AXIOMTEK CO., LTD.

Operating Procedures for Loaning of Funds and Making of Endorsement/Guarantee

Article 1 Purpose
For the purpose of the Company’s Loaning of Funds and Making of Endorsement/Guarantee has the standard procedure to be followed, so make this procedures, but it should be made in accordance with the applicable law, if any.

Article 2 Scope
2.1 The Company shall comply with these Regulations when making loans to and endorsements/guarantees for others; provided that where another act or regulation provides otherwise, the provisions of such act shall prevail.

2.2 The party can be loaned of funds by the Company
2.2.1 Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
   2.2.1.1 Where an inter-company or inter-firm business transaction calls for a loan arrangement.
   2.2.1.2 Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent (40%) of the lender's net worth.

2.3 The Scope and the party can be making of endorsement/guarantee by the Company
2.3.1 The endorsement and/or guaranty include the following:
   2.3.1.1 Financial endorsements/guarantees, including:
      2.3.1.1.1 Discounted bill financing.
      2.3.1.1.2 Endorsement or guaranty made for the financing needs of other companies.
      2.3.1.1.3 Issuing negotiable instruments for the purpose of providing guaranty to obtain finance for its own businesses to an entity other than the financial institutions.
   2.3.1.2 "Custom Duty Endorsement and/or Guaranty", which shall mean endorsement or guarantee for the Company itself or other companies in respect of the custom duty matters.
   2.3.1.3 "Other endorsements and/or guarantees" which shall mean other endorsements or guarantees which cannot be included in Article 2.3.1.1 and Article 2.3.1.2.
   2.3.1.4 The Company which creates a pledge or mortgage on its chattel or real estate as security for the loans of another company shall be subject to these procedures.

2.3.2 The Company may provide endorsement and/or guarantee for the following companies:
   2.3.2.1 Subsidiaries in which the Company holds more than 50% of its total outstanding common shares.
2.3.2.2 The company which holds, directly or indirectly through a subsidiary, more than 50% of
its outstanding common shares.

2.3.3 Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares
may make endorsements/guarantees for each other, and the amount of endorsements/guarantees
may not exceed the regulation of 7.4.1.3.

Article 3 Definitions
3.1 Short-term: the period of either one year or one operating cycle, whichever is longer.

3.2 Financing Amount: The cumulative balance of the Company’s short-term financing amount.

3.3 Subsidiary and Parent Company: As defined in the Regulations Governing the Preparation of Financial
Reports by Securities Issuers.

3.4 The financial report of Public Company: Refers to the report made by International Financing
Reporting Standards (IFRS).

3.5 Net Worth: Refers to the balance sheet equity attributable to the owners of the parent company under
the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

3.6 Announce and Report: Refers to the process of entering data to the information reporting website
designated by the Financial Supervisory Commission (FSC).

3.7 Date of occurrence: Refers to the date of contract signing, date of payment, dates of boards of directors
resolutions, or other date that can confirm the counterpart and monetary amount of the loan and
endorsements/guarantees, whichever date is earlier.

Article 4 Reference Regulations
4.1 Item 15 of Company Law.

4.2 Item 36-1 of Security and Exchange Law.

4.3 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public
Companies made by Financial Supervisory Commission (FSC).

4.4 Organizational Rules of Audit Committee.

Article 5 Duty
5.1 Applicant: To issue the application of Loaning of Funds or Making of Endorsement/Guarantee.

5.2 Finance Department:
5.2.1 To evaluate the risk for Loaning of Funds and Making of Endorsement/Guarantee.
5.2.2 To establish memorandum book for recording.
5.2.3 Control and manage the credit of loaning of funds and making of endorsements/guarantees.
5.2.4 Evaluate the status of the Company’s loans of funds and reserve sufficient loss allowance or contingency loss recognition for endorsements/guarantees.
5.2.5 To provide the related information for Certified Accountants exercise the necessary audit program.
5.2.6 Be responsible for the follow-up management process for executing the progress of loaning of funds and making of endorsements/guarantees.

5.3 Audit Department: To audit the report of loaning of funds and making of endorsements/guarantees by routine.

5.4 President: To review the evaluation report of loaning of funds and making of endorsements/guarantees issued by Finance Department.

5.5 Audit Committee: To establish and modify the procedures herein, and supervise any issue related to the loaning of funds and making of endorsements/guarantees.

5.6 Board of Directors: To make resolution for the issue related to the loaning of funds and making of endorsements/guarantees.

**Article 6 Flow Chart**

Not applicable

**Article 7 Procedures/Way**

7.1 The aggregate amount of loans and the maximum amount permitted to a single borrower:

7.1.1 Where an inter-company or inter-firm business transaction calls for a loan arrangement, the loan amount shall not exceed 20 percent of the Company’s net worth.

7.1.2 Where a short-term financing facility is necessary, the loan amount shall not exceed 20 percent of the Company’s net worth; the individual loan amount shall not exceed 10 percent of the Company’s net worth.

7.1.3 Inter-company loans of funds between foreign companies or with the Company in which the Company holds, directly or indirectly, 100% of the voting shares, the loan amount shall not exceed 40 percent of the Company’s net worth. The individual loan amount shall not exceed 10 percent of the Company’s net worth.

7.1.4 The responsible person of the Company who has violated the regulation of 2.2.1 shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.
7.2 Duration of loans and calculation of interest

7.2.1 The period of the loan made by the Company shall be made resolution by the Board of the directors by complying with this procedures, the period shall not be exceed 1 year. After the expiration of the period, it can be extended after approving by the Board of the directors.

7.2.2 When the Company makes loans to the others, the rate could not be lower than short-term lending average rates of Financial Industry, and shall calculate the interest by month.

7.3 Procedures for handling loans of funds and detailed review

7.3.1 The applied unit shall provide the basic information of the party the Company is going to make loan to, the recent 2 years financial information, describe the necessity and rationality, risk evaluation, estimated loan term and amount, pay-off plan and the source of funds and so on, the applicant need to send the information mentioned herein to Financial dept. for verifying.

7.3.2 When making a loan to the other, it shall meet the requirement of item 2.2, and the finance object needs to be verified detail by Finance dept. in advance, the procedures shall include as following:

7.3.2.1 The necessity and rationality evaluation for making a loan to the others.

7.3.2.2 The Borrower’s credit investigation and risk evaluation, including the financial situation of it’s business operation, debt-paying, credit ability, profit situation, use of the loan, the maximum amount for the loan, duration and calculation of interest.

7.3.2.3 Impact on the Company's business operations, financial condition, and shareholders' equity.

7.3.2.4 Explain to if the Company needs to get guarantor or have collateral to the Company and the appraisal report of collateral.

7.3.2.5 The Company intending to loan funds to others shall evaluate cautiously to see if the procedures compliance with these Regulations, and submits it for discussion by the Board of Directors with appraisal under the preceding paragraph, the directors’ authorization is prohibited.

7.3.2.6 Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the regulations, and the chairperson may be authorized, for a specific borrowing counterparty, within the limitation of 10 percent of net worth of the last financial statement of the Company resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

7.3.3 Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights

7.3.3.1 The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated under the regulations.

7.3.3.2 Finance Dept. shall evaluate the status of making a loan and reserve sufficient loss allowance, and disclose the related information for making a loan, also provide the related
information to Certified Accountant for exercising necessary audit procedure.

7.3.3 When the borrower repays the loan on or before the due date, the interest of the loan shall be calculated in advance, and be paid off with principal, then the Company can write the loan off or make a lien cancellation.

7.3.4 Finance Dept. shall investigate and evaluate the finance situation, business and the related credit condition of borrowers and guarantors, Finance Dept. shall circulate a notice immediately, provided if any dramatic changes happened.

7.3.5 If finance object can not exercise the finance contract for its own reasons, the Company has the right to disposal of collateral of borrowers or recovery of loss from the guarantor of borrowers directly according to the law.

7.3.6 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the members of Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

7.4 Procedures for handling endorsements/guarantee and detailed review

7.4.1 The Amount of endorsement/guarantee

7.4.1.1 The ceilings on the amounts the Company is permitted to make in endorsements/guarantees shall not exceed 50 percent of the Company’s net worth. The amount of endorsements/guarantees for any single entity shall not exceed 10 percent of the Company’s net worth.

7.4.1.2 The amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted to make shall not exceed 50 percent of the Company’s net worth. And amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted for any single entity shall not exceed 10 percent of the Company’s net worth.

7.4.1.3 The Company can make endorsement/guarantee for the companies it holds, directly or indirectly, 90% or more of the voting shares, and the amount shall not exceed 10 percent of the Company’s net worth of the most recent financial statement, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

7.4.2 Procedures for handling endorsements/guarantee and detailed review

7.4.2.1 The applied unit shall provide the basic information of the party the Company is going to make endorsement/guarantee to, the recent 2 years financial information, describe the necessity and rationality, risk evaluation, estimated endorsement/guarantee term and amount, the applicant need to send the information mentioned herein to Finance dept. for verifying.

7.4.2.2 When making an endorsement/guarantee to the other, it shall meet the requirement of item 2.3, and the Finance dept. needs to verified detail in advance, the procedures shall include as following:

7.4.2.2.1 The necessity and rationality evaluation for making an endorsement/guarantee to
the others.

7.4.2.2 The warrantee’s credit investigation and risk evaluation, including the financial situation of it’s business operation, debt-paying, credit ability, profit situation, use of the endorsement/guarantee, the maximum amount for the endorsement/guarantee and the duration.

7.4.2.3 Impact on the Company's business operations, financial condition, and shareholders’ equity.

7.4.2.4 Explain to if the Company needs to get guarantor or have collateral to the Company and the appraisal report of collateral.

7.4.2.3 Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Regulations and the Company's Operational Procedures for Endorsements/Guarantees for Others. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph have been submitted to and resolved upon by the Board of Directors.

7.4.2.4 The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under the regulations.

7.4.2.5 For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall keep monitoring and follow-up. In the case of a subsidiary with shares having no par value or a par value other than NT$10, for the paid-in capital in the calculation under preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

7.4.2.6 Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all members of Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

7.4.2.7 The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

7.4.3 The use and safekeeping of the corporate Chop and procedures

7.4.3.1 The Company shall use the company chop (the "Chop") registered with the Ministry of Economic Affairs ("MOEA") for the use of endorsement and/or guarantee, the Chop shall be under the safekeeping of a special personnel who is approved by the resolution of the Board of Directors, the Chop may be used and safekeeping only following the regulations of『Procedures for Managing the Chop』.

7.4.3.2 If the Company provides guarantees in favor of a foreign company, the Guarantee
Agreement shall be signed by the person who was authorized by the Board of Directors.

7.4.4 The management level responsible for decision making and authorizing personnel within the Company

7.4.4.1 When proving endorsements and/or guarantees to the Company’s subsidiaries, the Board of Directors may authorize the Chairman of the Board to decide such matters when the transaction is within a specified amount regulated by these procedures and then submit such matter to the Board of Directors for ratification.

7.4.4.2 When proving endorsements and/or guarantees necessary due to the Company’s business consideration, it shall be approved by the meeting of the Board of the Directors in advance, however, for co-operating the time effectiveness, the Chairman can be authorized by the Board of Directors to decide such matters within the amount of 10 percent of net worth, and then submit such matter to the Board of Directors for ratification. If the meeting of the board of the directors does not pass the resolution for ratification, the company shall adopt a plan to discharge the endorsements and/or guarantees within a certain period.

7.4.4.3 The Company may provide endorsement/guarantee exceeding the amount permitted in the Procedure of item 7.4.1, provided that the prior approval from the board of the directors is obtained, and more than half of the directors shall be the joint guarantors for the loss of the company resulting from the amount in excess of the permitted endorsement/guarantee amount. The Company shall also revise the Procedure accordingly and submit it to the Shareholders’ Meeting for ratification. If the Shareholders’ Meeting does not pass the resolution for ratification, the company shall adopt a plan to discharge the amount in excess within a certain period. When this matter is submitted to the meeting of the Board of Directors, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

7.5 The managers and organizers violate these procedures, he/she shall be warned, given a demerits, demoted, suspend, partial salary, or other punishment in accordance with the seriousness of the case; the meeting of the board of the directors has the right to make a resolution to decide if arise out of a litigation against the person who violate these procedures when the his/her violation cause any damage to the Company.

7.6 The procedure for making public announcement and filing

7.6.1 The Company shall announce and report the previous month's balance of the loan and endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

7.6.2 The Company’s loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

7.6.2.1 The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.

7.6.2.2 The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
7.6.2.3 The amount of new loans of funds by the Company or its subsidiaries reaches NT$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

7.6.2.4 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 Article 7.6.2.3.

7.6.3 The Company’s balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

7.6.3.1 The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.

7.6.3.2 The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.

7.6.3.3 The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT$10 million or more and the aggregate amount of all endorsements/guarantees for, the carrying amount of investments accounted for using equity method, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.

7.6.3.4 The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

7.6.3.5 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 Article 7.6.3.4.

7.7 The Company's internal auditors shall audit the Operational Procedures for making a loan and Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify Audit Committee in writing of any material violation found.

7.8 The management of subsidiaries

7.8.1 When the subsidiaries of the Company is Making a loan and Endorsements/Guarantees for Others, the Company shall have subsidiaries set 「Procedures for Loaning of Funds and Making of Endorsement/Guarantee」 in accordance with these procedures, and shall be follow the procedures.

7.8.2 Before making any endorsement/guarantee pursuant to Article7.4.1.3., a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company’s Board of Directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in
which the Company holds, directly or indirectly, 100% of the voting shares.

7.8.3 Subsidiaries shall report to the Company the previous month's balance of the loan and endorsements/guarantees, the party and the term by the 5th day of each month.

7.9 The provisions or modification of the Procedure:

7.9.1 It shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and then submitted to Shareholders’ Meeting for approval, if a director objects to or expresses reservations about any matter of the procedure, it shall be recorded in the minutes of the Board of Directors meeting and the Company shall submit the director's dissenting opinion to Shareholders’ Meeting for discussion.

7.9.2 If approval of more than half of all Audit Committee members is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors.

7.9.3 All audit committee members and all directors shall be counted as the actual number of persons currently holding those positions.

Article 8 The related documents

8.1 Documents

8.2 Form

8.2.1 The memorandum book of making a loan to others.

8.2.2 The memorandum book of Endorsements/Guarantees to others.

8.3 Record and others

Not applicable