



**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**2Q 2007 AND 1Q, 2Q 2008**  
(In Million New Taiwan Dollars)

	1Q 2008		2Q 2008		QoQ %		2Q 2007		YoY %	
		% of Sales		% of Sales	Change	%		% of Sales	Change	%
Equipment Revenue	1,526	10	1,430	9	(96)	-6	1,188	8	242	20
Service Revenue	14,331	90	14,422	91	91	1	14,605	92	(183)	-1
<b>Total Operating Revenue</b>	<b>15,858</b>	<b>100</b>	<b>15,852</b>	<b>100</b>	<b>(6)</b>	<b>0</b>	<b>15,794</b>	<b>100</b>	<b>58</b>	<b>0</b>
Cost of Good Sold	8,409	53	8,398	53	(12)	0	8,215	52	183	2
<b>Gross Profit</b>	<b>7,448</b>	<b>47</b>	<b>7,454</b>	<b>47</b>	<b>6</b>	<b>0</b>	<b>7,579</b>	<b>48</b>	<b>(125)</b>	<b>-2</b>
<b>Operating Expenses</b>										
Selling and Marketing Expenses	2,647	17	2,382	15	(264)	-10	2,241	14	142	6
General and administrative	1,297	8	1,261	8	(36)	-3	1,305	8	(43)	-3
Research and development	45	0	44	0	(0)	-1	87	1	(43)	-49
<b>Operating Income</b>	<b>3,460</b>	<b>22</b>	<b>3,765</b>	<b>24</b>	<b>306</b>	<b>9</b>	<b>3,946</b>	<b>25</b>	<b>(180)</b>	<b>-5</b>
<b>EBITDA</b>	<b>6,350</b>		<b>6,691</b>		<b>341</b>	<b>5</b>	<b>6,954</b>		<b>(263)</b>	<b>-4</b>
EBITDA Margin (%)	40		42				44			
Service EBITDA Margin (%)	45		47				49			
<b>Net Non Operating Income (Loss)</b>	<b>(278)</b>	<b>(2)</b>	<b>(101)</b>	<b>(1)</b>	<b>177</b>	<b>-64</b>	<b>(73)</b>	<b>(0)</b>	<b>(27)</b>	<b>37</b>
<b>Consolidated Earnings before Income Tax</b>	<b>3,182</b>	<b>20</b>	<b>3,665</b>	<b>23</b>	<b>483</b>	<b>15</b>	<b>3,873</b>	<b>25</b>	<b>(208)</b>	<b>-5</b>
<b>Income Tax Expense</b>	<b>786</b>	<b>5</b>	<b>913</b>	<b>6</b>	<b>126</b>	<b>16</b>	<b>820</b>	<b>5</b>	<b>92</b>	<b>11</b>
<b>Consolidated Income before Minority Interest</b>	<b>2,395</b>	<b>15</b>	<b>2,752</b>	<b>17</b>	<b>357</b>	<b>15</b>	<b>3,052</b>	<b>19</b>	<b>(300)</b>	<b>-10</b>
<b>Minority Interest</b>	<b>32</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>4</b>	<b>12</b>	<b>19</b>	<b>0</b>	<b>18</b>	<b>96</b>
<b>Net Income</b>	<b>2,428</b>	<b>15</b>	<b>2,789</b>	<b>18</b>	<b>361</b>	<b>15</b>	<b>3,071</b>	<b>19</b>	<b>(282)</b>	<b>-9</b>
<b>EPS--3,873 mn shrs for 2007 (NT\$)</b>	<b>0.72</b>		<b>0.86</b>		<b>0.14</b>	<b>19</b>	<b>0.79</b>		<b>0.06</b>	<b>8</b>
3,378 mn shrs for 1Q 2008 (NT\$)										
3,259 mn shrs for 2Q 2008 (NT\$)										

Note: (1) All figures are based on audited draft.

(2) Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.  
 CONSOLIDATED BALANCE SHEET  
 End 2Q 2007 AND End 1Q, 2Q 2008  
 (In million New Taiwan Dollars)

Assets	1Q 2008		2Q 2008		QoQ		2Q 2007		YoY	
		%		%	Change	%		%	Change	%
Cash, and Cash Equivalents	8,628	9	9,548	10	919	11	15,325	16	(5,777)	(38)
Accounts Receivable	6,061	7	6,422	7	361	6	6,061	6	362	6
Prepaid Expenses	804	1	654	1	(150)	(19)	738	1	(85)	(11)
Other Current Assets	3,411	4	3,559	4	149	4	3,011	3	548	18
<b>Total Current Assets</b>	<b>18,904</b>	<b>20</b>	<b>20,183</b>	<b>22</b>	<b>1,279</b>	<b>7</b>	<b>25,135</b>	<b>26</b>	<b>(4,952)</b>	<b>(20)</b>
Long Term Investment	6,755	7	6,613	7	(142)	(2)	606	1	6,007	992
Properties	125,821	136	127,482	138	1,661	1	122,218	127	5,263	4
Less Accumulated Depreciation	82,263	89	84,783	92	2,520	3	74,579	78	10,204	14
Construction in Progress and Advance Equip.	3,566	4	3,191	3	(375)	(11)	2,742	3	449	16
Net Properties	47,123	51	45,889	50	(1,235)	(3)	50,381	52	(4,492)	(9)
Other Assets	19,526	21	19,379	21	(146)	(1)	20,034	21	(655)	(3)
<b>Total Assets</b>	<b>92,308</b>	<b>100</b>	<b>92,064</b>	<b>100</b>	<b>(244)</b>	<b>(0)</b>	<b>96,156</b>	<b>100</b>	<b>(4,092)</b>	<b>(4)</b>
Short Term Debts	1,611	2	385	0	(1,227)	(76)	222	0	163	73
Accounts Payable and Other Payables	5,212	6	15,069	16	9,857	189	16,004	17	(934)	(6)
Accrued Expenses and Other Current Liabilities	7,461	8	7,122	8	(339)	(5)	7,418	8	(297)	(4)
Current Portion of Long Term Liabilities	2,000	2	1,200	1	(800)	(40)	2,370	2	(1,170)	(49)
Total Current Liabilities	16,285	18	23,776	26	7,491	46	26,014	27	(2,238)	(9)
Long Term Liabilities	48	0	38	0	(10)	(20)	76	0	(38)	(50)
Other Long Term payable	8	0	8	0	(0)	(0)	1,249	1	(1,241)	(99)
Total Long Term Liabilities	56	0	46	0	(10)	(17)	1,325	1	(1,279)	(96)
Other Liabilities	887	1	848	1	(40)	(4)	420	0	428	102
<b>Total Liabilities</b>	<b>17,228</b>	<b>19</b>	<b>24,670</b>	<b>27</b>	<b>7,442</b>	<b>43</b>	<b>27,759</b>	<b>29</b>	<b>(3,089)</b>	<b>(11)</b>
Capital Stock	32,585	35	32,585	35	0	0	38,727	40	(6,142)	(16)
Capital Stock to be Issued	0	0	0	0	0	0	0	0	0	0
Capital Surplus	19,487	21	19,487	21	0	0	15,004	16	4,483	30
Legal Reserve	6,889	7	8,051	9	1,162	17	6,889	7	1,162	17
Retain Earnings	15,040	16	6,250	7	(8,790)	(58)	6,959	7	(709)	(10)
Cumulative Translation Adjustments	31	0	9	0	(21)	(69)	1	0	9	1,344
Minority Interest	1,047	1	1,011	1	(37)	(3)	817	1	193	24
<b>Total Shareholder's Equity</b>	<b>75,079</b>	<b>81</b>	<b>67,394</b>	<b>73</b>	<b>(7,686)</b>	<b>(10)</b>	<b>68,397</b>	<b>71</b>	<b>(1,003)</b>	<b>(1)</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>92,308</b>	<b>100</b>	<b>92,064</b>	<b>100</b>	<b>(244)</b>	<b>(0)</b>	<b>96,156</b>	<b>100</b>	<b>(4,092)</b>	<b>(4)</b>

Note: (1) All figures are based on audited draft.

(2) Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEX.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**2Q 2007 AND 1Q, 2Q 2008**  
(In Million New Taiwan Dollars)

	<u>2Q 2007</u>	<u>1Q 2008</u>	<u>2Q 2008</u>
Consolidated net income	3,052	2,395	2,752
Depreciation and amortization (excluding 3G	2,826	2,707	2,743
Amortization of 3G concession	183	183	183
Other cash provided by / (used in) operation	-745	1,635	-1,134
<b><u>Net cash provided by / (used in) operating activities</u></b>	<b><u>5,315</u></b>	<b><u>6,920</u></b>	<b><u>4,544</u></b>
Capex	929	1,235	1,551
% of service revenue	6	9	11
<b><u>Free Cash Flow</u></b>	<b><u>4,387</u></b>	<b><u>5,685</u></b>	<b><u>2,993</u></b>

- Note:** (1) All figures are based on audited draft.  
(2) Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word  
(3) Free Cash Flow = Operation Cash Flow - Capex