Company, as a specific person, subscribed for 36,460 thousand newly issued shares (NT$13.60 per share) of Q-ware Com. for $495,855 thousand on July 2, 2007. On July 3, 2007, Q-ware spun off its WiFly business, with a net worth of $349,301 thousand, to Q-ware Com. and received 34,930 thousand new shares of Q-ware Com. for this spin-off. After the completion of this spin-off, the Company owned approximately 51% of Q-ware Com.'s common stock and thus became its parent company.

f. Far EasTron Co., Ltd. ("Far EasTron")

To enhance the Company's market share of Internet advertisements and integrate the Company's resources, the stockholders of Far EasTron resolved on April 21, 2008 to have a share swap with ADCast Interactive Marketing Co., Ltd. ("ADCast"), a subsidiary of New Century Info Comm Tech Co., Ltd., with ADCast as the survivor entity. After ADCast's capital reduction, Far EasTron's stockholders will receive 1 share of ADCast for every 4.8526 shares of Far EasTron. As of August 6, 2008, the date of the accompanying auditors' report, the board of directors had not proposed a merger date.

g. Equity in investees' net gains or losses

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

	Six Months Ended June 30			
	2008		2007	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
KG Telecommunications Co., Ltd.	$ 873,845	$ 873,775	$ 2,323,397	$ 2,323,297
New Century InfoComm Tech Co., Ltd.	(1,451,972)	(286,811)	-	-
ARCOA Communication Co., Ltd.	44,172	24,298	(64,358)	(38,538)
Far Eastern Electronic Toll Collection Co., Ltd.	(291,259)	(119,842)	(323,416)	(137,969)
Q-ware Communications Co., Ltd.	(149,004)	(75,991)	-	-
Far Eastern Info Service (Holding) Ltd.	8,261	8,261	1,992	1,992
E. World (Holdings) Ltd.	3,264	2,804	(10,347)	(8,891)
Far EasTron Holding Ltd.	(10,908)	(10,908)	(22,109)	(22,109)
Ding Ding Integrated Marketing Services Co., Ltd.	(34,313)	(4,040)	(9,883)	(1,072)
Far EasTron Co., Ltd.	(10,876)	(73)	(22,097)	(147)
		$ 411,473		$ 2,116,563

The net asset values of the equity-method investees were as follows:

	June 30	
	2008	2007
Total assets of investees	$ 74,180,665	$ 46,841,957
Total liabilities of investees	(11,386,778)	(10,963,464)
Total net assets	$ 62,793,887	$ 35,878,493
The Company's equity in investees' net assets	$ 40,226,388	$ 35,015,411

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") and Far EasTron Co., Ltd. ("Far EasTron") allow the Company to exercise significant influence on these investees' operating and financial policy decisions, the investments in DDIM and Far EasTron are accounted for by the equity method even though the Company's equity in DDIM and Far EasTron are only 15% and 0.67%, respectively.

The bases for calculating the carrying values of investments were the equity-method investees' (a) financial statements as of and for the six months ended June 30, 2008, which were unaudited, except those of KG Telecom, NCIC, ARCOA, FETC and Q-ware, and (b) financial statements as of and for the six months ended June 30, 2007, which were also unaudited, except those of KG Telecom and ARCOA. In addition, the financial statements of certain equity-method investees of KG Telecom and ARCOA as of and for the six months ended June 30, 2007 were unaudited. The Company and subsidiaries' investments in equity-method investees with unaudited financial statements were $1,687,192 thousand as of June 30, 2007, and their equity in their investees' net losses was $233,817 thousand for the six months then ended. The Company believes that, had all the financial statements of the equity-method investees' been audited, any adjustments would have had no material effect on the Company's financial statements.

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

For the six months ended June 30, 2008 and 2007, the changes in the difference between investment cost and the Company's equity in its investees' net assets were as follows:

	Six Months Ended June 30		
	2008		2007
	Goodwill	Amortizable Assets	Goodwill
Beginning balance	$ 313,594	$ (924,029)	$ 255,828
Increase	-	-	-
Decrease	-	57,678	6,549
Ending balance	$ 313,594	$ (866,351)	$ 249,279

i. Dividends receivable

The appropriation and distribution of KG Telecom's 2007 and 2006 earnings were approved by the board of directors (also represented as stockholders' meeting) on June 30, 2008 and June 29, 2007, respectively. The Board of Directors decided to distribute cash dividends of $3,505,651 thousand and $5,011,672 thousand effective August 18, 2008 and July 30, 2007, respectively.

j. Consolidation

The consolidated financial statements as of June 30, 2008 and 2007 include the accounts of the Company and its direct and indirect subsidiaries and entities in which the Company has controlling interests, as required by the revised ROC SFAS No. 7 - "Consolidated Financial Statements." All significant intercompany accounts and transactions have been eliminated in the consolidation. For subsidiaries acquired during the year, their revenues and expenses generated before the acquisition dates will not be consolidated.

8. PROPERTIES

a. Changes in properties consisted of:

	Six Months Ended June 30, 2008				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassifi-cation	Ending Balance
Cost					
Land	$ 847,138	$ -	$ -	$ -	$ 847,138
Buildings and equipment	1,665,947	-	-	16,778	1,682,725
Operating equipment	64,124,983	98,006	230,341	2,262,980	66,255,628
Computer equipment	9,769,808	-	11,169	487,401	10,246,040
Office equipment	826,170	-	844	3,055	828,381
Leasehold improvements	1,497,895	-	20,950	29,612	1,506,557
Miscellaneous equipment	228,068	-	5,232	-	222,836
	78,960,009	$ 98,006	$ 268,536	$ 2,799,826	81,589,305
Accumulated depreciation					
Buildings and equipment	556,056	$ 27,089	$ -	$ -	583,145
Operating equipment	42,697,199	2,945,369	199,322	-	45,443,246
Computer equipment	7,590,669	570,109	11,169	-	8,149,609
Office equipment	706,935	14,397	842	-	720,490

(Continued)

	Six Months Ended June 30, 2008				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Leasehold improvements	$ 1,136,638	$ 61,401	$ 13,800	$ -	$ 1,184,239
Miscellaneous equipment	114,259	15,462	5,232	-	124,489
	52,801,756	$ 3,633,827	$ 230,365	$ -	56,205,218
	26,158,253				25,384,087
Construction-in-progress and prepayments for equipment	3,635,890	$ 2,051,329	$ 16,285	$ (2,799,826)	2,871,108
	$ 29,794,143				$ 28,255,195

(Concluded)

	Six Months Ended June 30, 2007				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Ending Balance
Cost					
Land	$ 847,138	$ -	$ -	$ -	$ 847,138
Buildings and equipment	1,647,956	2,532	-	9,299	1,659,787
Operating equipment	61,172,350	37,446	217,946	2,066,171	63,058,021
Computer equipment	8,902,253	1,397	15,454	343,918	9,232,114
Office equipment	757,878	-	3,357	28,259	782,780
Leasehold improvements	1,514,262	-	-	8,898	1,523,160
Miscellaneous equipment	255,937	-	5,637	(21,500)	228,800
	75,097,774	$ 41,375	$ 242,394	$ 2,435,045	77,331,800
Accumulated depreciation					
Buildings and equipment	491,151	$ 35,301	$ -	$ -	526,452
Operating equipment	37,073,499	3,048,180	135,336	-	39,986,343
Computer equipment	6,508,415	545,811	15,425	-	7,038,801
Office equipment	686,266	27,368	3,356	-	710,278
Leasehold improvements	1,035,271	72,856	-	-	1,108,127
Miscellaneous equipment	90,103	15,928	5,637	-	100,394
	45,884,705	$ 3,745,444	$ 159,754	$ -	49,470,395
	29,213,069				27,861,405
Construction-in-progress and prepayments for equipment	3,714,579	$ 1,144,792	$ 21,260	$ (2,435,045)	2,403,066
	$ 32,927,648				$ 30,264,471

b. Capitalized interest on properties was as follows:

	Six Months Ended June 30	
	2008	2007
Total interest expense	$ 22,263	$ 41,086
Less: Interest capitalized (included in construction-in-progress and prepayments for equipment)	18,857	24,377
Interest expense, net of amounts capitalized	$ 3,406	$ 16,709
Interest rate capitalized	1.56%-2.09%	1.65%-2.29%

9. INTANGIBLE ASSETS - 3G CONCESSION, NET

	Six Months Ended June 30	
	2008	2007
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	2,131,228	1,400,521
Amortization	365,353	365,353
Ending balance	2,496,581	1,765,874
Intangible assets, net	$ 7,672,419	$ 8,403,126

10. RENTAL ASSETS, NET

	Six Months Ended June 30, 2008		
	Land	Buildings and Equipment	Total
Cost	$ 105,366	$ 100,136	$ 205,502
Accumulated depreciation			
Beginning balance	-	9,537	9,537
Depreciation	-	1,022	1,022
Ending balance	-	10,559	10,559
Rental assets, net	$ 105,366	$ 89,577	$ 194,943

	Six Months Ended June 30, 2007		
	Land	Buildings and Equipment	Total
Cost	$ 105,366	$ 100,136	$ 205,502
Accumulated depreciation			
Beginning balance	-	7,493	7,493
Depreciation	-	1,022	1,022
Ending balance	-	8,515	8,515
Rental assets, net	$ 105,366	$ 91,621	$ 196,987

Rental assets are offices intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through February 2013. Future rental income is summarized as follows:

Year	Amount
July 1, 2008 to December 31, 2008	$ 5,718
2009	10,158
2010	5,828
2011	4,418
2012	2,275
From January 1, 2013 to June 30, 2013	383

11. ACCRUED EXPENSES

	June 30 2008	June 30 2007
Commission	$ 958,035	$ 902,455
Bonus	449,635	247,353
License fee	343,335	316,067
Value-added service fee	295,447	205,848
Universal service operation fee	284,241	258,636
Frequency fee	204,919	205,020
Utilities	111,969	163,306
Maintenance fee	63,415	125,812
Other	912,904	934,924
	$ 3,623,900	$ 3,359,421

12. BONDS PAYABLE

	June 30, 2008		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 3rd	$ 1,200,000	$ -	$ 1,200,000

	June 30, 2007		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 2nd	$ 1,470,000	$ -	$ 1,470,000
Domestic unsecured bonds - 3rd	900,000	1,200,000	2,100,000
	$ 2,370,000	$ 1,200,000	$ 3,570,000

a. Domestic unsecured bonds - 2nd

These are five-year unsecured domestic bonds issued at par value from March 28, 2003 to April 3, 2003. The total face value of the bonds is $1,470,000 thousand, with a face value of $1,000 thousand and interest rate of 2.6% in the first year and 3.2% minus USD six-month LIBOR rate from the second year to maturity, payable semiannually. The Company already repaid all of the bonds payable by April 3, 2008.

b. Domestic unsecured bonds - 3rd

Three-year, four-year and five-year domestic unsecured bonds were issued at par value on December 12, 2003. The total face value of the bonds is $3,000,000 thousand, with a face value of $5,000 thousand and annual interest rates of 1.83% (three-year bonds) and 1.92% (four-year bonds). The interest rate for five-year bonds is 5.2% minus USD six-month LIBOR rate if the LIBOR rate is greater than 1.05%; otherwise, the interest is at the LIBOR rate plus 1%, payable semiannually. The Company should redeem the full amount when the bonds become due in 2006, 2007 and 2008. The Company already repaid $900,000 thousand on December 12, 2007 and 2006, respectively.

13. LEASE PAYABLE

	June 30 2008	June 30 2007
Total future lease payments	$ 10,349	$ 31,555
Less: Imputed interest expense	1,989	3,315
	8,360	28,240
Less: Current portion of lease payable	4,180	19,880
Lease payable - noncurrent	$ 4,180	$ 8,360

The contracts of capital lease were summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Six Months Ended June 30 2008	Rental Paid Six Months Ended June 30 2007
Far Eastern International Leasing Corp.	Computer equipment	July 2004 - June 2009 $15,414 thousand annually	$ 15,414	$ 15,414
Far Eastern International Leasing Corp.	Computer equipment	March 2006 - February 2011 $5,063 thousand annually	5,063	5,063
			$ 20,477	$ 20,477

14. PENSION PLAN

a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, rate of monthly contributions by the Company to the employees' individual pension fund accounts starting on July 1, 2005 is at 6% of monthly wages and salaries. The pension cost under the defined contribution plan amounted to $57,570 thousand and $65,403 thousand for the six months ended June 30, 2008 and 2007, respectively.

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

   The Company (including KG Telecom, KGEx.com Co., Ltd., Far EasTron Co., Ltd. and Yuan Cing Co., Ltd.) accrue pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity). The pension cost under the defined benefit plan amounted to $29,931 thousand and $30,074 thousand for the six months ended June 30, 2008 and 2007, respectively.

15. STOCKHOLDERS' EQUITY

a. Capital surplus

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

b. Appropriation of earnings and dividend policy

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

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

For the six months ended June 30, 2008, the bonuses to employees and the remuneration to directors and supervisors, representing 2% and 1%, respectively, of net income less 10% legal reserve were accrued on the basis of past experiences. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are retroactively 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 bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day 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.

Under the ROC Company Law, legal reserve should be appropriated until the accumulated reserve equals the Company's paid-in capital. Legal reserve may be used to offset a deficit. When the reserve exceeds 50% of the Company's paid-in capital, the excess may be distributed as follows: (a) if the Company has no earnings, the excess may be declared as dividends or bonus; and (b) if the Company has no deficit, only the excess portion that is over 25% of the Company's paid-in capital may be declared as stock dividends.

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

The appropriation of the 2007 and 2006 earnings were approved by the stockholders on June 5, 2008 and June 12, 2007, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2007	**2006**	**2007**	**2006**
Legal reserve	$ 1,161,944	$ 1,315,623		
Special reserve	(44,832)	44,832		
Bonus to employees - cash	210,047	235,915		
Remuneration to directors and supervisors	105,023	117,958		
Cash dividend	10,101,353	12,005,255	$ 3.10	$ 3.10

There was no difference in the appropriation and distribution of the 2007 and 2006 earnings proposed by the board of directors on April 22, 2008 and April 19, 2007, respectively, and those resolved by the stockholders. As of June 30, 2008, directors and supervisors' remuneration of $105,023 thousand had been included in other current liabilities, and cash dividend of $10,101,353 thousand had been included in dividends payable. The effective date of the distribution of cash dividend is August 18, 2008. Related information can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Global depositary receipts

The Company's Global Depositary Receipts (GDRs) as of June 30, 2008 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)	21,539	323,076
GDRs transferred to common stock		(29,214)	(438,205)
Outstanding GDRs issued		2,128	31,918

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

2) On July 20, 2004, the SFB approved the Company's request to issue new common stock in the form of GDRs of US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of June 30, 2008, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds, representing 2,473 thousand common shares.

3) In 2004, the Company issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand common shares. Furthermore, in 2008, the Company cancelled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 thousand common shares.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDRs re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of June 30, 2008, the Company had reissued 21,539 thousand units of GDR, representing 323,076 thousand common shares.

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

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

d. Capital reduction

To enhance the return of stockholders' equities, the Company's board of directors proposed on April 30, 2007 to reduce capital by returning $7,745,326 thousand in cash to stockholders and decreasing common stock by 774,532 thousand shares. The capital reduction was approved by the stockholders' meeting on June 12, 2007. The capital reduction ratio was 19.204715% and the cash return per share was around NT$1.9204715. Paid-in capital after the capital reduction was $32,585,008 thousand. The Company's board of directors resolved January 15, 2008 as the record date of the capital reduction. On January 22, 2008, this capital reduction was registered with the MOEA. The authority also approved March 17, 2008 as the share exchange date of the capital reduction. The foregoing payable amounts due to the capital reduction were fully paid on March 28, 2008.

e. Cumulative translation adjustments

Cumulative translation adjustments for the six months ended June 30, 2008 and 2007 were summarized as follows:

	Six Months Ended June 30	
	2008	**2007**
Difference due to translation of foreign-currency financial statements		
Beginning balance	$ 11,826	$ 4,960
Recorded as adjustment under stockholders' equity	(837)	4,288
	$ 10,989	$ 9,248

f. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the six months ended June 30, 2008 and 2007 were summarized as follows:

	Recognized from Equity-method Investments	**Unrealized Gain (Loss) on Cash Flow Hedge**	**Total**
Six months ended June 30, 2008			
Beginning balance	$ 19,510	$ (16,201)	$ 3,309
Recorded as adjustments to stockholders' equity	(21,375)	3,149	(18,226)
Recognized as profit or loss	-	13,315	13,315
Ending balance	$ (1,865)	$ 263	$ (1,602)
Six months ended June 30, 2007			
Beginning balance	$ (174)	$ (49,618)	$ (49,792)
Recorded as adjustments to stockholders' equity	29,451	(8,973)	20,478
Recognized as profit or loss	-	20,716	20,716
Ending balance	$ 29,277	$ (37,875)	$ (8,598)

16. 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:

	Six Months Ended June 30	
	2008	**2007**
Income tax expense computed at statutory tax (25%)	$ 1,656,192	$ 1,736,685
Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	-	(220,243)
Equity in investees' net gains	(218,444)	(536,393)
Other	83,071	(8,036)
Temporary differences	317,943	(214,822)
Investment tax credits used	(145,000)	(25,000)
Unappropriated earnings tax (10%)	8,591	-
Income tax payable - current	1,702,353	732,191
Income tax expense on income subjected to a separate rate of 20%	3,325	6,738
Prior year's adjustment	20,548	26,398
Income tax expense - current	$ 1,726,226	$ 765,327

Net operating income generated from the use of switches and cell sites acquired from January 1, 2000 to June 26, 2002 is exempt from income tax from June 26, 2002 to June 25, 2007.

b. Income tax expense consisted of:

	Six Months Ended June 30	
	2008	**2007**
Income tax expense - current	$ 1,726,226	$ 765,327
Income tax expense - deferred		
Temporary differences	(317,943)	214,822
	$ 1,408,283	$ 980,149

c. Changes in income tax payable were as follows:

	Six Months Ended June 30	
	2008	**2007**
Beginning balance	$ 1,153,125	$ 722,585
Income tax expense - current	1,726,226	765,327
Income tax paid	(1,351,580)	(625,617)
Ending balance	$ 1,527,771	$ 862,295

d. Deferred income taxes assets were as follows:

	June 30	
	2008	**2007**
Current		
Allowance for doubtful accounts	$ 517,687	$ 495,333
Provision for losses on decline in value of inventories	6,453	9,496
Investment tax credits	26,841	3,971
Unrealized gain on financial instruments	(88)	-
Unrealized foreign exchange losses, net	465	87
Other	15,394	11,446
	566,752	520,333
Less: Valuation allowance	26,841	3,971
	$ 539,911	$ 516,362
Noncurrent		
Depreciation resulting from the differences in estimated service lives of properties	$ 71,921	$ 148,369
Accrued pension cost	86,019	83,912
Unrealized loss on financial instruments	-	12,624
Investment tax credits	-	26,841
Equity in investees' net losses	496,125	15,428
	654,065	287,174
Less: Valuation allowance	235,218	26,841
	$ 418,847	$ 260,333

The tax rate used in calculating deferred income tax was 25%.

e. Integrated income tax information was as follows:

	June 30	
	2008	**2007**
Balance of imputation credit account (ICA)	$ 3,197,006	$ 3,024,064

The estimated ratio of the ICA balance as of December 31, 2007 to unappropriated earnings as of such date was 25.59%. When the dividends from the unappropriated earnings as of December 31, 2006 were distributed in 2007, the actual ratio used was 20.74%.

Based on the Income Tax Law, the imputation tax credits distributed to each stockholder are based on the ICA balance as of the date of dividend distribution. Thus, the estimated creditable ratio for the 2007 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2006 earnings appropriation had been determined, the actual ratio was disclosed.

f. Investment tax credits are as follows:

The unused investment tax credits of the Company as of June 30, 2008 are summarized as follows:

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	$ 26,841	$ 26,841	2008

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

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

17. FACTORING OF NONPERFORMING ACCOUNTS RECEIVABLE

The Company wrote off certain overdue/nonperforming accounts receivables. Under agreements signed in March 2007, the Company factored these receivables, i.e., sold them without recourse, to an asset management company. Thus, the Company was no longer responsible for collecting these receivables.

Related information for the six months ended June 30, 2007 was as follows:

Counter Party	Amount of Factored Accounts Receivable	Proceeds of the Factoring of Accounts Receivable
Six months ended June 30, 2007		
Hui Cheng First Asset Management Co., Ltd.	$ 1,158,871	$ 26,979

18. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2008				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 165,505	$ 892,479	$ -	$ 240,158	$ 1,298,142
Pension	23,354	42,812	-	21,335	87,501
Meal	4,340	22,682	-	7,021	34,043
Employee benefit	-	25,449	-	-	25,449
Insurance	12,677	55,898	-	17,942	86,517
Miscellaneous	1,772	12,701	-	7,943	22,416
	$ 207,648	$ 1,052,021	$ -	$ 294,399	$ 1,554,068
Depreciation	$ 3,184,957	$ 448,870	$ 1,022	$ -	$ 3,634,849
Amortization	$ -	$ 14	$ -	$ -	$ 14

	Six Months Ended June 30, 2007				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 99,319	$ 544,000	$ -	$ 484,211	$ 1,127,530
Pension	15,338	43,387	-	36,752	95,477
Meal	2,629	17,145	-	13,544	33,318
Employee benefit	-	22,088	-	-	22,088
Insurance	7,775	41,715	-	35,748	85,238
Miscellaneous	1,180	16,452	-	11,027	28,659
	$ 126,241	$ 684,787	$ -	$ 581,282	$ 1,392,310
Depreciation	$ 3,233,151	$ 512,293	$ 1,022	$ -	$ 3,746,466
Amortization	$ -	$ 231	$ -	$ -	$ 231

The Company provided management services to certain equity-method investees (Note 21). The employee expenses were charged on the basis of agreed-upon terms and recorded as reductions of operating costs or expenses.

19. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Six months ended June 30, 2008					
Basic EPS					
Net income	$ 6,624,769	$ 5,216,486	3,318,079	$2.00	$1.57
Effect of dilutive potential common stock					
Bonus to employees	-	-	2,199		
Diluted EPS					
Net income including the effect of potential dilutive common stock	$ 6,624,769	$ 5,216,486	3,320,278	$2.00	$1.57
Six months ended June 30, 2007					
Basic EPS					
Net income	$ 6,946,741	$ 5,966,592	3,872,663	$1.79	$1.54

The Company presumes that the bonus to employees will be settled in shares and the resulting potential shares will 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 amount of bonus by the closing price of the shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

20. FINANCIAL INSTRUMENTS

a. Fair value information

	June 30			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Hedging derivative financial assets - current	$ 351	$ 351	$ -	$ -
Equity-method investments	40,226,388	40,226,388	35,015,411	35,015,411
Refundable deposits (including current portion)	259,683	259,464	321,829	321,386
Liabilities				
Hedging derivative financial liabilities (including current portion)	-	-	50,499	50,499
Bonds payable (including current portion)	1,200,000	1,200,000	3,570,000	3,570,000
Lease payable (including current portion)	8,360	8,360	28,240	28,240
Guarantee deposits received (including current portion)	683,834	683,834	763,895	763,895

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

1) Cash and cash equivalents, accounts and notes receivable, receivables from related parties, dividends receivable, restricted assets, notes payable, accounts payable, payables to related parties, dividends payable 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 derivative instruments. Otherwise, the fair values are evaluated by the Company using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Company.

   The Company uses the long-term interest rate quotations of Reuters (or Bloomberg) to calculate the fair value of each interest rate swap based on the net cash flow.

3) The fair values of equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.

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

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:

	June 30			
	Quoted Price		Estimated Price	
	2008	2007	2008	2007
Assets				
Hedging derivative financial assets - current	$ -	$ -	$ 351	$ -
Liabilities				
Hedging derivative financial liabilities (including current portion)	-	-	-	50,499

d. As of June 30, 2008 and 2007, financial assets with fair value risk from interest rate fluctuations amounted to $561,443 thousand and $6,304,789 thousand, respectively, while financial liabilities with fair value risk from interest rate fluctuations amounted to $692,194 thousand and $1,692,135 thousand, respectively. As of June 30, 2008 and 2007, financial assets with cash flow risk from interest rate fluctuations amounted to $816,735 thousand and $1,004,371 thousand, respectively, while the financial liabilities with cash flow risk from interest rate fluctuations amounted to $1,200,000 thousand and $2,670,000 thousand, respectively.

e. Financial risks

1) Market risk

The Company entered into interest rate swap contracts to hedge the effect of interest rate fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Therefore, the market risk is not material.

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

2) Credit risk

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

3) Liquidity risk

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

The Company entered into interest rate swaps to hedge cash flow risks. The interest rate swap contracts are settled at net amounts; thus, the expected cash demand is not significant. However, the Company also possessed equity-method investments with no quoted prices in an active market; thus, it might face liquidity risks.

KG Telecom invested in domestic quoted stocks and mutual funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values. However, KG Telecom also invested in domestic private fund and equity-method investments with no quoted prices in an active market; thus, these investments could expose KG Telecom to liquidity risks.

ARCOA invested in mutual funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values. However, ARCOA also invested in financial bonds and equity instruments with no quoted prices in an active market; thus, these investments could expose ARCOA to liquidity risks.

4) Cash flow risk from interest fluctuations

The Company and subsidiaries have short-term and long-term liabilities with floating interest rates. As a result, the effective interest rates on these loans will change as the market interest rates change.

f. Cash flow hedge

The Company used interest rate swaps to hedge overall cash flow fluctuations on its liabilities:

		Designated Hedging Instruments					
		Notional Amount June 30		Fair Value June 30			
Hedged Items	Financial Instruments Designated	2008	2007	2008	2007	Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
Bonds with floating interest rate	Interest rate swap - the Company	$ 1,200,000	$ 2,670,000	$ 351	$ (50,499)	2003-2008	2003-2008

21. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Far Eastern Textile Ltd.	Ultimate parent company
KG Telecommunications Co., Ltd. (KG Telecom)	Subsidiary
ARCOA Communication Co., Ltd. (ARCOA)	Subsidiary
Q-ware Communications Co., Ltd.	Became subsidiary since July 2007
E. World (Holdings) Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (Bermuda) (FEIS)	Subsidiary
Far EasTron Holding Ltd.	Subsidiary
KGEx.com Co., Ltd. (KGEx)	Subsidiary of KG Telecom
KGT International Holding Co., Ltd.	Subsidiary of KG Telecom (dissolved in May 27, 2008)
Yuan Cing Co., Ltd.	Subsidiary of E. World (Holdings) Ltd.
Far Eastern Tech-info Ltd. (Shanghai) (FETI)	Subsidiary of FEIS
Far EasTron Co., Ltd.	Subsidiary of Far EasTron Holding Ltd.
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman (became equity-method investee since December 31, 2007)
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee
Iscreen Technology Ltd.	Equity-method investee of KG Telecom
ADCast Interactive Marketing Co., Ltd.	Subsidiary of NCIC (became equity-method investee of KG Telecom since March 2008)
Digital United Inc.	Subsidiary of NCIC (became related party since December 31, 2007)
NTT DoCoMo Inc.	Director
Far Eastern International Leasing Corp. (FEILC)	Supervisor
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 chairman
Yuan Ding Co.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Memorial Hospital	Same chairman

(Continued)

Related Party	Relationship with the Company
Oriental Institute of Technology	Same 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
Yuan Ding Investment Corporation	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited (Former Taiwan Recycling Corp.)	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
Pacific Petrochemical (Holding) Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Industries (Jiu Jiang) 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
Waldorf Service B.V.	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. (Former Wu Han Far Eastern Industrial Trading Ltd.)	Same ultimate parent company
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited.	Same ultimate parent company
Sino Belguim (Suzhou) Limited	Same ultimate parent company
Fashionline Saigon Ltd.	Same ultimate parent company

(Concluded)

In addition to those disclosed in Notes 7, 13, 14 and 18, the significant transactions with the above parties are summarized as follows:

		2008		2007	
		Amount	**%**	**Amount**	**%**
During the period					
Operating revenue	a.				
KG Telecom	b.	$ 1,490,898	6	$ 1,381,860	6
NCIC	c.	513,626	2	141,804	1
ARCOA	d.	102,989	1	58,080	-
KGEx	e.	102,671	-	141,084	1
Other	t.	46,432	-	33,515	-
		$ 2,256,616	9	$ 1,756,343	8
Operating costs and expenses					
Cost of telecommunications service					
KG Telecom	b.	$ 883,556	8	$ 882,011	9
NCIC	c.	44,762	1	5,817	-
ARCOA	d.	29,389	-	17,968	-
Other	t.	26,579	-	8,681	-
		$ 984,286	9	$ 914,477	9
Purchase					
ARCOA	d.	$ 1,004,724	49	$ 500,420	28
Rental					
FETRD	f.	$ 22,468	2	$ 24,573	2
FEILC	g.	21,074	1	18,811	2
Other	t.	29,021	2	29,321	2
		$ 72,563	5	$ 72,705	6
Service fee					
FETI	h.	$ 77,205	54	$ 67,551	52
FCHRC	i.	26,783	19	24,502	19
Other	t.	2,154	1	1,237	1
		$ 106,142	74	$ 93,290	72
Marketing expense					
ARCOA	d.	$ 295,031	7	$ 250,611	7
KG Telecom	j.	101,917	2	101,645	3
Other	t.	50,401	1	36,194	-
		$ 447,349	10	$ 388,450	10
Nonoperating income and gains					
Management services revenue					
KG Telecom	k.	$ 31,001	96	$ 60,566	92
KGEx	l.	-	-	3,750	6
Other	t.	1,440	4	1,664	2
		$ 32,441	100	$ 65,980	100

		2008		2007	
		Amount	**%**	**Amount**	**%**
Commission					
KG Telecom	j.	$ 30,388	100	$ 94,873	100
Guarantee services revenue					
KG Telecom	m.	$ 638	2	$ -	-
KGEx	m.	41	-	-	-
FETC	n.	-	-	196	1
		$ 679	2	$ 196	1
Other revenue					
Q-ware	o.	$ 5,606	14	$ -	-
ARCOA	d.	1,892	5	1,908	7
		$ 7,498	19	$ 1,908	7
Nonoperating expenses and losses					
Guarantee services expenses					
KG Telecom	m.	$ 867	25	$ -	-
Acquisition of properties					
KG Telecom	p.	$ 1,615	-	$ 1,812	-
Other	t.	-	-	114	-
		$ 1,615	-	$ 1,926	-
Disposal of properties					
KG Telecom	q.	$ -	-	$ 210	10
At end of period					
Receivables from related parties					
Accounts and notes receivable					
KG Telecom	b.	$ 419,356	55	$ 266,082	36
ARCOA	d.	164,729	22	143,131	19
KGEx	e.	37,852	5	52,518	7
Other	t.	25,295	3	10,672	2
		647,232	85	472,403	64
Other receivables					
KG Telecom	j., k. and m.	72,012	9	188,019	25
KGEx	l.	7,059	1	3,703	1
ARCOA	d.	7,047	1	2,731	-
FETC	r.	4,497	1	79,772	11
Other	t.	20,388	3	11,807	2
		111,003	15	286,032	39
Less: Allowance for doubtful accounts	r.	-	-	20,053	3
		111,003	15	265,979	36
		$ 758,235	100	$ 738,382	100

		2008 Amount	%	2007 Amount	%
Refundable deposits					
DDIM	s.	$ 26,571	10	$ 24,007	10
Other	t.	8,660	4	8,646	3
		$ 35,231	14	$ 32,653	13
Payables to related parties					
KG Telecom	b., j., m. and p.	$ 934,229	65	$ 1,095,766	73
ARCOA	d.	200,813	14	248,769	16
NCIC	c.	187,900	13	78,229	5
DDIM	s.	43,971	3	29,863	2
FETI	h.	28,771	2	19,318	1
Other	t.	45,988	3	38,246	3
		$ 1,441,672	100	$ 1,510,191	100
Lease payable (including current portion)					
FEILC	g.	$ 8,360	100	$ 28,240	100

Financing to related parties was as follows:

Related Party	Highest Balance Held During the Year	Ending Balance (Included in Receivables from Related Parties)	Rate (%)	Interest	Collateral
Six months ended June 30, 2007					
FETC	$50,000	$50,000	6.685-6.715	$1,028	$71,850

Descriptions of transactions with related parties were as follows:

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

b. The transactions between the Company and KG Telecom consisted of the interconnection activities for KG Telecom's use of the Company's network and vice versa. The interconnection fees received from KG Telecom for its use of the Company's network were included in telecommunications service revenues. The interconnection fee paid by the Company on its use of KG Telecom's network and related billing processing costs were included in the cost of telecommunications services.

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

d. The revenues from the sales of cellular phone equipment and accessories to ARCOA were recognized as operating revenues. The Company agreed to pay to ARCOA handset subsidies and commissions (included in marketing expenses) because of ARCOA's promotion of the Company's SIM card numbers;

these payments were settled at net amounts. The Company's purchases of cellular phone units and accessories from ARCOA were recorded as purchase and payables to related parties. The Company's sales of prepaid cards and SIM cards of mobile virtual network operator services to ARCOA were recorded as receivables from related parties. The airtime charged to ARCOA was recorded as telecommunications service revenues. The logistics service expenses of handset and SIM cards paid by the Company to ARCOA were recorded as cost of telecommunications services. The billing processing services provided by the Company for ARCOA's mobile virtual network services were recorded as nonoperating income and gains.

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

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

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

   When the related contracts expire, the Company is entitled to renew the contracts or to buy the buildings or land at the following prices:

	Purchase Price
Neihu switch center	$ 130,000
Taichung land for switch center	106,050
Tainan office space	78,000
Kaohsiung office space	45,900
Xinzhu land for switch center	120,000

   The Company leases from FEILC computer equipment, under capital lease agreements, with annual lease payments of $20,477 thousand (Note 13).

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

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

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

k. The Company provided management services and advances to KG Telecom for its daily operating expenditures. The service revenue and advances were collected monthly.

l. The Company provided management services to KGEx and the service revenues were collected monthly. The Company also gave advances to KGEx for its daily operating expenditures and the advances were recorded as receivables from related parties.

m. Under the NCC's policy effective April 1, 2007, the Company had provided performance guarantees amounting to $450,000 thousand to KG Telecom and $45,000 thousand to KGEx for prepaid cards and international direct dialing calling cards already bought by customers. KG Telecom had also provided the Company a similar guarantee amounting to $850,000 thousand. The guarantee service revenues and expenses were charged and paid on the basis of actual appropriation amounts multiplied at the agreed rate.

n. The Company provided FETC with $154,000 thousand as endorsement for its bank loans, with charges to FETC based on the agreed rate.

o. The Company provided call center service for Q-ware's clients and charged service fee.

p. The Company bought from KG Telecom operating equipment.

q. The Company had sold properties to KG Telecom. The properties were sold at net book value and the proceeds amounted to $210 thousand.

r. The Company financed FETC and gave advances for its daily operating expenditures, which were treated as receivables from related parties. For the six months ended June 30, 2007, an allowance for doubtful accounts amounting to $20,053 thousand was provided based on the allowance provision policy of the Company.

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

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

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

22. COMMITMENTS AS OF JUNE 30, 2008

In addition to those disclosed in Note 21, the Company had the following significant commitments:

a. The Company was under contracts to acquire properties and cellular phone equipment for $1,711,046 thousand and $122,783 thousand, respectively.

b. The Company's outstanding letters of credit amounted to ￥43 thousand (equivalent to $12 thousand) and US$2,236 thousand (equivalent to $67,840 thousand).

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

Year	Amount
From July 1, 2008 to December 31, 2008	$ 920,706
2009	1,913,108
2010	1,987,612
2011	2,065,035
2012	2,145,493
From January 1, 2013 to June 30, 2013	1,114,552

23. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

1) Financing provided: None

2) Endorsement/guarantee provided: Schedule A

3) Marketable securities and investments held: Schedule B

4) Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Schedule C

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 the Company exercises significant influence: Schedule F

10) Derivative financial instruments of investees: None

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: Note 21

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2008
(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	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.	KG Telecommunications Co., Ltd.	Subsidiary	$ 33,191,495	$ 450,000	$ 450,000	$ -	0.68%	$ 66,382,989
		KGEx.com Co., Ltd.	Subsidiary of KG Telecom	33,191,495	45,000	45,000	-	0.07%	66,382,989
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	16,187,047	850,000	850,000	-	2.63%	32,374,094

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

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

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
JUNE 30, 2008
(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	June 30, 2008				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	$ 32,374,094	100.00	$ 32,374,094	Note A
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	980,315,483	5,775,189	24.51	5,775,189	Note A
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	79,353,013	1,023,867	59.10	1,023,867	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	525,014	41.18	525,014	Note A
	Q-ware Communications Co., Ltd.	Equity-method investee	Equity-method investments	36,459,930	276,111	51.00	276,111	Note A
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	146,758	100.00	146,758	Note B
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	63,823	85.92	63,823	Note B
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	28,112	100.00	28,112	Note B
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,500,000	13,260	15.00	13,260	Note B
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	100,000	160	0.67	160	Note B
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	186,671,425	888,914	74.67	888,914	Note A
	KGT International Holding Co., Ltd.	Equity-method investee	Equity-method investments	50,000	69,649	100.00	69,649	Note B
	iScreen	Equity-method investee	Equity-method investments	4,000,000	28,069	40.00	28,069	Note B
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	368,517	3,341	20.87	3,341	Note B
	TXC	-	Available-for-sale financial assets - current	200,000	10,240	-	10,240	Note G
	ACX	-	Available-for-sale financial assets - current	65,000	6,350	-	6,350	Note G
	GET	-	Available-for-sale financial assets - current	150,136	25,748	-	25,748	Note G
	CyberLink	-	Available-for-sale financial assets - current	50,000	7,250	-	7,250	Note G
	SOFT-WORLD	-	Available-for-sale financial assets - current	100,000	10,400	-	10,400	Note G
	PVI	-	Available-for-sale financial assets - current	150,000	4,260	-	4,260	Note G
	MIC	-	Available-for-sale financial assets - current	200,000	13,800	-	13,800	Note G
	CSC	-	Available-for-sale financial assets - current	250,000	11,713	-	11,713	Note G
	TSMC	-	Available-for-sale financial assets - current	200,000	13,000	-	13,000	Note G
	ACER	-	Available-for-sale financial assets - current	250,000	14,950	-	14,950	Note G
	CHT	-	Available-for-sale financial assets - current	200,000	15,700	-	15,700	Note G
	SMP	-	Available-for-sale financial assets - current	50,000	7,550	-	7,550	Note G
	MOTECH	-	Available-for-sale financial assets - current	100,000	23,600	-	23,600	Note G
	GIANT	-	Available-for-sale financial assets - current	100,000	8,150	-	8,150	Note G
	Open-ended mutual funds							
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	817,693	-	817,693	Note C
	JF (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	189,654	-	189,654	Note C

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2008				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Private funds							
	FEA Long-Short Private Placement Fund	-	Financial assets carried at cost - noncurrent	10,000,000.00	$ 87,509	-	$ 87,509	Note D
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	150,000	Note D
ARCOA Communication Co., Ltd.	Stocks							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729	Note D
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,830,901	6,714	4.17	6,714	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	2,000,000	8,400	0.10	8,400	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note D
	Open-ended mutual funds							
	Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets - current	12,626,337.00	180,703	-	180,703	Note C
	ING Taiwan Bond Fund	-	Available-for-sale financial assets - current	1,946,497.28	30,049	-	30,049	Note C
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds carried at amortized cost - current	3,000,000.00	3,000	-	3,000	Note D
Far Eastern Info Service (Holding) Ltd. (Note E)	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$ 4,177,000	100.00	US$ 4,177,000	Note B
Far EasTron Holding Ltd. (Note E)	Stocks							
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	14,900,000	US$ 916,000	99.33	US$ 916,000	Note B
E. World (Holdings) Ltd. (Note E)	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 2,170,000	99.99	US$ 2,170,000	Note B
KGT International Holding Co., Ltd. (Note E)	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	11,465,000	54,595	4.59	54,595	Note A

Note A: The calculation was based on audited financial statements as of June 30, 2008.

Note B: The calculation was based on unaudited financial statements as of June 30, 2008.

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of June 30, 2008.

Note D: The financial assets carried at cost, bonds carried at amortized cost and equity-method investments without quoted prices were measured by net worth of investees or their respective carrying values.

Note E: The information was based on unaudited financial statements as of June 30, 2008.

Note F: The carrying values of available-for-sale financial assets - current were equal to market values as of June 30, 2008.

Note G: The calculation of domestic publicly traded stocks was based on their closing prices at the end of June 30, 2008.

(Concluded)

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Share/Units	Amount
ARCOA Communication Co., Ltd.	Pca Well Pool Fund	Available-for-sale financial assets - current	-	-	11,840,116.17	$ 150,000	10,974,512.50	$ 140,000	22,814,628.67	$ 291,238	$ 290,000	$ 1,238	-	$ -
	Yuanta Wan Tai Bond Fund	Available-for-sale financial assets - current	-	-	8,486,961.50	120,000	10,511,710.10	150,000	6,372,334.60	90,884	90,000	884	12,626,337.00	180,000

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2008
(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.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications service revenues	$ (1,490,898)	(6%)	Based on agreement	-	-	Accounts receivable	$ 419,356	7%
			Cost of telecommunications services	883,556	8%	Based on agreement	-	-	Accounts payable	(138,528)	(13%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and telecommunications service revenues	(102,989)	(1%)	Based on agreement	-	-	Accounts receivable	164,729	3%
			Cost of telecommunications services, marketing expenses and cost of sales	1,329,144	8%	Based on agreement	-	-	Accounts payable and accrued expense	(200,813)	(4%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications service revenues	(102,671)	-	Based on agreement	-	-	Accounts receivable	37,852	1%
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(513,626)	(2%)	Based on agreement	-	-	Accounts receivable (Note)	-	-
									Accounts payable (Note)	(147,171)	(14%)
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(883,556)	(13%)	Based on agreement	-	-	Accounts receivable	138,528	8%
			Cost of telecommunications services	1,490,898	31%	Based on agreement	-	-	Accounts payable	(419,356)	(69%)
	ARCOA Communication Co., Ltd.	Same parent company	Cost of telecommunications services, marketing expenses and cost of sales	316,027	5%	Based on agreement	-	-	Accounts payable and accrued expense	(40,927)	(2%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(1,329,144)	(41%)	Based on agreement	-	-	Accounts receivable	200,813	60%
			Purchase	102,989	4%	Based on agreement	-	-	Accounts payable	(164,729)	(28%)
	KG Telecommunications Co. Ltd.	Same parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(316,027)	(10%)	Based on agreement	-	-	Accounts receivable	40,927	12%
KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Cost of telecommunications services	102,671	22%	Based on agreement	-	-	Accounts payable	(37,852)	(21%)

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2008
(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.	KG Telecommunications Co., Ltd.	Subsidiary	$ 491,368	(Note A)	$ -	-	$ 269,893	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	171,776	9.00	-	-	126,881	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	934,229	(Note B)	-	-	811,394	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	200,813	11.70	-	-	151,578	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for KG Telecom's daily operating expenditures.

Note B: The turnover rate was unavailable as the receivables from related parties were mainly due to collection of telecommunications bills by the Company for KG Telecom.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2008			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				June 30, 2008	December 31, 2007	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	$ 29,629,139	$ 29,629,139	1,332,997,916	100.00	$ 32,374,094	$ 873,845	$ 873,775	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,062,000	6,062,000	980,315,483	24.51	5,775,189	(1,451,972)	(286,811)	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,278,944	1,278,944	79,353,013	59.10	1,023,867	44,172	24,298	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,577,140	157,714,020	41.18	525,014	(291,259)	(119,842)	Notes B and C
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	276,111	(149,004)	(75,991)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	146,758	8,261	8,261	Notes A and D
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	63,823	3,264	2,804	Notes A and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	28,112	(10,908)	(10,908)	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	13,260	(34,313)	(4,040)	Notes C and D
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	1,000	100,000	0.67	160	(10,876)	(73)	Notes D and E
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,199,200	2,197,794	186,671,425	74.67	888,914	(69,028)		Notes B and E
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	69,649	(4,323)		Notes D and E
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	28,069	3,622		Notes D and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	3,652	-	368,517	20.87	3,341	(1,878)		Notes D and F
Far Eastern Info Service (Holding) Ltd. (Note G)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer data providing service	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 4,177,000	3,830		Notes D and E
Far EasTron Holding Ltd. (Note G)	Far EasTron Co., Ltd.	Taiwan	Internet service	US$ 4,532,000	US$ 4,532,000	14,900,000	99.33	US$ 916,000	(10,876)		Notes D and E
E. World (Holdings) Ltd. (Note G)	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	99.99	US$ 2,170,000	3,823		Notes D and E
KGT International Holding Co., Ltd. (Note G)	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	US$ 4,822,000	US$ 4,822,000	11,465,000	4.59	54,595	(69,028)		Notes B and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of June 30, 2008.

Note C: Equity-method investee of the Company.

Note D: The calculation was based on unaudited financial statements as of June 30, 2008.

Note E: Subsidiary of KG Telecom, E. World (Holdings), Far Eastern Info Service (Holding), or Far EasTron Holding.

Note F: Equity-method investee of KG Telecom.

Note G: The information was based on unaudited financial statements as of June 30, 2008.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 Jan. 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2008 (Note A)	Accumulated Inward Remittance of Earnings as of June 30, 2008	Accumulated Investment in Mainland China as of June 30, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	$75,850 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$3,830	$126,730 (US$4,177,000)	$ -	$92,616	$92,616	$14,776,598 (Note C)

Note A: The calculation was based on unaudited financial statements as of June 30, 2008.

Note B: The Company made the investment through a company registered in a third region.

Note C: Based on the limit stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued by the ROC Investment Commission of the MOEA on March 11, 2008.

Note D: Please refer to Note 21 for significant transactions with the investee company.