

Board Practices

Our articles of incorporation allow for a 7-to-15-member board of directors. Our board currently is comprised of 14 directors. Thirteen of our directors were elected in June 2007 for a three-year term, which may be renewed for any number of consecutive terms. One director was appointed by the Ministry of Transportation and Communications, the owner of our preferred shares. The Ministry of Transportation and Communication is the only legitimate holder of our preferred shares under the Telecommunications Act and is entitled to appoint one director during the term of the preferred shares. The chairman of our board of directors is elected by our directors. Our chairman presides at all meetings of our board of directors and also has the authority to act as our representative. Pursuant to the Company Law, however, the directors may be removed at any time by a resolution adopted at a shareholders' meeting. We have not entered into any contracts with any of our directors or supervisors by which our directors or supervisors are expected to receive benefits upon termination of their employment.

Pursuant to the Securities and Exchange Act, as amended in January 2006, and the ruling of the Financial Supervisory Commission on March 28, 2006, listed non-financial-institutions with paid-in capital exceeding NT\$50 billion must appoint independent directors to their board of directors in accordance with the Act. The number of independent directors shall be no less than one-fifth of the total number of directors or no less than two in number, whichever is higher. Currently, our board has three independent directors, who were elected during our annual general shareholders' meeting on June 15, 2007. The term "independent director" may have a different meaning when used in Taiwan than in other jurisdictions. Our company is required to adopt the candidate-nomination-system as specified in the Company Law to elect independent directors. Under this system, both the board and shareholders holding one percent of our total outstanding shares or more will have the right to submit names for inclusion on the roster of independent director candidates. With respect to certain material decisions to be made by our company as specified in the Securities and Exchange Act, including the adoption of or amendment to our internal control system; material loans or guarantees; the issuance of equity-type securities; matters in which directors and supervisors have personal interest; the appointment and discharge of auditors; the approval of financial reports; the appointment and discharge of financial,

accounting or internal auditing officers and other matters prescribed by the Financial Supervisory Commission, the dissenting opinion or qualified opinion of an independent director is required to be noted in the board of directors' meeting minutes.

In accordance with our articles of incorporation, we are required to have 3 to 5 supervisors. We currently have four supervisors. Three of our supervisors were elected in June 2007 for a three-year term, which may be renewed for any number of consecutive terms. One supervisor was appointed by the Ministry of Transportation and Communications, which is the only legitimate holder of our preferred shares under the Telecommunications Act and is entitled to appoint one supervisor during the term of the preferred shares. In accordance with the Company Law, our supervisors are elected at our shareholders' meeting and may not concurrently serve as our directors, executive officers or other staff members. Supervisors' duties and powers include, but are not limited to, supervision of our business operations, investigation of our financial condition, inspection of corporate records, verification of statements prepared by the board of directors prior to the annual general shareholders' meeting, calling of and giving reports at shareholders' meetings, representation of our company in negotiations with our directors and giving notification, when appropriate, to the board of directors to cease acting in contravention of applicable law or regulations, our articles of incorporation or the resolutions adopted by our shareholders. The supervisors may be also removed from office at any time by a resolution adopted at a shareholders' meeting.

Under the Company Law, a person may serve as our director or supervisor in his personal capacity or as the representative of another legal entity. A director or supervisor who serves as the representative of a legal entity may be removed or replaced at any time at the discretion of that legal entity, and a replacement director or supervisor may serve the remainder of the term of office of the former director or supervisor. With the exception of our three independent directors, all of our directors are representatives of the Ministry of Transportation and Communications. However, in accordance with the Securities and Exchange Act, as amended, except with the approval of the Competent Authority (i.e. The Financial Supervisory Commission), the representatives of a government or a juristic person who is a shareholder of our company may not be concurrently selected to be or serve as directors and supervisors of our company. However, according to the Telecommunication

Act, the authority-in-charge of our enterprise may order us to issue preferred shares at the par value and shall be entitled to exercise the rights guaranteed to directors and supervisors. We currently have issued two preferred shares to the Ministry of Transportation and Communication. As we have stated above, the Ministry of Transportation and Communication has appointed one director and one supervisor in accordance with the applicable laws.