

### Local Telephone

The following table sets forth our revenues from local telephone services for the periods indicated.

	Year ended December 31,			
	2008	2009	2010	
	NT\$	NT\$	NT\$	US\$
		(in billions)		(in millions)
Local telephone revenues:				
Usage	11.5	10.6	10.0	341.9
Subscription	17.7	17.2	17.0	584.4
Interconnection	2.5	2.5	2.4	81.7
Pay telephone	0.7	0.6	0.5	17.9
Other	2.2	2.3	2.9	99.0
Total	34.6	33.2	32.3	1,107.0

We provide local telephone services to approximately 12.31 million customers in Taiwan. Our fixed line network reaches virtually all homes and businesses in Taiwan. Revenues from local telephone services comprised 17.1%, 16.7% and 15.9% of our total revenues in 2008, 2009 and 2010, respectively. Approximately 74.5% of our local telephone customers as of December 31, 2010 were residential customers, accounting for 59.5% of our local telephone revenues in 2010. We are currently the leader of the local telephone service market, with an average market share of approximately 97.3%, 97.1% and 96.9% in 2008, 2009 and 2010, respectively.

The following table sets forth information with respect to our local telephone customers and penetration rates as of the dates indicated.

	As of December 31,		
	2008	2009	2010
	(in thousands, except percentages and per household data)		
Taiwan population <sup>(1)</sup>	23,037	23,120	23,162
Fixed line customers:			
Residential	9,530	9,328	9,165
Business	3,203	3,120	3,142
Total	12,733	12,448	12,307
Growth rate (compared to the same period in the prior year)	(1.7)%	(2.2)%	(1.1)%
Penetration rate (as a percentage of the population)	55.3%	53.8%	53.1%
Lines in service per household	1.24	1.19	1.15

(1) Data from the Department of Population, Ministry of the Interior, Republic of China.

Demand for local customer lines has historically been driven by population growth. However, with the development of mobile technologies, this trend has been declining. The number of fixed line customers decreased by 2.2% in 2009 compared to 2008 due to customers replacing fixed lines with mobile services and also as a result of the adverse economic conditions. The number of fixed line customers decreased by 1.1% in 2010 compared to 2009. We attribute the decrease in fixed line customers to a general industry-wide trend of migrating from fixed line services to mobile and Internet telephony services.