Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007 of some immaterial subsidiaries, with combined total assets that were 3.2% (NT$2,947,013 thousand) and 2.7% (NT$2,544,134 thousand), respectively, of the consolidated total assets and with combined total liabilities that were 4.2% (NT$716,838 thousand) and 3.0% (NT$530,656 thousand), respectively, of the consolidated total liabilities, had not been reviewed. In the three months ended March 31, 2008 and 2007, these subsidiaries' combined total operating revenues were 1.7% (NT$277,056 thousand) and 1.7% (NT$274,665 thousand), respectively, of the consolidated operating revenues, and their total net losses were (4.7%) (NT$113,604 thousand) and (2.9%) (NT$81,959 thousand), respectively, of combined net income. In addition, as disclosed in Note 10 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$1,133,144 thousand and NT$388,244 thousand as of March 31, 2008 and 2007, respectively, had not been reviewed. The Company's equity of NT$84,232 thousand and NT$61,256 thousand in the losses of these investees was included in the consolidated net income of the three months ended March 31, 2008 and 2007, respectively. Related information on the Company's and subsidiaries' investments shown in Note 31 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.

April 16, 2008

<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, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 29)	$ 8,628,155	9	$ 11,263,280	12
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	325,483	1
Available-for-sale financial assets - current (Notes 2, 6 and 29)	1,849,641	2	900,104	1
Bonds measured at amortized cost - current (Notes 2 and 7)	3,000	-	3,000	-
Accounts and notes receivable, net (Notes 2 and 8)	6,061,289	7	5,747,433	6
Receivables from related parties, net (Notes 2, 8 and 28)	45,854	-	96,942	-
Inventories, net (Notes 2 and 9)	635,023	1	1,017,273	1
Prepaid expenses	803,572	1	995,321	1
Deferred income tax assets - current (Notes 2 and 23)	754,984	1	1,041,514	1
Pledged certificates of deposits - current (Note 30)	39,036	-	49,036	-
Other current assets	83,064	-	135,605	-
Total current assets	18,903,618	21	21,574,991	23
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 10)	6,462,852	7	388,244	1
Financial assets carried at cost - noncurrent (Notes 2 and 11)	292,061	-	292,061	-
Total long-term investments	6,754,913	7	680,305	1
PROPERTIES (Notes 2, 12, 20 and 30)				
Cost				
Land	1,467,746	2	1,470,001	2
Buildings and equipment	2,890,903	3	2,881,009	3
Operating equipment	102,983,126	112	98,955,493	104
Computer equipment	15,269,005	16	14,175,780	15
Office equipment	999,287	1	941,154	1
Leasehold improvements	1,708,841	2	1,719,728	2
Miscellaneous equipment	501,959	-	497,475	-
Total cost	125,820,867	136	120,640,640	127
Less - accumulated depreciation	82,263,207	89	71,927,019	76
	43,557,660	47	48,713,621	51
Construction-in-progress and advances for acquisition of equipment	3,565,828	4	3,757,763	4
Net properties	47,123,488	51	52,471,384	55
INTANGIBLE ASSETS				
Goodwill, net (Notes 2 and 13)	10,596,625	11	10,532,310	11
3G concession, net (Notes 1, 2 and 14)	7,855,095	9	8,585,802	9
Total intangible assets	18,451,720	20	19,118,112	20
OTHER ASSETS				
Rental assets, net (Notes 2 and 15)	225,179	-	219,705	-
Idle properties, net (Note 2)	308,694	-	332,933	-
Refundable deposits (Note 28)	399,002	1	393,264	1
Deferred income tax assets - noncurrent (Notes 2 and 23)	-	-	118,108	-
Deferred charges, net (Note 2)	106,944	-	157,952	-
Other (Note 30)	34,257	-	18,820	-
Total other assets	1,074,076	1	1,240,782	1
TOTAL	$ 92,307,815	100	$ 95,085,574	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 30)	$ 1,611,470	2	$ 175,323	-
Notes payable	81,357	-	74,414	-
Accounts payable	1,150,536	1	1,018,955	1
Payables to related parties (Note 28)	252,409	-	137,360	-
Income tax payable (Notes 2 and 23)	2,281,745	3	2,560,554	3
Accrued expenses (Note 17)	5,328,482	6	5,438,166	6
Hedging derivative liabilities - current (Notes 2 and 27)	7,023	-	-	-
Payables for acquisition of properties	1,446,245	2	1,262,855	2
Guarantee deposits received - current	802,782	1	996,718	1
Unearned revenues (Note 2)	1,001,263	1	1,191,206	1
Current portion of long-term bonds payable (Note 18)	2,000,000	2	1,570,000	2
Current portion of long-term bank loans (Notes 19 and 30)	38,095	-	38,095	-
Lease payable - current (Notes 2, 20 and 28)	40,055	-	40,544	-
Other current liabilities (Note 29)	243,522	-	283,902	-
Total current liabilities	16,284,984	18	14,788,092	16
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds payable (Note 18)	-	-	2,000,000	2
Long-term bank loans (Notes 19 and 30)	47,619	-	85,714	-
Hedging derivative financial liabilities - noncurrent (Notes 2 and 27)	-	-	58,299	-
Lease payable- noncurrent (Notes 2, 20 and 28)	8,382	-	48,437	-
Total long-term liabilities	56,001	-	2,192,450	2
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 21)	321,823	1	299,226	-
Guarantee deposits received - noncurrent	113,262	-	99,539	-
Deferred income tax liabilities - noncurrent (Notes 2 and 23)	280,985	-	-	-
Other	171,385	-	33,564	-
Total other liabilities	887,455	1	432,329	-
Total liabilities	17,228,440	19	17,412,871	18
FAR EASTONE'S EQUITY (Notes 2, 3, 10 and 22)				
Capital stock - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding - 3,258,501 thousand shares in 2008 and 3,872,663 thousand shares in 2007	32,585,008	35	38,726,630	41
Capital surplus				
Paid-in capital in excess of par value	10,964,702	12	6,510,964	7
From business combination	8,482,381	9	8,482,381	9
From long-term equity-method investments	40,187	-	10,611	-
Total capital surplus	19,487,270	21	15,003,956	16
Retained earnings				
Legal reserve	6,888,973	8	5,573,350	6
Special reserve	44,832	-	-	-
Unappropriated earnings	14,995,261	16	17,563,264	18
Total retained earnings	21,929,066	24	23,136,614	24
Other adjustments				
Cumulative translation adjustments	8,435	-	8,234	-
Unrealized gains (losses) on financial products	22,297	-	(38,697)	-
Total other adjustments	30,732	-	(30,463)	-
Total controlling interest of Far EasTone	74,032,076	80	76,836,737	81
MINORITY INTEREST	1,047,299	1	835,966	1
Total stockholders' equity	75,079,375	81	77,672,703	82
TOTAL	$ 92,307,815	100	$ 95,085,574	100

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

(With Deloitte & Touche review report dated April 16, 2008)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 28)				
Sales of cellular phone equipment and accessories, net	$ 1,526,062	10	$ 1,318,153	8
Telecommunications service revenues	14,253,466	90	14,391,698	91
Other	78,008	-	66,532	1
Total operating revenues	15,857,536	100	15,776,383	100
OPERATING COSTS (Notes 2, 25 and 28)				
Cost of sales	1,678,091	11	1,528,724	10
Cost of telecommunications services	6,672,142	42	6,679,046	43
Other	59,183	-	52,278	-
Total operating costs	8,409,416	53	8,260,048	53
GROSS PROFIT	7,448,120	47	7,516,335	47
OPERATING EXPENSES (Notes 2, 25 and 28)				
Marketing	2,646,540	17	2,444,775	16
General and administrative	1,297,021	8	1,308,383	8
Research and development	44,927	-	65,260	-
Total operating expenses	3,988,488	25	3,818,418	24
OPERATING INCOME	3,459,632	22	3,697,917	23
NONOPERATING INCOME AND GAINS				
Interest (Note 28)	62,653	1	36,481	-
Reversal of provision for loss on inventories (Note 2)	12,305	-	-	-
Gain from sale of nonperforming accounts receivable (Note 24)	-	-	56,264	1
Other	57,465	-	30,924	-
Total nonoperating income and gains	132,423	1	123,669	1
NONOPERATING EXPENSES AND LOSSES				
Equity in investees' net losses (Notes 2 and 10)	291,490	2	61,256	1
Loss on disposal of properties, net (Note 2)	57,981	1	60,415	-
Investment losses, net (Note 2)	39,447	-	-	-
Interest (Notes 2 and 12)	4,575	-	11,761	-
Impairment loss (Notes 2 and 13)	-	-	24,425	-

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
Loss on decline in value of inventories (Note 2)	$ -	-	$ 17,615	-
Other	16,942	-	9,567	-
Total nonoperating expenses and losses	410,435	3	185,039	1
COMBINED INCOME BEFORE INCOME TAX	3,181,620	20	3,636,547	23
INCOME TAX (Notes 2 and 23)	786,238	5	768,222	5
COMBINED NET INCOME	$ 2,395,382	15	$ 2,868,325	18
ATTRIBUTABLE TO:				
Controlling interest	$ 2,427,805	15	$ 2,895,666	18
Minority interest	(32,423)	-	(27,341)	-
	$ 2,395,382	15	$ 2,868,325	18

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 26)				
Basic	$ 0.90	$ 0.72	$ 0.87	$ 0.75

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

(With Deloitte & Touche review report dated April 16, 2008) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 2,395,382	$ 2,868,325
Amortization of 3G concession	182,677	182,677
Depreciation and amortization	2,707,475	2,798,833
Allowance for doubtful accounts	197,563	228,171
Gains on revaluation of financial assets	-	(483)
Provision for (reversal of) losses on decline in value of inventories	(12,305)	17,615
Losses on sale of financial assets	39,447	3,622
Equity in investees' net losses	291,490	61,256
Provision for impairment loss	-	24,425
Losses on disposal of properties, net	57,981	60,415
Accrued pension cost	7,019	5,359
Deferred income taxes	55,597	34,876
Net changes in operating assets and liabilities		
Financial assets held for trading	-	(178,488)
Accounts and notes receivable	248,049	115,980
Receivables from related parties	(18,308)	(54,674)
Inventories	48,122	(26,930)
Prepaid expenses	(97,589)	(226,146)
Other current assets	28,035	(11,983)
Notes payable	(3,508)	(57,278)
Accounts payable	20,762	(136,728)
Payables to related parties	50,426	10,331
Income tax payable	716,726	726,222
Accrued expenses	103,388	665,407
Unearned revenues	1,902	109,181
Other current liabilities	(100,294)	(74,718)
Net cash provided by operating activities	6,920,037	7,145,267
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,567,387)	(195,121)
Proceeds of the disposal of available-for-sale financial assets	1,325,724	-
Acquisition of financial assets carried at cost	-	(150,000)
Acquisition of equity-method investment	(3,652)	-
Acquisition of properties	(1,235,107)	(1,368,062)
Proceeds of the sale of properties	12,428	12,540
Decrease in refundable deposits	13,075	11,583
Decrease (increase) in pledged certificates of deposits	(8,944)	4,472
Increase in deferred charges	(2,737)	(8,225)
Decrease in other assets	26	251
Net cash used in investing activities	(1,466,574)	(1,692,562)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans, net	$ 1,342,255	$ 46,367
Repayment of long-term liabilities	(679,524)	(2,069,524)
Decrease in guarantee deposits received	(33,647)	(50,082)
Increase in other liabilities	17,418	28,892
Decrease in minority interest	(1,406)	-
Capital reduction	(7,745,326)	-
Net cash used in financing activities	(7,100,230)	(2,044,347)
EFFECT OF EXCHANGE RATE CHANGES	(3,391)	3,276
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,650,158)	3,411,634
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,278,313	7,851,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,628,155	$ 11,263,280
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 13,940	$ 82,926
Less - interest capitalized	10,513	15,696
Interest paid, net of capitalized interest	$ 3,427	$ 67,230
Income tax paid	$ 13,915	$ 7,125
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 2,085,173	$ 1,648,639
Reclassification of properties into idle properties	$ -	$ 20,789
Reclassification of idle properties into rental assets	$ -	$ 22,207
Receivable from long-term investments sold	$ -	$ 17,378
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 949,733	$ 668,524
Decrease in payables for acquisition of properties	276,743	691,001
Decrease in lease payables	8,631	8,537
Cash paid for acquisition of properties	$ 1,235,107	$ 1,368,062
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	$ 8,221	$ 244
Decrease (increase) in receivables from properties sold	(940)	11,599
Decrease in receivables from related parties	5,147	697
Cash received from the disposal of properties	$ 12,428	$ 12,540

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

(With Deloitte & Touche review report dated April 16, 2008) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

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, 2008, Far Eastern Textile Co., Ltd. ("Far Eastern Textile") and its affiliates directly and indirectly owned 41.08% 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 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 1% 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.

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

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the "Group") had 4,734 and 4,659 employees as of March 31, 2008 and 2007, 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, bonuses to employees, remuneration to directors and supervisors. 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;

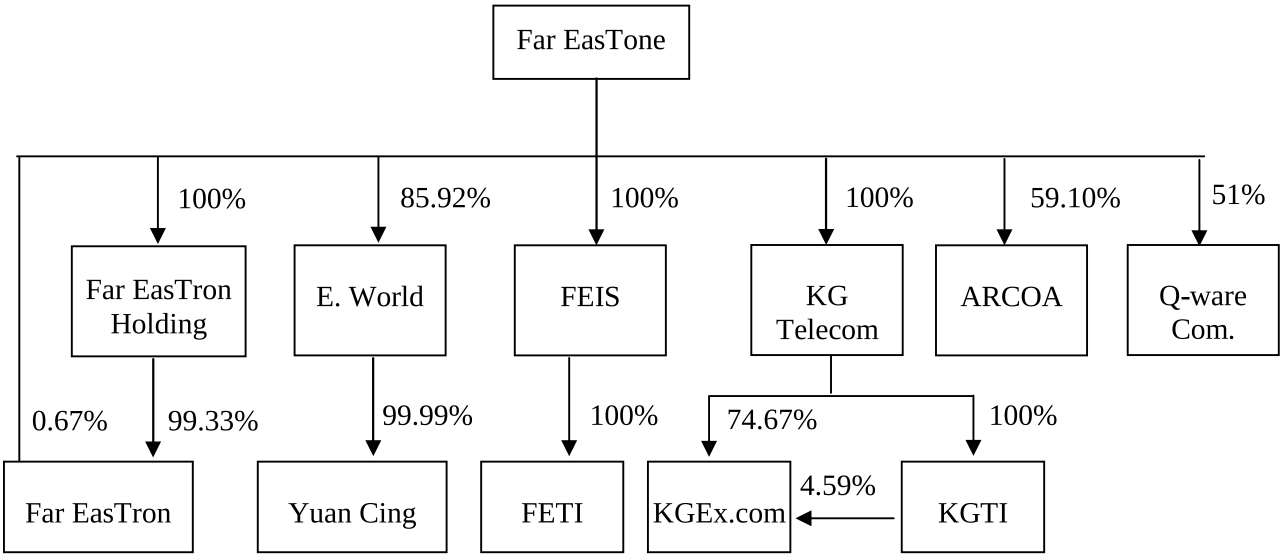
b. Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and

c. All items in the statement of income at the average exchange rates for the period.

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, 2008 are shown below:



a. Entities included in the consolidated financial statements as of and for the three months ended March 31, 2008 and 2007 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. On January 1, 2004, KG Telecom merged with the former KG Telecommunications Co., Ltd. (the "former KGT") through a two-step merger agreement. The merger was completed on May 20, 2004 after the registration of the shares with the Ministry of Economics Affairs (MOEA).

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

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

ARCOA was incorporated in the ROC on May 4, 1981. 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.

ARCOA's shares have been listed as emerging market stock on the OTC exchange since December 27, 2002. 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 December 31, 2007, Far EasTone owns 59.10% of ARCOA's common stock.

3) Q-ware Communications Co., Ltd. (“Q-ware Com.”)

Q-ware Com. was incorporated on February 13, 2007. It mainly provides Type II telecommunications services. On February 14, 2007, the board of directors of Far EasTone approved a cooperation plan with Q-ware System Inc. (“Q-ware”) to operate WiFly and other businesses agreed upon by both Far EasTone and Q-ware. After obtaining the authorities’ approval of this agreement, Far EasTone, as a specific person, subscribed for 36,460 thousand newly issued shares (NT$13.60 per share) of Q-ware Com. for $495,855 thousand on July 2, 2007. On July 3, 2007, Q-ware spun off its WiFly business, with a net worth of $349,301 thousand, to Q-ware Com. and received 34,930 thousand new shares of Q-ware Com. for this spin-off. Q-ware Com. got the right to provide WiFly business in Taipei City through this spin-off until September 7, 2013, with an annual fee at 3% of total WiFly revenues. Moreover, the NCC issued to Q-ware Com. a Type II license, allowing it to provide Internet services for three years from 2007 for a fixed annual license fee based on Q-ware Com.’s paid-in capital. After the completion of this spin-off, Far EasTone owned approximately 51% of Q-ware Com.’s common stock and thus became its parent company. Q-ware’s revenues and expenses for the three months ended March 31, 2007 were not included in the consolidated financial statements for the same period.

4) KGEx.com Co., Ltd. (“KGEx.com”)

KGEx.com was incorporated on August 9, 2000. KGEx.com mainly provides Type II telecommunications services.

5) Yuan Cing Co., Ltd. (“Yuan Cing”)

Yuan Cing was incorporated on August 5, 2000. Yuan Cing provides call center services.

6) Far Eastern Tech-info Ltd. (Shanghai) (“FETI”)

FETI was incorporated in the People’s Republic of China on November 18, 2002. FETI provides computer software, data processing and Internet content providing services.

7) Far EasTron Co., Ltd. (“Far EasTron”)

Far EasTron was incorporated in the ROC on August 12, 2005. Far EasTron mainly provides Internet content providing services.

In order to enhance the Group’s market share of Internet advertisements and integrate the Group’s resources, the board of directors of Far EasTron resolved on March 14, 2008 to have a share swap with ADCast Interactive Marketing Co., Ltd. (ADCast Marketing), a subsidiary of New Century Info Comm Tech Co., Ltd., with ADCast Marketing as the survivor entity. The stockholders of Far EasTron will receive 1 share of ADCast Marketing after its capital reduction for every 4.8526 shares of Far EasTron’s shares on May 31, 2008, the projected merger date.

8) E. World (Holdings) Ltd. (“E. World”), Far Eastern Info Service (Holding) Ltd. (“FEIS”), KGT International Holding Co., Ltd. (“KGTI”) and Far EasTron Holding Ltd. (“Far EasTron Holding”)

E. World, FEIS, KGTI and Far EasTron Holding are primarily investment holding companies.

b. The financial statements of some immaterial 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, 2008 and 2007 were unreviewed. The financial statements of Q-ware Com. as of and for the three months ended March 31, 2008 were unreviewed, either.

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

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 a counter party to contracts. Financial assets are derecognized when the Group loses control of its contractual rights over the financial assets. Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

Available-for-sale Financial Assets

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

The accounting policy on the recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at fair value through profit or loss.

Any cash dividends received are recognized as income on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The cost per share 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 Carried at Amortized Cost

Bonds with fixed or determinable payments that are not quoted in an active market are carried at amortized cost. Bonds should be carried at original cost plus transaction cost on initial recognition. Gains or losses are recognized when bonds are derecognized, impaired or amortized. All regular way purchases or sales of bonds are recognized and derecognized on a trade date basis.

An impairment loss should be recognized if there is objective evidence that bonds are impaired. The impairment loss is reversed if an increase in the bonds' recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the bonds may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the bonds in prior years.

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 access services and interconnection calls, net of any applicable discount, are billed according to customers' usage and are recognized on the basis of minutes of traffic processed. Other revenues are recognized as follows: (a) fixed monthly service fees and leased-circuit service revenues are accrued each month; (b) prepaid call 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 cost for the sale of cellular phone equipment and accessories are recognized when the products are delivered to and accepted by the customers. This sale is considered a separate earnings process from the sale of wireless services.

Operating revenues are measured at fair values based on the prices negotiated between the 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 a review of the collectibility of accounts receivable. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Promotion Expenses

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

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). 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 or 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 carried at cost upon initial recognition. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets.

An impairment loss should be recognized and charged to current income if there is objective evidence that a financial asset is impaired. A reversal of this impairment loss is disallowed.

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 subjected to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

An increase in the 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 loses its significant influence over an investee 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 less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Major additions, renewals and improvements as well as interest expense incurred during the construction period are capitalized, while maintenance and repairs are expensed currently. Properties still being used beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48-55
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, which 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, depreciation of idle properties 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 investments) exceeds their recoverable amount, and this impairment loss should be charged to current income. For investees which Far EasTone exercises significant influence but not control, the recoverable amount is calculated based on investee's individual investment value. For investees which Far EasTone has control, the recoverable amount is assessed under the consideration of taking the consolidated financial statement as a whole. The accumulated impairment loss of an asset recognized in prior years can be reversed if, later on, the estimate of the asset's recoverable amount later has changed so as to increase the recoverable amount. Then, the asset's carrying amount can be increased to its recoverable amount; however, the recoverable amount should not exceed the carrying amount that would have been after the deduction of depreciation or amortization if it had not been impaired.

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

Deferral of Unrealized Intercompany Profit

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

Far EasTone defers gains or losses on its sales of products 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, Far EasTron and Q-ware Com. 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 current period's income tax expense.

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

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

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

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

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

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

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

Derivative instruments held by the Far EasTone is 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.

Far EasTone uses interest rate swaps to hedge cash flow risks from interest rate of liabilities.

Reclassifications

Certain accounts in the consolidated financial statements as of and for three months ended March 31, 2007 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for three months ended March 31, 2008.

3. CHANGE IN ACCOUNTING PRINCIPLES

In March 2007, the Accounting Research and Development Foundation issued Interpretation No. 2007-052 that requires companies to recognize bonuses to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. This accounting change resulted in a decrease of $84,749 thousand in combined income before income tax and a decrease of NT$0.03 in basic earnings per share after income tax for the three months ended March 31, 2008.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2008	**2007**
Cash		
Cash on hand	$ 6,512	$ 8,991
Checking and demand deposits	1,535,495	989,285
Certificates of deposits - interest of 1.85%-2.88% in 2008 and 1.735%-5.17% in 2007	701,815	167,374
	2,243,822	1,165,650
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 1.81%-2.00% in 2008 and 1.61%-1.70% in 2007	4,182,435	9,982,273
Bonds purchased under resell agreements - interest of 1.750%-1.830% in 2008 and 1.480%-1.645% in 2007	2,201,898	115,357
	6,384,333	10,097,630
	$ 8,628,155	$ 11,263,280

As of March 31, 2008 and 2007, foreign demand deposits were as follows:

	March 31	
	2008	**2007**
Belgium (US$452 thousand in 2008 and US$522 thousand in 2007)	$ 13,741	$ 17,273
Hong Kong (US$12 thousand in 2008 and US$16 thousand in 2007)	365	529
	$ 14,106	$ 17,802

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

Financial assets held for trading were as follows:

	March 31	
	2008	**2007**
Financial assets held for trading - mutual funds	$ -	$ 325,483

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	March 31	
	2008	2007
Domestic quoted stocks	$ 547,871	$ 149,634
Open-ended mutual funds	1,301,770	750,470
	$ 1,849,641	$ 900,104

7. BONDS CARRIED AT AMORTIZED COST - CURRENT

	March 31	
	2008	2007
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. ACCOUNTS AND NOTES RECEIVABLE

	March 31	
	2008	2007
Accounts and notes receivable	$ 6,908,614	$ 7,038,510
Less - allowance for doubtful accounts	(847,325)	(1,291,077)
	$ 6,061,289	$ 5,747,433

The change in allowance for doubtful accounts was as follows:

	Three Months Ended March 31			
	2008		2007	
	Accounts Receivable	Other Receivables	Accounts Receivable	Receivables from Related Parties
Beginning balance	$ 902,445	$ 2,090	$ 1,334,622	$ -
Less - bad debts written off	(285,693)	-	(310,120)	-
Add - collection after write-off	33,010	-	53,178	-
accrual of bad debt expenses	197,563	-	213,397	14,774
	$ 847,325	$ 2,090	$ 1,291,077	$ 14,774

9. INVENTORIES, NET

	March 31 2008	March 31 2007
Cellular phone equipment	$ 561,505	$ 959,896
Costs of SIM cards and prepaid cards	38,921	36,628
Cellular phone accessories	62,726	59,744
Others	39,484	55,313
	702,636	1,111,581
Less - allowance for losses	67,613	94,308
	$ 635,023	$ 1,017,273

10. EQUITY-METHOD INVESTMENTS

	March 31			
	2008		2007	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
New Century InfoComm Tech Co., Ltd.	$ 5,854,359	24.51	$ -	-
Far Eastern Electronic Toll Collection Co., Ltd.	559,972	41.18	333,088	42.66
iScreen Corporation	27,373	40.00	22,507	40.00
Ding Ding Integrated Marketing Service Co., Ltd.	17,496	15.00	26,623	15.00
ADCast Interactive Marketing Co., Ltd.	3,652	20.92	-	-
Hi Information Co., Ltd.	-	-	6,026	33.17
	$ 6,462,852		$ 388,244	

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

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

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

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

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

c. Equity in investees' net gains or losses

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

	Three Months Ended March 31			
	2008		2007	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
New Century Infocom Tech Co., Ltd.	$ (905,035)	$ (207,641)	$ -	$ -
Far Eastern Electronic Toll Collection Co., Ltd.	(206,366)	(84,884)	(146,738)	(62,598)
iScreen Corporation	1,880	839	3,643	1,509
Ding Ding Integrated Marketing Services Co., Ltd.	(6,031)	196	(3,847)	(167)
ADCast Interactive Marketing Co., Ltd.	(510)	-	-	-
		$ (291,490)		$ (61,256)

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

	March 31	
	2008	2007
Total assets of investees	$ 32,647,152	$ 2,644,684
Total liabilities of investees	(3,499,487)	(1,596,701)
Total net assets	$ 29,147,665	$ 1,047,983
The Group's equity in investees' net assets	$ 6,462,852	$ 388,244

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%.

We were unable to obtain reviewed financial statements supporting the Group's investments in certain equity-method investees, except NCIC, with carrying value of $1,133,144 thousand and $388,244 thousand as of March 31, 2008 and 2007, respectively; the Group's equity of $84,232 thousand and $61,256 thousand in the losses of these investees was included in the consolidated net incomes for the three months ended March 31, 2008 and 2007, respectively.

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

For the three months ended March 31, 2008, the changes in the difference between investment cost and the Group's equity in its investees' net assets were as follows:

	Three Months Ended March 31 2008
	Amortizable Assets
Beginning balance	$ (924,029)
Increase	-
Decrease	13,380
Ending balance	$ (910,649)

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	March 31 2008	March 31 2007
Domestic unlisted common stock		
VIBO Telecom Inc.	$ 20,000	$ 20,000
THI Consultants Inc.	13,729	13,729
Chunghwa Int'l Communication Network Co., Ltd.	6,714	6,714
Web Point Co., Ltd.	1,618	1,618
Overseas unlisted common stocks		
Ideaculture Limited - US$431 thousand in 2006	-	-
Domestic private fund		
FEA Long-Short Private Placement Fund	100,000	100,000
Fuh Hwa Value Added Strategy Fund	150,000	150,000
	$ 292,061	$ 292,061

The above equity and fund investments, which had no quoted prices in an active market and of which fair values could not be realizably measured, were carried at cost.

12. PROPERTIES

a. Changes in properties consisted of:

	Three Months Ended March 31, 2008						
		Movement					
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	Ending Balance
Cost							
Land	$ 1,467,746	$ -	$ -	$ -	$ -	$ -	$ 1,467,746
Buildings and equipment	2,888,046	-	-	2,857	-	-	2,890,903
Operating equipment	102,139,535	3,407	139,234	979,418	-	-	102,983,126
Computer equipment	14,960,798	1,848	1,073	307,972	-	(540)	15,269,005
Office equipment	1,001,385	-	190	736	-	(2,644)	999,287
Leasehold improvements	1,709,137	-	10,728	10,432	-	-	1,708,841
Miscellaneous equipment	497,949	3,870	1,260	1,400	-	-	501,959
	124,664,596	$ 9,125	$ 152,485	$ 1,302,815	$ -	$ (3,184)	125,820,867

(Continued)

	Three Months Ended March 31, 2008						
		Movement					
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	Ending Balance
Accumulated depreciation							
Buildings and equipment	$ 903,859	$ 29,605	$ -	$ -	$ -	$ -	$ 933,464
Operating equipment	64,537,629	2,242,130	88,104	-	-	-	66,691,655
Computer equipment	11,870,126	353,414	747	-	-	(336)	12,222,457
Office equipment	843,637	11,168	188	-	-	(1,917)	852,700
Leasehold improvements	1,268,266	33,963	3,577	-	-	-	1,298,652
Miscellaneous equipment	248,021	17,499	1,241	-	-	-	264,279
	79,671,538	$ 2,687,779	$ 93,857	$ -	$ -	$ (2,253)	82,263,207
	44,993,058						43,557,660
Construction in process and advances for acquisition of equipment	3,935,609	$ 940,608	$ 7,574	$ (1,302,815)	$ -	$ -	3,565,828
	$ 48,928,667						$ 47,123,488

(Concluded)

	Three Months Ended March 31, 2007						
		Movement					
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	Ending Balance
Cost							
Land	$ 1,490,772	$ -	$ -	$ -	$ (20,771)	$ -	$ 1,470,001
Buildings and equipment	2,872,605	-	-	8,548	(144)	-	2,881,009
Operating equipment	98,300,808	2,737	159,023	811,871	(900)	-	98,955,493
Computer equipment	14,009,777	3,580	3,013	164,897	-	539	14,175,780
Office equipment	920,912	73	420	18,015	-	2,574	941,154
Leasehold improvements	1,715,118	-	1,306	5,916	-	-	1,719,728
Miscellaneous equipment	519,129	501	655	(21,500)	-	-	497,475
	119,829,121	$ 6,891	$ 164,417	$ 987,747	$ (21,815)	$ 3,113	120,640,640
Accumulated depreciation							
Buildings and equipment	774,271	$ 34,184	$ -	$ -	$ -	$ -	808,455
Operating equipment	55,859,580	2,306,525	98,584	-	-	-	58,067,521
Computer equipment	10,486,141	356,268	2,945	-	(551)	293	10,839,206
Office equipment	791,643	20,295	420	-	-	1,455	812,973
Leasehold improvements	1,148,623	42,632	1,213	-	-	-	1,190,042
Miscellaneous equipment	192,580	16,304	613	-	551	-	208,822
	69,252,838	$ 2,776,208	$ 103,775	$ -	$ -	$ 1,748	71,927,019
	50,576,283						48,713,621
Construction in process and advances for acquisition of equipment	4,089,508	$ 661,633	$ 17	$ (987,747)	$ (5,614)	$ -	3,757,763
	$ 54,665,791						$ 52,471,384

b. Capitalized interest on properties was as follows:

	Three Months Ended March 31	
	2008	2007
Total interest expense	$ 15,088	$ 27,457
Less - interest capitalized (included in construction in process and advances for acquisition of equipment)	10,513	15,696
Interest expense, net of amounts capitalized	$ 4,575	$ 11,761
Interest rate capitalized	1.5648%	1.65%-2.29%

13. 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.

Since January 1, 2005, in conformity with SFAS No. 35 - "Accounting for Asset Impairment," the Group is divided into several identifiable cash-generating units: Far EasTone, KG Telecom, ARCOA and Q-ware Com. in 2007 and Far EasTone, KG Telecom and ARCOA in 2006.

On December 31, 2007 and 2006, the carrying values of the tangible and intangible assets used by the Group were $68,221,128 thousand and 74,672,825 thousand, respectively. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with discount rates of 13.38% (Far EasTone), 14.48% (KG Telecom), 15.60% (ARCOA) and 10.00% (Q-ware Com.) on December 31, 2007 and 9.15% (Far EasTone), 9.8% (KG Telecom) and 12.2% (ARCOA) on December 31, 2006. 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.

    4) WiFly business: Based on present experience and the demand of WiFly, the growth rate is expected to be stable.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The ratio was around 50% in 2007 and 2006; this ratio is expected to decrease slightly in future years.

An impairment loss of $10,211 thousand for the three months ended March 31, 2007 was estimated and recorded.

14. INTANGIBLE ASSETS - 3G CONCESSION, NET

	Three Months Ended March 31	
	2008	**2007**
Cost	$ 10,169,000	$ 10,169,000
Accumulated amortization		
Beginning balance	2,131,228	1,400,521
Amortization	182,677	182,677
Ending balance	2,313,905	1,583,198
Intangible assets, net	$ 7,855,095	$ 8,585,802

15. RENTAL ASSETS, NET

	Three Months Ended March 31							
	2008				2007			
	Beginning Balance	Addition	Reclassification	Ending Balance	Beginning Balance	Addition	Reclassification	Ending Balance
Cost								
Land	$ 130,631	$ -	$ -	$ 130,631	$ 105,366	$ -	$ 18,676	$ 124,042
Buildings and equipment	113,260	-	-	113,260	100,136	-	9,562	109,698
	243,891	$ -	$ -	243,891	205,502	$ -	$ 28,238	233,740
Accumulated depreciation								
Buildings and equipment	12,355	$ 587	$ -	12,942	7,493	$ 511	$ 1,987	9,991
	231,536			230,949	198,009			223,749
Accumulated impairment	5,770	$ -	$ -	5,770	-	$ 4,044	$ -	4,044
Rental assets, net	$ 225,766			$ 225,179	$ 198,009			$ 219,705

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
From April 1, 2008 to December 31, 2008	$ 11,788
2009	17,333
2010	16,388
2011	10,333
2012	9,605
From January 1, 2013 to March 31,2013	776

16. SHORT-TERM BANK LOANS

	March 31	
	2008	2007
Secured bank loans - interest of 2.68% in 2008 and 2.08% in 2007	$ 228,000	$ 148,000
Unsecured bank loans - interest of 2.45-2.72% in 2008 and 2.10%-2.30% in 2007	1,383,470	27,323
	$ 1,611,470	$ 175,323

17. ACCRUED EXPENSES

	March 31	
	2008	2007
Commission	$ 1,303,331	$ 1,295,358
License fee	1,240,147	1,479,817
Value-added service	337,769	283,660
Universal service operation fee	336,259	334,745
Bonus	271,229	173,928
Maintenance fee	207,253	225,884
Frequency fee	162,373	162,394
Utilities	148,982	206,620
Other	1,321,139	1,275,760
	$ 5,328,482	$ 5,438,166

18. BONDS PAYABLE

	March 31, 2008		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 2nd - Far EasTone	$ 800,000	$ -	$ 800,000
Domestic unsecured bonds - 3rd - Far EasTone	1,200,000	-	1,200,000
	$ 2,000,000	$ -	$ 2,000,000

	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

a. Domestic unsecured bonds - 2nd - Far EasTone

These are five-year unsecured domestic bonds issued at par value from March 28, 2003 to April 3, 2003. The total face value of the bonds is $1,470,000 thousand, with a face value of $1,000 thousand and interest rate of 2.6% in the first year and 3.2% minus USD six-month LIBOR rate from the second year to maturity, payable semiannually. Far EasTone already repaid $370,000 thousand and $300,000 thousand on March 28, and March 31, 2008, respectively. The rest amount of $800,000 thousand have also been repaid by April 3, 2008.

b. 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 already repaid $900,000 thousand on December 12, 2007 and 2006, respectively.

19. LONG-TERM BANK LOANS

	March 31, 2008		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	$ 38,095	$ 47,619	$ 85,714

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

KGEx.com obtained a secured bank loan at interest rates of 2.69% in 2008 and 2.54% in 2007, payable monthly. The loan is secured and repayable quarterly from April 2005 at equal installments, with final repayment due in April 2010.

20. LEASE PAYABLE

	March 31 2008	March 31 2007
Total future lease payments	$ 52,432	$ 95,746
Less - imputed interest expense	3,995	6,765
	48,437	88,981
Less - current portion of lease payable	40,055	40,544
Lease payable - noncurrent	$ 8,382	$ 48,437

The contracts of capital lease were summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Three Months Ended March 31 2008	Rental Paid Three Months Ended March 31 2007
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-October 2008 $16 thousand monthly	48	48
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	September 2006-August 2009 $5 thousand monthly	15	15
Taiwan Telecommunication Network Services Co., Ltd. - KGEx.com	Computer equipment	July 2005-June 2008 $55 thousand monthly	165	165
			$ 10,354	$ 10,354

21. 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, Far EasTron and Q-ware Com. 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 $33,873 thousand and $38,912 thousand for the three months ended March 31, 2008 and 2007, respectively. FETI, under its government's regulations, had recognized pension costs of $768 thousand and $1,121 thousand for the three months ended March 31, 2008 and 2007, 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 Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity). The pension cost under the defined benefit plan amounted to $16,449 thousand and $15,162 thousand for the three months ended March 31, 2008 and 2007, respectively.

22. 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.

For the three months ended March 31, 2008, the bonuses to employees and the remuneration to directors and supervisors, representing 2% and 1%, respectively, of net income less 10% legal reserve were accrued on the basis of past experiences. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are retroactively adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate.

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.

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 2007 earnings was expected to be approved on April 22, 2008 by Far EasTone's board of directors, and the 2006 earnings appropriation was approved by Far EasTone's stockholders on June 12, 2007.

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

The appropriation of the 2007 earnings of Far EasTone had not been approved by the board of directors as of April 16, 2008. 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, 2008 were as follows:

		GDRs (in Thousand Units)	Equivalent Common Stock (in Thousand Shares)
Initial offering	1)	10,000	150,000
Converted from overseas unsecured convertible bonds	2)	165	2,473
Net decrease due to capital increase or capital reduction	3)	(362)	(5,426)
Reissued within authorized units	4)	21,507	322,596
GDRs transferred to common stock		(28,540)	(428,100)
Outstanding GDRs issued		2,770	41,543

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 convertible bonds. As of March 31, 2008, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

3) In 2004, 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. Furthermore, in 2008, Far EasTone reduced 658 thousand units of GDRs as a result of a capital reduction. These GDRs represent 9,874 thousand common shares.

4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of March 31, 2008, Far EasTone had reissued 21,507 thousand units of GDRs representing 322,596 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. Capital reduction

To enhance the return of stockholders' equities, Far EasTone's board of directors proposed on April 30, 2007 to reduce capital by returning $7,745,326 thousand in cash to stockholders and decreasing common stock by 774,533 thousand shares. The capital reduction was approved by the stockholders' meeting on June 12, 2007. The capital reduction ratio was 19.204715% and the cash return per share was around NT$1.9204715. Paid-in capital after the capital reduction was $32,585,008 thousand. Far EasTone's board of directors resolved January 15, 2008 as the record date of the capital reduction. On January 22, 2008, this capital reduction was registered with the MOEA. The authority also approved March 17, 2008 as the share exchange date of the capital reduction. The foregoing payable amounts due to the capital reduction were fully paid by March 31, 2008.

e. Cumulative translation adjustments

Cumulative translation adjustments for the three months ended March 31, 2008 and 2007 were summarized as follows:

	Three Months Ended March 31	
	2008	**2007**
Difference due to translation of foreign-currency financial statements		
Beginning balance	$ 11,826	$ 4,960
Recorded as adjustment under stockholders' equity	(3,391)	3,274
	$ 8,435	$ 8,234

f. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the three months ended March 31, 2008 and 2007 were summarized as follows:

	Recognized from Equity-method Investments	**Unrealized Gain (Loss) on Cash Flow Hedge**	**Total**
Three months ended March 31, 2008			
Beginning balance	$ 19,510	$ (16,201)	$ 3,309
Recorded as adjustments to stockholders' equity	8,055	1,626	9,681
Recognized as profit or loss	-	9,307	9,307
Ending balance	$ 27,565	$ (5,268)	$ 22,297

Three months ended March 31, 2007	Recognized from Equity-method Investments	Unrealized Gain (Loss) of Cash Flow Hedge	Total
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)

23. 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 were as follows:

	Three Months Ended March 31	
	2008	2007
Income tax expense computed at statutory tax (25% to 33%)	$ 934,326	$ 1,201,519
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	-	(113,038)
Equity in investees' net gains	(45,966)	(255,231)
Other	(84,635)	(68,225)
Temporary differences	(55,597)	(34,876)
Loss carryforwards used	-	(308)
Investment tax credits used	(25,086)	(3,457)
Income tax payable - current	723,042	726,384
Income tax expense on income subject to a separate rate of 20%	7,599	6,962
Income tax expense - current	$ 730,641	$ 733,346

Far EasTone's 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	
	2008	2007
Income tax expense - current	$ 730,641	$ 733,346
Income tax expense - deferred		
Temporary differences	55,597	34,876
	$ 786,238	$ 768,222

E. World, Far EasTron Holding, FEIS and KGTI were incorporated in 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	
	2008	2007
Beginning balance	$ 1,565,019	$ 1,834,333
Income tax expense - current	730,641	733,346
Income tax paid	(13,915)	(7,125)
Ending balance	$ 2,281,745	$ 2,560,554

e. Deferred income taxes assets (liabilities) as of March 31, 2008 and 2007 were as follows:

	March 31	
	2008	2007
Current		
Allowance for doubtful accounts	$ 742,910	$ 1,017,556
Loss carryforwards	53,341	36,546
Investment tax credits	26,841	3,971
Provision for losses on decline in value of inventories	15,691	22,364
Unrealized loss on financial instruments	1,755	-
Other	29,893	27,219
	870,431	1,107,656
Less - valuation allowance	115,447	66,142
	$ 754,984	$ 1,041,514
Noncurrent		
Goodwill amortization	$ (444,939)	$ (247,188)
Loss carryforwards	413,285	334,083
Impairment loss on idle properties	144,334	144,334
Equity in investees' net losses	44,925	29,172
Accrued pension cost	89,165	83,584
Depreciation resulting from the differences in estimated service lives of properties	27,468	219,832
Unrealized losses on financial instruments	3,372	14,575
Investment tax credits	1,110	27,464

	March 31	
	2008	2007
Impairment loss on financial assets	$ -	$ 14,071
Other	1,923	17,197
	280,643	637,124
Less - valuation allowance	561,628	519,016
	$ (280,985)	$ 118,108

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

f. Integrated income tax information was as follows:

	March 31	
	2008	2007
Balance of imputation credit account (ICA)		
Far EasTone	$ 205,589	$ 250,444
KG Telecom	$ 15,233	$ 9,560
ARCOA	$ 11,595	$ 4,021

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2007 to unappropriated earnings as of such date was 1.64%. When the dividends from the unappropriated earnings as of December 31, 2006 was distributed in 2007, the actual ratio Far EasTone used was 20.74%.

Estimated ratio of the ICA balance for KG Telecom as of December 31, 2007 to unappropriated earnings as of such date was 0.39%. When the dividends from the unappropriated earnings as of December 31, 2006 was distributed in 2007, the actual ratio KG Telecom used was 0.31%.

ARCOA, Yuan Cing, Far EasTron, KGEx.com and Q-ware Com. had no appropriated earnings as of March 31, 2008. 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 2007 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratio for the 2006 earnings appropriation had been determined, the actual ratio was disclosed.

g. Investment tax credits are as follows:

The unused investment tax credits of the Group as of March 31, 2008 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	$ 26,841	$ 26,841	2008

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
	Personnel training expenses	487	487	2010
		$ 1,110	$ 1,110	

h. The unused loss carryforwards of ARCOA, KGEx.com, Far EasTron and Q-ware Com. as of March 31, 2008 are as follows:

Year	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
2003	$ 53,341	$ 53,341	2008
2004	72,907	72,907	2009
2005	67,256	67,256	2010
2006	109,347	109,347	2011
2007	135,106	135,106	2012
2008	28,669	28,669	2013
	$ 466,626	$ 466,626	

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

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

Income tax returns through 2003 of KG Telecom and income tax returns through 2002 of the former KG Telecom 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 2003 returns and thus filed appeals for the reexamination of these returns. Nevertheless, ARCOA accrued the related tax.

Income tax returns of KGEx.com, Yuan Cing and Far Eastron through 2005 had been examined and cleared by the tax authorities. Q-ware Com. has not filed for its income tax return since it was incorporated in 2007.

24. FACTORING OF NONPERFORMING ACCOUNTS RECEIVABLE

Far EasTone and KG Telecom wrote off certain overdue/nonperforming accounts receivables. Under agreements signed in March 2007, 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 for the three months ended March 31, 2007 were as follows:

Counter Party	Amount of Factored Accounts Receivable	Proceeds of the Factoring of Accounts Receivable
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

25. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Three Months Ended March 31, 2008			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Employee expenses				
Salaries	$ 141,662	$ 637,789	$ -	$ 779,451
Pension	16,191	34,899	-	51,090
Meal	4,220	18,771	-	22,991
Employee benefit	226	17,817	-	18,043
Insurance	12,797	43,021	-	55,818
Miscellaneous	1,974	11,222	-	13,196
	$ 177,070	$ 763,519	$ -	$ 940,589
Depreciation	$ 2,393,936	$ 293,843	$ 4,710	$ 2,692,489
Amortization	$ 1,202	$ 13,784	$ -	$ 14,986

	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	$ 1,462	$ 15,899	$ -	$ 17,361

26. EARNINGS PER SHARE (EPS)

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Three months ended March 31, 2008					
Basic EPS					
Net income - Far EasTone	$ 3,045,159	$ 2,427,805	3,377,659	$ 0.90	$ 0.72
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

27. FINANCIAL INSTRUMENTS

a. Fair value information

	March 31			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 325,483	$ 325,483
Available-for-sale financial assets - current	1,849,641	1,849,641	900,104	900,104
Bonds carried at amortized cost - current	3,000	-	3,000	-
Equity-method investments	6,462,852	-	388,244	-
Financial assets carried at cost - noncurrent	292,061	-	292,061	-
Refundable deposits	399,002	397,850	393,264	392,790
Liabilities				
Hedging derivative financial liabilities (including current portion)	7,023	7,023	58,299	58,299
Bonds payable (including current portion)	2,000,000	2,000,000	3,570,000	3,570,000
Long-term bank loans (including current portion)	85,714	85,714	123,809	123,809
Lease payable (including current portion)	48,437	48,437	88,981	88,981
Guarantee deposits received (including current portion)	916,044	916,044	1,096,257	1,096,257

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

1) Cash and cash equivalents, accounts and notes receivable, receivables from related parties, pledged certificates of deposits, short-term bank loans, notes payable, accounts payable, payables 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 assets at fair value through profit or loss and available-for-sale financial assets.

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

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

3) The fair values of financial assets carried at cost - noncurrent, bonds carried 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**	
	2008	**2007**	**2008**	**2007**
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ 325,483	$ -	$ -
Available-for-sale financial assets - current	1,849,641	900,104	-	-
Liabilities				
Hedging derivative financial liabilities (including current portion)	-	-	7,023	58,299

d. As of March 31, 2008 and 2007, financial assets with fair value risk from interest rate fluctuations amounted to $7,510,950 thousand and $10,670,467 thousand, respectively, while financial liabilities with fair value risk from interest rate fluctuations amounted to $2,293,481 thousand and $2,085,238 thousand, respectively. As of March 31, 2008 and 2007, financial assets with cash flow risk from interest rate fluctuations amounted to $1,576,774 thousand and $1,038,224 thousand, respectively, while financial liabilities with cash flow risk from interest rate fluctuations amounted to $2,368,184 thousand and $2,969,132 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.

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

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 loss 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; thus, 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 domestic quoted 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 funds 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

Far EasTone used interest rate swap to hedge overall cash flow fluctuations on its liabilities.

	Designated Hedging Instruments				Expected Year for
		Fair Value March 31		Expected	Realization
	Financial			Year of	of Gains or
Hedged Items	**Instruments Designated**	**2008**	**2007**	**Cash Flows**	**Losses**
Bonds with floating interest rate	Interest rate swap - Far EasTone	$ (7,023)	$ (58,299)	2003-2008	2003-2008

28. 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
New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman (became equity-method investee of Far EasTone since December 31, 2007)
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 Technology Ltd.	Equity-method investee of KG Telecom
Digital United Inc.	Subsidiary of NCIC (became related party since December 31, 2007)
ADCast Interactive Marketing Co., Ltd.	Subsidiary of NCIC (became related party since December 31, 2007)
NTT DoCoMo Inc.	Director of Far EasTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Far Eastern Technology Developmental Foundation (FETTDF)	Far EasTone's donation is over one third of the foundation's fund
Far Eastern Apparel Co., Ltd.	Same ultimate parent company
Far Cheng Human Resources Consultant Corp. (FCHRC)	Same ultimate parent company
Far Eastern Resource Development Co., Ltd. (FETRD)	Same chairman
Yuan Ding Co., Ltd.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Far Eastern International Bank	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Far Eastern Memorial Hospital	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern Construction Co., Ltd.	Same ultimate parent company
Yuang Tong Investment Corporation	Same ultimate parent company
Kai Yuan International Investment Corp.	Same ultimate parent company
An-Ho Garment Corp.	Same ultimate parent company
Fu Kwok Garment Manufacturing Co.	Same ultimate parent company
Yuan Ding Investment Corporation	Same ultimate parent company
Far Eastern Polychem Industries Ltd.	Same ultimate parent company
Ding Yuan International Investment Ltd.	Same ultimate parent company
Far Eastern Polytex (Holding) Ltd.	Same ultimate parent company
Far Eastern Investment (Holding) Ltd.	Same ultimate parent company
Far Eastern General Contractor Inc.	Same ultimate parent company
Oriental Resources Development Limited (Former Taiwan Recycling Corp.)	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Pacific Petrochemical (Holding) Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company

(Continued)

Related Party	Relationship with the Group
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Industries (Jiu Jiang) Ltd.	Same ultimate parent company
Oriental Petrochemical (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Apparel (Suzhou) Ltd.	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Shanghai Far Eastern Petrochemical Logistic Ltd.	Same ultimate parent company
Shanghai Far Eastern IT Company	Same ultimate parent company
Wu Han Far Eastern New Material Ltd.	Same ultimate parent company
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited.	Same ultimate parent company
Sino Belguim (Suzhou) Limited	Same ultimate parent company

(Concluded)

In addition to those disclosed in Notes 2, 20 and 29, the Group's significant transactions with the above parties are summarized as follows:

		2008		2007	
		Amount	%	Amount	%
During the period					
Operating revenue	a.				
NCIC	b.	$ 297,443	2	$ 134,485	1
Other	l.	35,830	-	34,155	-
		$ 333,273	2	$ 168,640	1
Operating costs and expenses					
Cost of telecommunications service					
NCIC	b.	$ 39,121	1	$ 38,908	1
Other	l.	6,212	-	3,311	-
		$ 45,333	1	$ 42,219	1
Rental					
FETRD	c.	$ 10,421	1	$ 13,206	1
NCIC	d.	10,346	1	3,748	-
FEILC	e.	9,596	1	9,098	1
Other	l.	3,056	-	3,147	-
		$ 33,419	3	$ 29,199	2
Research and development expense					
FETTDF	f.	$ 2,792	48	$ 2,790	22
Service fee					
FCHRC	g.	$ 13,604	37	$ 13,078	37

		2008 Amount	2008 %	2007 Amount	2007 %
Marketing expense					
DDIM	h.	$ 32,763	1	$ 12,510	1
At end of period					
Receivables from related parties					
Accounts and notes receivable					
NTT DoCoMo Inc.	i.	$ 14,194	31	$ 9,030	9
NCIC	b.	14,075	31	6,849	7
FETC	j.	10,355	22	1,782	2
Other	l.	957	2	1,434	2
		39,581	86	19,095	20
Other receivables					
FETC	k.	5,300	12	86,650	89
NCIC	b.	973	2	5,971	6
		6,273	14	92,621	95
Less: Allowance for doubtful accounts	k.	-	-	14,774	15
		6,273	14	77,847	80
		$ 45,854	100	$ 96,942	100
Refundable deposits					
DDIM	h.	$ 51,459	13	$ 31,357	8
Other	l.	8,687	2	7,714	2
		$ 60,146	15	$ 39,071	10
Payables to related parties					
NCIC	b. and d.	$ 160,156	63	$ 60,628	44
DDIM	h.	60,137	24	43,486	32
FETRD	c.	6,878	3	-	-
FEILC	e.	3,036	1	2,791	2
Other	l.	22,202	9	30,455	22
		$ 252,409	100	$ 137,360	100
Lease payable (including current portion)					
FEILC	e.	$ 48,292	100	$ 88,249	99

Financing to related parties was as follows:

Related Party	Highest Balance Held During the Period	Ending Balance (Included in Receivables 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 were as follows:

a. Operating revenues (such as service revenue and revenues from sales of cellular phone equipment, 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 were included in telecommunications service revenues. 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 telecommunications service revenues and was included in payables to related parties.

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

e. 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 amounts of $10,189 thousand paid for the three months ended March 31, 2008 and 2007, respectively (Note 20).

f. FETTDF provides telecommunications technology researches and training programs to KG Telecom.

g. The Group have contracts with FCHRC for manpower dispatching services, under which the Group paid for FCHRC's providing the Group with temporary or specific personnel demands.

h. 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 payables 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.

i. Far EasTone and KG Telecom provided international roaming services to the customers of NTT DoCoMo Inc. The service revenues were treated as telecommunications service revenues and receivables from related parties.

j. KGEx.com and Arcoa charged FETC for the providing of co-location service, manpower service and logistics service, which were included in receivables from related parties.

k. Far EasTone financed FETC and gave advances for its daily operating expenditures, which were treated as receivables from related parties. 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 Far EasTone.

l. 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.

29. COMMITMENTS AS OF MARCH 31, 2008

The Group had the following significant commitments:

a. The Group were under contracts to acquire properties and cellular phone equipment for $1,106,855 thousand and $1,533,414 thousand, respectively.

b. The Group's outstanding letters of credit amounted to ￥750 thousand (equivalent to $230 thousand), and $32,960 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, 2008 to December 31, 2008	$ 2,088,862
2009	2,875,037
2010	2,939,540
2011	3,011,075
2012	3,108,388
From January 1, 2013 to March 31, 2013	802,582

d. Oriental Securities Investment Advisory Co. manages KG Telecom's funds of $600,000 thousand, which are based on discretionary portfolio management agreements. Under the agreements, the portfolio can include domestic quoted stocks, government bonds, corporate bonds and commercial papers or bonds under resell agreements. However, investments in the affiliates of the Group and other domestic telecommunications companies' derivatives are prohibited. As of March 31, 2008, the carrying value of the funds was $624,586 thousand as follows:

	March 31, 2008
Cash and cash equivalent	$ 116,364
Available-for-sale financial assets - current	547,871
Payables for the purchase of securities (included in other current liabilities)	(39,286)
Other	(363)
	$ 624,586

e. Under the NCC's policy effective April 1, 2007, Far EasTone had provided performance guarantees amounting to $450,000 thousand to KG Telecom and $45,000 thousand to KGEx for prepaid cards and international direct dialing calling cards already bought by customers. KG Telecom had also provided Far EasTone a similar guarantee amounting to $850,000 thousand.

30. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for long-term and short-term bank loans and the purchase of inventory, were as follows:

	March 31	
	2008	2007
Pledged certificates of deposits - current	$ 39,036	$ 49,036
Pledged certificates of deposits - noncurrent (included in other assets - other)	25,043	9,102
Properties, net	476,838	489,054
	$ 540,917	$ 547,192

31. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

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

1) Financing provided: None

2) Endorsement/guarantee provided: Schedule A

3) Marketable securities and investments held: Schedule B

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

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

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

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

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

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

10) Derivative financial instruments of investees: None

c. Investment in Mainland China:

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

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Note 28

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

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

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

d. Additional disclosure for consolidated financial statements:

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Period	Ending Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/Guarantor (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 37,016,038	$ 450,000	$ 450,000	$ -	0.61%	$ 74,032,076
		KGEx.com Co., Ltd.	Subsidiary of KG Telecom	37,016,038	45,000	45,000	-	0.06%	74,032,076
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	17,778,227	850,000	850,000	-	2.39%	35,556,454

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2008
(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, 2008				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	$ 35,556,454	100.00	$ 35,556,454	Note A
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	980,315,483	5,854,359	24.51	5,854,359	Note A
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	79,353,013	1,016,424	59.10	1,016,424	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	559,972	41.18	559,972	Note B
	Q-ware Communications Co., Ltd	Equity-method investee	Equity-method investments	36,459,930	312,421	51.00	312,421	Note B
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	141,489	100.00	141,489	Note B
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	62,285	85.92	62,285	Note B
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	32,469	100.00	32,469	Note B
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,500,000	17,496	15.00	17,496	Note B
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	100,000	189	0.67	189	Note B
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	186,671,425	917,617	74.67	917,617	Note B
	KGT International Holding Co., Ltd.	Equity-method investee	Equity-method investments	50,000	71,558	100.00	71,558	Note B
	iScreen	Equity-method investee	Equity-method investments	4,000,000	27,373	40.00	27,373	Note B
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	1,255,382	3,652	20.92	3,652	Note B
	TCC	-	Available-for-sale financial assets - current	200,000	11,780	-	11,780	Note G
	AUO	-	Available-for-sale financial assets - current	650,000	34,255	-	34,255	Note G
	EPISTAR	-	Available-for-sale financial assets - current	200,000	17,020	-	17,020	Note G
	ELAN	-	Available-for-sale financial assets - current	400,000	22,040	-	22,040	Note G
	EMC	-	Available-for-sale financial assets - current	600,000	18,000	-	18,000	Note G
	CAL	-	Available-for-sale financial assets - current	888,000	15,673	-	15,673	Note G
	CMT	-	Available-for-sale financial assets - current	200,000	18,500	-	18,500	Note G
	C.H.B	-	Available-for-sale financial assets - current	800,000	18,360	-	18,360	Note G
	SKFH	-	Available-for-sale financial assets - current	233,246	5,318	-	5,318	Note G
	Alpha	-	Available-for-sale financial assets - current	350,000	10,150	-	10,150	Note G
	CyberLink	-	Available-for-sale financial assets - current	40,000	5,320	-	5,320	Note G
	SONIX	-	Available-for-sale financial assets - current	100,000	8,820	-	8,820	Note G
	SOFT-WORLD	-	Available-for-sale financial assets - current	200,000	18,500	-	18,500	Note G
	EverFocus	-	Available-for-sale financial assets - current	100,000	3,235	-	3,235	Note G
	Sitronix	-	Available-for-sale financial assets - current	200,000	17,900	-	17,900	Note G
	IBASE	-	Available-for-sale financial assets - current	175,000	16,100	-	16,100	Note G
	PVI	-	Available-for-sale financial assets - current	300,000	10,815	-	10,815	Note G
	Kenmos	-	Available-for-sale financial assets - current	400,000	10,640	-	10,640	Note G
	STC	-	Available-for-sale financial assets - current	100,000	4,005	-	4,005	Note G

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2008 Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
	Phison	-	Available-for-sale financial assets - current	35,000	$ 7,105	-	$ 7,105	Note G
	FPC	-	Available-for-sale financial assets - current	250,000	22,975	-	22,975	Note G
	NPC	-	Available-for-sale financial assets - current	250,000	18,875	-	18,875	Note G
	CHEM		Available-for-sale financial assets - current	500,000	13,450	-	13,450	Note G
	CSC		Available-for-sale financial assets - current	500,000	24,000	-	24,000	Note G
	TSRC		Available-for-sale financial assets - current	500,000	24,600	-	24,600	Note G
	TSMC		Available-for-sale financial assets - current	50,000	3,155	-	3,155	Note G
	ACER		Available-for-sale financial assets - current	250,000	13,600	-	13,600	Note G
	EVERLIGHT		Available-for-sale financial assets - current	200,000	20,600	-	20,600	Note G
	CHT		Available-for-sale financial assets - current	200,000	15,980	-	15,980	Note G
	MTK		Available-for-sale financial assets - current	50,000	20,000	-	20,000	Note G
	Taiwan Life		Available-for-sale financial assets - current	250,000	13,075	-	13,075	Note G
	HNFHC		Available-for-sale financial assets - current	650,000	18,200	-	18,200	Note G
	Inotera		Available-for-sale financial assets - current	500,000	13,475	-	13,475	Note G
	MOTECH		Available-for-sale financial assets - current	100,000	20,850	-	20,850	Note G
	WNC		Available-for-sale financial assets - current	300,000	16,200	-	16,200	Note G
	GIANT		Available-for-sale financial assets - current	200,000	15,300	-	15,300	Note G
	Open-ended mutual funds							
	Far Eastern Alliance Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	814,549	-	814,549	Note C
	JF (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	196,170	-	196,170	Note C
	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							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,134,200	13,729	17.12	-	Note D
	Chunghwa Int’l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,830,901	6,714	4.17	-	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	2,000,000	20,000	0.10	-	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	Note D
	Open-ended mutual funds							
	Pca Well Pool Fund	-	Available-for-sale financial assets - current	10,191,920.30	130,245	-	130,245	Note C
	Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets - current	11,283,606.60	168,806	-	168,806	Note C
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds carried 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$ 3,999,000	100.00	US$ 3,999,000	Note B
Far EasTron Holding Ltd. (Note E)	Stocks							
	Far EasTron Co., Ltd.	Equity-method investee	Equity-method investments	14,900,000	US$ 1,056,000	99.33	US$ 1,056,000	Note B

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2008				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
E. World (Holdings) Ltd. (Note E)	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 2,017,000	99.99	US$ 2,017,000	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	56,358	4.59	56,358	Note B

Note A: The calculation was based on reviewed financial statements as of March 31, 2008.

Note B: The calculation was based on unreviewed financial statements as of March 31, 2008.

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of March 31, 2008.

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

Note E: The information was based on unreviewed financial statements as of March 31, 2008.

Note F: The carrying values of available-for-sale financial assets - current were equal to market values as of March 31, 2008.

Note G: The calculation of domestic publicly traded stocks was based on their closing prices at the end of March 31, 2008.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Share/Units	Amount
ARCOA Communication Co., Ltd.	Pca Well Pool Fund	Available-for-sale financial assets - current	-	-	11,840,116.17	$ 150,000	10,974,512.50	$ 140,000	12,622,708.37	$ 160,902	$ 160,000	$ 902	10,191,920.30	$ 130,000

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, 2008
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)	
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications service revenues	$ (725,585)	(6%)	Based on agreement	-	-	Accounts receivable $ 339,219	6%
			Cost of telecommunications services	451,163	9%	Based on agreement	-	-	Accounts payable (126,367)	(13%)
	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	670,927	8%	Based on agreement	-	-	Accounts payable and accrued expense (271,979)	(6%)
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(244,507)	(2%)	Based on agreement	-	-	Accounts receivable (Note) -	-
									Accounts payable (Note) (110,521)	(11%)
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(451,163)	(12%)	Based on agreement	-	-	Accounts receivable 126,367	7%
			Cost of telecommunications services	725,585	30%	Based on agreement	-	-	Accounts payable (339,219)	(60%)
	ARCOA Communication Co., Ltd.	Same parent company	Cost of telecommunications services, marketing expenses and cost of sales	171,508	6%	Based on agreement	-	-	Accounts payable and accrued expense (70,178)	(5%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(670,927)	(39%)	Based on agreement	-	-	Accounts receivable 271,979	83%
	KG Telecommunications Co. Ltd.	Same parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(171,508)	(10%)	Based on agreement	-	-	Accounts receivable 70,178	21%

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 payables to related parties.

SCHEDULE E

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, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 439,319	(Note A)	$ -	-	$ 9,695	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	166,859	8.06	-	-	14,208	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,070,052	(Note B)	-	-	195,706	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	271,979	9.97	-	-	108	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2008
(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, 2008			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				March 31, 2008	December 31, 2007	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	$ 29,629,139	$ 29,629,139	1,332,997,916	100.00	$ 35,556,454	$ 521,231	$ 521,231	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,062,000	6,062,000	980,315,483	24.51	5,854,359	(905,035)	(207,641)	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,278,944	1,278,944	79,353,013	59.10	1,016,424	28,961	16,678	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,577,140	157,714,020	41.18	559,972	(206,366)	(84,884)	Notes C and D
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	312,421	(77,806)	(39,681)	Notes A and D
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	141,489	5,595	5,595	Notes A and D
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	62,285	1,425	1,225	Notes A and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	32,469	(6,559)	(6,559)	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	17,496	(6,031)	196	Notes C and D
	Far EasTron Co., Ltd.	Taiwan	Internet service	1,000	1,000	100,000	0.67	189	(6,552)	(44)	Notes D and E
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,199,201	2,197,794	186,671,425	74.67	917,617	(30,587)		Notes D and E
	KGT International Holding Co., Ltd.	British Virgin Islands	Investment	93,976	93,976	50,000	100.00	71,558	(2,414)		Notes D and E
	iScreen	Taiwan	Information service	100,000	100,000	4,000,000	40.00	27,373	1,880		Notes D and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	3,652	-	1,255,382	20.92	3,652	(510)		Notes D and F
Far Eastern Info Service (Holding) Ltd. (Note G)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer data providing service	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 3,999,000	1,267		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$ 1,056,000	(6,552)		Notes D and E
E. World (Holdings) Ltd. (Note G)	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	99.99	US$ 2,107,000	2,027		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	US$ 56,358	(30,587)		Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on reviewed financial statements as of March 31, 2008.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unreviewed financial statements as of March 31, 2008.

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

Note F: Equity-method investee of KG Telecom.

Note G: The information was based on unreviewed financial statements as of March 31, 2008.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2008 (Note A)	Accumulated Inward Remittance of Earnings as of March 31, 2008	Accumulated Investment in Mainland China as of March 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	$76,000 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$1,267	$121,570 (US$3,999,000)	$ -	$92,616	$92,616	$16,306,415 (Note C)

Note A: The calculation was based on unreviewed financial statements as of March 31, 2008.

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 28 for significant transactions with the investee company.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	Three months ended March 31, 2008						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$ 439,319	Note F	-
				Inventories	16,981	Note F	-
				Payables to related parties	1,070,052	Note F	1%
				Unearned revenues	6,700	Note F	-
				Telecommunications service revenues	725,585	Note F	5%
				Cost of telecommunications services	451,163	Note F	3%
				Marketing expenses	58,773	Note F	-
				Nonoperating income and gains	19,488	Note F	-
				Management service revenue	15,605	Note F	-
				Nonoperating expenses and losses	426	Note F	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	166,859	Note F	-
				Inventories	321	Note F	-
				Payables to related parties	271,979	Note F	-
				Unearned revenues	26,161	Note F	-
				Sales of cellular phone equipment and accessories, net	3,193	Note F	-
				Telecommunications service revenues	43,261	Note F	-
				Cost of sales	504,390	Note F	3%
				Other operating cost	15,276	Note F	-
				Marketing expenses	151,261	Note F	1%
				Nonoperating income and gains	955	Note F	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	44,999	Note F	-
				Payables to related parties	5,968	Note F	-
				Telecommunications service revenues	50,429	Note F	-
				Cost of telecommunications services	7,534	Note F	-
				General and administrative expenses	1,972	Note F	-
				Nonoperating income and gains	1	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	27,614	Note F	-
				General and administrative expenses	40,677	Note F	-
		Far EasTron Co., Ltd.	1	Receivables from related parties	3,109	Note F	-
				Payables to related parties	504	Note F	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	3,726	Note F	-
				Payables to related parties	3,980	Note F	-
				General and administrative expenses	1,097	Note F	-
				Management service revenue	329	Note F	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties	25,130	Note F	-
				Nonoperating income and gains	2,803	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (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	Receivables from related parties	$ 1,070,052	Note F	1%
				Inventories	6,700	Note F	-
				Payables to related parties	439,319	Note F	-
				Unearned revenues	16,981	Note F	-
				Telecommunications service revenues	451,163	Note F	3%
				Cost of telecommunications services	730,243	Note F	5%
				Marketing expenses	22,425	Note F	-
				General and administrative expenses	7,587	Note F	-
				Research and development expenses	99	Note F	-
				Nonoperating income and gains	59,199	Note F	-
				Nonoperating expenses and losses	324	Note F	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	25,026	Note F	-
				Inventories	115	Note F	-
				Payables to related parties	70,178	Note F	-
				Unearned revenues	82,136	Note F	-
				Telecommunications service revenues	17	Note F	-
				Cost of sales	152,727	Note F	1%
				Marketing expenses	15,546	Note F	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	58,095	Note F	-
				Payables to related parties	7,202	Note F	-
				Telecommunications service revenues	19,877	Note F	-
				General and administrative expenses	9,114	Note F	-
				Management service revenue	3,863	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	8,702	Note F	-
				General and administrative expenses	8,781	Note F	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	271,979	Note F	-
				Inventories	26,161	Note F	-
				Payables to related parties	166,859	Note F	-
				Sales of cellular phone equipment and accessories, net	868,645	Note F	5%
				Other operating revenues	102,631	Note F	1%
				Cost of sales	332,105	Note F	2%
				Cost of telecommunications services	44,196	Note F	-
				Nonoperating income and gains	28,864	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	70,178	Note F	-
				Inventories	82,136	Note F	-
				Payables to related parties	25,026	Note F	-
				Sales of cellular phone equipment and accessories, net	219,089	Note F	1%
				Other operating revenues	10,079	Note F	-
				Cost of sales	60,797	Note F	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	1,078	Note F	-
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	5,968	Note F	-
				Payables to related parties	44,999	Note F	-
				Telecommunications service revenues	7,534	Note F	-
				Cost of telecommunications services	50,429	Note F	-
				Nonoperating expenses and losses	1	Note F	-
				Other operating revenues	1,972	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	$ 7,202	Note F	-
				Payables to related parties	58,095	Note F	-
				Cost of telecommunications services	19,877	Note F	-
				Other operating revenues	9,114	Note F	-
				General and administrative expenses	3,863	Note F	-
		Far EasTron Co., Ltd.	3	Receivables from related parties	280	Note F	-
				Telecommunications service revenues	559	Note F	-
		Q-ware communications Co., Ltd.	3	Receivables from related parties	1,362	Note F	-
				Telecommunications service revenues	2,211	Note F	-
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	27,614	Note F	-
				Other operating revenues	40,677	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	8,702	Note F	-
				Other operating revenues	8,781	Note F	-
5	Far EasTone Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	3,109	Note F	-
				Receivables from related parties	504	Note F	-
		KGEx.com Co., Ltd	3	Payables to related parties	280	Note F	-
				Service cost	559	Note F	-
6	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	3,980	Note F	-
				Payables to related parties	3,726	Note F	-
				Other operating revenues	1,097	Note F	-
				General and administrative expenses	329	Note F	-
		ARCOA communications Co., Ltd.	3	Receivables from related parties	1,078	Note F	-
7	Q-ware Communications Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	25,130	Note F	-
				General and administrative expenses	2,803	Note F	-
		KGEx.com Co., Ltd	3	Payables to related parties	1,362	Note F	-
				Cost of telecommunications services	2,211	Note F	-
	Three months ended March 31, 2007						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	571,494	Note F	1%
				Inventories	11,053	Note F	-
				Payables to related parties	1,396,636	Note F	1%
				Unearned revenues	8,663	Note F	-
				Telecommunications service revenues	689,870	Note F	4%
				Cost of telecommunications services	422,661	Note F	3%
				Marketing expenses	47,478	Note F	-
				Nonoperating income and gains	58,742	Note F	-
				Management service revenue	30,529	Note F	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	269,917	Note F	-
				Payables to related parties	191,289	Note F	-
				Inventories	236	Note F	-
				Unearned revenues	122,607	Note F	-
				Sales of cellular phone equipment and accessories, net	130,960	Note F	1%
				Telecommunications service revenues	9,366	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Cost of sales	$ 263,104	Note F	2%
				Other operating costs	3,842	Note F	-
				Marketing expenses	120,691	Note F	1%
				Nonoperating income and gains	1,079	Note F	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	42,423	Note F	-
				Payables to related parties	1,446	Note F	-
				Telecommunications service revenues	69,816	Note F	-
				Cost of telecommunications services	1,712	Note F	-
				General and administrative expenses	290	Note F	-
				Management service revenue	1,875	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	14,115	Note F	-
				General and administrative expenses	38,555	Note F	-
		Far EasTron Co., Ltd.	1	Receivables from related parties	4,421	Note F	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	2,117	Note F	-
				Payables to related parties	1,908	Note F	-
				General and administrative expenses	616	Note F	-
				Management service revenue	237	Note F	-
		Far Eastern Info Service (Holding) Ltd.	1	Receivables from related parties	1,368	Note F	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,396,636	Note F	1%
				Inventories	8,663	Note F	-
				Payables to related parties	571,494	Note F	1%
				Unearned revenues	11,053	Note F	-
				Telecommunications service revenues	422,661	Note F	3%
				Cost of telecommunications services	698,241	Note F	4%
				Marketing expenses	68,510	Note F	-
				General and administrative expenses	11,940	Note F	-
				Research and development expenses	450	Note F	-
				Nonoperating income and gains	47,478	Note F	-
		ARCOA Communication Co., Ltd.	3	Payables to related parties	42,479	Note F	-
				Unearned revenue	722	Note F	-
				Cost of sales	96,226	Note F	1%
				Marketing expenses	19,201	Note F	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	20,016	Note F	-
				Payables to related parties	4,111	Note F	-
				Telecommunications service revenues	35,178	Note F	-
				Cost of telecommunications services	207	Note F	-
				General and administrative expenses	1,058	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	19,292	Note F	-
				General and administrative expenses	10,076	Note F	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	191,289	Note F	-
				Inventories	122,607	Note F	-
				Payables to related parties	269,917	Note F	-
				Sales of cellular phone equipment and accessories, net	608,094	Note F	4%
				Other operating revenues	69,821	Note F	-
				Cost of sales	464,641	Note F	3%

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Cost of telecommunications services	$ 10,445	Note F	-
				Nonoperating income and gains	43,639	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	42,479	Note F	-
				Inventories	722	Note F	-
				Sales of cellular phone equipment and accessories, net	96,226	Note F	1%
				Other operating revenues	19,201	Note F	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	212	Note F	-
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,446	Note F	-
				Payables to related parties	42,423	Note F	-
				Telecommunications service revenues	2,002	Note F	-
				Cost of telecommunications services	69,816	Note F	-
				General and administrative expenses	1,875	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	4,111	Note F	-
				Payables to related parties	20,016	Note F	-
				Telecommunications service revenues	1,265	Note F	-
				Cost of telecommunications services	35,178	Note F	-
		Far EasTron Co., Ltd.	3	Receivables from related parties	229	Note F	-
				Telecommunications service revenues	733	Note F	-
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	14,115	Note F	-
				Other operating revenues	38,555	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	19,292	Note F	-
				Other operating revenues	10,076	Note F	-
5	Far EasTron Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	4,421	Note F	-
		KGEx.com Co., Ltd.	3	Payables to related parties	229	Note F	-
				Other operating costs	733	Note F	-
6	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,908	Note F	-
				Payables to related parties	2,117	Note F	-
				Other operating revenues	616	Note F	-
				General and administrative expenses	237	Note F	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	212	Note F	-
7	Far Eastern Info Service (Holding) Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	1,368	Note F	-

Note A: Parties to the intercompany transactions are identified and numbered as follows:

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

(Continued)

Note B: The flow of related-party transactions is as follows:

1. From Far EasTone to its subsidiary.
2. From a subsidiary to its parent company, Far EasTone.
3. Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2008 and 2007; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2008 and 2007.

Note D: The information shown in the schedule is equivalent to the eliminated material intercompany transactions.

Note E: The information was based on unreviewed financial statements as of March 31, 2008 and 2007.

Note F: The payment terms varied depending on the related agreements.

(Concluded)