Far EasTone Telecommunications Co., Ltd.

Financial Statements for the
Six Months Ended June 30, 2009 and 2008 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, 2009 and 2008, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2009 and 2008, 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, 2009 and 2008 and have issued an unqualified opinion thereon in our reports dated July 27, 2009 and August 6, 2008, respectively.

July 27, 2009

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

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, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 4,240,687	5	$ 867,366	1
Available-for-sale financial assets - current (Notes 2 and 6)	50,350	-	-	-
Accounts and notes receivable, net (Notes 2 and 5)	5,217,764	6	4,888,159	5
Receivables from related parties, net (Notes 2 and 21)	1,062,370	1	781,199	1
Dividends receivable (Note 8)	911,971	1	3,505,651	4
Inventories, net (Notes 2 and 7)	444,222	1	236,186	-
Prepaid expenses	460,215	1	501,146	1
Hedging derivative financial assets - current (Notes 2 and 20)	-	-	351	-
Deferred income tax assets - current (Notes 2 and 17)	370,731	-	539,911	1
Restricted assets - current (Note 2)	-	-	260,293	-
Other current assets	9,053	-	24,062	-
Total current assets	12,767,363	15	11,604,324	13
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 8)	39,005,240	45	40,226,388	45
PROPERTIES (Notes 2, 9 and 21)				
Cost				
Land	852,980	1	847,138	1
Buildings and equipment	1,743,948	2	1,682,725	2
Operating equipment	70,268,868	80	66,255,628	75
Computer equipment	11,405,214	13	10,147,810	11
Office equipment	869,980	1	828,381	1
Leasehold improvements	1,617,563	2	1,506,557	2
Miscellaneous equipment	221,603	-	222,836	-
Total cost	86,980,156	99	81,491,075	92
Less: Accumulated depreciation	62,828,900	72	56,181,900	63
	24,151,256	27	25,309,175	29
Construction-in-progress and prepayments for equipment	3,384,164	4	2,871,108	3
Net properties	27,535,420	31	28,180,283	32
INTANGIBLE ASSETS				
3G concession, net (Notes 1, 2 and 10)	6,941,712	8	7,672,419	9
OTHER ASSETS				
Rental assets, net (Notes 2 and 11)	182,282	-	194,943	-
Refundable deposits (Note 21)	272,515	-	259,683	-
Deferred charges, net (Note 2)	49,600	-	74,912	-
Deferred income tax assets - noncurrent (Notes 2 and 17)	423,885	1	418,847	1
Pledged certificates of deposit (Note 23)	2,000	-	-	-
Total other assets	930,282	1	948,385	1
TOTAL	$ 87,180,017	100	$ 88,631,799	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable	$ 28,327	-	$ 30,486	-
Accounts payable	1,644,415	2	1,714,261	2
Payables to related parties (Note 21)	1,293,235	1	1,464,636	2
Income tax payable (Notes 2 and 17)	1,597,420	2	1,527,771	2
Accrued expenses (Note 12)	3,192,781	4	2,495,958	3
Dividends payable (Note 16)	9,123,802	10	10,101,353	11
Payables for acquisition of properties	860,368	1	1,312,181	1
Guarantee deposits received - current	527,216	1	607,890	1
Unearned revenues	804,680	1	641,955	1
Current portion of long-term bonds payable (Note 13)	-	-	1,200,000	1
Lease payable - current (Notes 2, 14 and 21)	4,180	-	4,180	-
Other current liabilities (Note 2)	268,816	-	336,339	-
Total current liabilities	19,345,240	22	21,437,010	24
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Lease payable - noncurrent (Notes 2, 14 and 21)	-	-	4,180	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 15)	353,499	-	326,056	-
Guarantee deposits received - noncurrent	93,678	-	75,944	-
Deferred revenue (Note 2)	433,863	1	405,620	1
Other (Notes 2 and 8)	76,044	-	-	-
Total other liabilities	957,084	1	807,620	1
Total liabilities	20,302,324	23	22,248,810	25
STOCKHOLDERS' EQUITY				
Capital stock - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding 3,258,501 thousand shares	32,585,008	38	32,585,008	37
Capital surplus				
Additional paid-in capital - share issuance in excess of par value	10,964,702	12	10,964,702	12
From business combination	8,482,381	10	8,482,381	10
From long-term equity-method investments	40,266	-	40,187	-
Total capital surplus	19,487,349	22	19,487,270	22
Retained earnings				
Legal reserve	9,066,992	10	8,050,917	9
Special reserve	21,740	-	-	-
Unappropriated earnings	5,642,475	7	6,250,407	7
Total retained earnings	14,731,207	17	14,301,324	16
Other adjustments				
Cumulative translation adjustments	28,647	-	10,989	-
Unrealized gains (losses) on financial instruments	45,482	-	(1,602)	-
Total other adjustments	74,129	-	9,387	-
Total stockholders' equity	66,877,693	77	66,382,989	75
TOTAL	$ 87,180,017	100	$ 88,631,799	100

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 21)				
Sales of cellular phone equipment and accessories, net	$ 1,702,001	7	$ 1,829,881	7
Telecommunications service revenues	24,435,788	93	23,528,552	93
Other	115,335	-	86,198	-
Total operating revenues	26,253,124	100	25,444,631	100
OPERATING COSTS (Notes 2, 7, 18 and 21)				
Cost of sales	2,113,744	8	2,051,592	8
Cost of telecommunications services	11,154,760	43	10,783,308	42
Total operating costs	13,268,504	51	12,834,900	50
GROSS PROFIT	12,984,620	49	12,609,731	50
OPERATING EXPENSES (Notes 2, 18 and 21)				
Marketing	4,737,936	18	4,550,714	18
General and administrative	1,617,058	6	1,875,400	8
Research and development	48,213	-	81,021	-
Total operating expenses	6,403,207	24	6,507,135	26
OPERATING INCOME	6,581,413	25	6,102,596	24
NONOPERATING INCOME AND GAINS				
Government grant (Note 2)	42,817	1	33,849	-
Management services revenue (Note 21)	24,190	-	32,441	-
Commission (Note 21)	21,800	-	30,388	-
Interest	1,702	-	28,725	-
Equity in investees’ net gains (Notes 2 and 8)	-	-	411,473	2
Other (Note 21)	37,797	-	38,655	-
Total nonoperating income and gains	128,306	1	575,531	2
NONOPERATING EXPENSES AND LOSSES				
Equity in investee’ net losses (Notes 2 and 8)	375,428	2	-	-
Loss on disposal of properties, net (Note 2)	93,061	-	47,783	-
Other (Notes 2, 9, 18 and 21)	7,973	-	5,575	-
Total nonoperating expenses and losses	476,462	2	53,358	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 6,233,257	24	$ 6,624,769	26
INCOME TAX (Notes 2 and 17)	1,623,833	6	1,408,283	6
NET INCOME	$ 4,609,424	18	$ 5,216,486	20

	2009		2008	
	Income Before Income Tax	**After Income Tax**	**Income Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 1.91	$ 1.41	$ 2.00	$ 1.57
Diluted	$ 1.91	$ 1.41	$ 2.00	$ 1.57

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock Issued and Outstanding (Note 16)		Capital Surplus (Notes 2 and 16)			Retained Earnings (Notes 2, 3 and 16)			Other Adjustments		
	Shares (Thousands)	Amount	Addition Paid-in Capital from 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 16)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 16)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2009	3,258,501	$ 32,585,008	$ 10,964,702	$8,482,381	$40,266	$8,050,917	$ -	$ 11,194,668	$28,464	$ (50,204)	$ 71,296,202
Appropriation of the 2008 earnings (Note)											
Legal reserve	-	-	-	-	-	1,016,075	-	(1,016,075)	-	-	-
Special reserve	-	-	-	-	-	-	21,740	(21,740)	-	-	-
Cash dividends - NT$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)
Net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	4,609,424	-	-	4,609,424
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	350	350
Changes in subsidiary's unrealized gain on financial assets	-	-	-	-	-	-	-	-	-	95,336	95,336
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	183	-	183
BALANCE, JUNE 30, 2009	3,258,501	$ 32,585,008	$ 10,964,702	$8,482,381	$40,266	$9,066,992	$21,740	$ 5,642,475	$28,647	$ 45,482	$ 66,877,693
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 gain 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

Note: The remuneration to directors and supervisors of $91,229 thousand and bonus to employees of $182,459 thousand for 2008 were included in the financial statements for the year ended December 31, 2008.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,609,424	$ 5,216,486
Depreciation and amortization	3,738,181	3,634,863
Amortization of 3G concession	365,353	365,353
Allowance for doubtful accounts	56,309	277,856
Provision (reversal of provision) for loss on decline in value of inventories	3,881	(15,277)
Equity in investees' net losses (gains)	375,428	(411,473)
Loss on disposal of properties, net	93,061	47,783
Accrued pension cost	7,171	11,252
Deferred income taxes	216,473	(317,943)
Net changes in operating assets and liabilities		
Accounts and notes receivable	(381,347)	(559,319)
Receivables from related parties	(171,388)	150,756
Inventories	3,201	84,450
Prepaid expenses	49,929	7,643
Other current assets	(639)	16,603
Notes payable	(17,082)	(8,562)
Accounts payable	(245,885)	137,745
Payables to related parties	(31,916)	198,812
Income tax payable	(560,313)	374,646
Accrued expenses	325,740	(203,562)
Unearned revenues	46,653	61,800
Other current liabilities	64,832	21,085
Net cash provided by operating activities	8,547,066	9,090,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(50,000)	-
Acquisition of equity-method investment	(339,772)	-
Acquisition of properties	(3,010,343)	(2,381,583)
Proceeds of the disposal of properties	1,423	6,984
Decrease in refundable deposits	8,825	2,307
Increase in pledged certificates of deposits	(2,000)	-
Decrease (increase) in restricted assets	72,446	(147,034)
Net cash used in investing activities	(3,319,421)	(2,519,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(1,150,000)	-
Decrease in commercial paper payable	(350,000)	-
Repayments of bonds payable	-	(1,470,000)
Decrease in guarantee deposits received	(27,438)	(31,987)
Increase in deferred revenue	35,919	138,395

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Capital reduction	$ -	$ (7,745,326)
Bonus paid to employees	-	(210,047)
Net cash used in financing activities	(1,491,519)	(9,318,965)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,736,126	(2,747,294)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	504,561	3,614,660
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,240,687	$ 867,366
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 9,080	$ 26,984
Less: Interest capitalized	3,857	18,857
Interest paid, net of capitalized interest	$ 5,223	$ 8,127
Income tax paid	$ 1,967,673	$ 1,351,580
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 4,180	$ 1,204,180
Cash dividend receivable from subsidiary	$ 911,971	$ 3,505,651
Declaration of cash dividend	$ 9,123,802	$ 10,101,353
Reclassification of properties to deferred charges	$ 8,453	$ 96,479
Reclassification of credit balance of long-term equity-method investment to other liabilities - other	$ 153	$ -
Declaration of remuneration to directors and supervisors	$ -	$ 105,023
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 2,003,920	$ 2,149,335
Decrease in payables for acquisition of properties	998,833	212,368
Decrease in lease payable	4,180	19,880
Decrease in other current liabilities	3,410	-
Cash paid for acquisition of properties	$ 3,010,343	$ 2,381,583
PROCEEDS OF DISPOSAL OF PROPERTIES		
Total amount of sold properties	$ 1,492	$ 6,673
Decrease (increase) in receivables on properties sold	(69)	353
Increase in receivables from related parties	-	(42)
Cash received from the disposal of properties	$ 1,423	$ 6,984

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(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, 2009, Far Eastern Textile Co., Ltd. ("Far Eastern Textile") and its affiliates directly and indirectly owned 41.40% 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 for 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 the 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 April 10, 2009, the Company got the NCC's permission to start the construction of WiMAX networks.

The Company had 3,759 and 3,370 employees as of June 30, 2009 and 2008, 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 loss on decline in value of inventories, depreciation and amortization, impairment loss on tangible and intangible assets, asset retirement obligation, product warranty reserve, income taxes, pension cost 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 and bonds purchased under resell agreements with original maturities of not more than three months are classified as cash equivalents. Their carrying values approximate their fair values.

Available-for-sale Financial Assets

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

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

Fair value is determined as follows: Mutual funds - at their net asset value on the balance sheet date.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

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

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

Promotion Expenses

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

Inventories

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

Government Grant

When received, the government grant is included in the restricted assets and in deferred revenue at the same time. The restricted asset is recognized as cash or cash equivalent when 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.

When the Company's share in losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

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.

In November 2008, the Company started to estimate and capitalize the costs of dismantling and removing properties and of restoring the cellular site on which they are located and to record these costs as properties and accrued asset retirement obligation.

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.

Deferred Charges

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

Impairment Loss

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

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

Deferral of Unrealized Intercompany Profit

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

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

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

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

Pension Costs

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

Income Tax

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

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

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

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

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
b. Recognized in profit or loss if the changes in fair value 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 resulted 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 the six months ended June 30, 2008 have been reclassified to be consistent with the presentation of the financial statements as of and for the six months ended June 30, 2009.

3. CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation (ARDF) 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.

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories". The main revisions are (a) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (b) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change had no significant influence on net income for the six months ended June 30, 2009.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2009	2008
Cash		
Cash on hand	$ 2,631	$ 2,711
Demand deposits	1,527,369	556,442
Checking deposits	7,293	6,453
Certificates of deposits - interest of 0.65%-0.90%	257,300	-
	1,794,593	565,606
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 0.125%-0.140% in 2009 and 1.98%-2.00% in 2008	2,446,094	301,760
	$ 4,240,687	$ 867,366

As of June 30, 2009 and 2008, foreign demand deposits were as follows:

	June 30	
	2009	2008
Belgium (US$548 thousand in 2009 and US$537 thousand in 2008)	$ 17,980	$ 16,293

5. ACCOUNTS AND NOTES RECEIVABLE, NET

	June 30	
	2009	2008
Accounts and notes receivable	$ 5,750,594	$ 5,581,409
Less: Allowance for doubtful accounts	(532,830)	(693,250)
	$ 5,217,764	$ 4,888,159

The change in allowance for doubtful accounts was as follows:

	Six Months Ended June 30	
	2009	2008
Beginning balance	$ 703,716	$ 665,642
Deduct: Bad debts written off	(350,711)	(352,027)
Add: Collection after write-off	123,516	101,779
Accrual of bad debt expenses	56,309	277,856
	$ 532,830	$ 693,250

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	June 30	
	2009	2008
Open-end mutual funds	$ 50,350	$ -

7. INVENTORIES, NET

	June 30	
	2009	2008
Cellular phone equipment	$ 259,939	$ 164,942
Cellular phone accessories	17,512	23,808
SIM cards and prepaid cards	15,734	20,013
Others	151,037	27,423
	$ 444,222	$ 236,186

Allowances for losses were $30,760 thousand and $25,810 thousand as of June 30, 2009 and 2008, respectively.

Costs of inventories sold were $2,113,744 thousand and $2,051,592 thousand for the six months ended June 30, 2009 and 2008, respectively. Loss on decline in value of inventories amounting to $3,881 thousand was included in the cost of sales for the six months ended June 30, 2009; reversal of provision for loss on decline in value of inventories, amounting to $15,277 thousand for the six months ended June 30, 2008, was reclassified to the reduction of the cost of sales.

8. EQUITY-METHOD INVESTMENTS

	June 30			
	2009		2008	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
KG Telecommunications Co., Ltd.	$ 31,282,506	100.00	$ 32,374,094	100.00
New Century InfoComm Tech Co., Ltd.	5,933,059	26.57	5,775,189	24.51
ARCOA Communication Co., Ltd.	1,071,581	60.83	1,023,867	59.10
Far Eastern Electronic Toll Collection Co., Ltd.	323,306	41.18	525,014	41.18
Far Eastern Info Service (Holding) Ltd.	165,543	100.00	146,758	100.00
Q-ware Communications Co., Ltd.	135,276	51.00	276,111	51.00
E. World (Holdings) Ltd.	69,592	85.92	63,823	85.92
Far EasTron Holding Ltd.	24,215	100.00	28,112	100.00
ADCast Interactive Marketing Co., Ltd.	162	0.40	-	-
Ding Ding Integrated Marketing Services Co., Ltd.	(153)	15.00	13,260	15.00
Far EasTron Co., Ltd.	-	-	160	0.67
	39,005,087		40,226,388	
Credit balance on carrying values of long-term investments reclassified to other liabilities - other	153		-	
	$ 39,005,240		$ 40,226,388	

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.

To integrate the resources and enhance the operating efficiency of the Company and KG Telecom, the boards of directors of both companies resolved their merger on February 26, 2009, with the Company as the survivor entity. The target date of this merger is January 1, 2010, and, as of July 27, 2009, the date of the accompanying auditors' report, the National Communications Commission's approval of this merger was being awaited.

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. As of June 30, 2009, the Company owned 26.57% (1,062,748 thousand shares) of NCIC's common stock.

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. As of June 30, 2009, the Company owned 60.83% (81,680 thousand shares) of ARCOA's common stock.

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

On August 22, 2007, Far Eastern Electronic Toll Collection Co. and the Taiwan Area National Freeway Bureau signed the Electronic Toll Collection BOT Project contract with a term of 18 years and 4 months.

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") and ADCast Interactive Marketing Co., Ltd. ("ADCast")

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 for Far EasTron to have a share swap with ADCast Interactive Marketing Co., Ltd. ("ADCast"), a subsidiary of New Century InfoComm 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. However, in their special meeting on August 29, 2008, Far EasTron's stockholders revised the share swap ratio to 5.4490:1. In addition, Far EasTron's board of directors resolved to have September 3, 2008 as the merger date. The share swap was completed on September 30, 2008 after the related registration with the Taipei City Government. After the share swap, the Company and Far EasTron Holding owned 0.40% and 60.52% of ADCast's common stock, respectively.

g. Equity in investees' net gains or losses

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

	Six Months Ended June 30			
	2009		2008	
	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.	$ (367,690)	$ (367,690)	$ 873,845	$ 873,775
New Century InfoComm Tech Co., Ltd.	140,582	103,848	(1,451,972)	(286,811)
ARCOA Communication Co., Ltd.	36,471	21,859	44,172	24,298
Far Eastern Electronic Toll Collection Co., Ltd.	(207,445)	(85,423)	(291,259)	(119,842)
Far Eastern Info Service (Holding) Ltd.	12,057	12,057	8,261	8,261
Q-ware Communications Co., Ltd.	(108,027)	(55,094)	(149,004)	(75,991)
E. World (Holdings) Ltd.	2,655	2,282	3,264	2,804
Far EasTron Holding Ltd.	(1,362)	(1,362)	(10,908)	(10,908)
ADCast Interactive Marketing Co., Ltd.	(2,085)	(8)	-	-
Ding Ding Integrated Marketing Services Co., Ltd.	(44,120)	(5,897)	(34,313)	(4,040)
Far EasTron Co., Ltd.	-	-	(10,876)	(73)
		$ (375,428)		$ 411,473

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") and ADCast Interactive Marketing Co., Ltd. ("ADCast") allow the Company to exercise significant influence on these investees' operating and financial policy decisions, the investments in DDIM, Far EasTron and ADCast are accounted for by the equity method even though the Company's equity in DDIM, Far EasTron and ADCast are only 15%, 0.67% and 0.40%, respectively.

The Company commited to provide further financial support to DDIM and continued applying equity method, therefore, the book value of long-term investment of DDIM with a credit balance of 153 thousand was included in other liabilities - other.

The bases for calculating the carrying values of investments were the equity-method investees' financial statements as of and for the six months ended June 30, 2009 and 2008, which were unaudited, except those of KG Telecom, NCIC, ARCOA, FETC and Q-ware Com. 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, 2009 and 2008, 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			
	2009		2008	
	Goodwill	Amortizable Assets	Goodwill	Amortizable Assets
Beginning balance	$ 288,877	$ (808,673)	$ 313,594	$ (924,029)
Increase	-	(196,121)	-	-
Decrease	(4,480)	67,021	-	57,678
Ending balance	$ 284,397	$ (937,773)	$ 313,594	$ (866,351)

i. Dividends receivable

The appropriation and distribution of KG Telecom's 2008 and 2007 earnings were approved by the board of directors (also represented as stockholders' meeting) on June 16, 2009 and June 30, 2008, respectively. The Board of Directors decided to distribute cash dividends of $911,971 thousand and $3,505,651 thousand effective July 31, 2009 and August 18, 2008, respectively.

j. Consolidation

The consolidated financial statements as of June 30, 2009 and 2008 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.

9. PROPERTIES

a. Changes in properties consisted of:

	Six Months Ended June 30, 2009				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassifi-cation	Ending Balance
Cost					
Land	$ 852,980	$ -	$ -	$ -	$ 852,980
Buildings and equipment	1,702,916	-	4,616	45,648	1,743,948
Operating equipment	68,296,823	107,778	263,069	2,127,336	70,268,868
Computer equipment	10,610,449	-	47	794,812	11,405,214
Office equipment	828,579	-	172	41,573	869,980
Leasehold improvements	1,514,714	-	62	102,911	1,617,563
Miscellaneous equipment	222,836	-	1,233	-	221,603
	84,029,297	$ 107,778	$ 269,199	$ 3,112,280	86,980,156
Accumulated depreciation					
Buildings and equipment	610,607	$ 26,476	$ 4,616	$ -	632,467
Operating equipment	47,934,251	2,996,753	175,608	-	50,755,396
Computer equipment	8,659,063	599,570	26	-	9,258,607
Office equipment	732,930	15,748	172	-	748,506

(Continued)

	Six Months Ended June 30, 2009				
		Movement			
	Beginning Balance	Addition	Sale or Disposal	Reclassifi-cation	Ending Balance
Leasehold improvements	$ 1,234,972	$ 46,392	$ 18	$ -	$ 1,281,346
Miscellaneous equipment	139,152	14,659	1,233	-	152,578
	59,310,975	$ 3,699,598	$ 181,673	$ -	62,828,900
	24,718,322				24,151,256
Construction-in-progress and prepayments for equipment	4,615,782	$ 1,896,142	$ 7,027	$ (3,120,733)	3,384,164
	$ 29,334,104				$ 27,535,420

(Concluded)

	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	389,171	10,147,810
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	$ 2,701,596	81,491,075
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	548,542	11,169	(1,751)	8,126,291
Office equipment	706,935	14,397	842	-	720,490
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	$ 3,612,260	$ 230,365	$ (1,751)	56,181,900
	26,158,253				25,309,175
Construction-in-progress and prepayments for equipment	3,635,890	$ 2,051,329	$ 16,285	$ (2,799,826)	2,871,108
	$ 29,794,143				$ 28,180,283

b. Capitalized interest on properties was as follows:

	Six Months Ended June 30	
	2009	2008
Total interest expense	$ 8,540	$ 22,263
Less: Interest capitalized (included in construction-in-progress and prepayments for equipment)	3,857	18,857
Interest expense, net of amounts capitalized	$ 4,683	$ 3,406
Interest rate capitalized	1.56%	1.56%-2.09%

10. 3G CONCESSION, NET

	Six Months Ended June 30 2009	Six Months Ended June 30 2008
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	2,861,935	2,131,228
Amortization	365,353	365,353
Ending balance	3,227,288	2,496,581
3G concession, net	$ 6,941,712	$ 7,672,419

11. RENTAL ASSETS, NET

	Six Months Ended June 30, 2009		
	Land	Buildings and Equipment	Total
Cost	$ 99,524	$ 94,673	$ 194,197
Accumulated depreciation			
Beginning balance	-	10,949	10,949
Depreciation	-	966	966
Ending balance	-	11,915	11,915
Rental assets, net	$ 99,524	$ 82,758	$ 182,282

	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

Rental assets are offices intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through July 2011. Future rental income is summarized as follows:

Period/Year	Amount
July 1, 2009 to December 31, 2009	$ 4,461
2010	9,044
2011	6,253

12. ACCRUED EXPENSES

	June 30	
	2009	2008
Commission	$ 1,564,474	$ 1,193,273
Bonus	473,294	300,679
Bonus to employees and remuneration to directors and supervisors	215,683	148,956
Maintenance fee	161,635	73,791
Utilities	91,155	111,969
Advertisement	88,605	109,933
Other	597,935	557,357
	$ 3,192,781	$ 2,495,958

13. 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

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 all of the bonds payable by December 18, 2008.

14. LEASE PAYABLE

	June 30	
	2009	2008
Total future lease payments	$ 4,843	$ 10,349
Less: Imputed interest expense	663	1,989
	4,180	8,360
Less: Current portion of lease payable	4,180	4,180
Lease payable - noncurrent	$ -	$ 4,180

The capital leases contracts lease are summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Six Months Ended June 30 2009	Rental Paid Six Months Ended June 30 2008
Far Eastern International Leasing Corp.	Computer equipment	July 2004 - June 2009; annual payment of $15,414 thousand (equipment were transferred unconditionally to the Company on contract expiry)	$ -	$ 15,414
Far Eastern International Leasing Corp.	Computer equipment	March 2006 - February 2011; annual payment of $5,063 thousand	5,063	5,063
			$ 5,063	$ 20,477

15. 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 $64,516 thousand and $57,570 thousand for the six months ended June 30, 2009 and 2008, 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 and KG Telecom, KGEx.com Co., Ltd., and Yuan Cing Co., Ltd. accrue pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan. The pension costs under the defined benefit plan were $34,036 thousand and $29,931 thousand for the six months ended June 30, 2009, and 2008, respectively.

16. STOCKHOLDERS' EQUITY

a. Capital surplus

   Under government regulations, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and that arising from business combination) may be capitalized, which however is limited to a certain percentage of 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, 2009 and 2008, the bonus to employees was $82,969 thousand and $99,304 thousand, respectively, and the remuneration to directors and supervisors was $41,485 thousand and $49,652 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 2% and 1% of net income (net of the bonus and remuneration) less 10% legal reserve and special reserve, respectively, were recognized for the six months ended June 30, 2009 and 2008, respectively. The amounts were estimated on the basis of past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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

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

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

The appropriation of the 2008 and 2007 earnings were approved by the stockholders on June 16, 2009 and June 5, 2008, respectively.

	Appropriation and Distribution		**Dividend Per Share (Dollars)**	
	2008	**2007**	**2008**	**2007**
Legal reserve	$ 1,016,075	$ 1,161,944		
Special reserve	21,740	(44,832)		
Cash dividend	9,123,802	10,101,353	$ 2.80	$ 3.10
Bonus to employees - cash	-	210,047		
Remuneration to directors and supervisors	-	105,023		

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

The bonus to employees of $182,459 thousand and the remuneration to directors of $91,229 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009, and these amounts were the same as the amounts recognized in the financial statements for the year ended December 31, 2008. As of June 30, 2009, cash dividends of $9,123,802 thousand had been included in dividends payable. The effective date of cash dividend distribution is July 31, 2009.

c. Global depositary receipts

The Company's Global Depositary Receipts (GDRs) as of June 30, 2009 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)	21,727	325,902
GDRs transferred to common stock		(30,493)	(457,389)
Outstanding GDRs issued		1,037	15,560

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, 2009, 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, 2009, the Company had reissued 21,727 thousand units of GDR, representing 325,902 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. Share issuance for cash - private placement

On June 16, 2009, the stockholders resolved that the Company will issue up to 444,341,020 common shares by private placement, with a total issuance amount of up to $17,773,641 thousand, to catch up on industry development trends and to meet the Company's future operating needs. The subscriber for these privately placed shares is China Mobile Limited's 100% indirect subsidiary incorporated in the ROC. On June 26, 2009, the Company's board of directors resolved to set the private placement price at NT$40.00 per share. However, based on certain agreements, if the volume weighted average price of the common shares of the Company within 14 consecutive trading days prior to and including the date on which either China Mobile Limited or the Company sends the notice to the other party of the settlement date of the private placement falls below NT$35.00 or exceeds NT$50.00, the Company's board of directors has the authorization of the stockholders' meeting to discuss in good faith to agree a new private placement price per share of the Company; provided that any upward or downward adjustment (if any) shall not be more than NT$5 per share of the Company. The private placement will proceed after obtaining the authorities' approval under the related regulation.

f. Cumulative translation adjustments

Cumulative translation adjustments for the six months ended June 30, 2009 and 2008 were summarized as follows:

	Six Months Ended June 30	
	2009	**2008**
Difference due to translation of foreign-currency financial statements		
Beginning balance	$ 28,464	$ 11,826
Recorded as adjustment under stockholders' equity	183	(837)
	$ 28,647	$ 10,989

g. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the six months ended June 30, 2009 and 2008 are summarized as follows:

	Recognized from Equity-method Investments	Available-for-sale Financial Assets	Unrealized Gain (Loss) on Cash Flow Hedge	Total
Six months ended June 30, 2009				
Beginning balance	$ (50,204)	$ -	$ -	$ (50,204)
Recorded as adjustments to stockholders' equity	53,972	350	-	54,322
Recognized as profit or loss	41,364	-	-	41,364
Ending balance	$ 45,132	$ 350	$ -	$ 45,482
Six months ended June 30, 2008				
Beginning balance	$ 19,510	$ -	$ (16,201)	$ 3,309
Recorded as adjustments to stockholders' equity	(10,646)	-	3,149	(7,497)
Recognized as profit or loss	(10,729)	-	13,315	2,586
Ending balance	$ (1,865)	$ -	$ 263	$ (1,602)

17. INCOME TAX

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

	Six Months Ended June 30	
	2009	2008
Income tax expense computed at statutory tax (25%)	$ 1,558,314	$ 1,656,192
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses (gains)	91,923	(218,444)
Other	(90,765)	83,071
Temporary differences	(85,849)	317,943
Investment tax credits used	(105,300)	(145,000)
Unappropriated earnings tax (10%)	-	8,591
Income tax payable - current	1,368,323	1,702,353
Income tax expense on income subjected to a separate rate of 20%	163	3,325
Prior year's adjustment	38,874	20,548
Income tax expense - current	$ 1,407,360	$ 1,726,226

b. Income tax expense consisted of:

	Six Months Ended June 30	
	2009	2008
Income tax expense - current	$ 1,407,360	$ 1,726,226
Income tax expense - deferred		
Temporary differences	216,473	(317,943)
	$ 1,623,833	$ 1,408,283

c. Changes in income tax payable were as follows:

Beginning balance	$ 2,157,733	$ 1,153,125
Income tax expense - current	1,407,360	1,726,226
Income tax paid	(1,967,673)	(1,351,580)
Ending balance	$ 1,597,420	$ 1,527,771

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise’s income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting difference as deferred income tax expense.

d. Deferred income taxes assets were as follows:

	June 30	
	2009	2008
Current		
Deferred income tax assets		
Allowance for doubtful accounts	$ 349,592	$ 517,687
Provision for loss on decline in value of inventories	7,496	6,453
Investment tax credits	-	26,841
Other	13,643	15,771
	370,731	566,752
Less: Valuation allowance	-	26,841
	$ 370,731	$ 539,911
Noncurrent		
Deferred income tax assets		
Equity in investees’ net losses	$ 514,296	$ 494,488
Accrued pension cost	74,338	86,019
Depreciation resulting from the differences in estimated service lives of properties	15,438	71,921
Other	5,311	1,637
	609,383	654,065
Less: Valuation allowance	185,498	235,218
	$ 423,885	$ 418,847

e. Integrated income tax information was as follows:

	June 30	
	2009	2008
Balance of imputation credit account (ICA)	$ 3,285,700	$ 3,197,006

The estimated ratio of the ICA balance as of December 31, 2008 to unappropriated earnings as of such date was 29.35%. When the dividends from the unappropriated earnings as of December 31, 2007 were distributed in 2008, the actual ratio used was 25.53%.

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 2008 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2007 earnings appropriation had been determined, the actual ratio was disclosed.

f. 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.

18. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2009				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 252,552	$ 893,718	$ -	$ 392,613	$ 1,538,883
Pension	21,854	51,100	-	25,598	98,552
Meal	5,141	24,198	-	9,191	38,530
Employee benefit	-	13,137	-	-	13,137
Insurance	16,190	63,481	-	26,353	106,024
Miscellaneous	420	8,137	-	3,941	12,498
	$ 296,157	$ 1,053,771	$ -	$ 457,696	$ 1,807,624
Depreciation	$ 3,314,900	$ 384,698	$ 966	$ -	$ 3,700,564
Amortization	$ 37,617	$ -	$ -	$ -	$ 37,617

	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	$ 427,303	$ 1,022	$ -	$ 3,613,282
Amortization	$ 21,567	$ 14	$ -	$ -	$ 21,581

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.

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

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, 2009					
Basic EPS					
Net income	$ 6,233,257	$ 4,609,424	3,258,501	$ 1.91	$ 1.41
Effect of dilutive potential common stock					
Bonus to employees	-	-	2,327		
Diluted EPS					
Net income including the effect of potential dilutive common stock	$ 6,233,257	$ 4,609,424	3,260,828	$ 1.91	$ 1.41

(Continued)

Six months ended June 30, 2008	Amount (Numerator) Income Before Income Tax	Amount (Numerator) Net Income	Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$) Income Before Income Tax	Earnings Per Share (NT$) Net Income
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

(Concluded)

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

20. FINANCIAL INSTRUMENTS

a. Fair value information

	June 30			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Available-for-sale financial assets - current	$ 50,350	$ 50,350	$ -	$ -
Hedging derivative financial assets - current	-	-	351	351
Equity-method investments	39,005,240	39,005,240	40,226,388	40,226,388
Refundable deposits	272,515	272,375	259,683	259,464
Liabilities				
Current portion of long-term bonds payable	-	-	1,200,000	1,200,000
Lease payable (including current portion)	4,180	4,180	8,360	8,360
Guarantee deposits received (including current portion)	620,894	620,894	683,834	683,834
Other liabilities - other	153	153	-	-

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, pledged certificates of deposit, 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 and other liabilities - other 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	
	2009	2008	2009	2008
Assets				
Available-for-sale financial assets - current	$ 50,350	$ -	$ -	$ -
Hedging derivative financial assets - current	-	-	-	351

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

	June 30			
	2009		2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Risk from interest fluctuations				
Fair value risk	$ 2,718,609	$ 625,074	$ 561,443	$ 692,194
Cash flow risk	1,786,669	-	816,735	1,200,000

e. Financial risks

1) Market risk

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

For the six months ended June 30, 2008, the Company used 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.

In the six months ended June 30, 2009, KG Telecom used cross-currency swap contracts to hedge against the effect of exchange rate fluctuations. The gains or losses on the changes in fair values on these contracts will offset the results of the exchange rate fluctuations of the hedged items. Thus, the market risk is 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 invested in open-end mutual funds that have quoted price in an active market and can be sold immediately at prices close to their fair values. However, the Company also possessed equity-method investments with no quoted prices in an active market; thus, it might face liquidity risks.

For the six months ended June 30, 2008, the Company used 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.

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 some private fund and equity-method investments with no quoted prices in an active market; thus, these investments could expose KG Telecom to liquidity risks.

In the six months ended June 30, 2009, KG Telecom used cross-currency swap contracts, which resulted in simultaneous cash inflows and outflows that balanced each other; thus, the expected cash demand is not significant.

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 partial short-term liabilities with floating interest rates. As a result, the effective interest rates on these loans will change as the market interest rates change.

f. Cash flow hedge

The Company used interest rate swaps to hedge against cash flow fluctuations on its liabilities and KG Telecom used cross-currency swaps to hedge against cash flow fluctuation on its assets:

		Designated Hedging Instruments					
		Notional Amount		Fair Value			Expected Year for
	Financial Instruments	June 30		June 30		Expected Year of	Realization of Gains or
Hedged Items	Designated	2009	2008	2009	2008	Cash Flows	Losses
Bonds with floating interest rate	Interest rate swap - the Company	$ -	$ 1,200,000	$ -	$ 351	2003-2008	2003-2008
Foreign-currency denominated asset	Cross currency swap - KG Telecom	US$10,000,000	-	520	-	2009	2009

21. RELATED-PARTY TRANSACTIONS

a. 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. (Q-ware)	Subsidiary
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
ADCast Interactive Marketing Co., Ltd. (ADCast)	Subsidiary of NCIC (became a subsidiary in September 2008)
Far EasTron Co., Ltd. (Far EasTron Co.)	Subsidiary of Far EasTron Holding Ltd. (Far EasTron Co. merged with ADCast and dissolved in September 2008)
New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee
iScreen Corporation	Equity-method investee of KG Telecom
Digital United Inc.	Subsidiary of NCIC (merged with NCIC and dissolved on March 16, 2009)
Information Security Service Digital United, Inc.	Subsidiary of NCIC
NTT DoCoMo Inc.	Director (became an unrelated party in July 2009)
Far Eastern International Leasing Corp. (FEILC)	Supervisor
Telecommunication and Transportation Foundation (TTF)	The Company's donation is over one third of the foundation's fund
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same ultimate parent company
Yuan Ding Co.	Same chairman

(Continued)

Related Party	Relationship with the Company
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
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
Oriental Petrochemical Co., Ltd.	Same ultimate parent company
Yuan Ding Investment Corporation	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Far Eastern Fibertech Co., Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
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.	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
Martens Beer (Shanghai) Ltd.	Same ultimate parent company
Suzhou An He Appared Ltd.	Same ultimate parent company

(Concluded)

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

		2009		2008	
		Amount	**%**	**Amount**	**%**
During the period					
Operating revenue	1)				
KG Telecom	2)	$ 1,636,355	6	$ 1,490,898	6
NCIC	3)	269,341	1	193,968	1
ARCOA	4)	163,087	1	102,989	1
KGEx	5)	102,252	-	102,671	-
Other	19)	47,337	-	46,432	-
		$ 2,218,372	8	$ 1,936,958	8
Operating costs and expenses					
Cost of telecommunications service					
KG Telecom	2)	$ 593,365	5	$ 883,556	8
NCIC	3)	63,014	1	44,762	1
ARCOA	4)	27,085	-	29,389	-
Other	19)	23,940	-	26,579	-
		$ 707,404	6	$ 984,286	9
Purchase					
ARCOA	4)	$ 838,336	40	$ 1,004,724	49
Rental					
FETRD	6)	$ 22,806	1	$ 22,468	2
FEILC	7)	19,913	1	21,074	1
NCIC	8)	19,498	1	20,640	1
Other	19)	12,639	1	8,381	1
		$ 74,856	4	$ 72,563	5
Service fee					
FETI	9)	$ 70,040	59	$ 77,205	54
FCHRC	10)	21,189	18	26,783	19
Other	19)	152	-	2,154	1
		$ 91,381	77	$ 106,142	74
Marketing expense					
ARCOA	4)	$ 256,268	5	$ 295,031	7
DDIM	11)	67,534	2	49,872	1
Other	19)	11,943	-	102,446	2
		$ 335,745	7	$ 447,349	10
Telephone fee					
NCIC	12)	$ 13,178	11	$ 13,157	11
Donation expense					
TTF	13)	$ 4,500	44	$ -	-

		2009		2008	
		Amount	%	Amount	%
Nonoperating income and gains					
Management services revenue					
NCIC	14)	$ 11,583	48	$ -	-
KG Telecom	14)	10,922	45	31,001	96
Other	19)	1,685	7	1,440	4
		$ 24,190	100	$ 32,441	100
Commission					
KG Telecom	15)	$ 21,800	100	$ 30,388	100
Guarantee services revenue					
KG Telecom	16)	$ 779	2	$ 638	2
KGEx	16)	44	-	41	-
		$ 823	2	$ 679	2
Other revenue					
Q-ware	17)	$ 5,606	15	$ 5,606	14
ARCOA	4)	1,881	5	1,892	5
		$ 7,487	20	$ 7,498	19
Nonoperating expenses and losses					
Guarantee services expenses					
KG Telecom	16)	$ 1,930	24	$ 867	16
Acquisition of properties					
ADCast	18)	$ 2,799	-	$ -	-
KG Telecom	18)	134	-	1,615	-
		$ 2,933	-	$ 1,615	-
At end of period					
Receivables from related parties					
Accounts and notes receivable					
KG Telecom	2)	$ 597,020	56	$ 419,356	54
ARCOA	4)	181,867	17	164,729	21
KGEx	5)	30,372	3	37,852	5
Other	19)	24,515	2	25,295	3
		833,774	78	647,232	83
Other receivables					
NCIC	14)	173,482	17	3,892	1
KG Telecom	14), 15) and 16)	31,601	3	94,976	12
Other	19)	23,513	2	35,099	4
		228,596	22	133,967	17
		$ 1,062,370	100	$ 781,199	100

		2009		2008	
		Amount	%	Amount	%
Refundable deposits					
DDIM	11)	$ 47,385	17	$ 26,571	10
Other	19)	10,380	4	8,660	4
		$ 57,765	21	$ 35,231	14
Payables to related parties					
KG Telecom	2), 15) and 16)	707,347	55	957,193	65
ARCOA	4)	232,686	18	200,813	14
NCIC	3), 8) and 12)	216,546	17	187,900	13
DDIM	11)	61,800	5	43,971	3
FETI	9)	29,782	2	28,771	2
Other	19)	45,074	3	45,988	3
		$ 1,293,235	100	$ 1,464,636	100
Lease payable (including current portion)					
FEILC	7)	$ 4,180	100	$ 8,360	100

Descriptions of transactions with related parties were as follows:

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

2) The transactions between the Company and 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.

3) 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.

4) 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, recharge 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.

5) 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 revenues 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.

6) 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.

7) Under operating lease agreements, the Company leased from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; (b) the land and mobile switch centers located in Neihu, Taichung and Xinzhu from November 1999 to June 2004; and (c) vehicles. Some of these contracts will be automatically renewed unless either the Company or FEILC informs the other party of contract 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 amounts of $5,063 thousand and $20,477 thousand paid for the six months ended June 30, 2009 and 2008, respectively. A part of the agreement on the computer equipment expired on June 30, 2009 and the ownership of the related equipment was transferred to the Company without condition (Note 14).

8) The Company leased from NCIC the office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts.

9) 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.

10) 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.

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

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

13) The Company made donation to TTF for telecommunications technology researches.

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

15) 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 payables to related parties.

16) 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.com for prepaid cards already bought by customers. KG Telecom had also provided the Company a similar guarantee amounting to $850,000 thousand. Moreover, KG Telecom had also provided certificates of deposits amounting to $390,000 thousand to the National Tax Administration of Taipei as collaterals for the Company's administrative tax remedies for certain tax assessments.

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

18) The Company bought from KG Telecom and ADCast operating equipment and computer equipment, respectively.

19) 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, 2009

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 $2,105,661 thousand and $95,665 thousand, respectively.

b. The Company's outstanding letters of credit amounted to US$1,188 thousand (equivalent to $38,978 thousand).

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

Year	Amount
From July 1, 2009 to December 31, 2009	$ 1,071,659
2010	2,226,618
2011	2,313,176
2012	2,403,122
2013	2,496,588
From January 1, 2014 to June 30, 2014	1,296,856

23. ASSETS PLEDGED OR MORTGAGED

Assets pledged used as collaterals for administrative tax remedies for certain tax assessments, were as follows:

	June 30	
	2009	2008
Pledged certificates of deposits	$ 2,000	$ -

24. SUBSEQUENT EVENT

On October 30, 2008, the Company's board of directors authorized the Chairman to provide its subsidiary, Q-ware Communications Co., Ltd. (Q-ware), on the Company's behalf and in accordance with the Company's "Procedure for Making Endorsements and Guarantees," with a guarantee amounting to up to $200,000 thousand based on the Company's assessment. On July 22, 2009, the Company provided a $149,840 thousand guarantee for Q-ware's bank loans by signing promissory notes.

25. 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: Note 20

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

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Period (Note B)	Ending Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 33,438,847	$ 450,000	$ 450,000	$ -	0.67%	$ 66,877,693
		KGEx.com Co., Ltd.	Subsidiary of KG Telecom	33,438,847	45,000	45,000	-	0.07%	66,877,693
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	15,641,253	1,240,000	1,240,000	-	3.96%	31,282,506

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.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
JUNE 30, 2009
(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, 2009				Note
				Shares	Carrying Value (Note E)	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	$ 31,282,506	100.00	$ 31,282,506	Notes A and D
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,062,747,582	5,933,059	26.57	5,933,059	Notes A and D
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	81,680,039	1,071,581	60.83	1,071,581	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	323,306	41.18	323,306	Notes A and D
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	165,543	100.00	165,543	Notes B and D
	Q-ware Communications Co., Ltd	Equity-method investee	Equity-method investments	36,459,930	135,276	51.00	135,276	Notes A and D
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	69,592	85.92	69,592	Notes B and D
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	24,215	100.00	24,215	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	18,351	162	0.40	162	Notes B and D
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Other liability - other	4,500,000	(153)	15.00	(153)	Notes B and D
	Open-end mutual funds							
	DFE DWS Global Multiasset Income Plus FOF-A	-	Available-for-sale financial assets - current	5,000,000.00	50,350	-	50,350	Note C
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	198,136,425	841,316	79.25	841,316	Notes A and D
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	30,086	40.00	30,086	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	368,519	3,244	8.16	3,244	Notes B and D
	ACC	-	Available-for-sale financial assets - current	1,350,000	47,250	-	47,250	Note F
	CHEM	-	Available-for-sale financial assets - current	200,000	3,350	-	3,350	Note F
	SYNCMOLD	-	Available-for-sale financial assets - current	163,000	7,824	-	7,824	Note F
	OUCC	-	Available-for-sale financial assets - current	474,000	8,793	-	8,793	Note F
	CSC	-	Available-for-sale financial assets - current	207,500	5,852	-	5,852	Note F
	CSRC	-	Available-for-sale financial assets - current	150,000	4,433	-	4,433	Note F
	OPTOTECH	-	Available-for-sale financial assets - current	200,000	5,330	-	5,330	Note F
	ACER	-	Available-for-sale financial assets - current	80,000	4,568	-	4,568	Note F
	MSI	-	Available-for-sale financial assets - current	150,000	3,082	-	3,082	Note F
	CHT	-	Available-for-sale financial assets - current	151,612	9,931	-	9,931	Note F
	KINDOM	-	Available-for-sale financial assets - current	300,000	5,640	-	5,640	Note F
	U-MING	-	Available-for-sale financial assets - current	246,000	15,744	-	15,744	Note F
	CAL	-	Available-for-sale financial assets - current	1,600,000	12,992	-	12,992	Note F
	ESMT	-	Available-for-sale financial assets - current	250,000	11,150	-	11,150	Note F
	SHENMAO	-	Available-for-sale financial assets - current	250,000	10,950	-	10,950	Note F
	PT TECH.	-	Available-for-sale financial assets - current	80,000	6,960	-	6,960	Note F
	ACES	-	Available-for-sale financial assets - current	70,000	5,600	-	5,600	Note F

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	PAHSCO	-	Available-for-sale financial assets - current	250,000	$ 12,850	-	$ 12,850	Note F
	GEMTEK	-	Available-for-sale financial assets - current	60,000	3,168	-	3,168	Note F
	SOFT-WORLD	-	Available-for-sale financial assets - current	15,000	2,715	-	2,715	Note F
	S.W.	-	Available-for-sale financial assets - current	75,000	3,757	-	3,757	Note F
	KGI	-	Available-for-sale financial assets - current	200,000	3,000	-	3,000	Note F
	ROEC	-	Available-for-sale financial assets - current	120,000	4,524	-	4,524	Note F
	LITE-ON IT	-	Available-for-sale financial assets - current	300,000	5,775	-	5,775	Note F
	APEC	-	Available-for-sale financial assets - current	230,000	6,003	-	6,003	Note F
	IDEAL	-	Available-for-sale financial assets - current	75,000	1,665	-	1,665	Note F
	GIANT	-	Available-for-sale financial assets - current	50,500	3,984	-	3,984	Note F
	Open-end mutual funds							
	Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	825,650	-	825,650	Note C
	JPM (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	194,708	-	194,708	Note C
	Deutsche Far Eastern DWS Taiwan Thematic Fund	-	Available-for-sale financial assets - current	10,000,000.00	103,700	-	103,700	Note C
	Pca Well Pool Fund	-	Available-for-sale financial assets - current	19,276,261.40	250,052	-	250,052	Note C
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	16,539,533.00	250,083	-	250,083	Note C
	Hua Nan Phoenix Bond Fund	-	Available-for-sale financial assets - current	16,072,953.40	250,095	-	250,095	Note C
	Private funds							
	Opas Fund Segregated Portfolio Tranche B	-	Available-for-sale financial assets - current	10,000.00	328,180	-	328,180	Note C
	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	2,086,854	6,714	4.12	6,714	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	840,000	8,400	0.04	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-end mutual funds							
	PCA Well Pool Fund	-	Available-for-sale financial assets - current	6,963,816.60	90,335	-	90,335	Note C
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	5,965,775.60	90,204	-	90,204	Note C
	UPAMC JAMES Bond Fund	-	Available-for-sale financial assets - current	4,405,641.30	70,369	-	70,369	Note C
	Union Bond Fund	-	Available-for-sale financial assets - current	2,384,618.01	30,022	-	30,022	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 G)	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$ 4,437,000	100.00	US$ 4,437,000	Notes B and D
Far EasTron Holding Ltd. (Note G)	Stocks							
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US$ 734,000	60.52	US$ 734,000	Notes B and D
E. World (Holdings) Ltd. (Note G)	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 2,196,000	99.99	US$ 2,196,000	Notes B and D

(Continued)

Note A: The calculation was based on audited financial statements as of June 30, 2009.

Note B: The calculation was based on unaudited financial statements as of June 30, 2009.

Note C: The market values of mutual funds were calculated at their net asset values as of June 30, 2009.

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

Note E: The carrying values of available-for-sale financial assets - current were equal to market values as of June 30, 2009.

Note F: The calculation of domestic publicly traded stocks were based on the closing price as of June 30, 2009.

Note G: The information was based on unaudited financial statements as of June 30, 2009.

(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, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				The Change Due to Equity-method	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss		Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investments	Concord Comm Co., Ltd. and Concord Financial Co., Ltd. etc.	-	980,315,483	$ 5,490,024	82,432,099	$ 329,946	-	$ -	$ -	$ -	$ 113,089 (Notre B)	1,062,747,582	$ 5,933,059
KG Telecommunications Co., Ltd.	ACC	Available-for-sale financial assets - current	-	-	3,449,000	93,081	863,000	23,516	2,962,000	109,142	80,093	29,049	-	1,350,000	36,504
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	Opas Fund Segregated Portfolio Company	-	-	-	10,000.00	328,700	-	-	-	-	-	10,000.00	328,700
	Pca Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	19,276,261.40	250,000	-	-	-	-	-	19,276,261.40	250,000
	Prudential Financial Bond Fund	Available-for-sale financial assets - current	-	-	-	-	16,539,533.00	250,000	-	-	-	-	-	16,539,533.00	250,000
	Hua Nan Phoenix Bond Fund	Available-for-sale financial assets - current	-	-	-	-	16,072,953.40	250,000	-	-	-	-	-	16,072,953.40	250,000

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

Note B: Including equity in investee's net gains of $103,848 thousand and adjustments to change in equity-method investee's stockholders' equity of $9,241 thousand.

SCHEDULE D

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, 2009
(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	$ (1,636,355)	(6%)	Based on agreement	-	-	Accounts receivable $ 597,020	9%
			Cost of telecommunications services	593,365	5%	Based on agreement	-	-	Accounts payable (171,232)	(9%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and service revenues	(163,087)	(1%)	Based on agreement	-	-	Accounts receivable 181,867	3%
			Cost of telecommunications services, marketing expenses and cost of sales	1,121,689	6%	Based on agreement	-	-	Accounts payable and accrued expense (232,686)	(4%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications service revenues	(102,252)	-	Based on agreement	-	-	Accounts receivable 30,372	-
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(269,341)	(1%)	Based on agreement	-	-	Accounts receivable (Note) -	-
							-	-	Accounts payable (Note) (140,826)	(7%)
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(593,365)	(13%)	Based on agreement	-	-	Accounts receivable 171,232	14%
			Cost of telecommunications services	1,636,355	37%	Based on agreement	-	-	Accounts payable (597,020)	(60%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(1,121,689)	(39%)	Based on agreement	-	-	Accounts receivable 232,686	63%
			Cost of telecommunications services and cost of sales	163,087	7%	Based on agreement	-	-	Accounts payable (181,867)	(34%)
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee of Far EasTone	Telecommunications services revenue	(273,024)	(40%)	Based on agreement	-	-	Accounts receivable 104,715	50%
	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications service	102,252	16%	Based on agreement	-	-	Accounts payable (30,372)	(15%)

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, 2009
(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	$ 628,621	(Note A)	$ -	-	$ 332,215	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	185,014	9.62	-	-	125,652	-
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	176,633	(Note A)	-	-	97,580	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	707,347	(Note B)	-	-	503,904	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	232,686	11.97	-	-	171,850	-
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee	104,715	7.69	-	-	50,704	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for KG Telecom’s and NCIC’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, 2009
(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, 2009			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				June 30, 2009	December 31, 2008	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	$ 31,282,506	$ (367,690)	$ (367,690)	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,391,946	6,062,000	1,062,747,582	26.57	5,933,059	140,582	103,848	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,293,389	1,283,563	81,680,039	60.83	1,071,581	36,471	21,859	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	323,306	(207,445)	(85,423)	Notes B and C
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	165,543	12,057	12,057	Notes A and D
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	135,276	(108,027)	(55,094)	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	69,592	2,655	2,282	Notes A and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	24,215	(1,362)	(1,362)	Notes A and D
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	1,000	1,000	18,351	0.40	162	(2,085)	(8)	Notes D and E
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	(153)	(44,120)	(5,897)	Notes C and D
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,355,649	2,355,649	198,136,425	79.25	841,316	(62,544)		Notes B and E
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	30,086	3,302		Notes D and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	3,652	3,652	368,519	8.16	3,244	(2,085)		Notes D and E
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$ 4,437,000	12,215		Notes D and E
Far EasTron Holding Ltd. (Note G)	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	US$ 4,532,000	US$ 4,532,000	2,734,446	60.52	US$ 734,000	(2,085)		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$ 2,196,000	2,762		Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of June 30, 2009.

Note C: Equity-method investee of the Company.

Note D: The calculation was based on unaudited financial statements as of June 30, 2009.

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, 2009.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2009
(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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2009 (Note A)	Accumulated Inward Remittance of Earnings as of June 30, 2009	Accumulated Investment in Mainland China as of June 30, 2009	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	$82,025 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$12,215	$145,578 (US$4,437,000)	$ -	$92,616	$92,616	$40,126,616 (Note C)

Note A: The calculation was based on unaudited financial statements as of June 30, 2009.

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

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

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