Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2005 and 2004 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (the "Company") and subsidiaries as of September 30, 2005 and 2004, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's and subsidiaries' management. Our responsibility is to issue a report based on our reviews.

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

As discussed in Note 2 to the consolidated financial statements, we were unable to obtain reviewed financial statements of some immaterial subsidiaries with combined total assets that were 2.6% (NT$2,540,745 thousand) of the consolidated total assets and combined total liabilities that were 1.9% (NT$495,181 thousand) of the consolidated total liabilities as of September 30, 2005. These subsidiaries' combined total operating revenues were 1.3% (NT$726,939 thousand) of the consolidated operating revenues and their total net losses were (0.5%) (NT$58,310 thousand) of consolidated net income for the nine months ended September 30, 2005.

We were unable to obtain reviewed financial statements supporting the Company's and subsidiaries' investments in certain equity-method investees with carrying value of NT$1,052,423 thousand and NT$1,800,465 thousand as of September 30, 2005 and 2004, respectively; the Company's equity of NT$125,920 thousand and NT$155,927 thousand in the losses of these investees was included in the consolidated net incomes for the nine months ended September 30, 2005 and 2004, respectively, as described in Note 7. Related information on the Company's and subsidiaries' investments is shown in Note 22 to the consolidated financial statements.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the investment information mentioned in the preceding two paragraphs been based on reviewed financial statements, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the accounting principles generally accepted in the Republic of China.

As discussed in Note 2, the entities included in the consolidated financial statements as of and for the nine months ended September 30, 2005 are those in which the Company owns a controlling interest, as required under the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements," effective January 2005. However, the consolidated financial statements as of and for the nine months ended September 30, 2004 included the accounts only of the Company's direct and indirect subsidiaries which the Company has more than 50% equity ownership of the subsidiaries with individual total assets or total operating revenue that reached at least 10% of the unconsolidated total assets or operating revenues of the Company.

October 20, 2005

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2005		2004	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 832,538	1	$ 3,600,861	4
Short-term investments (Notes 2 and 5)	464,300	-	290,000	-
Accounts and notes receivable, net of allowance for doubtful accounts of $2,104,478 thousand in 2005 and $1,500,775 thousand in 2004 (Note 2)	7,564,665	8	6,645,681	7
Receivables from related parties (Notes 2 and 19)	38,055	-	60,098	-
Inventories, net (Notes 2 and 6)	1,530,284	2	964,677	1
Prepaid expenses (Note 2)	1,165,145	1	2,241,825	2
Deferred income tax assets - current (Notes 2 and 18)	834,643	1	1,268,896	1
Other current assets (Notes 21 and 22)	98,715	-	189,220	-
Total current assets	12,528,345	13	15,261,258	15
INVESTMENTS IN SHARES OF STOCK (Notes 2, 7 and 19)				
Equity method	1,052,423	1	1,800,465	2
Cost method	63,932	-	3,000	-
Prepayment for investments	-	-	45,000	-
Total investments in shares of stock	1,116,355	1	1,848,465	2
PROPERTIES (Notes 2, 8, 19 and 21)				
Cost				
Land	1,516,082	2	1,050,281	1
Buildings and equipment	2,865,739	3	2,078,425	2
Operating equipment	93,282,515	95	86,969,916	83
Computer equipment	12,885,926	13	11,282,991	11
Office equipment	989,113	1	917,481	1
Leasehold improvements	1,665,343	2	1,516,087	1
Miscellaneous equipment	93,419	-	78,260	-
Total cost	113,298,137	116	103,893,441	99
Less - accumulated depreciation	55,480,370	57	45,428,686	43
	57,817,767	59	58,464,755	56
Construction in progress and advances for acquisition of equipment	4,019,836	4	5,996,677	5
Net properties	61,837,603	63	64,461,432	61
INTANGIBLE ASSETS				
Goodwill, net (Notes 2 and 9)	10,738,411	11	11,271,785	11
3G concession, net (Notes 1 and 2)	9,681,862	10	10,169,000	9
Total intangible assets	20,420,273	21	21,440,785	20
OTHER ASSETS				
Rental assets, net (Notes 2 and 10)	227,071	-	191,459	-
Properties not currently used in operations, net (Note 2)	338,435	-	1,875	-
Refundable deposits	397,814	1	423,576	1
Deferred income tax assets - noncurrent (Notes 2 and 18)	631,288	1	1,015,769	1
Deferred charges, net (Note 19)	299,628	-	64,947	-
Other (Notes 2, 16 and 21)	59,435	-	30,838	-
Total other assets	1,953,671	2	1,728,464	2
TOTAL	$ 97,856,247	100	$ 104,740,404	100

	2005		2004	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 11 and 21)	$ 2,666,617	3	$ 1,200,000	1
Commercial paper payable (Note 12)	778,581	1	1,745,339	2
Notes payable	105,054	-	41,163	-
Accounts payable	1,429,229	1	980,316	1
Payables to related parties (Note 19)	142,589	-	293,417	-
Income tax payable (Notes 2 and 18)	1,456,035	1	1,576,433	2
Accrued expenses	5,562,689	6	4,749,481	5
Payables for acquisition of properties	1,677,842	2	1,441,792	1
Guarantee deposits received - current	1,288,065	1	1,614,831	2
Unearned revenues (Notes 2 and 19)	1,472,207	2	2,587,107	2
Current portion of long-term liabilities (Notes 2, 8, 13, 19 and 21)	2,537,595	3	8,225,991	8
Other current liabilities (Notes 2 and 14)	487,921	-	417,510	-
Total current liabilities	19,604,424	20	24,873,380	24
LONG-TERM LIABILITIES - NET OF CURRENT PORTION (Notes 2, 8, 13, 19 and 21)				
Long-term bonds payable	6,530,000	7	9,000,000	9
Long-term debts payable	142,857	-	6,060,226	6
Long-term lease payable - noncurrent	59,000	-	88,500	-
Total long-term liabilities	6,731,857	7	15,148,726	15
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 16)	302,551	-	217,238	-
Guarantee deposits received - noncurrent	96,607	-	89,909	-
Other	10,511	-	14,794	-
Total other liabilities	409,669	-	321,941	-
Total liabilities	26,745,950	27	40,344,047	39
CONTROLLING INTEREST OF FAR EASTONE (Notes 2, 13 and 14)				
Capital stock - $10 par value				
Authorized - 4,200,000 thousand shares				
Issued - 3,872,663 thousand shares in 2005 and 3,763,151 thousand shares in 2004	38,726,630	40	37,631,514	36
Capital surplus				
Paid-in capital in excess of par value	6,510,964	6	4,694,535	4
From business combination	8,482,381	9	8,482,381	8
From investments in shares of stock	6,224	-	-	-
Total capital surplus	14,999,569	15	13,176,916	12
Retained earnings				
Legal reserve	4,101,609	4	2,697,301	3
Unappropriated earnings	12,263,425	13	10,884,133	10
Total retained earnings	16,365,034	17	13,581,434	13
Cumulative translation adjustments	(10,906)	-	6,493	-
Total controlling interests	70,080,327	72	64,396,357	61
MINORITY INTEREST	1,029,970	1	-	-
Total stockholders' equity	71,110,297	73	64,396,357	61
TOTAL	$ 97,856,247	100	$ 104,740,404	100

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

(With Deloitte & Touche review report dated October 20, 2005)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)
(Reviewed, Not Audited)

	2005		2004	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 19)				
Sales of cellular phone equipment and accessories, net	$ 6,426,580	12	$ 3,040,034	6
Telecommunication service revenues	47,015,214	87	45,979,313	94
Other	725,434	1	15,108	-
Total operating revenues	54,167,228	100	49,034,455	100
OPERATING COSTS (Notes 2, 16, 17 and 19)				
Cost of sales	6,839,618	12	3,290,694	7
Cost of telecommunication services	19,936,988	37	20,226,267	41
Other	510,452	1	-	-
Total operating costs	27,287,058	50	23,516,961	48
GROSS PROFIT	26,880,170	50	25,517,494	52
OPERATING EXPENSES (Notes 2, 16, 17 and 19)				
Marketing	6,802,008	13	6,507,730	13
General and administrative	5,280,036	10	5,197,458	11
Research and development	265,521	-	282,291	-
Total operating expenses	12,347,565	23	11,987,479	24
OPERATING INCOME	14,532,605	27	13,530,015	28
NONOPERATING INCOME AND GAINS				
Interest (Note 22)	57,774	-	18,077	-
Gain from sale of short-term investments, net (Note 19)	8,130	-	9,579	-
Gain from sale of nonperforming accounts receivable	-	-	88,351	-
Other	92,879	-	67,284	-
Total nonoperating income and gains	158,783	-	183,291	-
NONOPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 8 and 22)	234,473	1	554,394	1
Provision for losses on properties not currently used in operations (Note 2)	160,317	-	275,625	1
Equity in investees' net losses (Note 2)	125,920	-	155,927	-
Loss on decline in value of inventories (Note 2)	16,969	-	3,999	-
Loss on disposal of properties and properties not currently used in operations, net (Note 2)	10,988	-	31,917	-
Other (Note 17)	16,266	-	86,069	-
Total nonoperating expenses and losses	564,933	1	1,107,931	2

(Continued)

	2005 Amount	2005 %	2004 Amount	2004 %
COMBINED INCOME BEFORE INCOME TAX BENEFIT	$ 14,126,455	26	$ 12,605,375	26
INCOME TAX EXPENSE (Notes 2 and 18)	2,586,137	5	1,747,963	4
COMBINED NET INCOME	$ 11,540,318	21	$ 10,857,412	22
ATTRIBUTABLE TO:				
Controlling interest	$ 11,595,088	21	$ 10,857,412	22
Minority interest	(54,770)	-	-	-
	$ 11,540,318	21	$ 10,857,412	22

	2005 Income Before Income Tax	2005 Net Income	2004 Income Before Income Tax	2004 Net Income
CONSOLIDATED EARNINGS PER SHARE (Note 15)				
Basic	$ 3.66	$ 3.00	$ 3.38	$ 2.91
Diluted	$ 3.66	$ 2.99	$ 3.27	$ 2.82

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

(With Deloitte & Touche review report dated October 20, 2005) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 11,540,318	$ 10,857,412
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,184,568	9,324,727
Amortization of 3G concession	487,138	-
Provision for doubtful accounts	864,177	1,191,725
Provision for losses on decline in value of inventories	16,969	3,999
Losses on disposal of inventory and inventory count	955	711
Equity in investees' net losses	125,920	155,927
Losses on disposal of properties and properties not currently used in operations, net	10,988	31,917
Provision for losses on properties not currently used in operations	160,317	275,625
Accrued pension cost	69,283	47,960
Deferred income taxes	1,157,105	847,856
Interest premium on convertible bonds	1,070	30,047
Unrealized exchange losses on overseas convertible bonds	-	885
Other	16,354	7,513
Net changes in operating assets and liabilities		
Accounts and notes receivable	(2,031,858)	(501,121)
Receivables from related parties	233,762	(12,573)
Inventories	(228,421)	52,407
Prepaid expenses	625,673	(76,205)
Other current assets	155,766	(788)
Notes payable	(15,134)	(412,800)
Accounts payable	839,005	(293,961)
Payables to related parties	(674,415)	66,883
Income tax payable	(871,592)	848,729
Accrued expenses	218,321	(927,115)
Unearned revenues	(951,388)	(51,115)
Other current liabilities	(171,984)	19,163
Net cash provided by operating activities	20,762,897	21,487,808

(Continued)

	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments, net	$ 532,065	$ 3,103,647
Acquisition of investments in shares of stock	(526,500)	(609,404)
Prepayment for investments	-	(45,000)
Acquisition of properties	(4,443,865)	(5,712,959)
Proceeds from sale of properties and properties not currently used in operations	8,667	85,631
Return of capital from the dissolved investee	-	488
Decrease (increase) in refundable deposits	18,302	(7,045)
Decrease in restricted assets	12,000	-
Increase in deferred charges	(92,369)	-
Decrease in other assets, net	8,036	10,317
Net cash used in investing activities	(4,483,664)	(3,174,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	74,031	(1,050,000)
Decrease in commercial paper payable	(119,610)	(1,198,092)
Increase in long-term liabilities	6,249,788	7,665,000
Repayment of long-term liabilities	(16,934,063)	(17,251,606)
Decrease in guarantee deposits received	(229,093)	(552,772)
Bonus paid to employees and directors	(252,813)	(147,387)
Cash dividends paid	(11,617,989)	(4,748,620)
Decrease in other liabilities	(3,115)	(22,030)
Repurchase of treasury stock	-	(3,334,798)
Decrease in minority interest	(478,342)	-
Cash payment due to merger	(888,946)	(11,698,461)
Net cash used in financing activities	(24,200,152)	(32,338,766)
EFFECT OF EXCHANGE RATE CHANGES	(26,577)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,947,496)	(14,025,283)
CASH AND CASH EQUIVALENTS ARISING FROM CHANGE IN CONSOLIDATED ENTITIES	99,262	-
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	178,080	3,057,490
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,502,692	14,568,654
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 832,538	$ 3,600,861
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 273,954	$ 605,136
Income tax paid	$ 2,261,149	$ 53,456

(Continued)

	2005	2004
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 2,537,595	$ 8,225,991
Reclassification of properties as rental assets	$ 37,659	$ 192,908
Reclassification of properties as properties not currently used in operations	$ 150,000	$ 190,000
Conversion of overseas convertible bonds into common stock and capital surplus	$ 790,678	$ 908,182
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 3,036,600	$ 3,879,551
Decrease in payables for the acquisition of properties	1,547,780	1,551,408
Decrease in advances for the acquisition of properties	(140,515)	-
Decrease in capital lease obligations	-	282,000
Actual cash paid for the acquisition of properties	$ 4,443,865	$ 5,712,959
PROCEEDS FROM DISPOSAL OF PROPERTIES AND PROPERTIES NOT CURRENTLY USED IN OPERATIONS		
Total amount of properties sold	$ 24,501	$ 18,374
Increase in receivables from properties sold	(23,709)	(1,747)
Decrease in receivables from related parties	7,875	69,004
Actual cash received from disposal of properties and properties not currently used in operations	$ 8,667	$ 85,631

SUPPLEMENTARY INFORMATION OF THE FAIR VALUE OF SUBSIDIARIES' TOTAL ASSETS AND TOTAL LIABILITIES ACQUIRED (ACQUISITION OF ARCOA IN 2005 AND KG TELECOM IN 2004)

	2005	2004
Cash and cash equivalents	$ 157,224	$ 3,057,490
Short-term investments, net	662,800	3,393,647
Accounts and notes receivable, net	310,974	3,601,008
Inventories, net	627,274	220,694
Prepaid expenses	40,892	409,319
Deferred income tax assets - current	-	806,277
Other current assets	118,338	111,668
Investments in shares of stock	69,143	1,273,517
Properties, net	544,691	30,061,042
Refundable deposits	42,993	174,795
Deferred charges, net	185,857	112,693
Deferred income tax assets - noncurrent	-	119,616
Other assets	8,825	58,037
Short-term bank loans	(282,586)	(2,150,000)
Commercial paper payable	-	(2,453,844)
Notes payable	(78,354)	(423,293)
Accounts payable	(358,125)	(231,071)
Income tax payable	-	(703,621)
Accrued expenses	(174,836)	(2,835,260)
Payables for acquisition of properties	-	(276,270)

(Continued)

	2005	2004
Guarantee deposits received	$ -	$ (703,921)
Unearned revenues	(64,120)	(778,534)
Other current liabilities	(28,814)	(146,918)
Long-term liabilities	(50,188)	(14,692,645)
Other liabilities	(8,843)	(36,824)
	1,723,145	17,967,602
Percentage of ownership acquired	55.37%	100%
	954,135	17,967,602
Goodwill	254,811	11,865,037
Consideration of the merger and issuance cost	1,208,946	29,832,639
Less: Issuance of common stock	-	18,134,178
Less: Decrease in restricted assets - noncurrent	320,000	-
Cash payment due to merger	$ 888,946	$ 11,698,461

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

(With Deloitte & Touche review report dated October 20, 2005) (Concluded)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("Far EasTone") was incorporated in the Republic of China on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's shares have been traded and listed on the ROC Over-the-Counter (OTC) Securities Exchange (known as GreTai Securities Market) since December 10, 2001 and change to be listed on the ROC Taiwan Stock Exchange since August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipments and accessories. Affiliates of Far Eastern Textile Co., Ltd. are the major stockholders of Far EasTone.

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

DGT also issued to Far EasTone a type II license, allowing it to provide Internet services for 10 years beginning in 1999 for a fixed annual license fee based on the amount of Far EasTone's paid-in capital. In addition, Far EasTone provides services under a type II-ISR license for 10 years beginning in December 2001 and pays an annual license fee of 0.5% of ISR service revenues and is licensed to provide local/domestic long-distance land cable leased circuit services for 15 years beginning in January 2003 with an annual license fee of 1% of leased circuit service revenues.

To integrate the telecommunications business and enhance the Far EasTone's operational efficiency, the Board of Directors of Far EasTone has approved the Far EasTone's merger with Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom"), its wholly owned subsidiary, on February 24, 2005. The merger was completed on May 2, 2005, with Far EasTone as the survivor company.

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 officially issued to Yuan-Ze Telecom a 3G license, which is valid through December 31, 2018. Through the completion of the merger with Yuan-Ze Telecom, Far EasTone became licensed to provide 3G wireless communications service and began commercial operations on July 13, 2005.

Far EasTone and its affiliates (the "Group") had 5,045 and 3,463 employees as of September 30, 2005 and 2004, 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 and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Group is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, allowance for losses on inventories, depreciation and amortization, impairment losses on tangible and intangible assets, income taxes and pension cost. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the 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 consolidated financial statements shall prevail.

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

Consolidation

As required by the revised ROC Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements," starting from January 2005, consolidated financial statements should include the accounts of Far EasTone and its direct and indirect subsidiaries or other investees in which Far EasTone has controlling interests. For subsidiaries acquired during the period, their revenues and expenses generated before the acquisition date will not be consolidated.

The consolidated financial statements prior to and for 2004 include the accounts of Far EasTone and its direct and indirect subsidiaries with individual total assets or total operating revenues that were at least 10% of the unconsolidated total assets or operating revenues of Far EasTone. Other subsidiaries were also consolidated if their combined total assets or operating revenues were at least 30% of the unconsolidated total assets or operating revenues of Far EasTone.

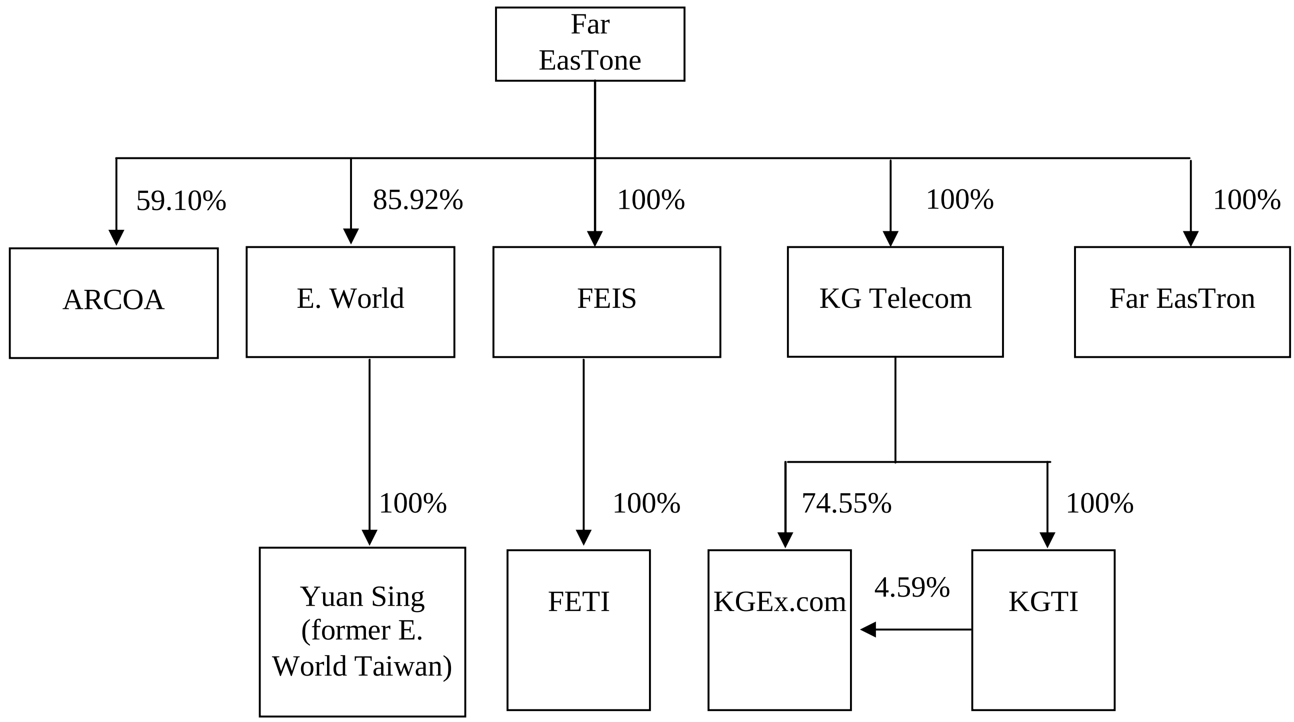
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries are translated from their respective functional currencies into New Taiwan dollars as follows:

a. All assets and liabilities at the exchange rate ruling at the balance sheet dates;
b. Share capital, retained earnings and/or accumulated deficit at their historical rates of exchanges; and
c. All items in the statement of income at the averages rate of exchange for the periods.

The resulting translation gains and losses are accounted for as cumulative translation adjustments.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Intercompany relationships and percentages of ownership as of September 30, 2005 are shown below:



a. Consolidated entities and their major business activities for the consolidated financial statements as of and for the nine months ended September 30, 2005 were as follows:

1) KG Telecommunication Co., Ltd. ("KG Telecom"):

On October 7, 2003, Far EasTone signed a definitive merger agreement with KG Telecommunication Co., Ltd. (the "former KGT"). The former KGT was incorporated in the Republic of China on June 27, 1997 and began commercial operations in January 1998. It provides wireless communications and leased-circuit services and also sells cellular phone units and accessories.

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 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 wireless communications services under a type I license - GSM1800 island-wide. 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.

The merger agreement was submitted to the special stockholders' meetings of Far EasTone, Yuan-Ho Telecommunications Co., Ltd. and the former KGT on November 25, 2003. The merger agreement with the former KGT provided for the transaction to occur in two steps (the "Combination"). To facilitate the combination with the former KGT, Far EasTone formed a new wholly owned subsidiary on September 25, 2003 called Yuan Ho Telecommunications Co., Ltd. ("Yuan-Ho"), which also was a party to the merger agreement. Yuan-Ho engages in providing wireless communications and sale of telecommunications equipment. In connection with the first step of the Combination, Yuan-Ho issued 526,431 thousand shares for total proceeds of $11,698,461 thousand.

In the first step of the transaction, the former KGT merged with and into Yuan-Ho, with Yuan-Ho as the surviving company. The first step was completed and effective on January 1, 2004.

As consideration for this step of the transaction, the former KGT stockholders became entitled to receive - for each KGT share owned - cash at NT$6.72 per KGT share and 0.46332 share of Yuan-Ho's common stock; thus, the former KGT stockholders will receive a total of $11,698,461 thousand in cash and 806,567 thousand common shares of Yuan-Ho. This merger consideration was held in escrow for the former KGT stockholders pending completion of the second step of the transaction. After the completion of the first step of the transaction, Yuan-Ho obtained approval from the Department of Commerce, Ministry of Economic Affairs (MOEA) to change its name to KG Telecommunications Co., Ltd. ("KG Telecom") and the former KGT no longer existed as a corporate entity. In addition, the capital of KG Telecom increased to $13,329,979 thousand and the equity of KG Telecom owned by Far EasTone was temporarily diluted to 39.49%. The other principal stockholders of KG Telecom are the original stockholders of the former KGT and held 60.51% ownership as of January 1, 2004.

In the second step of the transaction, former KGT stockholders became entitled to receive one share of Far EasTone stock in exchange for each KG Telecom share owned, representing an aggregate of 806,567 thousand of Far EasTone shares in the amount of $17,930,678 thousand. In order to satisfy this consideration to stockholders of KG Telecom for the remaining ownership, Far EasTone issued 693,523 thousand new shares and reissued the 113,044 thousand shares held as treasury stock (Note 14). The effective date of the share swap was April 29, 2004 and the second step of the transaction was completed on May 20, 2004 after the registration of the shares with MOEA.

Upon completion of the second step of the transaction, Far EasTone accounted for the merger with KG Telecom as a wholly-owned subsidiary. Far EasTone established control of KG Telecom as of January 1, 2004 as Far EasTone held the majority of the board seats of KG Telecom, significant consideration had been paid and other elements of control had been established. Thus, Far EasTone recognized 100% of its investment income beginning January 1, 2004.

The transaction was accounted for as a purchase with a total purchase price of $29,832,639 thousand, which included Far EasTone's common stock valued at $17,930,678 thousand based on the average closing prices (NT$22.23 per share) for the trading day (September 29, 2003 to October 3, 2003) around the announcement date (October 7, 2003) of the Combination, a cash payment of $11,698,461 thousand and direct transaction costs of $203,500 thousand. The difference between the total purchase price and the fair value of net assets assumed from the former KGT is $11,865,037 thousand (included in goodwill) and is amortized using the straight-line method over 15 years.

2) Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom"):

Yuan-Ze Telecom started preparing for its establishment on January 1, 2001 and was incorporated in the ROC on December 5, 2001. On January 24, 2005, Yuan-Ze Telecom obtained a 3G (third - generation wireless communications system) license from the DGT and began its commercial operations on July 13, 2005.

On February 24, 2005, the Board of Directors of Far EasTone approved the merger with Yuan-Ze Telecom, with Far EasTone as the survivor company. The merger approved by DGT on March 16, 2005 and by the OTC securities exchange on April 19, 2005. The merger was completed and took effect on May 2, 2005. On March 25, 2005, Yuan-Ze Telecom's Board of Directors, authorized representative of the stockholders approved a capital reduction to offset a deficit. The capital reduction, which took effect on March 28, 2005, amounted to $779,860 thousand, representing 7.5203% of Yuan-Ze Telecom's total paid-in capital. After the capital reduction, the paid-in capital of Yuan-Ze Telecom was $9,590,140 thousand.

3) E. World (Holdings) Ltd. ("E. World"):

   E. World was incorporated in the Cayman Islands on April 7, 2000. Its stockholders were Far EasTone (85.92%) and AT&T Wireless Service Inc. (14.08%) as of September 30, 2005. Far EasTone became the parent company of E. World after its acquisition of E. World's stock held by Far EasTone Textile Co., Ltd. and its affiliates on June 30, 2004. E. World is primarily an investment holding company.

4) Far Eastern Info Service (Holding) Ltd. ("FEIS"):

   FEIS was incorporated in the Bermuda Islands on July 17, 2002. Far EasTone became FEIS's parent company after its acquisition of FEIS's stock held by Far Eastern Polychem Industries on August 30, 2004. FEIS is primarily an investment holding company.

5) KGT International Holding Co., Ltd. ("KGTI")

   KGTI was incorporated in the British Virgin Islands on June 14, 2001. It is a wholly owned subsidiary of KG Telecom. KGTI is primarily an investment holding company.

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

   KGEx.com was incorporated by KG Telecom and KGTI in the Republic of China on August 9, 2000. KG Telecom and KGTI own 79.14% of KGEx.com's common stock. KGEx.com mainly provides Type II telecommunications service.

7) Yuan Sing Co., Ltd. ("Yuan Sing"; formerly E. World Co., Ltd.):

   Yuan Sing was incorporated on August 5, 2000. It is a wholly owned subsidiary of E. World. Yuan Sing provides data processing services. On June 20, 2005, the Board of Directors of Yuan Sing approved to change its name from E. World Co., Ltd. to Yuan Sing Co., Ltd.

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

   FETI was incorporated in the People's Republic of China on November 18, 2002 and acquired a 50-year operating permit. It is a wholly owned subsidiary of FEIS. FETI provides computer software, data processing and Internet content providing services.

9) ARCOA Communications Co., Ltd. ("ARCOA"):

   ARCOA was incorporated in the Republic of China on May 4, 1981. ARCOA's shares have been traded and listed on the emerging market of OTC since December 27, 2002. ARCOA sells cellular phone units and other telecommunications equipment or accessories and also provides related maintenance services.

   On December 22, 2004, the Board of Directors of ARCOA decided to withdraw its stock from the OTC exchange and became a private company. Far EasTone has purchased from ARCOA's stockholders 79,353 thousand shares from February to July 2005. As a result, Far EasTone acquired 59.10% of ARCOA's common stocks and became its parent company.

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

   Far EasTron was incorporated on August 12, 2005. It is a wholly owned subsidiary of Far EasTone. Far EasTron mainly provides Internet content providing services.

The consolidated financial statements as of and for the nine months ended September 30, 2005 excluded the accounts of KG Satellite Co., Ltd. ("KG Satellite").

KG Satellite is a 66.33% subsidiary of KG Telecom. KG Satellite engages in Type I telecommunications service and provides satellite communications service.

In their special meeting on December 30, 2004, the stockholders of KG Satellite decided to liquidate this company effective July 11, 2005 and finished liquidation on October 18, 2005. DGT approved this liquidation in January 2005 and allowed KG Satellite to discontinue providing satellite communications service from the proposed liquidation date. Thus, the accounts of KG Satellite were excluded from the consolidated financial statements.

b. The consolidated financial statements as of and for the nine months ended September 30, 2004 included the accounts of Far EasTone, KG Telecom and Yuan-Ze Telecom. Other subsidiaries with individual total assets or total operating revenues that were not at least 10% of the unconsolidated total assets and operating revenues of Far EasTone were excluded.

c. We were unable to obtain reviewed financial statements supporting some of the immaterial consolidated entities (E. World, Yuan Sing, FEIS, FETI, KGEx.com, KGTI and Far EasTron) as of and for the nine months ended September 30, 2005.

Current and Noncurrent Assets and Liabilities

Current assets include unrestricted cash or cash equivalents as well as items to be converted into cash or used within one year. Current liabilities are obligations to be settled within one year. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper purchased under resell agreements and with original maturities of not more than three months are classified as cash equivalents.

Short-term Investments

Short-term investments in mutual funds and financial bonds are carried at the lower of aggregate cost or market value. An allowance for loss is provided and charged to income for the current year when the aggregate carrying value of the investments exceeds the total market value. Any subsequent recovery of the market value to the extent of the original carrying value is recognized as income. The market value of financial bonds is stated at cost. The market values of the mutual funds are based on the net asset values as of the balance sheet date.

The costs of short-term investments sold are determined using the weighted-average method or the specific identification method.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on the basis of the aging status and estimated collectibility of receivables from subscribers and other parties.

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the weighted-average method. Losses on disposal of inventory are evaluated based on the changes of marketing strategy; losses on decline in value of inventory are evaluated based on possibility of the obsolete and market requirement.

Investments in Shares of Stock

Investments in shares of stock in companies in which the Group owns at least 20% of investees' common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Under this method, the investment is initially carried at cost on the acquisition date. Any cash dividends received are recognized as a reduction of the carrying value of the investments. The investment carrying values are then adjusted proportionately to the Group's share in the investees' net income or net loss. The difference between the cost of the investment and the Group's equity in the investees' net assets is amortized over 3 to 20 years. An impairment loss should be recognized whenever the carrying amount of those investments in shares of stock exceeds their recoverable amount, and this impairment loss should be charged to current income. If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investees' net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

Other investments are accounted for by the cost method. Such investments are carried at cost less an allowance for an other than temporary decline in the value of the investees' stock. These allowances are charged to current income. Cash dividends received a year after investment acquisition are accounted for as dividend income.

For both equity-method and cost-method investments, stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount of each shares is recalculated on the basis of the total number of shares, including the received stock dividends. Costs of investments sold are determined using the weighted-average method.

Properties and Rental Properties

Properties and rental properties are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Major 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.

An impairment loss should be recognized whenever the carrying amount of properties, rental properties, properties not currently used in operations and deferred charges exceeds their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years.

Equipment under capital leases and the related liability 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 option.

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48-55
Building equipment	3-18
Operating equipment	2-15
Computer equipment	3-10
Office equipment	2-10
Leasehold improvements	3-10
Miscellaneous equipment	3-15

Upon retirement or other disposal (e.g., sale) of properties and rental properties, 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 expense.

Properties Not Currently Used in Operations

Properties not currently used in operations, such as telecommunications equipment expected to be retired or disposed of, are stated at the lower of net book value or net realizable value. An impairment loss should be recognized whenever the carrying amount of these properties exceeds their recoverable amount.

Deferred Charges

Deferred charges mainly to the management cost of syndication loans, retail stores renovation and computer software and are amortized using the straight-line method over the terms of the syndicated loans, lease (retail store renovation) and agreements on the rights of software use. Deferred charges are grouped with properties for impairment test purposes.

Intangible Assets

Goodwill derived from a merger or the premium between purchase price and net asset value of subsidiaries at acquisition is amortized by the straight-line method over 3 to 15 years.

The 3G concession will be amortized on a straight-line basis from January 24, 2005, the grant date of the concession license, until the license expiry date on December 31, 2018.

Intangible assets are reviewed for impairment whenever circumstances indicate that the carrying value is higher than recoverable value. If the total of the expected future undiscounted cash flows is less than the carrying value of the assets, a loss is recognized for the difference between the fair value and the carrying value of the assets. An impairment loss recognized in prior years may be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years. Reversal of a previously recognized impairment loss on goodwill is prohibited.

Deferral of Unrealized Intercompany Profit

The entire gains from Far EasTone’s sales of products to its subsidiaries are deferred and included as deferred income until the gains are realized through the subsequent sale of the related items to third parties. In addition, Far EasTone classifies the deferred income as current or noncurrent on the basis of the length of the gain realization period.

Far EasTone defers its gain or loss on its product sales in proportion to ownership percentages for sales to other equity-method investees. These gains and losses are realized upon subsequent sale of products to third parties.

Far EasTone defers its gains or losses on the subsidiaries' sales of products to Far EasTone or on the sale among subsidiaries in proportion to its equity in the subsidiaries until the gains or losses are realized through the subsequent sale of the related items to third parties.

Revenue Recognition

Revenue is recognized when the earnings process is completed or virtually complete and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to excess of minutes of traffic included in the fixed monthly service fees) from wireless services, international simple resale services, internet and data 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 internet card services are recognized as income based upon customer usage; (c) one-time commission and subsidy revenue of a bundled contract (which covers both the purchase price of a cellular phone unit and a mobile phone number) or merely sales of mobile phone number as an agent for the telecommunication providers are accrued as activated; and (b) commission revenue are accrued monthly based upon related airtime revenue.

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

The amount received at the start of a bundled contract (which covers both the purchase price of a cellular phone unit and service fees for an equivalent number of minutes of traffic each month throughout the validity period of the contract) is deferred and recognized as revenue over the validity period of the contract using the straight-line method. If the sum of the cost of the cellular phone unit and the commission paid to the dealers (the "customer acquisition cost") exceeds the amount received at the beginning of the contract, the excess is charged to marketing expense. The portion of the customer acquisition cost equivalent to the amount received at the beginning of the contract is deferred and amortized as marketing expenses over the validity period of the contract using the straight-line method.

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

Promotion Expenses

Commissions and cellular phone equipment subsidy costs (other than those pertaining to the bundle contract mentioned above) related to the Group's promotions are treated as marketing expenses in the period when the service to a subscriber is activated.

Capital Expenditures and Expenses

Expenditure is capitalized whenever it increases the future service potential of a fixed asset and the amount is material. Other expenditures are expensed as incurred.

Pension Costs

Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Sing (former E. World Taiwan) and Far EasTron have a pension plan for all regular employees. Under the defined benefit pension plan, the pension costs are recognized on the basis of actuarial calculations. Under the defined contribution pension plan, monthly payments should be made based on a fixed percentage of the actual salary paid to the employees, which are recognized as pension cost. FETI, under its government's regulations, has a defined contribution pension plan. It makes monthly payments calculated at a fixed percentage of employees' salaries, which are recognized as pension costs.

The pension cost of KGEx.com was previously calculated at a fixed percentage of the actual monthly salary paid. Effective December 31, 2004, KGEx.com adopted Statement of Financial Accounting Standards No. 18, "Accounting for Pensions," which requires (a) the actuarial determination of assets and obligation as of December 31, 2004; (b) disclosure of certain pension information; and (c) recognition of pension cost as actuarially determined starting 2005.

FEIS, E. World and KGTI do not have a pension plan since they do not have any employees.

Convertible Bonds

Far EasTone issued overseas convertible bonds at par value and without any discount or premium. Far EasTone gave the bondholders the right to redeem the convertible bonds in cash at par value plus the interest-premium on a specific date. The interest-premium of puttable convertible bonds, which is the difference between the specified put price and the par value, is amortized using the interest method and is recognized as a liability over the period from the issuance date of the bonds to the expiry date of the put option. The direct and necessary costs of issuing convertible bonds are amortized using the straight-line method over the same period as interest-premium.

When the bondholder exercises the conversion option, Far EasTone uses the book-value approach. Far EasTone will write off the unamortized issuance costs, recognized interest-premium and par value of the convertible bonds. The capital stock is valued at its carrying value net of the amounts written-off, and the amount in excess of the par value of capital stock is recognized as additional paid-in capital.

Income Tax

Deferred income tax assets are recognized for the tax effects of deductible temporary differences, unused operating loss carry forwards and unused investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. A valuation allowance is recognized for deferred income tax assets that are not certain to be realized. Deferred income tax assets and liabilities are classified as current or noncurrent on the basis of the classifications of the related assets and liabilities. 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.

Deferred income tax liabilities derived from the temporary differences of carrying amounts and the tax base of long-term investments are not recognized if it is expected that the foreign subsidiary will not distribute its earnings in the future and the difference will be permanent.

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

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

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement.

On the balance sheet dates, the balances of foreign-currency denominated assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as follows:

a. Equity-method investments - as cumulative translation adjustments under stockholders' equity; and

b. Other assets and liabilities - as credits or charges to income.

Financial Derivatives

The contract (notional) amounts of interest rate swap agreements are not recognized in the financial statements because these agreements do not require the settlement of such notional amounts. On the balance sheet dates or settlement dates, the amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item.

Cross currency swap contracts, which are intended for hedging purposes, are recorded at the contract exchange rates on the starting dates of the contracts (the "starting dates"). The differences of the notional amounts and accrued interests due to exchange rate fluctuations between balance sheet dates and starting dates are included in the current period's incomes or losses. The exchanged interest during the contract period, on an accrual basis, is recorded as an adjustment to the revenue or expense associated with the items being hedged.

Forward exchange contracts are entered into as hedges of foreign-currency assets and liabilities and are recorded in New Taiwan dollars as assets and/or liabilities using the spot rates on the starting dates. The premium or discount, which is the amount of the contract multiplied by the difference between the contracted forward rate and the spot rates on the starting dates, is amortized over the terms of the contracts and recognized as gain or loss in the current year.

On the balance sheet date, the gains or losses on the contracts, computed by multiplying the contract amount by the difference between the rates on the starting dates and the balance sheet dates (or the rates last used to measure a gain or loss on that contract for an earlier period), are recognized as gain or loss in the current year. For contracts unsettled as of the balance sheet date, the receivables and payables on the contracts are netted out, and the net amount is presented as an asset or liability.

The interest-linked structured deposits are recorded as assets when the principal is paid at start of the contracts, and the interest is recognized as income over the terms of the contracts. The related gains and losses are recognized in the current year when the contracts are settled.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the nine months ended September 30, 2004 have been reclassified to be consistent with the presentation of consolidated financial statements as of and for the nine months ended September 30, 2005.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the combined balance sheets and statements of income of the Group as of and for the nine months ended September 30, 2005 and 2004, respectively. The pro forma financial information on the assumption that Far EasTone brought the majority interest of ARCOA on January 1, 2005 and 2004 is as follows:

(In Thousands, Except EPS)

	Nine Months Ended September 30	
	2005	**2004**
Current assets	$ 12,528,345	$ 15,670,373
Properties, net	61,837,603	64,839,797
Current liabilities	19,604,424	25,517,010
Operating revenue	54,592,113	52,584,208
Income before income tax	14,165,339	12,602,374
Net income	11,579,202	10,849,288
EPS	2.99	2.91

The pro forma combined balance sheets and statements of income are presented for illustrative purposes only. That is, this information does not necessarily show the financial position and results of operations under the assumption that Far EasTone brought the majority interest of ARCOA on January 1, 2005 and 2004, nor is it necessarily indicative of future financial position or results of operations of the Group.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2005	**2004**
Cash		
Cash on hand	$ 13,273	$ 8,180
Checking and demand deposits	769,689	1,573,383
Time deposit - interest of 0.85%-3.50% in 2005 and 0.94%-1.85% in 2004	49,576	785,101
	832,538	2,366,664
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 0.985%-1.000%	-	1,234,197
	$ 832,538	$ 3,600,861

5. SHORT-TERM INVESTMENTS

	September 30	
	2005	**2004**
Mutual funds - open-ended	$ 461,300	$ 290,000
Financial bonds	3,000	-
	$ 464,300	$ 290,000

6. INVENTORIES, NET

	September 30	
	2005	2004
Cellular phone equipment	$ 1,295,089	$ 875,351
Cellular phone accessories	121,052	68,386
SIM cards and prepaid cards	108,457	43,182
Others	102,733	-
	1,627,331	986,919
Less - allowance for losses	97,047	22,242
	$ 1,530,284	$ 964,677

7. INVESTMENTS IN SHARES OF STOCK

	September 30			
	2005		2004	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Equity method				
Far Eastern Electronic Toll Collection Co., Ltd.	$ 891,768	42.66	$ 455,340	45.00
KG Satellite	78,974	66.33	83,268	66.33
iScreen	33,756	40.00	69,071	40.00
Ding Ding Integrated Marketing Service Co., Ltd.	28,580	15.00	-	-
THI Consultants Inc.	14,128	22.22	-	-
Hi Information Co., Ltd.	5,217	33.17	-	-
KGEx.com	-	-	902,149	50.27
KGTI	-	-	146,430	100.00
Far Eastron Info Service (Holding) Ltd. (Bermuda)	-	-	95,337	100.00
E. World (Holdings) Ltd.	-	-	48,870	85.92
	1,052,423		1,800,465	
Cost method				
Taiwan Fixed Network Co., Ltd.	21,000	0.03	-	-
VIBO Telecom Inc.	20,000	0.20	-	-
Ideaculture Limited	14,600	17.96	-	-
Chunghwa Int'l Communication Network Co., Ltd.	6,714	4.20	-	-
Web Point Co., Ltd.	1,618	0.75	-	-
YesMobile Taiwan	-	-	3,000	0.50
	63,932		3,000	
Prepayment for investments				
Ding Ding Integrated Marketing Service Co., Ltd. preparatory office	-		45,000	
	$ 1,116,355		$ 1,848,465	

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") allow Far EasTone to exercise significant influence on its operating and financial policy decisions, the investment in DDIM is accounted for by the equity method even though Far EasTone's equity in DDIM is only 15%.

The equities in net assets of the foregoing equity-method investees, were determined on the basis of the investees' unreviewed financial reports as of and for the nine months ended September 30, 2005 and 2004. Under the revised ROC Statement of Financial Accounting Standards No. 5, "Long-term Investment in Equity Securities," ARCOA started to recognize its equity in the net income or net loss of THI Consultants Inc. (THIC) in the same period starting 2005. As a result, the equity in THIC for the nine months ended September 30, 2005 included the accounts of audited financial statements as of and for the year ended December 31, 2004 and the accounts of unreviewed financial statements as of and for the nine months ended September 30, 2005.

8. PROPERTIES

a. Accumulated depreciation consisted of:

	September 30	
	2005	**2004**
Buildings and equipment	$ 590,829	$ 334,626
Operating equipment	44,782,162	36,725,397
Computer equipment	8,334,756	6,910,385
Office equipment	755,730	625,818
Leasehold improvements	945,984	768,759
Miscellaneous equipment	70,909	63,701
	$ 55,480,370	$ 45,428,686

b. Far EasTone and KG Telecom lease computer equipment from Far Eastern International Leasing Corporation under a five year lease with annual lease payments of $30,828 thousand. The amount paid for the leased properties at the inception of the lease was $147,500 thousand net of the market price of new equipment of $277,470 thousand less the equipment exchange valued of $129,970 thousand. The total lease payments were $154,136 thousand. The lease agreement qualifies as capital lease since (a) the present value of the future lease payments plus the bargain purchase price under the agreement exceeds 90% of the fair value of the leased assets, and (b) the lease term is equal to 75% or more of the estimated economic life of the leased assets. The details of the lease as of September 30, 2005 and 2004 are as follows:

	September 30	
	2005	**2004**
Total future lease payments	$ 92,480	$ 123,308
Less - imputed interest expense	3,980	5,308
	88,500	118,000
Less - current portion of lease payable (included in current portion of long-term liabilities)	29,500	29,500
Long-term lease payable	$ 59,000	$ 88,500

c. Capitalized interest on properties was as follows:

	Nine Months Ended September 30	
	2005	**2004**
Total interest expense	$ 352,136	$ 627,637
Less - interest capitalized 1.75%-2.73% in 2005 and 1.33%-4.24% in 2004	117,663	73,243
Interest expense, net of amounts capitalized	$ 234,473	$ 554,394

9. GOODWILL

Goodwill recognized by the Group as of September 30, 2005 is summarized as follows:

a. The difference of $11,865,037 thousand between the total purchase price and the fair value of net assets assumed from the former KGT was accounted for by KG Telecom as goodwill. Starting from January 1, 2004, the goodwill is amortized using the straight-line method over 15 years. Goodwill amounted to $10,480,782 thousand as of September 30, 2005.

b. Goodwill recognized by Far EasTone from the acquisition of E. World and FEIS amounted to $27,505 thousand.

c. Goodwill recognized by KG Telecom from the acquisition of KGEx.com amounted to $4,309 thousand.

d. Goodwill recognized by Far EasTone from the acquisition of ARCOA amounted to $225,815 thousand.

Starting from January 1, 2005, in conformity with the Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," the Group is divided into three identifiable groups: 2G/2.5G wireless telecommunications services, 3G wireless telecommunications services and business of selling cellular phone units and other telecommunications equipment or accessories. 2G/2.5G wireless telecommunications services can be further identified as Far EasTone and KG Telecom. As a result, the Group was divided into four smallest identifiable cash-generating units - Far EasTone, KG Telecom, 3G wireless telecommunications services and business of selling cellular phone units and other telecommunications equipment or accessories. In line with the required test for asset impairment, goodwill is allocated as follows:

a. Goodwill from the merger with the former KGT belongs to KG Telecom;

b. Goodwill from the acquisition of E. World and FEIS belongs to Far EasTone;

c. Goodwill from the acquisition of KGEx.com belongs to KG Telecom; and

d. Goodwill from the acquisition of ARCOA has not yet been classified into any cash-generating units since the relevant operating strategy has not yet been completed.

On September 30, 2005, the carrying value of the tangible and intangible assets used by KG Telecom was $34,193,430 thousand, including $10,480,782 thousand in goodwill. From previous years' experience, management can achieve their cash flow target; thus, a forecast for more than five years was adopted. For this reason, the Group's management estimated the recoverable amount of core assets at their expected useful lives and thus based the cash flow forecast on an eight-year financial budget with a discount rate of 11.64%. The operating revenue forecast is based on the expected future growth rate of the telecom industry along with the prospective advancement of the business. On the basis of the anticipated effective customer base and sales predictions, the Group's management believes that the carrying amount of these tangible and intangible assets will not exceed their recoverable amounts even if there are changes in the basic assumptions used to estimate recoverable amounts as long as these changes are reasonable.

The principal assumptions on and the relevant measurement of the recoverable amounts of KG Telecom are summarized as follows:

a. Expected future growth rate of the telecommunications industry

    1) Mobile voice service (MVS): The anticipated MVS growth rate is based on the actual effective customer base of the previous years and on assumptions that the MVS market will mature and that the upcoming 3G telecommunications service will have a great impact on the market. Thus, the anticipated growth rate of MVS will decrease from 0.03% to (0.99%) gradually.

2) Mobile data service (MDS): The demand for MDS is expected to grow. However, given the cycle in the industry, the growth rate for MDS will gradually decrease annually. Thus, the anticipated growth rate of the MDS will gradually decrease from 31% to 10%.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue - around 50% in 2004; this ratio will still be around 50% in future years.

As of September 30, 2005, the recoverable amount calculated on the basis of the above principal hypotheses exceeded the carrying amount of the assets. Thus, no impairment loss should be recognized.

10. RENTAL ASSETS, NET

	September 30	
	2005	2004
Cost		
Land	$ 124,042	$ 99,524
Buildings	109,698	94,672
	233,740	194,196
Less - accumulated depreciation		
Buildings	6,669	2,737
	$ 227,071	$ 191,459

Rental properties are offices of Far EasTone and ARCOA, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through February 2013 and through May 2007, respectively. Future rental income is summarized as follows:

Period	Amount
October 1, 2005 to December 31, 2005	$ 3,427
2006	13,612
2007	12,918
2008	11,214
2009	6,826
For the nine months ended September 30, 2010	16,981

11. SHORT-TERM BANK LOANS

	September 30	
	2005	2004
Secured bank loans - interest of 2.20%-5.55%	$ 82,857	$ -
Unsecured bank loans - interest of 1.30%-2.20% in 2005 and 1.20%-1.30% in 2004	2,583,760	1,200,000
	$ 2,666,617	$ 1,200,000

12. COMMERCIAL PAPER PAYABLE

Far EasTone, KG Telecom and Yuan-Ze Telecom issued commercial paper that was guaranteed by financial institutions, which will be due within one year. The obligations as of September 30, 2005, which were discounted at 1.408% to 2.058%, are due from October 11 to December 21, 2005. The obligations as of September 30, 2004 were discounted at 1.190% to 1.438% and were fully repaid from October 22, 2004 to March 23, 2005.

13. LONG-TERM LIABILITIES

	September 30, 2005		
	Due Within One Year	**Due After One Year**	**Total**
Bonds			
Domestic secured bonds - Far EasTone	$ 330,000	$ -	$ 330,000
Domestic unsecured bonds-1st - Far EasTone	2,140,000	2,060,000	4,200,000
Domestic unsecured bonds-2nd - Far EasTone	-	1,470,000	1,470,000
Domestic unsecured bonds-3rd - Far EasTone	-	3,000,000	3,000,000
	2,470,000	6,530,000	9,000,000
Long-term debts			
Secured bank loans - KGEx.com	38,095	142,857	180,952
Long-term lease payable			
Far EasTone	14,750	29,500	44,250
KG Telecom	14,750	29,500	44,250
	29,500	59,000	88,500
	$ 2,537,595	$ 6,731,857	$ 9,269,452

	September 30, 2004		
	Due Within One Year	**Due After One Year**	**Total**
Bonds			
Overseas unsecured convertible bonds - Far EasTone	$ 3,008,929	$ -	$ 3,008,929
Interest premium - overseas unsecured convertible bonds - Far EasTone	48,807	-	48,807
Domestic secured bonds - Far EasTone	638,000	330,000	968,000
Domestic secured bonds - KG Telecom	1,020,000	-	1,020,000
Domestic unsecured bonds - 1st - Far EasTone	-	4,200,000	4,200,000
Domestic unsecured bonds - 2nd - Far EasTone	-	1,470,000	1,470,000
Domestic unsecured bonds - 3rd - Far EasTone	-	3,000,000	3,000,000
	4,715,736	9,000,000	13,715,736
Long-term debts			
Secured bank loans - KG Telecom	3,262,755	1,207,728	4,470,483
Secured bank loans - Yuan-Ze	-	3,420,000	3,420,000
Commercial paper - KG Telecom	218,000	432,498	650,498
Unsecured bank loans - KG Telecom	-	1,000,000	1,000,000
	3,480,755	6,060,226	9,540,981
Long-term lease payable			
Far EasTone	14,750	44,250	59,000
KG Telecom	14,750	44,250	59,000
	29,500	88,500	118,000
	$ 8,225,991	$ 15,148,726	$ 23,374,717

a. Overseas unsecured convertible bonds - Far EasTone

Five-year unsecured zero coupon convertible bonds, with total face value of US$115,000 thousand, were issued on February 19, 2003. The bonds are listed on the Luxembourg Stock Exchange. The repayment or conversion terms of the bonds are as follows:

1) Far EasTone's redemption of the bonds upon maturity at 105.114% of their face value on February 19, 2008;

2) Redemption at the option of the bondholder at 102.015% of their face value on February 19, 2005;

3) Each bondholder has the right to convert the bonds into shares or global depositary receipts between March 21, 2003 and January 20, 2008. The last conversion price was NT$27.94.

   As of September 30, 2005, convertible bonds amounting US$115,000 thousand had been fully converted into 142,167 thousand shares of common stock (including 165 thousand units of Global Depositary Receipts representing 2,473 thousand shares of common stock).

4) At any time on or after February 19, 2006 and prior to February 19, 2008, Far EasTone may redeem the Bonds in whole, or from time to time in part at a specific price under certain conditions. In addition, the Company may redeem the Bonds in whole, but not in part, if at least 90% in principal amount of the Bonds has already been redeemed, repurchased and cancelled or converted.

b. Domestic secured bonds - Far EasTone

These are five-year secured domestic bonds issued at par value on November 30, 2000. The total face value of the bonds is $2,200,000 thousand, with face value of $1,000 thousand and 5.06% interest, compounded semi-annually. Starting on November 30, 2002 and every six months thereafter, Far EasTone should redeem the bonds for up to 14% to 15% of their face value.

c. Domestic secured bonds - KG Telecom

Five-year domestic secured bonds were issued at par value on August 4, 2000. The total face value of the bonds is $3,000,000 thousand, with face value of $1,000 thousand and 5.37% interest. Starting on August 4, 2003 and every year thereafter, KG Telecom should redeem the bonds for up to 33% to 34% of their face value.

d. Domestic unsecured bonds - 1st - Far EasTone

Five-year domestic unsecured bonds were issued at par value on February 19, 2002. The total face value of the bonds is $4,200,000 thousand, with face value of $1,000 thousand at 3.4% annual interest. Redemption is at a percentage of the face amount of the bond, as follows: Type I bond - 40% in February 2006 and 60% in February 2007; and Type II bond - 60% in February 2006 and 40% in February 2007.

e. Domestic unsecured bonds - 2nd - Far EasTone

These are five-year unsecured domestic bonds issued at par value on March 28, 2003. The total face value of the bonds is $1,470,000 thousand, with a face value of $1,000 thousand and interest rate of 2.6% in the first year and 3.2% minus USD six-month LIBOR rate from the second year to maturity, payable semi-annually. Far EasTone should redeem the full amount when the bonds become due in 2008.

f. Domestic unsecured bonds - 3rd - Far EasTone

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 semi-annually. Far EasTone should redeem the full amount when the bonds become due in 2006, 2007 and 2008.

g. Secured bank loans - KGEx.com

KGEx.com obtained a secured bank loan at 2.345% interest rate, payable monthly as of September 30, 2005. The loan is secured and payable, starting in April 2005 and every three months thereafter at equal installments, with final payment due in April 2010.

h. Secured bank loans - KG Telecom

1) As of September 30, 2004, KG Telecom had obtained a loan of $1,428,500 thousand from a consortium of banks at 2.463% interest rate, payable quarterly. The loan is secured and repayable from August 2002 and every six months thereafter at equal installments of the principal, with the final repayment due in August 2005. KG Telecom had obtained permission from the banks to make an early repayment of the total outstanding loan on January 3, 2005.

2) As of September 30, 2004, KG Telecom had obtained a loan of US$7,816 thousand (equivalent to $265,588 thousand), from a consortium of banks at 2.517% interest rate, payable quarterly. The loan is secured and repayable from August 2002 and every six months thereafter at equal installments of the principal, with the final repayment due in August 2005.

3) As of September 30, 2004, KG Telecom had obtained a loan of US$38,446 thousand (equivalent to $1,306,395 thousand) from a consortium of banks at 2.9704% interest rate, payable quarterly. The loan is secured and repayable from June 2003 and every six months thereafter at equal installments of the principal, with the final repayment due in June 2007. KG Telecom had obtained permission from the banks to make an early repayment of the total outstanding loan on June 21, 2005.

4) As of September 30, KG Telecom had obtained a secured bank loan of $120,000 thousand at 2.5% interest rate, payable monthly. The loan is repayable in installments of $20,000 thousand to $60,000 thousand from July 2000 with the final repayment due in April 2005. KG Telecom had obtained permission from the bank to make an early repayment of the total outstanding loan on October 20, 2004.

5) KG Telecom obtained a loan of $1,350,000 thousand from a consortium of banks at 2.305% interest rate, payable quarterly as of September 30, 2004. The loan is secured and payable starting in February, 2005 and every three months thereafter at equal installments, with the final payment due in November 2005. KG Telecom had obtained a permission from the banks to make an early repayment of the total outstanding loan on November 1, 2004.

i. Secured bank loans - Yuan-Ze Telecom

As of September 30, 2004, Yuan-Ze had obtained a loan from a consortium of banks at 1.928% to 2.125% interest rate, payable monthly. The loan was due on January 28, 2004. The loan is guaranteed by a consortium of banks, and the guarantee is effective until April 7, 2006.

j. Commercial paper - KG Telecom

Under a revolving credit agreement, a consortium of banks guaranteed the commercial paper amounting to $650,498 thousand to be reissued by KG Telecom until June 2007. The commercial paper bears 1.903% interest rates as of September 30, 2004. Starting in 2002, the maximum amount of commercial paper that can be reissued under the agreement will decrease by 14% to 15% every six months. KG Telecom had obtained a permission from the banks to make an early repayment of the total commercial paper on July 6, 2005.

k. Unsecured bank loans - KG Telecom

KG Telecom had unsecured bank loans at an annual interest rate of 1.725% as of September 30, 2004. The loan is guaranteed by a bank, and the guarantee is effective until June 2006.

l. Long-term lease payable

Far EasTone and KG Telecom entered into capital lease agreements on computer equipment with Far Eastern International Leasing Corp. in July 2004. The annual lease payments were $30,828 thousand (Note 8) as of September 30, 2005.

14. STOCKHOLDERS' EQUITY

a. Capital surplus

Under government regulations, capital surplus from equity-method investments cannot be used to offset a deficit or be capitalized. In addition, capital surplus (including both paid-in capital in excess of par value and that arising from business combination) may be used to offset a deficit or transferred to capital as a stock dividend within prescribed limits only.

b. Appropriation of earnings and dividend policy

Far EasTone's Articles of Incorporation provide that, every year, 10% of net income less income tax and any accumulated deficit should be appropriated as legal reserve. In addition, if Far EasTone decides to distribute dividends, 1% to 2% of the balance should be appropriated as 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 the plan for improving financial structure.

A regulation issued by the Securities and Futures Bureau requires a special reserve to be made from the unappropriated earnings, equivalent to the debit balance of any account shown in stockholders' equity. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

Under the ROC Company Law, legal reserve should be appropriated until the accumulated reserve equals the Far EasTone's paid-in capital. The reserve can only be used to offset a deficit, or when the reserve reaches 50% of Far EasTone's paid-in capital, up to 50% of the reserve can be distributed as stock dividend.

These appropriations and other allocations of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

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

The appropriation and distribution of the 2004 and 2003 earnings were approved by the stockholders on May 20, 2005 and June 30, 2004, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2004	2003	2004	2003
Legal reserve	$ 1,404,308	$ 818,813		
Bonus to employees - cash	252,775	147,387		
Remuneration to directors and supervisors	126,388	73,693		
Cash dividend	11,617,989	4,748,620	$ 3.00	$ 1.40
Stock dividend	-	1,560,261	-	0.46

As of September 30, 2005, remuneration to directors and supervisors of $126,388 thousand was included in other current liabilities.

c. Issuance of new stock in exchange of investment in shares of stock

Under Article 12 of the Enterprise Mergers and Acquisitions Law, Far EasTone entered into an agreement with a dissenting stockholder (Bai Yang Investment Co., Ltd.) on April 16, 2004 to repurchase 113,044 thousand shares for $3,334,798 thousand. The difference of $821,733 thousand between the fair value and the repurchase price of the treasury stock was recorded as a reduction of unappropriated earnings.

Far EasTone issued 693,523 thousand new shares (included in capital stock and capital surplus - from business combination in the amount of $6,935,232 thousand and $8,482,381 thousand, respectively, amounting to $15,417,613 thousand) and reissued the 113,044 thousand shares held as treasury stock in order to satisfy the consideration to the stockholders of KG Telecom for the remaining ownership and completed the share swap for 806,567 thousand shares in the amount of $17,930,678 thousand (Note 2).

d. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of September 30, 2005 were as follows:

		GDRs (in Thousand Units)	Equivalent Common Stock (in Thousand Shares)
Initial offering	a	10,000	150,000
Converted from overseas unsecured convertible bonds	b	165	2,473
Issued for capital increase	c	296	4,448
Reissued within authorized units	d	11,229	168,433
GDRs transferred to common stock		(15,951)	(239,271)
Outstanding GDRs issued		5,739	86,083

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

2) On July 20, 2004, the SFB approved Far EasTone'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 September 30, 2005, 165 thousand units of GDRs have been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand shares of common stock.

3) Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand shares of common stock.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, reissuance of GDRs is allowed up to the aggregate amount previously approved by the SFB. Accordingly, Far EasTone has reissued 11,229 thousand units of GDRs representing 168,433 thousand shares of common stock.

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

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

15. CONSOLIDATED EARNINGS PER SHARE

	Nine Months Ended September 30			
	2005		2004	
	Before Tax	After Tax	Before Tax	After Tax
Consolidated basic EPS	$ 3.66	$ 3.00	$ 3.38	$ 2.91
Consolidated diluted EPS	$ 3.66	$ 2.99	$ 3.27	$ 2.82

The information on consolidated earnings per share (EPS) calculation is as follows:

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Consolidated Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
For the nine months ended September 30, 2005					
Consolidated basic EPS					
Consolidated net income	$ 14,181,225	$ 11,595,088	3,870,533	$ 3.66	$ 3.00
Effect of potential dilutive common stock					
Convertible bonds	2,249	2,052	2,130		
Consolidated diluted EPS					
Consolidated net income including the effect of potential dilutive common stock	$ 14,183,474	$ 11,597,140	3,872,663	$ 3.66	$ 2.99
For the nine months ended September 30, 2004					
Consolidated basic EPS					
Consolidated net income	$ 12,605,375	$ 10,857,412	3,730,852	$ 3.38	$ 2.91
Effect of potential dilutive common stock					
Convertible bonds	67,531	65,166	141,811		
Consolidated diluted EPS					
Consolidated net income including the effect of potential dilutive common stock	$ 12,672,906	$ 10,922,578	3,872,663	$ 3.27	$ 2.82

16. PENSION PLAN

a. The Labor Pension Act (the "Act") has taken effect on July 1, 2005. This Act provides for defined contribution plans featuring a portable pension. Employees can choose to remain subject to the pension mechanism under the Labor Standards Law, or choose to be subject to the pension mechanism under the Act, with their service years accumulated before the enforcement of this Act to be retained.

b. Far EasTone, KG Teleom, KGEx.com, Yuan sing (former E. World Taiwan) and ARCOA have a defined benefit pension plan for all regular employees required under Labor Standard Act. Far EasTone, KG Telecom, KGEx.com, Yuan Sing and ARCOA accrue pension cost on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to each pension fund, which is administered by each pension plan committee and deposited in each Committee's name in the Central Trust of China.

c. Under the Act, the employer's monthly rate of contribution to the pension fund from July 1, 2005, should be at least 6% of the employees' monthly wages.

d. Combined information on the pension plans of Far EasTone, KG Telecom, KGEx.com, Yuan Sing (former E. World Taiwan) and ARCOA are as follows:

Changes in a accrued pension costs (prepaid pension expenses) were as follows:

	September 30, 2005			
	Far EasTone (Including KG Telecom and Yuan Sing)	KGEx.com	ARCOA	FETI
Beginning balance	$ 226,308	$ 6,960	$ (8,151)	$ -
Add:				
Pension cost under defined benefit plan	78,630	1,346	3,135	-
Pension cost under defined contribution plan	32,311	385	6,209	3,597
Less:				
Contribution	(41,658)	(676)	(6,639)	(3,597)
Accrued expenses	-	(1,055)	-	-
Ending balance	$ 295,591	$ 6,960	$ (5,446)	$ -

	September 30, 2004
	Far EasTone (Including KG Telecom and Yuan Sing)
Beginning balance	$ 169,278
Add: Pension cost under defined benefit plan	79,624
Less: Contribution	(31,664)
Ending balance	$ 217,238

e. Fund changes were as follows:

	Nine Months Ended September 30, 2005			
	Far EasTone (Including KG Telecom and Yuan Sing)	KGEx.com	ARCOA	FETI
Contribution	$ 41,658	$ 676	$ 6,639	$ 3,597
Actual payment	$ -	$ -	$ -	$ -
Fund balance	$ 324,702	$ 5,329	$ 47,032	$ -

The Group’s contribution to the Fund was $31,664 thousand for the nine months ended September 30, 2004. Fund balance was $276,871 thousand as of September 30, 2004.

17. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Nine Months Ended September 30, 2005			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 356,946	$ 1,701,191	$ -	$ 2,058,137
Pension	17,785	91,696	-	109,481
Meal	9,425	58,576	-	68,001
Employee benefit	801	56,885	-	57,686
Insurance	29,841	132,734	-	162,575
Miscellaneous	11,351	50,709	-	62,060
Depreciation	7,039,261	1,453,524	1,521	8,494,306
Amortization	-	690,262	-	690,262
	$ 7,465,410	$ 4,235,577	$ 1,521	$ 11,702,508

	Nine Months Ended September 30, 2004			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 374,896	$ 1,563,964	$ -	$ 1,938,860
Pension	15,388	58,254	-	73,642
Meal	7,848	43,865	-	51,713
Employee benefit	-	35,335	-	35,335
Insurance	24,984	92,914	-	117,898
Miscellaneous	4,998	56,325	-	61,323
Depreciation	7,476,422	1,171,258	1,449	8,649,129
Amortization	81,096	594,502	-	675,598
	$ 7,985,632	$ 3,616,417	$ 1,449	$ 11,603,498

18. INCOME TAX

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

	Nine Months Ended September 30	
	2005	2004
Income tax expense computed at statutory tax (15% to 25%)	$ 4,549,971	$ 4,043,519
Add (deduct) tax effects of		
Permanent differences		
Tax - exempt income	(1,026,535)	(1,856,007)
Equity in investees' net gains	(839,929)	(814,675)
Realized investment losses	(145,319)	-
Bad debt	11,435	139,523
Other	(8,756)	2,538
	(2,009,104)	(2,528,621)

(Continued)

	Nine Months Ended September 30	
	2005	2004
Temporary differences		
Provision for doubtful accounts	$ 150,365	$ 94,163
Accrued pension cost	19,543	12,023
Unrealized foreign exchange loss, net	526	26,936
Equity in the investees' net gains	(5,502)	(348)
Accrued interest premium	(3,660)	3,640
Unrealized losses on properties not currently used in operations	25,393	76,406
Realized loss for disposal of properties	(27,527)	-
Depreciation resulting from the differences in estimated service lives of properties	(57,852)	41,099
Other	4,195	1,004
	105,481	254,923
Unappropriated earnings tax (10%)	1,438	280,170
Less - investment tax credits	(701,908)	(681,608)
Income tax expense - current	$ 1,945,878	$ 1,368,383

The balance of income tax payable as of September 30, 2005 was net of the creditable taxes of Far EasTone ($437 thousand) and KG Telecom ($897,248 thousand) plus the accrual of income tax payable of Far EasTone ($1,200 thousand) and KG Telecom ($406,642 thousand) for the years not yet examined and cleared by the tax authorities (refer to item (g) below).

The balances of income tax payable as of September 30, 2004 were net of KG Telecom creditable income taxes of $958 thousand plus KG Telecom's accrual of $209,008 thousand in income tax payable for the years not yet examined and cleared by the tax authorities (refer to item (g) below).

Net operating income generated from the use of switches and cell sites acquired during the period April 1, 1997 to December 31, 1999 is exempt from income tax for the period January 1, 2000 to December 31, 2004.

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

b. Income tax expense consisted of:

	Nine Months Ended September 30	
	2005	2004
Income tax expense - current	$ 1,945,878	$ 1,368,383
Income tax expense - deferred	644,760	340,560
Prior year's adjustment	(14,301)	38,653
Income tax expense on income subjected to a separate rate of 20%	9,800	367
Income tax expense	$ 2,586,137	$ 1,747,963

c. Deferred income taxes assets (liabilities) as of September 30, 2005 and 2004 consisted of:

	September 30	
	2005	**2004**
Current		
Provision for doubtful accounts	$ 842,321	$ 1,330,571
Investment tax credits	66,999	502,804
Loss carryforwards	40,327	-
Provision for losses on inventories	29,292	5,561
Unrealized foreign exchange losses (gains), net	(2,576)	13,531
Other	-	1,867
	976,363	1,854,334
Less - valuation allowance	141,720	585,438
	$ 834,643	$ 1,268,896
Noncurrent		
Depreciation resulting from the differences in estimated service lives of properties	$ 382,525	$ 504,078
Provision for losses on properties not currently used in operations	365,330	88,592
Loss carryforwards	276,907	167,588
Accrued pension cost	82,867	54,255
Unrealized loss on long-term investments	14,420	-
Loss on disposal of properties	13,246	-
Investment tax credits	8,573	752,416
Cumulative equity in the net loss of investee	(333)	8,559
Accrued interest premium	-	12,202
Other	6,146	7,553
	1,149,681	1,595,243
Less - valuation allowance	518,393	579,474
	$ 631,288	$ 1,015,769

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

d. Integrated income tax information:

	September 30	
	2005	**2004**
Balance of imputation credit account (ICA)		
Far EasTone	$ 58,849	$ 6,315
KG Telecom	$ 135,962	$ 483,466
Yuan-Ze Telecom	$ -	$ 138
ARCOA	$ 3,366	$ -

Actual ratio of the ICA balance for Far EasTone as of September 30, 2005 to unappropriated earnings as of such date was 8.75%. When the dividends from the unappropriated earnings as of September 30, 2004 were distributed by Far EasTone in 2004, the actual ratio used was 0.68%.

Actual ratio of the ICA balance for KG Telecom as of September 30, 2005 to unappropriated earnings as of such date was 32.51%. When the dividends from the unappropriated earnings as of September 30, 2004 were distributed by KG Telecom in 2004, the actual ratio used was 22.29%.

ARCOA, Yuan Sing and KGEx.com had no appropriated earnings as of September 30, 2005. Thus, the ICA balances of ARCOA, Yuan Sing and KGEx.com will be accumulated until dividend distribution in the future.

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings based on the prevailing ICA balance will be used by the Group for allocating tax credits to each of the respective company's stockholder.

e. Investment tax credits information:

The unused investment tax credits and loss carryforwards of the Group as of September 30, 2005 are summarized as follows:

Far EasTone

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 587,938	$ 8,268	2005
		302,096	14,763	2006
		28,866	6,894	2007
Statute for Upgrading Industries	Purchase of automated equipment or technology	3,971	3,971	2007
		4,602	4,602	2008
		$ 927,473	$ 38,498	

ARCOA

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	$ 3,900	$ 1,606	2005
	Research and development expenditures	9,066	2,489	2006
		$ 12,966	$ 4,095	

KGEx.com

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	$ 32,979	$ 32,979	2005

f. Loss carryforwards as of September 30, 2005 were as follows:

Expiry Year	**ARCOA**	**KGEx.com**	**Yuan Sing (Former E. World Taiwan)**
2005	$ -	$ 15,870	$ 24,457
2006	-	48,150	17,130
2007	-	36,546	129
2008	-	53,341	179
2009	-	72,907	-
2010	20,915	27,610	-
	$ 20,915	$ 254,424	$ 41,895

g. Status of income tax returns:

Income tax returns through 2002 of Yuan-Ze Telecom and Yuan Sing (former E. World Taiwan) had been examined and cleared by the tax authorities.

Income tax returns through 2000 and for 2002 of Far EasTone had been examined and cleared by the tax authorities. The tax authorities assessed an additional tax of $792 thousand on Far EasTone's 2000 return. Far EasTone will file in October 2005 an appeal for the reexamination of its 2000 return.

Income tax returns through 2000 and for 2002 of KGEx.com had been examined and cleared by the tax authorities.

Income tax returns through 2003 of KG Telecom (includes former KGT) had been examined and cleared by the tax authorities. In addition, tax authorities had examined and cleared KG Telecom's income tax returns for 2001, however KG Telecom had appealed for reexamination of filing related to the amortization of goodwill resulting from merger with Tuntex and the dispute in the amount of investment tax credits. The outcome of this appeal is not yet finalized. KG Telecom had accrued income tax payable as of September 30, 2005 and 2004 of $406,642 thousand and $209,008 thousand, respectively for years not yet examined and cleared by tax authorities based on the foregoing examination results.

Income tax returns through 2002 of ARCOA had been examined and cleared by the tax authorities. The tax authorities assessed an additional tax of $1,397 thousand on ARCOA's 2002 return. Arcoa will file in October 2005 an appeal for the reexamination of its 2002 return.

19. RELATED-PARTY TRANSACTIONS

The Group's related parties and relationship are as follows:

Related Party	**Relationship with the Group**
Yuan Ding Co. (YDC)	Same chairman
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Far Eastern Textile Ltd. (FETL)	Same chairman
Far Eastern Telecom Engineering Corp. (FETEC)	Investee of YDC

(Continued)

Related Party	Relationship with the Group
Far Eastern Technology Developmental Foundation (FETTDF)	Far EasTone's donation is over one third of the foundation's capital
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Far Eastern Department Stores Co., Ltd. (FEDS)	Same chairman
Asia Cement Co., Ltd. (ACC)	Same chairman
U-Ming Marine Transport Corp. (UMMT)	Same chairman
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of Far EasTone
iScreen Corporation	Equity-method investee of KG Telecom
Yuan Ding Investment Co., Ltd.	Same chairman
Oriental Securities Co., Ltd.	Same major stockholder as that of Far EasTone
Far Eastern Polychem Industries Ltd. (FETPI)	Same chairman
Far Eastern Investment Holding Ltd. (Bermuda) (FETIH)	Same major stockholder as that of Far EasTone
Oriental Industrial Holding Pte. Ltd. (Singapore) (OIHP)	Subsidiary of ACC
FEDS Development Ltd. (BVI) (FEDSD)	Subsidiary of FEDS
Yue-Tung Investment Corp. (YTI)	Subsidiary of UMMT
Far Eastern International Bank (FEIB)	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Oriental Institute of Technology	Same chairman
Yuan-Ze University	Same chairman
Far Eastern Tech-info Ltd. (Shanghai) (FETI)	Subsidiary of FEIS since August 2004
Ding Ding Hotel Co., Ltd.	Same chairman
Liquid Air Far East Co., Ltd.	Its chairman is the relative of Far EasTone's chairman
Far Eastern Alliance Asset Management Co., Ltd. (FEAAM)	Its chairman is the relative of Far EasTone's chairman
Far Eastern Apparel Co., Ltd.	Same major stockholder as that of Far EasTone
Yuan Ding Leasing Corp.	Same major stockholder as that of Far EasTone
Far Eastern Electronic Toll Collection Co., Ltd. (FETETC)	Equity-method investee of Far EasTone
KGEx.com (KGEX)	Subsidiary of KG Telecom
KG Satellite	Subsidiary of KG Telecom
Taipei Metro Properties Management	Same major stockholder as that of Far EasTone
NTT DoCoMo Inc.	Director of Far EasTone
Bai Yang Investment Co., Ltd.	Its chairman is the relative of Far EasTone's chairman
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same major stockholders as that of Far EasTone

In addition to those mentioned in Notes 8 and 14, the Group's significant transactions with the above parties are summarized as follows:

		2005		2004	
		Amount	**%**	**Amount**	**%**
During the period					
Operating revenue	a.				
Telecommunication service revenue					
NCIC	b.	$ 821,926	2	$ 821,046	2
KGEX	c.	-	-	250,338	1
Other	y.	11,394	-	3,010	-
		$ 833,320	2	$ 1,074,394	3

(Continued)

		2005		2004	
		Amount	%	Amount	%
Other					
DDIM	d.	$ 8,470	1	$ -	-
FETETC	e.	7,916	1	-	-
		$ 16,386	2	$ -	-
Operating costs and expenses					
Telecommunication service cost					
NCIC	b.	$ 67,930	-	$ 2,165	-
KGEX	f.	-	-	28,847	-
Other	y.	1,476	-	23,533	-
		$ 69,406	-	$ 54,545	-
Rental					
FETRD	g.	$ 39,190	2	$ 33,776	2
FEILC	h.	34,081	1	38,123	2
NCIC	i.	10,023	-	21,308	1
Other	y.	7,082	-	9,606	-
		$ 90,376	3	$ 102,813	5
Research and development expense					
FETTDF	j.	$ 16,231	81	$ 12,188	75
Service fee					
FCHRC	k.	$ 40,403	18	$ 57,119	28
FETI	l.	-	-	97,552	48
Others	y.	-	-	6,952	3
		$ 40,403	18	$ 161,623	79
Marketing expense					
DDIM	m.	$ 13,922	-	$ -	-
Nonoperating income and gains					
Gains from sale of short-term investments					
FEAAM	n.	$ 2,807	-	$ -	-
Nonoperating expenses and loses					
Interest expense					
FEIB	o.	$ 128	-	$ 1,197	-
Acquisition of investments in shares of stock					
FETPI	p.	$ -	-	$ 92,616	15
FETIH	q.	-	-	12,531	2
OIHP	q.	-	-	12,531	2
YTI	q.	-	-	12,531	2
FEDSD	q.	-	-	4,195	1
		$ -	-	$ 134,404	22

(Continued)

		2005		2004	
		Amount	%	Amount	%
Acquisition of properties					
NCIC	r.	$ 54,204	1	$ 152,522	3
FETEC	s.	13,769	-	32,368	-
FEILC	h.	-	-	147,500	3
NTT DoCoMo Inc.	t.	1,408	-	-	-
		$ 69,381	1	$ 332,390	6
Acquisition of short-term investments					
FEAAM	n.	$ -	-	$ 290,000	36
At end of period					
Receivables from related parties					
FETETC	e. and u.	$ 21,417	56	$ 7,096	12
NCIC	b. and v.	11,092	29	19,794	33
NTT DoCoMo Inc.	w.	3,350	9	-	
DDIM	d.	1,816	5	-	-
FETI	l.	-	-	6,136	10
KGEX	x.	-	-	19,791	33
Other	y.	380	1	7,281	12
		$ 38,055	100	$ 60,098	100
Payables to related parties					
NCIC	b., i. and r.	$ 67,829	48	$ 212,276	72
FEILC	h.	8,931	6	9,622	3
DDIM	m.	24,309	17	-	-
FETTDF	j.	9,844	7	3,605	1
FETEC	s.	9,704	7	21,059	7
Other	y.	21,972	15	46,855	17
		$ 142,589	100	$ 293,417	100
Unearned revenues					
FETETC	u.	$ 25,304	2	$ -	-
Current portion of long-term liabilities					
FEIB	o.	$ -	-	$ 34,000	-
Long-term lease payable (including current portion)					
FEILC	h.	$ 88,500	100	$ 118,000	100

Other information on the transactions with related parties is as follows:

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

b. The transactions between Far EasTone, KG Telecom, KGEx and NCIC consisted of sales of cellular phone units and accessories and interconnection activities for NCIC's use of Far EasTone's, KG Telecom's and KGEx's network. The interconnection fees paid by Far EasTone, KG Telecom and KGEx on its use of NCIC's fixed-line network and billing processing costs pertaining to the interconnection services provided by NCIC to Far EasTone, KG Telecom and KGEx were included in telecommunication service cost. The international direct dialing revenue collected by Far EasTone and KG Telecom for NCIC was treated as a reduction of service revenue and was included in payables to related parties.

c. The interconnection fees paid by KGEx on its use of Far EasTone's and KG Telecom's network and billing processing costs pertaining to the interconnection services provided by Far EasTone and KG Telecom to KGEx were included in telecommunication service revenue and receivables from related parties. The international direct dialing revenues collected by EasTone and KG Telecom for KGEx through call-by-call selection service were treated as a reduction of telecommunications service revenue and were settled at net amounts based on related agreements.

d. Yuan Sing (former E. World Taiwan) provides operational service to DDIM for its IVR system. The related service revenues were included in other revenues and receivables from related parties.

e. KGEx provides co-location services to FETETC and Yuan-Sing provides operational service to FETETC for its IVR system. The service revenues were included in other revenues and receivables from related parties.

f. KG Telecom signed a network maintenance contract with KGEx for maintaining KG Telecom's telecommunications network and backbone network facilities. The contract expired in March 2004.

g. Far EasTone leases from FETRD several parcels of the land and building spaces under contracts with term 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.

h. Under operating lease agreements, Far EasTone rented from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; and (b) the land and mobile switch centers located in Neihu, Taichung and Xinzhu, from November 1999 to June 2004. The contracts will remain valid unless either Far EasTone or FEILC informs each other to cancel the contracts.

   When the contracts expire, Far EasTone may either renew the contracts or 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

   Far EasTone and KG Telecom lease from FEILC computer equipment under a five-year operating lease agreement from July 2004 to June 2009, with annual lease payments of $30,828 thousand (Note 8).

i. Far EasTone leases from NCIC telecommunications network and office spaces in Neihu under contracts with terms from September 2003 to September 2008.

j. FETTDF researches telecommunication technology and provides training programs for Far EasTone.

k. Far EasTone and KG Telecom have contracts with FCHRC for manpower dispatching services. The service charges were based upon the services provided by FCHRC for temporary or specific personnel supplies.

l. Far EasTone signed a service agreement with FETI in 2003. The service charges were based on the services provided by FETI as agreed upon with Far EasTone. Moreover, the advances to FETI were treated as receivables from related parties and were settled in the net amount against the fees paid.

m. Far EasTone and KG Telecom authorized DDIM to deal with the accumulation and redemption of reward points for customers. The related service charges were treated as marketing expense and payables to related parties.

n. KG Telecom purchased 27,574 thousand units of Far Eastern Alliance Taiwan Bond Fund from FEAAM as short-term investments and were sold in August 2005. The gains on sale of short-term investments are $2,807 thousand.

o. KG Telecom obtained a syndicated loan from a consortium of banks with interest payable monthly. A portion of the outstanding loans amounting to $34,000 thousand was drawn from FEIB, which was repaid in June 2005.

   In addition, FEIB provided a $30,600 thousand guarantee for payment of KG Telecom's domestic secured bonds.

p. Far EasTone purchased 100% ownership of Far Eastern Info Service (Holding) Ltd. in the amount of $92,616 on August 30, 2004. As a result, Far EasTone acquired 100% ownership of FETI indirectly.

q. In June 2004, Far EasTone brought 4,685 thousand shares (66.92% ownership) of E. World for $41,788 thousand from FEITH, OIHP, FEDSD and YTI.

r. Far EasTone brought NCIC's telecommunications network and backbone network facilities.

s. Far EasTone and KG Telecom maintain contracts with FETEC for the construction of telecommunications network and backbone network facilities.

t. NTT DoCoMo Inc. does 3G construction of wireless facilities and system integration, and renders related operating services to Far EasTone. Since the related expenditure refers to facility construction, it is capitalized.

u. For the nine months ended September 30, 2005, Far EasTone provided consulting services to FETETC on the setup of its IVR system and the planning of VPS (Vehicle Position System) of the electronic toll collection system. Far EasTone also authorizes FETETC to use Far EasTone's trouble ticket system. All of these transactions between Far EasTone and FETETC were under contracts amounting to $38,429 thousand. The fees collected were based on the terms of the related contract and were treated as unearned revenues. The revenues will be settled at net amount and will be treated as service revenues after the construction is completed and the unearned revenues will be transferred to Yuan-Sing. Moreover, the advances to FETETC by Far EasTone for the nine months ended September 30, 2005 and 2004 for its daily operating expenditures will be collected at various times based on the cash balances of FETETC.

v. The advances for the construction and joint use of telecommunications network and backbone network facilities between Far EasTone and NCIC and receivables from sales of properties to NCIC were included in receivables from related parties.

w. Far EasTone and KG Telecom provide international roaming services to the customers of NTT DoCoMo Inc. The service revenues are treated as telecommunication service revenue and receivables from related parties.

x. Far EasTone and KG Telecom give advances to KGEx for its daily operating expenditures and will be collected at various times based on the cash balances of KGEx.

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

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

20. COMMITMENTS AS OF SEPTEMBER 30, 2005

The Group had the following significant commitments:

a. The Group was under contracts to acquire properties for $1,353,242 thousand.

b. ARCOA signed contracts amounting to $153,100 thousand for software purchase and remodeling of retail stores, of which $106,017 thousand was unpaid.

c. The Group's outstanding letters of credit amounted to ￥278,424 thousand (equivalent to $81,467 thousand), US$435 thousand (equivalent to $14,433 thousand) and $202,017 thousand.

d. Payments for the rentals of land, buildings and cell sites of the Group for the next five years are summarized as follows:

Period	Amount
October 1, 2005 to December 31, 2005	$ 661,260
2006	2,667,185
2007	2,728,381
2008	2,801,109
2009	2,282,461
For the nine months ended September 30, 2010	2,807,886

21. ASSETS PLEDGED OR MORTGAGED

The assets pledged or mortgaged, i.e., used as collaterals for customs duties, long-term and short-term debts, purchase of inventory and bonds, were as follows:

	September 30	
	2005	2004
Restricted assets		
Included in other current assets	$ 51,506	$ -
Included in other assets - other	1,163	7,881
Properties, net	11,715,128	25,275,917
	$ 11,767,797	$ 25,283,798

ARCOA invested $10,000 thousand in an interest-linked structured deposit product maturing on September 15, 2010. ARCOA should ensure that it follows the terms and conditions of the contract. Early withdrawal of structured deposits may probably result in receiving less than its initial deposit amount. This structured deposit was pledged for short-term bank loans.

22. ADDITIONAL DISCLOSURES

A. Important transactions and B. Related information of the Group's investees.

a. Financing provided: None

b. Endorsement/guarantee provided: None

c. Marketable securities and investments in shares of stock held: Schedule A

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

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

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

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule C

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule D

i. Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule E

j. Derivative financial instruments

Far EasTone and KG Telecom used certain derivative financial instruments to hedge overall fluctuations on interest rates and exchange rates for the nine months ended September 30, 2005 and 2004. ARCOA used forward contract to hedge overall fluctuations on exchange rates for the nine months ended September 30, 2005. All these transactions are for nontrading purposes. ARCOA brought interest-linked structured deposits to earn interest, i.e., for trading purposes, for the nine months ended September 30, 2005. Except for these three companies, the Group had no derivative transactions for the nine months ended September 30, 2005 and 2004.

The derivative contracts entered into by Far EasTone, KG Telecom and ARCOA were as follows:

1) Open contracts and credit risk

a) For nontrading purposes

	September 30, 2005						
Type of Transaction	Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity Date	Fair Value	Credit Risk
Interest rate swap - Far EasTone	$ 2,670,000	1.25-1.95%	0-2.54%	Every 6 months	March 28, 2008-December 19, 2008	$ (86,254)	$ -

Type of Transaction	September 30, 2004 Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity Date	Fair Value	Credit Risk
Interest rate swap - Far EasTone	$ 2,670,000	1.25%-1.95%	1.03%-3.41%	Every 6 months	March 28, 2008-December 19, 2008	$ (37,330)	$ -
Interest rate swap - KG Telecom	1,000,000	3.38%-5.45%	1.04%-1.69%	Every 3 months	November 22, 2004-May 20, 2005	(20,392)	-

Type of Transaction	September 30, 2004 Notional Amount	Carrying Value	Fair Value	Credit Risk
Cross currency swap - KG Telecom	US$ 46,656 thousand	$ -	$ (2,481)	$ 315

Type of Transaction	September 30, 2005 Notional Amount	Fair Value	Credit Risk	Maturing Date
Forward contract - ARCOA	US$ 1,410	$ 46,783	$ 699	October 1, 2005 - October 31, 2005

The forward contract of ARCOA is for hedging overall fluctuations on exchange rates of foreign currency assets or liabilities. The foreign exchange loss of ARCOA on forward contract for the nine months ended September 30, 2005 was $699 thousand.

Far EasTone and KG Telecom had no outstanding forward contract as of September 30, 2005 and 2004, respectively.

In 2004, Far EasTone placed an order for cellular phones amounting to ￥374,560 thousand. To hedge the effect of exchange rate fluctuations on this commitment, Far EasTone entered into Japanese yen forward contracts. The forward contract was due on August 18, 2004, and the realized gain of $1,695 was recognized as reduction of inventory.

b) For trading purposes

Type of Transaction	September 30, 2005 Carrying Value	Notional Amount	Credit Risk	Transactor's Location
Interest-linked structured deposits - ARCOA	$ 10,000	$ 10,000	$ 9,975	Taiwan

c) Credit risk

Far EasTone, KG Telecom and ARCOA are exposed to credit risk if counter-parties default on their contractual obligations. To manage this risk, Far EasTone, KG Telecom and ARCOA conduct transactions only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

2) Market risk

Far EasTone and KG Telecom entered into interest rate swap and cross currency swap contracts to hedge the effect of foreign currency fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Therefore, the market risk is not material.

The forward contract of ARCOA is for hedging overall fluctuations of exchange rates from foreign currency assets or liabilities. Therefore, the market risk is not material.

Based on ARCOA's policy, ARCOA sets up a stop-loss target price for trading derivative financial instruments and periodically evaluates these instruments for their effectiveness to prevent affecting its operating activities.

ARCOA monitors interest-linked deposits and the market risk is expected to be within a reasonable range.

3) Liquidity risk, cash-flow risk and future cash demand

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. Due to the simultaneous cash inflow and outflow generated from cross currency swap contracts, the aggregate net cash flow is expected to be insignificant. Management believes that Far EasTone and KG Telecom have sufficient operating capital to meet cash demand.

ARCOA's forward exchange rate is fixed and no additional cash is required.

The notional amount of interest-linked deposits is paid on the contract date and no additional cash is required unless the contract is cancelled before the contract expires.

The cancellation requires ARCOA to reimburse the loss and related bank charges incurred. ARCOA monitors its net position and expects that the cash-flow risk is not material.

4) The purpose of derivative financial instruments held or issued

Far EasTone and KG Telecom use certain derivative financial instruments for nontrading purposes. The interest rate swap contracts are for hedging overall fluctuations on interest rates. The swap involves Far EasTone's and KG Telecom's paying interest at a fixed rate and receiving interest based on market rates. The cross currency swap contracts are for hedging overall fluctuations on interest rates and exchange rates from foreign currency obligations with floating rates. The overall purpose of these contracts is to hedge Far EasTone's and KG Telecom's exposure to cash flow risk. Far EasTone and KG Telecom periodically evaluate the effectiveness of the instruments.

ARCOA uses derivative financial instruments for nontrading purposes. The forward contract is for hedging overall fluctuations of exchange rates from foreign currency assets or liabilities. The overall purpose of the contract is to hedge ARCOA's exposure to cash flow risk. ARCOA periodically evaluate the effectiveness of the instruments.

ARCOA uses interest-linked structured deposits to earn interest. Therefore, the interest-linked structured deposits are highly-correlated to interest rates.

5) The losses of Far EasTone on these swap contracts for the nine months ended September 30, 2005 were $8,349 thousand and its gains were $26,436 thousand for the nine months ended September 30, 2004, which were recorded as interest expenses and reduction of interest expenses, respectively.

The losses of KG Telecom on the swap contracts for the nine months ended September 30, 2005 were $11,708 thousand, recorded as interest expense of $8,208 thousand and foreign exchange loss of $3,500 thousand. The losses of KG Telecom on the swap contracts for the nine months ended September 30, 2004 were $48,901 thousand, recorded as interest expense.

The receivables and payables on ARCOA's forward contracts for nontrading purposes as of September 30, 2005, were as follows:

Forward Contract	**September 30, 2005**
Forward exchange receivable	$ 46,783
Forward exchange payable	(46,084)
Net (included in other current assets)	$ 699

The related gains and accounts of ARCOA on interest-linked derivative financial instruments were as follows:

	September 30, 2005
Pledged time deposits	$10,000

	Nine Months Ended September 30, 2005
Interest income - interest-linked structured deposits	$370

6) The fair values of financial instruments were as follows:

	September 30			
	2005		**2004**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Nonderivative financial instruments				
Financial assets				
Cash and cash equivalents	$ 832,538	$ 832,538	$ 3,600,861	$ 3,600,861
Short-term investments	464,300	464,300	290,000	290,000
Notes and accounts receivable, net	7,564,665	7,564,665	6,645,681	6,645,681
Receivables from related parties	38,055	38,055	60,098	60,098
Restricted assets (included in other current assets)	51,506	51,506	-	-
Investments in shares of stock	1,116,355	1,106,154	1,848,465	1,848,465
Refundable deposits	397,814	396,962	423,576	422,662
Restricted assets (included in other assets - other)	1,163	1,163	7,881	7,881
Financial liabilities				
Short-term bank loans	2,166,617	2,166,617	1,200,000	1,200,000
Commercial paper payable	778,581	778,581	1,745,339	1,745,339
Notes payable	105,054	105,054	41,163	41,163
Accounts payable	1,429,229	1,429,229	980,316	980,316
Payables to related parties	142,589	142,589	293,417	293,417
Payables related to acquisition of properties	1,677,842	1,677,842	1,441,792	1,441,792

(Continued)

	September 30			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term liabilities (including current portion)	$ 9,269,452	$ 9,461,402	$ 23,374,717	$ 23,584,452
Guarantee deposits received (including current portion)	1,384,672	1,384,672	1,704,740	1,704,740
Derivative financial instruments				
Interest rate swap - Far EasTone	-	(86,254)	-	(37,330)
Interest rate swap - KG Telecom	-	-	-	(20,392)
Cross currency swap - KG Telecom	-	-	-	(2,481)
Interest-linked structured deposits - ARCOA	10,000	9,975	-	-

The bases used for estimating the fair values of financial instruments were as follows:

a) The carrying values of cash and cash equivalents, notes and accounts receivable, receivables from related parties, restricted assets, short-term bank loans, commercial paper payable, notes payable, accounts payable, payables to related parties and payables related to acquisition of properties are recorded at their carrying values due to the short maturities of these instruments.

b) The fair values of investments in shares of stock and short-term investments are recorded at market prices or, if market prices are unavailable, on the equity in the investee's net assets.

c) Long-term liabilities are recorded at market prices or, if market prices are unavailable, upon present value of expected cash outflows, which is discounted at the interest rates for bank loans with similar maturities.

d) Refundable deposits and guarantee deposits received are recorded at the present values of future payments or receipts.

e) Fair values of derivative financial instruments are recorded at the quoted market prices obtained from banks.

C. Investment in Mainland China:

a. 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 F;

b. Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 19.

D. Additional disclosure for consolidated financial statements:

a. Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule G.

b. Reasons, amounts, number of shares held and subsidiaries' names, which owns Far EasTone's shares: None.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2005
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Securities	Relationship with the Company	Financial Statement Account	September 30, 2005 Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Investments in shares of stock	1,332,997,916.00	$ 34,058,603	100.00	$ 34,058,603	Note A and F
	ARCOA Communications Co., Ltd.	Equity-method investee	Investments in shares of stock	79,353,013.00	1,202,935	59.10	1,202,935	Note A and F
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Investments in shares of stock	106,650,000.00	891,768	42.66	891,768	Note A
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Investments in shares of stock	1,200.00	137,512	100.00	137,512	Note B and F
	E. World (Holdings) Ltd.	Equity-method investee	Investments in shares of stock	6,014,622.00	32,854	85.92	32,854	Note B and F
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Investments in shares of stock	4,500,000.00	28,580	15.00	28,580	Note B
	Far EasTron Co., Ltd.	Equity-method investee	Investments in shares of stock	100,000.00	44	100.00	44	Note B and F
E. World (Holdings) Ltd. (Note E)	Stocks							
	Yuan Sing Co., Ltd. (former E. World Ltd. Taiwan)	Equity-method investee	Investments in shares of stock	19,349,994.00	US$ 157,000	99.99	US$ 157,000	Note B and F
	Ideaculture Limited (Cayman)	-	Investments in shares of stock	1,195,141.00	US$ 431,000	17.96	US$ 143,000	Note D
Far Eastern Info Service (Holding) Ltd. (Note E)	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Investments in shares of stock	-	US$ 3,497,000	100.00	US$ 3,497,000	Note B and F
ARCOA Communications Co., Ltd.	Stocks							
	Hi Information Co., Ltd.	Equity-method investee	Investments in shares of stock	4,975,000.00	5,217	33.17	5,217	Note B
	THI Consultants Inc.	Equity-method investee	Investments in shares of stock	1,000,000.00	14,128	22.22	14,128	Note B
	Chunghwa Int'l Communication Network Co., Ltd.	-	Investments in shares of stock	2,830,901.00	6,714	4.20	8,409	Note B
	Taiwan Fixed Network Co., Ltd.	-	Investments in shares of stock	2,100,000.00	21,000	0.03	22,280	Note D
	VIBO Telecom Inc.	-	Investments in shares of stock	2,000,000.00	20,000	0.20	16,691	Note D
	Web Point Co., Ltd.	-	Investments in shares of stock	300,000.00	1,618	0.75	1,618	Note D
	Mutual funds-open-ended	-						
	Fuhwa Advantage Bond Fund	-	Short-term investments	1,950,230.13	20,000	-	20,001	Note C
	Fuhwa Bond Fund	-	Short-term investments	3,975,163.18	50,000	-	50,003	Note C
	Fuh-Hwa Bond Fund	-	Short-term investments	9,782,908.20	127,800	-	128,240	Note C
	CITC Cash Reserves	-	Short-term investments	5,379,889.70	62,000	-	62,004	Note C
	CITC Safe Income Fund	-	Short-term investments	10,376,783.40	151,500	-	151,513	Note C
	CITC High Yield Fund	-	Short-term investments	1,126,362.90	15,000	-	15,070	Note C

(Continued)

Company Name	Type and Name of Securities	Relationship with the Company	Financial Statement Account	September 30, 2005				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Short-term investments	3,000,000.00	$ 3,000	-	$ 3,000	Note C
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Investments in shares of stock	260,915,000.00	1,246,203	74.55	1,246,203	Note B and F
	KGT International Holding Co., Ltd.	Equity-method investee	Investments in shares of stock	50,000.00	91,942	100.00	91,942	Note B and F
	KG Satellite Co., Ltd.	Equity-method investee	Investments in shares of stock	9,950,000.00	78,974	66.33	78,974	Note B
	iScreen	Equity-method investee	Investments in shares of stock	4,000,000.00	33,756	40.00	33,756	Note B
KGT International Holding Co., Ltd. (Note E)	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Investments in shares of stock	16,051,000.00	76,399	4.59	76,399	Note B and F
KGEx.com Co., Ltd. (Note E)	Mutual funds-open-ended							
	Invesco ROC Bond Fund	-	Short-term investments	2,394,275.63	35,000	-	35,037	Note C
KG Satellite Co., Ltd. (Note E)	Mutual funds-open-ended							
	Phoenix Fund	-	Short-term investments	1,377,042.20	20,369	-	20,425	Note C
	PCA Bond Fund	-	Short-term investments	213,823.80	3,262	-	3,271	Note C
	Mega Diamond Bond Fund	-	Short-term investments	7,873,280.97	88,703	-	88,967	Note C

Note A: Calculation was based on reviewed financial statements as of September 30, 2005.

Note B: Calculation was based on unreviewed financial statements as of September 30, 2005.

Note C: Open-ended mutual funds were calculated at the net asset value of mutual funds as of September 30, 2005 while bonds were based on the cost.

Note D: Calculation was based on the most current financial statements.

Note E: Information was based on unreviewed financial statements as of September 30, 2005.

Note F: All the carrying value of investment in shares of stock and the investees' net assets have been eliminated in consolidation.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2005
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Account	Related Party	Nature of Relationship	Beginning Balance		Acquired		Disposed				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.	ARCOA Communications Co., Ltd. (Note D)	Equity-method investee	Original stockholders of ARCOA	-	-	$ -	79,353,013.00	$ 1,278,946	-	$ -	$ -	$ -	$ (76,011)	79,353,013.00	$ 1,202,935
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Issuance of capital stock for cash	-	54,000,000.00	433,544	52,650,000.00	526,500	-	-	-	-	(68,276) (Note C)	106,650,000.00	891,768
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd. (Note D)	Equity-method investee	Original stockholders of Taiwan Cement	Note A	175,931,000.00	898,944	84,984,000.00	438,342	-	-	-	-	(91,083)	260,915,000.00	1,246,203
	Far Eastern Alliance Taiwan Bond Fund	Short-term investments	-	-	27,573,879.00	290,000	-	-	27,573,879.00	292,807	290,000	2,807	-	-	-
ARCOA Communications Co., Ltd. (Note B)	Fuhwa Advantage Bond Fund	Short-term investments	-	-	9,849,887.71	100,000	18,613,535.86	190,000	26,513,193.44	270,739	270,000	739	-	1,950,230.13	20,000
	Fuhwa Fund	Short-term investments	-	-	6,750,675.07	84,000	11,966,720.94	150,000	14,742,232.83	184,622	184,000	622	-	3,975,163.18	50,000
	Fuh-Hwa Bond Fund	Short-term investments	-	-	9,858,600.80	127,800	19,606,498.70	255,600	19,682,191.30	256,587	255,600	987	-	9,782,908.20	127,800
	CITC Cash Reserves	Short-term investments	-	-	11,866,277.70	135,500	21,432,034.76	246,000	27,918,422.76	320,562	319,500	1,062	-	5,379,889.70	62,000
	CITC Safe Income Fund	Short-term investments	-	-	11,197,858.90	161,500	33,322,424.50	484,500	34,143,500.00	496,480	494,500	1,980	-	10,376,783.40	151,500

Note A: Leslie Koo is the authorized representative of KG Telecommunications Co., Ltd.

Note B: The beginning balance was carried from ARCOA Communications Co., Ltd. as it became the subsidiary of Far EasTone since February, 2005.

Note C: Including equity in investee's net losses of $74,500 thousand and the effect of change in ownership percentage due to investees' issuance of capital stock for cash amounting to $6,224 thousand.

Note D: All the carrying values of investments in shares of stock, investment income (loss) and the investees' net assets have been eliminated in consolidation.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2005
(In Thousands of New Taiwan Dollars)

Purchase (Sale) 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 of Far EasTone	Telecommunication service revenue	$(1,852,539)	(6%)	Conducted as agreed terms	-	-	Accounts receivable (Note A)	$246,557	4%
			Cost of telecommunication services	873,051	7%	Conducted as agreed terms	-	-	Accounts payable (Note A)	-	-
	ARCOA Communications Co., Ltd.	Subsidiary of Far EasTone	Marketing expenses	256,244	6%	Conducted as agreed terms	-	-	Accrued expense	(63,584)	(2%)
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunication service revenue	(579,229)	(2%)	Conducted as agreed terms	-	-	Accounts receivable (Note B) Accounts payable (Note B)	4,273 (18,527)	- (1%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunication service revenue	(124,823)	-	Conducted as agreed terms	-	-	Accounts receivable	35,848	1%
	Far Eastern Tech-Info Ltd. (Shanghai)	Subsidiary of FEIS	Professional fee	106,283	64%	Conducted as agreed terms	-	-	Accounts payable	(5,772)	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunication service revenue	(873,051)	(4%)	Conducted as agreed terms	-	-	Accounts receivable (Note A)	-	-
			Cost of telecommunication services	1,852,539	18%	Conducted as agreed terms	-	-	Accounts payable (Note A)	(246,557)	(19%)
	ARCOA Communications Co., Ltd.	Same parent company	Marketing expenses	209,596	4%	Conducted as agreed terms	-	-	Accrued expense	(46,211)	(2%)
ARCOA Communications Co., Ltd	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue	(256,244)	(30%)	Conducted as agreed terms	-	-	Accounts receivable	63,584	31%
	KG Telecommunications Co., Ltd.	Same parent company	Commission revenue	(209,596)	(25%)	Conducted as agreed terms	-	-	Accounts receivable	46,211	23%
KGEx.com Co., Ltd	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Cost of telecommunication services	124,823	51%	Conducted as agreed terms	-	-	Accounts payable	(35,848)	(22%)
Far Eastern Tech-Info (Shanghai)	Far EasTone Telecommunications Co., Ltd.	Ultimate parent company	Other revenue	(106,283)	(79%)	Conducted as agreed terms	-	-	Accounts receivable	5,772	11%

Note A: Telecommunication service revenue and cost of telecommunication services between Far EasTone and KG Telecom were settled at net amounts and were included in Far EasTone's receivables from related parties and KG Telecom's payables to related parties.

Note B: All revenues and costs between Far EasTone and NCIC were settled at full amount except interconnection revenues and costs and were included in receivables from related parties and payables to related parties, respectively.

Note C: All the telecommunication service revenue, cost of telecommunication services, commission revenue, marketing expense, receivables from related parties and payables to related parties have been eliminated in consolidation.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2005
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	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	$ 757,719	(Note A)	$ -	-	$ 157,635	$ -
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	558,406	(Note B)	-	-	6,834	-

Note A: The turnover rate is unavailable as the receivables from related parties were mainly due to the advances in operating expenditures to KG Telecom.

Note B: The turnover rate is unavailable as the receivables from related parties were mainly due to collection of telecommunication bills by Far EasTone.

Note C: All receivables from related parties have been eliminated in consolidation.

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
NINE MONTHS ENDED SEPTEMBER 30, 2005
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: September 30, 2005	Investment Amount: December 31, 2004	Balance as of September 30, 2005: Shares	Balance as of September 30, 2005: Percentage of Ownership (%)	Balance as of September 30, 2005: Carrying Value	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
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	$ 34,058,603	$ 4,017,403	$ 4,017,403	Notes A, B and I
	Yuan-Ze Telecommunications Co., Ltd.	Taiwan	TYPE I telecommunications services	(Note H)	10,370,000	-	-	-	(359,811)	(359,811)	Notes A, B and I
	ARCOA Communications Co., Ltd.	Taiwan	Sale and manufacturing of communication products and office equipment	1,278,946	-	74,353,013	59.10	1,202,935	(78,181)	(76,011)	Notes A, B and I
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,066,500	540,000	106,650,000	42.66	891,768	(169,351)	(74,500)	Notes B and C
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	137,512	29,397	19,812	Notes A, D and I
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	32,854	5,302	1,677	Notes A, D and I
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	28,580	(83,915)	(16,256)	Note C and D
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	-	100,000	100.00	44	(956)	(956)	Note A, D and I
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications service	2,197,072	1,759,310	260,915,000	74.55	1,246,203	(122,456)		Notes D, E and I
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	91,942	(5,607)		Notes D, E and I
	KG Satellite Co., Ltd.	Taiwan	TYPE I telecommunications services	99,500	99,500	9,950,000	66.33	78,974	(6,458)		Notes D and E
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	33,756	(13,636)		Notes D and F
ARCOA Communications Co., Ltd.	Hi Information Co., Ltd.	Taiwan	Information service	53,065	53,065	4,975,000	33.17	5,217	2,843		Notes D and F
	THI Consultants Inc.	Taiwan	Construction consulting	13,700	13,700	1,000,000	22.22	14,128	4,916		Notes D and F
KGT International Holdings (Note G)	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications service	US$ 4,822,000	US$ 4,822,000	16,051,000	4.59	76,399	(122,456)		Notes D and E
E. World (Holdings) Ltd. (Note G)	Yuan Sing Co., Ltd. (former E. World Ltd. Taiwan)	Taiwan	Computer software, data processing and network information providing services	193,500	193,500	19,349,994	99.99	US$ 157,000	6,244		Notes D and E
Far Eastern Info Service (Holding) Ltd. (Note G)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer software, data processing and network information providing services	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 3,497,000	29,766		Notes D, E and I

Notes:
A. Subsidiary.

B. Calculation was based on reviewed financial statements as of September 30, 2005.

C. Equity-method investee of Far EasTone.

D. Calculation was based on unreviewed financial statements as of September 30, 2005.

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

F. Equity-method investee of KG Telecom or ARCOA.

G. Information was based on unreviewed financial statements as of September 30, 2005.

H. Merged with Far EasTone on May 2, 2005.

I. All the carrying values of investment in shares of stock, investment income (loss) and the investees' net assets have been eliminated in consolidation.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2005
(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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2005 (Note A)	Accumulated Inward Remittance of Earnings as of September 30, 2005	Accumulated Investment in Mainland China as of September 30, 2005	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	$82,950 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$29,766	$116,030 (US$3,497,000)	$ -	$92,616	$92,616	$28,032,131 (Note C)

Note A: Calculation was based on unreviewed financial statements as of September 30, 2005

Note B: Far EasTone made the investment through a company registered in a third region.

Note C: Equal to 40% of Far EasTone's net asset value.

Note D: Significant transactions with the investee company have been eliminated in consolidation.

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
NINE MONTHS ENDED SEPTEMBER 30, 2005
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$ 757,719	Note D	1%
				Payables to related parties	558,406	Note D	1%
				Telecommunication service revenue	1,852,539	Note D	3%
				Cost of telecommunication services	873,051	Note D	2%
				Marketing expenses	96,257	Note D	-
				Nonoperating income and gains	208,378	Note D	-
				Management service revenue	68,178	Note D	-
		ARCOA Communications Co., Ltd.	1	Refundable deposits	20	Note D	-
				Payables to related parties	63,584	Note D	-
				Sales of cellular phone equipment and accessories, net	75,795	Note D	-
				Cost of sales	11,960	Note D	-
				Marketing expenses	256,244	Note D	-
		KGEX.com Co., Ltd.	1	Receivables from related parties	35,862	Note D	-
				Payables to related parties	1,598	Note D	-
				Telecommunication service revenue	124,823	Note D	-
				Management service revenue	5,625	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	5,772	Note D	-
				General and administrative expenses	106,283	Note D	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	558,406	Note D	1%
				Payables to related parties	757,719	Note D	1%
				Telecommunication service revenue	873,051	Note D	2%
				Cost of telecommunication services	1,867,262	Note D	3%
				Marketing expenses	228,813	Note D	-
				General and administrative expenses	30,768	Note D	-
				Research and development expenses	2,252	Note D	-
				Nonoperating income and gains	96,257	Note D	-
		ARCOA Communications Co., Ltd.	3	Payables to related parties	46,211	Note D	-
				Sales of cellular phone equipment and accessories, net	26,838	Note D	-
				Cost of sales	4,259	Note D	-
				Marketing expenses	209,597	Note D	-
		KGEX.com Co., Ltd.	3	Receivables from related parties	31,538	Note D	-
				Payables to related parties	4,322	Note D	-
				Telecommunication service revenue	127,659	Note D	-
				General and administrative expenses	5,606	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	15,452	Note D	-
				General and administrative expenses	12,598	Note D	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	ARCOA Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	$ 63,584	Note D	-
				Guarantee deposits received	20	Note D	-
				Sales of cellular phone equipment and accessories, net	11,960	Note D	-
				Other revenues	256,244	Note D	-
				Cost of sales	75,795	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	46,211	Note D	-
				Sales of cellular phone equipment and accessories, net	4,259	Note D	-
				Other revenues	209,597	Note D	-
				Cost of sales	26,838	Note D	-
3	KGEX.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,598	Note D	-
				Payables to related parties	35,862	Note D	-
				Cost of telecommunication services	124,823	Note D	-
				General and administrative expenses	5,625	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	4,322	Note D	-
				Payables to related parties	31,538	Note D	-
				Cost of telecommunication services	127,659	Note D	-
				Other revenues	5,606	Note D	-
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	5,772	Note D	-
				Other revenues	106,283	Note D	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	15,452	Note D	-
				Other revenues	12,598	Note D	-

Note A: Significant transactions between parent company and its subsidiaries or among subsidiaries are numbered as follows:

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

Note B: Related party transactions are divided into three categories as follows:

1. Far EasTone to its subsidiaries.
2. Subsidiaries to its parent company, Far EasTone.
3. Among Far EasTone’s subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of September 30, 2005; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2005.

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