

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
2Q 2006, and 1Q, 2Q 2007  
(In Million New Taiwan Dollars)

	1Q 2007		2Q 2007		QoQ %		2Q 2006		YoY %	
		% of Sales		% of Sales	Change	%		% of Sales	Change	%
Equipment Revenue	1,318	8	1,188	8	(130)	-10	1,582	9	(393)	-25
Service Revenue	14,458	92	14,605	92	147	1	15,305	91	(700)	-5
Total Operating Revenue	15,776	100	15,794	100	17	0	16,887	100	(1,093)	-6
Cost of Good Sold	8,260	52	8,215	52	(45)	-1	8,704	52	(489)	-6
Gross Profit	7,516	48	7,579	48	62	1	8,183	48	(604)	-7
Operating Expenses										
Selling and Marketing Expenses	2,445	15	2,241	14	(204)	-8	2,281	14	(40)	-2
General and administrative	1,308	8	1,305	8	(4)	0	1,434	8	(129)	-9
Research and development	65	0	87	1	22	34	73	0	14	19
Operating Income	3,698	23	3,946	25	248	7	4,395	26	(449)	-10
EBITDA	6,679		6,954		275	4	7,527		(573)	-8
EBITDA Margin (%)	42		44				45			
Service EBITDA Margin (%)	48		49				50			
Net Non Operating Income (Loss)	(61)	0	(73)	0	(12)	19	(128)	-1	55	-43
Consolidated Earnings before Income Tax	3,637	23	3,873	25	236	6	4,267	25	(394)	-9
Income Tax Expense	768	5	820	5	52	7	813	5	7	1
Consolidated Income before Minority Interest	2,868	18	3,052	19	184	6	3,454	20	(402)	-12
Minority Interest	27	0	19	0	(9)	-32	28	0	(9)	-33
Net Income	2,896	18	3,071	19	175	6	3,482	21	(411)	-12
EPS--3,873 mn shrs (NT\$)	0.75		0.79		0.05	6	0.90		(0.11)	-12

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.  
CONSOLIDATED BALANCE SHEET  
End 2Q 2006 AND End 1Q, 2Q 2007  
(In million New Taiwan Dollars)

	1Q 2007		2Q 2007		QoQ		2Q 2006		YoY	
		%		%	Change	%		%	Change	%
<b>Assets</b>										
Cash, and Cash Equivalents	11,263	12	15,325	16	4,061	36	11,038	11	4,286	39
Accounts Receivable	5,747	6	6,061	6	313	5	6,153	6	(92)	-2
Prepaid Expenses	995	1	738	1	(257)	-26	725	1	14	2
Other Current Assets	3,555	4	3,011	3	(544)	-15	2,876	3	135	5
<b>Total Current Assets</b>	<b>21,561</b>	<b>23</b>	<b>25,135</b>	<b>26</b>	<b>3,573</b>	<b>17</b>	<b>20,792</b>	<b>21</b>	<b>4,342</b>	<b>21</b>
Long Term Investment	680	1	606	1	(75)	-11	762	1	(157)	-21
Properties	120,641	127	122,218	127	1,578	1	116,765	117	5,454	5
Less Accumulated Depreciation	71,927	76	74,579	78	2,652	4	63,974	64	10,605	17
Construction in Progress and Advance Equip.	3,758	4	2,742	3	(1,016)	-27	4,366	4	(1,625)	-37
Net Properties	52,471	55	50,381	52	(2,090)	-4	57,157	57	(6,776)	-12
Other Assets	20,359	21	20,034	21	(324)	-2	21,442	21	(1,407)	-7
<b>Total Assets</b>	<b>95,072</b>	<b>100</b>	<b>96,156</b>	<b>100</b>	<b>1,084</b>	<b>1</b>	<b>100,154</b>	<b>100</b>	<b>(3,998)</b>	<b>-4</b>
<b>Liabilities and Shareholder's Equity</b>										
Short Term Debts	175	0	222	0	46	26	148	0	74	50
Accounts Payable and Other Payables	5,054	5	16,004	17	10,949	217	16,545	17	(541)	-3
Accrued Expenses and Other Current Liabilities	8,005	8	7,418	8	(586)	-7	7,888	8	(469)	-6
Current Portion of Long Term Liabilities	1,570	2	2,370	2	800	51	2,960	3	(590)	-20
<b>Total Current Liabilities</b>	<b>14,804</b>	<b>16</b>	<b>26,014</b>	<b>27</b>	<b>11,209</b>	<b>76</b>	<b>27,541</b>	<b>27</b>	<b>(1,527)</b>	<b>-6</b>
Long Term Liabilities	86	0	76	0	(10)	-11	114	0	(38)	-33
Other Long Term payable	2,107	2	1,249	1	(858)	-41	3,747	4	(2,498)	-67
<b>Total Long Term Liabilities</b>	<b>2,192</b>	<b>2</b>	<b>1,325</b>	<b>1</b>	<b>(867)</b>	<b>-40</b>	<b>3,861</b>	<b>4</b>	<b>(2,536)</b>	<b>-66</b>
Other Liabilities	402	0	420	0	18	4	399	0	22	5
<b>Total Liabilities</b>	<b>17,399</b>	<b>18</b>	<b>27,759</b>	<b>29</b>	<b>10,360</b>	<b>60</b>	<b>31,801</b>	<b>32</b>	<b>(4,042)</b>	<b>-13</b>
Capital Stock	38,727	41	38,727	40	0	0	38,727	39	0	0
Capital Stock to be Issued	0	0	0	0	0	0	0	0	0	0
Capital Surplus	15,004	16	15,004	16	0	0	15,004	15	0	0
Legal Reserve	5,573	6	6,889	7	1,316	24	5,573	6	1,316	24
Retain Earnings	17,563	18	6,959	7	(10,604)	-60	8,155	8	(1,195)	-15
Cumulative Translation Adjustments	(30)	(0)	1	0	31	-102	(70)	0	70	-101
Minority Interest	836	1	817	1	(19)	-2	964	1	(147)	-15
<b>Total Shareholder's Equity</b>	<b>77,673</b>	<b>82</b>	<b>68,397</b>	<b>71</b>	<b>(9,276)</b>	<b>-12</b>	<b>68,353</b>	<b>68</b>	<b>44</b>	<b>0</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>95,072</b>	<b>100</b>	<b>96,156</b>	<b>100</b>	<b>1,084</b>	<b>1</b>	<b>100,154</b>	<b>100</b>	<b>(3,998)</b>	<b>-4</b>

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

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



FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF CASH FLOW  
 2Q 2006, and 1Q, 2Q 2007  
 (In Million New Taiwan Dollars)

	<u>2Q 2006</u>	<u>1Q 2007</u>	<u>2Q 2007</u>
Consolidated net income	3,454	2,868	3,052
Depreciation and amortization (excluding 3G	2,949	2,799	2,826
Amortization of 3G concession	183	183	183
Other cash provided by / (used in) operation	<u>(1,466)</u>	<u>1,325</u>	<u>(745)</u>
<b><u>Net cash provided by / (used in) operating activities</u></b>	<b><u>5,120</u></b>	<b><u>7,175</u></b>	<b><u>5,315</u></b>
Capex	1,225	1,368	929
% of service revenue	7	9	6
<b><u>Free Cash Flow</u></b>	<b><u>3,894</u></b>	<b><u>5,807</u></b>	<b><u>4,387</u></b>

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

Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word

(2) (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd.

(3) Free Cash Flow = Operation Cash Flow - Capex