

AXIOMTEK CO., LTD.

Operating Procedures for Trading Derivatives

Article 1 Purpose:

For establishing the risk management of derivative products and internal control system, also for the purpose of protecting investments, fulfilling information disclosure, this Procedure are handled in accordance with Article 36-1 of Securities & Exchange Law and 『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 announced by Securities and Futures Commission, Ministry of Finance, R.O.C.

Article 2 Scope:

The Company shall implement its handling and disclosure of material inside information in accordance with these Procedures, for matters not specified in these Procedures, should follow applicable laws and regulations. applicable laws and regulations.

Article 3 Definition:

3.1 The term "Derivative Products" as used in these Key Points means any trading contracts with worth derived from assets, interest rates, foreign exchange rates, indexes or other interests (such as forward contracts, options, futures, swaps, and the hybrid products consisted by them).

3.2 The term "Forward Contracts" as used in these Key Points does not include insurance contracts, fulfillment contracts, aftersales service contracts, long-term lease contracts and long-term purchase (sale) contracts.

Article 4 Reference document:

4.1 Article 36-1 of Securities & Exchange Law.

4.2 『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 announced by Securities and Futures Commission, Ministry of Finance, R.O.C.

4.3 The Chapter of Audit Committee Organization.

Article 5 Duty:

5.1 Finance Unit:

5.1.1 Evaluate the risk of the derivative transactions.

5.1.2 Build up the book for record as doing the derivative transactions.

5.1.3 Bill the realized and unrealized exchange gains or loses of derivative transactions periodically, and record it as accounts.

5.2 Audit Unit:

Audit the situation of derivative transactions periodically and make audit report, submit the report to Audit Committee and Boarding Meeting.

5.3 General Manager:

Review the evaluation report made by Finance Unit for the derivative transactions.

5.4 Audit Committee and Boarding Meeting:

Stipulate and Amend these procedures, supervise and manage the matters related to derivative transactions.

Article 6: Flow Chart

Not applicable

Article 7: Procedure/Way

7.1 Trading principles and policies:

7.1.1 Transactions Type

The derivatives transactions of the Company are limited to the type of forward contract and option. Regarding to the forward contract, is not including insurance contract, contract compliance, after-service contract, long-term leasing contract, and long-term procurement contract.

7.1.2 Operation or hedge strategies

Financial derivatives are mainly used for hedging purpose, and trading product used need to be assured as for hedging the risk occurred by the business operation of the Company.

7.1.3 Duties

7.1.3.1 Finance Unit: In charge of trading and confirmation for derivative transactions in accordance with this procedure, and collect information in the market, judge the tendency and risk for providing enough and timely information to the management, the financial personnel shall operate foreign exchange position under the Company's policy and authorization.

7.1.3.2 Accounting Unit: Is responsible for confirming the trading, delivery, and login details.

7.1.3.3 Audit Unit: Internal auditors shall check the suitability of internal control of derivative transactions periodically and inspect monthly the compliance of the trading departments with the "Handling Procedure to Engage in the Transaction of Derivative Products" and analyze the trading cycle in order to make the auditing report. Auditors shall file the auditing report to Audit Committee and Boarding Meeting in writing, provided if, there has any major irregularities.

7.1.4 Performance Evaluation

For controlling the situation of benefit and loss, the operation detail (amount, rate, bank, due day) shall be record on the trading detail list, and the exchange gain or loss shall be calculated by monthly, season, half of year, and yearly.

7.1.5 Transactions Amount

7.1.5.1 The Hedge Operations

The amount of forward contract will be the position of Assets and liabilities in foreign currency. The national currency of optional commodity should be unidirectional controlled under the field of USD\$10 millions, and the amount of contract shall be controlled under the field of USD \$ 15 millions.

7.1.5.2 The Trading Operations

The Company shall not do the trading transactions.

7.1.6 The loss of single contract and the total amount of contract for each trading products shall be as following:

7.1.6.1 The maximum for the single floating loss is under 6%.

7.1.6.2 The maximum for the total floating loss is under NT \$10 millions.

7.1.6.3 Each of the total floating loss of the fiscal year is under NT \$ 10 millions.

7.2 Procedures of the Work

7.2.1 The Company shall handle the derivative products transactions in accordance with the following authorization amount:

Level	Daily trading authorization amount	Internal authorization amount
Chairman	Up to USD\$ 2 millions	Up to USD\$ 2 millions
General Manager	USD \$ 1 million to USD\$ 2 millions (included)	USD \$ 1 million to USD\$ 2 millions (included)
CFO & Finance Director	USD\$0-USD \$1 million	USD\$0-USD \$1 million

7.2.2 Executed Unit: Authorize Personnel of Finance Dept. to handle.

7.2.3 Statement of Work

7.2.3.1 Financial Personnel place orders to banks under the scope of authorization mandate, provided if the order amount is over the authorization amount stated in 7.2.1 herein, the personnel shall get the approval from his/her supervisor in advance.

7.2.3.2 After the confirmation, Financial Personnel shall fill out of the form 「Foreign Exchange Transaction Application」 in accordance with the report back from banks.

7.2.3.3 The approved 「Foreign Exchange Transaction Application」 need to be attached when stamping on the foreign exchange transaction confirmed document of banks.

7.2.3.4 When the exchange gains and losses had due to settlement of foreign exchange transaction, treasury settlement clerk shall apply for the amount according to the approved 「transaction sheet」 and 「Forward foreign exchange settlement Record Form」 and the forms mentioned herein should be the basement for the Accounting Dept. for Recording.

7.2.3.5 The Company is engaging in derivatives trading shall establish the “Log Book of Trading Derivatives” in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated, and shall be recorded in detail in the log book.

7.2.3.6 Finance dept. collect and pass 「Foreign exchange transaction monthly report」 to

Accounting Dept. by month for being the basement of accounting valuation.

7.3 Supervise Management: The Boarding meeting shall supervise and manage this procedure in accordance with the principals as follows:

7.3.1 To Appoint High Top Management Personnel pay attention to the supervision and control of the risk of Derivatives Transactions at any time.

7.3.2 To evaluate if the performance of Derivatives Transactions meet the management policy and check if the risk is under the field the Company can bear regularly.

7.4 Risk Management Control Measure

7.4.1 Credit Risk Management

The transaction target shall be limited to the banks has business contact with the Company.

7.4.2 Market Price Risk Management

The Market shall be focus on the open foreign exchange provided by bank for hedging transactions, Futures Market is not considered temporarily.

7.4.3 Liquidity Risk Management

For the market liquidity, the personnel shall choose the high liquidity financial products (it can be round turn in the market anytime), the financial organization entrusted by the Company shall have enough information and be capable to trade in the market at any times.

7.4.4 Cash Flow Risk Management

For making the operational funds of the Company to be stable, the funding for the Derivatives Transactions shall be limited in the own funds of the Company.

7.4.5 SOW Risk management

7.4.5.1 For avoiding the risk of SOW, the personnel shall adhere the authorization amount of the Company, SOW progress and the whole progress shall be included in internal audit.

7.4.5.2 The personnel that deal with the transaction of derivative products, make confirmation of these transactions and make settlements of these transactions shall not be the same.

7.4.5.3 The personnel who is responsible for the measure of risk, supervision and control shall be not in the same department with the personnel stated in preceding paragraph, and shall report to Boarding Meeting or General Manager.

7.4.5.4 The derivatives products hold in the Company shall be evaluated with one time a week, only for the hedging transactions need to be evaluated with twice times a month because of business requirement, and the evaluation report shall be submitted to the high level management authorized by the Boarding Meeting.

7.4.6 Legal Risk Management

For avoiding the risk, the documents signed by between finance organizations shall be reviewed by exchange personnel or legal consultant.

7.4.7 Other important risk management measure:

None.

7.5 Internal Audit System

Internal auditors shall check the suitability of internal control of derivative transactions periodically and inspect monthly the compliance of the trading departments with the "Handling Procedure to Engage in the Transaction of Derivative Products" and analyze the trading cycle in order to make the auditing report.

7.6 The evaluation procedure and Unusual circumstances handling

7.6.1 The derivatives products hold in the Company shall be evaluated with one time a week, only for the hedging transactions need to be evaluated with twice times a month because of business requirement, and the evaluation report shall be submitted to the high level management authorized by the Boarding Meeting.

7.6.2 The Boarding meeting shall appoint High Top Management Personnel to supervise and manage this procedure in accordance with the principals as follows:

7.6.2.1 To evaluate if the risk management measure is suitable on the current status and the transaction is dealt with in accordance with this procedure.

7.6.2.2 To supervise transaction and the situation of gains and losses, when the abnormal circumstances happened, the personnel shall take necessary response measures and report to Audit Committee. The Company who has established Independent Directors, Independent Directors shall attend to the Boarding Meeting and express their opinions.

7.6.2.3 Derivative transactions engaged by the Company should be reported to the most recent Audit Committee and Boarding Meeting.

7.7 Announcement/Declare

7.7.1 The Company shall announce on the market observatory post system in accordance with 「Operating Procedures for Acquisition and Disposal of Assets by Public Companies」.

7.7.2 The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of the preceding paragraph.

7.8 These Procedures shall be adopted by the major approval of all members of Audit Committee before approved by Board Meeting, and reported to the shareholders meeting. The same is the amendment. If there has director objects to or expresses reservations about these procedures and recorded in the board meeting minutes or has statement in writing, The Company shall submit the director's objection to Audit Committee. When submit these procedures to Boarding Meeting for discussion in accordance with the provisions of the preceding paragraph, all Independent Directors' opinion shall be fully considered, and the reasons of the agreement/objections shall be recorded in the meeting minute.

Article 8: The Related Document:

8.1 Documents

8.1.1 Procedures for Acquisition or Disposal of Assets

8.2 Forms:

8.2.1 Foreign Exchange Transactions Application

8.2.2 Log Book of Trading Derivatives

8.3 Record and Others:

Not applicable.

