Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2007 and 2006 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (the "Company") and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's and subsidiaries' management. Our responsibility is to issue a report based on our reviews.

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

As disclosed in Note 2 to the consolidated financial statements, the financial statements as of March 31, 2007 and 2006 of some minor consolidated subsidiaries, with combined total assets that were 3.0% (NT$2,544,134 thousand) and 3% (NT$2,825,894 thousand), respectively, of the consolidated total assets and with combined total liabilities that were 3% (NT$530,656 thousand) and 2% (NT$482,806 thousand), respectively, of the consolidated total liabilities, had not been reviewed. In the three months ended March 31, 2007 and 2006, these subsidiaries' combined total operating revenues were 2% (NT$274,665 thousand) and 2% (NT$289,203 thousand), respectively, of the consolidated operating revenues and their total net losses were (3%) (NT$81,959 thousand) and (1%) (NT$35,643 thousand), respectively, of consolidated net income. As disclosed in Note 9 to the consolidated financial statements, the financial statements supporting the Company's and subsidiaries' investments in certain equity-method investees, with carrying values of NT$388,244 thousand and NT$672,741 thousand as of March 31, 2007 and 2006, respectively, had not been reviewed. The Company's equity of NT$61,256 thousand and NT$184,649 thousand in the losses of these investees was included in the consolidated net income of the three months ended March 31, 2007 and 2006, respectively. Related information on the Company's and subsidiaries' investments shown in Note 28 to the consolidated financial statements was not reviewed, either.

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

As disclosed in Note 3 to the consolidated financial statements, starting on January 1, 2006, the Company and subsidiaries adopted the newly announced ROC Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments," and related revisions of previously issued Statements. In addition, based on the revised ROC SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," goodwill should be subjected to impairment test annually instead of being amortized.

April 16, 2007

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

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
MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 26)	$ 11,263,280	12	$ 7,676,960	8
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	325,483	1	226,522	-
Available-for-sale financial assets - current (Notes 2, 6 and 26)	900,104	1	196,800	-
Bonds measured at amortized cost - current (Notes 2 and 7)	3,000	-	3,000	-
Accounts and notes receivable, net of allowance for doubtful accounts of $1,291,077 in 2007 and $1,884,231 in 2006 (Note 2)	5,747,433	6	5,901,152	6
Accounts and notes receivable from related parties, net of allowance for doubtful accounts of $14,774 in 2007 (Notes 2 and 25)	96,942	-	26,942	-
Inventories, net (Notes 2 and 8)	1,017,273	1	1,615,561	2
Prepaid expenses	995,321	1	1,044,541	1
Deferred income tax assets - current (Notes 2 and 20)	1,041,514	1	939,548	1
Pledged certificates of deposits - current (Note 27)	49,036	-	67,000	-
Other current assets (Note 10)	121,860	-	85,269	-
Total current assets	21,561,246	23	17,783,295	18
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 9)	388,244	1	672,741	1
Financial assets carried at cost - noncurrent (Notes 2 and 10)	292,061	-	63,349	-
Total long-term investments	680,305	1	736,090	1
PROPERTIES (Notes 2, 11, 17 and 27)				
Cost				
Land	1,470,001	2	1,514,283	1
Buildings and equipment	2,881,009	3	2,869,662	3
Operating equipment	98,980,846	104	95,208,567	96
Computer equipment	14,175,780	15	13,499,750	14
Office equipment	945,379	1	965,521	1
Leasehold improvements	1,719,728	2	1,683,821	2
Miscellaneous equipment	467,897	-	458,452	-
Total cost	120,640,640	127	116,200,056	117
Less - accumulated depreciation	71,927,019	76	61,406,324	62
	48,713,621	51	54,793,732	55
Construction-in-progress and advances for acquisition of equipment	3,757,763	4	4,675,788	5
Net properties	52,471,384	55	59,469,520	60
INTANGIBLE ASSETS				
Goodwill, net (Notes 2 and 12)	10,532,310	11	10,542,515	11
3G concession, net (Notes 1 and 2)	8,585,802	9	9,316,509	9
Total intangible assets	19,118,112	20	19,859,024	20
OTHER ASSETS				
Rental assets, net (Notes 2 and 13)	219,705	-	225,963	-
Idle properties, net (Note 2)	332,933	-	325,854	-
Refundable deposits (Note 25)	393,264	1	408,869	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	118,108	-	488,218	1
Deferred charges, net (Note 2)	157,952	-	252,486	-
Other (Notes 18 and 27)	18,820	-	13,706	-
Total other assets	1,240,782	1	1,715,096	1
TOTAL	$ 95,071,829	100	$ 99,563,025	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 14 and 27)	$ 175,323	-	$ 328,765	1
Notes payable	74,414	-	102,724	-
Accounts payable	1,018,955	1	1,267,390	1
Accounts and notes payable to related parties (Note 25)	137,360	-	142,441	-
Income tax payable (Notes 2 and 20)	2,560,554	3	2,781,810	3
Accrued expenses	5,448,831	6	6,126,220	6
Payables for acquisition of properties	1,262,855	2	1,539,769	2
Guarantee deposits received - current	996,718	1	1,158,559	1
Unearned revenues (Notes 2 and 25)	1,191,206	1	1,210,573	1
Current portion of long-term bonds payable (Note 15)	1,570,000	2	2,960,000	3
Current portion of long-term bank loans (Notes 16 and 27)	38,095	-	38,095	-
Lease payable - current (Notes 2, 17 and 25)	40,544	-	38,937	-
Other current liabilities (Note 2 and 26)	289,552	-	300,881	-
Total current liabilities	14,804,407	16	17,996,164	18
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds payable (Note 15)	2,000,000	2	3,570,000	4
Long-term bank loans (Notes 16 and 27)	85,714	-	123,809	-
Hedging derivative financial liabilities - noncurrent (Notes 2 and 3)	58,299	-	92,205	-
Lease payable- noncurrent (Notes 2, 17 and 25)	48,437	-	86,393	-
Total long-term liabilities	2,192,450	2	3,872,407	4
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 18)	299,226	-	283,191	-
Guarantee deposits received - noncurrent	99,539	-	102,568	-
Other	3,504	-	8,176	-
Total other liabilities	402,269	-	393,935	-
Total liabilities	17,399,126	18	22,262,506	22
FAR EASTONE'S EQUITY (Notes 2, 3 and 19)				
Capital stocks - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding - 3,872,663 thousand shares	38,726,630	41	38,726,630	39
Capital surplus				
Paid-in capital in excess of par value	6,510,964	7	6,510,964	7
From business combination	8,482,381	9	8,482,381	8
From long-term equity-method investments	10,611	-	10,611	-
Total capital surplus	15,003,956	16	15,003,956	15
Retained earnings				
Legal reserve	5,573,350	6	4,101,609	4
Unappropriated earnings	17,563,264	18	18,547,269	19
Total retained earnings	23,136,614	24	22,648,878	23
Other adjustments				
Cumulative translation adjustments	8,234	-	1,287	-
Unrealized losses on financial products	(38,697)	-	(72,255)	-
Total other adjustments	(30,463)	-	(70,968)	-
Total controlling interest of Far EasTone	76,836,737	81	76,308,496	77
MINORITY INTEREST	835,966	1	992,023	1
Total stockholders' equity	77,672,703	82	77,300,519	78
TOTAL	$ 95,071,829	100	$ 99,563,025	100

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

(With Deloitte & Touche review report dated April 16, 2007)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 25)				
Sales of cellular phone equipment and accessories, net	$ 1,318,153	8	$ 2,214,574	12
Telecommunications service revenues	14,391,698	91	15,103,023	86
Other	66,532	1	290,664	2
Total operating revenues	15,776,383	100	17,608,261	100
OPERATING COSTS (Notes 2, 22 and 25)				
Cost of sales	1,528,724	10	2,442,512	14
Cost of telecommunications services	6,679,046	43	6,801,565	39
Other	52,278	-	158,128	1
Total operating costs	8,260,048	53	9,402,205	54
GROSS PROFIT	7,516,335	47	8,206,056	46
OPERATING EXPENSES (Notes 2, 22 and 25)				
Marketing	2,444,775	16	2,627,396	15
General and administrative	1,308,383	8	1,425,131	8
Research and development	65,260	-	63,346	-
Total operating expenses	3,818,418	24	4,115,873	23
OPERATING INCOME	3,697,917	23	4,090,183	23
NONOPERATING INCOME AND GAINS				
Gain from sale of nonperforming accounts receivable (Note 21)	56,264	1	23,862	-
Interest (Note 25)	36,481	-	16,025	-
Foreign exchange gains, net	751	-	3,984	-
Gains on revaluation of financial assets (Note 5)	483	-	22	-
Other	29,690	-	30,966	-
Total nonoperating income and gains	123,669	1	74,859	-
NONOPERATING EXPENSES AND LOSSES				
Equity in investees' net losses (Notes 2 and 9)	61,256	1	184,649	1
Loss on disposal of properties, including idle properties, net (Note 2)	60,415	-	4,103	-
Impairment loss on financial assets (Notes 2, 10 and 12)	24,425	-	-	-

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	**%**	**Amount**	**%**
Loss on decline in value of inventories (Note 2)	$ 17,615	-	$ -	-
Interest (Notes 2 and 11)	11,761	-	30,909	-
Depreciation on idle properties and rental assets (Note 22)	4,164	-	3,926	-
Other	5,403	-	7,386	-
Total nonoperating expenses and losses	185,039	1	230,973	1
COMBINED INCOME BEFORE INCOME TAX	3,636,547	23	3,934,069	22
INCOME TAX (Notes 2 and 20)	768,222	5	783,182	4
COMBINED NET INCOME	$ 2,868,325	18	$ 3,150,887	18
ATTRIBUTABLE TO:				
Controlling interest	$ 2,895,666	18	$ 3,161,530	18
Minority interest	(27,341)	-	(10,643)	-
	$ 2,868,325	18	$ 3,150,887	18

	2007		2006	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 0.87	$ 0.75	$ 0.90	$ 0.82

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

(With Deloitte & Touche review report dated April 16, 2007) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 2,868,325	$ 3,150,887
Amortization of 3G concession	182,677	182,677
Depreciation and amortization	2,798,833	2,953,177
Allowance for doubtful accounts	228,171	179,198
Gains on revaluation of financial assets	(483)	(22)
Losses on obsolescence of inventories	115	4,000
Provision for (reverse of) loss on decline in value of inventories	17,615	(522)
Losses on sale of financial assets	3,622	-
Equity in investees' net losses	61,256	184,649
Impairment loss on financial assets	24,425	-
Losses on disposal of properties, including idle properties, net	60,415	4,103
Accrued pension cost	5,359	2,666
Deferred income taxes	34,876	132,515
Net changes in operating assets and liabilities		
Financial assets held for trading	(178,488)	(19,955)
Accounts and notes receivable	115,980	431,279
Accounts and notes receivable from related parties	(54,674)	10,370
Inventories	(27,045)	(7,409)
Prepaid expenses	(226,146)	(324,297)
Other current assets	1,762	63,457
Notes payable	(57,278)	(2,004)
Accounts payable	(136,728)	(37,756)
Accounts and notes payable to related parties	10,331	16,665
Income tax payable	726,222	648,469
Accrued expenses	676,072	196,796
Unearned revenues	109,181	(125,305)
Other current liabilities	(69,068)	(163,077)
Net cash provided by operating activities	7,175,327	7,480,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(195,121)	-
Acquisition of financial assets carried at cost	(150,000)	-
Acquisition of properties	(1,368,062)	(1,935,336)
Proceeds of the sale of properties, including idle properties	12,540	41,904
Decrease (increase) in refundable deposits	11,583	(6,669)
Decrease (increase) in pledged certificates of deposits	4,472	(5,494)
Increase in deferred charges	(8,225)	(5,368)
Decrease (increase) in other assets	251	(1,062)
Net cash used in investing activities	(1,692,562)	(1,912,025)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	$ 46,367	$ 33,147
Decrease in commercial paper payable	-	(49,996)
Repayment of long-term liabilities	(2,069,524)	(2,449,668)
Decrease in guarantee deposits received	(50,082)	(63,309)
Decrease in other liabilities	(1,168)	(1,167)
Net cash used in financing activities	(2,074,407)	(2,530,993)
EFFECT OF EXCHANGE RATE CHANGES	3,276	(881)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,411,634	3,036,662
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,851,646	4,640,298
CASH AND CASH EQUIVALENTS, END OF PERIOD	$11,263,280	$ 7,676,960
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 82,926	$ 161,258
Less - interest capitalized	15,696	24,416
Interest paid, net of capitalized interest	$ 67,230	$ 136,842
Income tax paid	$ 7,124	$ 2,998
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 1,648,639	$ 3,037,032
Reclassification of properties into idle properties	$ 20,789	$ -
Reclassification of idle properties into rental assets	$ 22,207	$ -
Reclassification of idle properties into properties	$ -	$ 3,941
Receivable from long-term investments sold	$ 17,378	$ -
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 668,524	$ 907,645
Decrease in payables for acquisition of properties	691,001	1,018,891
Decrease in lease payables	8,537	8,800
Cash paid for acquisition of properties	$ 1,368,062	$ 1,935,336
PROCEEDS OF THE DISPOSAL OF PROPERTIES, INCLUDING IDLE PROPERTIES		
Total amount of sold properties and idle properties	$ 244	$ 10,250
Decrease in receivables from properties sold	11,599	6,445
Decrease in accounts and notes receivable from related parties	697	25,209
Cash received from disposal of properties	$ 12,540	$ 41,904

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

(With Deloitte & Touche review report dated April 16, 2007) (Concluded)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (“Far EasTone”) was incorporated in the Republic of China (the ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone’s shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as GreTai Securities Market) on December 10, 2001. Later, Far EasTone’s shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of March 31, 2007, Far Eastern Textile Co., Ltd. (“Far Eastern Textile”) and its affiliates directly and indirectly owned 42.78% of Far EasTone’s shares. Since Far EasTone’s chief executive officer is appointed by Far Eastern Textile’s 99.99% subsidiary, Far Eastern Textile has control over Far EasTone’s finances, operations and personnel affairs. Thus, Far Eastern Textile is the ultimate parent company of Far EasTone.

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

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

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

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the “Group”) had 4,659 and 5,087 employees as of March 31, 2007 and 2006, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports for Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC. In preparing consolidated 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, provision for losses on decline in value of inventories, depreciation and amortization, impairment losses on tangible and intangible assets, product warranty reserve, income taxes and pension cost. Actual results may 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 ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

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

Consolidation

Investees in which Far EasTone directly or indirectly holds more than 50% of voting rights or de facto control are included in the consolidated financial statements. For subsidiaries acquired during the period, their revenues and expenses generated before the acquisition date need not be consolidated.

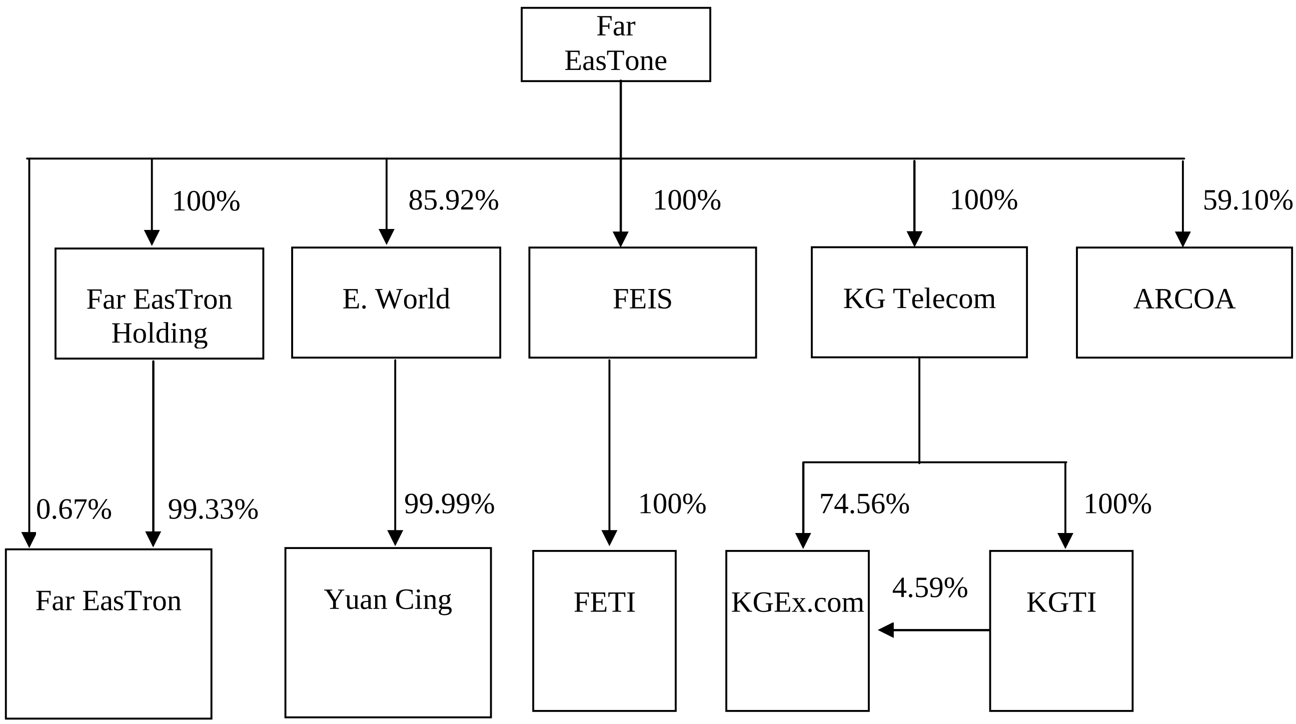
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries were translated from their respective functional currencies into New Taiwan dollars as follows:

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

The cumulative translation effects of the subsidiaries' using functional currencies other than New Taiwan Dollars are included in the cumulative translation adjustments in stockholders' equity.

All significant intercompany transactions and balances were eliminated on consolidation.

Intercompany relationships and percentages of ownership as of March 31, 2007 are shown below:



a. Entities included in the consolidated financial statements as of and for the three months ended March 31, 2007 and 2006 and their major business activities were as follows:

1) KG Telecommunications Co., Ltd. ("KG Telecom")

KG Telecom, formerly Yuan Ho Telecommunications Co., Ltd., was incorporated in the ROC on September 25, 2003. It is a wholly owned subsidiary of Far EasTone. After its incorporation, KG Telecom merged with the former KG Telecommunications Co., Ltd. (the "former KGT") through a two-step merger agreement. The merger was completed on May 20, 2004 after the registration of the shares with MOEA.

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

2) E. World (Holdings) Ltd. ("E. World")

E. World was incorporated in the Cayman Islands on April 7, 2000. Far EasTone originally owned 19.00% of E. World's stock. On June 30, 2004, Far EasTone acquired 66.92% of E. World's stock from Far Eastern Textile Co., Ltd. and its affiliates; thus, Far EasTone became E. World's parent company. E. World is primarily an investment holding company.

3) 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.

4) KGT International Holding Co., Ltd. (KGTI)

KGTI was incorporated in the British Virgin Islands on January 6, 2000. It is a wholly owned subsidiary of KG Telecom. KGTI is primarily an investment holding company.

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

KGEx.com was incorporated by KG Telecom and KGTI in the ROC on August 9, 2000. KG Telecom and KGTI together own 79.15% of KGEx.com's common stock. KGEx.com mainly provides Type II telecommunications services.

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

Yuan Cing was incorporated on August 5, 2000. E. World owns 99.99% of Yuan Cing's common stock. On June 20, 2005, the Board of Directors of Yuan Cing approved to change its name from E. World Co., Ltd. to Yuan Cing Co., Ltd. Yuan Cing provides call center services.

7) Far Eastern Tech-info Ltd. (Shanghai) (FETI)

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

8) ARCOA Communication Co., Ltd. (ARCOA)

ARCOA was incorporated in the ROC on May 4, 1981. ARCOA's shares have been listed as emerging market stock on the OTC exchange since December 27, 2002. ARCOA sells cellular phone units and other telecommunications equipment or accessories and provides related maintenance services. The DGT issued to ARCOA a Type II license, allowing it to provide mobile virtual network operator services for three years from July 2006 for a fixed annual fee based on ARCOA's paid-in capital.

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 became ARCOA's parent company since February 2005. As of March 31, 2007, Far EasTone owns 59.10% of ARCOA's common stock.

9) Far EasTron Holding Ltd. ("Far EasTron Holding")

Far EasTron Holding was incorporated in the Cayman Islands on August 30, 2005. It is a wholly owned subsidiary of Far EasTone. Far EasTron Holding is primarily an investment holding company.

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

Far EasTron was incorporated in the ROC on August 12, 2005. It was originally a wholly owned subsidiary of Far EasTone. Subsequently, the equity of Far EasTron owned by Far EasTone decreased to 0.67% since Far EasTron Holding Ltd. subscribed the new shares issued by Far EasTron for $149,000 thousand (99.33%) in November 2005. Far EasTron mainly provides Internet content providing services. Since the combined equity of Far EasTone and Far EasTron Holding in Far EasTron allows Far EasTone to control Far EasTron's operating and financial policy decisions, Far EasTron is included in the consolidated entities.

b. The financial statements of some minor subsidiaries (E. World, Yuan Cing, FEIS, FETI, KGEx.com, KGTI, Far EasTron Holding and Far EasTron) as of and for the three months ended March 31, 2007 and 2006 were unreviewed.

Current and Noncurrent Assets and Liabilities

Current assets are cash or cash equivalents, assets held mainly for trading and other assets to be converted into cash or consumed within 12 months after the balance sheet date. Property and equipment, intangible assets and those not classified as current assets are noncurrent assets. Current liabilities are obligations to be settled within 12 months after the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

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

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value with fair value changes in profit or loss. On initial recognition, the financial assets are measured at fair value, with transaction costs expensed currently. Subsequent changes in fair value are recognized as current gain or loss.

Financial assets or financial liabilities are recognized when the Group becomes counter party to contracts. Financial assets are derecognized when the Group loses rights of contracts; while financial liabilities are derecognized as contracts expire, cancel or when the obligation is eliminated.

Purchase or sale of financial assets under customary transactions is recognized and de-recognized using trade date accounting.

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

Hybrid contracts containing one or more embedded derivatives are designated as financial assets or financial liabilities at fair value through profit or loss upon initial recognition.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs on directly attributable to the acquisition of the assets. Gain or loss due to changes in fair value is recognized as adjustments to stockholders' equity, and the related cumulative gain or loss should be recognized in the current year when the financial asset is derecognized. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trade date accounting.

The accounting policy on the recognition and de-recognition and the fair value recognition of available-for-sale financial assets is the same as that for financial assets at fair value through profit or loss.

Any cash dividends received are recognized as income on the ex-dividend date, but dividends declared attribute to earnings before investments acquired are recognized as a reduction of the carrying value of the 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 shares held is recalculated on the basis of the total number of shares held after stock dividends are received.

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

Bonds Measured at Amortized Cost

Bonds with fixed or determinable payments that are not quoted in an active market are measured at amortized cost. Bonds should be measured at original cost plus transaction cost on initial recognition. Gains or losses are recognized when de-recognition, impairment loss or amortization occurs. Purchase or sale of bonds under customary transactions is recognized and derecognized using trade date accounting.

An impairment loss should be recognized if there is objective evidence that a financial asset is impaired. If the impairment loss decreases and the decrease is clearly attributable to an event that occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal should not result in the carrying amount exceeding the amortized cost that would have been determined had no impairment loss been recognized.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to the excess of minutes of traffic included in the fixed monthly service fees) from wireless services and mobile virtual network operator 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 telecommunications providers are accrued as activated; and (d) commission revenues are accrued monthly on the basis of 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. This sale is considered a separate earnings process from the sale of wireless services.

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

An allowance for doubtful accounts is provided on the basis of the aging of the receivables, customers' credit, prevailing economic development and estimated collectibility of receivables from subscribers and other parties.

Promotion Expenses

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

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted-average method. Losses on disposal of inventory are evaluated on the basis of the changes in marketing strategy. Losses on decline in value of inventory are evaluated on the basis of market demand and should be recognized when the net realizable value is lower than the cost. When loss on scrap and slow-moving items is anticipated, these items are written down to their net realizable value, with loss on decline in value recognized under current income.

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks and emerging stocks, and private domestic mutual funds are measured at cost upon initial recognition. Any cash dividends received are recognized as income on the ex-dividend date, but dividends declared attributable to earnings before investment is acquired are recognized as reduction of the carrying value of the investment.

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 shares held is recalculated on the basis of the total number of shares held after stock dividends are received.

An impairment loss should be recognized and charged to current income if there is objective evidence that a financial asset is impaired. This loss cannot be reversed.

Equity-method Investments

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

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over 3 to 5 years. As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long Term Investments in Equity Securities," starting on January 1, 2006, the cost of acquisition is subjected to an initial analysis. The investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required when there is evidence indicating that goodwill might be impaired due to an event or a change in the economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets proportionately to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subject to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

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

If the Group losses its influence over an investee company because of a decrease in ownership percentage, it should cease using the equity method to account for the investment. In addition, the Group should apply the Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments," which states that the new cost of investment will be the carrying amount of the investment at the time of the decrease in ownership percentage.

Properties and Rental Assets

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

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

Useful lives are estimated as follows:

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

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

Goodwill

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

3G Concession

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

Deferred Charges

Deferred charges mainly include costs of retail store renovation and computer software, are amortized using the straight-line method over the terms of lease and agreements on the rights of software use.

Idle Properties

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

Impairment Loss

An impairment loss should be recognized if the carrying value of assets (including properties, rental assets, idle properties, 3G concession, goodwill, deferred charges and equity-method investment) exceed their recoverable amount, and this impairment loss should be charged to current income. The accumulated impairment loss of an asset recognized in prior years can be reversed if, later on, the estimate of the asset's recoverable amount later has changed so as to increase the recoverable amount. Then, the asset's carrying amount can be increased to its recoverable amount; however, the recoverable amount should not exceed the carrying amount that would have been after the deduction of depreciation or amortization if it had not been impaired.

To test for impairment, goodwill should be allocated to each of the cash-generating units that are expected to benefit from the synergies of the combinations. A cash-generating unit should be tested for impairment at least annually by comparing the carrying amount of the unit with its recoverable amount. If the carrying amount exceeds the recoverable amount of the unit, the impairment loss is allocated to reduce the carrying amount of the unit in the following order: (a) reduce the carrying amount of any goodwill allocated to the unit; and (b) reduce the carrying amounts of other assets of the unit proportionally. An impairment loss recognized on goodwill cannot be reversed.

Deferral of Unrealized Intercompany Profits

The entire gains or losses from Far EasTone's sales of products to its subsidiaries are deferred and included in deferred income. In addition, Far EasTone classifies deferred income as current or noncurrent on the basis of the length of the gain realization period.

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

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

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

Pension Costs

Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing and Far EasTron have two types of pension plans: Defined benefit and defined contribution. Under the defined benefit plan, pension costs are recognized on the basis of actuarial calculations. Under the defined contribution plan, Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing and Far EasTron should make monthly contributions to employees' individual pension accounts at a fixed percentage of monthly salaries and wages and recognize these contributions as pension costs.

FETI, under its government's regulations, has a defined contribution pension plan. It makes monthly contributions to employees' individual pension accounts at a fixed percentage of salaries and recognizes these contributions as pension costs.

FEIS, E. World, KGTI and Far EasTron Holding do not have pension plans because they do not have any employees.

Income Tax

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

Tax credits earned for certain purchases of telecommunications and other equipment, research and development expenses, personnel training expenses and equity investments are accounted for as a reduction of the current year'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 generated since January 1, 1998 are expensed in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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 foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars or when nonmonetary foreign-currency denominated assets and liabilities are settled, are credited or charged to income in the period of settlement.

On the balance sheet dates, the balances of nonmonetary foreign-currency denominated assets and liabilities evaluated at fair value, such as equity instruments, are restated at the prevailing exchange rates, and the resulting differences are recorded as adjustment to stockholders' equity or as profit or loss in the current period. Financial assets and liabilities carried at cost are stated at historical exchange rates; while equity-method investments are recorded as cumulative translation adjustments under stockholders' equity.

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

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

The Group uses interest rate swaps and forward contracts to hedge cash flow risks from interest rate and exchange rate fluctuations of liabilities and firm commitments.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the three months ended March 31, 2006 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the three months ended March 31, 2007.

3. CHANGES IN ACCOUNTING PRINCIPLES

a. ROC SFAS No.34 - “Accounting for financial Instruments” and ROC SFAS No.36 - “Disclosure and Presentation of Financial Instruments.”

On January 1, 2006, the Group adopted the new ROC SFAS No. 34 - “Accounting for Financial Instruments” and ROC SFAS No. 36 - “Disclosure and Presentation of Financial Instruments” and related revised Statements.

The effects of the accounting changes are summarized as follows:

On the basis of the accounting changes, the Group reclassified financial assets and financial liabilities (including derivative instruments). The cumulative effect of changes in accounting principle should be recognized in the current year for adjustments to the carrying values of the financial assets at fair value through profit or loss. Available-for-sale financial instruments measured at fair value or derivatives for cash flow hedge are recognized as adjustments to stockholders’ equity. In addition, an adjustment from assets or liabilities deferred from profit or loss under the cash flow hedge to stockholders’ equity should be made for derivative instruments.

The effects of the first time adoption of the statements are as follows:

	As Adjustments to Stockholders’ Equity (After Tax)
Hedging derivative financial liabilities - Far EasTone	$ 68,446
Hedging derivative financial liabilities - ARCOA	$ 900

The accounting change resulted in an increase of $3,178 thousand in combined income before income tax.

b. ROC SFAS No. 1 - “Conceptual Framework for Financial Accounting and Preparation of Financial Statements,” SFAS No. 5 - “Long-term Investments in Equity Securities,” and SFAS No. 25 - “Business Combinations - Accounting Treatment under the Purchase Method.”

The Group adopted new Statements as required by the revised ROC SFAS No. 1 - “Conceptual Framework for Financial Accounting and Preparation of Financial Statements,” SFAS No. 5 - “Long-term Investments in Equity Securities,” and SFAS No. 25 - “Business Combinations - Accounting Treatment under the Purchase Method.” These revisions stated that the difference between the cost of an investment and the amount of the underlying equity in net assets of an investee should no longer be amortized. If the difference is goodwill, it should be tested for impairment loss annually instead of being amortized. The adoption of the revised Statements resulted in an increase of $216,259 thousand in combined income before income tax without any cumulative changes in accounting principles and an increase of NT$0.06 in basic earnings per share after income tax for the three months ended March 31, 2006.

4. CASH AND CASH EQUIVALENTS

	March 31 2007	March 31 2006
Cash		
Cash on hand	$ 8,991	$ 22,991
Checking and demand deposits	989,285	925,746
Certificates of deposits - interest of 1.735%-5.170% in 2007 and 1.495%-4.60% in 2006	167,374	156,677
	1,165,650	1,105,414
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.61%-1.70% in 2007 and 1.41%-1.47% in 2006	9,982,273	6,481,493
Bonds purchased under resell agreements - interest of 1.480%-1.645% in 2007 and 1.375%-1.550% in 2006	115,357	90,053
	10,097,630	6,571,546
	$ 11,263,280	$ 7,676,960

As of March 31, 2007 and 2006, foreign demand deposits were as follows:

	March 31 2007	March 31 2006
Belgium (US$522 thousand in 2007 and US$294 thousand in 2006)	$ 17,273	$ 9,543
Hong Kong (US$16 thousand in 2007 and US$29 thousand in 2006)	529	941
	$ 17,802	$ 10,484

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

Financial assets held for trading were as follows:

	March 31 2007	March 31 2006
Financial assets held for trading - mutual funds	$ 325,483	$ 226,522

Net gains on financial assets held for trading were $618 thousand and $620 thousand for the three months ended March 31, 2007 and 2006, respectively.

In September 2003, ARCOA invested $10,000 thousand in interest-linked structured deposits, which is highly correlated to interest rates, to earn interest. ARCOA pledged the deposit as collateral for its short-term bank loans.

The original maturity date of the deposits was September 15, 2010, and the contract will become invalid once the actual return reaches 8%. ARCOA was informed by the bank that the contract became invalid on March 15, 2006 since the actual return reached 8%.

Net gains of those designated financial assets to be measured at fair value through profit or loss were $57 thousand for the three months ended March 31, 2006.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	March 31 2007	March 31 2006
Publicly-traded stocks	$ 149,634	$ -
Open-ended mutual funds	750,470	196,800
	$ 900,104	$ 196,800

7. BONDS MEASURED AT AMORTIZED COST - CURRENT

	March 31 2007	March 31 2006
Bond - Ta Chong Commercial Bank	$ 3,000	$ 3,000

On July 16, 2004, ARCOA bought a five-year corporate bond at par value, amounting to $3,000 thousand with coupon interest rate of 2.55%. The interest is payable on July 16 annually. The maturity date of the bond is July 16, 2009.

8. INVENTORIES, NET

	March 31 2007	March 31 2006
Cellular phone equipment	$ 959,896	$ 1,357,551
SIM cards and prepaid cards	36,628	124,302
Cellular phone accessories	59,744	80,042
Others	55,313	108,387
	1,111,581	1,670,282
Less - allowance for losses	94,308	54,721
	$ 1,017,273	$ 1,615,561

9. EQUITY-METHOD INVESTMENTS

	March 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
Far Eastern Electronic Toll Collection Co., Ltd.	$ 333,088	42.66	$ 603,660	42.66
Ding Ding Integrated Marketing Service Co., Ltd.	26,623	15.00	28,636	15.00
iScreen Corporation	22,507	40.00	20,466	40.00
Hi Information Co., Ltd.	6,026	33.17	5,851	33.17
THI Consultants Inc.	-	-	14,128	22.22
	$ 388,244		$ 672,741	

a. Far Eastern Electronic Toll Collection Co., Ltd.

On February 26, 2004, Far Eastern Electronic Toll Collection Co. ("FETC" originally known as "Far Eastern Consortium", which was established by Far EasTone, TECO Electric & Machinery Co., Ltd., SYSTEX Corporation (former Systex Corporation) and MiTAC Inc.) was selected by the Taiwan Area National Freeway Bureau ("the TANFB") as the best qualified candidate for its "Private Participation in the Electronic Toll Collection BOT Project ("ETC project")." On April 27, 2004, FETC and the TANFB completed negotiations and signed the project contract. This 20-year contract covers both the construction and operation of the ETC system. Upon completion of the ETC system construction on February 10, 2006, the TANFB cleared FETC for testing system operations. Later, the Ministry of Transportation and Communications ("the MOTC") gave its official clearance for FETC to do the operational testing.

On February 24, 2006, however, the Taipei High Administrative Court announced its decision to revoke the status of FETC as the best qualified candidate for the ETC project. Then, on August 3, 2006, the Supreme Administrative Court ruled that the original screening process conducted by TANFB was flawed and in violation of the principles of equality and public interest and stripped FETC of its "best qualified candidate" status. On December 5, 2006, in response to the verdict, the TANFB announced a second bidding for the ETC project. On December 25, 2006, FETC applied to TANFB to participate in the second bidding. On April 14, 2007, TANFB announced that FETC was again the best qualified candidate. In the future, FETC should complete its system function testing and renegotiate the ETC project contract with TANFB within 50 days after receiving the notice from TANFB on contract renegotiation.

The original intention behind Far EasTone's investment in FETC was to create the first intelligent transportation system in Taiwan and to maximize national economic efficiency. Nevertheless, since the foundation of the FETC, it has been under political attack and suffered from untruthful media accusation. FETC was thus affected by increasing operating risks and negative corporate reputation. Consequently, on August 11, 2006, Far EasTone announced a proposal to withdraw from FETC by unconditionally donating its FETC shareholding to the Government so that the Government will be able to plan the future for the ETC operation on a brand new basis and further enhance domestic transportation efficiency and national competitiveness. Far EasTone's Board of Directors approved this proposal on August 22, 2006. The donation will be made depends on the Government's response.

b. Equity in investees' net gains or losses

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 DDIM's 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%.

ARCOA's investment in THI Consultants Inc ("THIC") was reclassified as financial assets carried at cost-noncurrent after THIC's capital increase for cash in September 2006. Because ARCOA did not participate in THIC's capital increase, ARCOA lost its influence on THIC's operating and financial policy decisions.

In their special meeting on October 5, 2006, the stockholders of Hi Information Co., Ltd. ("HI") resolved to liquidate the company in accordance with the Company Law and as of March 31, 2007, the liquidation was still in progress. However, ARCOA has recognized its equity in investee's net losses based on HI's liquidation values.

We were unable to obtain reviewed financial statements supporting the Groups' investments in certain equity-method investees with carrying value of $388,244 thousand and $672,741 thousand as of March 31, 2007 and 2006, respectively; the Group's equity of $61,256 thousand and $184,649 thousand in the losses of these investees was included in the consolidated net incomes for the three months ended March 31, 2007 and 2006, respectively.

c. Changes in goodwill

Goodwill due to the difference between investment costs and the equity in investees' net asset changes as follows:

	Three Months Ended March 31	
	2007	**2006**
Beginning balance	$ -	$ 1,473
Increase	-	-
Decrease	-	-
Ending balance	$ -	$ 1,473

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	March 31	
	2007	**2006**
Emerging domestic common stock		
Taiwan Fixed Network Co., Ltd.	$ -	$ 21,000
Unlisted domestic common stock		
VIBO Telecom Inc.	20,000	20,000
THI Consultants Inc.	13,729	-
Chunghwa Int'l Communication Network Co., Ltd.	6,714	6,714
Web Point Co., Ltd.	1,618	1,618
Unlisted foreign common stock		
Ideaculture Limited - US$431 thousand in 2006	-	14,017
Domestic private fund		
FEA Long-Short Private Pacement Fund	100,000	-
Fuh Hwa Valued Added Strategy Fund	150,000	-
	$ 292,061	$ 63,349

The Group's holdings of marketable equity securities and fund with no quoted market prices and with fair values that could not be reliably measured were evaluated at cost.

ARCOA sold all stocks of Taiwan Fixed Network Co., Ltd. amounting to $17,378 thousand with $8.3 per share (included in other current assets) on March 23, 2007 and the related loss was $3,622 thousand.

An impairment loss incurred after the evaluation of E. World's holding of Ideaculture Limited's common stocks and the impairment loss was $14,214 thousand for the three months ended March 31, 2007.

11. PROPERTIES

a. Accumulated depreciation consisted of:

	March 31	
	2007	2006
Buildings and equipment	$ 808,455	$ 667,369
Operating equipment	58,084,243	49,457,353
Computer equipment	10,839,206	9,347,367
Office equipment	814,862	760,877
Leasehold improvements	1,190,042	1,027,979
Miscellaneous equipment	190,211	145,379
	$ 71,927,019	$ 61,406,324

b. Capitalized interest on properties was as follows:

	Three Months Ended March 31	
	2007	2006
Total interest expense	$ 27,457	$ 55,325
Less - interest capitalized (included in construction in process and advances for acquisition of equipment)	15,696	24,416
Interest expense, net of amounts capitalized	$ 11,761	$ 30,909
Interest rate capitalized	1.65-2.29%	2.22-2.51%

12. GOODWILL

If an investment acquisition cost exceeds the fair value of identifiable net assets acquired, and the source of this excess cannot be identified, this excess should be recorded as goodwill.

Under Statement of Financial Accounting Standards No. 35 - “Accounting for Asset Impairment,” the Group is divided into three identifiable cash-generating units starting on January 1, 2005: Far EasTone, KG Telecom and ARCOA.

On March 31, 2007, the carrying value of the tangible and intangible assets used by the Group was $72,300,086 thousand. The Group’s management estimated the recoverable amount of core assets at their expected useful lives and thus based on the cash flow forecast with discount rates of 9.15% (Far EasTone), 9.8% (KG Telecom) and 12.2% (ARCOA). 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 amounts 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 and the relevant measurement of the recoverable amounts of the Group 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 2G telecommunications services market is mature and there would be increased use of 3G telecommunications services. Therefore, the growth rate is expected to be stable.

   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.

   3) Business of selling cellular phone units: Based on past experience, plans and the trend in the overall market, the anticipated growth rate is expected to decrease gradually.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The ratio was around 50% in 2007; this ratio is expected to decrease slightly in future years.

c. Changes in goodwill

	March 31	
	2007	**2006**
Beginning balance	$ 10,542,521	$ 10,542,515
Increase	-	-
Decrease	10,211	-
Ending balance	$ 10,532,310	$ 10,542,515

13. RENTAL ASSETS, NET

	March 31	
	2007	**2006**
Cost		
Land	$ 124,042	$ 124,042
Buildings	109,698	109,698
	233,740	233,740
Less - accumulated depreciation		
Buildings	9,991	7,777
Less - accumulated impairment		
Buildings	4,044	-
	$ 219,705	$ 225,963

Rental assets 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 (Far EasTone) and through December 2011 (ARCOA), respectively. Future rental income is summarized as follows:

Year	Amount
April, 1, 2007 to December 31, 2007	$ 11,505
2008	15,594
2009	14,325
2010	9,944
2011	8,364
After 2012	4,269

14. SHORT-TERM BANK LOANS

	March 31	
	2007	**2006**
Secured bank loans - interest of 2.08% in 2007 and 1.90% in 2006	$ 148,000	$ 73,000
Unsecured bank loans - interest of 2.10%-2.30% in 2007 and 1.90%-6.42% in 2006 (including US $870 thousand in 2006)	27,323	255,765
	$ 175,323	$ 328,765

15. BONDS PAYABLE

	March 31, 2007		
	Due Within One Year	**Due After One Year**	**Total**
Bonds payable			
Domestic unsecured bonds - 2nd - Far EasTone	$ 670,000	$ 800,000	$ 1,470,000
Domestic unsecured bonds - 3rd - Far EasTone	900,000	1,200,000	2,100,000
	$ 1,570,000	$ 2,000,000	$ 3,570,000

	March 31, 2006		
	Due Within One Year	**Due After One Year**	**Total**
Bonds payable			
Domestic unsecured bonds - 1st - Far EasTone	$ 2,060,000	$ -	$ 2,060,000
Domestic unsecured bonds - 2nd - Far EasTone	-	1,470,000	1,470,000
Domestic unsecured bonds - 3rd - Far EasTone	900,000	2,100,000	3,000,000
	$ 2,960,000	$ 3,570,000	$ 6,530,000

a. 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. Far EasTone already repaid $2,060,000 thousand and $2,140,000 thousand on February 19, 2007 and 2006, respectively.

b. Domestic unsecured bonds - 2nd - Far EasTone

These are five-year unsecured domestic bonds issued at par value from March 28 to April 3, 2003. The total face value of the bonds is $1,470,000 thousand, with a face value of $1,000 thousand and interest rate of 2.6% in the first year and 3.2% minus USD six-month LIBOR rate from the second year to maturity, payable semiannually. Far EasTone should redeem the full amount when the bonds become due in 2008.

c. 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 semiannually. Far EasTone should redeem the full amount when the bonds become due in 2006, 2007 and 2008. Far EasTone already repaid $900,000 thousand on December 12, 2006.

16. LONG-TERM BANK LOANS

	March 31, 2007		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	$ 38,095	$ 85,714	$ 123,809

	March 31, 2006		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	$ 38,095	$ 123,809	$ 161,904

KGEx.com obtained a secured bank loan at interest rates of 2.54% in 2007 and 2.30% in 2006, payable monthly. The loan is secured and repayable quarterly from April 2005 at equal installments, with final repayment due in April 2010.

17. LEASE PAYABLE

	March 31	
	2007	2006
Total future lease payments	$ 95,746	$ 134,934
Less - imputed interest expense	6,765	9,604
	88,981	125,330
Less - current portion of lease payable	40,544	38,937
Lease payable - noncurrent	$ 48,437	$ 86,393

The contracts of capital lease were summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Three Months Ended March 31 2007	2006
Far Eastern International Leasing Corp.- Far EasTone	Computer equipment	July 2004-June 2009 $15,414 thousand annually	$ -	$ -
Far Eastern International Leasing Corp.- Far EasTone	Computer equipment	March 2006-February 2011 $5,063 thousand annually	5,063	5,063
Far Eastern International Leasing Corp.- KG Telecom	Computer equipment	July 2004-June 2009 $15,414 thousand annually	-	-
Far Eastern International Leasing Corp.- KG Telecom	Computer equipment	March 2006-February 2011 $5,063 thousand annually	5,063	5,063
Far Eastern International Leasing Corp.- KGEx.com	Office equipment	November 2005-November 2008 $16 thousand monthly	48	48
Far Eastern International Leasing Corp.- KGEx.com	Office equipment	September 2006-September 2009 $5 thousand monthly	15	-
Taiwan Telecommunication Network Services Co., Ltd. - KGEx.com	Computer equipment	June 2005-June 2008 $55 thousand monthly	165	165

18. PENSION PLAN

a. The Labor Pension Act (the "Act") took effect on July 1, 2005. This Act provides for a defined contribution plan featuring a portable pension. Employees of Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing and Far EasTron subject to the Labor Standards Law before June 30, 2005 were allowed to 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. Those hired on or after July 1, 2005 automatically become subject to the Act.

b. Based on the Act, rate of monthly contributions by Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing and Far EasTron to the employees' individual pension fund accounts starting on July 1, 2005 is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan amounted to $38,912 thousand and $35,671 thousand for the three months ended March 31, 2007 and 2006, respectively. FETI, under its government's regulations, had recognized pension costs of $1,121 thousand and $1,372 thousand for the three months ended March 31, 2007 and 2006, respectively.

c. Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA have a defined benefit pension plan for all regular employees required under Labor Standards Law. Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points. Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA accrue pension costs on the basis of actuarial calculations and make monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Central Trust of China.

d. Additional information on the defined benefit pension plans of Far EasTone, KG Telecom, KGEx.com, Yuan Cing, Far EasTron and ARCOA is as follows:

Fund changes were as follows:

	Three Months Ended March 31, 2007		
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	**KGEx.com**	**ARCOA**
Beginning balance	$ 388,087	$ 6,610	$ 48,900
Contribution	9,597	206	-
Interest	1,990	45	363
Ending balance	$ 399,674	$ 6,861	$ 49,263

	Three Months Ended March 31, 2006		
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	**KGEx.com**	**ARCOA**
Beginning balance	$ 340,092	$ 5,577	$ 47,690
Contribution	11,105	207	-
Interest	4,815	39	348
Ending balance	$ 356,012	$ 5,823	$ 48,038

Accrued (prepaid) pension costs were as follows:

	March 31, 2007		
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	**KGEx.com**	**ARCOA**
Beginning balance	$ 288,079	$ 5,884	$ (9,814)
Pension cost	15,066	-	96
Contribution	(9,597)	(206)	-
Ending balance	$ 293,548	$ 5,678	$ (9,718)

	March 31, 2006		
	Far EasTone (Including KG Telecom, Far EasTron and Yuan Cing)	**KGEx.com**	**ARCOA**
Beginning balance	$ 273,918	$ 6,794	$ (10,160)
Pension cost	13,576	215	187
Contribution	(11,105)	(207)	-
Ending balance	$ 276,389	$ 6,802	$ (9,973)

19. 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, with the transfer to be made 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 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 plans to improve financial structure.

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

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

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 tax credits 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 of the 2006 earnings was expected to be approved on April 19, 2007 by Far EasTone's board of directors, and the 2005 earnings appropriation was approved on May 26, 2006.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2006	**2005**	**2006**	**2005**
Legal reserve	$ 1,315,623	$ 1,471,741		
Special reserve	44,832	-		
Bonus to employees - cash	235,915	264,913		
Remuneration to directors and supervisors	117,958	132,457		
Cash dividend	12,005,255	12,005,255	$ 3.10	$ 3.10

The appropriation of the 2006 earnings of Far EasTone had not been approved by the board of directors as of April 16, 2007. Related information can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Global Depositary Receipts

Far EasTone's Global Depositary Receipts (GDRs) as of March 31, 2007 were as follows:

		GDRs (in Thousand Units)	Equivalent Common Stock (in Thousand Shares)
Initial offering	1)	10,000	150,000
Converted from overseas unsecured convertible bonds	2)	165	2,473
Issued for capital increase	3)	296	4,448
Reissued within authorized units	4)	19,907	298,607
GDRs transferred to common stock		(27,594)	(413,915)
Outstanding GDRs issued		2,774	41,613

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

2) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs of US$114,500 thousand to be used for the conversion of overseas unsecured convertible bonds. As of March 31, 2007, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

3) In 2004, Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand common shares.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of March 31, 2007, Far EasTone had reissued 19,907 thousand units of GDRs representing 298,607 thousand common shares.

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

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

d. Cumulative translation adjustments

Cumulative translation adjustments for the three months ended March 31, 2007 and 2006 were summarized as follows:

	Three Months Ended March 31	
	2007	**2006**
Difference due to translation of foreign-currency financial statements		
Beginning balance	$ 4,960	$ 2,168
Recorded as adjustment under stockholders' equity	3,274	(881)
	$ 8,234	$ 1,287

e. Unrealized losses on financial products

Unrealized losses on financial products for the three months ended March 31, 2007 and 2006 were summarized as follows:

	Recognized from Equity-method Investments	**Unrealized Gain (Loss) of Cash Flow Hedge**	**Total**
Three months ended March 31, 2007			
Beginning balance	$ (174)	$ (49,618)	$ (49,792)
Recorded as adjustments to stockholders' equity	5,201	(4,407)	794
Recognized as profit or loss	-	10,301	10,301
Ending balance	$ 5,027	$ (43,724)	$ (38,697)
Three months ended March 31, 2006			
Beginning balance (first time adoption of newly issued SFASs)	$ (532)	$ (68,446)	$ (68,978)
Recorded as adjustments to stockholders' equity	(2,929)	(9,412)	(12,341)
Recognized as profit or loss	-	8,704	8,704
Adjusted to hedged non-financial assets	360	-	360
Ending balance	$ (3,101)	$ (69,154)	$ (72,255)

20. INCOME TAX

a. The Income Basic Tax Act (the "IBT Act"), which took effect on January 1, 2006, requires that the income basic tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act plus tax benefit regulated by the Income Tax Act or other laws. The tax payable of the current year would be the higher of the income basic tax and income tax payable calculated in accordance with the Income Tax Act. The effect of the IBT Act on the Group's income tax is not material.

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

	March 31	
	2007	2006
Income tax expense computed at statutory tax (25% to 33%)	$ 1,201,519	$ 1,351,058
Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	(113,038)	(242,168)
Equity in investees' net gains	(255,231)	(346,087)
Other	(68,225)	19,514
Temporary differences	(34,876)	(132,515)
Loss carryforward used	(308)	-
Investment tax credits used	(3,457)	-
Income tax payable - current	726,384	649,802
Income tax expense on income subject to a separate rate of 20%	6,962	2,888
Income tax expense	$ 733,346	$ 652,690

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

c. Income tax expense consisted of:

	Three Months Ended March 31	
	2007	2006
Income tax expense - current	$ 733,346	$ 652,690
Income tax expense - deferred (temporary differences)	34,876	130,492
	$ 768,222	$ 783,182

E. World, Far EasTron Holding, FEIS and KGTI were incorporated in the Cayman Islands, Bermuda Islands and British Virgin Islands, respectively, where their incomes are tax-exempt.

d. Changes in income tax payable were as follows:

	Three Months Ended March 31	
	2007	2006
Beginning balance	$ 1,834,332	$ 2,132,118
Income tax payable - current	726,384	649,802
Income tax paid	(162)	(110)
	$ 2,560,554	$ 2,781,810

e. Deferred income taxes assets (liabilities) as of March 31, 2007 and 2006 were as follows:

	March 31	
	2007	**2006**
Current		
Provision for doubtful accounts	$ 1,017,556	$ 939,733
Provision for losses on decline in value of inventories	22,364	12,468
Loss carryforwards	36,546	64,346
Investment tax credits	3,971	2,489
Other	27,219	10,183
	1,107,656	1,029,219
Less - valuation allowance	66,142	89,671
	$ 1,041,514	$ 939,548
Noncurrent		
Loss carryforwards	$ 334,083	$ 240,835
Goodwill amortization	(247,188)	(49,438)
Depreciation resulting from the differences in estimated service lives of properties	219,832	343,867
Impairment loss on idle properties	216,816	236,385
Accrued pension cost	83,584	90,279
Equity in investees' net losses	29,172	55,756
Investment tax credits	27,464	-
Unrealized losses on financial products	14,575	23,051
Impairment loss on financial assets	14,071	14,821
Other	17,197	5,412
	709,606	960,968
Less - valuation allowance	591,498	472,750
	$ 118,108	$ 488,218

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

f. Integrated income tax information was as follows:

	March 31	
	2007	**2006**
Balance of imputation credit account (ICA)		
Far EasTone	$ 250,444	$ 60,994
KG Telecom	$ 9,560	$ 900,398
ARCOA	$ 4,021	$ 3,360

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2006 to unappropriated earnings as of such date was 1.71%. When the dividends from the unappropriated earnings as of December 31, 2005 was distributed in 2006, the actual ratio Far EasTone used was 16.18%.

Estimated ratio of the ICA balance for KG Telecom as of December 31, 2006 to unappropriated earnings as of such date was 0.17%. When the dividends from the unappropriated earnings as of December 31, 2005 was distributed in 2006, the actual ratio KG Telecom used was 0.11%.

ARCOA, Yuan Cing, Far EasTron and KGEx.com had no appropriated earnings as of December 31, 2006. Thus, their ICA balances will be accumulated until dividend distribution in the future.

Based on the Income Tax Law, the imputation tax credits distributed to each stockholder are based on the ICA balance as of the date of dividend distribution. Thus, the estimated creditable ratio for the 2006 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2005 earnings appropriation has been determined, the actual ratio was disclosed.

g. Investment tax credits were as follows:

The unused investment tax credits of the Group as of March 31, 2007 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	Purchase of automated equipment or technology	$ 3,971	$ 3,971	2007
	Purchase of automated equipment or technology	26,841	26,841	2008
		$ 30,812	$ 30,812	

ARCOA

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Personnel training expenses	$ 623	$ 623	2009

h. Loss carryforwards of the Group as of March 31, 2007 are as follows:

Expiry Year	ARCOA	KGEx.com	Far EasTron
2007	$ -	$ 36,546	$ -
2008	-	53,341	-
2009	-	72,907	-
2010	37,046	37,056	2,716
2011	50,504	47,022	10,703
2012	8,538	11,354	2,896
	$ 96,088	$ 258,226	$ 16,315

i. The status of income tax returns are as follows:

Income tax returns of Far EasTone through 2002 had been examined by the tax authorities. The tax authorities assessed an additional tax on Far EasTone's income tax returns for 2000 to 2002. Far EasTone had filed an appeal for the reexamination of the above-mentioned returns and accrued the related tax thereof.

The income tax returns of KG Telecom through 2003 and the income tax returns of the former KG Telecom through 2002 had been examined by the tax authorities. However, KG Telecom disagreed with the tax authorities' assessment of the former KG Telecom's 2000 to 2002 returns and thus filed appeals for the reexamination of these returns. Nevertheless, KG Telecom accrued the related tax.

Income tax returns through 2004 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 to 2004 returns. Thus, ARCOA already filed appeals for the reexamination of its 2002 and 2003 returns and will file appeals for the reexamination of 2004 returns at the end of April. Nevertheless, ARCOA accrued the related tax.

Income tax returns of KGEx.com and Yuan Cing through 2004 had been examined and cleared by the tax authorities. However, income tax return of Far EasTron had not been examined and cleared by the tax authorities.

21. FACTORING OF NONPERFORMING ACCOUNTS RECEIVABLE

Far EasTone and KG Telecom wrote off certain overdue/nonperforming accounts receivables. Under agreements signed in March 2007 and 2006, Far EasTone and KG Telecom factored these receivables, i.e., sold them without recourse, to an asset management company. Thus, Far EasTone and KG Telecom was no longer responsible for collecting these receivables.

Related information as of March 31, 2007 and 2006 were as follows:

Counter Party	Amount of Accounts Receivables Sold	Proceeds from Sale of Accounts Receivable
The three months ended March 31, 2007		
Hui Cheng First Asset Management Co., Ltd. -Far EasTone	$ 1,158,871	$ 26,979
Hui Cheng First Asset Management Co., Ltd. -KG Telecom	1,864,698	29,285
	$ 3,023,569	$ 56,264
The three months ended March 31, 2006		
Hui Cheng First Asset Management Co., Ltd. -KG Telecom	$ 679,069	$ 23,862

22. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Three Months Ended March 31, 2007			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 134,057	$ 551,615	$ -	$ 685,672
Pension	14,291	40,904	-	55,195
Meal	4,173	18,777	-	22,950
Employee benefit	163	17,371	-	17,534
Insurance	12,506	44,300	-	56,806
Miscellaneous	1,739	8,106	-	9,845
	$ 166,929	$ 681,073	$ -	$ 848,002
Depreciation	$ 2,429,714	$ 347,594	$ 4,164	$ 2,781,472
Amortization	$ -	$ 17,361	$ -	$ 17,361

	Three Months Ended March 31, 2006			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 146,467	$ 574,129	$ -	$ 720,596
Pension	12,562	38,459	-	51,021
Meal	3,848	20,605	-	24,453
Employee benefit	372	18,408	-	18,780
Insurance	12,409	46,541	-	58,950
Miscellaneous	1,598	13,687	-	15,285
	$ 177,256	$ 711,829	$ -	$ 889,085
Depreciation	$ 2,453,062	$ 467,577	$ 3,926	$ 2,924,565
Amortization	$ -	$ 28,612	$ -	$ 28,612

23. EARNINGS PER SHARE

The earnings per share (EPS) calculation was as follows:

	Amount (Numerator)		Common Stock	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income	(Denominator) (in Thousand Shares)	Income Before Income Tax	Net Income
Three months ended March 31, 2007					
Basic EPS					
Net income - Far EasTone	$ 3,366,716	$ 2,895,666	3,872,663	$ 0.87	$ 0.75
Three months ended March 31, 2006					
Basic EPS					
Net income - Far EasTone	$ 3,470,168	$ 3,161,530	3,872,663	$ 0.90	$ 0.82

24. FINANCIAL INSTRUMENTS

a. Fair value information

	March 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 325,483	$ 325,483	$ 226,522	$ 226,522
Available-for-sale financial assets - current	900,104	900,104	196,800	196,800
Bonds measured at amortized cost - current	3,000	-	3,000	-
Equity-method investments	388,244	-	672,741	-
Financial assets carried at cost - noncurrent	292,061	-	63,349	-
Refundable deposits	393,264	392,790	408,869	408,511

(Continued)

	March 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Bonds payable (including current portion)	$ 3,570,000	$ 3,570,000	$ 6,530,000	$ 6,511,927
Long-term bank loans (including current portion)	123,809	123,809	161,904	161,904
Lease payable (including current portion)	88,981	88,981	125,330	125,330
Guarantee deposits received (including current portion)	1,096,257	1,096,257	1,261,127	1,261,127
Derivative instruments				
Hedging derivative financial liabilities - noncurrent - Far EasTone	(58,299)	(58,299)	(92,205)	(92,205)
Hedging derivative financial assets - current - ARCOA (included in other current assets)	-	-	92	92

(Concluded)

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

1) Cash and cash equivalents, notes and accounts receivable, accounts and notes receivable from related parties, pledged certificates of deposits, short-term bank loans, notes payable, accounts payable, accounts and notes payable to related parties and payables for acquisition of properties, excluded from the financial instruments mentioned in the table above, are recorded at their carrying values because of the short maturities of these instruments.

2) If quoted market prices are available, these are used as fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets.

   If quoted market prices are not available, the fair value is evaluated by the Group using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers) to value the instruments. These estimation and assumptions are available to the Group.

   The Group uses the long-term interest rate and exchange quotations of the Reuters (or the Associated Press) to calculate fair value of each interest rate swap and forward contract based on the net cash flow and the exchange rate, respectively.

3) The fair values of financial assets carried at cost - noncurrent, bonds measured at amortized cost - current and equity-method investments with no quoted market prices cannot be estimated because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost.

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

c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	March 31			
	Quoted Price		Estimated Price	
	2007	2006	2007	2006
Assets				
Financial assets at fair value through profit or loss - current	$ 325,483	$ 226,522	$ -	$ -
Available-for-sale financial assets - current	900,104	196,800	-	-
Liabilities				
Hedging derivative financial liabilities - Far EasTone	-	-	(58,299)	(92,205)
Hedging derivative financial assets - current - ARCOA	-	-	-	92

d. As of March 31, 2007 and 2006, financial assets with fair value risk from interest rate fluctuations amounted to $10,670,467 thousand and $7,168,225 thousand, respectively, while financial liabilities with fair value risk from interest rate fluctuations amounted to $2,085,238 thousand and $5,246,457 thousand, respectively. As of March 31, 2007 and 2006, financial assets with cash flow risk from interest rate fluctuations amounted to $1,038,224 thousand and $966,996 thousand, respectively, while financial liabilities with cash flow risk from interest rate fluctuations amounted to $2,969,132 thousand and $3,160,669 thousand, respectively.

e. Financial risks

1) Market risk

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

ARCOA entered into forward contracts to hedge its exposure to exchange rate fluctuations on firm commitments for the three months ended March 31, 2006. Gains or losses on exchange rates fluctuations of the forward contracts are likely to offset the gains or losses on the hedged item. As a result, no significant exposure to market risk is anticipated.

2) Credit risk

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

3) Liquidity risk

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

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

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

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

4) Cash flow risk from interest rate fluctuations

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

f. Cash flow hedge

The Group used interest rate swap and forward contracts to hedge overall fluctuations on interest rates and exchange rates on their liabilities and firm commitments.

	Designated Hedging Instruments				
		Fair Value March 31			
Hedged Items	Financial Instruments Designated	2007	2006	Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
Bonds with floating interest rate	Interest rate swap - Far EasTone	$ (58,299)	$ (92,205)	2003-2008	2003-2008
Firm commitments	Forward contracts - ARCOA	-	92	2006	2006

25. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Far Eastern Textile Ltd.	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EasTone
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of Far EasTone
iScreen Corporation	Equity-method investee of KG Telecom
Far Eastern Technology Developmental Foundation (FETTDF)	Far EasTone's donation is over one third of the foundation's capital
NTT DoCoMo Inc.	Director of Far EasTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Yuang Ding Co.	Same chairman
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Far Eastern International Bank (FEIB)	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Memorial Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company

In addition to those mentioned in Notes 17 and 26, the Group's significant transactions with the above parties are summarized as follows:

		2007		2006	
		Amount	**%**	**Amount**	**%**
During the period					
Operating revenues	a.				
NCIC	b.	$ 134,485	1	$ 142,620	1
Other	k.	34,155	-	21,022	-
		$ 168,640	1	$ 163,642	1
Operating costs and expenses					
Cost of telecommunications services					
NCIC	b.	$ 38,908	1	$ 8,846	-
Other	k.	3,311	-	4,824	-
		$ 42,219	1	$ 13,670	-
Rental					
FETRD	c.	$ 13,206	1	$ 12,880	-
FEILC	d.	9,098	1	10,365	-
NCIC	j.	3,748	-	3,790	-
Other	k.	3,147	-	3,401	-
		$ 29,199	2	$ 30,436	-
Research and development expense					
FETTDF	e.	$ 2,790	4	$ 362	23
Service fee					
FCHRC	f.	$ 13,078	37	$ 14,452	45
Other	k.	-	-	45	-
		$ 13,078	37	$ 14,497	45
Marketing expense					
DDIM	g.	$ 12,510	1	$ 12,523	-
Reductions of employee expenses					
FETC	h.	$ 1,140	-	$ 1,811	-
At end of period					
Accounts and notes receivable from related parties					
FETC	h.	$ 88,432	91	$ 13,193	49
NCIC	b.	12,820	13	9,606	36
NTT DoCoMo Inc.	i.	9,030	10	3,132	12
Other	k.	1,434	1	1,011	3
		111,716	115	26,942	100
Less: Allowance for doubtful accounts	h.	(14,774)	(15)	-	-
		$ 96,942	100	$ 26,942	100

		2007 Amount	2007 %	2006 Amount	2006 %
Refundable deposits					
DDIM	g.	$ 31,357	8	$ 20,180	5
Other	k.	7,714	2	7,791	2
		$ 39,071	10	$ 27,971	7
Accounts and notes payable to related parties					
NCIC	b. and j.	$ 60,628	44	$ 52,578	37
DDIM	g.	43,486	32	52,572	37
FEILC	d.	2,791	2	9,099	6
FETRD	c.	-	-	8,587	6
Other	k.	30,455	22	19,605	14
		$ 137,360	100	$ 142,441	100
Unearned revenues					
FETC	h.	$ 1,487	-	$ 15,104	1
Lease payable (including current portion)					
FEILC	d.	$ 88,249	99	$ 124,096	99

Financing to related parties is as follows:

Related Party	Highest Balance Held During the Period	Ending Balance (Included in Accounts and Notes Receivable from Related Parties)	Rate %	Interest	Collateral
Three months ended March 31, 2007					
FETC	$50,000	$50,000	6.685	$183	$71,850

Descriptions of transactions with related parties are as follows:

a. Operating revenues (such as service revenue, revenues from sales of cellular phone equipments, accessories 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.com and NCIC were sales of cellular phone units and accessories and interconnection activities for NCIC's use of Far EasTone's, KG Telecom's and KGEx.com's network. The interconnection fees paid by Far EasTone, KG Telecom and KGEx.com on their 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.com were included in cost of telecommunications services. 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 accounts and notes payable to related parties.

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

d. 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; and (c) vehicles. The contracts will remain valid unless either Far EasTone or FEILC informs the other party to cancel the contracts.

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

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

   Far EasTone, KG Telecom and KGEx.com lease from FEILC computer equipment and office equipment under capital lease agreements, with annual lease payments of $41,195 thousand (Note 17).

e. FETTDF provides telecommunications technology researches and training programs to Far EasTone and KG Telecom.

f. Far EasTone and Far EasTron have contracts with FCHRC for manpower dispatching services. The service charges were based upon the services provided by FCHRC to supply temporary or specific personnel demands.

g. Far EasTone and KG Telecom authorized DDIM to manage the accumulation and redemption of reward points for customers. The related service charges were treated as marketing expense and accounts and notes payable to related parties. Far EasTone and KG Telecom had given DDIM monthly refundable deposits, which were calculated at a fixed percentage of the unused reward points.

h. Far EasTone contracted FETC to implement the trouble ticket system for handling ticket problems or customers' complaints. The fees collected were based on the terms of the related contract and were treated as unearned revenues. Unearned revenues were recognized using the percentage of construction completion method. Moreover, Far EasTone gave FETC advances for its daily operating expenditures, which was included in accounts and notes receivable from related parties. Moreover, Far EasTone has provided personnel support for FETC's daily operation, and related charges to FETC were recorded as reductions to related personnel expenses. For the three months ended March 31, 2007, an allowance for doubtful accounts amounting to $14,774 thousand was provided based on the allowance provision policy of the Far EasTone.

i. Far EasTone and KG Telecom provide international roaming services to the customers of NTT DoCoMo Inc. The service revenues are treated as telecommunications service revenues and accounts and notes receivable from related parties.

j. Far EasTone leases from NCIC the office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts.

k. 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.

26. COMMITMENTS AS OF MARCH 31, 2007

The Group had the following significant commitments:

a. The Group were under contracts to acquire properties and cellular phone equipment for $695,187 thousand and $410,155 thousand, respectively.

b. The Group's outstanding letters of credit amounted to ￥112,452 thousand (equivalent to $31,532 thousand), US$2,938 thousand (equivalent to $97,208 thousand) and $26,708 thousand.

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

Year	**Amount**
From April 1, 2007 to December 31, 2007	$ 1,975,735
2008	2,710,716
2009	2,788,080
2010	2,868,715
2011	2,949,483
From January 1, 2012 to March 31, 2012	762,936

d. Far EasTone provided a $99,000 thousand guarantee for FETC's bank loan. As of March 31, 2007, FETC had obtained a bank loan under this guarantee.

e. On February 14, 2007, board of directors of Far EasTone approved the cooperation plan with Q-ware System Inc. to operate WiFly business and other businesses agreed by both. After acquiring the approval of the competent authority, Far EasTone will subscribe 36,460 thousand newly issued shares ($13.60 per share) of Q-ware Communications Co., Ltd. ("Q-ware Com.") as a specific person. The total investment amount will be $495,855 thousand. Thereafter, Q-ware System Inc. will split up its WiFly business to Q-ware Com. and Far EasTone will own approximately 51% of Q-ware Com.'s equities.

f. Oriental Securities Investment Advisory Co. that manages KG Telecom's funds of $300,000 thousand is based on a discretionary portfolio management agreement. Under the agreement, the portfolio can include domestic publicly-traded securities, government bonds, corporate bonds and commercial papers or bonds under resell agreements. However, investments in the affiliates of the Group, other domestic telecommunications companies and their derivatives are prohibited. As of March 31, 2007, the carrying value of the funds was $304,426 thousand as follows:

	March 31, 2007
Cash and cash equivalent	$ 165,544
Available-for-sale financial assets - current	149,634
Payables from purchase of securities (included in other current liabilities)	(10,778)
Other	26
	$ 304,426

27. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for customs duties and long-term and short-term bank loans, were as follows:

	March 31	
	2007	**2006**
Pledged certificates of deposits - current	$ 49,036	$ 67,000
Pledged certificates of deposits - noncurrent (included in other assets - other)	9,102	2,413
Properties, net	489,054	2,062,800
	$ 547,192	$ 2,132,213

28. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

1) Financing provided: Schedule A

2) Endorsement/guarantee provided: Schedule B

3) Marketable securities and investments held: Schedule C

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

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

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

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

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

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

10) Derivative financial instruments of investees: Note 24

c. Investment in Mainland China:

1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Schedule H

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 25

d. Additional disclosure for consolidated financial statements:

   1) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule I

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 2)
											Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Far Eastern Electronic Toll Collection Co., Ltd.	Notes and accounts receivable from related parties	$ 50,000	$ 50,000	6.685% (Note 3)	Business relationship	$ 50,092 (Note 1)	-	$ -	Operation equipment	$ 71,850	$ 50,092	$ 38,418,369

Note 1: The amount of financing provided for business relationship is limited to the transaction amounts. The transaction amounts is the higher amount within the latest two years at the time of agreement.

Note 2: The maximum total financing providing amount should not exceed 50% of Far EasTone's net worth of most current audited or reviewed financial statements.

Note 3: Calculation based on the floating rate on 1-year time deposit of Taiwan Bank plus 4.5% risk premium.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party (Note)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser (Note)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd. ("Far EasTone")	Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee	$76,836,737	$154,000	$99,000	$ -	0.13%	$153,673,474

Note: The maximum total guarantee/endorsement amount equals 200% of Far EasTone's net worth, while the limit of guarantee/endorsement amount for each receiving party should not exceed 100% of Far EasTone's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	$ 37,270,892	100.00	$ 37,270,892	Note A
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	79,353,013	1,002,761	59.10	1,002,761	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	106,650,000	333,088	42.66	333,088	Note B
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	137,546	100.00	137,546	Note B
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	88,999	100.00	88,999	Note B
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	56,663	85.92	56,663	Note B
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,500,000	26,623	15.00	26,623	Note B
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	100,000	565	0.67	565	Note B
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	186,390,714	1,047,225	74.56	1,047,225	Note B
	KGT International Holding Co., Ltd.	Equity-method investee	Equity-method investments	50,000	80,854	100.00	80,854	Note B
	iScreen	Equity-method investee	Equity-method investments	4,000,000	22,507	40.00	22,507	Note B
	SSFC	-	Available-for-sale financial assets - current	1,036,000	9,324	-	9,324	Note G
	ZyXEL	-	Available-for-sale financial assets - current	100,000	5,490	-	5,490	Note G
	ETEN	-	Available-for-sale financial assets - current	324,000	12,830	-	12,830	Note G
	Transcend	-	Available-for-sale financial assets - current	50,000	6,250	-	6,250	Note G
	FI-CHIUN	-	Available-for-sale financial assets - current	400,000	19,080	-	19,080	Note G
	AMTRAN	-	Available-for-sale financial assets - current	400,000	11,860	-	11,860	Note G
	CMO	-	Available-for-sale financial assets - current	700,000	24,150	-	24,150	Note G
	HOLY STONE	-	Available-for-sale financial assets - current	200,000	12,220	-	12,220	Note G
	TXC	-	Available-for-sale financial assets - current	200,000	12,340	-	12,340	Note G
	Inotera	-	Available-for-sale financial assets - current	100,000	3,720	-	3,720	Note G
	ENFIELD	-	Available-for-sale financial assets - current	100,000	5,720	-	5,720	Note G
	CHIPBOND	-	Available-for-sale financial assets - current	150,000	5,580	-	5,580	Note G
	Lanner	-	Available-for-sale financial assets - current	200,000	7,040	-	7,040	Note G
	APEC	-	Available-for-sale financial assets - current	296,000	14,030	-	14,030	Note G
	Open-ended mutual funds							
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	46,468,833.40	503,527	-	503,527	Note C
	JF (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	196,675	-	196,675	Note C
	Sheng Hua 101 global mortgage securitization fund	-	Available-for-sale financial assets - current	4,734,489.80	50,268	-	50,628	Note C

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Private funds							
	FEA Long-Short Private Placement Fund	-	Financial assets carried at cost - noncurrent	10,000,000.00	$ 100,000	-	$ -	Note D
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	-	Note D
ARCOA Communication Co., Ltd.	Stocks							
	Hi Information Co., Ltd.	Equity-method investee	Equity-method investments	4,975,000	6,026	33.17	6,026	Note B
	THI consultants	-	Financial assets carried at cost - noncurrent	1,134,200	13,729	18.29	-	Note D
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,830,901	6,714	4.20	-	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	2,000,000	20,000	0.13	-	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	Note D
	Open-ended mutual funds							
	Capital Income Fund	-	Financial assets at fair value through profit or loss - current	8,046,088.50	120,257	-	120,257	Note C
	CITC Cash Reserves	-	Financial assets at fair value through profit or loss - current	1,098,619.40	15,060	-	15,060	Note C
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	2,242,621.80	30,002	-	30,002	Note C
	DRESDNER BOND DAM FUND	-	Financial assets at fair value through profit or loss - current	2,579,979.36	30,003	-	30,003	Note C
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss - current	1,263,463.79	20,079	-	20,079	Note C
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	5,954,929.05	90,064	-	90,064	Note C
	ING Taiwan Select Bond Fund	-	Financial assets at fair value through profit or loss - current	1,760,005.63	20,018	-	20,018	Note C
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds measured at amortized cost - current	3,000,000.00	3,000	-	-	Note D
Far Eastern Info Service (Holding) Ltd. (Note E)	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$ 3,667,000	100.00	US$ 3,667,000	Note B
Far EasTron Holding Ltd. (Note E)	Stocks							
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	14,900,000	US$ 2,671,000	99.33	US$ 2,671,000	Note B
E. World (Holdings) Ltd. (Note E)	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 1,714,000	99.99	US$ 1,714,000	Note B
	Ideaculture (Cayman) Ltd.	-	Financial assets carried at cost - noncurrent	1,195,141	-	17.96	-	Note D
KGT International Holding Co., Ltd. (Note E)	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	11,465,000	64,415	4.59	64,415	Note B

Note A: Calculation was based on reviewed financial statements as of March 31, 2007.

Note B: Calculation was based on unreviewed financial statements as of March 31, 2007.

(Continued)

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of March 31, 2007.

Note D: Calculation was based on cost because the security did not have a quoted price in an active market.

Note E: Information was based on unreviewed financial statements as of March 31, 2007.

Note F: Carrying value of available-for-sale financial assets - current and financial assets at fair value through profit or loss - current were equal to market values as of March 31, 2007.

Note G: Calculation of domestic publicly-traded stocks were based on the closing price at the end of March 31, 2007.

(Concluded)

SCHEDULE D

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
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Share/Units	Amount
KG Telecommunications Co., Ltd.	Fuh Hwa Value Added Strategy Fund	Financial assets carried at cost - noncurrent	-	-	-	$ -	14,866,204.20	$ 150,000	-	$ -	$ -	$ -	14,866,204.20	$ 150,000

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)	
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications service revenues	$ (689,870)	(6%)	Based on agreement	-	-	Accounts receivable $ 261,978	5%
			Cost of telecommunications services	422,661	9%	Based on agreement	-	-	Accounts payable (63,058)	(9%)
	ARCOA Communication Co., Ltd.	Subsidiary	Marketing expenses and cost of sales	387,637	14%	Based on agreement			Accounts payable and accrued expense (191,289)	(5%)
			Sales of cellular phone equipment and accessories	(140,326)	(1%)	Based on agreement			Accounts receivable 252,288	5%
	New Century InfoComm Tech Co., Ltd.	Same chairman	Telecommunications service revenues	(105,438)	(1%)	Based on agreement	-	-	Accounts receivable (Note) -	-
									Accounts payable (Note) (20,094)	(3%)
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(422,661)	(8%)	Based on agreement	-	-	Accounts receivable 63,058	3%
			Cost of telecommunications services	689,870	25%	Based on agreement	-	-	Accounts payable (261,978)	(52%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue and sales of cellular phone equipment and accessories	(387,637)	(30%)	Based on agreement	-	-	Accounts receivable 191,289	36%
			Cost of sales	140,326	12%	Based on agreement	-	-	Accounts payable (252,288)	(47%)

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

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 571,494	(Note A)	$ -	-	$ 9,207	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	269,917	3.29	-	-	-	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,396,636	(Note B)	-	-	62,420	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	191,289	7.36	-	-	1,308	-

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 telecommunications bills by Far EasTone.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2007			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				March 31, 2007	December 31, 2006	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	$ 29,629,139	$ 29,629,139	1,332,997,916	100.00	$ 37,270,892	$ 1,141,121	$ 1,141,121	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, manufacture and sale of communications products and office equipment	1,278,944	1,278,944	79,353,013	59.10	1,002,761	(39,467)	(23,622)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,066,500	1,066,500	106,650,000	42.66	333,088	(146,738)	(62,598)	Notes C and D
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	137,546	(417)	(417)	Notes A and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	88,999	(11,617)	(11,617)	Notes A and D
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	56,663	(12,502)	(10,742)	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	26,623	(3,847)	(167)	Notes C and D
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	1,000	100,000	0.67	565	(11,586)	(77)	Notes D and E
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,197,794	2,197,794	186,390,714	74.56	1,047,225	(45,245)		Notes D and E
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	80,854	(2,058)		Notes D and E
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	22,507	3,643		Notes D and F
ARCOA Communication Co., Ltd.	Hi Information Co., Ltd.	Taiwan	Information service	53,065	53,065	4,975,000	33.17	6,026	-		Notes D and F
Far Eastern Info Service (Holding) Ltd. (Note G)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer service providing	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 3,667,000	(297)		Notes D and E
Far EasTron Holding Ltd. (Note G)	Far EasTron Co., Ltd.	Taiwan	Internet service	US$ 4,532,000	US$ 4,532,000	14,900,000	99.33	US$ 2,671,000	(11,586)		Notes D and E
E. World (Holdings) Ltd. (Note G)	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	99.99	US$ 1,714,000	1,763		Notes D and E
KGT International Holding Co., Ltd. (Note G)	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	US$ 4,822,000	US$ 4,822,000	11,465,000	4.59	64,415	(45,245)		Notes D and E

Note A: Subsidiary.

Note B Calculation was based on reviewed financial statements as of March 31, 2007.

Note C Equity-method investee of Far EasTone.

Note D Calculation was based on unreviewed financial statements as of March 31, 2007.

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

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

Note G Information was based on unreviewed financial statements as of March 31, 2007.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2007
(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, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2007 (Note A)	Accumulated Inward Remittance of Earnings as of March 31, 2007	Accumulated Investment in Mainland China as of March 31, 2007	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	$82,725 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$(297)	$121,341 (US$3,667,000)	$ -	$92,616	$92,616	$16,867,347 (Note C)

Note A: Calculation based on unreviewed financial statements as of March 31, 2007.

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

Note C: Based on the limit stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued by the ROC Investment Commission on March 1, 2004.

Note D: Please refer to Note 25 for significant transactions with the investee company.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ELIMINATED SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(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)
	Three months ended March 31, 2007						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Accounts and notes receivable from related parties	$ 571,494	Note D	1%
				Inventories	11,053	Note D	-
				Accounts and notes payable to related parties	1,396,636	Note D	1%
				Unearned revenues	8,663	Note D	-
				Telecommunications services revenues	689,870	Note D	4%
				Cost of telecommunications services	422,661	Note D	3%
				Marketing expenses	47,478	Note D	-
				Nonoperating income and gains	58,742	Note D	-
				Management service revenue	30,529	Note D	-
		ARCOA Communication Co., Ltd.	1	Accounts and notes receivable from related parties	269,917	Note D	-
				Accounts and notes payable to related parties	191,289	Note D	-
				Inventories	236	Note D	-
				Unearned revenues	122,607	Note D	-
				Sales of cellular phone equipment and accessories, net	130,960	Note D	1%
				Telecommunications service revenues	9,366	Note D	-
				Cost of sales	263,104	Note D	2%
				Other operating costs	3,842	Note D	-
				Marketing expenses	120,691	Note D	1%
				Nonoperating income and gains	1,079	Note D	-
		KGEx.com Co., Ltd.	1	Accounts and notes receivable from related parties	42,423	Note D	-
				Accounts and notes payable to related parties	1,446	Note D	-
				Telecommunications services revenues	69,816	Note D	-
				Cost of telecommunications services	1,712	Note D	-
				General and administrative expenses	290	Note D	-
				Management service revenue	1,875	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Accounts and notes payable to related parties	14,115	Note D	-
				General and administrative expenses	38,555	Note D	-
		Far EasTron Co., Ltd.	1	Accounts and notes receivable from related parties	4,421	Note D	-
		Yuan Cing Co., Ltd.	1	Accounts and notes receivable from related parties	2,117	Note D	-
				Accounts and notes payable to related parties	1,908	Note D	-
				General and administrative expenses	616	Note D	-
				Management service revenue	237	Note D	-
		Far Eastern Info Service (Holding) Ltd.	1	Accounts and notes receivable from related parties	1,368	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)
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	$ 1,396,636	Note D	1%
				Inventories	8,663	Note D	-
				Accounts and notes payable to related parties	571,494	Note D	1%
				Unearned revenues	11,053	Note D	-
				Telecommunications services revenues	422,661	Note D	3%
				Cost of telecommunications services	698,241	Note D	4%
				Marketing expenses	68,510	Note D	-
				General and administrative expenses	11,940	Note D	-
				Research and development expenses	450	Note D	-
				Nonoperating income and gains	47,478	Note D	-
		ARCOA Communication Co., Ltd.	3	Accounts and notes payable to related parties	42,479	Note D	-
				Unearned revenue	722	Note D	-
				Cost of sales	96,226	Note D	1%
				Marketing expenses	19,201	Note D	-
		KGEx.com Co., Ltd.	3	Accounts and notes receivable from related parties	20,016	Note D	-
				Accounts and notes payable to related parties	4,111	Note D	-
				Telecommunications service revenues	35,178	Note D	-
				Cost of telecommunications services	207	Note D	-
				General and administrative expenses	1,058	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Accounts and notes payable to related parties	19,292	Note D	-
				General and administrative expenses	10,076	Note D	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	191,289	Note D	-
				Inventories	122,607	Note D	-
				Accounts and notes payable to related parties	269,917	Note D	-
				Sales of cellular phone equipment and accessories, net	608,094	Note D	4%
				Other operating revenues	69,821	Note D	-
				Cost of sales	464,641	Note D	3%
				Cost of telecommunications services	10,445	Note D	-
				Nonoperating income and gains	43,639	Note D	-
		KG Telecommunications Co., Ltd.	3	Accounts and notes receivable from related parties	42,479	Note D	-
				Inventories	722	Note D	-
				Sales of cellular phone equipment and accessories, net	96,226	Note D	1%
				Other operating revenues	19,201	Note D	-
		Yuan Cing Co., Ltd.	3	Accounts and notes payable to related parties	212	Note D	-
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	1,446	Note D	-
				Accounts and notes payable to related parties	42,423	Note D	-
				Telecommunications service revenues	2,002	Note D	-
				Cost of telecommunications services	69,816	Note D	-
				General and administrative expenses	1,875	Note D	-
		KG Telecommunications Co., Ltd.	3	Accounts and notes receivable from related parties	4,111	Note D	-
				Accounts and notes payable to related parties	20,016	Note D	-
				Telecommunications service revenues	1,265	Note D	-
				Cost of telecommunications services	35,178	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)
		Far EasTron Co., Ltd.	3	Accounts and notes receivable from related parties	$ 229	Note D	-
				Telecommunications service revenues	733	Note D	-
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	14,115	Note D	-
				Other operating revenues	38,555	Note D	-
		KG Telecommunications Co., Ltd.	3	Accounts and notes receivable from related parties	19,292	Note D	-
				Other operating revenues	10,076	Note D	-
5	Far EasTron Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes payable to related parties	4,421	Note D	-
		KGEx.com Co., Ltd.	3	Accounts and notes payable to related parties	229	Note D	-
				Other operating costs	733	Note D	-
6	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	1,908	Note D	-
				Accounts and notes payable to related parties	2,117	Note D	-
				Other operating revenues	616	Note D	-
				General and administrative expenses	237	Note D	-
		ARCOA Communication Co., Ltd.	3	Accounts and notes receivable from related parties	212	Note D	-
							-
7	Far Eastern Info Service (Holding) Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes payable to related parties	1,368	Note D	-
	<u>Three months ended March 31, 2006</u>						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Accounts and notes receivable from related parties	540,564	Note D	1%
				Accounts and notes payable to related parties	979,047	Note D	1%
				Telecommunications services revenues	681,171	Note D	4%
				Cost of telecommunications services	366,827	Note D	2%
				Marketing expenses	65,807	Note D	-
				Nonoperating income and gains	70,994	Note D	-
				Management service revenue	31,413	Note D	-
		ARCOA Communication Co., Ltd.	1	Accounts and notes receivable from related parties	14,448	Note D	-
				Accounts and notes payable to related parties	88,408	Note D	-
				Sales of cellular phone equipment and accessories, net	24,794	Note D	-
				Cost of sales	3,609	Note D	-
				Marketing expenses	96,318	Note D	1%
		KGEX.com Co., Ltd.	1	Accounts and notes receivable from related parties	43,079	Note D	-
				Accounts and notes payable to related parties	406	Note D	-
				Telecommunications services revenues	50,526	Note D	-
				Cost of telecommunications services	867	Note D	-
				General and administrative expenses	246	Note D	-
				Management service revenue	1,875	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Accounts and notes payable to related parties	1,728	Note D	-
				General and administrative expenses	43,869	Note D	-
		Far EasTron Co., Ltd.	1	Accounts and notes receivable from related parties	1,341	Note D	-
		Yuan Cing co., Ltd.	1	Accounts and notes receivable from related parties	2,895	Note D	-
				Accounts and notes payable to related parties	4,886	Note D	-
				Management service revenue	282	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)
		Far Eastern Info Service (Holding) Ltd.	1	Accounts and notes receivable from related parties	$ 664	Note D	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	979,047	Note D	1%
				Accounts and notes payable to related parties	540,564	Note D	1%
				Telecommunications services revenues	366,827	Note D	2%
				Cost of telecommunications services	686,632	Note D	4%
				Marketing expenses	80,581	Note D	-
				General and administrative expenses	15,777	Note D	-
				Research and development expenses	588	Note D	-
				Nonoperating income and gains	65,807	Note D	-
		ARCOA Communication Co., Ltd.	3	Accounts and notes payable to related parties	38,465	Note D	-
				Sales of cellular phone equipment and accessories, net	3,736	Note D	-
				Cost of sales	1,084	Note D	-
				Marketing expenses	56,854	Note D	-
		KGEX.com Co., Ltd.	3	Accounts and notes receivable from related parties	18,872	Note D	-
				Accounts and notes payable to related parties	413	Note D	-
				Telecommunications services revenues	31,558	Note D	-
				General and administrative expenses	3,073	Note D	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Accounts and notes payable to related parties	15,327	Note D	-
				General and administrative expenses	15,427	Note D	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	88,408	Note D	-
				Accounts and notes payable to related parties	14,448	Note D	-
				Sales of cellular phone equipment and accessories, net	3,609	Note D	-
				Other operating revenues	96,318	Note D	1%
				Cost of sales	24,794	Note D	-
		KG Telecommunications Co., Ltd.	3	Accounts and notes receivable from related parties	38,465	Note D	-
				Sales of cellular phone equipment and accessories, net	1,084	Note D	-
				Other operating revenues	56,854	Note D	-
				Cost of sales	3,736	Note D	-
3	KGEX.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	406	Note D	-
				Accounts and notes payable to related parties	43,079	Note D	-
				Telecommunications services revenues	867	Note D	-
				Other operating revenues	246	Note D	-
				Cost of telecommunications services	50,526	Note D	-
				General and administrative expenses	1,875	Note D	-
		KG Telecommunications Co., Ltd.	3	Accounts and notes receivable from related parties	413	Note D	-
				Accounts and notes payable to related parties	18,872	Note D	-
				Cost of telecommunications services	31,558	Note D	-
				Other operating revenues	3,073	Note D	-
		Far EasTron Co., Ltd.	3	Accounts and notes receivable from related parties	704	Note D	-
				Other operating revenues	918	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)
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	$ 1,728	Note D	-
				Other operating revenues	43,869	Note D	-
		KG Telecommunications Co., Ltd.	3	Accounts and notes receivable from related parties	15,327	Note D	-
				Other operating revenues	15,427	Note D	-
5	Far EasTron Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes payable to related parties	1,341	Note D	-
		KGEx.com Co., Ltd.	3	Accounts and notes payable to related parties	704	Note D	-
				Other operating costs	918	Note D	-
		Yuan Cing Co., Ltd.	3	Accounts and notes payable to related parties	1,431	Note D	-
				General and administrative expenses	1,363	Note D	-
6	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes receivable from related parties	4,886	Note D	-
				Accounts and notes payable to related parties	2,895	Note D	-
				General and administrative expense	282	Note D	-
		Far EasTron Co., Ltd.	3	Accounts and notes receivable from related parties	1,431	Note D	-
				Other operating revenues	1,363	Note D	-
7	Far Eastern Info Service (Holding) Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Accounts and notes payable to related parties	664	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 the consolidated total assets as of March 31, 2007 and 2006; while revenues, costs and expenses are shown as a percentage to the consolidated total operating revenues for the three months ended March 31, 2007 and 2006.

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

Note E: Information was based on unreviewed financial statements as of March 31, 2007 and 2006.

Note F: Information show in the schedule is equivalent to the eliminated material intercompany transactions.

(Concluded)