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Welcome everyone to Far Eastone 3Q10 earnings conference call. All lines have been placed on mute to prevent background noise. After the presentation, there will be a question and answer session. Please follow the instructions given at that time if you would like to ask a question. For your information, a webcast replay will be available within an hour after the conference is finished. Please, visit www.fareastone.com.tw, under the Investor Relations section.

I would like to introduce Mr. Gary Lai, our IR Officer. Gary, you may begin.

Gary Lai:

Good afternoon, everyone. Thank you very much for attending FET 3Q results conference call again. And today we have a new combination of the hosts, our new President Yvonne, and CFO T.Y., will host this conference call and answer all your questions. And before I turn the call over to Yvonne's presentation, please pay attention to our Safe Harbor Statements in the first page of our presentation.

And let me hand over this call to Yvonne. Thank you very much.

Yvonne Li:

Hi, everyone. Good afternoon. Many of you are old friends and so today is the first time to use a different capacity to present to you the Company performances. So, we will start here, on the 3Q the overall Taiwan Telecom market is actually growing 1.6%. And if you look at the real growth driver, majority is coming from the mobile side; basically it is a 2.5% year-on-year growth. However, the fixed line revenue has actually dropped slightly by 0.5% on a year-on-year basis.

The total subscriber numbers continue to grow in the market. I think a lot of that is also driven by the smartphones and datacards. So, total number is growing by 5.4%. However, on the fixed line subs, it is also a drop year on year of about 1%.

The total traffic on the mobile side is actually growing quite nicely, about 8%. Of course, a lot of that is driven by the on-net call and also driven by the smartphone taking off quite fast. The fixed line is the opposite; the total traffic actually dropped by 3.4% on year-on-year basis.

When we look at the wireless markets, the total market share is actually quite stable in the past quarters. So the big three continue to stay on that, Chunghwa is still leading, while the smaller two, like APBW and VIBO continue to pick up slightly some market share.

And I would like to highlight here that what we have observed in the past quarter is that VIBO is greatly losing their momentum in the market, while APBW is kind of taking over the so called on-net or free kind of positioning in the market.

The smartphone, actually what we observed is having a higher ARPU comparing to the average mobile users. However, I think later on you will see or you have already seen from respectable peers that the margin is actually being impacted short-term because of the heavy subsidy on the smartphones.

Then I will update everyone on the operational performances for Far Eastone in the 3Q. What we have seen in the subscriber numbers, we actually continue to grow our base to slightly above 6.3 million subscribers. ARPU continues to grow, which is actually 2.7% growth on a quarter-by-quarter basis. And also for the outgoing minutes; the total traffic is also growing comparatively with the ARPU growth. So, that is quite a nice trend so far we have observed from the 2Q to the 3Q mainly due to the smartphone and also we have been able to post a net increase of the postpaid subscribers.

On the top line, you can see that our consolidated revenues are also growing. But here the 2Q is Far Eastone standalone. The 3Q onwards we started to have the NCIC being consolidated into our numbers; so that you can see a very nice growth.

On the mobile service revenue, you can see that is also growing trend quarter by quarter; fixed line is also the same picture. So, on the top line we are happy to report to you that we have been back to a quite stable growing trend.

On the non-voice sector, the 3Q was also looking very good. In the 3Q, our overall non-voice revenue percentage has been reached at 16.5% in average. In fact in September it is slightly above 17% already. So, this average is quite a nice growth on the total non-voice revenue. Year on year our total non-voice revenue is growing from 13.9% in the same quarter last year to 16.5% this year. So, overall, it is 18% year-on-year growth on non-voice revenue.

Also on the subscriber, the net subscriber for non-voice customer is also picking up quite fast. Majority is driven by the smartphone.

So then, because of this smartphone is actually growing very fast in top line, so you can see the percentage of the non-voice revenue coming in from the pure text, which is pure message, continues trending down. So, in the 3Q only represents like 32% of the total non-voice revenue. Of course out of this non-voice revenue the 65% out of it is coming from the wireless broadband, plus the transmission.

And the remaining are those multi-media services but the customer actually uses it. So, the entertainment part is one of the categories that is actually growing the fastest. We also expect that come into the tablet stage that entertainment part, meaning the music, the video, or the gaming will be growing even faster after the tablet launch.

On the financial side, our 3Q year-to-date results versus the forecast we are slightly behind on the top line on the total revenue; however, our service revenue is right on track. Our EBITDA is slightly behind the target, mainly driven by the heavy subsidy on the iPhone in the 3Q. September we launched the iPhone 4; it was quite a successful launch. So, it actually posted quite a heavy subsidy in September numbers. So, our overall EBITDA margin is around 36% in the 3Q.

On the balance sheet, I will quickly cover it that was due having net cash provision in the 3Q of about \$2.8 billion. Our total borrowing, even after this net borrowing that in conjunction we are buying the NCIC stake. So total, we are very confident that going forward like every month we are still posting net cash of about \$1 billion. We are still at a very healthy free cash flow situation. Thus, year-to-date the accumulated free cash flow has reached \$9.6 billion.

A little update on the smartphones: the smartphone users currently account for around 9% of our total postpaid base, and right now on the monthly basis the new handset taker, around 30% is taking the smartphones. And the smartphone users' ARPU in general is more than two times of the average ARPU users.

Smartphone users' non-voice spending is actually increased to 27% versus the average users; their non-voice usage is around 16% to 17%. So, we can see that the smartphone users, their non-voice usage is quite high. And what is interesting to observe is that for those smartphone users, their voice spending is actually also getting increased, while they move on to the smartphones. So, that is a quite encouraging phenomenon, although we may encounter some upfront subsidies on the smartphones.

The current usage volume for the average smartphone users, is about 400 to 500 MB per month. So, in this market we continue to view that a device is a very important driver to actually get the new customers and retain old customers. So, in the 2H, FET has actually introduced more than 10 key smartphones in our portfolio, especially in the 4Q we just launched two days ago our tablet services. We have announced it and official launch day would be November 15th.

So, we will start with three tabs, it is Apple iPad, the Samsung Galaxy Tab, and also the ViewSonic, which is relatively a mixed layer tablet, also using the Android 2.2 version. So, we will start with a different range of the tablet to launch the service to our end consumers.

A little update on our e-Book Town, which was launched back in July this year. We continue to expand our content to multiple devices. So, with the coming tablet that I think is another very good opportunity to continue to push the sale of the e-Book Town, because the tablet size actually allows a much more pleasant reading experience. The tablet is going to be launched with the commercial content in Taiwan for its content to be read on the tablet.

On the e-Book side, a little bit more as we continue to have the new content and new service to be brought onto this e-Book Town so that we continue to enrich all content. The e-Book apps very soon will go to have some improved cooperation with some magazines. And also some e-Comics; a lot of Taiwan youngsters they like the comics very much. And right now we are talking directly with Japan to actually have some exclusive e-Comics content to be included to our e-Book Town currently.

And the e-Catalog, because what we believe is that coming into the e-Book, the differentiation point with the traditional physical books is actually the content category. So, it cannot be categorized to many different versions that can actually be suitable to different kinds of segment readers' demand. So, that is quite flexible to be played on the e-Book category. So, we will continue to enhance the different features on the e-Book Town.

At the same time we will also start to launch the rental services to increase the uptakes on the e-Book Town and also we will open up the user-generated content on our e-Book Town to actually make the content even more interactive with the readers.

Another update, which is on our Android application store, S Mart. Actually the download is growing quite nicely. You know that this year our target for the application store is mainly to make consumer become aware of this site and try to increase the

traffic on this application store, so that before we can have enough traffic there we can talk about how to make money from all the downloads.

So far we see quite nice growth on this application store. In fact I can claim that it is the most successful Chinese Android application store currently in Taiwan. Later on we will have some good news to also update you on our application store in the China market.

Another initiative that we announced last time, which is Far Eastone's joint venture with the music labels, we have actually successfully set up the company in October, after the Fair Trade Commission approved it, and on November 1st we have actually listed all services to this music platforms. And we are targeting to launch the iTune-like Chinese music store on January 1st of 2011. So, that certainly is another very important initiative going forward that will create much more multimedia revenue for Far Eastone.

Our CMCC collaborations continued to move on quite nicely, and just yesterday Far Eastone has been lead out to the Mobile Market, which is China Mobile application store, which is exclusive for us in Taiwan that our application store S Mart has been successfully listed onto the CMCC application store. We believe that is a very good start and actually CMCC gave us quite a nice exposure on their mobile market. So, at the call, if you have time you can just click on to the CMCC website then you can see clearly the S Mart being listed on the first page of China Mobile's application store.

And we wish that we can build the base in this business from here, and the more to come. Right now we are also talking about game and also the reading together with CMCC, so that hopefully early next year we will be able to list e-Book Town and also the game base.

And on the enterprise side, I just want to verbally update here that right now we are trying to participate some chances in two cities in China. There are certain enterprise opportunities for us to work with the CMCC to actually launch some enterprise projects. So, these two projects are going on, and when there is more concrete progress we will share with you first hand.

A little bit, I think this time is the year-end and we would like to take this chance to share with you the future or some of the key directions for Far Eastone. What I would envision this Company in the next three years is to be focused on customer-centric, profitable growth and innovation.

So, out of that, of course the excellent customer service will be the key base that the entire Company needs to be striving for. And also enterprise market, as previously, I think in the past quarter we have updated you this is the market we anticipate, there will be some tremendous growth. In fact our targets for enterprise market in the mobile sector should actually have a 30% growth on a year-on-year basis; actually this year our enterprise segment on the mobile side is actually growing 20%; it is growing quite nicely.

On the distribution channel side, we are going to change the mix of our channels. So, from right now, about one quarter is our own retail store, the other three quarters is the franchise. In three years we are going to bring it to like 50/50. So, we will continue to build out our own retail channel. Because we feel that to really sell the smartphones or even sell the data bundle rate plans, we really need to have an end-to-end customer experience to be build out through our own retail channel.

On the China side, we continue our strategy. It's very simple, which is one solution for two markets. So, whatever our multimedia platforms and the services or even enterprise solutions we would first build in Taiwan and then launch in two markets.

Of course on the cost side we certainly expect more synergy coming from the NCIC mergers. Immediately next year we will start to consolidate the call centers and the operational centers in the NCIC side. Certainly we continue to build the backhaul and to increase the backhaul percentage. So, all these will continue to generate the synergy from the merger.

Another thing that we actually foresee very importantly is the content and the device. Going forward, more and more contents is going to be developed by different kinds of content categories, and what Far EasTone needs to do is to provide a very good platform for the content to be hooked on, and also we will selectively choose certain content providers to start to do some co-operations, so that will also engage ourselves in earning more content-related revenues.

A little bit more on the enterprise strategy, because we do feel that this is the category that is going to generate a lot of growth in the next three years. So, the key focus will be we continue to grow the revenues through providing integrated solutions for different industry segments. And on the mobile side, we will have to develop some mobile applications, like machine-to-machine or through the cloud computing solutions by different market segments.

What we foresee is when tablet is coming in that a lot of this SME may use some of the mobile applications to conduct their business. So, this is generally one of the areas we foresee there is future growth opportunity.

So, I touched about the SME customers, this is the segment that through whatever the specific solution we think there is quite a good growth potential. Of course, all these integrated solutions we need to continue to enhance our service level to all the enterprise customers.

So above is a very quick update to all of you from the 3Q performances and also the future strategy for the Company. So, any questions please go ahead. Thank you.

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