

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined balance sheet and statement of income as of and for the year ended December 31, 2003 are based on the historical financial statements of Far EasTone and KG Telecom after giving effect to (1) the merger of KG Telecom with and into Far EasTone's wholly-owned subsidiary, Yuan-Ho Telecommunications ("New KG Telecom"), and (2) the share exchange by which New KG Telecom became a wholly-owned subsidiary of Far EasTone (collectively, the "Combination"). The Combination has been accounted for under the purchase method of accounting based on the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined financial statements.

The unaudited pro forma combined balance sheet of Far EasTone and KG Telecom as of December 31, 2003 is presented to give effect to the Combination as if it had occurred on January 1, 2003. The unaudited pro forma combined statement of income of Far EasTone and KG Telecom for the year ended December 31, 2003 is presented as if the Combination had taken place on January 1, 2003.

Under the purchase method of accounting, the total estimated purchase price, calculated as described in Note 1 to the unaudited pro forma combined financial statements, is allocated to the net tangible and intangible assets of KG Telecom acquired in connection with the Combination, based on their fair values as of the completion of the Combination. Management of Far EasTone has performed a preliminary estimate of the fair values of a significant portion of these assets, and these fair values are reflected in the unaudited pro forma combined financial statements. Upon a final determination of these fair values, which will be conducted over the course of 2004, the actual amounts recorded may differ from the information presented in the unaudited pro forma combined financial statements.

For financial reporting purposes under accounting principles generally accepted in the Republic of China ("ROC GAAP"), as a result of the application of the purchase method of accounting, the difference between the purchase price of KG Telecom's shares after giving effect to the Combination and the fair value of the net assets of KG Telecom as of the date of the Combination has been reported as goodwill. Differences in the fair value of the net assets of KG Telecom at the date of the Combination and the historical net asset value reported as of January 1, 2003 are deemed to primarily relate to the write-off of the proposed disposal of certain network and backbone facilities and unamortized goodwill resulting from KG Telecom's merger with Tuntex International Telecommunications ("Tuntex") in order to reflect the net asset value at an acquirer's estimated fair value.

Further, the unaudited pro forma combined financial statements do not include any adjustments for liabilities resulting from integration, as Far EasTone management is in the process of making these assessments and estimates of the potential future costs are not completely known. However, liabilities ultimately could be recorded for costs associated with exiting activities of KG Telecom that would affect amounts in the unaudited pro forma financial statements.

The unaudited pro forma combined balance sheet and statement of income are based on and derived from, and should be read in conjunction with, the historical ROC GAAP consolidated financial statements of Far EasTone and subsidiaries, and the historical ROC GAAP unconsolidated financial statements of KG Telecom, together with the respective notes thereto, included elsewhere in this offering circular.

The unaudited pro forma combined balance sheet and statement of income are presented for illustrative purposes only. This information is not necessarily indicative of the financial position and results of operations that might have occurred had the formation of New KG Telecom and the above mentioned Combination occurred on January 1, 2003, nor is it necessarily indicative of future financial position or results of operations of Far EasTone and subsidiaries.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
DECEMBER 31, 2003

	Historical		Pro Forma Adjustments			Pro Forma Combined
	Far EasTone	KG Telecom	Notes	Debit	Credit	
	(in thousands of New Taiwan Dollars)					
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 14,568,654	\$ 3,057,490	a	\$ -	\$ 11,698,462	\$ 5,927,682
Short-term investment—net	-	3,393,647		-	-	3,393,647
Notes receivable and accounts receivable—net	3,735,277	3,832,191	b, c	-	249,434	7,318,034
Inventories—net	801,100	220,694		-	-	1,021,794
Prepaid expenses	1,754,644	409,319		-	-	2,163,963
Other receivables—related parties	116,529	29,773		-	-	146,302
Deferred income tax assets—current	1,392,724	806,277		-	-	2,199,001
Other current asset	68,554	81,895		-	-	150,449
Total current assets	22,437,482	11,831,286		-	11,947,896	22,320,872
INVESTMENTS IN SHARES OF STOCK						
Equity method	8,518	2,139,567	d	-	869,049	1,279,036
Cost method	-	3,000		-	-	3,000
Prepayment for investment	65,000	-		-	-	65,000
Total investments in shares of stock	73,518	2,142,567		-	869,049	1,347,036
PROPERTIES						
Cost						
Land	952,504	604,598	e	-	407,297	1,149,805
Buildings and equipment	1,698,803	313,269	e	154,186	-	2,166,258
Computer equipment	6,284,316	1,375,330	f, o	1,228,668	87,681	8,800,633
Operating equipment	48,644,499	39,365,366	g, n	3,876,939	6,791,209	85,095,595
Office equipment	772,482	30,409	f	-	4,725	798,166
Leased assets	-	476,884		-	-	476,884
Leasehold improvements	1,331,900	3,876,939	f, n, o	24,391	3,901,749	1,331,481
Miscellaneous equipment	54,834	279,760	f	-	396	334,198
Total cost	59,739,338	46,322,555		5,284,184	11,193,057	100,153,020
Less—accumulated depreciation	24,388,503	12,466,226	e, g	1,956,730	-	34,897,999
	35,350,835	33,856,329		7,240,914	11,193,057	65,255,021
Construction in progress and advances related to acquisition of equipment	4,221,737	156,854		-	-	4,378,591
Net properties	39,572,572	34,013,183		7,240,914	11,193,057	69,633,612
INTANGIBLE ASSETS						
3G concession	10,169,000	-		-	-	10,169,000
Goodwill	-	4,750,712	a, h, k	11,865,037	5,541,714	11,074,035
Total intangible assets	10,169,000	4,750,712		11,865,037	5,541,714	21,243,035
OTHER ASSETS						
Properties not currently used in operations—net	87,500	966,745	g	-	966,745	87,500
Refundable deposits	241,736	174,795		-	-	416,531
Deferred charges—net	86,816	1,369,923	o	-	1,253,059	203,680
Deferred income tax assets—noncurrent	813,904	201,616	i	-	82,000	933,520
Miscellaneous	2,097	58,037	f	-	4,169	55,965
Total other assets	1,232,053	2,771,116		-	2,305,973	1,697,196
TOTAL ASSETS	\$ 73,484,625	\$ 55,508,864		\$ 19,105,951	\$ 31,857,689	\$ 116,241,751

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
DECEMBER 31, 2003

	Historical		Pro Forma Adjustments			Pro Forma Combined
	Far EasTone	KG Telecom	Notes	Debit	Credit	
(in thousands of New Taiwan Dollars)						
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short-term debts	\$ 100,000	\$ 2,150,000		\$ -	\$ -	\$ 2,250,000
Commercial paper payable	489,587	2,453,844		-	-	2,943,431
Notes payable	30,670	230,441		-	-	261,111
Accounts payable	1,043,206	414,262	c	18,251	-	1,439,217
Payables to related parties	226,534	75,233		-	-	301,767
Income tax payable	24,083	465,621	j	-	238,000	727,704
Accrued expenses	2,637,837	2,769,688	a, p	-	332,699	5,740,224
Payables related to acquisition of properties	2,716,930	276,270		-	-	2,993,200
Guarantee deposits received—current	1,502,750	532,669		-	-	2,035,419
Unearned revenues	1,859,688	778,534		-	-	2,638,222
Current portion of long-term liabilities	1,226,000	3,822,170		-	-	5,048,170
Other current liabilities	169,615	146,918		-	-	316,533
Total current liabilities	12,026,900	14,115,650		18,251	570,699	26,694,998
LONG-TERM LIABILITIES—Net of current portion						
Long-term bonds payable	13,270,436	1,020,000		-	-	14,290,436
Long-term debts payable	4,936,942	9,650,475	a	-	3,334,798	17,922,215
Long-term capital lease obligations	-	200,000		-	-	200,000
Total long-term liabilities	18,207,378	10,870,475		-	3,334,798	32,412,651
OTHER LIABILITIES						
Accrued pension cost	169,278	-		-	-	169,278
Guarantee deposits received—noncurrent	50,841	171,252		-	-	222,093
Miscellaneous	-	34,573	e	-	2,251	36,824
Total other liabilities	220,119	205,825		-	2,251	428,195
Total liabilities	30,454,397	25,191,950		18,251	3,907,748	59,535,844
STOCKHOLDERS' EQUITY						
Capital stock	26,977,860	17,408,425	a	17,408,425	6,935,232	33,913,092
Capital surplus						
Paid-in capital in excess of par value	5,944,514	10,964,142	a	10,964,142	8,482,381	14,426,895
From investments in shares of stock	29,086	-		-	-	29,086
Net assets from merger	-	358	a	358	-	-
Gain on disposal of properties	-	3	a	3	-	-
Total capital surplus	5,973,600	10,964,503		10,964,503	8,482,381	14,455,981
Retained earnings						
Legal reserve	1,878,488	164,568	a	164,568	-	1,878,488
Special reserve	-	14,186	a	14,186	-	-
Unappropriated earnings	8,197,228	1,750,836	a, d, g, h	6,443,790	2,951,020	6,455,294
Total retained earnings	10,075,716	1,929,590		6,622,544	2,951,020	8,333,782
Cumulative translation adjustments	3,052	14,396	a	14,396	-	3,052
Total stockholders' equity	43,030,228	30,316,914		35,009,868	18,368,633	56,705,907
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 73,484,625	\$ 55,508,864		\$ 35,028,119	\$ 22,276,381	\$ 116,241,751

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2003

	Historical		Pro Forma Adjustments			Pro Forma Combined
	Far EasTone	KG Telecom	Notes	Debit	Credit	
	(in thousands of New Taiwan Dollars)					
OPERATING REVENUES						
Sales of cellular phone equipment and accessories	\$ 2,597,873	\$ 1,572,495	m	\$ 174,461	\$ -	\$ 3,995,907
Less—sales returns and allowances	52,122	34,746		-	-	86,868
Net sales	2,545,751	1,537,749		174,461	-	3,909,039
Service revenues	34,515,474	22,536,726	c, l	1,237,015	409,437	56,224,622
Other	5,938	-		-	-	5,938
Total operating revenues	37,067,163	24,074,475		1,411,476	409,437	60,139,599
OPERATING COSTS						
Cost of sales	2,822,662	1,449,160		-	-	4,271,822
Cost of services	15,892,163	12,456,392	c, g	-	1,799,055	26,549,500
Total operating costs	18,714,825	13,905,552		-	1,799,055	30,821,322
GROSS PROFIT	18,352,338	10,168,923		1,411,476	2,208,492	29,318,277
OPERATING EXPENSES	10,025,456	6,615,828	h, k, l, m	1,200,439	491,175	17,350,548
OPERATING INCOME	8,326,882	3,553,095		2,611,915	2,699,667	11,967,729
NON-OPERATING INCOME AND GAINS						
Gain on bad debts recoveries	-	97,776		-	-	97,776
Reversal of allowance (provision) for losses on inventories	(4,691)	79,734		-	-	75,043
Gain on disposal of investments—net	-	18,710		-	-	18,710
Reversal of allowance for decline in market value of short-term investments	-	14,682		-	-	14,682
Interest income	43,006	1,727		-	-	44,733
Foreign exchange gains—net	38,469	5,964		-	-	44,433
Other	32,154	165,035		-	-	197,189
Total non-operating income and gains	108,938	383,628		-	-	492,566
NON-OPERATING EXPENSES AND LOSSES						
Loss (gain) on disposal of properties	(8,379)	731,538		-	-	723,159
Interest expense	316,344	514,140	p	129,199	-	959,683
Provision for losses on properties not currently used in operations	-	222,245	g	-	222,245	-
Equity in investee's net losses	1,778	167,707	d	-	29,108	140,377
Other	-	264,741		-	-	264,741
Total non-operating expenses and losses	309,743	1,900,371		129,199	251,353	2,087,960
PRO FORMA INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	8,126,077	2,036,352		2,741,114	2,951,020	10,372,335
INCOME TAX EXPENSE (BENEFIT)	(99,028)	558,919		-	-	459,891
PRO FORMA NET INCOME BEFORE MINORITY INTEREST	8,225,105	1,477,433		2,741,114	2,951,020	9,912,444
MINORITY INTEREST	(36,972)	-		-	-	(36,972)
PRO FORMA NET INCOME	<u>\$ 8,188,133</u>	<u>\$ 1,477,433</u>		<u>\$ 2,741,114</u>	<u>\$ 2,951,020</u>	<u>\$ 9,875,472</u>

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2003

	Historical		Pro Forma Adjustments			Pro Forma Combined
	Far EasTone	KG Telecom	Notes	Debit	Credit	
	(in thousands of New Taiwan Dollars)					
PRO FORMA EARNINGS PER SHARE						
Primary	\$ 3.04	\$ 0.85				\$ 2.91
Diluted	\$ 2.95	\$ 0.85				\$ 2.85

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION
(amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. Basis of pro forma presentation

On October 7, 2003, Far EasTone signed a Merger Agreement with KG Telecom and New KG Telecom which will result in KG Telecom becoming a wholly-owned subsidiary of Far EasTone in a transaction involving two steps (the "Combination") to be accounted for using the purchase method. The total estimated purchase price of approximately NT\$29,832,640 includes Far EasTone common stock valued at NT\$17,930,678, a cash payment of NT\$11,698,462 and estimated direct transaction costs of NT\$203,500.

The unaudited pro forma combined financial information provides for the issuance of approximately 693,523 thousand new shares and the reissuance of approximately 113,044 thousand treasury shares of Far EasTone common stock, together with a cash payment of NT\$11,698,462, based upon an exchange ratio of 0.46332 of one share of Far EasTone common stock and NT\$6.72 for each outstanding share of KG Telecom common stock as of December 31, 2003. The average market price per share of Far EasTone common stock of NT\$22.23 is based on an average of the closing prices for a range of trading days (September 29, 2003 to October 3, 2003) around the announcement date (October 7, 2003) of the proposed Combination.

Under the purchase method of accounting, the total estimated purchase price is allocated to KG Telecom's net tangible and intangible assets based on their estimated fair values as of the date of the completion of the Combination. Based on Far EasTone management's preliminary valuation, the preliminary estimated purchase price is allocated as follows:

Estimated net tangible assets to be acquired	NT\$20,362,326
Estimated net tangible assets to be disposed of	(2,394,723)
Goodwill and intangible assets	<u>11,865,037</u>
 Total preliminary estimated purchase price allocation	 <u>NT\$29,832,640</u>

2. The unaudited pro forma combined balance sheet and statement of income give effect to the following pro forma adjustments:

- a. To record the issuance of 693,523 thousand new shares and the reissuance of 113,044 thousand treasury shares (at per share of NT\$22.23); the accrual of estimated direct expenses relating to the Combination, including fees paid for outside legal, accounting and appraisal services and investment bankers, amounting to NT\$203,500; a cash payment of NT\$11,698,462; and goodwill of NT\$11,865,037 (as determined at the Combination date) as of January 1, 2003.

To record long-term debts payable of NT\$3,334,798 as payment for the repurchase of shares from dissenting shareholders as treasury stock.

To eliminate the equity accounts of New KG Telecom and KG Telecom to reflect the merger of KG Telecom with and into New KG Telecom and the subsequent share exchange between Far EasTone and New KG Telecom.
- b. To record an additional provision for doubtful accounts receivable of NT\$231,183 based on the preliminary estimate of their fair values.
- c. To eliminate interconnection services of NT\$ 1,237,015 between Far EasTone and KG Telecom and inter-company receivables and payables of NT\$ 18,251.
- d. To reflect the preliminary estimate of the reduction in fair value of certain other long-term investments of KG Telecom of NT\$869,049 and the related investment loss under the equity method of NT\$29,108.

- e. To reflect the preliminary estimate of the reduction in fair value of KG Telecom's real estate of NT\$223,601 and the accrual of related land incremental tax of NT\$ 2,251.
- f. To reflect an accrual of NT\$121,781 for estimated disposal of properties and deferred charges related to duplicate office facilities due to the relocation from KG Telecom offices to Far EasTone offices.
- g. To reflect an accrual for estimated disposal of operating equipment of NT\$2,272,942 and the preliminary estimate of the reduction in fair value of network and backbone facilities of NT\$3,557,792. Certain network and backbone facilities included in properties and properties not currently used in operations have been identified by Far EasTone management as planned for disposal following the consummation of the Combination. The related depreciation expense of NT\$562,040 and provision for losses on properties not currently used in operations of NT\$222,245 has been reversed in the pro forma statement of income.
- h. To reflect the write-off of goodwill of NT\$4,750,712 and related amortization expense of NT\$316,714 resulting from KG Telecom's merger with Tuntex in 2000.
- i. To reflect an increase in the valuation allowance relating to deferred income tax assets of KG Telecom based on a preliminary estimate by Far EasTone management.
- j. To reflect an accrual for estimated income tax expense based on a preliminary estimate by Far EasTone management and related correspondence with the tax authorities.
- k. To record the amortization of goodwill for the year ended December 31, 2003 over a period of fifteen years on a straight-line basis (NT\$791,002 per year).
- l. To reclassify upfront commission from reduction of revenue into commission expense of NT\$409,437 to conform KG Telecom's accounting policies to Far EasTone's policies.
- m. To reclassify equipment subsidy from handset subsidy into reduction of equipment revenue of NT\$174,461 to conform KG Telecom's accounting policies to Far EasTone's policies.
- n. To reclassify major improvements on radio equipment of KG Telecom from leasehold improvements into operating equipment of NT\$3,876,939 to conform to Far EasTone's presentation of the financial statements.
- o. To reclassify leasehold improvements and computer software from deferred charges into leasehold improvements and computer equipment of NT\$24,391 and NT\$1,228,668, respectively, to conform to Far EasTone's presentation of the financial statements.
- p. To accrue interest expense of NT\$129,199 on long-term debts payable and domestic unsecured bonds resulting from the Combination and payment to dissenting shareholders.

3. Pro forma earnings per share

The pro forma basic and diluted earnings per share are based on the weighted average number of shares of Far EasTone common stock outstanding during 2003, including the issuance of new shares for the share exchange with New KG Telecom.

4. Pro forma cash flow data

Net cash provided by operating activities	NT\$22,484,064
Net cash used in investing activities	(9,883,604)
Net cash used in financing activities	(9,150,068)

5. Pro forma other financial data

EBITDA	NT\$24,259,213
Depreciation	11,364,176
Amortization	927,308