

The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. In the normal course of business, we are routinely subject to a variety of risks, including market risk associated with interest rate movements, currency rate movements on non-NT dollar denominated assets and liabilities and equity price movements on our portfolio of equity securities.

We regularly assess these financial instruments and their ability to address market risk and have established policies and business practices to protect against the adverse effects of these and other potential exposures.

Interest Rate Risk

We do not expect interest rate risk to have a material impact on our financial condition and results of operations. As of December 31, 2011, our subsidiaries had the following loans: (i) Light Era Development Co., Ltd., has long-term loan in the amount of NT\$1.65 billion (US\$54.5 million), which have interest rate at 1.10% and will be due in 2015, (ii) Chief Telecom has short-term unsecured loans in the amount of NT\$70 million (US\$2.3 million), which have interest rates at 1.25% and are due in 2012, and long-term unsecured loan in the amount of NT\$0.11 billion (US\$3.6 million), which have interest rate ranging from 2.01% to 2.04% and are due in 2013. (iii) CHPT has short-term unsecured loans in the amount of NT\$ 5 million (US\$ 0.17 million), which has interest rates at 1.53% and is due in 2012, and long-term secured loans in the amount of NT\$1.42 million (US\$0.05 million), which have interest rates at 1.83% and are due in 2012.

For our non-fixed interest rate loans, the interest rates will change in accordance with the fixed rates of the banks we borrowed from. Assuming an increase or decrease of 1% in the interest rates of our non-fixed interest rate loans, our interest payments in 2011 would have increased or decreased by NT\$18 million (US\$0.59 million). We have not used any derivative financial instruments to hedge interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. We anticipate that our cash, cash equivalents and cashflow from operations will be sufficient to fund our working capital needs and capital expenditure plans for the foreseeable future. As of December 31, 2011, our cash and cash equivalents amounted to NT\$67.4 billion (US\$ 2.2 billion). The risk associated with fluctuating interest rates is principally confined to our cash deposits in banks, which is one of the many ways we manage our capital, and interest income accounts for only a very small percentage of our total revenue. Therefore, we believe our exposure to interest rate risk is immaterial.

Foreign Currency Risk

We are exposed to foreign currency risk as a result of (i) our foreign currency and derivative trading activities; (ii) our telecommunications equipment being sourced from overseas suppliers; (iii) our international settlement payments associated with our services for international calls and roaming traffic; and (iv) mutual funds denominated in foreign currencies.

We entered into currency swap and forward exchange contracts to reduce our exposure to foreign currency risk due to fluctuations in exchange rates. Outstanding currency swap and forward exchange contracts on December 31, 2011 were as follows:

FX instrument	Currencies involved	Maturity Period	Contract Amount
Currency swap contracts	US\$/NT\$	2012.01-2012.03	US\$43 million/NT\$1,307 million
Currency swap contracts	US\$/NT\$	2012.01-2012.02	US\$19 million/NT\$571 million
Forward exchange contracts-Buy	NT\$/US\$	2012.01	NT\$60 million/US\$2 million