

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined balance sheet and statement of income as of and for the three months ended March 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 March 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 three months ended March 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
MARCH 31, 2003
(In Thousands of New Taiwan Dollars)

ASSETS	Historical		Notes	Pro Forma Adjustments		Pro Forma Combined
	Far Eastone	KG Telecom		Debit	Credit	
CURRENT ASSETS						
Cash and cash equivalents	\$ 4,147,768	\$ 423,860	a	\$ 11,698,462	\$ 11,698,462	\$ 4,571,628
Short-term investment—net	-	1,950,211		-	-	1,950,211
Notes receivable and accounts receivable—net	3,541,343	3,770,761	b, c	-	245,778	7,066,326
Inventories—net	454,817	66,235		-	-	521,052
Prepaid expenses	1,823,573	409,884		-	-	2,233,457
Deferred income tax assets—current	621,183	379,382		-	-	1,000,565
Other current assets	45,551	64,357		-	-	109,908
Total current assets	<u>10,634,235</u>	<u>7,064,690</u>		<u>11,698,462</u>	<u>11,944,240</u>	<u>17,453,147</u>
INVESTMENTS IN SHARES OF STOCK						
Equity method	8,564	2,280,851	d	-	890,881	1,398,534
Cost method	-	16,500		-	-	16,500
Total investments in shares of stock	<u>8,564</u>	<u>2,297,351</u>		<u>-</u>	<u>890,881</u>	<u>1,415,034</u>
PROPERTIES						
Cost						
Land	153,004	604,598	e	-	407,297	350,305
Buildings and equipment	649,344	313,269	e	154,186	-	1,116,799
Computer equipment	5,833,499	1,284,472	f, o	1,488,161	87,681	8,518,451
Operating equipment	46,130,852	39,579,072	g, n	3,084,874	6,887,646	81,907,152
Office equipment	775,202	43,413	f	-	4,725	813,890
Leased assets	-	594,432		-	-	594,432
Leasehold improvements	1,690,676	3,084,874	f, n, o	26,514	3,109,684	1,692,380
Miscellaneous equipment	54,802	261,963	f	-	396	316,369
Total cost	55,287,379	45,766,093		4,753,735	10,497,429	95,309,778
Less—accumulated depreciation	19,106,934	9,715,924	e, g	1,368,517	-	27,454,341
	36,180,445	36,050,169		6,122,252	10,497,429	67,855,437
Construction in progress and advances related to acquisition of equipment	2,792,950	1,155,923		-	-	3,948,873
Net properties	<u>38,973,395</u>	<u>37,206,092</u>		<u>6,122,252</u>	<u>10,497,429</u>	<u>71,804,310</u>
INTANGIBLE ASSETS						
3G concession	10,169,000	-		-	-	10,169,000
Goodwill	-	4,988,247	a, h, k	11,865,037	5,185,998	11,667,286
Total intangible assets	<u>10,169,000</u>	<u>4,988,247</u>		<u>11,865,037</u>	<u>5,185,998</u>	<u>21,836,286</u>
OTHER ASSETS						
Properties not currently used in operations—net	91,300	870,308	g	-	870,308	91,300
Refundable deposits	375,295	206,288		-	-	581,583
Deferred charges—net	124,826	1,717,592	o	-	1,514,675	327,743
Deferred income tax assets—noncurrent	1,427,052	678,998	i	-	82,000	2,024,050
Miscellaneous	198	67,504	f	-	4,169	63,533
Total other assets	<u>2,018,671</u>	<u>3,540,690</u>		<u>-</u>	<u>2,471,152</u>	<u>3,088,209</u>
TOTAL ASSETS	<u>\$ 61,803,865</u>	<u>\$ 55,097,070</u>		<u>\$ 29,685,751</u>	<u>\$ 30,989,700</u>	<u>\$ 115,596,986</u>

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	Historical		Pro Forma Adjustments		Pro Forma Combined	
	Far Eastone	KG Telecom	Notes	Debit		Credit
CURRENT LIABILITIES						
Short-term debts	\$ -	\$ 4,353,000		\$ -	\$ -	\$ 4,353,000
Commercial paper payable	-	2,446,644		-	-	2,446,644
Notes payable	16,432	259,086		-	-	275,518
Accounts payable	173,856	747,497	c	14,595	-	906,758
Payables to related parties	515,915	20,930		-	-	536,845
Income tax payable	168,985	97,222	j	-	238,000	504,207
Accrued expenses	2,489,302	3,348,159	a, p	-	252,307	6,089,768
Dividends payable	-	-	a	-	2,997,540	2,997,540
Payables related to acquisition of properties	1,714,037	918,342		-	-	2,632,379
Unearned revenues	2,139,772	319,585		-	-	2,459,357
Current portion of long-term liabilities	616,000	4,133,277		-	-	4,749,277
Other current liabilities	160,853	122,754	a	-	210,827	494,434
Total current liabilities	7,995,152	16,766,496		14,595	3,698,674	28,445,727
LONG-TERM LIABILITIES—Net of current portion						
Long-term bonds payable	10,146,198	2,010,000		-	3,000,000	15,156,198
Long-term debts payable	-	5,821,777	a	-	12,033,259	17,855,036
Long-term capital lease obligations	-	366,556		-	-	366,556
Total long-term liabilities	10,146,198	8,198,333		-	15,033,259	33,377,790
OTHER LIABILITIES						
Accrued pension cost	140,736	70,140		-	-	210,876
Guarantee deposits received	1,858,693	994,352		-	-	2,853,045
Miscellaneous	-	23,486	e	-	2,251	25,737
Minority interest	1,949,303	-		-	-	1,949,303
Total other liabilities	3,948,732	1,087,978		-	2,251	5,038,961
Total liabilities	22,090,082	26,052,807		14,595	18,734,184	66,862,478
STOCKHOLDERS' EQUITY						
Capital stock	23,058,000	17,408,425	a	17,408,425	10,855,092	33,913,092
Capital surplus						
Paid-in capital in excess of par value	5,967,572	10,964,142	a	10,987,200	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	5,996,658	10,964,503		10,987,561	8,482,381	14,455,981
Retained earnings						
Legal reserve	1,097,646	164,568	a	164,568	780,842	1,878,488
Special reserve	-	14,186	a	14,186	-	-
Unappropriated earnings	9,558,381	468,686	a, d, g, h	12,241,470	698,252	(1,516,151)
Total retained earnings	10,656,027	647,440		12,420,224	1,479,094	362,337
Cumulative translation adjustments	3,098	23,895	a	23,895	-	3,098
Total stockholders' equity	39,713,783	29,044,263		40,840,105	20,816,567	48,734,508
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 61,803,865	\$ 55,097,070		\$ 40,854,700	\$ 39,550,751	\$ 115,596,986

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2003
(In Thousands of New Taiwan Dollars)

	Historical		Notes	Pro Forma Adjustments		Pro Forma Combined
	Far Eastone	KG Telecom		Debit	Credit	
OPERATING REVENUES						
Sales of cellular phone equipment and accessories	\$ 635,959	\$ 369,929	m	\$ 51,461	\$ -	\$ 954,427
Less—sales returns and allowances	-	12,723		-	-	12,723
Net sales	635,959	357,206		51,461	-	941,704
Service revenues	8,141,839	5,266,479	c, l	267,613	96,651	13,237,356
Other	620	-		-	-	620
Total operating revenues	8,778,418	5,623,685		319,074	96,651	14,179,680
OPERATING COSTS						
Cost of sales	603,917	369,913		-	-	973,830
Cost of services	3,910,222	3,033,731	c, g	-	411,646	6,532,307
Total operating costs	4,514,139	3,403,644		-	411,646	7,506,137
GROSS PROFIT	4,264,279	2,220,041		319,074	508,297	6,673,543
OPERATING EXPENSES	2,511,236	1,683,772	h, k, l, m	294,402	130,640	4,358,770
OPERATING INCOME	1,753,043	536,269		613,476	638,937	2,314,773
NONOPERATING INCOME AND GAINS						
Gain on bad debt recoveries	-	36,354		-	-	36,354
Interest income	5,756	153		-	-	5,909
Gain on disposal of investments—net	-	3,133		-	-	3,133
Reversal of allowance for decline in market value of short-term investments	-	2,807		-	-	2,807
Foreign exchange gains—net	1,853	306		-	-	2,159
Reversal of allowance for losses on inventories	1,686	-		-	-	1,686
Other	2,268	17,199		-	-	19,467
Total nonoperating income and gains	11,563	59,952		-	-	71,515
NONOPERATING EXPENSES AND LOSSES						
Interest expense	90,782	143,979	p	48,807	-	283,568
Equity in investee's net losses	1,778	43,359	d	-	7,277	37,860
Loss on disposal of properties	12,236	-		-	-	12,236
Provision for losses on properties not currently used in operations	-	52,038	g	-	52,038	-
Other	-	30,389		-	-	30,389
Total nonoperating expenses and losses	104,796	269,765		48,807	59,315	364,053
PROFORMA INCOME BEFORE INCOME TAX EXPENSE	1,659,810	326,456		662,283	698,252	2,022,235
INCOME TAX EXPENSE	8,436	131,173		-	-	139,609
PROFORMA NET INCOME BEFORE MINORITY INTEREST	1,651,374	195,283		662,283	698,252	1,882,626
MINORITY INTEREST	11,901	-		-	-	11,901
PROFORMA NET INCOME	\$ 1,663,275	\$ 195,283		\$ 662,283	\$ 698,252	\$ 1,894,527
PROFORMA EARNINGS PER SHARE						
Primary	\$ 0.72	\$ 0.11				\$ 0.56
Diluted	\$ 0.72	\$ 0.11				\$ 0.56

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 New 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 record long-term debts payable of NT\$8,698,461 and long-term bonds payable of NT\$3,000,000 as proceeds for cash payment of the Combination.

To record the appropriation of 2002 earnings approved by the stockholders on May 23, 2003 as it occurred on January 1, 2003 in order to be consistent with the factors in the determination of above-mentioned exchange ratio as follows:

Legal reserve	NT\$ 780,842
Bonus to employees	140,551
Remuneration to directors and supervisors	70,276
Cash dividend	2,997,540
Stock dividend	3,896,802

To record capitalization of capital surplus of NT\$23,058 as it occurred on January 1, 2003.

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\$267,613 between Far EasTone and KG Telecom and inter-company receivables and payables of NT\$14,595.
- d. To reflect the preliminary estimate of the reduction in fair value of certain other long-term investments of KG Telecom of NT\$890,881 and the related investment loss under the equity method of NT\$7,277.
- 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\$2,686,123 and the preliminary estimate of the reduction in fair value of network and backbone facilities of NT\$3,732,824. 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\$144,033 and provision for losses on properties not currently used in operations of NT\$52,038 has been reversed in the pro forma statement of income.
- h. To reflect the write-off of goodwill of NT\$4,988,247 and related amortization expense of NT\$79,179 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 three months ended March 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\$96,651 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\$51,461 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\$3,084,874 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\$26,514 and NT\$1,488,161, respectively, to conform to Far EasTone's presentation of the financial statements.
 - p. To accrue interest expense of NT\$48,807 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 the three months ended March 31, 2003, including stock dividend and capitalization of capital surplus declared in 2003 and the issuance of new shares for the share exchange with New KG Telecom.

4. Pro forma other financial data

EBITDA	NT\$5,449,594
Depreciation	2,901,015
Amortization	233,806