

2007. Please refer to note 1 of our consolidated financial statements included elsewhere in this annual report for description about the control relationship between the parent company and Senao. Our investment in Senao enhanced our mobile handset distribution and sales capabilities. See “Item 7. Major Stockholders and Related Party Transactions—B. Related Party Transactions” for a discussion of the agreement between the parent company and Senao about our business cooperation.

Other Mobile Services

Our mobile other services include information and communication technology services, corporate solution and bill handling services.

Internet Business

We have experienced continued growth in our internet services. Our internet business includes HiNet, our internet service provider, internet value-added services, or VAS, data communication services, internet data center services, and internet other services. Our internet revenues represented 11.9%, 12.1% and 11.4% of our revenues in 2009, 2010 and 2011, respectively.

HiNet Internet Service

We are the largest internet service provider, or ISP, in Taiwan, with a market share of 68.6% as of December 31, 2011. As of December 31, 2011, HiNet had approximately 4.2 million subscribers. Our HiNet internet service generated revenues of NT\$17.3 billion, NT\$18.2 billion and NT\$18.0 billion (US\$0.6 billion) in 2009, 2010 and 2011, respectively.

The following table sets forth HiNet’s subscribers as of each of the dates indicated.

	As of December 31,		
	2009	2010	2011
	(in thousands, except percentages)		
Total internet subscribers in Taiwan	5,668	5,888	6,092
HiNet subscribers:			
HiNet dial-up subscribers	534	507	487
HiNet ADSL subscribers	2,043	1,768	1,559
HiNet FTTx subscribers	1,486	1,818	2,132
Other access technology subscribers	4	3	4
Total HiNet subscribers	4,067	4,096	4,182
Market share ⁽¹⁾	71.8%	69.6%	68.6%

(1) Based on data provided by the National Communications Commission.

We have maintained our leading market position despite a highly competitive market with over 183 internet service providers in Taiwan. We expect the competitive conditions currently prevailing in the internet service provider market to continue to intensify.

Internet Value-added Services

Our HiNet portal at www.hinet.net provides value-added services to our customers, such as network security, Blog, travel, games, e-learning, financial information, music, video, anti-virus and links to other portals. We charge fees for some of these services. We also receive commissions for transactions completed on some of these other portals. Our internet video portal at www.hichannel.hinet.net offers online entertainment services through the internet. In particular, our HiNet broadband (ADSL and FTTx) subscribers can access music, television programs, movies and other multi-media content on demand. We charge access fees for some of this content. We expect the revenues generated from these value-added services to grow as a percentage of our total internet services revenues.