Far EasTone Telecommunications Co., Ltd.

Financial Statements as of December 31, 2002 and 2001

Together with Independent Auditors' Report

Readers are advised that the original version of these financial statements is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Far EasTone Telecommunications Co., Ltd. as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far EasTone Telecommunications Co., Ltd. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and accounting principles generally accepted in the Republic of China.

Also, we have audited the consolidated financial statements of Far EasTone Telecommunications Co., Ltd. and its subsidiaries as of December 31, 2002 and 2001, and have issued an unqualified opinion.

T N Soong & Co
An Associate Member Firm of Deloitte Touche Tohmatsu
Taipei, Taiwan
The Republic of China

February 25, 2003

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS

December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars, Except Par Value)

A S S E T S	2002 Amount	2002 %	2001 Amount	2001 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 3)	$ 2,238,342	4	$ 2,807,799	5
Accounts receivable - net of allowance for doubtful accounts of $328,990 in 2002 and $612,810 in 2001 (Note 2)	3,216,577	6	4,114,428	8
Inventories - net (Notes 2 and 4)	656,014	1	730,559	2
Prepaid expenses (Notes 2 and 12)	1,756,628	3	703,433	1
Other current assets (Notes 2, 11, 12 and 14)	669,474	1	897,049	2
Total Current Assets	8,537,035	15	9,253,268	18
INVESTMENTS IN SHARES OF STOCK (Notes 2 and 5)	8,223,198	14	1,078,952	2
PROPERTIES (Notes 2, 6 and 12)				
Cost				
Land	153,004	-	148,189	-
Buildings and equipment	640,102	1	592,847	1
Computer equipment	5,525,062	10	4,163,282	8
Operating equipment	45,244,432	77	40,083,085	76
Office equipment	776,534	1	726,454	2
Leasehold improvements	1,687,886	3	1,578,814	3
Miscellaneous equipment	54,802	-	45,853	-
Total cost	54,081,822	92	47,338,524	90
Less - accumulated depreciation	17,386,742	30	11,064,374	21
	36,695,080	62	36,274,150	69
Construction in progress and advances related to acquisitions of equipment	3,424,993	6	4,421,380	8
Net Properties	40,120,073	68	40,695,530	77
OTHER ASSETS				
Properties not currently used in operations - net (Note 2)	89,800	-	130,000	-
Refundable deposits (Note 12)	373,279	1	384,436	1
Deferred income taxes (Notes 2 and 11)	1,419,072	2	1,246,904	2
Miscellaneous	30,385	-	21,487	-
Total Other Assets	1,912,536	3	1,782,827	3
TOTAL ASSETS	$ 58,792,842	100	$ 52,810,577	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2002 Amount	2002 %	2001 Amount	2001 %
CURRENT LIABILITIES				
Notes payable	$ 28,944	-	$ 28,573	-
Accounts payable	589,345	1	504,159	1
Payables to related parties (Note 12)	660,229	1	619,891	1
Income tax payable (Notes 2 and 11)	137,095	-	671,593	1
Accrued expenses	2,928,548	5	2,361,159	4
Payables related to acquisitions of properties	2,120,178	4	1,417,422	3
Unearned revenues (Note 2)	2,050,310	4	1,018,874	2
Current portion of long-term liabilities (Notes 6 and 7)	616,000	1	2,060,000	4
Other current liabilities (Notes 2, 6 and 12)	142,989	-	293,630	1
Total Current Liabilities	9,273,638	16	8,975,301	17
LONG-TERM LIABILITIES				
Long-term bonds payable, net of current portion (Notes 6 and 7)	5,476,000	9	1,892,000	4
Long-term debts, net of current portion (Notes 6 and 7)	3,869,839	7	6,581,620	12
Total Long-term Liabilities	9,345,839	16	8,473,620	16
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 10)	131,130	-	97,314	-
Guarantee deposits received	1,991,727	3	2,966,635	6
Long-term obligations under capital lease (Notes 2 and 6)	-	-	14,095	-
Total Other Liabilities	2,122,857	3	3,078,044	6
Total Liabilities	20,742,334	35	20,526,965	39
STOCKHOLDERS' EQUITY				
Capital stocks - $10 par value				
Authorized - 3,360,000 thousand shares				
Issued - 2,305,800 thousand shares in 2002 and 1,890,000 thousand shares in 2001	23,058,000	39	18,900,000	36
Capital surplus				
Capital in excess of par value	5,967,572	10	6,156,572	11
From investments in shares of stock	29,086	-	-	-
Total capital surplus	5,996,658	10	6,156,572	11
Retained earnings				
Legal reserve	1,097,646	2	431,718	1
Unappropriated earnings	7,895,106	14	6,791,418	13
Total retained earnings	8,992,752	16	7,223,136	14
Cumulative translation adjustments	3,098	-	3,904	-
Total Stockholders' Equity	38,050,508	65	32,283,612	61
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 58,792,842	100	$ 52,810,577	100

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

English Translation of Financial Statements Originally Issued in Chinese

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF INCOME
For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2002		2001	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 12)				
Sales of cellular phone equipment and accessories	$ 1,628,644	5	$ 2,761,226	8
Less - sales returns and allowances	3,395	-	856	-
Net sales	1,625,249	5	2,760,370	8
Service revenue	32,845,381	95	31,760,546	92
Other	7,405	-	23,439	-
Total Operating Revenues	34,478,035	100	34,544,355	100
OPERATING COSTS (Notes 2 and 12)				
Cost of sales	1,602,210	4	2,772,903	8
Cost of services	15,056,810	44	12,950,226	38
Total Operating Costs	16,659,020	48	15,723,129	46
GROSS PROFIT	17,819,015	52	18,821,226	54
OPERATING EXPENSES (Notes 2 and 12)				
Marketing	6,180,097	18	6,441,147	19
General and administrative	3,448,265	10	5,587,928	16
Research and development	274,333	1	205,909	-
Total Operating Expenses	9,902,695	29	12,234,984	35
INCOME FROM OPERATIONS	7,916,320	23	6,586,242	19
NONOPERATING INCOME				
Reversal of allowance for losses on inventories (Note 2)	33,039	-	31,191	-
Interest	16,841	-	27,290	-
Reversal of allowance for losses on properties not currently used in operations (Note 2)	-	-	68,100	-
Foreign exchange gains - net (Note 2)	-	-	42,421	-
Other (Note 12)	124,433	-	118,151	1
Total Nonoperating Income	174,313	-	287,153	1
NONOPERATING EXPENSES				
Interest (Notes 6 and 14)	304,193	1	239,401	1
Equity in net loss of investee companies (Notes 2 and 5)	54,034	-	166,047	1
Other	58,524	-	78,217	-
Total Nonoperating Expenses	416,751	1	483,665	2

(Forward)

	2002		2001	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX BENEFIT	$ 7,673,882	22	$ 6,389,730	18
INCOME TAX BENEFIT (Notes 2 and 11)	134,535	1	269,554	1
NET INCOME	$ 7,808,417	23	$ 6,659,284	19
EARNINGS PER SHARE (Note 9)				
Primary				
Income before income tax benefit	$3.33		$2.77	
Net income	$3.39		$2.89	

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

English Translation of Financial Statements Originally Issued in Chinese

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars)

	CAPITAL STOCK ISSUED		CAPITAL SURPLUS (Notes 2 and 8)			RETAINED EARNINGS (Note 8)			CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Investments in Shares of Stock	Total	Legal Reserve	Unappropriated Earnings	Total		
BALANCE, DECEMBER 31, 2000	1,400,000	$ 14,000,000	$ 7,556,572	$ -	$ 7,556,572	$ 27,752	$ 4,039,736	$ 4,067,488	$ -	$ 25,624,060
Appropriations of 2000 earnings										
Legal reserve	-	-	-	-	-	403,966	(403,966)	-	-	-
Bonus to employees	-	-	-	-	-	-	(1,818)	(1,818)	-	(1,818)
Remuneration to directors and supervisors	-	-	-	-	-	-	(1,818)	(1,818)	-	(1,818)
Stock dividend - 25%	350,000	3,500,000	-	-	-	-	(3,500,000)	(3,500,000)	-	-
Capitalization of capital surplus - 10%	140,000	1,400,000	(1,400,000)	-	(1,400,000)	-	-	-	-	-
Net income in 2001	-	-	-	-	-	-	6,659,284	6,659,284	-	6,659,284
Translation adjustments on investments in shares of stock	-	-	-	-	-	-	-	-	3,904	3,904
BALANCE, DECEMBER 31, 2001	1,890,000	18,900,000	6,156,572	-	6,156,572	431,718	6,791,418	7,223,136	3,904	32,283,612
Appropriations of 2001 earnings										
Legal reserve	-	-	-	-	-	665,928	(665,928)	-	-	-
Bonus to employees	-	-	-	-	-	-	(119,867)	(119,867)	-	(119,867)
Remuneration to directors and supervisors	-	-	-	-	-	-	(59,934)	(59,934)	-	(59,934)
Stock dividends - 21%	396,900	3,969,000	-	-	-	-	(3,969,000)	(3,969,000)	-	-
Cash dividend - 10%	-	-	-	-	-		(1,890,000)	(1,890,000)	-	(1,890,000)
Capitalization of capital surplus - 1%	18,900	189,000	(189,000)	-	(189,000)	-	-	-	-	-
Recognition of effect of change in investment ownership percentage resulting from issuance of capital stock by investee for cash	-	-	-	29,086	29,086	-	-	-	-	29,086
Net income in 2002	-	-	-	-	-	-	7,808,417	7,808,417	-	7,808,417
Translation adjustments on investments in shares of stock	-	-	-	-	-	-	-	-	(806)	(806)
BALANCE, DECEMBER 31, 2002	2,305,800	$ 23,058,000	$ 5,967,572	$ 29,086	$ 5,996,658	$ 1,097,646	$ 7,895,106	$ 8,992,752	$ 3,098	$ 38,050,508

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,808,417	$ 6,659,284
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,364,881	5,024,674
Provision for doubtful accounts	132,058	1,995,772
Reversal of allowance for losses on inventories	(33,039)	(31,191)
Equity in net loss of investee companies	54,034	166,047
Reversal of allowance for losses on properties not currently used in operations	-	(68,100)
Loss on disposal of properties	40,585	5,651
Loss on disposal of properties not currently used in operations	2,090	-
Accrued pension cost	33,816	37,956
Deferred income taxes	(77,355)	(954,972)
Others	-	13,941
Changes in operating assets and liabilities		
Decrease (increase) in		
Accounts receivable	765,793	775,180
Inventories	102,947	100,291
Prepaid expenses	(1,062,954)	(183,521)
Other current assets	138,597	384,761
Increase (decrease) in		
Notes payable	371	(5,416)
Accounts payable	85,186	(357,917)
Payable to related parties	40,338	(1,724)
Income tax payable	(534,498)	372,521
Accrued expenses	567,389	(1,277,214)
Unearned revenues	1,031,436	268,211
Other current liabilities	(133,259)	145,380
Net Cash Provided by Operating Activities	15,326,833	13,069,614
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	-	34,800
Acquisitions of investments in shares of stock	(7,170,000)	(1,200,000)
Return of subscription deposit	-	41,096
Acquisitions of properties	(5,135,792)	(12,007,497)
Proceeds from sales of properties	1,338	147,652
Proceeds from sales of properties not currently used in operations	1,200	-
Decrease (increase) in refundable deposits	11,157	(61,770)
Net Cash Used in Investing Activities	(12,292,097)	(13,045,719)

(Forward)

	2002	2001
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in long-term debts	($ 4,771,781)	$ 1,895,942
Proceeds from issuance of long-term bonds	4,200,000	-
Bonus paid to employees and directors	(167,504)	(1,818)
Cash dividend paid	(1,890,000)	-
Decrease in guarantee deposits received	(974,908)	(1,158,490)
Net Cash Provided by (Used in) Financing Activities	(3,604,193)	735,634
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(569,457)	759,529
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,807,799	2,048,270
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,238,342	$ 2,807,799
SUPPLEMENTARY INFORMATION		
Interest paid (excluding capitalized interest)	$ 182,030	$ 204,183
Income tax paid	$ 493,980	$ 307,596
NONCASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 616,000	$ 2,060,000
CASH PAID FOR ACQUISITIONS OF PROPERTIES		
Increase in properties	$ 5,794,774	$ 11,963,390
Decrease (increase) in payables related to acquisitions of properties	(702,756)	9,791
Decrease in obligations under capital lease	43,774	34,316
CASH PAID FOR ACQUISITIONS OF PROPERTIES	$ 5,135,792	$ 12,007,497
PROCEEDS FROM DISPOSAL OF PROPERTIES		
Total amount of properties sold	$ 2,536	$ 184,908
Increase in receivable from properties sold	(1,198)	(37,256)
CASH RECEIVED FROM DISPOSAL OF PROPERTIES	$ 1,338	$ 147,652

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL

Far EasTone Telecommunications Co., Ltd., (the "Company") was incorporated in the Republic of China on April 11, 1997 and began commercial operations on January 20, 1998. The Company’s shares have been traded and listed on the ROC Over-the-Counter Securities Exchange since December 10, 2001. The Company provides wireless communications, Internet and international simple resale (ISR) services and also sells cellular phone units and accessories. The Company’s principal stockholders are Far Eastern Textile Ltd. and its affiliates (the “Far Eastern Group”) and the AT&T Wireless Group and its affiliates.

The Company provides wireless communications services by geographical sector under two type I licenses - GSM 900 for the northern sector and GSM 1800 for all other sectors (“GSM” means global system for mobile communications) issued by the Directorate General of Telecommunications (the “DGT”) of the Republic of China (ROC). These licenses allow the Company to provide services for 15 years from 1997 as well as entail an annual license fee of 2% of total wireless communications service revenues.

The DGT also issued to the Company a type II license, allowing it to provide Internet services for 10 years from 1999 for a fixed annual license fee based on the amount of the Company’s capital stock. In addition, the Company provides services under a type II - ISR license for 10 years from December 2001 and pays an annual license fee at 0.5% of ISR service revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies, which conform to accounting principles generally accepted in ROC, are summarized as follows:

Cash equivalents

Commercial paper purchased under agreements to resell with original maturities of not more than three months are classified as cash equivalents.

Allowance for doubtful accounts receivable

An allowance for doubtful accounts receivable is provided on the basis of the estimated collectibility of receivables from subscribers and other parties.

Inventories

Inventories are stated at the lower of cost or market value (net realizable value). Cost is determined by the weighted average method.

Investments in shares of stock

Investments in shares of stock in companies in which the Company exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Under this method, the investment is initially carried at cost. The investment carrying values are then adjusted proportionately to the Company's share in the investee's net income or net loss. An increase in the Company's share in the net assets of its investees resulting from its subscription to additional shares of stock issued by the investee companies at a rate not equal to its current equity in the investees, is credited to capital surplus account. Any decrease in the Company's share in the net asset of its investee companies is debited against the current balance of the corresponding capital surplus account, with the difference debited against unappropriated earnings.

Any cash dividends received are recognized as a reduction in the carrying value of the investments. Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount of each share is recalculated on the basis of the total number of shares, including the received stock dividend.

If the current year's financial statements of less than majority-owned investees are not timely available to the Company, the equity in the net income or net loss of these investees is recognized in the succeeding year on the basis of the financial statements of the previous year.

Costs of stocks sold are determined by the weighted-average method.

Properties

Properties are stated at cost. Depreciation expense is computed by the straight-line method over the estimated useful lives of the assets. Major improvements as well as interest expense incurred during the construction period are capitalized, while maintenance and repairs are expensed currently.

Useful lives are estimated as follows:

	Useful Life Years
Buildings	48
Building equipment	5-8
Computer equipment	3-5
Operating equipment	5-8
Office equipment	5
Leasehold improvements	5-48
Miscellaneous equipment	5-8

Upon retirement or disposal (e.g., sale) of properties, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to nonoperating income or expense.

Equipment under capital leases and the related liability are stated at the lower of (1) the fair value of the equipment at the start of the lease or (2) the total present value of future lease payments and the bargain purchase option.

Properties not currently used in operations

Properties not currently used in operations, such as telecommunications towers, are stated at the lower of cost or net realizable value.

Pension costs

Pension costs are recognized on the basis of actuarial calculations. Gains arising from plan curtailment due to pretermination of employees' services are recognized as an adjustment to pension cost in the current year. Unrecognized net transition obligations and unrecognized pension gains or losses are amortized using the straight-line method over 15 years and the average remaining service of employees, respectively.

Income tax

Deferred 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 tax assets that are not certain to be realized. Deferred tax assets and liabilities are classified as current or noncurrent on the basis of the classifications of the related assets and liabilities. 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 based on the expected realization date of the temporary difference.

The tax credits on investments for certain telecommunications and other equipment, research and development expenses and personnel training expenses are accounted for as a reduction in current year's income tax expense.

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

Income taxes (10%) on undistributed earnings since January 1, 1998 are recorded as expense in the year when the stockholders resolve to retain the earnings.

Revenue recognition

Revenue from service delivery is recognized when the earnings process is completed or virtually complete and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Usage revenues (equal to excess of minutes of traffic included in the fixed monthly service fees) from wireless services, Internet and data 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) one-time subscriber connection fees are recognized in full when the services are activated; (b) fixed monthly service fees are accrued every month; and (c) prepaid call and Internet card services are recognized as income based upon customer usage.

The revenues from and expenses for the sale of cellular phone units and accessories are recognized when the products are delivered to and accepted by the customers because the related transaction is considered a separate earnings process from the sale of wireless services.

The amount received at the start of a bundle contract (which covers both the purchase price of a cellular phone unit and service fees for an equivalent number of minutes of traffic each month throughout the validity period of the contract) is deferred and recognized as revenue over the validity period of the contract using the straight-line method. The excess, if any, of the sum of the cost of the cellular phone unit and the commission paid to the dealers (the "customer acquisition cost") over the amount received at the start of the contract is charged to marketing expense, while the portion of the customer acquisition cost equivalent to the amount received at the start of the contract is deferred and amortized as marketing expenses over the validity period of the contract using the straight-line method.

Promotion expenses

Commissions and cellular phone unit subsidy costs (other than those pertaining to the bundle contract mentioned above) related to the Company's promotions, are treated as marketing expenses in the year when the service to a subscriber is activated.

Foreign currency transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when foreign currency assets and liabilities are settled, are credited or charged to income in the year of settlement.

At the balance sheet dates, the balances of foreign-currency denominated assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as follows:

a. Equity-accounted investments - as cumulative translation adjustments under stockholders' equity; and

b. Other assets and liabilities - as credits or charges to income.

Financial derivatives

The notional amounts of interest rate swap agreements are not recognized in the financial statements because these agreements do not require the settlement of such notional amounts. However, a memorandum entry is made to note the transaction. The amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item on the balance sheet dates and settlement dates.

Forward exchange contracts are entered into as hedges of foreign currency commitments and are recorded in New Taiwan dollars as assets and/or liabilities using the spot rates on the starting dates of the contracts (the "starting dates"). The premium or discount, which is the amount of the contract multiplied by the difference between the contracted forward rate and the spot rates on the starting dates, is deferred and then recognized as an adjustment to the carrying amounts when the hedged transactions occur. However, if the contract amount is in excess of the foreign currency amount of the related commitment, the amortization of the premium or discount related to the excess is recognized as gain or loss in the current year. Also, an amortization of a discount is not deferred if deferral would lead to the recognition of a loss in future years.

On the balance sheet dates, the gains or losses on the contracts, computed by multiplying the contract amounts by the difference between the rates on the starting dates and the balance sheet dates (or the rates last used to measure a gain or loss on that contract for an earlier period), are recognized in the same way used for amortizing the premium or discount described above. Also, the receivables and payables related to the forward contracts are netted out, and the net amount is presented as either an asset or a liability.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2001 have been reclassified to conform to the financial statement presentation as of, and for the year ended December 31, 2002.

3. CASH AND CASH EQUIVALENTS

	December 31	
	2002	2001
Cash		
Cash on hand	$ 7,221	$ 8,338
Checking and demand deposits	563,548	406,084
Time deposits - with interest of 1.69%	-	140,814
	570,769	555,236
Cash equivalents		
Commercial paper purchased under agreements to resell - with interest of 1.375% to 1.950% in 2002 and 2.25% to 2.30% in 2001	1,667,573	2,252,563
	$ 2,238,342	$ 2,807,799

4. INVENTORIES

	December 31	
	2002	2001
SIM cards	$ 164,348	$ 512,639
Cellular phone units	493,002	254,045
Cellular phone accessories	7,365	5,615
	664,715	772,299
Less - allowance for losses	8,701	41,740
	$ 656,014	$ 730,559

Inventory insurance as of December 31, 2002 amounted to about $637,606.

5. INVESTMENT IN SHARES OF STOCK

	December 31			
	2002		2001	
	Amount	% of Owner-Ship	Amount	% of Owner-Ship
Yuan-Ze Telecommunications Co., Ltd. (formerly Far EasTone 3G Telecommunications Co., Ltd.)	$ 8,212,856	80.71	$ 1,053,769	100.00
E. World (Holdings) Ltd.	10,342	19.00	25,183	19.00
	$ 8,223,198		$ 1,078,952	

The Company incorporated Yuan-Ze Telecommunications Co., Ltd. (Yuan-Ze) as a wholly owned subsidiary in December 2001. Yuan-Ze obtained a 3G (third-generation wireless communications system) license in February 2002 through a bidding process and acquired additional shares of stock with an aggregate par value of $9,170,000 in March 2002. The Company subscribed to shares of stock with aggregate par value $7,170,000 only, thus diluting its equity to 80.71%.

The investment in E. World (Holdings) is accounted for by the equity method since the combined equity interests of the Far Eastern Group in E. World (Holdings) allows the Company to exercise significant influence on its operating and financial policy decisions. The amount recognized as equity in the net income or net loss of E. World (Holdings) in 2002 and 2001 is based on the net income or net loss of E. World (Holdings) in 2001 and 2000, as the financial statements of the E. World (Holdings) could not be timely obtained.

The Company has included Yuan-Ze in its consolidated financial statements since the Company has more than 50% ownership interest in Yuan-Ze and the total assets of Yuan-Ze exceeds 10% of the Company’s total assets.

The carrying values of the foregoing investments are based on stockholders’ equity as disclosed in the most current audited financial statements.

6. PROPERTIES

a. Accumulated depreciation consisted of:

	December 31	
	2002	2001
Buildings and equipment	$ 105,147	$ 58,019
Computer equipment	2,008,678	1,174,167
Operating equipment	14,392,327	9,261,104
Office equipment	333,993	207,602
Leasehold improvements	507,200	328,489
Miscellaneous equipment	39,397	34,993
	$ 17,386,742	$ 11,064,374

Depreciation on properties amounted to $6,364,020 in 2002 and $5,023,999 in 2001.

Property insurance as of December 31, 2002 amounted to $47,035,361.

b. The Company leases Internet equipment with software (included in operating equipment) for three years, with total lease payments amounting to $35,686. The lease agreements qualify as capital leases since (a) the present value of the future lease payments under the agreement is more than 90% of the fair value of the leased assets, and (b) the Company has the option to buy all the leased equipment at a bargain price of NT$1.00 only. The details of the lease as of December 31, 2002 and 2001 were as follows:

	December 31	
	2002	2001
Total future lease payments	$ 5,452	$ 50,060
Less - imputed interest expense	4,912	5,746
	540	44,314
Less - lease payable within one year (included in other current liabilities)	540	30,219
Long-term obligations under capital lease	$ -	$ 14,095

c. Capitalized interest on properties was as follows:

	2002	2001
Total interest expense	$ 479,238	$ 563,626
Less - interest capitalized - interest at 3.76-4.86% in 2002 and 4.5-6.48% in 2001	175,045	324,225
Interest expense - net of amounts capitalized	$ 304,193	$ 239,401

Properties amounting to $10,288,389 and $9,108,589 had been pledged or mortgaged as collaterals as December 31, 2002 and 2001, respectively.

7. LONG-TERM LIABILITIES

	December 31, 2002		
	Within One Year	Others	Total
Unsecured bonds	$ -	$ 4,200,000	$ 4,200,000
Secured bonds	616,000	1,276,000	1,892,000
Loan -Shin Kong Life Insurance Co.	-	1,470,000	1,470,000
Commercial paper	-	1,599,839	1,599,839
Unsecured bank loans	-	200,000	200,000
Secured bank loans	-	600,000	600,000
	$ 616,000	$ 9,345,839	$ 9,961,839

	December 31, 2001		
	Within One Year	Others	Total
Secured bonds	$ 308,000	$ 1,892,000	$ 2,200,000
Loan - Shin Kong Life Insurance Co.	-	1,470,000	1,470,000
Commercial paper	1,752,000	4,811,620	6,563,620
Unsecured bank loans	-	300,000	300,000
	$ 2,060,000	$ 8,473,620	$ 10,533,620

a. Unsecured bonds

These are five-year unsecured domestic bonds issued at par value in February 19, 2002. The total face value of the bonds is $4,200,000, with each bond having a face value of $1,000 at 3.4% interest rate annually. Redemption is at a percentage of the face amount of the bond, as follows: Type I bond - 40% in February 2006 and 60% in February 2007; and Type II bond - 60% in February 2006 and 40% on February 2007.

b. Secured bonds

These are five-year secured domestic bonds issued on November 30, 2000. The total face value of the bonds is $2,200,000, with each bond having a face value of $1,000 at an interest rate of 5.06%, compounded semiannually. Starting on December 1, 2002 and every six months thereafter, holders may redeem the bonds for up to 14% to 15% of their face value.

c. The loan from Shin Kong Life Insurance Co. is secured by a guarantee issued by a bank consortium. The loan interest rates were 4.725% and 5.025% as of December 31, 2002 and 2001, respectively. Loan principal is due on January 25, 2005.

d. Commercial paper

1) Commercial paper amounting to $999,893 and with one-year maturity were issued at discounts ranging from 1.95% to 2.15% as of December 31, 2002 and 2.22% to 2.57% as of December 31, 2001. Under a revolving note issuance facility, a consortium of banks guaranteed the commercial paper, which will be issued by the Company through August 30, 2005. Starting in 2001, the maximum amount of commercial paper that can be issued under the agreement will be decreased by 14% to 15% every six months.

2) Commercial paper amounting to $599,946, with annual interest ranging from 1.5% to 1.7%, is due on January 3, 2003. The Company has obtained a guarantee from a financial institution for the reissuance of the commercial paper until June 25, 2004.

e. Unsecured bank loans

The Company obtained loans from First Commercial Bank at interest rates ranging from 2.90% to 3.33% as of December 31, 2002 and 3.22% to 3.94% as of December 31, 2001. The loan is repayable in installments starting in 2004 and every six months thereafter, with payments ranging from 16.5% to 17.5% of the principal. The final payment is due on May 17, 2007.

f. Secured bank loans

The Company obtained a loan from a consortium of banks at 2.641% interest with maturity on January 6, 2003. The loan is guaranteed by a consortium of banks, and the guarantee is effective until February 4, 2007. Starting on August 4, 2004, the maximum amount that the Company can borrow will be decreased by 16% to 17% of the principal every six months.

As of December 31, 2002, the Company had unused long-term and short-term credit lines that are available for long-term and short-term credit facilities of about $6,918,000 and $3,990,000, respectively.

On February 19, 2003, the Company issued US$115,000 thousand five-year overseas zero coupon convertible bonds. The holders have the right to require the Company to convert all or a portion of the bonds at NT$35.955 per share, which will be subject to adjustments for any dilutive events, or redeem the bonds at 105.114% of their principal in U.S. dollars on February 19, 2008. The Company also has the option at any time on or after February 19, 2006 to redeem the bonds at a specific price. On February 19, 2005, the holders of the bonds have the right to require the Company to redeem all or a portion of the bonds at 102.015% of the principal in U.S. dollars.

8. STOCKHOLDERS' EQUITY

Under government regulations, capital surplus from equity-method investments cannot be used to offset a deficit or be capitalized. In addition, capital in excess of par value can be used to offset a deficit or transferred to capital as stock dividend within prescribed limits only.

The Company's Articles of Incorporation provide that, every year, 10% of net income less income tax and any accumulated deficit should be appropriated as legal reserve. In addition, if the Company decides to distribute dividends, 2% of the remaining balance should be appropriated as bonuses to employees, and 1% of the remaining balance should be appropriated as remuneration to directors and supervisors.

Under the ROC Company Law, the appropriation for legal reserve should be made until the accumulated reserve equals the aggregate par value of the Company's outstanding capital stock. This reserve can only be used to offset a deficit, or when the reserve reaches 50% of the aggregate par value of the Company's outstanding capital stock, up to 50% of the reserve can be distributed as stock dividend.

The cash dividends should be at least 10% 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.

These appropriations and other allocations of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

Under the integrated income tax system, noncorporate ROC-resident stockholders are allowed a tax credit for the income tax paid by the Company on earnings generated from January 1, 1998. Under this system, the Company 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 board of directors and stockholders approved the following appropriations and distributions of the 2001 earnings on April 9 and June 25, 2002, respectively:

Legal reserve	$ 665,928
Bonus to employees	119,867
Remuneration to directors and supervisors	59,934
Cash dividend - 10%	1,890,000
Stock dividend - 21%	3,969,000

Had the above bonus to employees and directors been distributed in cash and retroactively charged to net income in 2001, the primary earnings per share for 2001 (after tax), based on the weighted-average number of outstanding shares of 1,890,000, would have decreased from $3.52 to $3.43.

The appropriations and distributions of the 2002 earnings will be approved by the board of directors and stockholders on the issuance date of the independent auditors' report. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

9. EARNINGS PER SHARE

The information for calculating earnings per share is as follows:

	Amount (Numerator)			Earnings Per Share (Dollars)	
	Income Before Income Tax Benefit	Net Income	Capital Stock (Denominator) (In Thousands of Shares)	Income Before Income Tax Benefit	Net Income
For the year ended December 31, 2002					
Net income	$ 7,673,882	$ 7,808,417	2,305,800	$3.33	$3.39
For the year ended December 31, 2001					
Net income	$ 6,389,730	$ 6,659,284	2,305,800	$2.77	$2.89

For the year ended December 31, 2001, the earnings per share retroactively adjusted for the 2001 stock dividend declared in 2002 decreased from $3.38 (before tax) to $2.77 and from $3.52 (after tax) to $2.89.

10. PENSION PLAN

The Company has a pension plan for all regular employees. Benefits are based on the number of service years and basic pay on the final month before retirement.

The Company makes a monthly contribution, at 2% of salaries and wages, to a pension fund, which is administered by a pension plan committee and deposited in the Committee's name in the Central Trust of China.

Certain information related to the pension plan is as follows:

a. Pension cost consists of:

	2002	2001
Service cost	$ 61,395	$ 77,871
Interest cost	8,689	8,909
Expected return on pension assets	(5,463)	(4,739)
Amortization	676	1,280
Benefit from pension plan curtailment	-	(11,871)
Net pension cost	$ 65,297	$ 71,450

b. Reconciliation of the fund status of the plan and accrued pension cost:

	December 31	
	2002	2001
Benefit obligation		
Vested benefit obligation	$ 2,692	$ 6,905
Non-vested benefit obligation	123,532	61,576
Accumulated benefit obligation	126,224	68,481
Additional benefits based on projected and future salaries	127,481	105,300
Projected benefit obligation	253,705	173,781
Fair value of plan assets	(120,163)	(93,922)
Unfunded projected benefit obligation	133,542	79,859
Unrecognized net transition obligation	(12,125)	(13,338)
Unrecognized pension gain	9,713	30,793
Accrued pension cost	$ 131,130	$ 97,314

	2002	2001
c. Vested benefits	$ 3,374	$ 7,785

d. Actuarial assumptions:

	2002	2001
Discount rate used in determining present value	3.5%	5.0%
Future salary increase rate	3.5%	5.0%
Expected rate of return on plan asset	3.5%	5.0%

e. The changes of the Fund are as follows:

	2002	2001
Beginning balance	$ 93,922	$ 57,445
Contributions	31,481	33,494
Earnings	2,371	2,983
Payments	(7,611)	-
Ending balance	$ 120,163	$ 93,922

11. INCOME TAX BENEFIT

a. Reconciliation of imputed income tax on pretax income or loss at statutory rates to current income tax expense:

	2002	2001
Income tax expense computed at statutory tax rate (25%)	$ 1,918,470	$ 1,597,433
Add (deduct) tax effects of		
Permanent differences	(1,472)	25
Temporary differences	48,430	521,450
Tax-exempt income	(1,431,780)	(804,737)
Unappropriated earnings tax	110,001	39,197
Investment tax credits	(506,131)	(676,684)
Income tax payable	$ 137,518	$ 676,684

The balances of income tax payable as of December 31, 2002 and 2001 were net of creditable income taxes of $423 and $5,091, respectively.

Net operating incomes generated from the use of switches and cell sites acquired are tax exempt as follows:

1) Acquisitions from April 1, 1997 to December 31, 1999 - exemption from January 1, 2000 to December 31, 2004;

2) Acquisitions from January 1, 2000 to June 26, 2002 - exemption from June 26, 2002 to June 25, 2007.

b. Income tax benefit consisted of:

	2002	2001
Income tax payable - current	$ 137,518	$ 676,684
Income tax benefit - deferred	(267,355)	(954,972)
Prior year's adjustment	(6,780)	8,142
Income tax expense on income subjected to a separate flat income tax rate of 20%	2,082	592
Income tax benefit	($ 134,535)	($ 269,554)

c. Deferred income taxes assets and liabilities as of December 31, 2002 and 2001 consisted of:

	December 31 2002	December 31 2001
Current (included in other current assets)		
Deferred income tax assets		
Provision for doubtful accounts	$ 597,971	$ 677,822
Employee welfare expense	4,500	9,000
Provision for losses on inventories	2,160	8,185
Unrealized exchange loss	548	4,061
Inventory write-off	16	2,250
Accrued research and development expenses	-	936
	605,195	702,254
Deferred income tax liabilities		
Receivable from insurance company	-	(2,246)
	$ 605,195	$ 700,008
Noncurrent		
Investment tax credits	$ 983,597	$ 911,245
Depreciation resulting from the differences in estimated service lives of properties	348,175	269,776
Cumulative equity in the net loss of investee companies	55,020	41,511
Accrued pension cost	32,280	24,372
	$ 1,419,072	$ 1,246,904

d. Integrated income tax information:

	December 31 2002	December 31 2001
Balance of imputation credit account (ICA)	$ 11,951	$ 12,402

The estimated ratio of the ICA balance as of December 31, 2002 to unappropriated earnings as of such date was 0.15%. When the dividends from the unappropriated earnings as of December 31, 2001 were distributed in 2002, the actual ratio used was 7.4%.

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings will be used for allocating tax credits to each stockholder.

Deferred income tax rate for 2002 and 2001 were 25%.

The unused investment tax credits as of December 31, 2002 are summarized as follows:

Relevant Statute	Item	Total Investment Tax Credit	Unused Investment Tax Credit	Year of Expiry
Statute for Upgrading Industries	Research and development expenditures	$ 1,287,470	$ 922,425	2005
Statute for Upgrading Industries	Personnel training expenditures	61,172	61,172	2005

Income tax returns through 1999 have been examined and cleared by the tax authorities.

12. RELATED-PARTY TRANSACTIONS

The Company's significant business transactions, in addition to those disclosed in Note 13 and Schedule A, with the following related parties are as follows:

Related Party	Nature of Relationship
a. Yuang Ding Co. (YDC)	Same chairman as that of the Company
b. New Century InfoComm Tech Co., Ltd. (NCIC)	Same chairman as that of the Company
c. Far Eastern International Leasing Corp. (FEILC)	Supervisor of the Company
d. Far Eastern Department Stores (FEDS)	Same chairman as that of the Company
e. E. World Ltd. (E. World)	Same chairman as that of the Company
f. Far Eastern Textile Ltd. (FETL)	Parent company of a major stockholder
g. AT&T Wireless Service Inc. (AWS)	Parent company of a major stockholder
h. AT&T Corp. (AT&T)	Parent company of AWS
i. Far Eastern Telecom Engineering Corp. (FETEC)	Investee of YDC
j. Yuan-Ze Telecommunications Co., Ltd. (Yuan-Ze) (formerly Far EasTone 3G Telecommunications Co., Ltd.)	An equity-accounted investee
k. Far Eastern Technology Developmental Foundation (FETTDF)	Company's donation to the foundation's capital over one-third

The significant transactions with the above parties are summarized as follows:

		2002		2001	
		Amount	%	Amount	%
During the year					
Operating revenue	i				
NCIC	ii	$ 683,115	2	$ 195,549	1
Other	xv	1,101	-	2,068	-
		$ 684,216	2	$ 197,617	1
Operating costs and expenses					
Service cost - NCIC	ii	$ 3,328	-	$ 530	-
Rental					
FEILC	iii	$ 189,063	14	$ 180,597	14
FETL	iv	56,238	4	52,254	5
YDC	v	2,383	-	2,323	-
Other	vi and xv	5,791	1	7,585	-
		$ 253,475	19	$ 242,759	19
Management service fee - AWS	vii	$ 82,166	100	$ 90,583	100

(Forward)

		2002 Amount	2002 %	2001 Amount	2001 %
Trademark license fee - AT&T	xii	$ 13,530	100	$ 33,451	100
Research and development expense - FETTDF	xi	$ 49,905	84	$ 16,702	65
Nonoperating income					
Service revenue - Yuan-Ze	ix	$ 20,952	17	$ -	-
Rental revenue					
NCIC	xiii	$ 3,887	3	$ -	-
Purchase of properties from related parties					
FETEC	viii	$ 780,673	15	$ 403,886	3
NCIC	xiv	66,528	1	6,666	-
YDC	x	-	-	376	-
Other	xv	28	-	778	-
		$ 847,229	16	$ 411,706	3
At end of year					
Other current assets					
Other receivable					
Yuan-Ze	ix	$ 15,524	3	$ 147,777	16
AWS	vii	8,138	1	-	-
		$ 23,662	4	$ 147,777	16
Prepaid expenses					
FEILC	iii	$ 1,078	-	$ 6,107	1
YDC	v	776	-	1,067	-
FETL	iv	738	-	953	-
FEDS	vi	475	-	1,172	-
Other	xv	618	-	347	-
		$ 3,685	-	$ 9,646	1
Refundable deposits					
FEILC	iii	$ 145,785	39	$ 145,785	38
YDC	v	832	-	804	-
Other	xv	215	-	-	-
		$ 146,832	39	$ 146,589	38

(Forward)

		2002		2001	
		Amount	%	Amount	%
Payables to related parties					
FETEC	viii	$ 464,438	70	$ 362,588	58
NCIC	ii and xiv	151,389	23	143,671	23
AT&T	xii	15,014	2	35,206	6
AWS	vii	-	-	68,876	11
Other	xv	29,388	5	9,550	2
		$ 660,229	100	$ 619,891	100
Other current liabilities					
Other payable - NCIC	viii	$ 11,609	8	$ 58,663	20

Disposal of Properties	Sales	Cost	Book Value	Gain / Loss on Disposal
2001				
E. World	$ 1,494	$ 1,686	$ 1,494	$ -

The descriptions of the transactions with related parties are as follows:

i. Operating revenues (such as service revenue and revenues from sales of cellular phone units and accessories) from related parties are based on normal service rates, selling prices and collection terms.

ii. The transactions between the Company and NCIC consisted of sales of cellular phone units and accessories and interconnection activities for NCIC's use of the Company's network. The interconnection fees paid by the Company on its use of NCIC's fixed-line network and billing processing costs pertaining to the interconnection service provided by NCIC to the Company are included in service cost. The international direct dialing revenue collected by the Company for NCIC is treated as a reduction in service revenue and is included in payables to related parties.

iii. The Company leased from FEILC the following: (a) its office spaces in Neihu and Kaohsiung from January 2000 to March 2003. On contract expiry, the Company has the option to renew the lease contract for the office spaces in Neihu or buy the office buildings for $1,569,520; (b) mobile switch centers located in Neihu and Tainan, from January 2000 to February 2003; (c) the land and mobile switch centers located in Taichung and Hsinchu; and (d) vehicles. The term of the lease for the land and the mobile switch center located in Taichung is from May 2000 to three years after the operating license is received for the switch center, and that for Hsinchu was from March 1, 2001 to three years after the completion of the construction of the switch center. Rental rates and terms are comparable to leases with unrelated parties.

iv. The Company leased from FETL several parcels of the land and building spaces for the period from May 1997 to November 2014. The properties are located in Yatung Street and Renai Street in Panchao City; Yuantung Street in Chungli; and Wuku in Taipei County and other locations in Taiwan.

v. The Company leased from YDC certain floors at The Mall from November 2001 to December 2002.

vi. The Company leased from FEDS several parcels of land as well as building spaces from July 1997 to October 2006.

vii. The Company signed a service agreement with AWS in January 1997 for AWS to provide consulting services on the construction of a wireless network and business operations. The service charges were based on the actual expenses incurred by the AWS consultants and are net of any withholding taxes paid by the Company.

viii. The Company has contracts with NCIC for the construction and joint use of telecommunications network and backbone network facilities. Those facilities were constructed by FETEC. Under the contracts, the Company pays the entire construction cost to FETEC. In addition, the Company recognizes a receivable from NCIC for its share of the cost and vice versa. Moreover, related receivable and payable are settled at net amounts.

ix. The Company renders management service and gives advances to Yuan-Ze for its daily operating expenditures during its development stage.

x. The Company paid a project fee to YDC for constructing retail stores, switch centers and cell sites. The fee was based on actual hours incurred by YDC.

xi. FETTDF researches on telecommunication technology for the Company and communicates its results to employees of the Company.

xii. On May 22, 1997, the Company signed an agreement with AT&T Corp. to use AT&T's trademark for marketing, advertising and promotion purposes in the Republic of China. The trademark fee is US$1,000 thousand if the Company has negative net cash flow from operations before payment of the trademark fee and after deduction of capital expenditure. Otherwise, the fee is 1% of the net service revenues from wireless and Internet businesses, up to US$4,500 thousand. This agreement expired on May 21, 2002.

xiii. The Company leased NCIC's mobile switch centers. Rental rates and terms are comparable to leases with unrelated non-related parties.

xiv. The Company bought NCIC's telecommunications network and backbone network facilities.

xv. Accounts of other related parties are less than 5% of respective accounts.

13. COMMITMENTS AS OF DECEMBER 31, 2002

a. The Company had outstanding contracts amounting to $1,027,304 for the acquisition of telecommunications and other equipment.

b. The rentals of land, buildings and cell sites for the next five years are summarized as follows:

Year	Amount
2003	$ 1,248,253
2004	1,296,013
2005	1,345,618
2006	1,397,140
2007	1,450,654

c. The Company's outstanding letters of credit amounted to ¥1,444,814 thousand (equivalent to $423,331).

14. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Commission with respect to the Company and its investees for 2002:

a. Financing provided (please see Schedule A);

b. Marketable securities held (please see Schedule B);

c. Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital (please see Schedule C);

d. Total purchase from or sale to related parties amounting to at least $100 million or 20% of the paid-in capital (please see Schedule D);

e. Names, locations, and related information of investees on which the Company exercises significant influence (please see Schedule E);

f. Derivative financial transactions

The information on derivative financial contracts entered into by the Company is as follows:

1) Open contracts and credit risk

	December 31, 2001				
Type of Transaction	Notional Amount	Fixed Rate	Market Rate	Settlement Date	Maturity
Interest rate swap	$ 2,000,000	6.085%-6.2%	2.5%	Quarterly	May 21, 2002 to July 2, 2002

There was no outstanding interest rate swap contract as of December 31, 2002.

The Company entered into interest rate swap contracts to hedge fluctuations on interest rates.

Interest expenses on these swap contracts for the years ended December 31, 2002 and 2001 were $36,674 and $43,442, respectively.

	December 31, 2002			
Type of Transaction	Notional Amount (Thousand)	Market Value	Credit Risk	Maturity
Forward contracts (buying JPY, selling TW$)	¥ 372,980	$ 109,209	$ 4,637	January 6, 2003

There was no outstanding forward contract as of December 31, 2001.

The Company entered into forward exchange contracts to hedge the effect of exchange rate fluctuations on firm commitments. The realized exchange loss and gain for the years ended December 31, 2002 and 2001 were $5,390 and $4,662, respectively.

The Company placed an order for cell phones amounting to ¥1,444,814 in 2002. To hedge the effect of exchange rate fluctuations on this commitment, the Company entered into Japanese yen forward contracts. The unrealized gain of $4,637 on this commitment was deferred.

The Company is exposed to credit risk if counter-parties default on their contractual obligations. To manage this risk, the Company transacts only with selected financial institutions with good credit ratings. Thus, management does not anticipate any material losses resulting from defaults.

2) Market risk

The Company is exposed to market risks due to potential interest rate fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts.

The Company entered into forward exchange contracts to hedge the effect of exchange rate fluctuations on firm commitments. Therefore, the market risk is not material.

3) Liquidity risk, cash-flow risk and future cash demand

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. The forward exchange rates are determined in advance and no additional material cash is required. Management believes that the Company has sufficient operating capital to meet cash demand.

4) The purpose of derivative financial instruments held or issued/the strategies to meet the purpose

The Company uses certain derivative financial instruments for nontrading purposes. The interest rate swap contracts are for hedging overall fluctuations on interest rates. The swap involves the Company's paying interests at a fixed rate and receiving interests based on market rates. The Company entered into forward exchange contracts to hedge the effects of exchange rate fluctuations on firm commitments. The overall purpose of these contracts is to hedge the Company's exposure to cash flow risk. The Company periodically evaluates the effectiveness of the instruments.

5) Financial statement presentation

Forward Contracts (Buying JPY, Selling TWD)	December 31, 2002
Forward contracts receivable - foreign currencies	$ 109,171
Premium on forward contracts	112
Forward contracts payable	(104,646)
Net on forward contracts (included in other current assets)	$ 4,637

6) The estimated fair values of financial instruments are as follows:

	December 31			
	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Financial assets				
Cash and cash equivalents	$2,238,342	$2,238,342	$2,807,799	$2,807,799
Accounts receivable - net	3,216,577	3,216,577	4,114,428	4,114,428
Investments in shares of stocks	8,223,198	8,223,198	1,078,952	1,078,952
Refundable deposits	373,279	365,848	384,436	368,884
Financial liabilities				
Notes payable	28,944	28,944	28,573	28,573
Accounts payable	589,345	589,345	504,159	504,159
Payables to related parties	660,229	660,229	619,891	619,891
Income tax payable	137,095	137,095	671,593	671,593
Payables related to acquisitions of properties	2,120,178	2,120,178	1,417,422	1,417,422
Long-term bonds payable (including within one year)	6,092,000	6,511,069	2,200,000	2,319,749
Long-term debts (including within one year)	3,869,839	3,863,072	8,333,620	8,334,576
Guarantee deposits received	1,991,727	1,991,727	2,966,635	2,966,635
Derivative financial instruments				
Forward contract	4,637	4,637	-	-
Interest rate swap	-	-	-	(41,247)

The bases for estimating fair values of derivative financial instruments were as follows:

a) Cash and cash equivalents, accounts receivable, notes payable, accounts payable, payables to related parties, income tax payable and payables related to acquisitions of properties - carrying values reported in the balance sheets because of the short maturity of these instruments;

b) Investments in shares of stock - market prices or, if market prices are unavailable, the equity in the net assets of the investee;

c) Long-term bonds payable and long-term debts - market prices. If market prices are unavailable, estimates of fair values are made through discounted cash flow analyses, with the discount rate based on rate of bank loans obtained under conditions (e.g. maturity date) similar to those of the instruments.

d) Refundable deposits and guarantee deposits received - present values of future payments or receipts.

e) Fair values of derivative financial instruments - quoted market prices obtained from foreign banks and Reuters.

15. INDUSTRY SEGMENT INFORMATION

a. Industry

The Company provides wireless communications, Internet and international simple resale (ISR) service. No segment information is provided since the revenues from wireless communications services account for more than 90% of the Company's total revenues.

b. Foreign operations.

The Company has no revenue-generating unit that operates outside the ROC.

c. Foreign revenues

The Company has no foreign revenues.

d. Net sales to customers representing at least 10% of the Company's total net sales are as follows:

	2002		2001	
	Amount	Percentage of Operating Revenue (%)	Amount	Percentage of Operating Revenue (%)
Company A	$7,935,692	23	$7,781,605	23

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

FINANCING PROVIDED
For the Year Ended December 31, 2002
(Amounts in Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Highest Balance for the Year	Ending Balance for the Year	Interest Rate	Interest Revenue	Nature of Financing	Transaction Amount	Short-term Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Allowable Financing that Can be Provided by the Financier to Individual Counterparty	Maximum Allowable Amount of Financing that Can be Provided by the Financier
												Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Yuan-Ze Telecommunications Co., Ltd. (formerly Far EasTone 3G Telecommunications Co., Ltd.)	Receivables from related parties	$2,074,000	$ -	4.2%	$454	Short-term financing	$ -	Payment for 3G license fee	-	-	-	$3,228,361	$4,842,542

Note: The "Guideline for Lending of Capital to Others" (as amended) of the Company, the total short-term financing that can be provided by the financier shall not exceed 15% of the financier's net assets as shown in its latest audited or reviewed financial statements. The short-term financing to individual counterparties shall not exceed 10% of the financier's net assets as shown in its latest audited or reviewed financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

MARKETABLE SECURITIES HELD
December 31, 2002
(Amount in Thousand New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2002				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	E. World (Holdings) Ltd.	Equity-method investee	Investments in shares of stock	1,330	$ 10,342	19.00	$ 10,342	Note A
	Yuan-Ze Telecommunications Co., Ltd. (formerly Far EasTone 3G Telecommunications Co., Ltd.)	Equity-method investee	investments in shares of stock	837,000	8,212,856	80.71	8,212,856	Note B

Notes: A. The Company was unable to obtain the investee’s financial statements and recognized a 2001 net loss in 2002.

B. Calculation was based on audited 2002 financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Year Ended December 31, 2002
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Decrease Under Equity Method (Note)	Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares (Thousand)	Amount
Far EasTone Telecommunications Co., Ltd.	Yuan-Ze Telecommunications Co., Ltd. (formerly Far EasTone 3G Telecommunications Co., Ltd.)	Investments in shares of stock	Issuance of capital stock	-	120,000	$1,053,769	717,000	$7,170,000	-	$ -	-	-	($10,913)	837,000	$8,212,856

Note: The net decrease in carrying amount under the equity method includes an increase of $29,086 for the recognition of the effect of percentage change in ownership resulting from the issuance of capital stock by investee in cash and a decrease of $39,999 in its equity due to the investee’s net loss.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Year Ended December 31, 2002
(Amounts in Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Receivable or (Payable)	
		Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
New Century InfoComm Tech Co., Ltd. (NCIC)	The same chairman as that of the Company	Operating revenue	($683,115)	(2)	30 days	-	-	($88,096)	(13)

Note: The international direct dialing revenue collected by the Company for NCIC was treated as a reduction of wireless service revenue.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
For the Year Ended December 31, 2002
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2002			Net Loss of the Investee	Equity in Net Loss	Note
				December 31, 2002	December 31, 2001	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	E. World (Holdings) Ltd.	British Cayman Island	Investment	$ 41,095	$ 41,095	1,330	19.00	$ 10,342	$ 73,875	$ 14,035	Notes A and B
	Yuan-Ze Telecommunications Co., Ltd. (formerly Far EasTone 3G Telecommunications Co., Ltd.)	Taiwan	Wireless telecommunications and the wholesale / retail sale of telecom equipment	8,370,000	1,200,000	837,000	80.71	8,212,856	49,708	39,999	Notes C and D

Notes: A. Equity method investee of the Company

B. The equity in net loss recognized in 2002 was based on the net income of the investee in 2001 because the audited 2002 financial statements of the investee were not timely available.

C. Subsidiary.

D. Calculation based on audited financial statements as of December 31, 2002.