

MP&T Director -- File Reference 1102-001  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Letter of Comment No: 181  
File Reference: 1102-001  
Date Received: 2-1-03

Dear Sirs:

We are writing to express our strong objection to the proposed mandatory expensing of stock options as set forth in FASB Statement No. 123. In principle, we agree to the fair value approach for accounting the employee stock option. However, we strongly disagree with the method suggested by FASB Statement No. 123 to determine the fair value – option pricing model. From our standpoint, fair value derived from option pricing model is inappropriate and incorrect. It is based on several subjective assumptions (stock price volatility, interest rate, current market price, option exercise price, dividend yield, etc.) and may vary significantly depending on how and when assumptions are made. Furthermore, this model assumes that stock options are freely transferable but employee stock options are not. By not accounting for this significant restriction, the number provided by current model provides truly misleading information to investors.

Treating an correct and misleading number as an expense in the income statement, as would occur if the option pricing models were to be used to establish the amount of that cost, would not increase financial statement reliability, transparency or comparability. Quite to the contrary, investors will be ill served, and the liability of the company will be unjustifiably increased, by a rule that mandates the inclusion of misleading numbers in the financial statement. Therefore, until a more reliable and accurate method for determining the fair value of employee stock option is developed, we recommend a disclosure-only standard be adopted so investors can have sufficient information to make their investment decisions.

Yours truly,

United Microelectronics Corporation



Stan Hung, Chief Financial Officer