

Operator:

Welcome everyone to Far Eastone's 4Q12 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. Gary, you may begin.

Gary Lai:

Good afternoon, everyone. Thank you again for attending Far Eastone's 4Q12 results conference call. First of all, we apologize to keep most of you at work two days before Chinese New Year; we will try everything to make this conference call effective today. Therefore, our President Yvonne Li and the CFO T.Y. Yin are both here ready to answer all your questions.

Before I hand over to Yvonne for the regular presentation, please pay attention to our disclaimer on the first page of the presentation. Thank you.

Yvonne Li:

Hi, everyone. It is just right before the Chinese New Year, so I wish everyone has a good year and a good Chinese New Year holiday. Then I will quickly start the Far Eastone's 4Q12 results conference.

Slide 4

Regarding market overview, if you look at the overall Taiwan mobile market the mobile service revenue that Far Eastone has continued to grow above its peers, our mobile service revenue is growing at 5.8% year-on-year, comparing 4Q 2012 and 4Q 2011, and the data revenue growth was 40.4% year-on-year.

I think the most important factor for Far Eastone that we continue to look at is overall the mobile service revenue share, and we are happy to report that last year for the entire year our mobile service revenue is actually growing the most among all the operators in Taiwan.

Slide 6

Then I will quickly comment on our own operational performance. I think everything comes down to a good solid customer number growth. So, last year Far Eastone grew 4.9% on a year-on-year basis to right now, our accumulated subscriber has reached 6.9 million subscribers. Out of this, 22% is prepaid customers and the remainder is postpaid customers.

Slide 7

Along with customer growth, the overall traffic has continued to grow. It is essentially 5.2% on a year-on-year growth in the 4Q, and another very good thing is the ARPU that has also continued to grow despite all the negative regulatory impact for 2012.

Slide 8

Financial performance, I think you can see in the graph a very solid quarter-after-quarter growth. Our total revenue is growing 15% on a year-on-year basis, and our service revenue is 8% year-on-year growth.

Slide 9

All the way from the topline down to the bottom line, we are reporting quite good results for the entire 2012. Our consolidated service revenue is growing 7.9% on a year-on-year basis, and EBITDA 8.4% growth, net income 19.4%, which means that we are not only growing the topline, but we are also managing to control our costs effectively, so that our overall EBITDA, both percentages were a lot higher.

Slide 10

As for mobile data service revenue, of course, I think the chief growth driver is coming from the mobile data, and up to the end of last year we continued to see at least 1% up on the total so-called data penetration rate. So, our year-on-year mobile data growth is reported at 44.3% both. Our data service subscriber base right now at the end of last year is 44% of our total postpaid subs, it is actually getting a data rate plan.

Slide 11

On the overall financial performance against the guidance that we put forward early last year, you can see that essentially all the way from the topline, the revenue, down to the bottom line for the net income we are outperforming our guidance by 5%.

Slide 12

Balance sheet, we continue to have a very strong balance sheet. The net cash position is above NT\$14 billion, and the free cash flow we generated last year is NT\$14.8 billion. The cash base CAPEX is about NT\$8.7 billion, which is within our guidance.

Slide 13

I think all the strong data growth is driven by the smart devices uptake. Right now, all the smart devices have accounted for 87% of our total new devices sold in the 4Q, and our smartphone penetration has reached 42% against our total postpaid subs, which I think for this we only count the iOS and Android. The good thing is that the smartphone ARPU is holding up quite OK, so right now the average ARPU is still at around 1400 range, and our smartphone penetration rate at the end of last year, as I just mentioned, has reached 42%.

Slide 15

So, very quickly, after I reported last year's performance, I will put forward the guidance for 2013, this year. Our total revenue is actually forecast to be 3% growth on a year-on-year basis, which will be close to NT\$89.7 billion, and we are forecasting 4% service revenue growth on a year-on-year basis. This is already factored in, the potential regulatory impact on the mobile termination and probably some of the X-value on the prepaid and postpaid side.

We continue controlling our costs and improving our cost efficiency, so our EBITDA is targeted to grow 5%, which reaches NT\$25.6 billion this year. Our EBITDA percentage will have a slight improvement to 28.5%. Net income, we are actually getting all the target of 8% growth, which in terms of EPS is NT\$2.5.

Slide 16

On the CAPEX, this year we will continue to roll out, deploy our 3G network and continue to increase our cellphone backbone ratio. So, this year I think the CAPEX doing all the tremendous growth on the data traffic, we are forecasting 11.8% of the total CAPEX to our total revenue, which is also quite in line with our previous guidance that will be within 12% our total revenue. So, this year the absolute amount we are looking at is US\$10.5 billion.

Slide 17

On the last page, we are trying to reemphasize our dividend policy that Far Eastone has announced last year that from last year onwards our dividend payout policy would be at least 100% the current year's earnings. So, we will continue to maintain this dividend payout policy unchanged for this year.

So, with this we will very quickly conclude our 4Q results conference, and also we attached here this year's guidance. So, I keep Gary's promise at the very beginning that we would keep this investor conference effective.

So, right now we are open for questions.

- End -