Telecommunications - Taiwan

China Mobile terminates share acquisition in FarEasTone

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On April 17 2013 China Mobile and FarEasTone jointly announced that the share transfer agreement executed between them in 2009 will expire on June 12 2013. The two companies will not discuss equity investment again until the Taiwanese authorities lift the ban prohibiting Chinese citizens and legal entities from investing in the Taiwanese telecommunications industry (for further details please see "NCC retains ban on Chinese investment in Type I telecoms").

In 2009 China Mobile executed a share purchase agreement with FarEasTone, under which China Mobile intended to spend approximately NT$17.7 billion on acquiring a 12% interest in FarEasTone (equivalent to NT$40 per share) and a directorial seat. Both parties also planned to set up a joint venture in China, in which China Mobile would hold a 51% interest and FarEasTone a 49% interest.

Both parties expected that China Mobile would be allowed to make equity investment in the Taiwanese Type I telecommunications market in stages under the Economic Cooperation Framework Agreement – a preferential trade agreement signed on June 29 2010 between the two countries (for further details please see "China Mobile plans to acquire 12% stake in Taiwanese operator"). However, according to information from sources participating in the negotiations on behalf of both governments, Type I telecommunications entities remain excluded from the new list of mutual service sector investments to be released in June 2013.

In 2009 FarEasTone introduced China Mobile as a strategic partner by way of private placement. The two parties executed a service cooperation framework agreement on April 17 2013 to supersede the strategic cooperation agreement signed in 2009 and to extend the scope of their cooperation, including data services, cloud computing and online services, retail channels and smart transportation.

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