

Operator:

Welcome everyone to Far EasTone 3Q11 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.

Now, I would like to introduce Mr. Gary Lai, IR Officer. Mr. Lai, please begin.

Gary Lai:

Good afternoon, everyone. Thank you again for attending Far EasTone's 3Q11 results conference call. With us today are our President, Yvonne, and CFO, T.Y. As usual, Yvonne will start the presentation, and then open for questions.

Before we start the presentation, please kindly pay attention to our Safe Harbor statement, in the second page of our slide.

So, now let me hand over to Yvonne. Yvonne, please.

Yvonne Li:

Slide 4

Good afternoon, everyone. I will start with Far EasTone's 3Q updates. I will start with the entire Taiwan mobile market. Up to the 3Q11, as you can see on the left-hand chart, in terms of the mobile service revenue, Far EasTone is actually leading the growth with a year-on-year revenue growth of 4.4%. Later on we will show you actually quarter by quarter we are improving this growth in trend.

On your right-hand side, you can see that the overall market, the entire mobile market actually grew 1.3% on a year-on-year basis, with the traffic growing more, 7.8%, and the subscriber continues to grow, with 4.5% on a year-on-year basis.

Just mentioned to all of you that in terms of mobile service revenue growth, Far EasTone, we are pleased to announce that actually we are leading on the top line growth. One thing that is interesting to see is that what we see from the end of the 3Q, we started to see the big three operators starting to attract customers from the small operators. I think this is the first quarter we start to see that the smaller two, which is APBW+VIBO, their overall market share, the growing trend is starting to slow down. I think this is mainly due to the entire smart phone phenomena, with APBW+VIBO just do not have enough network to support the data growth. So, I think this is an interesting phenomenon that we start to see from the 3Q.

Slide 6

Moving on to our operational performance. The total subscriber on a year-on-year basis, we are growing 4%. You can see that starting from last year, on a quarter-by-quarter basis we continue to build up our postpaid customer base. Our subscriber growth is actually leading Taiwan Mobile and CHT.

Slide 7

Not only on the subscriber, a good thing is I think all the subscribers also bring us a quality top line growth, so you can see on the total traffic we also see continually growing trends on the total traffic.

On your right hand side I think this is good. With the customer growth you can also see that ARPU is continuing to grow, which on a year-on-year basis we are able to compensate all this regulatory pressure on the pricing side. We start to see a positive growth on a year-on-year basis on the ARPU side.

Slide 8

On the financial part, our consolidated revenue continues to perform quite well. On a year-on-year basis we are growing total revenue by 20% and on the service revenue it is 11% growth. On the mobile service revenue, we just reported to you 4.4% growth on a year-on-year basis.

Slide 9

Aside from the top line, I think the important thing is also we are looking at the profitability side. On the 3Q we started to see – I think last quarter we reported to you we are confident that our EBITDA margin will be back to the 30% level, and we are happy to report to you that indeed we start to see this trend that we are back to the 30% EBITDA margin. So, even absolute EBITDA amount in 3Q, we start to see a 7% year-on-year growth. So, I can say that with all these efforts, whatever the regulatory impact on us has been kind of diluted by our positive business growth.

Net income, I think from early January this year up to now we start to see a year-on-year positive trend on the bottom line, and certainly we expect that this trend continues in the 4Q.

Slide 10

One of the chief growth drivers of the quarter I think all of you know is due to the mobile data growth, so you can see that this growing trend is not slowing down. Quarter by quarter we continue to see this mobile data growth continue to pick up quite quickly, even on the subscriber part we continue to see this trend. We do not see any so-called plateau or slowing down on this trend. Certainly this will continue to be our important revenue growth driver.

Slide 11

In terms of what is inside data revenue, all of this 44% year-on-year growth that still I think the main growth driver is on the mobile broadband and transmission, which essentially is on the wireless data access accounting for 55% with a growth of 107% YoY. One good thing on the

entertainment front, we continue to see quite a nice growth of 76% on a year-on-year basis, all finance relating to the stock market transactions or applications. We also see a 72% year-on-year growth. Commerce side, we start to see some nice growth of 20%. We certainly expect that this area will continue to have a relatively good growth going forward.

Slide 12

On our consolidated financial statement, our EBITDA margin, we just mentioned to all of you, that has been back to 30%. If you look on the quarter-over-quarter growth, our service revenue has grown 4%, EBITDA is growing 10%, and the bottom line is 18%. So, I see that this positive growth trend has been stabilized, and we will see that this trend will continue be there into the 4Q. Even comparing to our 3Q, the forecasted number, I think in every dimension we outperformed our forecasted numbers.

Slide 13

On a year-to-date basis, I think we achieved our revenue target, we also achieved our net income target. So, on the financial side we are just very confident that there is no issue that we will certainly outperform our full-year target being released.

Slide 14

On the balance sheet side, I think that quickly Far Eastone at this stage is still in a net cash position that will continue to generate a quite good cash flow; year-to-date accumulated is close to \$9 billion free cash flow. So, I think the overall cash flow situation is also so far very healthy for the Company.

Slide 16

On the business side, I think a lot of you are very interested in some of the statistics regarding the smart devices that in the 3Q our overall device 67% coming from smart devices. In terms of total subscriber base penetration, it has reached 20%. So, we will continue to see that the trend is like you can see that every quarter is about 3% growth. So, we do not see any slowdown on this trend, so certainly this will continue going into next year.

Smart phones, the overall ARPU average is about 1,500 to 1,600, while traditional feature phone is about 800. So, that is why this is one of the reasons that we continue to see that the ARPU is continuing to pick up year on year. All of you may concern about the overall usage, but so far we look at the overall usage that is still quite ok. Our observation is that under normal smart phone users on the data usage is about 800 Mb per month, and the tablet user is about double of the smart phone usage on a monthly basis.

Slide 17

Some update on some of the innovative things that we have launched in the market. The first one is we actually launched the first innovative mobile commerce application coupled with ELLE Magazine, and you know right now in Taiwan is so-called department stores' anniversary period so people are so caught about all this cosmetics, so this is one of I think strengths that we actually can leverage, Far Eastone Group's department stores and also the e-commerce site to launch this first one innovated mobile commerce app on the cosmetics, with ELLE

Magazine. So, this is the first try that we are trying on this embedded commerce model with applications. In this specific app, the revenue stream for Far Eastone, one is from advertising revenues, when ELLE Magazine tries to collect all these cosmetic categories to actually participate in this kind of appraisal. So there is a share of the advertising revenue to Far Eastone. And also out of all the e-commerce transaction there is a certain percentage to be shared back to Far Eastone. So, this is the first trial of the commerce model, so far the program has been launched for two weeks and we have generated more than 15,000 downloads in the local markets.

Also, I think in the last month, we have launched our trial of the HSPA 42 Mbps in the high speed in the high data traffic areas, particularly on the key areas in Taiwan, we will continue this third carrier deployment aggressively into next year.

Also in this quarter there is important news which is we are forming an alliance between the Conexus Alliance and Vodafone. I think starting this month that it will certainly benefit Far Eastone's customers when they travel out to Europe or the United States, that they can actually enjoy a better roaming rate, particularly as the smart phone penetration rate is getting higher and higher, that all the travelers can actually enjoy a much better data roaming rate on a daily basis, so this I think is also very good news to continue to strengthen our customer relationship, not only with the consumer but particularly on the enterprise side.

In this quarter we also launched our 4 Asset Base plus our tablets, and this is the first time we launched the so-called low-tier data pricing, with the limitation of 1 GB spending together with the tablets and the 4 Asset Base. So, we started to see quite a good take up on this particular program.

On the enterprise side, we continue to have this cloud solution service to the enterprise customer, we made some very good progress, particularly on the transportation side, and actually I can say that about 80% of all the taxi business in the Taipei area right now is all Far Eastone's customers. So, this is on the innovation side that, aside from the good growth on the access side, we continue to grow on this so-called application to enhance the overall value of Far Eastone.

Slide 18

Next, an update on the progress in China. In this quarter, China also made quite a good progress, our tablet application store with China Mobile currently there are about 380+ apps listed onto China Mobile and there is over 1.8 million accumulated downloads. And actually we are ranking the number one in the China Mobile Application Market.

On the game side, we also have some very good news. Just like two days ago, which has not been put into this page. You know that in the China Mobile base, there is a certain tier of the so-called content providers and we actually just obtained the 'Level A' content provider, so going forward we will be able to accelerate to provide games to CMCC. We actually started to launch the so-called Formosa Game Zone in September, which I think the game category and the music category will be the two main revenue growth drivers with China market going forward. So aside from just sourcing content from Taiwan, we will also start sourcing game and music content locally in China.

On the music side we have launched the business with the Central Music base and we also, through our local relationship with other music labels, are able to launch some very famous Taiwan singers onto the Central Music base. So, that also makes the music category start to quickly pick up on their top line.

E-book, we launched the e-book service by end of October, so there is a column called the Formosa Author Column that listed onto the book base under the China Mobile.

E-Comic, we have actually launched a so-called Old Masters Campaigns on the Moon Festival and the Chung Yung Festival with China Mobile, and this is some of the contents that China Mobile is also very interested; they actually buy all the content with us.

On the enterprise side, the Wireless City Project continues to move on. We will be at this stage very focusing on the Chengdo wireless city project and the two wireless city projects with Ningbo city, so this will be I think this year with the enterprise that we will focus on these two cities.

Slide 19

Two nice things to share with all of you, you know that in the 1Q we launched our “bella” app which has just been awarded the best value-added service in the fifth golden tripod awards for digital publication. This is the highest award from the Government on the digital publication. So, we are proud to report to you that this innovative initiative is actually being recognized, not only by the public but also by the Government.

Also, this year we shared with you that we are a service industry, we want to continue delivering superior services to our customers, so I think in October both our call centers and our retail stores became the only operator in Asia which has been implementing the SGS certificate. And in October I think both our call centers and our retail store have continued to receive this certificate, and for our retail store it has been for more than six years that we continue to get this certificate.

I think recently that in our store service we also launched something, the first to launch some of the services in Taiwan which means that if the customer waits for more than ten minutes we are going to reimburse you in NT\$1 for every 1 minute more you wait. So, this is just an example to demonstrate to all of you that the entire organization is very committed to delivering the superior services to our customers. And I believe this continues to be our key differentiator with all the other mobile operators in Taiwan.

With this, that concludes my updates on the 3Q.

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