

**Far EastTone Telecommunications Co. Ltd.**  
**Balance Sheets**  
**March 31, 2003 and 2002**  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2003		2002			2003		2002	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$4,132,968	7	\$2,292,557	4	Short-term bank loans	\$ -	-	\$100,000	-
Note receivable and Accounts receivable – net of allowance for doubtful accounts of \$496,704 in 2003 and \$726,013 in 2002	3,541,343	6	4,049,616	7	Notes payable	16,432	-	83,767	-
Inventories – net	454,817	1	668,963	1	Accounts payable	173,856	-	233,978	-
Deferred income taxes – current	621,183	1	700,630	1	Payables to related parties	515,915	1	649,590	1
Prepaid expenses	1,821,203	3	1,231,481	2	Income tax payable	168,985	-	810,258	1
Other current assets	63,397	-	191,079	-	Accrued expenses	2,456,960	4	2,174,879	4
Total Current Assets	10,634,911	18	9,134,326	15	Payables related to acquisitions of property and equipment	1,678,567	3	1,587,299	3
					Unearned revenue	2,139,772	4	1,564,843	3
<b>INVESTMENTS IN SHARES OF STOCK</b>	8,166,078	14	8,254,002	14	Current portion of long-term liabilities	616,000	1	952,000	2
					Other current liabilities	160,853	-	193,286	-
<b>PROPERTY AND EQUIPMENT</b>					Total Current Liabilities	7,927,340	13	8,349,900	14
Cost									
Land	153,004	-	148,213	-	<b>LONG-TERM LIABILITIES</b>	10,146,198	17	14,113,002	24
Buildings and equipment	649,344	1	610,410	1					
Computer equipment	5,833,499	10	4,343,235	7	<b>OTHER LIABILITIES</b>				
Telecommunication network facilities and equipment	46,130,852	77	41,338,398	70	Accrued pension cost	140,736	1	105,951	-
Office equipment	775,202	1	757,754	1	Guarantee deposits received	1,858,693	3	2,737,800	5
Leasehold improvement	1,690,676	3	1,617,425	3	Long-term obligations under capital lease	-	-	1,312	-
Miscellaneous equipment	54,802	-	43,701	-	Total Other Liabilities	1,999,429	4	2,845,063	5

Total cost	55,287,379	92	48,859,136	82					
Less - accumulated depreciation	<u>19,106,934</u>	<u>32</u>	<u>12,570,518</u>	<u>21</u>	Total Liabilities	<u>20,072,967</u>	<u>34</u>	<u>25,307,965</u>	<u>43</u>
	36,180,445	60	36,288,618	61					
Construction in progress and advances related to acquisitions of equipment	<u>2,789,960</u>	<u>5</u>	<u>4,048,314</u>	<u>7</u>	STOCKHOLDERS' EQUITY				
					Capital stocks – \$10 par value				
					Authorized – 3,360,000 thousand shares				
Net Property and Equipment	<u>38,970,405</u>	<u>65</u>	<u>40,336,932</u>	<u>68</u>	Issued – 2,305,800 thousand shares in 2003 and 1,890,000 thousand shares in 2002	<u>23,058,000</u>	<u>38</u>	<u>18,900,000</u>	<u>32</u>
OTHER ASSETS					Capital surplus				
Properties not currently used in operations – net	91,300	-	130,000	-	Capital in excess of par value	5,967,572	10	6,156,572	10
Refundable deposits	375,211	1	386,503	1	Share in capital surplus of an equity-accounted investee	<u>29,086</u>	<u>-</u>	<u>29086</u>	<u>-</u>
Deferred income taxes	1,427,052	2	1,180,977	2	Total capital surplus	<u>5,996,658</u>	<u>10</u>	<u>6,185,658</u>	<u>10</u>
Miscellaneous	<u>121,793</u>	<u>-</u>	<u>37,613</u>	<u>-</u>	Retained earnings				
Total Other Assets	<u>2,015,356</u>	<u>3</u>	<u>1,735,093</u>	<u>3</u>	Legal reserve	1,097,646	2	431,718	1
					Unappropriated earnings	<u>9,558,381</u>	<u>16</u>	<u>8,631,913</u>	<u>14</u>
					Total retained earnings	<u>10,656,027</u>	<u>18</u>	<u>9,063,631</u>	<u>15</u>
					Cumulative translation adjustments	<u>3,098</u>	<u>-</u>	<u>3,099</u>	<u>-</u>
					Total Stockholders' Equity	<u>39,713,783</u>	<u>66</u>	<u>34,152,388</u>	<u>57</u>
TOTAL ASSETS	<u>\$59,786,750</u>	<u>100</u>	<u>\$59,460,353</u>	<u>100</u>	EQUITY	<u>\$59,786,750</u>	<u>100</u>	<u>\$59,460,353</u>	<u>100</u>

**FAR EASTONE TELECOMMUNICATIONS CO., LTD**  
**STATEMENT OF INCOME**

**For the Period Ended March 31, 2003 and 2002**

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

	<b>2003</b>		<b>2002</b>	
	Amount	%	Amount	%
Operating Revenue				
Sales of Equipment	\$635,959	7	\$261,278	3
Less- Sales Returns and Allowances	-	-	285	-
Net Sales	<u>635,959</u>	<u>7</u>	<u>260,993</u>	<u>3</u>
Service Revenue	8,141,839	93	7,945,833	97
Other Revenue	620	-	5,414	-
Total Operating Revenue	<u>8,778,418</u>	<u>100</u>	<u>8,212,240</u>	<u>100</u>
 OPERATING COST				
Cost of Sales	603,917	7	282,930	3
Cost of Services	3,884,129	44	3,676,477	45
Total Operating Cost	<u>4,488,046</u>	<u>51</u>	<u>3,959,407</u>	<u>48</u>
 GROSS PROFIT	<u>4,290,372</u>	<u>49</u>	<u>4,252,833</u>	<u>52</u>
 OPERATING EXPENSES				
Marketing	1,629,547	19	1,313,585	16
General and Administrative	802,340	9	790,480	9
Research and Development	73,678	1	53,468	1
Total Operating Expenses	<u>2,505,565</u>	<u>29</u>	<u>2,157,533</u>	<u>26</u>
 INCOME FROM OPERATIONS	<u>1,784,807</u>	<u>20</u>	<u>2,095,300</u>	<u>26</u>
 NON-OPERATING INCOME				
Interest	5,695	-	4,331	-
Foreign Exchange Gains-net	1,853	-	736	-
Reversal of allowance for losses on inventories	1,686	-	18,258	-
Other	37,737	1	11,653	-
Total Non-operating Income	<u>46,971</u>	<u>1</u>	<u>34,978</u>	<u>-</u>
 NON-OPERATING EXPENSES				
Interest	\$90,711	1	\$61,854	1
Investment loss recognized under equity method	57,120	1	23,231	-
Loss on disposal of property and equipment	12,236	-	42	-
Other	-	-	1	-
Total Non-Operating Expenses	<u>160,067</u>	<u>1</u>	<u>85,128</u>	<u>1</u>
 INCOME BEFORE INCOME TAX	1,671,711	19	2,045,150	25
 INCOME TAX EXPENSE	<u>8,436</u>	<u>-</u>	<u>204,655</u>	<u>3</u>
 NET INCOME	<u>\$1,663,275</u>	<u>19</u>	<u>\$1,840,495</u>	<u>22</u>
	Income		Income	
	Before	Net	Before	
	Income	Income	Income	Net Income
 EARNING PER SHARE				
Primary	<u>\$0.73</u>	<u>\$0.72</u>	<u>\$0.89</u>	<u>\$0.80</u>
Diluted	<u>\$0.68</u>	<u>\$0.68</u>	<u>\$0.89</u>	<u>\$0.80</u>

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.**  
**STATEMENTS OF CASH FLOWS**

**For the Periods Ended March 31, 2003 and 2002**

(In Thousands of New Taiwan Dollars)

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,663,275	\$ 1,840,495
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,741,460	1,510,702
Provision for doubtful accounts	86,590	40,149
Reversal of allowance for losses on inventories	-1,686	-18,258
Investment loss recognized under equity method	57,120	23,231
Loss on disposal of property and equipment	12,236	42
Accrued pension cost	9,606	8,637
Deferred income taxes	-23,968	65,305
Accretion in redemption value of bonds	4,523	-
Amortization of Bond issuance costs	5,710	-
Changes in operating assets and liabilities		
Decrease (increase) in		
Notes receivable and accounts receivable	-411,356	24,663
Inventories	202,883	79,853
Prepaid expenses	-58,706	-544,341
Other current assets	1,994	5,962
Increase (decrease) in		
Notes payable	-12,512	55,194
Accounts payable	-415,489	-270,181
Payable to related parties	-144,314	29,699
Income tax payable	31,890	138,665
Accrued expenses	-474,588	-186,280
Unearned revenue	89,462	545,969
Other current liabilities	17,864	-104,452
<b>Net Cash Provided by Operating Activities</b>	<b>2,381,994</b>	<b>3,245,054</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of investments in shares of stock	-	-7,170,000
Acquisitions of property and equipment	-1,054,091	-991,796
Proceeds from sales of property and equipment	5,915	1,020
Increase in refundable deposits	-1,932	-2,067
Decrease (increase) in other assets	-100,062	-
<b>Net Cash Used in Investing Activities</b>	<b>-1,150,170</b>	<b>-8,162,843</b>

(Forward)

CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ -	\$ 100,000
Decrease in long-term liabilities	795,836	4,531,382
Decrease in guarantee deposits	<u>-133,034</u>	<u>-228,835</u>
Net Cash Provided by Financing Activities	<u>662,802</u>	<u>4,402,547</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,894,626	-515,242
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,238,342</u>	<u>2,807,799</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,132,968</u>	<u>\$ 2,292,557</u>
SUPPLEMENTARY INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 158,323</u>	<u>\$ 17,471</u>
Income tax paid	<u>\$ 514</u>	<u>\$ 685</u>
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 616,000</u>	<u>\$ 952,000</u>
CASH PAID FOR ACQUISITIONS OF PROPERTY AND EQUIPMENT		
Increase in property and equipment	\$ 612,480	\$ 1,152,998
Decrease (increase) in payables related to acquisitions of property and equip	441,611	-169,877
Decrease in long-term obligations under capital lease	<u>-</u>	<u>8,675</u>
Actual cash paid for acquisitions of property and equipment	<u>\$ 1,054,091</u>	<u>\$ 991,796</u>
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT		
Total amount of property and equipment sold	\$ 7,027	\$ 1,020
Increase in receivable from properties sold	<u>-1,112</u>	<u>-</u>
Actual cash received from disposal of property and equipment	<u>\$ 5,915</u>	<u>\$ 1,020</u>