Taiwan Mobile
2Q12 Results Conference Call
July 26, 2012

Cliff Lai, Co-President: Good afternoon. Welcome to our 2012 2nd quarter conference call. Before I start our presentation, I would like to direct your attention to our disclaimer page, which states:

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Let's start with business overview.

Robust Wireless Data Growth

In the next three slides, I would like to highlight our growth areas.

First on mobile business:

Continued strong growth in wireless data revenue boosted mobile service revenue to increase by 6% YoY in 2Q.

At the end of 2Q, we have doubled our smartphone penetration to 31%. As a result, our mobile broadband revenue increased 65% YoY in the quarter.

Please turn to the next page.

Our Smartphone Strategy

Apart from the 10 exclusive smartphone models we currently have (listed on the slide), we also have around 35 smartphone and tablet products on the market.

In 2Q12, smartphone sales volume was up 50% from a year ago and accounted for 74% of total handsets sold, with mid- to low-end products making up 45%.

Year to date, smartphone users' ARPU remained at nearly 2 times that of postpaid's with stable payback period.

Please turn to the next page.

<u>**CATV Growth Catalysts**</u>

As indicated in the table, our internet subscriber number increase of 11% and DTV customer number growth of 79% are all higher than the 1% subscriber rise in analogue TV services in 2Q12.

And our cable internet ARPU continued trending up, with high-speed (i.e. 20M& above) subscriber mix rose to 21% in June vs. 1% a year ago.

Please turn to the next page.

<u>**New Product & Service**</u>

This page of new products and services we launched during the 2nd quarter is for your reference.

I will turn the mic to Vivien on our financial results.

<u>**Result Summary**</u>

Vivien Hsu, Co-President: For our financial results, TWM attained better operating leverage in 2Q12 with service revenue YoY growth more than offseting the increased marketing expenses related to smartphone adoptions. In addition, we continued to benefit from savings of network/traffic costs. Therefore, we grew our consolidated EBITDA by 9% YoY in 2Q12.

In 2Q12, the combined service revenue of the three business groups achieved its guidance. Negatively affected by weak spending sentiment, momo failed to live up to our expectations in 2Q12. Having said that, the consolidated EBITDA still managed to meet its target, attributed to expense disciplines.

With EBITDA meeting 2Q12 guidance plus higher-than-expected non-operating income, our 2Q12 net profit was better than forecasted.

For the first six months of this year, our EPS came in at NT$2.70, up 19% YoY and reaching 51% of our full-year target of NT$5.34.

Please turn to the next page for our operating performance by business group.

Divisional Performance

Our CBG started seeing profitable growth in 2Q12. Both CBG and EBG saw notable QoQ and YoY EBITDA increases on the back of accelerated revenue growth and controlled expenses.

HBG's profit increase came from 1) better economies of scale and 2) a higher blended ARPU as a result of selling more services to the same household.

Despite a steady increase in momo's online shopping business, its TV shopping business performance was less than satisfactory in 2Q12.

Let me turn the presentation over to Rosie for balance sheet and cash flow analyses.

Balance Sheet Analysis

Rosie, CFO & Spokesperson: On the balance sheet:

Assets:

Compared to a year ago, 2Q12 cash level was lower due to more repayment of short-term borrowings for the quarter. YoY increases in inventory and intangible assets arose from the inclusion of momo and growing smartphone sales. Long-term investment decreased YoY, due mainly to the impairment loss of our Taiwan High Speed Rail investment made in 3Q11.

Liabilities & Shareholders' Equity:

Other current liabilities increased from a quarter ago because of the NT$13.9bn dividend payable, which is scheduled to be paid on July 27, 2012. Gross debt balance fell to NT$9.8bn due to a NT$3.77bn short-term borrowing repayment in 2Q12. As a result, our net debt further declined to NT$3.7bn by the end of 2Q. The NT$1.76bn top-up of dividends reduced the balance of un-appropriated earnings and special reserve.

Ratio Analysis

The reduction in short-term debts improved our net debt to EBITDA and net debt to equity ratios. In 3Q12, we expect to gear up again to finance dividend payments.

Let's turn to the next page for cash flow analysis.

Cash Flow Analysis

Operating cash inflows for the quarter increased sequentially primarily due to a rise in net income.

Net investing cash outflow in 2Q12 was primarily for the NT$1.68bn in cash capex.

The NT$3.77bn short-term borrowing repayment was the main cash outflow for financing activities during the quarter.

Capex and Free Cash Flow Analysis

Cash capex in 1H totaled NT$3.42bn. We estimate group capex to be more back-end loaded as the majority of IDC (internet data center) construction and 3G expansion payments will be made in 2H12.

1H free cash flow netted NT$8bn, translating into an annualized yield of 6%.

On July 26, the Board approved an additional NT$1bn capital expenditure in 2012 to accelerate 3G data capacity expansions. The group's capex budget would be raised to around NT$11.8bn, of which NT$6.7bn will be for mobile, NT$2.8bn for the construction and equipments of the IDC, NT$1.4bn for fixed-line other than IDC, NT$0.9bn for CATV and the other subsidiaries.

Let me turn the mic back to Vivian for event update and key message.

Event Update

Vivian:

This slide lists the awards we have recently received for your reference

(***The slide shows***:

Award & Recognition

- Ranked 1st in the "Info Tech 100 Taiwan" and 8th in the "Info Tech 100 Asia" by Business Next Magazine.
- Won the "Trusted Brand Gold Award" by Reader's Digest for the ninth consecutive year.
- For the fifth time, winner of the "Corporate Social Responsibility Award" by

Global Views Monthly, this year, in the categories of Community Care and Overall Performance.

- Received the highest rating of A++ and ranked as one of the top 10 listed companies in "Transparency and Information Disclosure" by the Securities and Futures Institute for the seventh consecutive year.)

Please turn to the key message page.

Key Message

To wrap our presentation, we would like to summarize the key message as:

To meet increased demand for data, we have stepped up our efforts to further build out our network. These efforts will continue prudently. Overall, we reiterate our confidence in achieving our 2012 targets.

Now, we would like to open the floor for questions answers.

Q & A

Chate Benchavitvilai, Credit Suisse HK: ***I have four questions. The 1st question is regarding the capex. I understand about the increase in capex near term. Would you be able share with us, what is your view in terms of the capex picture into next year and maybe a couple of years ahead as well? Do you expect capex to go back to the level you spent last year, like 8% or 9% of sales, or should it remain closer to the current level like 10%-12% of sales?***

2nd question is regarding the mobile data pricing. I understand there's still no plan to move away from unlimited in Taiwan, what's your view on that? Is it time to try to monetize data usage more from here?

3rd question is regarding your recent promotions including 1GB data usage for only NT$50 per month. I understand that the pricing is quite aggressive even though it's a longer lock up of 30 months. Is the reason you introduce this package is because it is time to lower the price a little to grow the smartphone base or is it just a symptom of competition?

The 4th question is subscriber net addition breakdown of the high-end, medium-end and low-end smartphone subscribers.

Rosie: Capex picture for the next few years, I would say strip off the NT$2.8 billion from this year's capex number of NT$11.8 billion, then it will be NT$9 billion, of which NT$6.7 billion is from the mobile front. The NT$6.7bn mobile capex, slightly up from our previous year's number, is a reflection of increasing data usage demand. And that should continue.

As for your 2nd question on the unlimited data rate plan, Cliff will have a clearer picture for you.

Cliff: At the moment, we are still talking to the NCC. And, at this moment, there is no final decision made by the NCC regarding what should be the approach if we move away from the all-you-can-eat tariff plan. We continue to negotiate with the NCC. I think the all-you-can-eat tariff plan will be here and not be away until, at least, the 4Q, because up to now, NCC hasn't suggested any proposal yet.

As for the 3rd question, the tariff is only a promotion. In the 2Q, we see more uptake in the lower end smartphone. So, the tariff we use is to try to move more subscribers to use smartphone and we recognize a lot of low-end smartphone users may not need all-you-can-eat tariff, but they are not used to using mobile internet. Therefore, it's a way to try to attract users to switch to smartphone and try to educate them to use the mobile internet. So, it's not due to competition, but rather trying to move our installed base to smartphone and mobile internet usage. The current mixture of high-end (above NT$9,000) takes up roughly 55% of our sales. And below NT$9,000 takes up roughly 45% of our sales volume.

Chate: *Just two follow-up questions if I may. The first question is regarding the unlimited data. So, we need to wait on the NCC to make a decision on this as well?*

Cliff: Yes.

Chate: *And the operators can't just go ahead and do it.*

Cliff: No. Can not.

Chate: *The 2nd follow-up is on the new promotions. Don't you think this would actually cannibalize your medium-end and some of your high-end? 1GB of data is not a small amount of data.*

Cliff: Well, because the promotion rate ends after the subscriber uses it for six months. If we don't give them a decent bandwidth, it will only discourage them from using it. Based on our experience, you are quite right. A smartphone user, if they don't use mobile internet a lot, 1GB is enough. As I said, this is used to educate them. So that when they use it, if they are always under 1GB, maybe they'll subscribe to another one next time like 800MB or 400MB or 500MB will be good enough. Even though all-you-can-eat tariff is a very good tariff, but still a lot of people feel they don't need all-you-can-eat and the price is too high. As I said, it's a way to educate them, to motivate them to use it. We don't want to feel that if they use a little more, they are going to pay NT$800. So, it's a way for them to break in to use the mobile internet. Therefore I don't think it's going to cannibalize because most of them are very low-end smartphone buyers.

Chate: *So, if I'm using Samsung Galaxy S3, for example, I would not be subscribing to this? Are you suggesting that?*

Cliff: Yeah, because the low tariff means that the subsidy level is very low. If you want to buy a Samsung Galaxy S3, you will like to enjoy more subsidy, right?

Chate: *Right, ok, I'm with you.*

Cliff: So, up to now, after we launched the program, we haven't seen any cannibalization at the moment.

Neal Anderson, HSBC Hong Kong: ***Two questions. One on capex and this time it's more the near term. What puzzles me slightly about the capex increase is that the trends in terms of smartphone adoption have been pretty stable, about 1 ppt/ month increase. As far as we're aware, the data usage has been quite stable as well. Given that you've also been building out more backhaul, why the NT$1 bn increase? Now, is this to get ahead and offer a better service quality than your competitors or is it because there's been some change in the usage pattern or the data usage of your subscribers?***

And, secondly, on the Enterprise Business Group, the margin trends were very positive in the 2Q. Can you give any guidance on how you think about longer term margins in the segment?

Cliff: I think the capex increase just reflects that the smartphone traffic can increase very fast. Even though it's kind of stable now, but we know the iPhone 5 will be launched in the 4Q, the iPad Mini will be launched in the 4Q, therefore currently our network planning is a little ahead. Because in the past, our network planning was to build enough capacityahead for several months. But, right now, because of the uncertainty, even though we think the current capex is enough until the end of this year, but we feel it's better to prepare earlier so that we don't fall into a situation where we will be caught off-guard like AT&T, like CHT. So, this is a precaution. We ask for extra capex so that we can build a certain buffer. That's for the 1st question.

I think the EBG margin will continue to improve, but I wouldn't say significantly. We are trying to control the expense, we are trying to control the margin of products we sell, so I think the trend will continue.

Danny Chu, Nomura HK: ***First, back to the capex question, I understand the capex will be depreciated over a number of years. Since, in your presentation, you mention you are still confident in achieving your 2012 earnings guidance, should we expect, due to this NT$1 bn additional capex expenditure, internally you are guiding for higher revenue, higher EBITDA in order to meet the 2012 net profit guidance that were being given out earlier this year?***

In your presentation, you also mentioned the results of momo was slightly disappointing than your own expectations. Has that been incorporated into the 2012 earnings guidance we are being given or in your internal guidance when you did the budget, you didn't expect momo will be disappointing as it is right now?

And, finally, on the unlimited data pricing plan, assuming that NCC will not make any ruling on this even next year, does it mean we'll expect to see the capex for the mobile business to go higher and higher simply because consumers will continue to heavily use this unlimited data pricing plan?

Cliff: As we said, even with the increase of the capex, the management is fully committed and we do not see any reason that we can not achieve the financial guidelines we have. Even though the momo performance is not satisfactory at the moment, we do believe that we will achieve the financial guidelines. These have been considered into our financial guidelines. And we also considered the iPhone 5 impact to the expenses. So, I want to reiterate that we will achieve our financial guidelines.

As for the reason why the all-you-can-eat tariff hasn't been decided yet, at the moment, 4 of the 7 members of the NCC commission will be replaced by the end of July. So, the new commissioner will join in full on August 1st. That's why a lot of things which are under discussion in NCC for the past two months didn't go anywhere because people are waiting for the new members of the NCC, but once they join, I think these issues will be raised again and we will have more discussion. That's why I mention maybe in the 4Q we can see certain results and guidance from NCC regarding this issue.

Joseph Quinn, MacQuarie Taiwan: ***Firstly, the NCC yesterday approved an amendment to the Telecommunication Act that would affect CHT's fixed line. I'm just interested at this stage, if passed by the Executive Yuan, what parts of the business would TWM be most interested in going into? I.e., would you increase your penetration into broadband using other than cable broadband you're using right now?***

Secondly, on the blended smartphone ARPU, I do see there's a slight drop from the 1Q number that you gave in April. I understand that there will be an increase mix of low-end users that will be blending that down, but can you give an overall idea of your smartphone mix right now and the size of your smartphone user base?

Thirdly, the new promotions you have, 1GB and prepay plans, they all look like very good promotions and the advertisements here look very good on them. They, particularly the prepay plan, seem to be very focused on the student market as well. On that market segment, can you give us a sense of your, how you see yourself, are you particularly strong at this stage in the student market and you're defending that market or do you see this as a new growth market for you?

Cliff: As for the amendment of the Telecom Act, if that gets approved, it's going to help our broadband business, especially the home business unit because currently we sell cable modem. And there are still situations where you can not get access to the household. So, the customer will have two choices: either they can use cable modem as the circuit or they can use ADSL or fiber as the circuit. So, this is going to help our home business unit.

And the ARPU, Shirley, would you like to comment on the ARPU?

Shirley Chu, Director of Investor Relations: Our 2Q blended ARPU is stable compared to 1Q, but if you strip out the impact from the prepaid service, then postpaid service, the ARPU continues to increase. So, for postpaid, ARPU alone compared to a year ago, ARPU was up by 3% YoY.

Cliff: As for the prepaid, the reason why we have that promotion is that traditionally we are #3 in the prepaid market. But we certainly see that because of the mobile internet, traditionally prepaid users are more voice-only. So, we don't have so much burden in this particular market. That's why we try to bundle the voice and data together because those things happen in the postpaid in the past, but it never happened in the prepaid. We think we can increase our market share in the prepaid market through this kind of promotion.

Joseph: *Can I follow up on the data side of things? FET had commented yesterday that they have seen an increase in data usage due to, particularly mentioning, video viewership. They made the comment that their average user's data has increased from 1GB to between 1.2GB and 1.5GB. I'm just wondering have you seen similar trends and could that potentially be some of the reasons why you're also increasing your data capex as well?*

Cliff: My colleagues have to check the first one. But, the increase of the capex has more to do with the number of smartphone users and less to do with the usage. It's purely because we see more and more smartphone users. In Taiwan, when you build a base station, it has to go through a very long and tedious process. And when you want to buy a base station, you need to submit plans to the NCC for approval. It's like if you have a traffic increase and you want to build a base station, you really need six to nine months in preparation. The data increase reflects the number of subscriber we expect and also we want to build certain capacity so that we can better accommodate if there is a surge in traffic or whatsoever in the future.

Rosie: And coming back to your question on our growth in data usage, on a QoQ basis, our data usage of these smartphone users is about half a GB.

Joseph: *So, your average smartphone usage is about half a GB?*

Rosie: No, increase.

Joseph: *Oh, increase by half a GB.*

Rosie: To 1.5GB.

Lucy Liu, JP Morgan HK: ***On your EBITDA margin, we have seen quite encouraging trends in 2Q in terms of margins of CBG and EBG business. So, it seems like on the monthly run rates, you're ahead of your full year guidance in terms of EBITDA margin trends. I think your guidance previously was 28%. I understand you probably include some of the iPhone 5 impact in the rest of the year. What's the trend excluding iPhone 5 for your business in terms of margin trend in the rest of the year? Can the operating leverage be strong enough to offset the impact of more handset sales and the iPhone 5 impact?***

Number two, can I have an idea about your smartphone mix in terms of high-end and low-end? In terms of future pipeline in the rest of the year, what part of the segment you see the strongest growth?

Also, in terms of momo, it seems like the momo's margin is trending even lower and lower. Now, it's already to 4% in certain months. So, what do you think will be the floor for the momo's EBITDA margin? Do you think the environment will change the business in the 2nd half of the year?

Last question is competition. We realized that some of the smartphone competition is heating up by your competitors. Do you see any impact on your business in the month of July as a result of that? Also, what are your general measures to cope with such competition?

Rosie: EBITDA margin of 28% for the full year is for the whole company. We do see an improvement in CBG and EBG margins in the 1st half, slightly better than our expectations.

On your 2nd question of smartphone distribution, mid- to low-end accounted for about 45%.

And for the momo margin of the 2nd half, basically the 2Q momo did not meet our expectations due to the weakened environment in Taiwan in particular. So, TV home shopping was adversely affected. We think their performance for the full year will still fall behind their target slightly as reflected in our numbers. We do hold promise for our performance as a whole other than momo. So, momo's slightly less than expected performance would actually be offset by our optimism of other businesses.

Lucy: *Can I follow up one question regarding EBITDA margin? 1H CBG and EBG margin better than expectation, do you see upside risk to your 28% guidance for the full year, for the whole group?*

Cliff: 28%?

Lucy: *Yes, I'm sorry. 28%.*

Rosie: Do you mean risk or ?

Lucy: *Upside risk. Due to the operating leverage, do you expect the margin trend should go up throughout most of your business?*

Rosie: Basically, we think we can outperform our target for the full year on the EBITDA margin front.

Lucy: *In terms of broadband, we're seeing a lot of regulatory pressure currently on CHT broadband, ADSL and fiber businesses. So, do you feel that the pricing pressure or regulatory pressure will apply to your cable broadband in the future?*

Rosie: Cable broadband is under the jurisdiction of the local government, which is different from NCC.

Lucy: *So, meaning that they're not going to be under pressure in terms of boosting penetration?*

Cliff: Let me point it this way, even though CHT has pressure from the government, in general, the cable broadband is selling at 15-20% discount compared to CHT. Of course, if CHT lowers the price, it's going to put pressure on the cable broadband. Please remember that this also means that people will switch to higher speeds. Therefore, in the past, CHT has lowered several times; it only increased the usage and people moved to higher speed. So, it means that our ARPU will be higher. So, with this compensation, we don't see the EBITDA will be negatively impact by the CHT pricing pressure.

Steven Liu, Standard Chartered HK: ***Regarding momo, I think in the past few quarters, its deteriorating margin, I'm afraid you maybe in a loss in the last month in the momo business. Are you taking some measures to reverse the trend, or are you really concerned about the outlook in the coming few years in***

the momo business because it's a really big segment of your total revenue?

The 2nd question is regarding cable. I think CHT is aggressively upgrading the broadband to fiber. I think this technology is difficult for you to upgrade cable broadband to compete with fiber to the home. So, would you be aggressively competing, investing in cable or taking some defensive measures in the cable business?

Cliff: Regarding the cable broadband, I think they may be some misunderstanding. First, compare with CHT, we do have some certain advantages. Remember, going to your household, the cable operators have coaxial cable. Coaxial cable tends to carries more than 100MB/ second. While, in the meantime, even though CHT has FTTx services, but it's very difficult to really carry a fiber to the household. They can bring the fiber to the curb, but, inside, the wiring unless you have a totally new building, but most likely, most of the traditional buildings you still have twisted pair. Therefore, it's very hard for CHT to bring the speed up to a level. Besides, fiber to electrical terminal is very expensive. Therefore, even though CHT increase the speed, they can not increase the higher speed to all the household while, in the meantime, the cable operators can increase a higher speed and to a lot of households. Therefore, we don't see CHT's raising the speed bar presenting a problem to us because we are also increase heavily in the cable infrastructure.

As for momo, I'll let Rosie answer it.

Rosie: momo's situation, we are quite concerned over momo's less than satisfactory performance in the 2Q. As I mentioned earlier, it's mainly because of the less-than-expected performance of their TV home shopping business as well as their catalogue business. We have demanded that they review their situation and cut their cost and expenses to meet their targets. Having said that, we have prepared they may not achieve their annual guidance. As I mentioned earlier, we think their Chinese operation is still losing money and turnaround period may be slightly longer than our original expectation. But they have sent a brand new team over to China to review the situation and to hopefully ramp up business there as originally scheduled. Anyway, we have confidence in achieving our full year target despite of momo's less-than-satisfactory performance.

Steven: *A follow-up on the cable business, what is the maximum speed can you achieve to upgrade the cable broadband? Can it be over 100MB?*

Cliff: Can be 100MB, can be 150MB, it can be even 300MB. It's no problem for the cable operator. If you look at the United States, Comcast or Time Warner has never lost in the speed game against the telecom operators, even if you introduce the DOCSIS 3.0 or anything. As I said, the cable installation in the household provides a better bandwidth than the twisted pair and it's very difficult to replace all the twisted pair with fiber in all the households.

Joseph Quinn, MarQuarie TW: ***Can I ask one question in relations to the cable TV business as well? On the digital TV side, we have seen some of your cable peers becoming rather aggressive in their digital set-up boxes and also offering recording ability to the users as well and trying to joint market with some of the Olympic events that's coming up. I'm just wondering what's your forecast at this moment, I remember you did comment on digital subscriber forecast before, but I'm just wondering have you potentially increased those or are you looking to be more rapid in the adoption of digital TV among your user base?***

Cliff: All those things related to digital recorder, we are going to introduce in our territory. So we are aggressively pursuing that approach. Plus, we are anxiously sourcing a better, cheaper set-up box to further penetrate the digital TV market. I think some of this will get implemented before the 1st half of the next year. As you know, we have a commitment and the government currently has kind of a mandate ask the cable TV operator to provide digital TV 100% by the end of 2014. So, we are very aggressively pursuing to increase our penetration.

Joyce Zhou, Barclays HK: ***First, I just want to get an idea on the ARPU difference between the low-end to the mid-end smartphone users vs. the high-end smartphone users such as the iPhone and the Samsung Galaxy S3.***

Also, on the Telecom Act, I saw some news comment that NCC would like to lower CHT's fixed-line market share to 50% to 70% from current over 90%. How much do you think cable broadband players get from the market share and what do you think of the competitive environment change from this?

My third question is also regarding momo. If you look at the momo margin, I think in June the margin declined to 2.3%. So, just wondering do you think the June number would be the bottom for the momo business? Do you think there could be a chance things can be worse than the June number?

Rosie: The ARPU difference is about NT$700 between the high-end the low-end. I'll leave the Telecom Act question to Cliff later.

And, on momo margin, I think it's probably the bottom already. As told by momo and if you look at their seasonal changes in the past, 3Q and 4Q tend to be better quarters for them.

Cliff will elaborate on the Telecom Act.

Cliff: If you look at the United States, the cable operators pick up more than 40% of the broadband market. I think, in Taiwan, we can assume reasonably that the cable operators can take up more than 40%. Plus, in the United States, the cable operators are pure cable operators. In Taiwan, we own the cable operators, so with our telecom expertise, we can help our household business group to penetrate even further. I think over 40% is quite reasonable.

Lucy Liu, JP Morgan HK: ***I have a follow-up question on this Telecom Act. According on the newsflow, seems like the NCC actually urges CHT to release some of its local loop or last mile linkage so that it can actually release some of the market share to the other operators in terms of fixed-line and broadband. So, just wondering, what's your strategy if CHT actually agrees on this one? And what's the approach are you going to do this for this local loop or last mileage, are you going to build most of the network by yourself, increasing capex on that or whatever other ways?***

Number two is also related to my previous question on the mobile smartphone competition. Are you seeing any heating up competition-wise in the latest month? If so, what's the impact on your business and monthly operation trend so far?

Cliff: If CHT released last mile, it's going to help our home business group because we sell cable modem and now we have the last mile. I think it's going to benefit players which have strong presence in the territory. It doesn't necessarily benefit the fixed-line operators because the fixed-line operators traditionally have kind of given up the market because they have tried ten years without success. So, the fixed-line operators currently are not focusing in that area. But, for cable TV operators, they are still pushing in that market, so it is going to benefit them more.

And, as for the strategy, I don't think now is appropriate to disclose our strategy because maybe CHT is listening in on this conference, too.

And the mobile phone, I don't see any competition in the smart device intensifying in the past few months. It's just like it usually is.

Lucy: *Just to clarify, you're using your cable network as the last mile local loop and focus on the cable broadband business with that existing network infrastructure, is that correct?*

Cliff: Yes.

Joesph Quinn, MacQuarie: ***In term of your applications that's being used among your smartphone subscriber base right now, there have been comments from LINE that Taiwan has been a very, very strong market for them. Has TWM looked for any opportunity to work with one of these application providers rather than just let them free load on your network?***

Cliff: This is a very good question. TWM has its strategy to defend that particular market and I assure you will see some of our counterattack in a few months.