

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") and subsidiaries as of September 30, 2009 and 2008, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's and subsidiaries' management. Our responsibility is to issue a report based on our reviews.

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

As disclosed in Note 2 to the consolidated financial statements, the financial statements as of September 30, 2009 and 2008 of some immaterial subsidiaries, with combined total assets that were 3.3 % (NT\$2,755,053 thousand) and 3.3% (NT\$2,871,373 thousand), respectively, of the consolidated total assets and with combined total liabilities that were 7.8% (NT\$ 1,086,740 thousand) and 4.8% (NT\$882,446 thousand), respectively, of the consolidated total liabilities, had not been reviewed. In the nine months ended September 30, 2009 and 2008, these subsidiaries' combined total operating revenues were 2.6 % (NT\$1,160,650 thousand) and 2.0% (NT\$957,326 thousand), respectively, of the consolidated operating revenues, and their total net losses were (3.2%) (NT\$220,542 thousand) and (4.2%) (NT\$327,986 thousand), respectively, of combined net income. In addition, as disclosed in Note 10 to the consolidated financial statements, the financial statements of certain equity-method investees, with investment carrying values of NT\$529,338 thousand and NT\$1,227,398 thousand as of September 30, 2009 and 2008, respectively, had not been reviewed. The Company's equity of NT\$ 160,651 thousand and NT\$176,650 thousand in the losses of these investees was included in the consolidated net income of the nine months ended September 30, 2009 and 2008, respectively. Related information on the Company's and subsidiaries' investments shown in Note 33 to the consolidated financial statements was not reviewed either.

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

October 20, 2009

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 5, 29 and 30)	\$ 7,017,403	8	\$ 6,375,236	7	Short-term bank loans (Notes 17 and 31)	\$ 1,309,500	2	\$ 4,443,495	5
Available-for-sale financial assets - current (Notes 2, 6 and 30)	2,404,252	3	1,644,476	2	Commercial paper payable (Note 18)	1,199,818	1	-	-
Bonds measured at amortized cost - current (Notes 2 and 7)	-	-	3,000	-	Notes payable	43,964	-	72,925	-
Accounts and notes receivable, net (Notes 2 and 8)	6,180,624	7	6,524,840	8	Accounts payable	2,474,152	3	2,807,309	3
Receivables from related parties, net (Notes 2 and 29)	344,355	-	90,563	-	Payables to related parties (Note 29)	380,032	1	328,516	1
Hedging derivative financial assets - current (Notes 2 and 28)	7,050	-	354	-	Income tax payable (Note 2)	590,143	1	1,377,457	2
Inventories, net (Notes 2 and 9)	738,854	1	798,952	1	Accrued expenses (Note 19)	3,514,360	4	3,237,453	4
Prepaid expenses	741,537	1	821,531	1	Payables for acquisition of properties	947,931	1	1,598,558	2
Deferred income tax assets - current (Notes 2 and 25)	496,154	1	726,197	1	Guarantee deposits received - current	622,273	1	745,306	1
Pledged certificates of deposits - current (Note 31)	24,077	-	42,000	-	Unearned revenues (Note 2)	1,149,313	1	1,043,495	1
Restricted assets (Note 2)	-	-	95,820	-	Current portion of long-term bonds payable (Note 20)	-	-	1,200,000	1
Other current assets (Notes 8 and 30)	70,975	-	173,176	-	Current portion of long-term bank loans (Notes 21 and 31)	228,572	-	38,095	-
					Lease payable - current (Notes 2, 22 and 29)	8,360	-	8,421	-
Total current assets	18,025,281	21	17,296,145	20	Other current liabilities (Notes 2 and 30)	205,861	-	303,505	-
					Total current liabilities	12,674,279	15	17,204,535	20
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Equity-method investments (Notes 2 and 10)	6,321,908	8	6,077,791	7	Long-term bank loans (Notes 21 and 31)	-	-	178,572	-
Held-to-maturity financial assets - noncurrent (Notes 2, 11 and 29)	209,542	-	-	-	Lease payable - noncurrent (Notes 2, 22 and 29)	-	-	8,360	-
Financial assets carried at cost - noncurrent (Notes 2 and 12)	180,461	-	180,461	-	Total long-term liabilities	-	-	186,932	-
Total long-term investments	6,711,911	8	6,258,252	7	OTHER LIABILITIES				
PROPERTIES (Notes 2, 13, 29 and 31)					Accrued pension costs (Notes 2 and 23)	360,540	1	336,328	-
Cost					Guarantee deposits received - noncurrent	125,679	-	116,802	-
Land	1,473,588	2	1,467,746	2	Deferred income tax liabilities - noncurrent (Notes 2 and 25)	315,208	-	668	-
Buildings and equipment	3,058,806	4	2,916,388	3	Deferred revenue (Note 2)	414,549	1	379,027	1
Operating equipment	109,735,618	130	105,384,701	119	Other (Note 2)	97,140	-	-	-
Computer equipment	16,887,898	20	15,614,428	18	Total other liabilities	1,313,116	2	832,825	1
Office equipment	1,039,213	1	1,010,307	1	Total liabilities	13,987,395	17	18,224,292	21
Leasehold improvements	1,840,070	2	1,729,253	2	FAR EASTONE'S EQUITY (Notes 2 and 24)				
Miscellaneous equipment	499,308	1	497,246	1	Capital stocks - NTS10.00 par value; authorized - 4,200,000 thousand shares				
Total cost	134,534,501	160	128,620,069	146	Issued and outstanding - 3,258,501 thousand shares	32,585,008	39	32,585,008	37
Less: Accumulated depreciation	96,538,346	115	87,219,901	99	Capital surplus				
Less: Accumulated impairment	2,023	-	-	-	Additional paid-in capital - share issuance in excess of par value	10,964,702	13	10,964,702	12
	37,994,132	45	41,400,168	47	From business combination	8,482,381	10	8,482,381	10
Construction-in-progress and prepayments for equipment	2,720,311	3	4,031,615	4	From long-term equity-method investments	40,266	-	40,260	-
					Total capital surplus	19,487,349	23	19,487,343	22
Net properties	40,714,443	48	45,431,783	51	Retained earnings				
INTANGIBLE ASSETS					Legal reserve	9,066,992	11	8,050,917	9
Goodwill, net (Notes 2 and 14)	10,548,047	13	10,601,759	12	Special reserve	21,740	-	-	-
3G concession, net (Notes 1, 2 and 15)	6,759,035	8	7,489,742	9	Unappropriated earnings	8,013,045	9	8,878,821	10
					Total retained earnings	17,101,777	20	16,929,738	19
Total intangible assets	17,307,082	21	18,091,501	21	Other adjustments				
OTHER ASSETS					Cumulative translation adjustments	24,682	-	25,799	-
Rental assets, net (Notes 2 and 16)	226,812	-	224,040	-	Unrealized gains (losses) on financial instruments	66,150	-	(33,743)	-
Idle properties, net (Note 2)	210,965	-	300,450	-	Total other adjustments	90,832	-	(7,944)	-
Refundable deposits (Note 29)	377,231	1	405,208	1	Total controlling interest of Far EastOne	69,264,966	82	68,994,145	78
Deferred charges, net (Note 2)	110,342	-	173,972	-	MINORITY INTEREST	851,450	1	991,634	1
Pledged certificate of deposits - noncurrent (Note 31)	409,164	1	18,250	-	Total stockholders' equity	70,116,416	83	69,985,779	79
Other	10,580	-	10,470	-	TOTAL	\$ 84,103,811	100	\$ 88,210,071	100
Total other assets	1,345,094	2	1,132,390	1					
TOTAL	\$ 84,103,811	100	\$ 88,210,071	100					

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

(With Deloitte & Touche review report dated October 20, 2009)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 29)				
Sales of cellular phone equipment and accessories, net	\$ 3,973,176	9	\$ 4,256,985	9
Telecommunications service revenues	40,979,086	90	42,936,567	90
Other	<u>335,165</u>	<u>1</u>	<u>255,664</u>	<u>1</u>
Total operating revenues	<u>45,287,427</u>	<u>100</u>	<u>47,449,216</u>	<u>100</u>
OPERATING COSTS (Notes 2, 9, 26, 29 and 31)				
Cost of sales	4,572,620	10	4,590,394	10
Cost of telecommunications services	20,464,762	45	20,503,035	43
Other	<u>179,375</u>	<u>1</u>	<u>174,476</u>	<u>-</u>
Total operating costs	<u>25,216,757</u>	<u>56</u>	<u>25,267,905</u>	<u>53</u>
GROSS PROFIT	<u>20,070,670</u>	<u>44</u>	<u>22,181,311</u>	<u>47</u>
OPERATING EXPENSES (Notes 2, 26 and 29)				
Marketing	7,583,147	17	7,491,588	16
General and administrative	3,187,427	7	3,541,767	8
Research and development	<u>78,535</u>	<u>-</u>	<u>129,177</u>	<u>-</u>
Total operating expenses	<u>10,849,109</u>	<u>24</u>	<u>11,162,532</u>	<u>24</u>
OPERATING INCOME	<u>9,221,561</u>	<u>20</u>	<u>11,018,779</u>	<u>23</u>
NONOPERATING INCOME AND GAINS				
Gain from sale of financial assets, net (Note 2)	151,443	1	-	-
Government grant (Note 2)	64,226	-	52,808	-
Interest (Note 29)	40,636	-	153,854	1
Rent	22,796	-	19,857	-
Management services revenue (Note 29)	19,846	-	-	-
Other	<u>97,123</u>	<u>-</u>	<u>106,848</u>	<u>-</u>
Total nonoperating income and gains	<u>396,070</u>	<u>1</u>	<u>333,367</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of properties, net (Note 2)	361,924	1	206,538	1
Interest (Notes 2 and 13)	20,320	-	14,577	-
Equity in investees' net losses (Notes 2 and 10)	7,625	-	667,956	1
Loss from sale of financial assets, net (Note 2)	-	-	133,404	-
Other (Notes 2 and 26)	<u>49,873</u>	<u>-</u>	<u>36,494</u>	<u>-</u>
Total nonoperating expenses and losses	<u>439,742</u>	<u>1</u>	<u>1,058,969</u>	<u>2</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
COMBINED INCOME BEFORE INCOME TAX	\$ 9,177,889	20	\$ 10,293,177	22
INCOME TAX (Notes 2 and 25)	<u>2,273,627</u>	<u>5</u>	<u>2,549,983</u>	<u>6</u>
COMBINED NET INCOME	<u>\$ 6,904,262</u>	<u>15</u>	<u>\$ 7,743,194</u>	<u>16</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 6,979,994	15	\$ 7,844,900	16
Minority interest	<u>(75,732)</u>	<u>-</u>	<u>(101,706)</u>	<u>-</u>
	<u>\$ 6,904,262</u>	<u>15</u>	<u>\$ 7,743,194</u>	<u>16</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 2.91</u>	<u>\$ 2.14</u>	<u>\$ 3.05</u>	<u>\$ 2.38</u>
Diluted	<u>\$ 2.91</u>	<u>\$ 2.14</u>	<u>\$ 3.04</u>	<u>\$ 2.38</u>

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

(With Deloitte & Touche review report dated October 20, 2009)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Combined net income	\$ 6,904,262	\$ 7,743,194
Depreciation and amortization	8,197,204	8,176,811
Amortization of 3G concession	548,030	548,030
Allowance for doubtful accounts	333,151	497,023
Loss on disposal of deferred charges	3,839	-
Provision (reversal of provision) for loss on decline in value of inventories	9,139	(28,395)
Loss (gain) from sale of financial assets, net	(151,443)	133,404
Equity in investees' net losses	7,625	667,956
Provision for impairment loss	17,600	-
Loss on disposal of properties, net	361,924	206,538
Amortization of discount on the held-to-maturity financial assets	(2)	-
Accrued pension cost	14,212	21,524
Deferred income taxes	526,227	(197,777)
Net changes in operating assets and liabilities		
Accounts and notes receivable	(332,768)	(501,966)
Receivables from related parties	(136,278)	(52,913)
Inventories	104,674	(99,717)
Prepaid expenses	(45,648)	(112,081)
Other current assets	189,266	(71,192)
Notes payable	(39,860)	(14,614)
Accounts payable	(268,980)	4,533
Payables to related parties	36,885	126,533
Income tax payable	(1,583,163)	(187,562)
Accrued expenses	82,608	(363,546)
Unearned revenues	(4,813)	43,269
Other current liabilities	(64,921)	(120,829)
	<u>14,708,770</u>	<u>16,418,223</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(2,019,847)	(3,423,596)
Proceeds of the disposal of available-for-sale financial assets	1,587,841	3,266,121
Acquisition of equity-method investments	(377,034)	-
Proceeds of the disposal of bonds measured at amortized cost	3,000	-
Acquisition of held-to-maturity financial assets	(209,540)	-
Proceeds of the disposal of financial assets carried at cost	-	87,509
Acquisition of properties	(4,825,014)	(5,107,635)
Proceeds of the disposal of properties	12,741	20,643
Decrease in refundable deposits	32,132	5,595
Increase in pledged certificates of deposits	(398,077)	(2,939)
		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
Increase in deferred charges	\$ (11,261)	\$ (8,105)
Decrease in restricted assets	72,446	17,439
Decrease in other assets	<u>189</u>	<u>77</u>
Net cash used in investing activities	<u>(6,132,424)</u>	<u>(5,144,891)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans, net	(379,950)	4,174,280
Increase in commercial paper payable	819,854	-
Proceeds from long-term bank loans	-	150,000
Repayment of bonds payable	-	(1,470,000)
Repayment of long-term bank loans	(28,571)	(28,571)
Decrease in guarantee deposits received	(83,902)	(87,754)
Bonus paid to employees	-	(210,047)
Cash dividends paid	(9,123,802)	(10,101,353)
Increase in deferred revenue	16,605	111,802
Capital reduction	-	(7,745,326)
Decrease in minority interest	<u>(11,472)</u>	<u>(5,058)</u>
Net cash used in financing activities	<u>(8,791,238)</u>	<u>(15,212,027)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(3,577)</u>	<u>13,973</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(218,469)	(3,924,722)
CASH AND CASH EQUIVALENTS ARISING FROM MERGER	-	21,645
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>7,235,872</u>	<u>10,278,313</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 7,017,403</u>	<u>\$ 6,375,236</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 22,982	\$ 42,729
Less: Interest capitalized	<u>5,333</u>	<u>29,818</u>
Interest paid, net of capitalized interest	<u>\$ 17,649</u>	<u>\$ 12,911</u>
Income tax paid	<u>\$ 3,590,952</u>	<u>\$ 3,031,448</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 236,932</u>	<u>\$ 1,246,516</u>
Reclassification of idle properties to rental assets	<u>\$ 15,641</u>	<u>\$ -</u>
Reclassification of idle properties to properties	<u>\$ 57,371</u>	<u>\$ -</u>
Reclassification of properties to deferred charges	<u>\$ 15,253</u>	<u>\$ 126,321</u>
Declaration of remuneration to directors and supervisors	<u>\$ -</u>	<u>\$ 105,093</u>

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	\$ 3,771,196	\$ 4,942,918
Decrease in payables for acquisition of properties	1,040,356	124,430
Decrease in lease payables	8,394	40,287
Decrease in other current liabilities	<u>5,068</u>	<u>-</u>
Cash paid for acquisition of properties	<u>\$ 4,825,014</u>	<u>\$ 5,107,635</u>
PROCEEDS OF THE DISPOSAL OF PROPERTIES		
Total amount of sold properties	\$ 4,908	\$ 26,218
Increase in receivables from properties sold	(438)	(438)
Decrease (increase) in receivables from related parties	<u>8,271</u>	<u>(5,137)</u>
Cash received from the disposal of properties	<u>\$ 12,741</u>	<u>\$ 20,643</u>

SUPPLEMENTARY INFORMATION ON SUBSIDIARIES ACQUIRED:

In the nine months ended September 30, 2008, Far EasTone and Far EasTron Holding Ltd. swapped their holdings of Far EasTron's common shares for ADCast Interactive Marketing Co., Ltd.'s ("ADCast") common shares. KG Telecom also bought ADCast's common shares by cash. As a result, the Group acquired about 69.08% of ADCast's common stock; the fair value of ADCast's total assets and total liabilities at the time of acquisition was as follows:

	Amount
Cash and cash equivalents	\$ 22,434
Accounts and notes receivable, net	32,673
Prepaid expenses	2,306
Other current assets	4,054
Properties, net	1,725
Goodwill	3,417
Refundable deposits	907
Deferred charges, net	30
Other assets	1,307
Notes payable	(2,674)
Accounts payable	(8,228)
Accrued expenses	(12,038)
Unearned revenues	(865)
Other current liabilities	(1,091)
Guarantee deposits received	<u>(171)</u>
	43,786
Percentage of ownership acquired	<u>69.08%</u>
	30,248
Goodwill	<u>1,717</u>
Total acquisition cost of ADCast	<u>\$ 31,965</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Amount
Total acquisition cost of ADCast	
Carrying value of swapped equity-method investments	\$ 28,313
Cash payment	<u>3,652</u>
	<u>\$ 31,965</u>

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

(With Deloitte & Touche review report dated October 20, 2009)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (“Far EasTone”) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone’s shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as GreTai Securities Market) on December 10, 2001. Later, Far EasTone’s shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of September 30, 2009, Far Eastern New Century, Ltd. (“Far Eastern New Century”) (Former Far Eastern Textile Co., Ltd.) and its affiliates directly and indirectly owned 41.70% of Far EasTone’s shares. Since Far EasTone’s chief executive officer is appointed by Far Eastern New Century’s 99.99% subsidiary, Far Eastern New Century has control over Far EasTone’s finances, operations and personnel affairs. Thus, Far Eastern New Century 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 preparatory work of WiMAX networks.

Far EasTone and its consolidated subsidiaries (hereinafter referred to as the “Group”) had 4,790 and 4,737 employees as of September 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 EastTone 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.

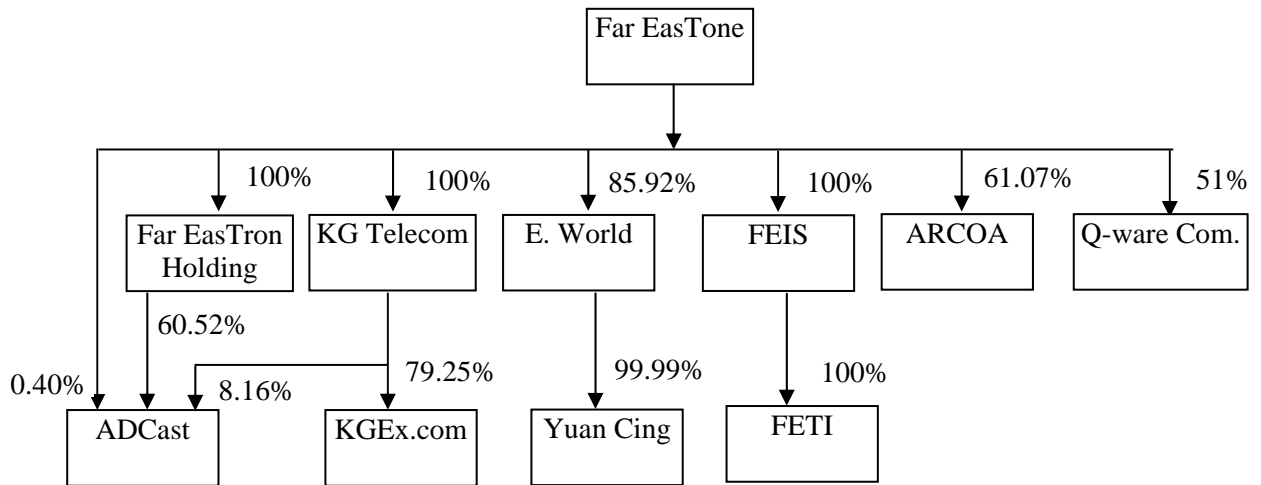
In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries were translated from their respective functional currencies into New Taiwan dollars as follows:

- 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 September 30, 2009 are shown below:



a. Entities included in the consolidated financial statements as of and for the nine months ended September 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 National Communications Commission approved this merger on August 28, 2009, the target date of this merger is January 1, 2010.

2) ARCOA Communication Co., Ltd. (“ARCOA”)

ARCOA was incorporated in the ROC on May 4, 1981. ARCOA sells cellular phone units and other telecommunications equipment or accessories and provides related maintenance services. The DGT issued to ARCOA a Type II license, allowing it to provide mobile virtual network operator services 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 September 30, 2009, Far EasTone owned 61.07% 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, KGEx, Q-ware, Far EasTron Holding and ADCast) as of and for the nine months ended September 30, 2009 and 2008 were unreviewed. 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 nine months ended September 30, 2008 were unreviewed either.

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Available-for-sale Financial Assets

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

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

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

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

Bonds Carried at Amortized Cost

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to the excess of minutes of traffic included in the fixed monthly service fees) from wireless services and mobile virtual network operator services, international simple resale services, internet access services and interconnection calls, net of any applicable discount, are billed according to customers' usage and are recognized on the basis of minutes of traffic processed. Other revenues are recognized as follows: (a) fixed monthly service fees and leased-circuit service revenues are accrued each month; (b) prepaid call and recharge call services are recognized as income based upon customer usage; (c) one-time commission and subsidy revenue of a bundled contract (which covers both the purchase price of a cellular phone unit and a mobile phone number) or merely sales of mobile phone number as an agent for the telecommunications providers are accrued as activated; and (d) commission revenues are accrued monthly on the basis of related airtime revenue.

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

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

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Promotion Expenses

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

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). Inventories are written down to net realizable value item-by-item. Cost is determined using the weighted-average method. Net realizable value is determined as normal market value minus predicted selling expenses.

Government Grant

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

Equity-method Investments

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

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

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

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks and emerging stocks, and 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 estimate 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 nine months ended September 30, 2008 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the nine months ended September 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 nine months ended September 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)

	Nine Months Ended September 30, 2008
Current assets	\$ 17,296,145
Properties, net	45,431,783
Current liabilities	17,204,535
Operating revenue	47,467,320
Income before income tax	10,291,780
Net income	7,741,797
EPS	2.38

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 \$167,576 thousand in combined income attributable to controlling interest and a decrease of NT\$0.05 in basic earnings per share after income tax for the nine months ended September 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 nine months ended September 30, 2009.

5. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 6,287	\$ 7,593
Checking deposits	9,155	4,139
Demand deposits	1,115,956	1,011,593
Certificates of deposits - interest of 0.11%-2.70% in 2009 and 2.19%-2.71% in 2008	<u>3,008,100</u>	<u>1,679,661</u>
	<u>4,139,498</u>	<u>2,702,986</u>
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 0.16%-0.17% in 2009 and 1.85%-2.04% in 2008	2,367,715	3,672,250
Bonds purchased under resell agreements - interest of 0.115%- 0.150% in 2009	<u>510,190</u>	-
	<u>2,877,905</u>	<u>3,672,250</u>
	<u>\$ 7,017,403</u>	<u>\$ 6,375,236</u>

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

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Belgium (US\$1,922 thousand in 2008 and US\$465 thousand in 2008)	\$ 61,821	\$ 14,959
Hong Kong (US\$3 thousand in 2008 and US\$10 thousand in 2008)	<u>96</u>	<u>322</u>
	<u>\$ 61,917</u>	<u>\$ 15,281</u>

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Domestic quoted stocks	\$ 162,821	\$ 242,147
Open-end mutual funds	1,903,195	1,402,329
Private funds	<u>338,236</u>	<u>-</u>
	<u>\$ 2,404,252</u>	<u>\$ 1,644,476</u>

7. BONDS MEASURED AT AMORTIZED COST - CURRENT

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Bond - Ta Chong Commercial Bank	<u>\$ -</u>	<u>\$ 3,000</u>

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

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Accounts and notes receivable	\$ 6,880,003	\$ 7,347,360
Less: Allowance for doubtful accounts	<u>(699,379)</u>	<u>(822,520)</u>
	<u>\$ 6,180,624</u>	<u>\$ 6,524,840</u>

The change in allowance for doubtful accounts was as follows:

	<u>Nine Months Ended September 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Accounts Receivable</u>	<u>Other Receivables (Included in Other Current Assets)</u>	<u>Accounts Receivable</u>	<u>Other Receivables (Included in Other Current Assets)</u>
Beginning balance	\$ 866,639	\$ 2,090	\$ 902,445	\$ 2,090
Deduct: Bad debts written off	(758,542)	(2,090)	(754,957)	-
Add: Combined from ADcast	-	-	135	-
Collection after write-off	258,131	-	177,874	-
Accrual of bad debt expenses	<u>333,151</u>	<u>-</u>	<u>497,023</u>	<u>-</u>
	<u>\$ 699,379</u>	<u>\$ -</u>	<u>\$ 822,520</u>	<u>\$ 2,090</u>

9. INVENTORIES, NET

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Cellular phone equipment	\$ 594,782	\$ 667,505
Cellular phone accessories	22,195	26,491
SIM cards and prepaid cards	10,838	26,502
Others	<u>111,039</u>	<u>78,454</u>
	<u>\$ 738,854</u>	<u>\$ 798,952</u>

Allowances for losses were \$67,137 thousand and \$51,523 thousand as of September 30, 2009 and 2008, respectively.

Costs of inventories sold were \$4,572,620 thousand and \$4,590,394 thousand for the nine months ended September 30, 2009 and 2008, respectively. Loss on decline in value of inventories amounting to \$9,139 thousand was included in the cost of sales for the nine months ended September 30, 2009; reversal of provision for loss on decline in value of inventories, amounting to \$28,395 thousand for the nine months ended September 30, 2008, was reclassified to the reduction of the cost of sales.

10. EQUITY-METHOD INVESTMENTS

	<u>September 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Common stocks with no quoted market prices				
New Century InfoComm Tech Co., Ltd.	\$ 5,992,450	26.58	\$ 5,561,458	24.51
Far Eastern Electronic Toll Collection Co., Ltd.	258,696	41.18	477,115	41.18
Ding Ding Integrated Marketing Service Co., Ltd.	40,553	15.00	10,721	15.00
iScreen Corporation	<u>30,209</u>	40.00	<u>28,497</u>	40.00
	<u>\$ 6,321,908</u>		<u>\$ 6,077,791</u>	

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. After the share swap, Far EasTone acquired about 24.51% of NCIC's issued shares. As of September 30, 2009, Far EasTone owned 26.58% (690,941 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:

	Nine Months Ended September 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.	\$ 183,704	\$ 151,155	\$(2,375,215)	\$ (495,598)
Far Eastern Electronic Toll Collection Co., Ltd.	(335,501)	(150,033)	(407,581)	(167,741)
Ding Ding Integrated Marketing Services Co., Ltd.	(59,048)	(10,191)	(57,769)	(6,579)
iScreen Corporation	3,610	<u>1,444</u>	4,690	<u>1,962</u>
		<u>\$ (7,625)</u>		<u>\$ (667,956)</u>

Since the combined equity interests of the Far Eastern Group in Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") allow Far EastTone 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 EastTone's equity in DDIM is only 15%.

We were unable to obtain reviewed financial statements supporting the Group's investments in certain equity-method investees, except NCIC, with carrying value of \$529,338 thousand and \$1,277,398 thousand as of September 30, 2009 and 2008, respectively; the Group's equity of \$160,651 thousand and \$176,650 thousand in the losses of these investees was included in the consolidated net incomes for the nine months ended September 30, 2009 and 2008, respectively.

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

For the nine months ended September 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:

	Nine Months Ended September 30	
	2009	2008
	Amortizable Assets	Amortizable Assets
Beginning balance	\$ (808,673)	\$ (924,029)
Increase	(197,036)	-
Decrease	<u>102,867</u>	<u>86,517</u>
Ending balance	<u>\$ (902,842)</u>	<u>\$ (837,512)</u>

11. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	September 30	
	2009	2008
Bonds		
Asia Cement Co., Ltd.	\$ 199,542	\$ -
Yuan Ding Investment Corporation	<u>10,000</u>	<u>-</u>
	<u>\$ 209,542</u>	<u>\$ -</u>

On August 2009, KG Telecom bought a five-year corporate bond of Asia Cement Co., Ltd., amounting to \$199,540 thousand, with effective interest rate of 2.004% and coupon interest rate of 1.95%.

On August 2009, ARCOA bought a three-year corporate bond of Yuan Ding Investment Corporation at par value, amounting to \$10,000 thousand with effective interest rate and coupon interest rate of 2.00% each.

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
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	<u>150,000</u>	<u>150,000</u>
	<u>\$ 180,461</u>	<u>\$ 180,461</u>

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

13. PROPERTIES

a. Changes in properties consisted of:

	<u>Nine Months Ended September 30, 2009</u>					<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Sale or Disposal</u>	<u>Reclassification</u>	<u>Cumulative Translation Adjustments</u>	
Cost						
Land	\$ 1,473,588	\$ -	\$ -	\$ -	\$ -	\$ 1,473,588
Buildings and equipment	2,935,661	267	4,616	127,494	-	3,058,806
Operating equipment	106,295,730	193,297	962,401	4,208,992	-	109,735,618
Computer equipment	15,770,006	1,457	144,408	1,261,326	(483)	16,887,898
Office equipment	998,804	1,147	3,760	45,196	(2,174)	1,039,213
Leasehold improvements	1,736,987	-	9,639	112,722	-	1,840,070
Miscellaneous equipment	496,817	1,015	4,065	5,541	-	499,308
	<u>129,707,593</u>	<u>\$ 197,183</u>	<u>\$ 1,128,889</u>	<u>\$ 5,761,271</u>	<u>\$ (2,657)</u>	<u>134,534,501</u>
Accumulated depreciation						
Buildings and equipment	1,020,177	\$ 71,491	\$ 4,616	\$ 11,708	\$ -	1,098,760
Operating equipment	72,444,975	6,812,689	627,475	77	-	78,630,266
Computer equipment	13,204,592	1,037,079	144,322	-	(394)	14,096,955
Office equipment	880,293	29,879	3,591	-	(1,864)	904,717
Leasehold improvements	1,380,762	79,272	6,970	-	-	1,453,064
Miscellaneous equipment	307,634	50,913	3,963	-	-	354,584
	<u>89,238,433</u>	<u>\$ 8,081,323</u>	<u>\$ 790,937</u>	<u>\$ 11,785</u>	<u>\$ (2,258)</u>	<u>96,538,346</u>
Accumulated impairment						
Buildings and equipment	-	\$ -	\$ -	\$ 2,023	\$ -	2,023
	40,469,160					37,994,132
Construction-in-progress and prepayments for equipment	<u>4,880,523</u>	<u>\$ 3,574,013</u>	<u>\$ 28,880</u>	<u>\$ (5,705,345)</u>	<u>\$ -</u>	<u>2,720,311</u>
	<u>\$ 45,349,683</u>					<u>\$ 40,714,443</u>

Nine Months Ended September 30, 2008

	Movement					Ending Balance
	Beginning Balance	Addition	Sale or Disposal	Reclassification	Cumulative Translation Adjustments	
Cost						
Land	\$ 1,467,746	\$ -	\$ -	\$ -	\$ -	\$ 1,467,746
Buildings and equipment	2,888,046	6,379	-	21,963	-	2,916,388
Operating equipment	102,139,535	112,384	613,450	3,746,232	-	105,384,701
Computer equipment	14,960,798	5,489	55,405	702,118	1,428	15,614,428
Office equipment	1,001,385	93	2,076	3,917	6,988	1,010,307
Leasehold improvements	1,709,137	57	22,362	42,421	-	1,729,253
Miscellaneous equipment	497,949	7,191	7,721	(173)	-	497,246
	<u>124,664,596</u>	<u>\$ 131,593</u>	<u>\$ 701,014</u>	<u>\$ 4,516,478</u>	<u>\$ 8,416</u>	<u>128,620,069</u>
Accumulated depreciation						
Buildings and equipment	903,859	\$ 90,054	\$ -	\$ -	\$ -	993,913
Operating equipment	64,537,629	6,745,536	475,023	511	-	70,808,653
Computer equipment	11,870,126	1,064,552	41,965	(1,803)	983	12,891,893
Office equipment	843,637	31,114	1,993	-	5,385	878,143
Leasehold improvements	1,268,266	101,614	14,203	-	-	1,355,677
Miscellaneous equipment	248,021	51,671	7,611	(459)	-	291,622
	<u>79,671,538</u>	<u>\$ 8,084,541</u>	<u>\$ 540,795</u>	<u>\$ (1,751)</u>	<u>\$ 6,368</u>	<u>87,219,901</u>
	44,993,058					41,400,168
Construction-in-progress and prepayments for equipment	<u>3,935,609</u>	<u>\$ 4,813,093</u>	<u>\$ 72,537</u>	<u>\$ (4,644,550)</u>	<u>\$ -</u>	<u>4,031,615</u>
	<u>\$ 48,928,667</u>					<u>\$ 45,431,783</u>

b. Capitalized interest on properties was as follows:

	Nine Months Ended September 30	
	2009	2008
Total interest expense	\$ 25,653	\$ 44,395
Less: Interest capitalized (included in construction-in-process and prepayments for equipment)	<u>5,333</u>	<u>29,818</u>
Interest expense, net of amounts capitalized	<u>\$ 20,320</u>	<u>\$ 14,577</u>
Interest rate capitalized	0.60%-1.56%	1.56%-2.39%

14. 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.

15. INTANGIBLE ASSETS - 3G CONCESSION, NET

	<u>Nine Month Ended September 30</u>	
	<u>2009</u>	<u>2008</u>
Cost	<u>\$ 10,169,000</u>	<u>\$ 10,169,000</u>
Accumulated amortization		
Beginning balance	2,861,935	2,131,228
Amortization	<u>548,030</u>	<u>548,030</u>
Ending balance	<u>3,409,965</u>	<u>2,679,258</u>
3G concession, net	<u>\$ 6,759,035</u>	<u>\$ 7,489,742</u>

16. RENTAL ASSETS, NET

	<u>Nine Months Ended September 30</u>							
	<u>2009</u>				<u>2008</u>			
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reclassification</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Cost								
Land	\$ 124,789	\$ -	\$ 15,555	\$ 140,344	\$ 130,631	\$ -	\$ -	\$ 130,631
Buildings and equipment	107,797	-	145	107,942	113,260	-	-	113,260
	<u>232,586</u>	<u>\$ -</u>	<u>\$ 15,700</u>	<u>248,286</u>	<u>243,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>243,891</u>
Accumulated depreciation								
Buildings and equipment	14,019	<u>\$ 1,626</u>	<u>\$ 59</u>	15,704	12,355	<u>\$ 1,726</u>	<u>\$ -</u>	14,081
	218,567	-	-	232,582	231,536	-	-	229,810
Accumulated impairment	5,770	<u>\$ -</u>	<u>\$ -</u>	5,770	5,770	<u>\$ -</u>	<u>\$ -</u>	5,770
Rental assets, net	<u>\$ 212,797</u>			<u>\$ 226,812</u>	<u>\$ 225,766</u>			<u>\$ 224,040</u>

Rental assets are offices of Far EasTone and ARCOA, which are intended to be used as operating premises for future business expansion. The rental agreements will expire on various dates through July 2012 (Far EasTone) and through December 2011 (ARCOA), respectively. Future rental income is summarized as follows:

Year	Amount
From October 1, 2009 to December 31, 2009	\$ 2,489
2010	9,973
2011	8,086
2012	4,158

17. SHORT-TERM BANK LOANS

	September 30	
	2009	2008
Secured bank loans - interest of 1.50%-2.10% in 2009 and 2.77%-2.83% in 2008	\$ 359,500	\$ 293,495
Unsecured bank loans - interest of 0.63%-1.99% in 2009 and 2.47%-2.58% in 2008	<u>950,000</u>	<u>4,150,000</u>
	<u>\$ 1,309,500</u>	<u>\$ 4,443,495</u>

18. COMMERCIAL PAPER PAYABLE

Far EasTone issued the commercial paper guaranteed by the financial institution, which were discounted at the interest rate of 0.588% as of September 30, 2009 and fully repaid on October 14, 2009.

19. ACCRUED EXPENSES

	September 30	
	2009	2008
Commission	\$ 1,632,411	\$ 1,373,964
Bonus	554,177	449,894
Maintenance fee	255,585	263,830
Bonus to employees and remuneration to directors and supervisors	279,689	223,434
Utilities	112,337	154,049
Advertisement	74,417	125,592
Billing processing fee	69,760	68,110
Other	<u>535,984</u>	<u>578,580</u>
	<u>\$ 3,514,360</u>	<u>\$ 3,237,453</u>

20. BONDS PAYABLE

	<u>September 30, 2008</u>		
	Due Within One Year	Due After One Year	Total
Bonds payable			
Domestic unsecured bonds - 3rd - Far EasTone	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>

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.

21. LONG-TERM BANK LOANS

	<u>September 30, 2009</u>		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	\$ 28,572	\$ -	\$ 28,572
Unsecured bank loan - Q-ware Com.	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 228,572</u>	<u>\$ -</u>	<u>\$ 228,572</u>

	<u>September 30, 2008</u>		
	Due Within One Year	Due After One Year	Total
Secured bank loans - KGEx.com	\$ 38,095	\$ 28,572	\$ 66,667
Unsecured bank loan - Q-ware Com.	<u>-</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$ 38,095</u>	<u>\$ 178,572</u>	<u>\$ 216,667</u>

a. Secured bank loan - KGEx.com

KGEx.com obtained a secured bank loan at interest rates of 1.80% and 2.80% as of September 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 September 30, 2009 and 2008, payable monthly. Q-ware Com. should repay the full amount on loan maturity by December 2009.

22. LEASE PAYABLE

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Total future lease payments	\$ 9,686	\$ 19,435
Less: Imputed interest expense	<u>1,326</u>	<u>2,654</u>
	8,360	16,781
Less: Current portion of lease payable	<u>8,360</u>	<u>8,421</u>
Lease payable - noncurrent	<u>\$ -</u>	<u>\$ 8,360</u>

The capital lease contracts are summarized as follows:

Lessor	Properties	Payment Terms	<u>Rental Paid</u>	
			<u>2009</u>	<u>2008</u>
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 on 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)	-	144
Far Eastern International Leasing Corp. - KGEx.com	Office equipment	September 2006 - August 2009 \$5 thousand monthly (equipment were transferred unconditionally to KGEX.com on contract expiry)	40	45
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
			<u>\$ 10,166</u>	<u>\$ 41,473</u>

23. 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 \$117,634 thousand and \$100,076 thousand for the nine months ended September 30, 2009 and 2008, respectively. FETI, under its government's regulations, had recognized pension costs of \$2,748 thousand and \$2,504 thousand for the nine months ended September 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 \$51,598 thousand and \$49,652 thousand for the nine months ended September 30, 2009 and 2008, respectively.

24. 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.

Changes in additional paid-in capital consist of:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 19,487,349	\$ 19,487,270
Adjustment to change in equity-method investees' stockholders' equity	<u>-</u>	<u>73</u>
	<u>\$ 19,487,349</u>	<u>\$ 19,487,343</u>

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 nine months ended September 30, 2009 and 2008, the bonus to employees was \$125,640 thousand and \$148,956 thousand, respectively, and the remuneration to directors and supervisors was \$62,820 thousand and \$74,478 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 nine months ended September 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 was 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	\$ 1,061,075	\$ 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.

c. Global depositary receipts

Far EasTone's Global Depositary Receipts (GDRs) as of September 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)	21,778	326,667
GDRs transferred to common stock		<u>(30,493)</u>	<u>(457,396)</u>
Outstanding GDRs issued		<u>1,088</u>	<u>16,318</u>

- 1) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell to foreign investors 150,000 thousand shares of Far EasTone's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US\$13.219 per unit.
- 2) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs of US\$114,500 thousand to be used for the conversion of overseas convertible bonds. As of September 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 2003, 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 September 30, 2009, Far EasTone had reissued 21,778 thousand units of GDRs representing 326,667 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 nine months ended September 30, 2009 and 2008 were summarized as follows:

	<u>Nine Months Ended September 30</u>	
	2009	2008
<u>Difference due to translation of foreign-currency financial statements</u>		
Beginning balance	\$ 28,464	\$ 11,826
Recorded as adjustment under stockholders' equity	<u>(3,782)</u>	<u>13,973</u>
	<u>\$ 24,682</u>	<u>\$ 25,799</u>

g. Unrealized gains and losses on financial instruments

Unrealized gains and losses on financial instruments for the nine months ended September 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
<u>Nine months ended September 30, 2009</u>				
Beginning balance	\$ (50,204)	\$ -	\$ -	\$ (50,204)
Recorded as adjustments to stockholders' equity	64,434	2,200	-	66,634
Recognized as profit or loss	<u>49,720</u>	<u>-</u>	<u>-</u>	<u>49,720</u>
Ending balance	<u>\$ 63,950</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 66,150</u>
<u>Nine months ended September 30, 2008</u>				
Beginning balance	\$ 19,510	\$ -	\$ (16,201)	\$ 3,309
Recorded as adjustments to stockholders' equity	(42,789)	-	3,329	(39,460)
Recognized as profit or loss	<u>(10,729)</u>	<u>-</u>	<u>13,137</u>	<u>2,408</u>
Ending balance	<u>\$ (34,008)</u>	<u>\$ -</u>	<u>\$ 265</u>	<u>\$ (33,743)</u>

25. 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:

	<u>Nine Months Ended September 30</u>	
	2009	2008
Income tax expense computed at statutory tax (25% to 33%)	\$ 2,149,712	\$ 2,859,299
Add (deduct) tax effects of:		
Permanent differences		
Equity in investees' net losses (gains)	183,847	(261,615)
Other	60,781	114,203
Temporary differences		
Goodwill amortization	(118,650)	(148,313)
Allowance for doubtful account	(153,358)	(22,516)
Equity in investee's net losses (gains)	(183,987)	344,124
Other	(40,830)	24,482
Loss carryforwards used	(24,745)	-
Investment tax credits used	(190,034)	(152,938)
Unappropriated earnings tax (10%)	<u>1,468</u>	<u>8,596</u>
Income tax payable - current	1,684,204	2,765,322
Income tax expense on income subject to a separate rate of 20%	1,510	18,498
Prior year's adjustment	<u>61,686</u>	<u>(36,060)</u>
Income tax expense - current	<u>\$ 1,747,400</u>	<u>\$ 2,747,760</u>

b. Income tax expense consisted of:

	<u>Nine Months Ended September 30</u>	
	2009	2008
Income tax expense - current	\$ 1,747,400	\$ 2,747,760
Income tax expense - deferred		
Temporary differences	<u>526,227</u>	<u>(197,777)</u>
	<u>\$ 2,273,627</u>	<u>\$ 2,549,983</u>

E. World, Far EastTron 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:

	<u>Nine Months Ended September 30</u>	
	2009	2008
Current		
Deferred income tax assets		
Allowance for doubtful accounts	\$ 490,558	\$ 719,715
Provision for losses on decline in value of inventories	12,840	11,481
Investment tax credits	6,150	26,841
Loss carryforwards	-	53,626
Other	<u>19,491</u>	<u>35,063</u>
	529,039	846,726
Less: Valuation allowance	<u>32,885</u>	<u>120,529</u>
	<u>\$ 496,154</u>	<u>\$ 726,197</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 458,956	\$ 425,896
Equity in investees' net losses	349,871	678,767
Impairment loss on idle properties	115,467	144,334
Accrued pension cost	75,948	87,077
Depreciation resulting from the differences in estimated service lives of properties	9,078	54,759
Investment tax credits	4,211	9,322
Other	<u>20,924</u>	<u>2,361</u>
	1,034,455	1,402,516
Less: Valuation allowance	<u>757,094</u>	<u>859,370</u>
	277,361	543,146
Deferred income tax liabilities		
Goodwill amortization	<u>(592,569)</u>	<u>(543,814)</u>
	<u>\$ (315,208)</u>	<u>\$ (668)</u>

d. Integrated income tax information was as follows:

	September 30	
	2009	2008
Balance of imputation credit account (ICA)		
Far EasTone	\$ 293,612	\$ 264,186
KG Telecom	\$ 617	\$ 3,467
ARCOA	\$ 13,521	\$ 11,862
Yuan Cing	\$ 4,357	\$ 1,940

When the dividends from the unappropriated earnings as of December 31, 2008 and 2007 were distributed in 2009 and 2008, the actual ratios Far EasTone used were 29.45% and 25.53%, respectively.

When the dividends from the unappropriated earnings as of December 31, 2008 and 2007 were distributed in 2009 and 2008, the actual ratios KG Telecom used were 1.15% and 0.62%, respectively.

When the dividends from the unappropriated earnings as of December 31, 2008 were 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 September 30, 2009. Thus, their ICA balances will be accumulated until dividend distribution in the future.

e. Investment tax credits are as follows:

The unused investment tax credits of the Group as of September 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	96	96	2013
			<u>\$ 2,152</u>	<u>\$ 2,041</u>

ADCast

Regulatory Basis of Tax Credits	Items	Total Investment Tax Credits	Unused Investment Tax Credits	Expiry Year
Statute for Upgrading Industries	Purchase of automated equipment or technology	<u>\$ 264</u>	<u>\$ 2</u>	2010

Q-ware Com.

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

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

Year	Remaining Creditable Amount	Expiry Year
2003	\$ 42,762	2013
2004	58,325	2014
2005	31,330	2015
2006	81,027	2016
2007	104,543	2017
2008	85,224	2018
2009	<u>55,745</u>	2019
	<u>\$ 458,956</u>	

- g. The status of income tax returns as of September 30, 2009 was as follows:

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

Income tax returns through 2004 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 its 2000 to 2004 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 returns of Q-ware Com., Far EasTron, Yuan Cing, KGEx.com and ADCast through 2007 had been examined and cleared by the tax authorities.

26. EMPLOYEE, DEPRECIATION AND AMORTIZATION EXPENSES

Nine Months Ended September 30, 2009					
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	\$ 476,949	\$ 1,784,818	\$ -	\$ 334,964	\$ 2,596,731
Pension	40,332	110,300	-	21,348	171,980
Meal	12,131	53,914	-	7,292	73,337
Employee benefit	373	26,089	-	-	26,462
Insurance	39,921	134,695	-	21,943	196,559
Miscellaneous	<u>3,050</u>	<u>24,758</u>	<u>-</u>	<u>486</u>	<u>28,294</u>
	<u>\$ 572,756</u>	<u>\$ 2,134,574</u>	<u>\$ -</u>	<u>\$ 386,033</u>	<u>\$ 3,093,363</u>
Depreciation	<u>\$ 7,343,985</u>	<u>\$ 737,338</u>	<u>\$ 13,976</u>	<u>\$ -</u>	<u>\$ 8,095,299</u>
Amortization	<u>\$ 62,249</u>	<u>\$ 39,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,905</u>
Nine Months Ended September 30, 2008					
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	As Reductions of Operating Costs or Expenses	Total
Employee expenses					
Salaries	\$ 509,137	\$ 1,801,035	\$ -	\$ -	\$ 2,310,172
Pension	49,128	103,104	-	-	152,232
Meal	12,609	55,943	-	-	68,552
Employee benefit	664	53,084	-	-	53,748
Insurance	38,262	128,750	-	-	167,012
Miscellaneous	<u>6,688</u>	<u>37,549</u>	<u>-</u>	<u>-</u>	<u>44,237</u>
	<u>\$ 616,488</u>	<u>\$ 2,179,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,795,953</u>
Depreciation	<u>\$ 7,246,015</u>	<u>\$ 837,912</u>	<u>\$ 14,092</u>	<u>\$ -</u>	<u>\$ 8,098,019</u>
Amortization	<u>\$ 36,810</u>	<u>\$ 41,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,792</u>

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

27. EARNINGS PER SHARE (EPS)

	<u>Amount (Numerator)</u>		<u>Common Stock (Denominator) (In Thousand Shares)</u>	<u>Earning Per Share (NT\$)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
Nine months ended <u>September 30, 2009</u>					
Basic EPS					
Net income - Far EasTone	\$ 9,497,685	\$ 6,979,994	3,258,501	<u>\$ 2.91</u>	<u>\$ 2.14</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>6,423</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 9,497,685</u>	<u>\$ 6,979,994</u>	<u>3,264,924</u>	<u>\$ 2.91</u>	<u>\$ 2.14</u>
Nine months ended <u>September 30, 2008</u>					
Basic EPS					
Net income - Far EasTone	\$ 10,050,297	\$ 7,844,900	3,298,075	<u>\$ 3.05</u>	<u>\$ 2.38</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>3,660</u>		
Diluted EPS					
Net income including the effect of potential dilutive common stock - Far EasTone	<u>\$ 10,050,297</u>	<u>\$ 7,844,900</u>	<u>3,301,735</u>	<u>\$ 3.04</u>	<u>\$ 2.38</u>

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.

28. FINANCIAL INSTRUMENTS

a. Fair values

	September 30			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 2,404,252	\$ 2,404,252	\$ 1,644,476	\$ 1,644,476
Bonds carried at amortized cost - current	-	-	3,000	3,000
Hedging derivative financial assets - current	7,050	7,050	354	354
Equity-method investments	6,321,908	6,321,908	6,077,791	6,077,791
Held-to-maturity financial assets - noncurrent	209,542	209,586	-	-
Financial assets carried at cost - noncurrent	180,461	180,461	180,461	180,461
Refundable deposits	377,231	377,231	405,208	405,005
<u>Liabilities</u>				
Current portion of long-term bonds payable	-	-	1,200,000	1,200,000
Long-term bank loans (including current portion)	228,572	228,572	216,667	216,667
Lease payable (including current portion)	8,360	8,360	16,781	16,781
Guarantee deposits received (including current portion)	747,952	747,952	862,108	862,108

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 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 bonds carried at amortized cost - current, financial assets carried at cost - noncurrent, and equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.
- 4) If quoted market prices are available, these are used as fair values of held-to-maturity financial assets - noncurrent; otherwise, fair values will be measured by carrying values.
- 5) 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:

	<u>Quoted Price</u>		<u>Estimated Price</u>	
	<u>September 30</u>		<u>September 30</u>	
	2009	2008	2009	2008
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 2,404,252	\$ 1,644,476	\$ -	\$ -
Held-to-maturity financial assets - noncurrent	199,586	-	-	-
Hedging derivative financial assets - current	-	-	7,050	354

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

	<u>September 30</u>			
	2009		2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
<u>Risk from interest fluctuations</u>				
Fair value risk	\$ 4,656,328	\$ 3,056,130	\$ 5,441,108	\$ 5,463,389
Cash flow risk	3,365,647	438,072	1,486,674	1,275,662

- e. Financial risks

1) Market risk

For the nine months ended September 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 nine months ended September 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 nine months ended September 30, 2009, 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, financial bonds 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 nine months ended September 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:

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Year of Cash Flows	Expected Year for Realization of Gains or Losses
		Notional Amount		Fair Value			
		September 30		September 30			
		2009	2008	2009	2008		
Bonds with floating interest rate	Interest rate swap - Far EasTone	\$ -	\$ 1,200,000	\$ -	\$ 354	2003-2008	2003-2008
Foreign currency-denominated asset	Cross currency swap - KG Telecom	US\$10,000,000	-	7,050	-	2009	2009

29. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Far Eastern New Century Corporation (Former 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

(Continued)

Related Party	Relationship with the Group
Digital United Inc.	Subsidiary of NCIC (dissolved due to merger with NCIC on March 16, 2009)
Information Security Service Digital United Inc. NTT DoCoMo Inc.	Subsidiary of NCIC Director of Far EasTone (became an unrelated party since June 2009)
Far Eastern International Leasing Corp. (FEILC) Telecommunication and Transportation Foundation (TTF)	Supervisor of Far EasTone 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. (ACC)	Same chairman
Oriental Union Chemical Corporation	Same chairman
Far Eastern Geant Company Ltd.	Same chairman
Oriental Institute of Technology	Same chairman
Far Eastern International Bank (FEIB)	Far EasTone's chairman is FEIB's vice 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
Oriental Petrochemical (Taiwan) Co., Ltd	Same ultimate parent company
Yuan Ding Investment Corporation (Yuan Ding)	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
Far Eastern (China) Investment Limited	Same ultimate parent company
Sino Belgium (Holding) Limited.	Same ultimate parent company
Pet Far Eastern (M) Sdn Bhd.	Same ultimate parent company
FETG Investment Antilles N.V.	Same ultimate parent company
Far Eastern Apparel (Vietnam)	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

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
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
Sino Belguim (Suzhou) Limited	Same ultimate parent company
Martens Beer (Shanghai) 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
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:

		<u>2009</u>		<u>2008</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>During the period</u>					
Operating revenue	1)				
NCIC	2)	\$ 886,091	2	\$ 508,990	1
Other	18)	<u>93,334</u>	<u>-</u>	<u>117,861</u>	<u>-</u>
		<u>\$ 979,425</u>	<u>2</u>	<u>\$ 626,851</u>	<u>1</u>
Operating costs and expenses					
Cost of telecommunications service					
NCIC	2) and 4)	\$ 412,578	2	\$ 319,715	1
Other	18)	<u>10,216</u>	<u>-</u>	<u>14,085</u>	<u>-</u>
		<u>\$ 422,794</u>	<u>2</u>	<u>\$ 333,800</u>	<u>1</u>
Rental					
FETRD	3)	\$ 34,211	1	\$ 33,866	1
NCIC	4)	32,585	1	31,090	1
FEILC	5)	29,777	1	29,682	1
Other	18)	<u>7,913</u>	<u>-</u>	<u>8,650</u>	<u>-</u>
		<u>\$ 104,486</u>	<u>3</u>	<u>\$ 103,288</u>	<u>3</u>
Marketing expense					
DDIM	6)	\$ 121,663	2	\$ 98,375	1
Other	18)	<u>1,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 123,660</u>	<u>2</u>	<u>\$ 98,375</u>	<u>1</u>

(Continued)

		2009		2008	
		Amount	%	Amount	%
Service fee					
FCHRC	7)	\$ 40,051	26	\$ 43,644	36
Other	18)	<u>117</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 40,168</u>	<u>26</u>	<u>\$ 43,644</u>	<u>36</u>
Telephone fee					
NCIC	8)	\$ 21,067	9	\$ 20,321	8
Other	18)	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 21,082</u>	<u>9</u>	<u>\$ 20,231</u>	<u>8</u>
Donation expense					
TTF	9)	\$ 6,750	52	\$ 9,572	31
Yuan-Ze University	10)	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>12</u>
		<u>\$ 6,750</u>	<u>52</u>	<u>\$ 13,322</u>	<u>43</u>
Nonoperating income and gains					
Interest revenue					
FEIB	11)	<u>\$ 18,327</u>	<u>45</u>	<u>\$ 15,253</u>	<u>10</u>
Management services revenue					
NCIC	12)	\$ 18,808	95	\$ -	-
Other	18)	<u>1,038</u>	<u>5</u>	<u>-</u>	<u>-</u>
		<u>\$ 19,846</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
Acquisition of properties					
NCIC	13)	\$ 18,393	-	\$ 40,631	1
Other	18)	<u>671</u>	<u>-</u>	<u>14,785</u>	<u>-</u>
		<u>\$ 19,064</u>	<u>-</u>	<u>\$ 55,416</u>	<u>1</u>
Acquisition of bonds					
ACC	17)	\$ 199,540	95	\$ -	-
Yuan Ding	17)	<u>10,000</u>	<u>5</u>	<u>-</u>	<u>-</u>
		<u>\$ 209,540</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
<u>At end of period</u>					
Demand deposits and certificates of deposits					
FEIB	11)	<u>\$ 2,033,640</u>	<u>27</u>	<u>\$ 1,677,277</u>	<u>26</u>

(Continued)

		<u>2009</u>		<u>2008</u>	
		Amount	%	Amount	%
Receivables from related parties					
Accounts and notes receivable					
NCIC	2)	\$ 106,640	31	\$ 39,133	43
FETC	14)	3,627	1	4,588	5
NTT DoCoMo Inc.	15)	-	-	20,595	23
Other	18)	<u>3,402</u>	<u>1</u>	<u>5,059</u>	<u>6</u>
		<u>113,669</u>	<u>33</u>	<u>69,375</u>	<u>77</u>
Other receivables					
NCIC	12)	217,912	64	2,394	3
FEIB	11)	7,750	2	6,188	7
FETC	16)	4,528	1	4,138	4
DDIM	6)	-	-	8,363	9
Other	18)	<u>496</u>	<u>-</u>	<u>105</u>	<u>-</u>
		<u>230,686</u>	<u>67</u>	<u>21,188</u>	<u>23</u>
		<u>\$ 344,355</u>	<u>100</u>	<u>\$ 90,563</u>	<u>100</u>
Refundable deposits					
DDIM	6)	\$ 40,096	11	\$ 42,872	11
Other	18)	<u>15,986</u>	<u>4</u>	<u>12,879</u>	<u>3</u>
		<u>\$ 56,082</u>	<u>15</u>	<u>\$ 55,751</u>	<u>14</u>
Payables to related parties					
NCIC	2), 4), 8) and 13)	\$ 251,164	66	\$ 229,489	70
DDIM	6)	82,375	22	67,106	20
Other	18)	<u>46,493</u>	<u>12</u>	<u>31,921</u>	<u>10</u>
		<u>\$ 380,032</u>	<u>100</u>	<u>\$ 328,516</u>	<u>100</u>
Lease payable (including current portion)					
FEILC	5)	<u>\$ 8,360</u>	<u>100</u>	<u>\$ 16,781</u>	<u>100</u>

(Concluded)

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 leased line, 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 \$10,166 thousand and \$41,143 thousand paid for the nine months ended September 30, 2009 and 2008, respectively. A part of the agreement on the computer equipment and office equipment was expired and ownership of the related equipment was transferred to the Group without condition (Note 22).

- 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. Customers' reward points deducted the telecommunications bill which allocated by other related parties, included in receivables from 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) KG Telecom made donation to non-profit organizations for further integration and development of telecommunications business and personnel.
- 11) The Group had demand deposits and certificate of deposits (CDs) in FEIB. Some of these CDs had been pledged in tax authority and were thus included in the pledged certificate of deposits. Accrued interest from these deposits was included in receivables from related parties and interest.

- 12) Far EasTone provided management services and advances to NCIC for its daily operating expenditures.
 - 13) Far EasTone bought operating equipment from NCIC.
 - 14) 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.
 - 15) 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.
 - 16) Far EasTone gave advances for FETC daily operating expenditures, which were treated as receivables from related parties.
 - 17) KG Telecom and ARCOA acquired the bonds of ACC and Yuan Ding, respectively.
 - 18) 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.

30. COMMITMENTS AS OF SEPTEMBER 30, 2009

The Group had the following significant commitments:

- a. The Group was under contracts to acquire properties for \$2,402,557 thousand and cellular phone equipment for \$113,065 thousand.
- b. The Group's outstanding letters of credit amounted to JPY500 thousand (equivalent to \$179 thousand), US\$1,176 thousand (equivalent to \$37,826 thousand) and \$43,250 thousand.
- c. Payments for the rentals of land, buildings and cell sites of the Group for the future years are summarized as follows:

Year	Amount
From October 1, 2009 to December 31, 2009	\$ 683,776
2010	2,824,618
2011	2,988,859
2012	3,074,459
2013	3,069,111
From January 1, 2014 to September 30, 2014	2,377,161

- d. Oriental Securities Investment Advisory Co. manages KG Telecom's funds of \$350,000 thousand, which are based on two separate discretionary portfolio management agreements through January 2010 and March 2010, respectively. Under the agreements, the portfolio can include domestic quoted stocks, government bonds, corporate bonds and commercial papers or bonds under resell agreements. However, investments in the affiliates of the Group and other domestic telecommunications companies' (except Chunghwa Telecom Co., Ltd.) and related derivatives are prohibited. As of September 30, 2009, the carrying value of the funds was \$326,942 thousand as follows:

	September 30, 2009
Cash and cash equivalent	
Demand deposits	\$ 68,554
Bonds purchased under resell agreements	<u>110,070</u>
	178,624
Available-for-sale financial assets - current	147,699
Receivables for the sale of securities (included in other current assets)	7,449
Payables for the purchase of securities (included in other current liabilities)	(7,123)
Other	<u>293</u>
	<u>\$ 326,942</u>

- e. Under the NCC's policy effective April 1, 2007, Far EasTone had provided performance guarantees amounting to \$450,000 thousand to KG Telecom and \$45,000 thousand to KGEx.com for prepaid cards already bought by customers. KG Telecom had also provided Far EasTone a similar guarantee amounting to \$850,000 thousand. Moreover, KG Telecom had also provided 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.
- f. Far EasTone provided a \$149,840 thousand guarantee for Q-ware Com.'s bank loans by signing promissory notes on July 22, 2009.

31. ASSETS PLEDGED OR MORTGAGED

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

	September 30	
	2009	2008
Pledged certificates of deposits - current	\$ 24,077	\$ 42,000
Pledged certificates of deposits - noncurrent	409,164	18,250
Properties, net	<u>458,514</u>	<u>470,730</u>
	<u>\$ 891,755</u>	<u>\$ 530,980</u>

32. SUBSEQUENT EVENT

Under a trust agreement signed on October 2, 2009, Far EasTone agreed to consign to Far Eastern International Bank (FEIB) the proceeds of its sale of prepaid recharge cards as a trust fund, with FEIB responsible for managing this fund. Far EasTone had consigned \$356,400 thousand to FEIB as of October 20, 2009.

33. 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 28

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
NINE MONTHS ENDED SEPTEMBER 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. Q-ware Communications Co., Ltd KGEx.com Co., Ltd.	Subsidiary Subsidiary Subsidiary of KG Telecom	\$ 34,632,483 34,632,483 34,632,483	\$ 450,000 149,840 45,000	\$ 450,000 149,840 45,000	\$ - - -	0.65% 0.22% 0.06%	\$ 69,264,966 69,264,966 69,264,966
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	15,460,795	1,240,000	1,240,000	-	4.01%	30,921,589

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

SEPTEMBER 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	September 30, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stocks</u>							
	KG Telecommunications Co., Ltd.	Equity-method investee	Equity-method investments	1,332,997,916	\$ 30,921,589	100.00	\$ 30,921,589	Notes A and D
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Equity-method investments	690,941,070	5,992,450	26.58	5,992,450	Notes A and D
	ARCOA Communication Co., Ltd.	Equity-method investee	Equity-method investments	82,009,242	1,098,358	61.07	1,098,358	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity-method investee	Equity-method investments	157,714,020	258,696	41.18	258,696	Notes B and D
	Far Eastern Info Service (Holding) Ltd.	Equity-method investee	Equity-method investments	1,200	172,465	100.00	172,465	Notes B and D
	Q-ware Communications Co., Ltd	Equity-method investee	Equity-method investments	36,459,930	81,816	51.00	81,816	Notes B and D
	E. World (Holdings) Ltd.	Equity-method investee	Equity-method investments	6,014,622	70,384	85.92	70,384	Notes B and D
	Ding Ding Integrated Marketing Services Co., Ltd.	Equity-method investee	Equity-method investments	4,725,000	40,553	15.00	40,553	Notes B and D
	Far EasTron Holding Ltd.	Equity-method investee	Equity-method investments	4,486,988	24,529	100.00	24,529	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	18,351	164	0.40	164	Notes B and D
	<u>Open-end mutual funds</u>							
	DFE DWS Global Multiasset Income Plus FOF-A	-	Available-for-sale financial assets - current	5,000,000.00	52,200	-	52,200	Note C
KG Telecommunications Co., Ltd.	<u>Stocks</u>							
	KGEx.com Co., Ltd.	Equity-method investee	Equity-method investments	89,088,470	818,236	79.25	818,236	Notes B and D
	iScreen Corporation	Equity-method investee	Equity-method investments	4,000,000	30,209	40.00	30,209	Notes B and D
	ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	368,519	3,294	8.16	3,294	Notes B and D
	ACC	-	Available-for-sale financial assets - current	125,500	4,518	-	4,518	Note F
	TYG	-	Available-for-sale financial assets - current	50,000	2,280	-	2,280	Note F
	SYNCMOLD	-	Available-for-sale financial assets - current	100,000	6,830	-	6,830	Note F
	SANYO	-	Available-for-sale financial assets - current	200,000	6,430	-	6,430	Note F
	CSRC	-	Available-for-sale financial assets - current	100,000	3,330	-	3,330	Note F
	KINPO	-	Available-for-sale financial assets - current	450,000	3,897	-	3,897	Note F
	MSI	-	Available-for-sale financial assets - current	7,492	158	-	158	Note F
	RT	-	Available-for-sale financial assets - current	60,000	4,500	-	4,500	Note F
	CHT	-	Available-for-sale financial assets - current	166,773	9,656	-	9,656	Note F
	CHILISIN	-	Available-for-sale financial assets - current	450,000	6,503	-	6,503	Note F
	Highwealth	-	Available-for-sale financial assets - current	209,185	8,472	-	8,472	Note F
	U-MING	-	Available-for-sale financial assets - current	196,000	10,604	-	10,604	Note F
	CAL	-	Available-for-sale financial assets - current	792,123	8,515	-	8,515	Note F
	ESMT	-	Available-for-sale financial assets - current	170,000	8,653	-	8,653	Note F
	CWT	-	Available-for-sale financial assets - current	150,000	3,007	-	3,007	Note F
YUNGZIP	-	Available-for-sale financial assets - current	50,000	2,265	-	2,265	Note F	

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
ARCOA Communication Co., Ltd.	PAHSCO	-	Available-for-sale financial assets - current	130,000	\$ 9,230	-	\$ 9,230	Note F
	GEMTEK	-	Available-for-sale financial assets - current	122,948	6,836	-	6,836	Note F
	CyberLink	-	Available-for-sale financial assets - current	449	59	-	59	Note F
	LSC	-	Available-for-sale financial assets - current	500,000	11,825	-	11,825	Note F
	SOFT-WORLD	-	Available-for-sale financial assets - current	50,000	8,750	-	8,750	Note F
	LASERTEK	-	Available-for-sale financial assets - current	150,000	3,728	-	3,728	Note F
	IC+	-	Available-for-sale financial assets - current	230,000	6,613	-	6,613	Note F
	AV TECH	-	Available-for-sale financial assets - current	35,000	3,675	-	3,675	Note F
	APEC	-	Available-for-sale financial assets - current	13,200	410	-	410	Note F
	TAIWAN SAKURA	-	Available-for-sale financial assets - current	3,976	51	-	51	Note F
	GIANT	-	Available-for-sale financial assets - current	60,600	5,266	-	5,266	Note F
	TMI	-	Available-for-sale financial assets - current	400,000	16,760	-	16,760	Note F
	<u>Open-end mutual funds</u>							
	Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	-	Available-for-sale financial assets - current	73,380,924.95	819,511	-	819,511	Note C
	JPM (Taiwan) European Bond Fund	-	Available-for-sale financial assets - current	5,000,000.00	50,135	-	50,135	Note C
	Pca Well Pool Fund	-	Available-for-sale financial assets - current	19,276,261.40	250,165	-	250,165	Note C
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	16,539,533.00	250,225	-	250,225	Note C
	Hua Nan Phoenix Bond Fund	-	Available-for-sale financial assets - current	16,072,953.40	250,246	-	250,246	Note C
	<u>Private funds</u>							
	Opas Fund Segregated Portfolio Tranche B	-	Available-for-sale financial assets - current	10,000.00	338,236	-	338,236	Note C
	Fuh Hwa Value Added Strategy Fund	-	Financial assets carried at cost -noncurrent	14,866,204.20	150,000	-	150,000	Note D
	<u>Bonds</u>							
	Asia Cement Corporation 1st Unsecured Corporation Bond Issued in 2009	Same chairman	Held-to-maturity financial assets - noncurrent	200.00	199,542	-	199,586	Note G
	<u>Stocks</u>							
	THI consultants	-	Financial assets carried at cost -noncurrent	1,213,594	13,729	18.32	13,729	Note D
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost -noncurrent	2,086,854	6,714	4.12	6,714	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost -noncurrent	840,000	8,400	0.04	8,400	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost -noncurrent	160,627	1,618	0.63	1,618	Note D
	<u>Open-end mutual funds</u>							
	PCA Well Pool Fund	-	Available-for-sale financial assets - current	3,864,632.90	60,161	-	60,161	Note C
	Prudential Financial Bond Fund	-	Available-for-sale financial assets - current	5,302,403.60	80,220	-	80,220	Note C
	UPAMC JAMES Bond Fund	-	Available-for-sale financial assets - current	3,143,118.60	50,222	-	50,222	Note C
	Union Bond Fund	-	Available-for-sale financial assets - current	2,384,618.01	30,043	-	30,043	Note C
Fuh-Hwa Global Bond Fund	-	Available-for-sale financial assets - current	839,630.60	10,067	-	10,067	Note C	
<u>Bonds</u>								
The First Private Placement of Unsecured Corporated Bond Issued by Yuan Ding Investment Co., Ltd.	Same ultimate parent company	Held-to-maturity financial assets - noncurrent	1.00	10,000	-	10,000	Note G	

(Continued)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2009				Note
				Shares	Carrying Value (Note E)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far Eastern Info Service (Holding) Ltd. (Note H)	<u>Share certificates</u> Far Eastern Tech-info Ltd. (Shanghai)	Equity-method investee	Equity-method investments	-	US\$ 4,746,000	100.00	US\$ 4,746,000	Notes B and D
Far EasTron Holding Ltd. (Note H)	<u>Stocks</u> ADCast Interactive Marketing Co., Ltd.	Equity-method investee	Equity-method investments	2,734,446	US\$ 760,000	60.52	US\$ 760,000	Notes B and D
E. World (Holdings) Ltd. (Note H)	<u>Stocks</u> Yuan Cing Co., Ltd.	Equity-method investee	Equity-method investments	19,349,994	US\$ 2,276,000	99.99	US\$ 2,276,000	Notes B and D

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

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

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

Note D: The financial assets carried at cost and equity-method investments 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 September 30, 2009.

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

Note G: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of September 30, 2009. The bonds without quoted prices were measured by their carrying values.

Note H: The information was based on unreviewed financial statements as of September 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
 NINE MONTHS ENDED SEPTEMBER 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 Investment	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	82,896,099	\$ 332,034	372,270,512 (Note B)	\$ -	\$ -	\$ -	\$ 170,392 (Note C)	690,941,070	\$ 5,992,450
KG Telecommunications Co., Ltd.	ACC	Available-for-sale financial assets - current	-	-	3,449,000	93,081	0,891,500	23,516	4,215,000	154,673	113,303	41,370	-	125,500	3,294
	Oriental Union Chemical Corporation	Available-for-sale financial assets - current	-	-	500,000	6,657	4,850,000	68,182	5,350,000	103,252	74,839	28,413	-	-	-
	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
	Deutsche Far Eastern DWS Taiwan Thematic Fund	Available-for-sale financial assets - current	-	-	10,000,000.00	100,000	-	-	10,000,000.00	113,825	100,000	13,825	-	-	-
	JPM (Taiwan) European Bond Fund	Available-for-sale financial assets - current	-	-	20,000,000.00	199,956	-	-	15,000,000.00	147,791	149,967	(2,176)	-	5,000,000.00	49,989
	Deutsche Far Eastern DWS Taiwan Bond Security Investment Trust Fund	Available-for-sale financial assets - current	-	-	73,960,494.25	800,000	17,910,554.70	200,000	18,490,124.00	206,472	200,000	6,472	-	73,380,924.95	800,000
	Asia Cement Corporation 1st Unsecured Corporation Bond Issue In 2009	Held-to-maturity financial assets - noncurrent	Asia Cement Corporation	Same chairman	-	-	200.00	199,540	-	-	-	-	-	200.00	199,540

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

Note B: The shares owned by Far EasTone decreased because New Century InfoComm Tech Co., Ltd. reduced its capital to offset the accumulated loss in August 2009.

Note C: Including equity in investee's net gains of \$151,155 thousand and adjustments to change in equity-method investee's stockholders' equity of \$19,237 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
NINE MONTHS ENDED SEPTEMBER 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	\$ (2,441,689)	(6%)	Based on agreement	-	-	Accounts receivable	\$ 506,309	8%
	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services	847,626	5%	Based on agreement	-	-	Accounts payable	(157,268)	(7%)
			Sales of cellular phone equipment and accessories and service revenues	(238,525)	(1%)	Based on agreement	-	-	Accounts receivable	118,291	2%
	KGEx.com Co., Ltd.	Subsidiary of KG Telecom	Cost of telecommunications services, marketing expenses and cost of sales	1,729,410	6%	Based on agreement	-	-	Accounts payable and accrued expense	(227,266)	(4%)
			Telecommunications service revenues	(148,008)	-	Based on agreement	-	-	Accounts receivable	25,158	-
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	Telecommunications service revenues	(431,795)	(1%)	Based on agreement	-	-	Accounts receivable (Note)	-	-
Cost of telecommunications services			366,846	2%	Based on agreement	-	-	Accounts payable and accrued expense (Note)	(184,202)	(3%)	
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Telecommunications service revenues	(847,626)	(14%)	Based on agreement	-	-	Accounts receivable	157,268	11%
			Cost of telecommunications services	2,441,689	40%	Based on agreement	-	-	Accounts payable	(506,309)	(66%)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Commission revenue, sales of cellular phone equipment and accessories and service revenues	(1,729,410)	(43%)	Based on agreement	-	-	Accounts receivable	227,266	71%
			Cost of telecommunications services and cost of sales	238,525	7%	Based on agreement	-	-	Accounts payable	(118,291)	(28%)
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee of Far EasTone	Telecommunications service revenues	(433,236)	(47%)	Based on agreement	-	-	Accounts receivable	104,365	50%
	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications service	148,008	15%	Based on agreement	-	-	Accounts payable	(25,158)	(10%)

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

SEPTEMBER 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	\$ 552,457	(Note A)	\$ -	-	\$ -	\$ -
	ARCOA Communication Co., Ltd.	Subsidiary	120,552	10.26	-	-	-	-
	New Century InfoComm Tech Co., Ltd.	Equity-method investee	217,747	(Note A)	-	-	32,783	-
KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,076,189	(Note B)	-	-	145,143	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	227,266	12.48	-	-	890	-
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Equity-method investee	104,365	8.44	-	-	49,938	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2009			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				September 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	\$ 30,921,589	\$ (736,832)	\$ (736,832)	Notes A and B
	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	6,394,034	6,062,000	690,941,070	26.58	5,992,450	183,704	151,155	Notes B and C
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,295,035	1,283,563	82,009,242	61.07	1,098,358	78,188	47,140	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	258,696	(335,501)	(150,033)	Notes C and D
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	172,465	22,045	22,045	Notes A and D
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	495,855	495,855	36,459,930	51.00	81,816	(178,342)	(90,054)	Notes A and D
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	70,384	3,753	3,225	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	90,000	45,000	4,725,000	15.00	40,553	(59,048)	(10,191)	Notes C and D
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	24,529	(1,047)	(1,047)	Notes A and D
ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	1,000	1,000	18,351	0.40	164	(1,482)	(6)	Notes D and E	
KG Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,355,649	2,355,649	89,088,470	79.25	818,236	(91,665)		Notes D and E
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	30,209	3,610		Notes D and F
	ADCast Interactive Marketing Co., Ltd.	Taiwan	Internet advertisements and marketing	3,652	3,652	368,519	8.16	3,294	(1,482)		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\$ 4,746,000	22,283		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\$ 760,000	(1,482)		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\$ 2,276,000	3,913		Notes D and E

Note A: Subsidiary.

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

Note C: Equity-method investee of Far EasTone.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2009 (Note A)	Accumulated Inward Remittance of Earnings as of September 30, 2009	Accumulated Investment in Mainland China as of September 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	\$80,413 (US\$2,500,000)	Note B	\$92,616	\$ -	\$ -	\$92,616	100%	\$22,283	\$152,655 (US\$4,746,000)	\$ -	\$92,616	\$92,616	\$41,558,980 (Note C)

Note A: The calculation was based on unreviewed financial statements as of September 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

NINE MONTHS ENDED SEPTEMBER 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)
	<u>Nine months ended September 30, 2009</u>						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	\$ 552,457	Note F	1%
				Inventories	3,287	Note F	-
				Payables to related parties	1,076,189	Note F	1%
				Telecommunications service revenues	2,441,689	Note F	5%
				Cost of telecommunications services	847,626	Note F	2%
				Nonoperating income and gains	36,157	Note F	-
				Management services revenue	15,239	Note F	-
				Nonoperating expenses and losses	3,062	Note F	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	120,552	Note F	-
				Inventories	736	Note F	-
				Payables to related parties	227,266	Note F	-
				Unearned revenues	48,144	Note F	-
				Sales of cellular phone equipment and accessories, net	48,699	Note F	-
				Telecommunications service revenues	189,826	Note F	-
				Cost of sales	1,310,088	Note F	3%
				Other operating cost	41,923	Note F	-
				Marketing expenses	377,399	Note F	1%
				Nonoperating income and gains	2,808	Note F	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	30,877	Note F	-
				Payables to related parties	14,573	Note F	-
				Telecommunications service revenues	148,008	Note F	-
				Cost of telecommunications services	22,594	Note F	-
				Marketing expense	1,223	Note F	-
				General and administrative expenses	11,530	Note F	-
				Nonoperating income and gains	60	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	38,423	Note F	-
				General and administrative expenses	107,067	Note F	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	2,903	Note F	-
				Payables to related parties	1,795	Note F	-
				General and administrative expenses	36	Note F	-
				Management services revenue	257	Note F	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties	29,975	Note F	-
				Nonoperating income and gains	8,437	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ADCast Interactive Marketing Co., Ltd.	1	Receivables from related parties Payables to related parties Marketing expenses General and administrative expenses Management services revenue	\$ 2,542 8,052 16,504 177 55	Note F Note F Note F Note F Note F	- - - - -
1	KG Telecommunications Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	2	Receivables from related parties Payables to related parties Unearned revenues Telecommunications service revenues Cost of telecommunications services Marketing expenses General and administrative expenses Nonoperating income and gains Nonoperating expenses and losses	1,076,189 552,457 3,287 847,626 2,444,499 38,726 8,726 3,062 1,134	Note F Note F Note F Note F Note F Note F Note F Note F Note F	1% 1% - 2% 5% - - - -
		ARCOA Communication Co., Ltd.	3	Receivables from related parties Payables to related parties Unearned revenues Other operating revenues Cost of sales Marketing expenses	6,484 3,072 13,149 12 4,448 30,269	Note F Note F Note F Note F Note F Note F	- - - - - -
		KGEx.com Co., Ltd.	3	Receivables from related parties Telecommunications service revenues General and administrative expenses Management services revenue	30,316 30,446 4,864 1,485	Note F Note F Note F Note F	- - - -
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties General and administrative expenses	5,507 11,133	Note F Note F	- -
2	ARCOA Communication Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	2	Receivables from related parties Inventories Payables to related parties Sales of cellular phone equipment and accessories, net Other operating revenues Cost of sales Cost of telecommunications services General and administrative expenses Nonoperating income and gains	227,266 48,144 120,552 2,316,618 287,309 957,812 188,880 2,808 34,386	Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - 5% 1% 2% - - -
		KG Telecommunications Co., Ltd.	3	Receivables from related parties Inventories Payables to related parties Sales of cellular phone equipment and accessories, net Other operating revenues Cost of sales	3,072 13,149 6,484 92,223 23,857 81,375	Note F Note F Note F Note F Note F Note F	- - - - - -
		Yuan Cing Co., Ltd.	3	Payables to related parties General and administrative expenses	1,391 5,045	Note F Note F	- -

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	\$ 14,573	Note F	-
				Payables to related parties	30,877	Note F	-
				Telecommunications service revenues	22,594	Note F	-
		KG Telecommunications Co., Ltd.	3	Cost of telecommunications services	148,008	Note F	-
				Nonoperating expenses and losses	60	Note F	-
				Other operating revenues	12,753	Note F	-
				Payables to related parties	30,316	Note F	-
				Cost of telecommunications services	30,446	Note F	-
				General and administrative expenses	1,485	Note F	-
Q-ware communications Co., Ltd.	3	Other operating revenues	4,864	Note F	-		
		Receivables from related parties	779	Note F	-		
		Telecommunications service revenues	6,767	Note F	-		
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	38,423	Note F	-
				Other operating revenues	107,067	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	5,507	Note F	-
				Other operating revenues	11,133	Note F	-
5	Yuan Cing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	1,795	Note F	-
				Payables to related parties	2,903	Note F	-
				Other operating revenues	36	Note F	-
		ARCOA communications Co., Ltd.	3	General and administrative expenses	257	Note F	-
				Receivables from related parties	1,391	Note F	-
				Other operating revenues	5,045	Note F	-
6	Q-ware Communications Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	29,975	Note F	-
				General and administrative expenses	8,437	Note F	-
		KGEx.com Co., Ltd	3	Payables to related parties	779	Note F	-
				Cost of telecommunications services	6,767	Note F	-
7	ADCast Interactive Marketing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	8,052	Note F	-
				Payables to related parties	2,542	Note F	-
				Other operating revenues	16,681	Note F	-
				General and administrative expenses	55	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)
	<u>Nine months ended September 30, 2008</u>						
0	Far EasTone Telecommunications Co., Ltd.	KG Telecommunications Co., Ltd.	1	Receivables from related parties	\$ 514,991	Note F	1%
				Inventories	3,386	Note F	-
				Payables to related parties	620,466	Note F	1%
				Unearned revenues	2,180	Note F	-
				Telecommunications service revenues	2,284,492	Note F	5%
				Cost of telecommunications services	1,284,868	Note F	3%
				Marketing expenses	141,935	Note F	-
				Nonoperating income and gains	38,169	Note F	-
				Management services revenue	46,626	Note F	-
				Nonoperating expenses and losses	1,456	Note F	-
		ARCOA Communication Co., Ltd.	1	Receivables from related parties	185,600	Note F	-
				Inventories	372	Note F	-
				Payables to related parties	178,734	Note F	-
				Unearned revenues	66,502	Note F	-
				Sales of cellular phone equipment and accessories, net	19,956	Note F	-
				Telecommunications service revenues	144,949	Note F	-
				Cost of sales	1,367,668	Note F	3%
				Other operating cost	43,419	Note F	-
				Marketing expenses	446,851	Note F	1%
				Nonoperating income and gains	2,924	Note F	-
		KGEx.com Co., Ltd.	1	Receivables from related parties	45,471	Note F	-
				Payables to related parties	3,292	Note F	-
				Telecommunications service revenues	154,480	Note F	-
				Cost of telecommunications services	22,708	Note F	-
				General and administrative expenses	5,614	Note F	-
				Nonoperating income and gains	75	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	Payables to related parties	27,238	Note F	-
				General and administrative expenses	112,089	Note F	-
		ADCast Interactive Marketing Co., Ltd.	1	Receivables from related parties	847	Note F	-
				Management services revenue	250	Note F	-
		Yuan Cing Co., Ltd.	1	Receivables from related parties	6,006	Note F	-
				Payables to related parties	6,145	Note F	-
				General and administrative expenses	3,238	Note F	-
				Management services revenue	1,014	Note F	-
		Q-ware Communications Co., Ltd.	1	Receivables from related parties	24,507	Note F	-
				Nonoperating income and gains	8,409	Note F	-
1	KG Telecommunications Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	620,466	Note F	1%
				Inventories	2,180	Note F	-
				Payables to related parties	514,991	Note F	1%
				Unearned revenues	3,386	Note F	-
				Telecommunications service revenues	1,284,868	Note F	3%
				Cost of telecommunications services	2,298,702	Note F	5%
				Marketing expenses	46,677	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)
				General and administrative expenses	\$ 22,630	Note F	-
				Research and development expenses	329	Note F	-
				Nonoperating income and gains	143,391	Note F	-
				Nonoperating expenses and losses	949	Note F	-
		ARCOA Communication Co., Ltd.	3	Receivables from related parties	22,391	Note F	-
				Inventories	100	Note F	-
				Payables to related parties	50,030	Note F	-
				Unearned revenues	6,960	Note F	-
				Telecommunications service revenues	53	Note F	-
				Cost of sales	403,088	Note F	1%
		KGEx.com Co., Ltd.	3	Marketing expenses	43,099	Note F	-
				Receivables from related parties	20,707	Note F	-
				Payables to related parties	3,397	Note F	-
				Telecommunications service revenues	55,030	Note F	-
				General and administrative expenses	28,783	Note F	-
				Management services revenue	2,044	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Payables to related parties	6,992	Note F	-
				General and administrative expenses	21,604	Note F	-
2	ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	178,734	Note F	-
				Inventories	66,502	Note F	-
				Payables to related parties	185,600	Note F	-
				Sales of cellular phone equipment and accessories, net	2,519,833	Note F	5%
				Other operating revenues	291,491	Note F	1%
				Cost of sales	1,057,301	Note F	3%
				Cost of telecommunications services	147,753	Note F	-
				General and administrative expenses	1	Note F	-
				Nonoperating income and gains	84,212	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	50,030	Note F	-
				Inventories	6,960	Note F	-
				Payables to related parties	22,391	Note F	-
				Sales of cellular phone equipment and accessories, net	561,595	Note F	1%
				Other operating revenues	28,655	Note F	-
				Cost of sales	144,016	Note F	-
		Yuan Cing Co., Ltd.	3	Payables to related parties	1,355	Note F	-
3	KGEx.com Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	3,292	Note F	-
				Payables to related parties	45,471	Note F	-
				Telecommunications service revenues	22,708	Note F	-
				Cost of telecommunications services	154,480	Note F	-
				Nonoperating expenses and losses	75	Note F	-
				Other operating revenues	5,614	Note F	-
		KG Telecommunications Co., Ltd.	3	Receivables from related parties	3,397	Note F	-
				Payables to related parties	20,707	Note F	-
				Cost of telecommunications services	55,030	Note F	-
				Other operating revenues	28,783	Note F	-
				General and administrative expenses	2,044	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	1,560	Note F	-
				Telecommunications service revenues	6,934	Note F	-
4	Far Eastern Tech-Info Ltd. (Shanghai) (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Receivables from related parties	27,238	Note F	-
		KG Telecommunications Co., Ltd.	3	Other operating revenues	112,089	Note F	-
				Receivables from related parties	6,992	Note F	-
				Other operating revenues	21,604	Note F	-
5	Far EasTron Co., Ltd. (Note E)	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	6,145	Note F	-
				Payables to related parties	6,006	Note F	-
				Other operating revenues	3,238	Note F	-
		ARCOA communications Co., Ltd.	3	General and administrative expenses	1,014	Note F	-
				Receivables from related parties	1,355	Note F	-
7	Q-ware Communications Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	24,507	Note F	-
		KGEx.com Co., Ltd	3	General and administrative expenses	8,409	Note F	-
				Payables to related parties	1,560	Note F	-
				Cost of telecommunications services	6,934	Note F	-
8	ADCast Interactive Marketing Co., Ltd. (Note E)	Far EasTone Telecommunications Co., Ltd.	2	Payables to related parties	847	Note F	-
				General and administrative expenses	250	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 September 30, 2009 and 2008; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 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 unreviewed financial statements as of September 30, 2009 and 2008.

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

(Concluded)