

stockholders' approval is required for the distribution of employee bonuses and any issuances of restricted stock to employees, while the board of director has authority to approve employee stock option plans and to grant options to employees pursuant to such plans, subject to the approval of the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan of the R.O.C., and to approve share buy-back programs and transfer of shares to employees under such programs. We intend to follow only the R.O.C. requirements.

Means to Communicate with Non-Management Directors. According to the NYSE listing standards, companies are required to establish a means for stockholders, employees and other interested parties to communicate with non-management directors. The R.O.C. law does not have comparable requirements. However, according to the Best-Practice Principles, companies are required to establish channels of communication with employees and encourage employees to communicate directly with the management, directors or supervisors so as to reflect employees' opinions about the management, financial conditions and material decisions of the company concerning employee welfare. Moreover, companies are required to establish a channel for supervisors to communicate with the employees, stockholders, and interested parties. We have complied with these provisions.

Internal Audit Function. The NYSE listing standards require companies to establish an internal audit function to provide management and the audit committee with assessments of the company's risk management processes and system of internal control. We have complied with the Best-Practice Principles by setting up an internal control/audit system in accordance with the R.O.C. Regulations Governing Establishment of Internal Control Systems by Public Companies.

CEO Certification to the NYSE. The NYSE listing standards require the CEO of companies to certify compliance with NYSE corporate governance standards annually. R.O.C. law does not contain such requirement. In this regard, we only follow R.O.C. corporate governance requirement which does not require CEO annual certification. However, our CEO and CFO are required to certify in the 20-F annual report that, to his or her knowledge the information contained therein fairly represents in all material respects the financial condition and results of operation of our company.