Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2009 and 2008 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") and subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six 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 audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of June 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

July 27, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 5 and 29)	$ 11,294,148	13	$ 9,547,515	10
Available-for-sale financial assets - current (Notes 2, 6 and 29)	2,750,638	3	1,390,810	2
Bonds measured at amortized cost - current (Notes 2 and 7)	3,000	-	3,000	-
Accounts and notes receivable, net (Notes 2 and 8)	6,262,274	7	6,422,294	7
Receivables from related parties, net (Notes 2 and 28)	307,575	-	64,505	-
Hedging derivative financial assets - current (Notes 2 and 27)	520	-	351	-
Inventories, net (Notes 2 and 9)	800,914	1	787,796	1
Prepaid expenses	583,407	1	653,540	1
Deferred income tax assets - current (Notes 2 and 24)	483,356	-	751,900	1
Pledged certificates of deposits - current (Note 30)	25,077	-	42,000	-
Restricted assets (Note 2)	-	-	260,293	-
Other current assets (Notes 8 and 29)	79,827	-	258,650	-
Total current assets	22,590,736	25	20,182,654	22
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 10)	6,286,451	7	6,344,873	7
Financial assets carried at cost - noncurrent (Notes 2 and 11)	180,461	-	267,970	-
Total long-term investments	6,466,912	7	6,612,843	7
PROPERTIES (Notes 2, 12 and 30)				
Cost				
Land	1,473,588	2	1,467,746	2
Buildings and equipment	2,976,961	3	2,913,751	3
Operating equipment	108,283,526	120	104,460,243	113
Computer equipment	16,583,148	19	15,315,320	17
Office equipment	1,039,971	1	1,002,977	1
Leasehold improvements	1,839,377	2	1,727,860	2
Miscellaneous equipment	494,079	1	495,445	-
Total cost	132,690,650	148	127,383,342	138
Less: Accumulated depreciation	94,361,842	105	84,759,935	92
	38,328,808	43	42,623,407	46
Construction-in-progress and prepayments for equipment	3,579,067	4	3,190,633	4
Net properties	41,907,875	47	45,814,040	50
INTANGIBLE ASSETS				
Goodwill, net (Notes 2 and 13)	10,567,429	12	10,596,625	12
3G concession, net (Notes 1, 2 and 14)	6,941,712	7	7,672,419	8
Total intangible assets	17,509,141	19	18,269,044	20
OTHER ASSETS				
Rental assets, net (Notes 2 and 15)	227,355	-	224,609	-
Idle properties, net (Note 2)	272,165	-	304,572	-
Refundable deposits (Note 28)	376,922	1	397,024	1
Deferred charges, net (Note 2)	132,637	-	186,598	-
Deferred income tax assets - noncurrent (Notes 2 and 24)	-	-	44,948	-
Pledged certificates of deposits - noncurrent (Note 30)	409,164	1	18,250	-
Other	10,655	-	9,189	-
Total other assets	1,428,898	2	1,185,190	1
TOTAL	$ 89,903,562	100	$ 92,063,771	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 30)	$ 450,500	1	$ 384,500	-
Commercial paper payable (Note 17)	-	-	29,947	-
Notes payable	42,934	-	57,479	-
Accounts payable	2,464,117	3	2,742,966	3
Payables to related parties (Note 28)	352,166	1	303,756	-
Income tax payable (Note 2)	1,685,337	2	1,975,271	2
Accrued expenses (Note 18)	3,667,578	4	3,246,008	4
Dividends payable (Note 23)	9,123,802	10	10,101,353	11
Payables for acquisition of properties	933,058	1	1,463,998	2
Guarantee deposits received - current	649,850	1	774,690	1
Unearned revenues (Note 2)	1,165,761	1	1,039,351	1
Current portion of long-term bonds payable (Note 19)	-	-	1,200,000	1
Current portion of long-term bank loans (Notes 20 and 30)	238,095	-	38,095	-
Lease payable - current (Notes 2, 21 and 28)	8,369	-	8,469	-
Other current liabilities (Notes 2)	303,384	-	409,984	1
Total current liabilities	21,084,951	24	23,775,867	26
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Long-term bank loans (Notes 20 and 30)	-	-	38,095	-
Lease payable - noncurrent (Notes 2, 21 and 28)	-	-	8,369	-
Total long-term liabilities	-	-	46,464	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 22)	353,499	-	326,056	-
Guarantee deposits received - noncurrent	127,187	-	115,986	-
Deferred income tax liabilities - noncurrent (Notes 2 and 24)	50,163	-	-	-
Deferred revenue (Note 2)	433,863	1	405,620	1
Other (Notes 2 and 10)	97,293	-	-	-
Total other liabilities	1,062,005	1	847,662	1
Total liabilities	22,146,956	25	24,669,993	27
FAR EASTONE'S EQUITY				
Capital stock - NT$10.00 par value; authorized - 4,200,000 thousand shares; issued and outstanding - 3,258,501 thousand shares	32,585,008	36	32,585,008	35
Capital surplus				
Additional paid-in capital - share issuance in excess of par value	10,964,702	12	10,964,702	12
From business combination	8,482,381	10	8,482,381	9
From long-term equity-method investments	40,266	-	40,187	-
Total capital surplus	19,487,349	22	19,487,270	21
Retained earnings				
Legal reserve	9,066,992	10	8,050,917	9
Special reserve	21,740	-	-	-
Unappropriated earnings	5,642,475	6	6,250,407	7
Total retained earnings	14,731,207	16	14,301,324	16
Other adjustments				
Cumulative translation adjustments	28,647	-	10,989	-
Unrealized gains (losses) on financial instruments	45,482	-	(1,602)	-
Total other adjustments	74,129	-	9,387	-
Total controlling interest of Far EasTone	66,877,693	74	66,382,989	72
MINORITY INTEREST	878,913	1	1,010,789	1
Total stockholders' equity	67,756,606	75	67,393,778	73
TOTAL	$ 89,903,562	100	$ 92,063,771	100

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 28)				
Sales of cellular phone equipment and accessories, net	$ 2,583,877	9	$ 2,955,653	9
Telecommunications service revenues	27,118,874	90	28,598,878	90
Other	226,392	1	154,743	1
Total operating revenues	29,929,143	100	31,709,274	100
OPERATING COSTS (Notes 2, 9, 25 and 28)				
Cost of sales	2,996,083	10	3,187,964	10
Cost of telecommunications services	13,615,469	46	13,504,176	43
Other	123,143	-	116,685	-
Total operating costs	16,734,695	56	16,808,825	53
GROSS PROFIT	13,194,448	44	14,900,449	47
OPERATING EXPENSES (Notes 2, 25 and 28)				
Marketing	5,056,657	17	5,007,464	16
General and administrative	2,083,246	7	2,558,491	8
Research and development	48,230	-	89,375	-
Total operating expenses	7,188,133	24	7,655,330	24
OPERATING INCOME	6,006,315	20	7,245,119	23
NONOPERATING INCOME AND GAINS				
Gain from sale of financial assets, net (Note 2)	91,696	1	-	-
Government grant (Note 2)	42,817	-	33,849	-
Interest	28,749	-	104,655	-
Rent	15,148	-	14,305	-
Equity in investees' net gains (Notes 2 and 10)	13,849	-	-	-
Management services revenue (Note 28)	12,621	-	-	-
Other	52,334	-	77,413	-
Total nonoperating income and gains	257,214	1	230,222	-

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	$ 167,498	1	$ 89,680	-
Interest (Notes 2 and 10)	13,487	-	9,877	-
Equity in investees' net losses (Notes 2 and 10)	-	-	409,469	2
Loss from sale of financial assets, net (Note 2)	-	-	64,780	-
Impairment loss (Note 2)	-	-	24,091	-
Other (Note 25)	21,848	-	30,961	-
Total nonoperating expenses and losses	202,833	1	628,858	2
COMBINED INCOME BEFORE INCOME TAX	6,060,696	20	6,846,483	21
INCOME TAX (Notes 2 and 24)	1,503,089	5	1,698,801	5
COMBINED NET INCOME	$ 4,557,607	15	$ 5,147,682	16
ATTRIBUTABLE TO:				
Controlling interest	$ 4,609,424	15	$ 5,216,486	16
Minority interest	(51,817)	-	(68,804)	-
	$ 4,557,607	15	$ 5,147,682	16

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 26)				
Basic	$ 1.91	$ 1.41	$ 2.00	$ 1.57
Diluted	$ 1.91	$ 1.41	$ 2.00	$ 1.57

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Capital Stock Issued and Outstanding (Note 23)		Capital Surplus (Notes 2 and 23)			Retained Earnings (Notes 2, 4 and 23)			Other Adjustments				
	Shares (Thousands)	Amount	Additional Paid-in Capital - From Share Issuance in Excess of Par Value	From Business Combination	From Long-term Equity-method Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Notes 2 and 23)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 23)	Controlling Interest of Far EasTone	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2009	3,258,501	$ 32,585,008	$10,964,702	$ 8,482,381	$ 40,266	$ 8,050,917	$ -	$ 11,194,668	$ 28,464	$ (50,204)	$ 71,296,202	$ 945,101	$ 72,241,303
Acquisition of ARCOA's capital stock in 2009	-	-	-	-	-	-	-	-	-	-	-	(14,306)	(14,306)
Appropriation of the 2008 earnings (Note)													
Legal reserve	-	-	-	-	-	1,016,075	-	(1,016,075)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	21,740	(21,740)	-	-	-	-	-
Cash dividend - NT$2.8 per share	-	-	-	-	-	-	-	(9,123,802)	-	-	(9,123,802)	-	(9,123,802)
Combined net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	4,609,424	-	-	4,609,424	(51,817)	4,557,607
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	350	350	-	350
Changes in subsidiary's unrealized gain on financial assets	-	-	-	-	-	-	-	-	-	95,336	95,336	(65)	95,271
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	183	-	183	-	183
BALANCE, JUNE 30, 2009	3,258,501	$ 32,585,008	$10,964,702	$ 8,482,381	$ 40,266	$ 9,066,992	$ 21,740	$ 5,642,475	$ 28,647	$ 45,482	$ 66,877,693	$ 878,913	$ 67,756,606
BALANCE, JANUARY 1, 2008	4,033,033	$ 40,330,334	$10,964,702	$ 8,482,381	$ 40,187	$ 6,888,973	$ 44,832	$ 12,567,456	$ 11,826	$ 3,309	$ 79,334,000	$ 1,081,156	$ 80,415,156
Acquisition of KGEx.com's capital stock in 2008	-	-	-	-	-	-	-	-	-	-	-	(1,414)	(1,414)
Capital reduction - NT$1.9204715 per share	(774,532)	(7,745,326)	-	-	-	-	-	-	-	-	(7,745,326)	-	(7,745,326)
Appropriation of the 2007 earnings													
Legal reserve	-	-	-	-	-	1,161,944	-	(1,161,944)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(44,832)	44,832	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(210,047)	-	-	(210,047)	-	(210,047)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(105,023)	-	-	(105,023)	-	(105,023)
Cash dividend - NT$3.1 per share	-	-	-	-	-	-	-	(10,101,353)	-	-	(10,101,353)	-	(10,101,353)
Combined net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	5,216,486	-	-	5,216,486	(68,804)	5,147,682
Changes in subsidiary's unrealized loss on financial assets	-	-	-	-	-	-	-	-	-	(21,375)	(21,375)	(138)	(21,513)
Changes in unrealized gain on cash flow hedge	-	-	-	-	-	-	-	-	-	16,464	16,464	-	16,464
Translation adjustments on long-term equity-method investments	-	-	-	-	-	-	-	-	(837)	-	(837)	(11)	(848)
BALANCE, JUNE 30, 2008	3,258,501	$ 32,585,008	$10,964,702	$ 8,482,381	$ 40,187	$ 8,050,917	$ -	$ 6,250,407	$ 10,989	$ (1,602)	$ 66,382,989	$ 1,010,789	$ 67,393,778

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	$ 4,557,607	$ 5,147,682
Depreciation and amortization	5,531,259	5,450,310
Amortization of 3G concession	365,353	365,353
Allowance for doubtful accounts	148,609	388,816
Loss on disposal of deferred charges	3,123	6,815
Provision (reversal of provision) for loss on decline in value of inventories	1,259	(20,003)
Loss (gain) on sale of financial assets, net	(91,696)	64,780
Equity in investees' net losses (gains)	(13,849)	409,469
Provision for impairment loss	-	24,091
Loss on disposal of properties, net	167,498	89,680
Accrued pension cost	7,171	11,252
Deferred income taxes	273,980	(269,095)
Net changes in operating assets and liabilities		
Accounts and notes receivable	(229,876)	(304,209)
Receivables from related parties	(92,712)	(25,248)
Inventories	50,494	(96,953)
Prepaid expenses	112,482	53,620
Other current assets	172,638	16,080
Notes payable	(40,890)	(27,386)
Accounts payable	(210,893)	22,028
Payables to related parties	9,019	101,773
Income tax payable	(487,969)	410,252
Accrued expenses	168,577	(410,227)
Unearned revenues	11,635	39,990
Other current liabilities	40,457	21,681
Net cash provided by operating activities	10,453,276	11,470,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,677,497)	(2,699,426)
Proceeds of the disposal of available-for-sale financial assets	836,049	2,656,929
Acquisition of equity-method investment	(329,946)	(3,652)
Acquisition of properties	(3,265,945)	(2,785,826)
Proceeds of the disposal of properties	4,717	15,868
Decrease in refundable deposits	32,441	12,877
Increase in deferred charges	(1,258)	(26,145)
Increase in pledged certificates of deposits	(399,077)	(2,939)
Decrease (increase) in restricted assets	72,446	(147,034)
Decrease in other assets	114	51
Net cash used in investing activities	(4,727,956)	(2,979,297)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans, net	$ (1,238,950)	$ 115,285
Increase (decrease) in commercial paper payable	(379,964)	29,947
Repayment of bonds payable	-	(1,470,000)
Repayment of long-term liabilities	(19,048)	(19,048)
Decrease in guarantee deposits received	(54,817)	(59,015)
Bonus paid to employees	-	(210,047)
Increase in deferred revenue	35,919	138,395
Decrease in minority interest	(9,826)	(1,406)
Capital reduction	-	(7,745,326)
Net cash used in financing activities	(1,666,686)	(9,221,215)
EFFECT OF EXCHANGE RATE CHANGES	(358)	(837)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,058,276	(730,798)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,235,872	10,278,313
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,294,148	$ 9,547,515
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 20,218	$ 32,008
Less: Interest capitalized	3,857	18,857
Interest paid, net of capitalized interest	$ 16,361	$ 13,151
Income tax paid	$ 1,977,459	$ 1,557,644
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 246,464	$ 1,246,564
Reclassification of idle properties to rental assets and properties	$ 15,926	$ -
Reclassification of properties to deferred charges	$ 10,110	$ 100,152
Declaration of cash dividend	$ 9,123,802	$ 10,101,353
Reclassification of credit balance of long-term investments to other liabilities - other	$ 153	$ -
Declaration of bonus to employees and remuneration to directors and supervisors	$ -	$ 105,093
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 2,195,223	$ 2,486,606
Decrease in payables for acquisition of properties	1,056,537	258,990
Decrease in lease payable	8,385	40,230
Decrease in other current liabilities	5,800	-
Cash paid for acquisition of properties	$ 3,265,945	$ 2,785,826

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2009	2008
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	$ 3,006	$ 21,509
Decrease in receivables from properties sold	226	923
Decrease (increase) in receivables from related parties	1,485	(6,564)
Cash received from the disposal of properties	$ 4,717	$ 15,868

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("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 June 30, 2009, Far Eastern Textile Co., Ltd. ("Far Eastern Textile") and its affiliates directly and indirectly owned 41.40% 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 the 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 4,884 and 4,696 employees as of June 30, 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;

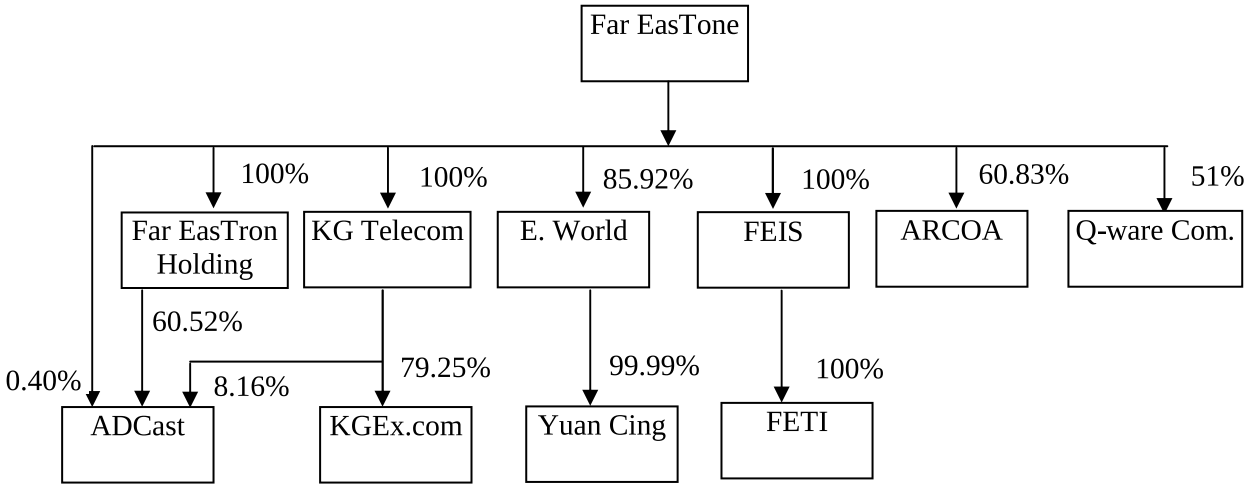
b. Share capital, retained earnings and/or accumulated deficit at their historical exchange rates; and

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 June 30, 2009 are shown below:



a. Entities included in the consolidated financial statements as of and for the six months ended June 30, 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, and as of July 27, 2009, the date of the accompanying auditors’ report, the National Communications Commission’s approval of this merger was being awaited.

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 from July 2006 to July 2013 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 June 30, 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 September 30, 2008 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 and Far EasTron Holding) as of and for the six months ended June 30, 2009 and 2008 were unaudited. The financial statements of ADCast as of and for the six months ended June 30, 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 six months ended June 30, 2008 were unaudited 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 six 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 Far EasTone 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.

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

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 domestic private 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.

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

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48-55
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.

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

Deferral of Unrealized Intercompany Profit

The entire gains or losses from 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 or loss if the changes in fair value are 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 and KG Telecom were for cash flow hedge purposes. Under the cash flow hedge, the gains or losses from the changes in fair values on the hedging instruments are recognized under stockholders' equity and are recognized as current income if the hedged forecast transaction affects net gains or losses. If hedging would give rise to a nonfinancial asset or liability, the gains or losses will be recognized as adjustments to the original cost or carrying amount of the hedged asset or liability. If recognized adjustments to stockholders' equity resulted in irreversible losses, these losses should be immediately charged to current income.

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

KG Telecom used cross-currency swap contracts to hedge against the effect of exchange rate fluctuations of foreign-currency denominated assets.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2008 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the six months ended June 30, 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 six months ended June 30, 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)

	Six Months Ended June 30, 2008
Current assets	$ 20,226,818
Properties, net	45,815,089
Current liabilities	23,783,535
Operating revenue	31,717,223
Income before income tax	6,844,887
Net income	5,146,086
EPS	1.57

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 $111,717 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 six months ended June 30, 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 six months ended June 30, 2009.

5. CASH AND CASH EQUIVALENTS

	June 30	
	2009	**2008**
Cash		
Cash on hand	$ 7,089	$ 6,900
Checking deposits	6,872	16,923
Demand deposits	2,789,265	1,082,249
Certificates of deposits - interest of 0.11-2.71% in 2009 and 2.12%-2.675% in 2008	3,238,000	1,204,256
	6,041,226	2,310,328
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 0.125%-0.15% in 2009 and 1.97%-2.04% in 2008	4,682,878	4,907,500
Bonds purchased under resell agreements - interest of 0.11%-0.15% in 2009 and 1.72%-1.77% in 2008	570,044	2,329,687
	5,252,922	7,237,187
	$ 11,294,148	$ 9,547,515

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

	June 30	
	2009	**2008**
Belgium (US$645 thousand in 2009 and US$752 thousand in 2008)	$ 21,162	$ 22,816
Hong Kong (US$3 thousand in 2009 and US$10 thousand in 2008)	98	303
	$ 21,260	$ 23,119

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	June 30 2009	June 30 2008
Domestic quoted stocks	$ 216,890	$ 172,711
Open-end mutual funds	2,205,568	1,218,099
Private funds	328,180	-
	$ 2,750,638	$ 1,390,810

7. BONDS CARRIED AT AMORTIZED COST - CURRENT

	June 30 2009	June 30 2008
Bond - Ta Chong Commercial Bank	$ 3,000	$ 3,000

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

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	June 30 2009	June 30 2008
Accounts and notes receivable	$ 6,937,805	$ 7,314,573
Less: Allowance for doubtful accounts	(675,531)	(892,279)
	$ 6,262,274	$ 6,422,294

The change in allowance for doubtful accounts was as follows:

	Six Months Ended June 30			
	2009		2008	
	Accounts Receivable	Other Receivables (Included in Other Current Assets)	Accounts Receivable	Other Receivables (Included in Other Current Assets)
Beginning balance	$ 866,639	$ 2,090	$ 902,445	$ 2,090
Deduct: Bad debts written off	(517,018)	(1,510)	(520,634)	-
Add: Collection after write-off	177,301	-	121,652	-
Accrual of bad debt expenses	148,609	-	388,816	-
	$ 675,531	$ 580	$ 892,279	$ 2,090

9. INVENTORIES, NET

	June 30	
	2009	2008
Cellular phone equipment	$ 595,106	$ 678,173
Cellular phone accessories	24,100	31,797
SIM cards and prepaid cards	13,864	28,344
Others	167,844	49,482
	$ 800,914	$ 787,796

Allowances for losses were $59,257 thousand and $59,915 thousand as of June 30, 2009 and 2008, respectively.

Costs of inventories sold were $2,996,083 thousand and $3,187,964 thousand for the six months ended June 30, 2009 and 2008, respectively. Loss on decline in value of inventories amounting to $1,259 thousand was included in the cost of sales for the six months ended June 30, 2009; reversal of provision for loss on decline in value of inventories, amounting to $20,003 thousand for the six months ended June 30, 2008, was reclassified to the reduction of the cost of sales.

10. EQUITY-METHOD INVESTMENTS

	June 30			
	2009		2008	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Common stocks with no quoted market prices				
New Century InfoComm Tech Co., Ltd.	$ 5,933,059	26.57	$ 5,775,189	24.51
Far Eastern Electronic Toll Collection Co., Ltd.	323,306	41.18	525,014	41.18
iScreen Corporation	30,086	40.00	28,069	40.00
Ding Ding Integrated Marketing Service Co., Ltd.	(153)	15.00	13,260	15.00
ADCast Interactive Marketing Co., Ltd.	-	-	3,341	20.87
	6,286,298		6,344,873	
Credit balance on carrying values of long-term investments reclassified to other liabilities - other	153		-	
	$ 6,286,451		$ 6,344,873	

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

Far EasTone issued 100,637,444 and 59,732,926 common shares to exchange for 615,178,755 and 365,136,728, respectively, of NCIC’s common shares after NCIC’s capital reduction from Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited on December 31, 2007 (the record date of the share swap). The ratio for this share swap was 1:6.11282174. The share swap was approved by the Financial Supervisory Commission under the Executive Yuan on December 26, 2007 and registered with the MOEA on January 14, 2008. After the share swap, Far EasTone acquired about 24.51% of NCIC’s issued shares. As of June 30, 2009, Far EasTone owned 26.57% (1,062,748 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:

	Six Months Ended June 30			
	2009		2008	
	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
New Century InfoComm Tech Co., Ltd.	$ 140,582	$ 103,848	$ (1,451,972)	$ (286,811)
Far Eastern Electronic Toll Collection Co., Ltd.	(207,445)	(85,423)	(291,259)	(119,842)
iScreen Corporation	3,302	1,321	3,622	1,535
Ding Ding Integrated Marketing Services Co., Ltd.	(44,120)	(5,897)	(34,313)	(4,040)
ADCast Interactive Marketing Co., Ltd.	-	-	(1,907)	(311)
		$ 13,849		$ (409,469)

The Group owned only 20.87% of ADCast's common stock as of June 30, 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%.

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

The bases for calculating the carrying values of investments were the equity-method investees' financial statements as of and for the six months ended June 30, 2009 and 2008, which were unaudited, except those of NCIC and FETC.

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

For the six months ended June 30, 2009 and 2008, the changes in the difference between investment cost and the Group's equity in its investees' net assets were as follows:

	Six Months Ended June 30	
	2009	2008
	Amortizable Assets	Amortizable Assets
Beginning balance	$ (808,673)	$ (924,029)
Increase	(196,121)	-
Decrease	67,021	57,678
Ending balance	$ (937,773)	$ (866,351)

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	June 30	
	2009	2008
Domestic unlisted common stock		
THI Consultants Inc.	$ 13,729	$ 13,729
VIBO Telecom Inc.	8,400	8,400
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	-	87,509
	$ 180,461	$ 267,970

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:

	Six Months Ended June 30, 2009					
		Movement				
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Cumulative Translation Adjustments	Ending Balance
Cost						
Land	$ 1,473,588	$ -	$ -	$ -	$ -	$ 1,473,588
Buildings and equipment	2,935,661	267	4,616	45,649	-	2,976,961
Operating equipment	106,295,730	115,723	475,016	2,347,089	-	108,283,526
Computer equipment	15,770,006	1,280	12,636	824,520	(22)	16,583,148
Office equipment	998,804	-	317	41,573	(89)	1,039,971
Leasehold improvements	1,736,987	-	521	102,911	-	1,839,377
Miscellaneous equipment	496,817	317	3,055	-	-	494,079
	129,707,593	$ 117,587	$ 496,161	$ 3,361,742	$ (111)	132,690,650
Accumulated depreciation						
Buildings and equipment	1,020,177	$ 46,964	$ 4,616	$ -	$ -	1,062,525
Operating equipment	72,444,975	4,561,349	312,346	77	-	76,694,055
Computer equipment	13,204,592	740,767	12,567	-	(41)	13,932,751
Office equipment	880,293	19,705	296	-	(128)	899,574
Leasehold improvements	1,380,762	54,047	476	-	-	1,434,333
Miscellaneous equipment	307,634	33,928	2,958	-	-	338,604
	89,238,433	$ 5,456,760	$ 333,259	$ 77	$ (169)	94,361,842
	40,469,160					38,328,808
Construction-in-progress and prepayments for equipment	4,880,523	$ 2,077,636	$ 7,602	$ (3,371,490)	$ -	3,579,067
	$ 45,349,683					$ 41,907,875

	Six Months Ended June 30, 2008					
		Movement				
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Cumulative Translation Adjustments	Ending Balance
Cost						
Land	$ 1,467,746	$ -	$ -	$ -	$ -	$ 1,467,746
Buildings and equipment	2,888,046	6,379	-	19,326	-	2,913,751
Operating equipment	102,139,535	109,897	314,660	2,525,471	-	104,460,243
Computer equipment	14,960,798	1,972	47,543	400,162	(69)	15,315,320
Office equipment	1,001,385	17	1,140	3,055	(340)	1,002,977
Leasehold improvements	1,709,137	57	20,950	39,616	-	1,727,860
Miscellaneous equipment	497,949	4,629	6,960	(173)	-	495,445
	124,664,596	$ 122,951	$ 391,253	$ 2,987,457	$ (409)	127,383,342
Accumulated depreciation						
Buildings and equipment	903,859	$ 60,124	$ -	$ -	$ -	963,983
Operating equipment	64,537,629	4,499,992	243,359	511	-	68,794,773
Computer equipment	11,870,126	704,592	34,167	(1,803)	(30)	12,538,718
Office equipment	843,637	21,112	1,071	-	(205)	863,473
Leasehold improvements	1,268,266	69,184	13,800	-	-	1,323,650
Miscellaneous equipment	248,021	34,714	6,938	(459)	-	275,338
	79,671,538	$ 5,389,718	$ 299,335	$ (1,751)	$ (235)	84,759,935
	44,993,058					42,623,407
Construction-in-progress and prepayments for equipment	3,935,609	$ 2,363,655	$ 19,271	$ (3,089,360)	$ -	3,190,633
	$ 48,928,667					$ 45,814,040

b. Capitalized interest on properties was as follows:

	Six Months Ended June 30	
	2009	2008
Total interest expense	$ 17,344	$ 28,734
Less: Interest capitalized (included in construction-in-process and prepayments for equipment)	3,857	18,857
Interest expense, net of amounts capitalized	$ 13,487	$ 9,877
Interest rate capitalized	1.56%	1.56%-2.09%

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 June 30, 2009, there were no significant changes showing that goodwill was impaired.

14. INTANGIBLE ASSETS - 3G CONCESSION, NET

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

15. RENTAL ASSETS, NET

	Six Months Ended June 30							
	2009				2008			
	Beginning Balance	Addition	Reclassification	Ending Balance	Beginning Balance	Addition	Reclassification	Ending Balance
Cost								
Land	$ 124,789	$ -	$ 15,555	$ 140,344	$ 130,631	$ -	$ -	$ 130,631
Buildings and equipment	107,797	-	145	107,942	113,260	-	-	113,260
	232,586	$ -	$ 15,700	248,286	243,891	$ -	$ -	243,891
Accumulated depreciation								
Buildings and equipment	14,019	$ 1,083	$ 59	15,161	12,355	$ 1,157	$ -	13,512
	218,567			233,125	231,536			230,379
Accumulated impairment	5,770	$ -	$ -	5,770	5,770	$ -	$ -	5,770
Rental assets, net	$ 212,797			$ 227,355	$ 225,766			$ 224,609

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

Year	Amount
From July 1, 2009 to December 31, 2009	$ 5,367
2010	10,798
2011	7,296

16. SHORT-TERM BANK LOANS

	June 30	
	2009	2008
Secured bank loans - interest of 1.65% in 2009 and 2.73% in 2008	$ 305,500	$ 291,500
Unsecured bank loans - interest of 1.03%-2.16% in 2009 and 2.68%-2.78% in 2008	145,000	93,000
	$ 450,500	$ 384,500

17. COMMERCIAL PAPER PAYABLE

Q-ware Com. issued the commercial paper guaranteed by the financial institution, which were discounted at interest rate of 2.688% as of June 30, 2008, and was fully repaid on July 25, 2008.

18. ACCRUED EXPENSES

	June 30	
	2009	2008
Commission	$ 1,765,756	$ 1,448,005
Bonus	493,525	322,244
Maintenance fee	235,957	182,813
Bonus to employees and remuneration to directors and supervisors	215,683	148,956
Utilities	118,606	156,109
Advertisement	89,388	124,859
Billing processing fee	77,090	67,836
Other	671,573	795,186
	$ 3,667,578	$ 3,246,008

19. BONDS PAYABLE

	June 30, 2008		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 3rd - Far EasTone	$ 1,200,000	$ -	$ 1,200,000

Three-year, four-year and five-year domestic unsecured bonds were issued at par value on December 12, 2003. The total face value of the bonds is $3,000,000 thousand, with a face value of $5,000 thousand and annual interest rates of 1.83% (three-year bonds) and 1.92% (four-year bonds). The interest rate for five-year bonds is 5.2% minus USD six-month LIBOR rate if the LIBOR rate is greater than 1.05%; otherwise, the interest is at the LIBOR rate plus 1%, payable semiannually. 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

	June 30, 2009		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	$ 38,095	$ -	$ 38,095
Unsecured bank loan - Q-ware Com.	200,000	-	200,000
	$ 238,095	$ -	$ 238,095
	June 30, 2008		
Secured bank loans - KGEx.com	$ 38,095	$ 38,095	$ 76,190

a. Secured bank loan - KGEx.com

KGEx.com obtained a secured bank loan at interest rates of 1.80% and 2.74% as of June 30, 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%-3.15% as of June 30, 2009, payable monthly. Q-ware Com. should repay the full amount on loan maturity by December 2009.

21. LEASE PAYABLE

	June 30	
	2009	2008
Total future lease payments	$ 9,695	$ 20,823
Less: Imputed interest expense	1,326	3,985
	8,369	16,838
Less: Current portion of lease payable	8,369	8,469
Lease payable - noncurrent	$ -	$ 8,369

The capital lease contracts are summarized as follows:

Lessor	Properties	Payment Terms	Rental Paid Six Months Ended June 30 2009	2008
Far Eastern International Leasing Corp. - Far EasTone	Computer equipment	July 2004-June 2009; annual payment of $15,414 thousand (equipment were transferred unconditionally to Far EasTone on contract expiry)	$ -	$ 15,414
Far Eastern International Leasing Corp. - Far EasTone	Computer equipment	March 2006-February 2011; annual payment of $5,063 thousand	5,063	5,063
Far Eastern International Leasing Corp. - KG Telecom	Computer equipment	July 2004-June 2009; annual payment of $15,414 thousand (equipment were transferred unconditionally to KG Telecom contract expiry)	-	15,414
Far Eastern International Leasing Corp. - KG Telecom	Computer equipment	March 2006-February 2011 annual payment of $5,063 thousand	5,063	5,063
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	November 2005-October 2008 $16 thousand monthly (equipment were transferred unconditionally to KGEx.com on contract expiry)	-	96
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	September 2006-August 2009 $5 thousand monthly	30	30
Taiwan Telecommunication Network Services Co., Ltd. - KGEx.com	Computer equipment	July 2005-June 2008 $55 thousand monthly (equipment were transferred unconditionally to KGEx.com on contract expiry)	-	330
			$ 10,156	$ 41,410

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 $75,599 thousand and $69,458 thousand for the six months ended June 30, 2009 and 2008, respectively. FETI, under its government's regulations, had recognized pension costs of $1,807 thousand and $1,651 thousand for the six months ended June 30, 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 $34,354 thousand and $30,259 thousand for the six months ended June 30, 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.

For the six months ended June 30, 2009 and 2008, the bonus to employees was $82,969 thousand and $99,304 thousand, respectively, and the remuneration to directors and supervisors was $41,485 thousand and $49,652 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, representing 2% and 1% of net income (net of bonus and remuneration) less 10% legal reserve and special reserve, respectively, were recognized for the six months ended June 30, 2009 and 2008, respectively. The amounts were estimated on the basis of past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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

Legal reserve shall be appropriated until it has reached 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 and 2007 earnings were approved by the stockholders on June 16, 2009 and June 5, 2008, respectively.

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

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

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

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of June 30, 2009 were as follows:

		GDRs (in Thousand Units)	Equivalent Common Stock (in Thousand Shares)
Initial offering	1)	10,000	150,000
Converted from overseas unsecured convertible bonds	2)	165	2,473
Net decrease due to capital increase or capital reduction	3)	(362)	(5,426)
Reissued within authorized units	4)	21,727	325,902
GDRs transferred to common stock		(30,493)	(457,389)
Outstanding GDRs issued		1,037	15,560

1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved 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 June 30, 2009, 165 thousand units of GDRs had been issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

3) In 2004, 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 June 30, 2009, Far EasTone had reissued 21,727 thousand units of GDRs representing 325,902 thousand common shares.

The owners of GDRs have the same rights as holders of common stock, except that the GDR owners should exercise, through a depositary trust company, the following beneficial interests subject to the terms of the 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. Share issuance for cash - private placement

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

f. Cumulative translation adjustments

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

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

g. Unrealized gains and losses on financial instruments

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

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

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:

	Six Months Ended June 30	
	2009	2008
Income tax expense computed at statutory tax (25% to 33%)	$ 1,446,003	$ 1,946,308
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses (gains)	91,593	(218,444)
Other	(12,906)	131,695
Temporary differences	(244,578)	269,095
Loss carryforwards used	(9,286)	-
Investment tax credits used	(106,034)	(145,687)
Unappropriated earnings tax (10%)	1,468	8,596
Income tax payable - current	1,166,260	1,991,563
Income tax expense on income subject to a separate rate of 20%	1,163	12,393
Prior year's adjustment	61,686	(36,060)
Income tax expense - current	$ 1,229,109	$ 1,967,896

b. Income tax expense consisted of:

	Six Months Ended June 30	
	2009	2008
Income tax expense - current	$ 1,229,109	$ 1,967,896
Income tax expense - deferred		
Temporary differences	273,980	(269,095)
	$ 1,503,089	$ 1,698,801

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.

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

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

	June 30	
	2009	2008
Current		
Deferred income tax assets		
Allowance for doubtful accounts	$ 476,920	$ 740,420
Provision for loss on decline in value of inventories	12,608	13,767
Investment tax credits	6,150	26,841
Loss carryforwards	-	53,341
Other	19,283	35,662
	514,961	870,031
Less: Valuation allowance	31,605	118,131
	$ 483,356	$ 751,900
Noncurrent		
Deferred income tax assets		
Loss carryforwards	$ 449,089	438,902
Equity in investees' net losses	585,476	600,959
Impairment loss on idle properties	115,467	144,334
Accrued pension cost	74,338	86,019
Depreciation resulting from the differences in estimated service lives of properties	16,738	73,251
Investment tax credits	4,150	9,322
Impairment loss on financial assets	2,698	3,372
Other	15,837	20,755
	1,263,793	1,376,914
Less: Valuation allowance	760,938	837,589
	502,855	539,325
Deferred income tax liabilities		
Goodwill amortization	(553,018)	(494,377)
	$ (50,163)	$ 44,948

d. Integrated income tax information was as follows:

	June 30	
	2009	**2008**
Balance of imputation credit account (ICA)		
Far EasTone	$ 3,285,700	$ 3,197,006
KG Telecom	$ 11,325	$ 21,298
ARCOA	$ 13,521	$ 11,862
Yuan Cing	$ 4,357	$ 1,940

Estimated ratio of the ICA balance for Far EasTone as of December 31, 2008 to unappropriated earnings as of such date was 29.35%. When the dividends from the unappropriated earnings as of December 31, 2007 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 1.12%. 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%.

When the dividends from the unappropriated earnings as of December 31, 2008 was distributed in 2009, the actual ratio ARCOA used was 33.33%. However, ARCOA had no unappropriated earnings as of December 31, 2007.

Yuan Cing, KGEx.com, Q-ware Com. and ADCast had no unappropriated earnings as of June 30, 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, except ARCOA. While the distribution ratios for the 2008 ARCOA's earnings appropriation and other's 2007 earnings appropriation had been determined, the actual ratios were disclosed.

e. Investment tax credits are as follows:

The unused investment tax credits of the Group as of June 30, 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	$ 487	$ 376	2010
	Personnel training expenses	420	420	2011
	Personnel training expenses	798	798	2012
	Purchase of automated equipment or technology	351	351	2012
	Purchase of automated equipment or technology	35	35	2013
		$ 2,091	$ 1,980	

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	$ 264	$ 2	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
		$ 8,318	$ 8,318	

f. The unused loss carryforwards of ARCOA, KGEx.com, ADCast and Q-ware Com. as of June 30, 2009 were as follows:

Year	Remaining Creditable Amount	Expiry Year
2003	$ 42,762	2013
2004	58,325	2014
2005	37,433	2015
2006	84,952	2016
2007	104,543	2017
2008	85,224	2018
2009	35,850	2019
	$ 449,089	

g. 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 2007 of ARCOA had been examined by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 and 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, Yuan Cing, KGEx.com and ADCast through 2007 had been examined and cleared by the tax authorities.

25. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2009				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 317,750	$ 1,224,450	$ -	$ 213,802	$ 1,756,002
Pension	27,064	71,128	-	13,568	111,760
Meal	8,072	36,673	-	4,638	49,383
Employee benefit	250	17,179	-	-	17,429
Insurance	26,539	91,330	-	13,967	131,836
Miscellaneous	1,876	14,321	-	218	16,415
	$ 381,551	$ 1,455,081	$ -	$ 246,193	$ 2,082,825
Depreciation	$ 4,947,411	$ 509,349	$ 9,321	$ -	$ 5,466,081
Amortization	$ 37,624	$ 27,554	$ -	$ -	$ 65,178

	Six Months Ended June 30, 2008				
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	$ 271,666	$ 1,257,448	$ -	$ -	$ 1,529,114
Pension	32,107	69,261	-	-	101,368
Meal	8,110	37,444	-	-	45,554
Employee benefit	564	35,597	-	-	36,161
Insurance	23,987	85,825	-	-	109,812
Miscellaneous	4,137	23,994	-	-	28,131
	$ 340,571	$ 1,509,569	$ -	$ -	$ 1,850,140
Depreciation	$ 4,825,243	$ 564,475	$ 9,401	$ -	$ 5,399,119
Amortization	$ 23,717	$ 27,474	$ -	$ -	$ 51,191

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)

	Amount (Numerator)		Common Stock (Denominator) (in Thousand Shares)	Earnings Per Share (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Six months ended June 30, 2009					
Basic EPS					
Net income - Far EasTone	$ 6,233,257	$ 4,609,424	3,258,501	$ 1.91	$ 1.41
Effect of dilutive potential common stock					
Bonus to employees	-	-	2,327		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	$ 6,233,257	$ 4,609,424	3,260,828	$ 1.91	$ 1.41
Six months ended June 30, 2008					
Basic EPS					
Net income - Far EasTone	$ 6,624,769	$ 5,216,486	3,318,079	$ 2.00	$ 1.57
Effect of dilutive potential common stock					
Bonus to employees	-	-	2,199		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	$ 6,624,769	$ 5,216,486	3,320,278	$ 2.00	$ 1.57

The Accounting Research and Development Foundation issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees, remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If 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

	June 30			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Available-for-sale financial assets - current	$ 2,750,638	$ 2,750,638	$ 1,390,810	$ 1,390,810
Bonds carried at amortized cost - current	3,000	3,000	3,000	3,000
Hedging derivative financial assets - current	520	520	351	351
Equity-method investments	6,286,451	6,286,451	6,344,873	6,344,873
Financial assets carried at cost - noncurrent	180,461	180,461	267,970	267,970
Refundable deposits	376,922	376,782	397,024	396,805
Liabilities				
Current portion of long-term bonds payable	-	-	1,200,000	1,200,000
Long-term bank loans (including current portion)	238,095	238,095	76,190	76,190
Lease payable (including current portion)	8,369	8,369	16,838	16,838
Guarantee deposits received (including current portion)	777,037	777,037	890,676	890,676
Other liabilities - other	153	153	-	-

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

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

2) If quoted market prices are available, these are used as fair values of derivative 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, equity-method investments and other liabilities – other with no quoted market prices will be measured by net worth of investees or their respective carrying values.

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

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

	Quoted Price June 30		Estimated Price June 30	
	2009	2008	2009	2008
Assets				
Available-for-sale financial assets - current	$ 2,750,638	$ 1,390,810	$ -	$ -
Hedging derivative financial assets - current	-	-	520	351

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

	June 30			
	2009		2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Risk from interest fluctuations				
Fair value risk	$ 6,832,194	$ 1,080,406	$ 7,873,639	$ 992,461
Cash flow risk	5,262,156	393,595	2,370,620	1,605,690

e. Financial risks

1) Market risk

For the six months ended June 30, 2008, Far EasTone used 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 fair values of mutual funds held by Far EasTone 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 Far EasTone, KG Telecom and ARCOA periodically evaluates the performance of these investments, market risk is expected to be immaterial.

In the six months ended June 30, 2009, KG Telecom used cross-currency swap contracts to hedge against the effect of exchange rate fluctuations. The gains or losses on the changes in fair values on these contracts will offset the results of the exchange rate fluctuations of the hedged items. Thus, market risk is expected to be immaterial.

2) Credit risk

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

3) Liquidity risk

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

Far EasTone invested in open-end mutual funds that have quoted price in an active market and can be sold immediately at prices close to their fair values. However, Far EasTone also possessed equity-method investments with no quoted prices in an active market; thus, it might face liquidity risk.

For the six months ended June 30, 2008, Far EasTone used 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.

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

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

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

4) Cash flow risk from interest rate fluctuations

The Group has partial 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 swaps to hedge against cash flow fluctuations on its liabilities and KG Telecom used cross-currency swaps to hedge against cash flow fluctuation on its assets:

	Designated Hedging Instruments						
		Notional Amount		Fair Value			Expected Year for
	Financial Instruments	June 30		June 30		Expected Year of	Realization of Gains or
Hedged Items	Designated	2008	2007	2008	2007	Cash Flows	Losses
Bonds with floating interest rate	Interest rate swap - Far EasTone	$ -	$ 1,200,000	$ -	$ 351	2003-2008	2003-2008
Foreign-currency denominated asset	Cross currency swap - KG Telecom	US$10,000,000	-	520	-	2009	2009

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 (became an unrelated party in July 2009)
Far Eastern International Leasing Corp. (FEILC)	Supervisor of Far EasTone

(Continued)

Related Party	Relationship with the Group
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
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
Far EasTone Fibertech Co., Ltd.	Same ultimate parent company
PET Far Eastern (Holding) Ltd.	Same ultimate parent company
F.E.D.P. (Holding) Ltd.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Ming Ding Corp.	Same ultimate parent company
Far Eastern Spinning Weaving and Dyeing (Suzhou) Limited	Same ultimate parent company
Far Eastern Industries (Wuxi)	Same ultimate parent company
Oriental Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Industries (Jiu Jiang) Ltd.	Same ultimate parent company
Oriental Petrochemical (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Shanghai) Ltd.	Same ultimate parent company
Far Eastern Industries (Suzhou) Ltd.	Same ultimate parent company
Far Eastern Apparel (Suzhou) Ltd.	Same ultimate parent company
Waldorf Service B.V.	Same ultimate parent company
Shanghai Far Eastern Petrochemical Logistic Ltd.	Same ultimate parent company
Shanghai Far Eastern IT Company	Same ultimate parent company
Wu Han Far Eastern New Material Ltd.	Same ultimate parent company
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited.	Same ultimate parent company
Sino Belguim (Suzhou) Limited	Same ultimate parent company
Martens Beer (Shanghai) Ltd.	Same ultimate parent company
Suzhou An He 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 are summarized as follows:

		2009			2008		
		Amount		%	Amount		%
During the period							
Operating revenues	1)						
NCIC	2)	$	558,296	2	$	268,378	1
Other	14)		81,339	-		75,359	-
		$	639,635	2	$	343,737	1
Operating costs and expenses							
Cost of telecommunications service							
NCIC	2)	$	90,285	1	$	84,510	1
Other	14)		10,119	-		12,521	-
		$	100,404	1	$	97,031	1
Rental							
FETRD	3)	$	22,806	1	$	22,468	1
NCIC	4)		20,374	1		20,640	1
FEILC	5)		19,985	1		21,074	1
Other	14)		5,692	-		5,757	-
		$	68,857	3	$	69,939	3
Marketing expense							
DDIM	6)	$	79,840	2	$	64,532	1
Service fee							
FCHRC	7)	$	25,263	24	$	26,783	24
Other	14)		78	-		-	-
		$	25,341	24	$	26,783	24
Telephone fee							
NCIC	8)	$	13,239	8	$	13,270	8
Donation expense							
TTF	9)	$	4,500	44	$	5,972	36
Nonoperating income and gains							
Management services revenue							
NCIC	10)	$	11,583	92	$	-	-
Other	14)		1,038	8		-	-
		$	12,621	100	$	-	-

		2009		2008	
		Amount	%	Amount	%
At end of period					
Receivables from related parties					
Accounts and notes receivable					
NCIC	2)	$ 111,353	36	$ 28,269	44
FETC	11)	3,669	1	8,501	13
NTT DoCoMo Inc.	12)	-	-	15,645	24
Other	14)	5,943	2	3,302	5
		120,965	39	55,717	86
Other receivables					
NCIC	10)	182,655	60	3,939	6
FETC	13)	3,849	1	4,497	7
Other	14)	106	-	352	1
		186,610	61	8,788	14
		$ 307,575	100	$ 64,505	100
Refundable deposits					
DDIM	6)	$ 53,887	14	$ 37,986	10
Other	14)	10,668	3	9,001	2
		$ 64,555	17	$ 46,987	12
Payables to related parties					
NCIC	2), 4) and 8)	$ 240,467	68	$ 214,979	71
DDIM	6)	74,479	21	60,793	20
Other	14)	37,220	11	27,984	9
		$ 352,166	100	$ 303,756	100
Lease payable (including current portion)					
FEILC	5)	$ 8,369	100	$ 16,838	100

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 $10,156 thousand and $41,080 thousand paid for the six months ended June 30, 2009 and 2008, respectively. A part of the agreement on the computer equipment and office equipment expired on June 30, 2009 and ownership of the related equipment was transferred to the Group without condition (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) The Group used the service of fixed network and internet access provided by NCIC.

9) Far EasTone and KG Telecom made donation to TTF for telecommunications technology researches.

10) Far EasTone provided management services and advances to NCIC for its daily operating expenditures.

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 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.

13) Far EasTone gave advances for FETC daily operating expenditures, which were treated as receivables from related parties.

14) 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 JUNE 30, 2009

The Group had the following significant commitments:

a. The Group was under contracts to acquire properties and cellular phone equipment for $2,261,455 thousand and $125,884 thousand, respectively.

b. The Group's outstanding letters of credit amounted to US$1,188 thousand (equivalent to $38,978 thousand) and $47,500 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 July 1, 2009 to December 31, 2009	$ 1,402,411
2010	2,890,620
2011	2,969,228
2012	3,061,415
2013	3,147,743
From January 1, 2014 to June 30, 2014	1,626,577

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 June 30, 2009, the carrying value of the funds was $288,518 thousand as follows:

	June 30, 2009
Cash and cash equivalents	
Demand deposits	$ 42,999
Bonds purchased under resell agreements	100,043
	143,042
Available-for-sale financial assets - current	145,103
Receivable from the sale of securities (included in other current assets)	337
Other	36
	$ 288,518

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 certificates 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:

	June 30	
	2009	2008
Pledged certificates of deposits - current	$ 25,077	$ 42,000
Pledged certificates of deposits - noncurrent	409,164	18,250
Properties, net	461,568	473,784
	$ 895,809	$ 534,034

31. SUBSEQUENT EVENT

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

32. 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: Note 27

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
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

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

Note A: The maximum total endorsement/guarantee amount were equal to 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
JUNE 30, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	$ 31,282,506	100.00	$ 31,282,506	Notes A and D
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	1,062,747,582	5,933,059	26.57	5,933,059	Notes A and D
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	81,680,039	1,071,581	60.83	1,071,581	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	323,306	41.18	323,306	Notes A and D
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	165,543	100.00	165,543	Notes B and D
	Q-ware Communications Co., Ltd	Equity-method investee	Equity-method investments	36,459,930	135,276	51.00	135,276	Notes A and D
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	69,592	85.92	69,592	Notes B and D
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	24,215	100.00	24,215	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	18,351	162	0.40	162	Notes B and D
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Other liability - other	4,500,000	(153)	15.00	(153)	Notes B and D
	Open-end mutual funds							
	DFE DWS Global Multiasset Income Plus FOF-A	-	Available-for-sale financial assets - current	5,000,000.00	50,350	-	50,350	Note C
KG Telecommunications Co., Ltd.	Stocks							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	198,136,425	841,316	79.25	841,316	Notes A and D
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	30,086	40.00	30,086	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	368,519	3,244	8.16	3,244	Notes B and D
	ACC	-	Available-for-sale financial assets - current	1,350,000	47,250	-	47,250	Note F
	CHEM	-	Available-for-sale financial assets - current	200,000	3,350	-	3,350	Note F
	SYNCMOLD	-	Available-for-sale financial assets - current	163,000	7,824	-	7,824	Note F
	OUCC	-	Available-for-sale financial assets - current	474,000	8,793	-	8,793	Note F
	CSC	-	Available-for-sale financial assets - current	207,500	5,852	-	5,852	Note F
	CSRC	-	Available-for-sale financial assets - current	150,000	4,433	-	4,433	Note F
	OPTOTECH	-	Available-for-sale financial assets - current	200,000	5,330	-	5,330	Note F
	ACER	-	Available-for-sale financial assets - current	80,000	4,568	-	4,568	Note F
	MSI	-	Available-for-sale financial assets - current	150,000	3,082	-	3,082	Note F
	CHT	-	Available-for-sale financial assets - current	151,612	9,931	-	9,931	Note F
	KINDOM	-	Available-for-sale financial assets - current	300,000	5,640	-	5,640	Note F
	U-MING	-	Available-for-sale financial assets - current	246,000	15,744	-	15,744	Note F
	CAL	-	Available-for-sale financial assets - current	1,600,000	12,992	-	12,992	Note F
	ESMT	-	Available-for-sale financial assets - current	250,000	11,150	-	11,150	Note F
	SHENMAO	-	Available-for-sale financial assets - current	250,000	10,950	-	10,950	Note F
	PT TECH.	-	Available-for-sale financial assets - current	80,000	6,960	-	6,960	Note F
	ACES	-	Available-for-sale financial assets - current	70,000	5,600	-	5,600	Note F
	PAHSCO	-	Available-for-sale financial assets - current	250,000	12,850	-	12,850	Note F

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2009 Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
	GEMTEK	-	Available-for-sale financial assets - current	60,000	$ 3,168	-	$ 3,168	Note F
	SOFT-WORLD	-	Available-for-sale financial assets - current	15,000	2,715	-	2,715	Note F
	S.W.	-	Available-for-sale financial assets - current	75,000	3,757	-	3,757	Note F
	KGI	-	Available-for-sale financial assets - current	200,000	3,000	-	3,000	Note F
	ROEC	-	Available-for-sale financial assets - current	120,000	4,524	-	4,524	Note F
	LITE-ON IT	-	Available-for-sale financial assets - current	300,000	5,775	-	5,775	Note F
	APEC	-	Available-for-sale financial assets - current	230,000	6,003	-	6,003	Note F
	IDEAL	-	Available-for-sale financial assets - current	75,000	1,665	-	1,665	Note F
	GIANT	-	Available-for-sale financial assets - current	50,500	3,984	-	3,984	Note F
	Open-end mutual funds							
	Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,960,494.25	825,650	-	825,650	Note C
	JPM (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	20,000,000.00	194,708	-	194,708	Note C
	Deutsche Far Eastern DWS Taiwan Thematic Fund	-	Available-for-sale financial assets - current	10,000,000.00	103,700	-	103,700	Note C
	Pca Well Pool Fund	-	Available-for-sale financial assets - current	19,276,261.40	250,052	-	250,052	Note C
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	16,539,533.00	250,083	-	250,083	Note C
	Hua Nan Phoenix Bond Fund	-	Available-for-sale financial assets - current	16,072,953.40	250,095	-	250,095	Note C
	Private funds							
	Opas Fund Segregated Portfolio Tranche B	-	Available-for-sale financial assets - current	10,000.00	328,180	-	328,180	Note C
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost - noncurrent	14,866,204.20	150,000	-	150,000	Note D
ARCOA Communication Co., Ltd.	Stocks							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	13,729	18.32	13,729	Note D
	Chunghwa Int’l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	4.12	6,714	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	840,000	8,400	0.04	8,400	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note D
	Open-end mutual funds							
	PCA Well Pool Fund	-	Available-for-sale financial assets - current	6,963,816.60	90,335	-	90,335	Note C
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	5,965,775.60	90,204	-	90,204	Note C
	UPAMC JAMES Bond Fund	-	Available-for-sale financial assets - current	4,405,641.30	70,369	-	70,369	Note C
	Union Bond Fund	-	Available-for-sale financial assets - current	2,384,618.01	30,022	-	30,022	Note C
	Bonds							
	Ta Chong Bank Financial Bonds 93 Series-I	-	Bonds carried at amortized cost - current	3,000,000.00	3,000	-	3,000	Note D
Far Eastern Info Service (Holding) Ltd. (Note G)	Share certificates							
	Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US$ 4,437,000	100.00	US$ 4,437,000	Notes B and D
Far EasTron Holding Ltd. (Note G)	Stocks							
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US$ 734,000	60.52	US$ 734,000	Notes B and D
E. World (Holdings) Ltd. (Note G)	Stocks							
	Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US$ 2,196,000	99.99	US$ 2,196,000	Notes B and D

(Continued)

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

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

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

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

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

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

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

(Concluded)

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
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

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

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

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

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
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	Telecommunications service revenues	$ (1,636,355)	(6%)	Based on agreement	-	-	Accounts receivable	$ 597,020	9%
			Cost of telecommunications services	593,365	5%	Based on agreement	-	-	Accounts payable	(171,232)	(9%)
	ARCOA Communication Co., Ltd.	Subsidiary	Sales of cellular phone equipment and accessories and service revenues	(163,087)	(1%)	Based on agreement	-	-	Accounts receivable	181,867	3%
			Cost of telecommunications services, marketing expenses and cost of sales	1,121,689	6%	Based on agreement	-	-	Accounts payable and accrued expense	(232,686)	(4%)
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Telecommunications service revenues	(102,252)	-	Based on agreement	-	-	Accounts receivable	30,372	-
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(269,341)	(1%)	Based on agreement	-	-	Accounts receivable (Note)	-	-
							-	-	Accounts payable (Note)	(140,826)	(7%)
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(593,365)	(13%)	Based on agreement	-	-	Accounts receivable	171,232	14%
			Cost of telecommunications services	1,636,355	37%	Based on agreement	-	-	Accounts payable	(597,020)	(60%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(1,121,689)	(39%)	Based on agreement	-	-	Accounts receivable	232,686	63%
			Cost of telecommunications services and cost of sales	163,087	7%	Based on agreement	-	-	Accounts payable	(181,867)	(34%)
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee of Far EasTone	Telecommunications services revenue	(273,024)	(40%)	Based on agreement	-	-	Accounts receivable	104,715	50%
	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications service	102,252	16%	Based on agreement	-	-	Accounts payable	(30,372)	(15%)

Note: All interconnect revenues, costs and collection of international direct dial revenues between 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
JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Subsidiary	$ 628,621	(Note A)	$ -	-	$ 332,215	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	185,014	9.62	-	-	125,652	-
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	176,633	(Note A)	-	-	97,580	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	707,347	(Note B)	-	-	503,904	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	232,686	11.97	-	-	171,850	-
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee	104,715	7.69	-	-	50,704	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2009			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				June 30, 2009	December 31, 2008	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	Taiwan	Type I telecommunications services	$ 29,629,139	$ 29,629,139	1,332,997,916	100.00	$ 31,282,506	$ (367,690)	$ (367,690)	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,391,946	6,062,000	1,062,747,582	26.57	5,933,059	140,582	103,848	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,293,389	1,283,563	81,680,039	60.83	1,071,581	36,471	21,859	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	1,577,140	1,577,140	157,714,020	41.18	323,306	(207,445)	(85,423)	Notes B and C
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	165,543	12,057	12,057	Notes A and D
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	135,276	(108,027)	(55,094)	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	69,592	2,655	2,282	Notes A and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	24,215	(1,362)	(1,362)	Notes A and D
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	1,000	1,000	18,351	0.40	162	(2,085)	(8)	Notes D and E
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	45,000	45,000	4,500,000	15.00	(153)	(44,120)	(5,897)	Notes C and D
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,355,649	2,355,649	198,136,425	79.25	841,316	(62,544)		Notes B and E
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	30,086	3,302		Notes D and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	3,652	3,652	368,519	8.16	3,244	(2,085)		Notes D and E
Far Eastern Info Service (Holding) Ltd. (Note G)	Far Eastern Tech-info Ltd. (Shanghai)	Shanghai	Computer data providing service	US$ 2,500,000	US$ 2,500,000	-	100.00	US$ 4,437,000	12,215		Notes D and E
Far EasTron Holding Ltd. (Note G)	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	US$ 4,532,000	US$ 4,532,000	2,734,446	60.52	US$ 734,000	(2,085)		Notes D and E
E. World (Holdings) Ltd. (Note G)	Yuan Cing Co., Ltd.	Taiwan	Call center services	193,500	193,500	19,349,994	99.99	US$ 2,196,000	2,762		Notes D and E

Note A: Subsidiary.

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

Note C: Equity-method investee of Far EasTone.

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

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

Note F: Equity-method investee of KG Telecom.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2009 (Note A)	Accumulated Inward Remittance of Earnings as of June 30, 2009	Accumulated Investment in Mainland China as of June 30, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information providing services	$82,025 (US$2,500,000)	Note B	$92,616	$ -	$ -	$92,616	100%	$12,215	$145,578 (US$4,437,000)	$ -	$92,616	$92,616	$40,126,616 (Note C)

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

Note B: 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
SIX MONTHS ENDED JUNE 30, 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)
	Six months ended June 30, 2009						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$ 628,621	Note F	1%
				Dividends receivable	911,971	Note F	1%
				Inventories	3,427	Note F	-
				Payables to related parties	707,347	Note F	1%
				Unearned revenues	262	Note F	-
				Telecommunications service revenues	1,636,355	Note F	5%
				Cost of telecommunications services	593,365	Note F	2%
				Nonoperating income and gains	22,579	Note F	-
				Management service revenue	10,922	Note F	-
				Nonoperating expenses and losses	1,930	Note F	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	185,014	Note F	-
				Inventories	538	Note F	-
				Payables to related parties	232,686	Note F	-
				Unearned revenues	52,589	Note F	-
				Sales of cellular phone equipment and accessories, net	36,741	Note F	-
				Telecommunications service revenues	126,346	Note F	-
				Cost of sales	838,336	Note F	3%
				Other operating cost	27,085	Note F	-
				Marketing expenses	256,268	Note F	1%
				Nonoperating income and gains	1,881	Note F	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	35,986	Note F	-
				Payables to related parties	9,198	Note F	-
				Telecommunications service revenues	102,252	Note F	-
				Cost of telecommunications services	15,227	Note F	-
				Marketing expense	791	Note F	-
				General and administrative expenses	5,000	Note F	-
				Nonoperating income and gains	44	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	29,782	Note F	-
				General and administrative expenses	70,040	Note F	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	1,467	Note F	-
				Payables to related parties	916	Note F	-
				General and administrative expenses	36	Note F	-
				Management service revenue	174	Note F	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties	27,992	Note F	-
				Nonoperating income and gains	5,606	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	$ 2,289	Note F	-
				Payables to related parties	6,362	Note F	-
				Marketing expenses	10,863	Note F	-
				General and administrative expenses	116	Note F	-
				Management service revenue	45	Note F	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	707,347	Note F	1%
				Inventories	262	Note F	-
				Payables to related parties	628,621	Note F	1%
				Dividends payable	911,971	Note F	1%
				Unearned revenues	3,427	Note F	-
				Telecommunications service revenues	593,365	Note F	2%
				Cost of telecommunications services	1,638,495	Note F	5%
				Marketing expenses	24,326	Note F	-
				General and administrative expenses	6,256	Note F	-
				Nonoperating income and gains	1,930	Note F	-
				Nonoperating expenses and losses	779	Note F	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	9,145	Note F	-
				Payables to related parties	29,122	Note F	-
				Unearned revenues	12,353	Note F	-
				Other operating revenues	12	Note F	-
				Cost of sales	3,441	Note F	-
				Marketing expenses	23,503	Note F	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	27,879	Note F	-
				Payables to related parties	88	Note F	-
				Telecommunications service revenues	22,880	Note F	-
				General and administrative expenses	9,217	Note F	-
				Management service revenue	991	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	5,184	Note F	-
				General and administrative expenses	7,909	Note F	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	232,686	Note F	-
				Inventories	52,589	Note F	-
				Payables to related parties	185,014	Note F	-
				Sales of cellular phone equipment and accessories, net	1,522,072	Note F	5%
				Other operating revenues	188,843	Note F	1%
				Cost of sales	654,795	Note F	2%
				Cost of telecommunications services	125,955	Note F	-
				General and administrative expenses	1,881	Note F	-
				Nonoperating income and gains	28,975	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	29,122	Note F	-
				Inventories	12,353	Note F	-
				Payables to related parties	9,145	Note F	-
				Sales of cellular phone equipment and accessories, net	65,208	Note F	-
				Other operating revenues	19,195	Note F	-
				Cost of sales	57,471	Note F	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	1,343	Note F	-
				General and administrative expenses	3,322	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.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	$ 9,198	Note F	-
				Payables to related parties	35,986	Note F	-
				Telecommunications service revenues	15,227	Note F	-
				Cost of telecommunications services	102,252	Note F	-
				Nonoperating expenses and losses	44	Note F	-
				Other operating revenues	5,791	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	88	Note F	-
				Payables to related parties	27,879	Note F	-
				Cost of telecommunications services	22,880	Note F	-
				General and administrative expenses	991	Note F	-
				Other operating revenues	9,217	Note F	-
		Q-ware communications Co., Ltd.	3	Receivables from related parties	790	Note F	-
				Telecommunications service revenues	4,518	Note F	-
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	29,782	Note F	-
				Other operating revenues	70,040	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	5,184	Note F	-
				Other operating revenues	7,909	Note F	-
5	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	916	Note F	-
				Payables to related parties	1,467	Note F	-
				Other operating revenues	36	Note F	-
				General and administrative expenses	174	Note F	-
		ARCOA communications Co., Ltd.	3	Receivables from related parties	1,343	Note F	-
				Other operating revenues	3,322	Note F	-
6	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	27,992	Note F	-
				General and administrative expenses	5,606	Note F	-
		KGEx.com Co., Ltd	3	Payables to related parties	790	Note F	-
				Cost of telecommunications services	4,518	Note F	-
7	ADCast Interactive Marketing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	6,362	Note F	-
				Payables to related parties	2,289	Note F	-
				Other operating revenues	10,979	Note F	-
				General and administrative expenses	45	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)
	Six months ended June 30, 2008						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	$ 491,368	Note F	1%
				Inventories	15,678	Note F	-
				Dividends receivable	3,505,651	Note F	4%
				Payables to related parties	934,229	Note F	1%
				Unearned revenues	5,897	Note F	-
				Telecommunications service revenues	1,490,898	Note F	5%
				Cost of telecommunications services	883,556	Note F	3%
				Marketing expenses	101,917	Note F	-
				Nonoperating income and gains	31,026	Note F	-
				Management service revenue	31,001	Note F	-
				Nonoperating expenses and losses	867	Note F	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	171,776	Note F	-
				Inventories	1,363	Note F	-
				Payables to related parties	200,813	Note F	-
				Unearned revenues	43,707	Note F	-
				Sales of cellular phone equipment and accessories, net	10,941	Note F	-
				Telecommunications service revenues	92,048	Note F	-
				Cost of sales	1,004,724	Note F	3%
				Other operating cost	29,389	Note F	-
				Marketing expenses	295,031	Note F	1%
				Nonoperating income and gains	1,892	Note F	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	44,911	Note F	-
				Payables to related parties	3,640	Note F	-
				Telecommunications service revenues	102,671	Note F	-
				Cost of telecommunications services	15,791	Note F	-
				General and administrative expenses	3,795	Note F	-
				Nonoperating income and gains	41	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	28,771	Note F	-
				General and administrative expenses	77,205	Note F	-
		Far EasTron Co., Ltd.	1	Receivables from related parties	196	Note F	-
				Payables to related parties	11,052	Note F	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	5,443	Note F	-
				Payables to related parties	7,251	Note F	-
				General and administrative expenses	2,032	Note F	-
				Management service revenue	660	Note F	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties	20,479	Note F	-
				Nonoperating income and gains	5,606	Note F	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	934,229	Note F	1%
				Inventories	5,897	Note F	-
				Payables to related parties	491,368	Note F	1%
				Dividends payable	3,505,651	Note F	4%
				Unearned revenues	15,678	Note F	-
				Telecommunications service revenues	883,556	Note F	3%
				Cost of telecommunications services	1,500,158	Note F	5%

(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)
				Marketing expenses	$ 36,852	Note F	-
				General and administrative expenses	15,069	Note F	-
				Research and development expenses	208	Note F	-
				Nonoperating income and gains	102,784	Note F	-
				Nonoperating expenses and losses	638	Note F	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	4,471	Note F	-
				Inventories	444	Note F	-
				Payables to related parties	40,927	Note F	-
				Unearned revenues	7,461	Note F	-
				Telecommunications service revenues	46	Note F	-
				Cost of sales	286,951	Note F	1%
				Marketing expenses	29,076	Note F	-
		KGEx.com Co., Ltd.	3	Receivables from related parties	21,291	Note F	-
				Payables to related parties	3,507	Note F	-
				Telecommunications service revenues	38,514	Note F	-
				General and administrative expenses	19,009	Note F	-
				Management service revenue	7,726	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	7,355	Note F	-
				General and administrative expenses	15,657	Note F	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	200,813	Note F	-
				Inventories	43,707	Note F	-
				Payables to related parties	171,776	Note F	-
				Sales of cellular phone equipment and accessories, net	1,780,897	Note F	6%
				Other operating revenues	194,223	Note F	1%
				Cost of sales	708,757	Note F	2%
				Cost of telecommunications services	93,919	Note F	-
				Nonoperating income and gains	53,182	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	40,927	Note F	-
				Inventories	7,461	Note F	-
				Payables to related parties	4,471	Note F	-
				Sales of cellular phone equipment and accessories, net	397,766	Note F	1%
				Other operating revenues	19,737	Note F	-
				Cost of sales	101,078	Note F	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	609	Note F	-
3	KGEx.com Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	3,640	Note F	-
				Payables to related parties	44,911	Note F	-
				Telecommunications service revenues	15,791	Note F	-
				Cost of telecommunications services	102,671	Note F	-
				Nonoperating expenses and losses	41	Note F	-
				Other operating revenues	3,795	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	3,507	Note F	-
				Payables to related parties	21,291	Note F	-
				Cost of telecommunications services	38,514	Note F	-
				Other operating revenues	19,009	Note F	-
				General and administrative expenses	7,726	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)
		Far EasTron Co., Ltd.	3	Telecommunications service revenues	$ 644	Note F	-
		Q-ware communications Co., Ltd.	3	Receivables from related parties	1,372	Note F	-
				Telecommunications service revenues	4,633	Note F	-
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	28,771	Note F	-
				Other operating revenues	77,205	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	7,355	Note F	-
				Other operating revenues	15,657	Note F	-
5	Far EasTone Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	196	Note F	-
				Receivables from related parties	11,052	Note F	-
		KGEx.com Co., Ltd.	3	Service cost	644	Note F	-
6	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	7,251	Note F	-
				Payables to related parties	5,443	Note F	-
				Other operating revenues	2,032	Note F	-
				General and administrative expenses	660	Note F	-
		ARCOA communications Co., Ltd.	3	Receivables from related parties	609	Note F	-
7	Q-ware Communications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	20,479	Note F	-
				General and administrative expenses	5,606	Note F	-
		KGEx.com Co., Ltd.	3	Payables to related parties	1,372	Note F	-
				Cost of telecommunications services	4,633	Note F	-

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

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

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 June 30, 2009 and 2008; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 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 unaudited financial statements as of June 30, 2009 and 2008.

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

(Concluded)