

**Far EastOne Telecommunications Co.,
Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008 of some immaterial subsidiaries, with combined total assets that were 3.3% (NT\$2,971,554 thousand) and 3.2% (NT\$2,947,013 thousand), respectively, of the consolidated total assets and with combined total liabilities that were 7.6% (NT\$1,145,675 thousand) and 4.1% (NT\$716,838 thousand), respectively, of the consolidated total liabilities, had not been reviewed. In the three months ended March 31, 2009 and 2008, these subsidiaries' combined total operating revenues were 2.4% (NT\$360,929 thousand) and 1.7% (NT\$277,056 thousand), respectively, of the consolidated operating revenues, and their total net losses were (3.5%) (NT\$78,986 thousand) and (4.7%) (NT\$113,604 thousand), respectively, of combined net income. In addition, as disclosed in Note 10 to the consolidated financial statements, the financial statements of certain equity-method investees, with investment carrying values of NT\$594,633 thousand and NT\$1,133,144 thousand as of March 31, 2009 and 2008, respectively, had not been reviewed. The Company's equity of NT\$47,089 thousand and NT\$84,232 thousand in the losses of these investees was included in the consolidated net income of the three months ended March 31, 2009 and 2008, 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 other 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 and accounting principles generally accepted in the Republic of China.

April 24, 2009

Notice to Readers

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

For the convenience of readers, the accountants' review 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' review report and consolidated financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 5 and 30)	\$ 9,653,513	11	\$ 8,628,155	9	Short-term bank loans (Notes 16 and 30)	\$ 531,090	1	\$ 1,611,470	2
Available-for-sale financial assets - current (Notes 2, 6 and 30)	1,828,293	2	1,849,641	2	Commercial paper payable (Note 17)	29,970	-	-	-
Bonds carried at amortized cost - current (Notes 2 and 7)	3,000	-	3,000	-	Hedging derivative financial liabilities - current (Notes 2 and 27)	-	-	7,023	-
Accounts and notes receivable, net (Notes 2 and 8)	5,940,040	7	6,061,289	7	Notes payable	63,802	-	81,357	-
Receivables from related parties, net (Notes 2 and 28)	438,532	-	45,854	-	Accounts payable	3,130,130	4	3,227,084	4
Inventories, net (Notes 2 and 9)	823,563	1	635,023	1	Payables to related parties (Note 28)	306,686	-	252,409	-
Prepaid expenses	608,596	1	803,572	1	Income tax payable (Notes 2 and 24)	2,870,487	3	2,281,745	2
Deferred income tax assets - current (Notes 2 and 24)	739,821	1	754,984	1	Accrued expenses (Note 18)	3,217,943	4	3,251,934	4
Pledged certificates of deposits - current (Note 30)	25,077	-	39,036	-	Payables for acquisition of properties	1,443,413	2	1,446,245	2
Restricted assets (Note 2)	161,385	-	191,711	-	Guarantee deposits received - current	679,885	1	802,782	1
Other current assets (Notes 8 and 29)	257,126	-	83,064	-	Unearned revenues (Note 2)	1,146,805	1	1,001,263	1
Total current assets	20,478,946	23	19,095,329	21	Current portion of long-term bonds payable (Note 19)	-	-	2,000,000	2
					Current portion of long-term bank loans (Notes 20 and 30)	238,095	-	38,095	-
LONG-TERM INVESTMENTS					Lease payable - current (Notes 2, 21 and 28)	16,742	-	40,055	-
Equity-method investments (Notes 2 and 10)	6,230,609	7	6,462,852	7	Other current liabilities (Notes 2, 12 and 29)	237,865	-	243,522	-
Financial assets carried at cost - noncurrent (Notes 2 and 11)	180,461	-	292,061	-	Total current liabilities	13,912,913	16	16,284,984	18
Total long-term investments	6,411,070	7	6,754,913	7					
PROPERTIES (Notes 2, 12 and 30)					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Cost					Long-term bank loans (Notes 20 and 30)	9,524	-	47,619	-
Land	1,473,588	2	1,467,746	2	Lease payable - noncurrent (Notes 2, 21 and 28)	-	-	8,382	-
Buildings and equipment	2,949,628	3	2,890,903	3	Total long-term liabilities	9,524	-	56,001	-
Operating equipment	107,119,527	119	102,983,126	111					
Computer equipment	15,962,441	18	15,170,775	16	OTHER LIABILITIES				
Office equipment	1,039,497	1	999,287	1	Accrued pension costs (Notes 2 and 22)	350,014	-	321,823	-
Leasehold improvements	1,769,023	2	1,708,841	2	Guarantee deposits received - noncurrent	122,550	-	113,262	-
Miscellaneous equipment	496,344	1	501,959	1	Deferred income tax liabilities - noncurrent (Notes 2 and 24)	83,504	-	280,985	-
Total cost	130,810,048	146	125,722,637	136	Deferred revenue (Note 2)	465,475	1	361,633	1
Less: Accumulated depreciation	91,806,682	103	82,252,167	89	Other (Notes 2 and 12)	97,140	-	1,463	-
	39,003,366	43	43,470,470	47	Total other liabilities	1,118,683	1	1,079,166	1
Construction-in-progress and prepayments for equipment	4,561,391	5	3,565,828	4	Total liabilities	15,041,120	17	17,420,151	19
Net properties	43,564,757	48	47,036,298	51					
INTANGIBLE ASSETS					FAR EASTONE'S EQUITY (Notes 2 and 23)				
Goodwill, net (Notes 2 and 13)	10,567,429	12	10,596,625	11	Capital stocks - NT\$10.00 par value; authorized - 4,200,000 thousand shares				
3G concession, net (Notes 1, 2 and 14)	7,124,388	8	7,855,095	9	Issued and outstanding - 3,258,501 thousand shares	32,585,008	36	32,585,008	35
Total intangible assets	17,691,817	20	18,451,720	20	Capital surplus				
					Additional paid-in capital - share issuance in excess of par value	10,964,702	12	10,964,702	12
OTHER ASSETS					From business combination	8,482,381	10	8,482,381	9
Rental assets, net (Notes 2 and 15)	212,255	-	225,179	-	From long-term equity-method investments	40,266	-	40,187	-
Idle properties, net (Note 2)	292,206	-	308,694	-	Total capital surplus	19,487,349	22	19,487,270	21
Refundable deposits (Note 28)	386,679	1	399,002	1	Retained earnings				
Deferred charges, net (Note 2)	157,161	-	194,134	-	Legal reserve	8,050,917	9	6,888,973	8
Pledged certificates of deposits - noncurrent (Notes 29 and 30)	407,164	1	25,043	-	Special reserve	-	-	44,832	-
Other	10,718	-	9,214	-	Unappropriated earnings	13,495,934	15	14,995,261	16
Total other assets	1,466,183	2	1,161,266	1	Total retained earnings	21,546,851	24	21,929,066	24
					Other adjustments				
					Cumulative translation adjustments	33,806	-	8,435	-
					Unrealized gains on financial instruments	18,075	-	22,297	-
					Total other adjustments	51,881	-	30,732	-
TOTAL	\$89,612,773	100	\$92,499,526	100	Total controlling interest of Far EasTone	73,671,089	82	74,032,076	80
					MINORITY INTEREST	900,564	1	1,047,299	1
					Total stockholders' equity	74,571,653	83	75,079,375	81
					TOTAL	\$89,612,773	100	\$92,499,526	100

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

(With Deloitte & Touche review report dated April 24, 2009)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<u>2009</u>		<u>2008</u>	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 28)				
Sales of cellular phone equipment and accessories, net	\$ 1,250,257	8	\$ 1,526,062	10
Telecommunications service revenues	13,516,193	91	14,253,466	90
Other	<u>114,665</u>	<u>1</u>	<u>78,008</u>	<u>-</u>
Total operating revenues	<u>14,881,115</u>	<u>100</u>	<u>15,857,536</u>	<u>100</u>
OPERATING COSTS (Notes 2, 9, 25, 28 and 30)				
Cost of sales	1,446,897	10	1,665,786	11
Cost of telecommunications services	6,739,584	45	6,681,431	42
Other	<u>65,322</u>	<u>-</u>	<u>59,183</u>	<u>-</u>
Total operating costs	<u>8,251,803</u>	<u>55</u>	<u>8,406,400</u>	<u>53</u>
GROSS PROFIT	<u>6,629,312</u>	<u>45</u>	<u>7,451,136</u>	<u>47</u>
OPERATING EXPENSES (Notes 2, 25 and 28)				
Marketing	2,447,152	17	2,637,251	17
General and administrative	1,072,102	7	1,297,021	8
Research and development	<u>24,110</u>	<u>-</u>	<u>44,927</u>	<u>-</u>
Total operating expenses	<u>3,543,364</u>	<u>24</u>	<u>3,979,199</u>	<u>25</u>
OPERATING INCOME	<u>3,085,948</u>	<u>21</u>	<u>3,471,937</u>	<u>22</u>
NONOPERATING INCOME AND GAINS				
Government grant (Note 2)	21,409	-	17,339	-
Interest	15,058	-	62,653	1
Other (Note 28)	<u>38,052</u>	<u>-</u>	<u>40,126</u>	<u>-</u>
Total nonoperating income and gains	<u>74,519</u>	<u>-</u>	<u>120,118</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	81,312	1	57,981	1
Equity in investees' net losses (Notes 2 and 10)	37,806	-	291,490	2
Loss from sale of financial assets, net (Note 2)	-	-	39,447	-
Other (Notes 2, 12 and 25)	<u>19,694</u>	<u>-</u>	<u>21,517</u>	<u>-</u>
Total nonoperating expenses and losses	<u>138,812</u>	<u>1</u>	<u>410,435</u>	<u>3</u>

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
COMBINED INCOME BEFORE INCOME TAX	\$ 3,021,655	20	\$ 3,181,620	20
INCOME TAX (Notes 2 and 24)	<u>750,573</u>	<u>5</u>	<u>786,238</u>	<u>5</u>
COMBINED NET INCOME	<u>\$ 2,271,082</u>	<u>15</u>	<u>\$ 2,395,382</u>	<u>15</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 2,301,266	15	\$ 2,427,805	15
Minority interest	<u>(30,184)</u>	<u>-</u>	<u>(32,423)</u>	<u>-</u>
	<u>\$ 2,271,082</u>	<u>15</u>	<u>\$ 2,395,382</u>	<u>15</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.95</u>	<u>\$ 0.71</u>	<u>\$ 0.90</u>	<u>\$ 0.72</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 0.70</u>	<u>\$ 0.90</u>	<u>\$ 0.72</u>

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

(With Deloitte & Touche review report dated April 24, 2009)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	\$ 2,271,082	\$ 2,395,382
Depreciation and amortization	2,764,017	2,707,475
Amortization of 3G concession	182,677	182,677
Allowance for doubtful accounts	73,297	197,563
Provision (reversal of provision) for loss on decline in value of inventories	19,745	(12,305)
Loss (gain) from sale of financial assets, net	(1,738)	39,447
Equity in investees' net losses	37,806	291,490
Loss on disposal of properties, net	81,312	57,981
Accrued pension cost	3,686	7,019
Deferred income taxes	50,856	55,597
Net changes in operating assets and liabilities		
Accounts and notes receivable	167,670	248,049
Receivables from related parties	(222,168)	(18,308)
Inventories	9,359	48,122
Prepaid expenses	87,293	(97,589)
Other current assets	13,343	28,035
Notes payable	(20,022)	(3,508)
Accounts payable	455,120	506,146
Payables to related parties	(36,461)	50,426
Income tax payable	697,181	716,726
Accrued expenses	(280,866)	(381,996)
Unearned revenues	(7,321)	1,902
Other current liabilities	<u>(31,626)</u>	<u>(100,294)</u>
Net cash provided by operating activities	<u>6,314,242</u>	<u>6,920,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(289,185)	(1,567,387)
Proceeds of the disposal of available-for-sale financial assets	243,378	1,325,724
Acquisition of equity-method investments	(328,186)	(3,652)
Acquisition of properties	(1,575,013)	(1,235,107)
Proceeds of the disposal of properties	1,425	12,428
Decrease in refundable deposits	22,684	13,075
Increase in pledged certificates of deposits	(397,077)	(8,944)
Increase in deferred charges	(322)	(2,737)
Increase in restricted assets	(88,939)	(78,452)
Decrease in other assets	<u>51</u>	<u>26</u>
Net cash used in investing activities	<u>(2,411,184)</u>	<u>(1,545,026)</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	\$ (1,158,360)	\$ 1,342,255
Decrease in commercial paper payable	(349,994)	-
Repayment of bonds payable	-	(670,000)
Repayment of long-term bank loans	(9,524)	(9,524)
Decrease in guarantee deposits received	(29,419)	(33,647)
Remuneration paid to directors and supervisors	(500)	-
Increase in other liabilities	-	1,462
Increase in deferred revenue	67,531	94,408
Capital reduction	-	(7,745,326)
Decrease in minority interest	<u>(9,826)</u>	<u>(1,406)</u>
Net cash used in financing activities	<u>(1,490,092)</u>	<u>(7,021,778)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>4,675</u>	<u>(3,391)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,417,641	(1,650,158)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>7,235,872</u>	<u>10,278,313</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,653,513</u>	<u>\$ 8,628,155</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 10,957	\$ 13,940
Less: Interest capitalized	<u>3,857</u>	<u>10,513</u>
Interest paid, net of capitalized interest	<u>\$ 7,100</u>	<u>\$ 3,427</u>
Income tax paid	<u>\$ 2,536</u>	<u>\$ 13,915</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 254,837</u>	<u>\$ 2,085,173</u>
Reclassification of properties into deferred charges	<u>\$ 1,657</u>	<u>\$ 96,479</u>
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 1,026,356	\$ 949,733
Decrease in payables for acquisition of properties	544,874	276,743
Decrease in lease payables	12	8,631
Decrease in other current liabilities	<u>3,771</u>	<u>-</u>
Cash paid for acquisition of properties	<u>\$ 1,575,013</u>	<u>\$ 1,235,107</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2009	2008
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 1,951	\$ 8,221
Increase in receivables from properties sold	(510)	(940)
Decrease (increase) in receivables from related parties	<u>(16)</u>	<u>5,147</u>
Cash received from the disposal of properties	<u>\$ 1,425</u>	<u>\$ 12,428</u>

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

(With Deloitte & Touche review report dated April 24, 2009)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(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 (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, 2009, Far Eastern Textile Co., Ltd. (“Far Eastern Textile”) and its affiliates directly and indirectly owned 40.59% 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 region of 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 April 10, 2009, Far EasTone got the NCC’s permission to start the construction of WiMAX networks.

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the “Group”) had 4,997 and 4,734 employees as of March 31, 2009 and 2008, 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 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 loss on decline in value of inventories, depreciation and amortization, impairment losses on tangible and intangible assets, asset retirement obligation, product warranty reserve, income taxes and pension cost, bonus to employees and 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.

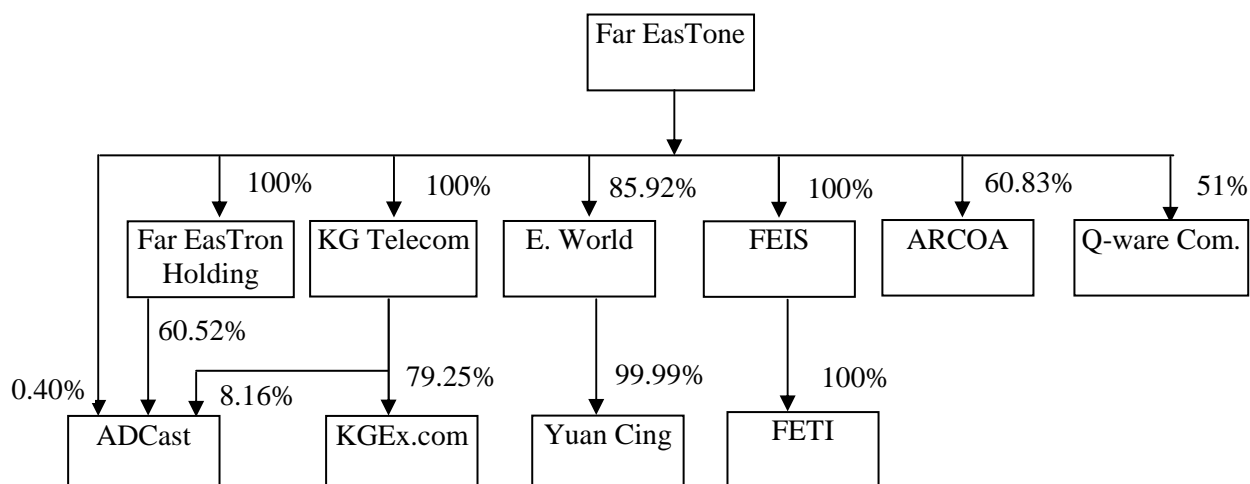
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries were translated from their respective functional currencies into New Taiwan dollars as follows:

- 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, 2009 are shown below:



a. Entities included in the consolidated financial statements as of and for the three months ended March 31, 2009 and 2008 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 with the Ministry of Economics Affairs (MOEA).

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

To integrate the resources and enhance the operating efficiency of Far EasTone and KG Telecom., the boards of directors of both companies resolved their merger on February 26, 2009, with Far EasTone as the survivor entity. The target date of this merger is January 1, 2010.

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 March 31, 2009, Far EasTone owned 60.83% 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.

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

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

To enhance the Group's market share of Internet advertisements and integrate the Group's resources, the stockholders of Far EasTron resolved on April 21, 2008 for Far EasTron to have a share swap with ADCast Interactive Marketing Co., Ltd. ("ADCast"), a subsidiary of New Century Info Comm Tech Co., Ltd., with ADCast as the survivor entity. After ADCast's capital reduction, Far EasTron's stockholders will receive 1 share of ADCast for every 4.8526 shares of Far EasTron. However, in their special meeting on August 29, 2008, Far EasTron's stockholders revised the share swap ratio to 5.4490:1. In addition, Far EasTron's board of directors resolved to have September 3, 2008 as the merger date. The share swap was completed on March 31, 2009 after the related registration with the Taipei City Government. After the share swap, Far EasTone, Far EasTron Holding and KG Telcom owned 69.08% of ADCast's common stock; thus, Far EasTone became ADCast's parent company. ADCast's revenues and expenses were included in the consolidated financial statements since the merger date and Far EasTron's revenues and expenses before the merger date were also included in the consolidated statements.

- 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.

On May 7, 2008, KGTI’s stockholders approved the board of directors’ proposal to dissolve KGTI, and on May 27, 2008, the authorities of the British Virgin Islands approved this dissolution. The dissolution was also approved by ROC Investment Commission of the MOEA on August 21, 2008.

- b. The financial statements of some immaterial subsidiaries (E. World, Yuan Cing, FEIS, FETI, KGEx.com, Far EasTron Holding, and Q-ware Com.) as of and for the three months ended March 31, 2009 and 2008 were unreviewed. The financial statements of ADCast as of and for the three months ended March 31, 2009 and the financial statements of KGTI (dissolved on May 7, 2008) and Far EasTron (dissolved on September 3, 2008 due to merger) as of and for the three months ended March 31, 2008 were unreviewed either.

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Available-for-sale Financial Assets

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

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.

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.

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 derecognition, 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 and recharge 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). Inventories are written down to net realizable value item-by-item. Cost is determined using the weighted-average method. Net realizable value is determined as normal market value minus predicted selling expenses.

Government Grant

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

Equity-method Investments

Long-term investments in which the 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 acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets proportionately to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subjected to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

An increase in the 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.

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.

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.

Since November 2008, the Group estimates and capitalizes the costs of dismantling, removing properties and restoring the cellular site on which they are located and to record these costs as properties and accrued asset retirement cost.

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	3-5
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.

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.

Deferred Charges

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

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 the Group has significant influence but with no control, the carrying value amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing. For investees which the Group has control, the recoverable amount is accessed 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 loss on its product sales in proportion to ownership percentages for sales to equity-method investees that are not majority-owned.

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

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

Pension Costs

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

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

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

Income Tax

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

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

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

Income taxes (10%) on 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 Far EasTone were 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 used interest rate swaps to hedge cash flow risks from interest rate fluctuations of liabilities.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the three months ended March 31, 2008 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the three months ended March 31, 2009.

3. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the combined balance sheet and statement of income of the Group as of and for the three months ended March 31, 2008. The pro forma financial information based on the assumption that Far EasTone acquired the majority interest of ADCast on January 1, 2008 is as follows:

(In Thousands, Except EPS)

	Three Months Ended March 31, 2008
Current assets	\$ 19,113,031
Properties, net	47,036,814
Current liabilities	16,288,697
Operating revenue	15,860,929
Income before income tax	3,180,722
Net income	2,394,484
EPS	0.72

The pro forma combined balance sheet and statement of income are presented for illustrative purposes only. That is, this information does not necessarily show the financial position and results of operations under the assumption that Far EasTone acquired the majority interest of ADCast on January 1, 2008, nor is it necessarily indicative of future financial position or results of operations of the Group.

4. CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

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 attributable to controlling interest and a decrease of NT\$0.03 in basic earnings per share after income tax for the three months ended March 31, 2008.

Accounting for Inventories

On January 1, 2009, the Group adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories". The main revisions are (a) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (b) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change had no significant influence on the combined net income for the three months ended March 31, 2009.

5. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 6,795	\$ 6,512
Checking deposits	16,608	29,007
Demand deposits	1,692,741	1,506,488
Certificates of deposits - interest of 0.26%- 2.71% in 2009 and 1.85%-2.88% in 2008	<u>2,590,600</u>	<u>701,815</u>
	<u>4,306,744</u>	<u>2,243,822</u>
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 0.11%-0.20% in 2009 and 1.81%-2.00% in 2008	5,321,738	4,182,435
Bonds purchased under resell agreements - interest of 0.11% in 2009 and 1.75%-1.83% in 2008	<u>25,031</u>	<u>2,201,898</u>
	<u>5,346,769</u>	<u>6,384,333</u>
	<u>\$ 9,653,513</u>	<u>\$ 8,628,155</u>

As of March 31, 2009 and 2008, foreign demand deposits were as follows:

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Belgium (US\$190 thousand in 2009 and US\$452 thousand in 2008)	\$ 6,443	\$ 13,741
Hong Kong (US\$6 thousand in 2009 and US\$12 thousand in 2008)	<u>203</u>	<u>365</u>
	<u>\$ 6,646</u>	<u>\$ 14,106</u>

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Domestic quoted stocks	\$ 443,270	\$ 547,871
Open-ended mutual funds	<u>1,385,023</u>	<u>1,301,770</u>
	<u>\$ 1,828,293</u>	<u>\$ 1,849,641</u>

7. BONDS CARRIED AT AMORTIZED COST - CURRENT

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Bond - Ta Chong Commercial Bank	<u>\$ 3,000</u>	<u>\$ 3,000</u>

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, NET

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Accounts and notes receivable	\$ 6,693,301	\$ 6,908,614
Less: Allowance for doubtful accounts	<u>(753,261)</u>	<u>(847,325)</u>
	<u>\$ 5,940,040</u>	<u>\$ 6,061,289</u>

The change in allowance for doubtful accounts was as follows:

	<u>Three Months Ended March 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Accounts Receivable</u>	<u>Other Receivables (Included in Other Current Assets)</u>	<u>Accounts Receivable</u>	<u>Other Receivable (Included in Other Current Assets)</u>
Beginning balance	\$ 866,639	\$ 2,090	\$ 920,509	\$ 2,090
Deduct: Bad debts written off	(263,296)	(1,510)	(285,693)	-
Add: Collection after write-off	76,621	-	14,946	-
Accrual of bad debt expenses	<u>73,297</u>	<u>-</u>	<u>197,563</u>	<u>-</u>
	<u>\$ 753,261</u>	<u>\$ 580</u>	<u>\$ 847,325</u>	<u>\$ 2,090</u>

9. INVENTORIES, NET

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cellular phone equipment	\$ 648,806	\$ 533,116
SIM cards and prepaid cards	21,186	29,616
Cellular phone accessories	30,733	29,673
Others	<u>122,838</u>	<u>42,618</u>
	<u>\$ 823,563</u>	<u>\$ 635,023</u>

Allowances for losses were \$77,743 thousand and \$67,613 thousand as of March 31, 2009 and 2008, respectively.

Costs of inventories sold were \$1,446,897 thousand and \$1,665,786 thousand for the three months ended March 31, 2009 and 2008, respectively. Loss on decline in value of inventories amounting to \$19,745 thousand was included in the cost of sales for the three months ended March 31, 2009; the reversal of the provision for loss on decline in value of inventories, amounting to \$12,305 thousand for the three months ended March 31, 2008, was reclassified to the reduction of the cost of sales.

10. EQUITY-METHOD INVESTMENTS

	March 31			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Common stocks with no quoted market prices				
New Century InfoComm Tech Co., Ltd.	\$ 5,834,489	26.56	\$ 5,854,359	24.51
Far Eastern Electronic Toll Collection Co., Ltd.	362,584	41.18	559,972	41.18
iScreen Corporation	29,810	40.00	27,373	40.00
Ding Ding Integrated Marketing Service Co., Ltd.	3,726	15.00	17,496	15.00
ADCast Interactive Marketing Co., Ltd.	<u>-</u>	-	<u>3,652</u>	20.92
	<u>\$ 6,230,609</u>		<u>\$ 6,462,852</u>	

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

Far EastTone 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 EastTone acquired about 24.51% of NCIC's issued shares. As of March 31, 2009, Far EastTone owned 26.56% (1,062,348 thousand shares) of NCIC's common stock.

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

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

c. Equity in investees' net gains or losses

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

	Three Months Ended March 31			
	2009		2008	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
New Century InfoComm Tech Co., Ltd.	\$ (77,739)	\$ 9,311	\$ (905,035)	\$ (207,641)
Far Eastern Electronic Toll Collection Co., Ltd.	(112,061)	(46,145)	(206,366)	(84,884)
iScreen Corporation	2,613	1,046	1,880	839
Ding Ding Integrated Marketing Services Co., Ltd.	(19,169)	(2,018)	(6,031)	196
ADCast Interactive Marketing Co., Ltd.	<u>-</u>	<u>-</u>	<u>(898)</u>	<u>-</u>
	<u>\$ (37,806)</u>		<u>\$ (291,490)</u>	

The Group owned only 20.92% of ADCast's common stock as of March 31, 2008; thus, this investment was accounted for by the equity method. However, after ADCast merged with Far EasTron on September 3, 2008, with ADCast as the survivor entity, the Group owned 69.08% of ADCast's common stock. Therefore, ADCast's revenues and expenses were included in the consolidated financial statements since September 3, 2008.

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 \$594,633 thousand and \$1,133,144 thousand as of March 31, 2009 and 2008, respectively; the Group's equity of \$47,089 thousand and \$84,232 thousand in the losses of these investees was included in the consolidated net incomes for the three months ended March 31, 2009 and 2008, respectively.

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

For the three months ended March 31, 2009 and 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	
	2009	2008
	Amortizable Assets	Amortizable Assets
Beginning balance	\$ (808,673)	\$ (924,029)
Increase	(195,280)	-
Decrease	<u>30,452</u>	<u>13,380</u>
Ending balance	<u>\$ (973,501)</u>	<u>\$ (910,649)</u>

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	March 31	
	2009	2008
Domestic unlisted common stock		
THI Consultants Inc.	\$ 13,729	\$ 13,729
VIBO Telecom Inc.	8,400	20,000
Chunghwa Int'l Communication Network Co., Ltd.	6,714	6,714
Web Point Co., Ltd.	1,618	1,618
Domestic private fund		
Fuh Hwa Value Added Strategy Fund	150,000	150,000
FEA Long-Short Private Placement Fund	<u>-</u>	<u>100,000</u>
	<u>\$ 180,461</u>	<u>\$ 292,061</u>

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, 2009						Ending Balance
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	
Cost							
Land	\$ 1,473,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,473,588
Buildings and equipment	2,935,661	-	-	13,967	-	-	2,949,628
Operating equipment	106,295,730	12,138	229,578	1,041,237	-	-	107,119,527
Computer equipment	15,770,006	533	10,573	201,697	-	778	15,962,441
Office equipment	998,804	-	-	37,216	-	3,477	1,039,497
Leasehold improvements	1,736,987	-	23	32,059	-	-	1,769,023
Miscellaneous equipment	496,817	217	690	-	-	-	496,344
	<u>129,707,593</u>	<u>\$ 12,888</u>	<u>\$ 240,864</u>	<u>\$ 1,326,176</u>	<u>\$ -</u>	<u>\$ 4,255</u>	<u>130,810,048</u>
Accumulated depreciation							
Buildings and equipment	1,020,177	\$ 23,366	\$ -	\$ -	\$ -	\$ -	1,043,543
Operating equipment	72,444,975	2,289,504	151,119	-	-	-	74,583,360
Computer equipment	13,204,592	360,847	10,573	-	-	538	13,555,404
Office equipment	880,293	9,690	-	-	-	2,818	892,801
Leasehold improvements	1,380,762	27,438	-	-	-	-	1,408,200
Miscellaneous equipment	307,634	16,416	676	-	-	-	323,374
	<u>89,238,433</u>	<u>\$ 2,727,261</u>	<u>\$ 162,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,356</u>	<u>91,806,682</u>
Construction-in-progress and prepayments for equipment	40,469,160						39,003,366
	<u>4,880,523</u>	<u>\$ 1,013,468</u>	<u>\$ 4,767</u>	<u>\$ (1,326,176)</u>	<u>\$ (1,657)</u>	<u>\$ -</u>	<u>4,561,391</u>
	<u>\$ 45,349,683</u>						<u>\$ 43,564,757</u>

	Three Months Ended March 31, 2008						Ending Balance
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Reclassification as Other Assets	Cumulative Translation Adjustments	
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	(98,230)	(540)	15,170,775
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
	<u>124,664,596</u>	<u>\$ 9,125</u>	<u>\$ 152,485</u>	<u>\$ 1,302,815</u>	<u>\$ (98,230)</u>	<u>\$ (3,184)</u>	<u>125,722,637</u>
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	344,125	747	-	(1,751)	(336)	12,211,417
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
	<u>79,671,538</u>	<u>\$ 2,678,490</u>	<u>\$ 93,857</u>	<u>\$ -</u>	<u>\$ (1,751)</u>	<u>\$ (2,253)</u>	<u>82,252,167</u>
Construction-in-progress and prepayments for equipment	44,993,058						43,470,470
	<u>3,935,609</u>	<u>\$ 940,608</u>	<u>\$ 7,574</u>	<u>\$ (1,302,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,565,828</u>
	<u>\$ 48,928,667</u>						<u>\$ 47,036,298</u>

In November 2008, the Accounting Research and Development Foundation issued Interpretation No. 2008-340 that required the Group to estimate and to capitalize the costs of dismantling and removing properties and restoring the cellular site on which they are located and to record the costs as properties and accrued asset retirement cost. As of March 31, 2009, the accrued dismantling cost and obligation were \$110,774 thousand and \$107,003 thousand, respectively. This accounting change resulted in a decrease of \$2,308 thousand in combined net income but had no significant influence on basic earnings per share after income tax for the three months ended March 31, 2009.

b. Capitalized interest on properties was as follows:

	Three Months Ended	
	March 31	
	2009	2008
Total interest expense	\$ 10,417	\$ 15,088
Less: Interest capitalized (included in construction-in-process and prepayments for equipment)	<u>3,857</u>	<u>10,513</u>
Interest expense, net of amounts capitalized	<u>\$ 6,560</u>	<u>\$ 4,575</u>
Interest rate capitalized	1.5576%	1.5648%

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.

In conformity with SFAS No. 35 - "Accounting for Asset Impairment," the Group was divided into several identifiable cash-generating units: To enhance the operating effectiveness, the Group integrated its telecommunications resources actively in 2008. Thus, in 2008, the identifiable cash-generating units were defined as mobile telecommunications service business, telecommunications equipment business and WiFly business, which were divided by distinct business functions. In 2007, the identifiable cash-generating units were defined as Far EasTone, KG Telecom, ARCOA and Q-ware Com.

On December 31, 2008 and 2007, the carrying values of the tangible and intangible assets used by the Group were \$63,927,354 thousand and \$68,221,128 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 12.64% (mobile telecommunications service business), 16.88% (telecommunications equipment business) and 10.00% (WiFly business) on December 31, 2008 and 13.38% (Far EasTone), 14.48% (KG Telecom), 15.60% (ARCOA) and 10.00% (Q-ware Com.) on December 31, 2007. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the prospective advancement of the business.

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: There was no significant change in the ratio in 2008 and 2007; this ratio is expected to decrease slightly in future years.

The Group's management believed that any reasonable changes in the principal assumptions would not result in the carrying values exceeding the recoverable amounts. Estimated impairment losses of \$20,000 thousand for 2008 and \$10,211 thousand for 2007 were recorded, respectively. Until March 31, 2009, there were no significant changes showing that goodwill was impaired.

14. INTANGIBLE ASSETS - 3G CONCESSION, NET

	Three Months Ended March 31	
	2009	2008
Cost	<u>\$ 10,169,000</u>	<u>\$ 10,169,000</u>
Accumulated amortization		
Beginning balance	2,861,935	2,131,228
Amortization	<u>182,677</u>	<u>182,677</u>
Ending balance	<u>3,044,612</u>	<u>2,313,905</u>
Intangible assets, net	<u>\$ 7,124,388</u>	<u>\$ 7,855,095</u>

15. RENTAL ASSETS, NET

	Three Months Ended March 31							
	2009				2008			
	Beginning Balance	Addition	Reclassification	Ending Balance	Beginning Balance	Addition	Reclassification	Ending Balance
Cost								
Land	\$ 124,789	\$ -	\$ -	\$ 124,789	\$ 130,631	\$ -	\$ -	\$ 130,631
Buildings and equipment	<u>107,797</u>	<u>-</u>	<u>-</u>	<u>107,797</u>	<u>113,260</u>	<u>-</u>	<u>-</u>	<u>113,260</u>
	<u>232,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>232,586</u>	<u>243,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>243,891</u>
Accumulated depreciation								
Buildings and equipment	<u>14,019</u>	<u>\$ 542</u>	<u>\$ -</u>	<u>14,561</u>	<u>12,355</u>	<u>\$ 587</u>	<u>\$ -</u>	<u>12,942</u>
	218,567	<u>-</u>	<u>-</u>	218,025	231,536	<u>-</u>	<u>-</u>	230,949
Accumulated impairment	<u>5,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,770</u>	<u>5,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,770</u>
Rental assets, net	<u>\$ 212,797</u>			<u>\$ 212,255</u>	<u>\$ 225,766</u>			<u>\$ 225,179</u>

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, 2009 to December 31, 2009	\$ 9,221
2010	12,517
2011	9,325
2012	2,271
2013	379

16. SHORT-TERM BANK LOANS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Secured bank loans - interest of 1.28%-2.69% in 2009 and 2.68% in 2008	\$ 386,090	\$ 228,000
Unsecured bank loans - interest of 1.00%-2.16% in 2009 and 2.45%-2.72% in 2008	<u>145,000</u>	<u>1,383,470</u>
	<u>\$ 531,090</u>	<u>\$ 1,611,470</u>

17. COMMERCIAL PAPER PAYABLE

Q-ware Com. issued the commercial paper guaranteed by the financial institution, which were discounted at interest rate of 2.258% as of March 31, 2009, and was fully repaid on April 17, 2009.

18. ACCRUED EXPENSES

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Commission	\$ 1,703,388	\$ 1,718,618
Bonus to employees and remuneration to directors and supervisors	335,822	84,749
Maintenance fee	196,636	241,060
Bonus	153,335	186,480
Utilities	97,453	148,982
Billing processing fee	101,477	83,725
Advertisement	67,017	78,367
Other	<u>562,815</u>	<u>709,953</u>
	<u>\$ 3,217,943</u>	<u>\$ 3,251,934</u>

19. BONDS PAYABLE

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

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 all of the bonds payable 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 should redeem the full amount when the bonds become due in 2006, 2007 and 2008. Far EasTone already repaid all of the bonds payable by December 18, 2008.

20. LONG-TERM BANK LOANS

	<u>March 31, 2009</u>		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	\$ 38,095	\$ 9,524	\$ 47,619
Unsecured bank loan - Q-ware Com.	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 238,095</u>	<u>\$ 9,524</u>	<u>\$ 247,619</u>
	<u>March 31, 2008</u>		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	<u>\$ 38,095</u>	<u>\$ 47,619</u>	<u>\$ 85,714</u>

a. Secured bank loan - KGEx.com

KGEx.com obtained a secured bank loan at interest rates of 2.30% and 2.69% as of March 31, 2009 and 2008, respectively, payable monthly. The loan is secured and repayable quarterly from April 2005 at equal installments, with final repayment due in April 2010.

b. Unsecured bank loan - Q-ware Com.

Q-ware Com. obtained an unsecured bank loan at interest rates of 3.05% to 3.15% as of March 31, 2009, payable monthly. Q-ware Com. should repay the full amount on loan maturity by December 2009.

21. LEASE PAYABLE

	<u>March 31</u>	
	2009	2008
Total future lease payments	\$ 19,393	\$ 52,432
Less: Imputed interest expense	<u>2,651</u>	<u>3,995</u>
	16,742	48,437
Less: Current portion of lease payable	<u>16,742</u>	<u>40,055</u>
Lease payable - noncurrent	<u>\$ -</u>	<u>\$ 8,382</u>

The capital lease contracts are summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid	
			Three Months Ended March 31	
			2009	2008
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
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
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	November 2005-October 2008 \$16 thousand monthly	-	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
			<u>\$ 15</u>	<u>\$ 10,354</u>

22. PENSION PLAN

- a. The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, rate of monthly contributions by Far EasTone, KG Telecom, KGEx.com, ARCOA, Yuan Cing, Far EasTron, Q-ware Com. and ADCast 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 \$32,551 thousand and \$33,873 thousand for the three months ended March 31, 2009 and 2008, respectively. FETI, under its government's regulations, had recognized pension costs of \$875 thousand and \$768 thousand for the three months ended March 31, 2009 and 2008, respectively.
- b. 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 pension cost under the defined benefit plan amounted to \$17,177 thousand and \$16,449 thousand for the three months ended March 31, 2009 and 2008, respectively.

23. STOCKHOLDERS' EQUITY

- a. Capital surplus

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

b. Appropriation of earnings and dividend policy

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 bonus 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.

The bonus to employees of \$41,423 thousand and the remuneration to directors and supervisors of \$20,711 thousand, representing 2% and 1% of net income (net of the bonus to employees and remuneration to directors and supervisors) less 10% legal reserve and special reserve, respectively, were recognized for the three months ended March 31, 2009. The amounts were estimated on the basis of past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

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

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

Under the integrated income tax system, noncorporate ROC-resident stockholders are allowed tax credits for the income tax paid by 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 2008 earnings was expected to be approved on April 29, 2009 by Far EasTone's board of directors, and the 2007 earnings appropriation was approved by the Far EasTone's stockholders on June 5, 2008.

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

Far EasTone's management also proposed to the board of directors a bonus to employees of \$182,459 thousand and remuneration to directors and supervisors of \$91,229 thousand for 2008.

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

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of March 31, 2009 were as follows:

		GDRs (in Thousand Units)	Equivalent Common Stock (in Thousand Shares)
Initial offering	1)	10,000	150,000
Converted from overseas unsecured convertible bonds	2)	165	2,473
Net decrease due to capital increase or capital reduction	3)	(362)	(5,426)
Reissued within authorized units	4)	21,723	325,850
GDRs transferred to common stock		<u>(29,668)</u>	<u>(445,025)</u>
Outstanding GDRs issued		<u>1,858</u>	<u>27,872</u>

- 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, 2009, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.
- 3) In 2004, 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 cancelled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 thousand common shares.
- 4) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of March 31, 2009, Far EasTone had reissued 21,723 thousand units of GDRs representing 325,850 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 774,532 thousand shares. The capital reduction was approved by the stockholders' meeting on June 12, 2007. The capital reduction ratio was 19.204715% and the cash return per share was around \$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 on March 28, 2008.

e. Cumulative translation adjustments

Cumulative translation adjustments for the three months ended March 31, 2009 and 2008 were summarized as follows:

	Three Months Ended	
	March 31	
	2009	2008
<u>Difference due to translation of foreign-currency financial statements</u>		
Beginning balance	\$ 28,464	\$ 11,826
Recorded as adjustment under stockholders' equity	<u>5,342</u>	<u>(3,391)</u>
	<u>\$ 33,806</u>	<u>\$ 8,435</u>

f. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the three months ended March 31, 2009 and 2008 were summarized as follows:

	Recognized from Equity- method Investments	Unrealized Gain (Loss) on Cash Flow Hedge	Total
<u>Three months ended March 31, 2009</u>			
Beginning balance	\$ (50,204)	\$ -	\$ (50,204)
Recorded as adjustments to stockholders' equity	<u>68,279</u>	<u>-</u>	<u>68,279</u>
Ending balance	<u>\$ 18,075</u>	<u>\$ -</u>	<u>\$ 18,075</u>
<u>Three months ended March 31, 2008</u>			
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	<u>-</u>	<u>9,307</u>	<u>9,307</u>
Ending balance	<u>\$ 27,565</u>	<u>\$ (5,268)</u>	<u>\$ 22,297</u>

24. INCOME TAX

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

	Three Months Ended March 31	
	2009	2008
Income tax expense computed at statutory tax (25% to 33%)	\$ 745,185	\$ 934,326
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses (gains)	20,597	(45,966)
Other	(13,710)	(84,635)
Temporary differences	(50,856)	(55,597)
Loss carryforwards used	(2,327)	-
Investment tax credits used	-	(25,086)
Income tax payable - current	698,889	723,042
Income tax expense on income subject to a separate rate of 20%	822	7,599
Prior year's adjustment	6	-
	<u>699,717</u>	<u>730,641</u>
Income tax expense - current	<u>\$ 699,717</u>	<u>\$ 730,641</u>

- b. Income tax expense consisted of:

	Three Months Ended March 31	
	2009	2008
Income tax expense - current	\$ 699,717	\$ 730,641
Income tax expense - deferred		
Temporary differences	<u>50,856</u>	<u>55,597</u>
	<u>\$ 750,573</u>	<u>\$ 786,238</u>

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.

- c. Changes in income tax payable were as follows:

	Three Months Ended March 31	
	2009	2008
Beginning balance	\$ 2,173,306	\$ 1,565,019
Income tax expense - current	699,717	730,641
Income tax paid	<u>(2,536)</u>	<u>(13,915)</u>
Ending balance	<u>\$ 2,870,487</u>	<u>\$ 2,281,745</u>

d. Deferred income taxes assets (liabilities) were as follows:

	March 31	
	2009	2008
Current		
Deferred income tax assets		
Allowance for doubtful accounts	\$ 718,909	\$ 742,910
Provision for losses on decline in value of inventories	18,699	15,691
Investment tax credits	6,773	26,841
Loss carryforwards	-	53,341
Unrealized loss on financial instruments	-	1,755
Other	<u>32,332</u>	<u>29,893</u>
	776,713	870,431
Less: Valuation allowance	<u>36,892</u>	<u>115,447</u>
	<u>\$ 739,821</u>	<u>\$ 754,984</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 584,204	413,285
Impairment loss on idle properties	144,334	144,334
Equity in investees' net losses	733,787	44,925
Accrued pension cost	88,629	89,165
Depreciation resulting from the differences in estimated service lives of properties	27,655	27,468
Investment tax credits	3,192	1,110
Impairment loss on financial assets	3,372	3,372
Other	<u>14,168</u>	<u>1,923</u>
	1,599,341	725,582
Less: Valuation allowance	<u>1,040,991</u>	<u>561,628</u>
	558,350	163,954
Deferred income tax liabilities		
Goodwill amortization	<u>(641,854)</u>	<u>(444,939)</u>
	<u>\$ (83,504)</u>	<u>\$ (280,985)</u>

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

e. Integrated income tax information was as follows:

	March 31	
	2009	2008
Balance of imputation credit account (ICA)		
Far EasTone	<u>\$ 264,420</u>	<u>\$ 205,589</u>
KG Telecom	<u>\$ 9,551</u>	<u>\$ 15,233</u>
ARCOA	<u>\$ 12,584</u>	<u>\$ 11,595</u>

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2008 to unappropriated earnings as of such date was 2.36%. When the dividends from the unappropriated earnings as of December 31, 2007 was distributed in 2008, the actual ratio Far EasTone used was 25.53%.

Estimated ratio of the ICA balance for KG Telecom as of December 31, 2008 to unappropriated earnings as of such date was 0.94 %. When the dividends from the unappropriated earnings as of December 31, 2007 was distributed in 2008, the actual ratio KG Telecom used was 0.62%.

Estimated ratio of the ICA balance for ARCOA as of December 31, 2008 to unappropriated earnings as of such date was 33.33%. However, ARCOA had no unappropriated earnings as of December 31, 2007.

Yuan Cing, KGE.com, Q-ware Com. and ADCast had no unappropriated earnings as of March 31, 2009. 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 ratios for the 2008 earnings appropriation may be adjusted when the imputation credits are distributed. While the distribution ratios for the 2007 earnings appropriation had been determined, the actual ratios were disclosed.

f. Investment tax credits are as follows:

The unused investment tax credits of the Group as of March 31, 2009 are summarized as follows:

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
	Personnel training expenses	420	420	2011
	Purchase of automated equipment or technology	115	115	2012
		<u>\$ 1,645</u>	<u>\$ 1,645</u>	

ADCast

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	<u>\$ 264</u>	<u>\$ 2</u>	2010

Q-ware Com.

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	\$ 6,150	\$ 6,150	2009
	Purchase of automated equipment or technology	1,642	1,642	2010
	Purchase of automated equipment or technology	526	526	2012
		<u>\$ 8,318</u>	<u>\$ 8,318</u>	

- g. The unused loss carryforwards of ARCOA, KGEx.com, ADCast and Q-ware Com. as of March 31, 2009 were as follows:

Year	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
2003	\$ 53,452	\$ 53,452	2013
2004	72,907	72,907	2014
2005	62,838	62,838	2015
2006	106,190	106,190	2016
2007	130,680	130,680	2017
2008	105,581	105,581	2018
2009	<u>52,556</u>	<u>52,556</u>	2019
	<u>\$ 584,204</u>	<u>\$ 584,204</u>	

- h. Status of income tax returns are 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 and 2004 returns. Nevertheless, Far EasTone accrued the related tax.

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

Income tax returns through 2006 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 to 2004 returns and thus filed appeals for reexamination of these returns. Nevertheless, ARCOA accrued the related tax.

Income tax return of Q-ware Com., Far EasTron and ADCast through 2007 had been examined and cleared by the tax authorities. Income tax returns of Yuan Cing and KGEx.com through 2006 had been examined and cleared by the tax authorities.

25. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

Three Months Ended March 31, 2009					
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	\$ 159,648	\$ 647,401	\$ -	\$ 92,205	\$ 899,254
Pension	13,777	31,005	-	5,821	50,603
Meal	4,056	18,936	-	1,976	24,968
Employee benefit	131	8,610	-	-	8,741
Insurance	13,267	46,720	-	6,034	66,021
Miscellaneous	<u>1,153</u>	<u>8,100</u>	<u>-</u>	<u>83</u>	<u>9,336</u>
	<u>\$ 192,032</u>	<u>\$ 760,772</u>	<u>\$ -</u>	<u>\$ 106,119</u>	<u>\$ 1,058,923</u>
Depreciation	<u>\$ 2,475,643</u>	<u>\$ 251,618</u>	<u>\$ 4,665</u>	<u>\$ -</u>	<u>\$ 2,731,926</u>
Amortization	<u>\$ 17,932</u>	<u>\$ 14,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,091</u>

Three Months Ended March 31, 2008					
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	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	<u>1,974</u>	<u>11,222</u>	<u>-</u>	<u>-</u>	<u>13,196</u>
	<u>\$ 177,070</u>	<u>\$ 763,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,589</u>
Depreciation	<u>\$ 2,393,936</u>	<u>\$ 284,554</u>	<u>\$ 4,710</u>	<u>\$ -</u>	<u>\$ 2,683,200</u>
Amortization	<u>\$ 10,491</u>	<u>\$ 13,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,275</u>

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

26. EARNINGS PER SHARE (EPS)

	<u>Amount (Numerator)</u>		<u>Common Stock (Denominator) (in Thousand Shares)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Three months ended March 31, 2009</u>					
Basic EPS					
Net income - Far EasTone	\$ 3,079,299	\$ 2,301,266	3,258,501	<u>\$ 0.95</u>	<u>\$ 0.71</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>6,975</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 3,079,299</u>	<u>\$ 2,301,266</u>	<u>3,265,476</u>	<u>\$ 0.94</u>	<u>\$ 0.70</u>
<u>Three months ended March 31, 2008</u>					
Basic EPS					
Net income - Far EasTone	\$ 3,045,159	\$ 2,427,805	3,377,659	<u>\$ 0.90</u>	<u>\$ 0.72</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>1,226</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 3,045,159</u>	<u>\$ 2,427,805</u>	<u>3,378,885</u>	<u>\$ 0.90</u>	<u>\$ 0.72</u>

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

27. FINANCIAL INSTRUMENTS

a. Fair value information

	March 31			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 1,828,293	\$ 1,828,293	\$ 1,849,641	\$ 1,849,641
Bonds carried at amortized cost - current	3,000	3,000	3,000	3,000
Equity-method investments	6,230,609	6,230,609	6,462,852	6,462,852
Financial assets carried at cost - noncurrent	180,461	180,461	292,061	292,061
Refundable deposits	386,679	386,599	399,002	397,850
<u>Liabilities</u>				
Hedging derivative financial liabilities - current	-	-	7,023	7,023
Bonds payable (including current portion)	-	-	2,000,000	2,000,000
Long-term bank loans (including current portion)	247,619	247,619	85,714	85,714
Lease payable (including current portion)	16,742	16,742	48,437	48,437
Guarantee deposits received (including current portion)	802,435	802,435	916,044	916,044

b. Methods and assumptions used for estimating the fair values of financial instruments

- 1) Cash and cash equivalents, accounts and notes receivable, receivables from related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial paper payable, 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 value of derivative financial instruments 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 will be measured by net worth of investees or their respective carrying values.
- 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

	<u>Quoted Price</u>		<u>Estimated Price</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 1,828,293	\$ 1,849,641	\$ -	\$ -
<u>Liabilities</u>				
Hedging derivative financial liabilities - current	-	-	-	7,023

- d. Financial assets and liabilities with interest rate risk

	<u>March 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Financial Assets</u>	<u>Financial Liabilities</u>	<u>Financial Assets</u>	<u>Financial Liabilities</u>
<u>Risk of interest rate change</u>				
Fair value risk	\$ 7,163,212	\$ 1,144,147	\$ 7,510,950	\$ 2,293,481
Cash flow risk	3,450,203	483,709	1,739,478	2,368,184

- e. Financial risks

1) Market risk

For the three months ended March 31, 2008, 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 were settled at net amounts. Therefore, the market risk was 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 evaluates 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.

For the three months ended March 31, 2008, Far EasTone entered into interest rate swap to hedge cash flow risk. The interest rate swap contracts were settled at net amounts, and the expected cash demand was 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 fund and equity-method investments with no quoted prices in an active market; thus, these investments could expose KG Telecom to liquidity risks.

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

4) Cash flow risk from interest rate fluctuations

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

f. Cash flow hedge

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

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments		Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
		Notional Amount March 31, 2008	Fair Value March 31, 2008		
Bonds with floating interest rate	Interest rate swap - Far EasTone	\$ 2,000,000	\$ (7,023)	2003-2008	2003-2008

28. RELATED-PARTY TRANSACTIONS

a. 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)	Equity-method investee of Far EasTone
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Equity-method investee of Far EasTone
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Equity-method investee of Far EasTone
iScreen Corporation	Equity-method investee of KG Telecom
Digital United Inc.	Subsidiary of NCIC (dissolved due to merger with NCIC on March 16, 2009)
Information Security Service Digital United Inc.	Subsidiary of NCIC
NTT DoCoMo Inc.	Director of Far EasTone
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone
Telecommunication and Transportation Foundation (TTF)	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 ultimate parent company
Yuan Ding Co., Ltd.	Same chairman
Far Eastern Department Stores Co., Ltd.	Same chairman
Asia Cement Co., Ltd.	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman

(Continued)

Related Party	Relationship with the Group
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	Same ultimate parent company
Yuan Faun Ltd.	Same ultimate parent company
Far Eastern Apparel (Holding) Ltd.	Same ultimate parent company
Oriental Textile (Holding) Ltd.	Same ultimate parent company
Pacific Petrochemical (Holding) Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Industries (Jiu Jiang) Ltd.	Same ultimate parent company
Oriental Petrochemical (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Apparel (Suzhou) Ltd.	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Shanghai Far Eastern Petrochemical Logistic Ltd.	Same ultimate parent company
Shanghai Far Eastern IT Company	Same ultimate parent company
Wu Han Far Eastern New Material Ltd.	Same ultimate parent company
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited.	Same ultimate parent company
Sino Belguim (Suzhou) Limited	Same ultimate parent company
Fashionline Saigon Ltd.	Same ultimate parent company
Suzhou An He Apparel Ltd.	Same ultimate parent company

(Concluded)

- b. In addition to those disclosed in other notes, the Group's significant transactions with the above parties were summarized as follows:

		<u>2009</u>		<u>2008</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>During the period</u>					
Operating revenues					
	1)				
NCIC	2)	\$ 241,415	2	\$ 125,565	1
Other	13)	<u>47,211</u>	<u>-</u>	<u>35,830</u>	<u>-</u>
		<u>\$ 288,626</u>	<u>2</u>	<u>\$ 161,395</u>	<u>1</u>
Operating costs and expenses					
Cost of telecommunications service					
	2)	\$ 43,227	1	\$ 39,121	1
Other	13)	<u>6,172</u>	<u>-</u>	<u>6,212</u>	<u>-</u>
		<u>\$ 49,399</u>	<u>1</u>	<u>\$ 45,333</u>	<u>1</u>
Rental					
FETRD	3)	\$ 11,403	1	\$ 10,421	1
NCIC	4)	10,246	1	10,346	1
FEILC	5)	9,552	1	9,596	1
Other	13)	<u>2,856</u>	<u>-</u>	<u>3,056</u>	<u>-</u>
		<u>\$ 34,057</u>	<u>3</u>	<u>\$ 33,419</u>	<u>3</u>
Marketing expense					
DDIM	6)	<u>\$ 39,586</u>	<u>2</u>	<u>\$ 32,763</u>	<u>1</u>
Service fee					
FCHRC	7)	<u>\$ 12,247</u>	<u>25</u>	<u>\$ 13,604</u>	<u>37</u>
Donation expense					
TTF	8)	<u>\$ -</u>	<u>-</u>	<u>\$ 2,792</u>	<u>15</u>
Nonoperating income and gains					
Management services revenue					
NCIC	9)	\$ 3,892	10	\$ -	-
Other	13)	<u>1,038</u>	<u>3</u>	<u>-</u>	<u>-</u>
		<u>\$ 4,930</u>	<u>13</u>	<u>\$ -</u>	<u>-</u>

		<u>2009</u>		<u>2008</u>	
<u>At end of period</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Receivables from related parties					
Accounts and notes receivable					
NCIC	2)	\$ 92,231	21	\$ 14,075	31
NTT DoCoMo Inc.	10)	19,325	5	14,194	31
FETC	11)	4,012	1	10,355	22
Other	13)	<u>5,176</u>	<u>1</u>	<u>957</u>	<u>2</u>
		<u>120,744</u>	<u>28</u>	<u>39,581</u>	<u>86</u>
Other receivables					
NCIC	9)	311,276	71	973	2
FETC	12)	6,321	1	5,300	12
Other	13)	<u>191</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>317,788</u>	<u>72</u>	<u>6,273</u>	<u>14</u>
		<u>\$ 438,532</u>	<u>100</u>	<u>\$ 45,854</u>	<u>100</u>
Refundable deposits					
DDIM	6)	\$ 49,372	13	\$ 51,459	13
Other	13)	<u>10,677</u>	<u>3</u>	<u>8,687</u>	<u>2</u>
		<u>\$ 60,049</u>	<u>16</u>	<u>\$ 60,146</u>	<u>15</u>
Payables to related parties					
NCIC	2) and 4)	\$ 196,784	64	\$ 160,156	63
DDIM	6)	66,365	22	60,137	24
FETRD	3)	3,680	1	6,878	3
Other	13)	<u>39,857</u>	<u>13</u>	<u>25,238</u>	<u>10</u>
		<u>\$ 306,686</u>	<u>100</u>	<u>\$ 252,409</u>	<u>100</u>
Lease payable (including current portion)					
FEILC	5)	<u>\$ 16,742</u>	<u>100</u>	<u>\$ 48,292</u>	<u>100</u>

Descriptions of transactions with related parties are as follows:

- 1) 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.
- 2) 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 revenue and was included in payables to related parties.
- 3) Far EasTone leases from FETRD several parcels of the land and building spaces under contracts with terms from September 2003 to November 2013. The properties are located on Yatung Street and Renai Street in Panchao City, Wuku in Taipei County, and other locations in Taiwan.

- 4) The Group leases from NCIC the office space in Neihu, telecommunications network and backbone network facilities under operating lease contracts.
- 5) Under operating lease agreements, Far EasTone rented from FEILC the following: (a) its office spaces in Tainan and Kaohsiung; (b) the land and mobile switch centers located in Neihu, Taichung and Xinzhu; and (c) vehicles. Some of these contracts will be automatically renewed unless either Far EasTone or FEILC informs the other party of contract nonrenewal.

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 \$15 thousand and \$10,189 thousand paid for the three months ended March 31, 2009 and 2008, respectively (Note 21).

- 6) Far EasTone and KG Telecom authorized DDIM to manage the accumulation and redemption of customers' reward points. The related service charges were treated as marketing expense and payables to related parties. In addition, Far EasTone and KG Telecom give DDIM monthly refundable deposits for the points accumulated but not yet redeemed, and these deposits are calculated at a fixed percentage of the unused reward points.
- 7) 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.
- 8) KG Telecom made donation to TTF for telecommunications technology researches.
- 9) Far EasTone provided management services and advances to NCIC for its daily operating expenditures.
- 10) Far EasTone and KG Telecom provide international roaming services to the customers of NTT DoCoMo Inc. The service revenues are treated as telecommunications service revenues and receivables from related parties.
- 11) 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.
- 12) Far EasTone gave advances for FETC daily operating expenditures, which were treated as receivables from related parties.
- 13) 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, 2009

The Group had the following significant commitments:

- a. The Group were under contracts to acquire properties and cellular phone equipment for \$1,126,738 thousand and \$260,399 thousand, respectively.
- b. The Group's outstanding letters of credit amounted to US\$3,370 thousand (equivalent to \$114,277 thousand), ¥500 thousand (equivalent to \$172 thousand) and \$19,250 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, 2009 to December 31, 2009	\$ 2,155,359
2010	2,910,703
2011	2,990,548
2012	3,087,779
2013	3,182,283
From January 1, 2014 to March 31, 2014	823,169

- d. Oriental Securities Investment Advisory Co. manages KG Telecom's funds of \$350,000 thousand, which are based on a discretionary portfolio management agreement through January 2010 and March 2010. Under the agreement, 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' (except Chunghwa Telecom Co., Ltd.) and related derivatives are prohibited. As of March 31, 2009, the carrying value of the funds was \$257,295 thousand as follows:

	March 31, 2009
Cash and cash equivalents	
Demand deposits	\$ 41,653
Bonds purchased under resell agreements	<u>25,032</u>
	66,685
Available-for-sale financial assets - current	178,197
Receivable from the sale of securities (included in other current assets)	17,605
Payables for the purchase of securities (included in other current liabilities)	(5,035)
Other	<u>(157)</u>
	<u>\$ 257,295</u>

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

30. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for the guarantees provided by banks, cell cites, long-term and short-term bank loans, the purchase of inventory and administrative tax remedies, were as follows:

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Pledged certificates of deposits - current	\$ 25,077	\$ 39,036
Pledged certificates of deposits - noncurrent	407,164	25,043
Properties, net	<u>464,622</u>	<u>476,838</u>
	<u>\$ 896,863</u>	<u>\$ 540,917</u>

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: Schedule H
- 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, 2009
(In Thousands of New Taiwan Dollars)**

No.	Endorser/ Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note A)	Maximum Balance for the Period (Note B)	Ending Balance (Note B)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)
		Name	Nature of Relationship						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd. KGEx.com Co., Ltd.	Subsidiary Subsidiary of KG Telecom	\$ 36,835,545 36,835,545	\$ 450,000 45,000	\$ 450,000 45,000	\$ - -	0.61% 0.06%	\$ 73,671,089 73,671,089
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	16,227,055	1,240,000	1,240,000	-	3.82%	32,454,108

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, 2009

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	\$ 32,454,108	100.00	\$ 32,454,108	Notes A and D
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,062,347,582	5,834,489	26.56	5,834,489	Notes A and D
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	81,680,039	1,056,322	60.83	1,056,322	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	362,584	41.18	362,584	Notes B and D
	Q-ware Communications Co., Ltd	Equity-method investee	Equity-method investments	36,459,930	162,013	51.00	162,013	Notes B and D
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	163,102	100.00	163,102	Notes B and D
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	68,844	85.92	68,844	Notes B and D
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	25,242	100.00	25,242	Notes B and D
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,500,000	3,726	15.00	3,726	Notes B and D
ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	18,351	168	0.40	168	Notes B and D	
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	198,136,425	862,856	79.25	862,856	Notes B and D
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	29,810	40.00	29,810	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	368,519	3,375	8.16	3,375	Notes B and D
	GREATWALL	-	Available-for-sale financial assets - current	170,369	4,404	-	4,404	Note F
	TYG	-	Available-for-sale financial assets - current	600,000	11,220	-	11,220	Note F
	SYNCMOLD	-	Available-for-sale financial assets - current	90,000	4,410	-	4,410	Note F
	CST	-	Available-for-sale financial assets - current	90,000	2,957	-	2,957	Note F
	RT	-	Available-for-sale financial assets - current	170,000	7,565	-	7,565	Note F
	AUO	-	Available-for-sale financial assets - current	300,000	8,415	-	8,415	Note F
	CAL	-	Available-for-sale financial assets - current	800,000	6,760	-	6,760	Note F
	SZS	-	Available-for-sale financial assets - current	70,000	8,260	-	8,260	Note F
	INNOLUX	-	Available-for-sale financial assets - current	200,000	6,610	-	6,610	Note F
	UMT	-	Available-for-sale financial assets - current	18,000	1,544	-	1,544	Note F
	PT TECH.	-	Available-for-sale financial assets - current	140,000	11,018	-	11,018	Note F
	GET	-	Available-for-sale financial assets - current	50,000	5,500	-	5,500	Note F
	PAHSCO	-	Available-for-sale financial assets - current	180,000	7,326	-	7,326	Note F
	Cyberlink	-	Available-for-sale financial assets - current	60,000	7,500	-	7,500	Note F
Career Tech.	-	Available-for-sale financial assets - current	180,000	2,250	-	2,250	Note F	
Sitronix	-	Available-for-sale financial assets - current	100,000	4,120	-	4,120	Note F	
TTET	-	Available-for-sale financial assets - current	120,000	3,336	-	3,336	Note F	
FPC	-	Available-for-sale financial assets - current	80,000	4,088	-	4,088	Note F	
CSC	-	Available-for-sale financial assets - current	207,500	4,606	-	4,606	Note F	

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2009				Note	
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value		
ARCOA Communication Co., Ltd.	ACER	-	Available-for-sale financial assets - current	100,000	\$ 5,100	-	\$ 5,100	Note F	
	CHT	-	Available-for-sale financial assets - current	151,612	9,385	-	9,385	Note F	
	Wistron	-	Available-for-sale financial assets - current	150,000	5,482	-	5,482	Note F	
	Alpha	-	Available-for-sale financial assets - current	100,000	2,100	-	2,100	Note F	
	SONIX	-	Available-for-sale financial assets - current	150,000	7,298	-	7,298	Note F	
	SOFT-WORLD	-	Available-for-sale financial assets - current	60,000	6,210	-	6,210	Note F	
	Portwell	-	Available-for-sale financial assets - current	260,000	7,293	-	7,293	Note F	
	MOTECH	-	Available-for-sale financial assets - current	90,000	8,460	-	8,460	Note F	
	LITE-ON IT	-	Available-for-sale financial assets - current	600,750	9,221	-	9,221	Note F	
	GIANT	-	Available-for-sale financial assets - current	82,500	5,759	-	5,759	Note F	
	ACC	-	Available-for-sale financial assets - current	4,312,000	126,773	-	126,773	Note F	
	U-MING	-	Available-for-sale financial assets - current	1,047,000	53,502	-	53,502	Note F	
	OUCC	-	Available-for-sale financial assets - current	5,350,000	84,798	-	84,798	Note F	
		<u>Open-ended mutual funds</u>							
		Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	825,273	-	825,273	Note C
		JPM (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	195,080	-	195,080	Note C
		Deutsche Far Eastern DWS Taiwan Thematic Fund	-	Available-for-sale financial assets - current	10,000,000.00	83,800	-	83,800	Note C
		<u>Private funds</u>							
		Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	150,000	Note D
		<u>Stocks</u>							
		THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729	Note D
		Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	4.12	6,714	Note D
		VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	840,000	8,400	0.04	8,400	Note D
		Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note D
		<u>Open-ended mutual funds</u>							
		PCA Well Pool Fund	-	Available-for-sale financial assets - current	6,192,759.00	80,268	-	80,268	Note C
		IBT 1699 Bond Fund	-	Available-for-sale financial assets - current	6,631,021.20	100,193	-	100,193	Note C
		UPAMC Great China Fund	-	Available-for-sale financial assets - current	5,663,838.30	90,407	-	90,407	Note C
		Bond Fund	-	Available-for-sale financial assets - current	795,291.87	10,002	-	10,002	Note C
		<u>Bonds</u>							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds carried at amortized cost - current	3,000,000.00	3,000	-	3,000	Note D	

(Continued)

Holding Company Name	Type and Issuer of Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far Eastern Info Service (Holding) Ltd. (Note G)	<u>Share certificates</u> Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 4,217,000	100.00	US\$ 4,217,000	Notes B and D
Far EasTron Holding Ltd. (Note G)	<u>Stocks</u> ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US\$ 739,000	60.52	US\$ 739,000	Notes B and D
E. World (Holdings) Ltd. (Note G)	<u>Stocks</u> Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$ 2,089,000	99.99	US\$ 2,089,000	Notes B and D

Note A: The calculation was based on reviewed financial statements as of March 31, 2009.

Note B: The calculation was based on unreviewed financial statements as of March 31, 2009.

Note C: The market values of open-ended mutual funds were calculated at their net asset values as of March 31, 2009.

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

Note E: The carrying value of available-for-sale financial assets - current were equal to market values as of March 31, 2009.

Note F: The calculation of domestic publicly traded stocks were based on the closing price at the end of March 31, 2009.

Note G: The information was based on unreviewed financial statements as of March 31, 2009.

(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, 2009
 (In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				The Change Due to Equity-method	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss		Share/Units	Amount
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investments	Concord Comm Co., Ltd. and Concord Financial Co., Ltd. etc.	-	980,315,483	\$ 5,490,024	82,032,099	\$ 328,186	-	\$ -	\$ -	\$ -	\$ 16,279 (Note B)	1,062,347,582	\$ 5,834,489

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

Note B: Including equity in investee's net gains of 9,311 thousand and adjustments to change in equity-method investee's stockholders' equity of 6,968 thousand.

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, 2009
(In Thousands of New Taiwan Dollars)**

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications service revenues	\$ (755,518)	(6%)	Based on agreement	-	-	Accounts receivable	\$ 499,618	8%
	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services	317,056	6%	Based on agreement	-	-	Accounts payable	(155,918)	(6%)
			Cost of telecommunications services, marketing expenses and cost of sales	545,856	6%	Based on agreement	-	-	Accounts payable and accrued expense	(233,812)	(4%)
New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(124,866)	(1%)	Based on agreement	-	-	Accounts receivable (Note)	-	-	
		Accounts payable (Note)	(118,008)	(4%)							
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(317,056)	(14%)	Based on agreement	-	-	Accounts receivable	155,918	13%
			Cost of telecommunications services	755,518	37%	Based on agreement	-	-	Accounts payable	(499,618)	(48%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(545,856)	(39%)	Based on agreement	-	-	Accounts receivable	233,812	67%
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee of Far EasTone	Cost of telecommunications services	(110,602)	(40%)	Based on agreement	-	-	Accounts receivable	87,860	45%

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.

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, 2009

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	\$ 528,334	(Note A)	\$ -	-	\$ 49,886	\$ -
	ARCOA Communication Co., Ltd.	Subsidiary	178,271	9.27	-	-	-	-
	New Century InfoComm Tech Co., Ltd. (NCIC)	Equity-method investee	306,595	(Note A)	-	-	43,548	-
KG Telecommunications Co., Ltd. (KG Telecom)	Far EasTone Telecommunications Co., Ltd.	Parent company	712,514	(Note B)	-	-	234,982	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	233,812	11.61	-	-	11,946	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2009
(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, 2009			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				March 31, 2009	December 31, 2008	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	\$ 29,629,139	\$ 29,629,139	1,332,997,916	100.00	\$ 32,454,108	\$ (83,436)	\$ (83,436)	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,390,186	6,062,000	1,062,347,582	26.56	5,834,489	(77,739)	9,311	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,293,389	1,283,563	81,680,039	60.83	1,056,322	10,876	6,636	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	362,584	(112,061)	(46,145)	Notes C and D
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	162,013	(55,602)	(28,357)	Notes A and D
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	163,102	4,847	4,847	Notes A and D
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	68,844	1,484	1,276	Notes A and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	25,242	(342)	(342)	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	3,726	(19,169)	(2,018)	Notes C and D
ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	1,000	1,000	18,351	0.40	168	(480)	(2)	Notes D and E	
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,355,649	2,355,649	198,136,425	79.25	862,856	(35,366)		Notes D and E
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	29,810	2,613		Notes D and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	3,652	3,652	368,519	8.16	3,375	(480)		Notes D and E
Far Eastern Info Service (Holding) Ltd. (Note G)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer data providing service	US\$ 2,500,000	US\$ 2,500,000	-	100.00	US\$ 4,217,000	4,931		Notes D and E
Far EasTron Holding Ltd. (Note G)	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	US\$ 4,532,000	US\$ 4,532,000	2,734,446	60.52	US\$ 739,000	(480)		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\$ 2,089,000	1,541		Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on reviewed financial statements as of March 31, 2009.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unreviewed financial statements as of March 31, 2009.

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

Note F: Equity-method investee of KG Telecom.

Note G: The information was based on unreviewed financial statements as of March 31, 2009.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
 THREE MONTHS ENDED MARCH 31, 2009
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2009 (Note A)	Accumulated Inward Remittance of Earnings as of March 31, 2009	Accumulated Investment in Mainland China as of March 31, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	\$84,775 (US\$2,500,000)	Note B	\$92,616	\$ -	\$ -	\$92,616	100%	\$4,931	\$142,998 (US\$4,217,000)	\$ -	\$92,616	\$92,616	\$44,202,653 (Note C)

Note A: The calculation was based on unreviewed financial statements as of March 31, 2009.

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

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

Note D: Please refer to Schedule H 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, 2009 AND 2008
 (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)
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	\$ 528,334	Note F	1%
				Inventories	3,470	Note F	-
				Payables to related parties	712,514	Note F	1%
				Unearned revenues	1,238	Note F	-
				Telecommunications service revenues	755,518	Note F	5%
				Cost of telecommunications services	317,056	Note F	2%
				Nonoperating income and gains	9,041	Note F	-
				Management service revenue	5,973	Note F	-
				Nonoperating expenses and losses	846	Note F	-
				Receivables from related parties	178,271	Note F	-
				Inventories	192	Note F	-
				Payables to related parties	233,812	Note F	-
		ARCOA Communication Co., Ltd.	1	Unearned revenues	56,512	Note F	-
				Sales of cellular phone equipment and accessories, net	17,069	Note F	-
				Telecommunications service revenues	62,032	Note F	-
				Cost of sales	406,263	Note F	3%
				Other operating cost	13,352	Note F	-
				Marketing expenses	126,241	Note F	1%
				Nonoperating income and gains	936	Note F	-
				Receivables from related parties	36,899	Note F	-
				Payables to related parties	3,270	Note F	-
				Telecommunications service revenues	50,906	Note F	-
				Cost of telecommunications services	6,984	Note F	-
				General and administrative expenses	1,934	Note F	-
		KGEx.com Co., Ltd.	1	Nonoperating income and gains	22	Note F	-
				Payables to related parties	26,319	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	General and administrative expenses	35,211	Note F	-
				Receivables from related parties	4,210	Note F	-
Yuan Cing Co., Ltd.	1	Payables to related parties	1,719	Note F	-		
		General and administrative expenses	36	Note F	-		
Q-ware Communications Co., Ltd.	1	Management service revenue	87	Note F	-		
		Receivables from related parties	20,956	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)
		ADCast Interactive Marketing Co., Ltd.	1	Receivables from related parties Payables to related parties Marketing expenses General and administrative expenses Management service revenue	\$ 1,746 7,077 6,272 37 27	Note F Note F Note F Note F Note F	- - - - -
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties Inventories Payables to related parties Unearned revenues Telecommunications service revenues Cost of telecommunications services Marketing expenses General and administrative expenses Nonoperating income and gains Nonoperating expenses and losses	712,514 1,238 528,334 3,470 317,056 756,749 9,939 3,428 846 416	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F	1% - 1% - 2% 5% - - - -
		ARCOA Communication Co., Ltd.	3	Receivables from related parties Payables to related parties Unearned revenues Other operating revenues Cost of sales Marketing expenses	5,248 25,145 17,900 12 1,805 12,206	Note F Note F Note F Note F Note F Note F	- - - - - -
		KGEx.com Co., Ltd.	3	Receivables from related parties Payables to related parties Telecommunications service revenues General and administrative expenses Management service revenue	20,009 6,491 13,107 9,302 495	Note F Note F Note F Note F Note F	- - - - -
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties General and administrative expenses	5,137 4,342	Note F Note F	- -
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties Inventories Payables to related parties Sales of cellular phone equipment and accessories, net Other operating revenues Cost of sales Cost of telecommunications services Nonoperating income and gains	233,812 56,512 178,271 763,170 87,588 339,207 62,868 17,328	Note F Note F Note F Note F Note F Note F Note F Note F	- - - 5% 1% 2% - -
		KG Telecommunications Co., Ltd.	3	Receivables from related parties Inventories Payables to related parties Sales of cellular phone equipment and accessories, net Other operating revenues Cost of sales	25,145 17,900 5,248 26,658 10,428 23,087	Note F Note F Note F Note F Note F Note F	- - - - - -
		Yuan Cing Co., Ltd.	3	Payables to related parties	1,387	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)
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	\$ 3,270	Note F	-
				Payables to related parties	36,899	Note F	-
				Telecommunications service revenues	6,984	Note F	-
		KG Telecommunications Co., Ltd.	3	Cost of telecommunications services	50,906	Note F	-
				Nonoperating expenses and losses	22	Note F	-
				Other operating revenues	1,934	Note F	-
				Receivables from related parties	6,491	Note F	-
				Payables to related parties	20,009	Note F	-
				Cost of telecommunications services	13,107	Note F	-
Q-ware communications Co., Ltd.	3	Other operating revenues	9,302	Note F	-		
		General and administrative expenses	495	Note F	-		
		Receivables from related parties	797	Note F	-		
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Telecommunications service revenues	2,258	Note F	-
				Receivables from related parties	26,319	Note F	-
		KG Telecommunications Co., Ltd.	3	Other operating revenues	35,211	Note F	-
				Receivables from related parties	5,137	Note F	-
5	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Other operating revenues	4,342	Note F	-
				Payables to related parties	1,719	Note F	-
				General and administrative expenses	4,210	Note F	-
		ARCOA communications Co., Ltd.	3	Other operating revenues	36	Note F	-
				Receivables from related parties	87	Note F	-
6	Q-ware Communications Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	General and administrative expenses	1,387	Note F	-
				Payables to related parties	20,956	Note F	-
		KGEx.com Co., Ltd	3	General and administrative expenses	2,803	Note F	-
				Payables to related parties	797	Note F	-
7	ADCast Interactive Marketing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Cost of telecommunications services	2,258	Note F	-
				Receivables from related parties	7,077	Note F	-
				Payables to related parties	1,746	Note F	-
				Other operating revenues	6,309	Note F	-
				General and administrative expenses	27	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)
0	<u>Three months ended March 31, 2008</u>						
	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
		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
				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	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Nonoperating income and gains	1	Note F	-
				Payables to related parties	27,614	Note F	-
		Far EasTron Co., Ltd.	1	General and administrative expenses	40,677	Note F	-
				Receivables from related parties	3,109	Note F	-
		Yuan Cing Co., Ltd.	1	Payables to related parties	504	Note F	-
				Receivables from related parties	3,726	Note F	-
Payables to related parties	3,980			Note F	-		
Q-ware Communications Co., Ltd.	1	General and administrative expenses	1,097	Note F	-		
		Management service revenue	329	Note F	-		
		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	-
		ARCOA Communication Co., Ltd.	3	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	-
				Receivables from related parties	25,026	Note F	-
				Inventories	115	Note F	-
				Payables to related parties	70,178	Note F	-
KGEx.com Co., Ltd.	3	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	-		
		Receivables from related parties	58,095	Note F	-		
		Payables to related parties	7,202	Note F	-		
		Telecommunications service revenues	19,877	Note F	-		
Far Eastern Tech-Info Ltd. (Shanghai)	3	General and administrative expenses	9,114	Note F	-		
		Management service revenue	3,863	Note F	-		
		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	-
		KG Telecommunications Co., Ltd.	3	Nonoperating income and gains	28,864	Note F	-
				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	-		

(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)
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	-
		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
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	-

(Continued)

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".

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

1. From the parent company to its subsidiary.
2. From a subsidiary to its parent company.
3. Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2009 and 2008; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2009 and 2008.

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, 2009 and 2008.

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

(Concluded)