



Stock Code : 3088

AXIOMTEK CO., LTD.

Handbook for 2017 Annual Meeting of Shareholders (Translation)

Meeting Time : May 22nd, 2017

Meeting Venue : 11th Floor, No. 2, Lane 235, Baoqiao Road, Xindian District,
New Taipei City 231, Taiwan (R.O.C.)

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AXIOMTEK CO., LTD.

2017 Annual Meeting of Shareholders

PART ONE - Meeting Agenda

Meeting time: 9:00 a.m., May 22nd (Monday), 2017

Meeting venue: 11th Floor, No. 2, Lane 235, Baoqiao Road, Xindian District, New Taipei City 231, Taiwan

1. Call Meeting to Order (and declaration of the number of shares of shareholders in attendance)
2. Chairman's Address
3. Reports Items
 - (1) 2016 Business Report.
 - (2) 2016 Consent Report of Audit Committee
 - (3) 2016 Report of Remuneration Distribution to Employees and Directors
 - (4) Implementation report on the short-form merger between AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") and Axiomtek Display Solutions, Co., Ltd. (a wholly owned subsidiary of Axiomtek)
 - (5) Stipulation of "Operating Procedures and Conduct Principles for Ethical Corporate Management"
 - (6) Stipulation of "Corporate Social Responsibility Best Practice Principles"
 - (7) Implementation report on the issuance of The First Domestic Unsecured Convertible Corporate Bonds
 - (8) Revision of "Rules of Procedure for Board of Directors' Meeting"
4. Proposals and Acknowledgement
 - (1) 2016 Business Report and Financial Statements (including Parent Company only and Consolidated reports and statements where "Consolidated" refers to the Company and its subsidiaries (hereinafter referred to as "the Group"))
 - (2) 2016 Profit Distribution
5. Proposals and Discussion
 - (1) Revision of partial Articles in the "Articles of Incorporation"
 - (2) Revision of partial Articles in the "Operating Procedures for Acquisition and Disposal of Assets"
 - (3) Revision of the "Operating Procedures for Trading Derivatives"
 - (4) Revision of partial Articles in the "Methods for Election of Directors"
 - (5) Release of the prohibition on Directors from Participation in Competitive Business
6. Extemporaneous Motions
7. Adjournment

I. Reports Items

(I) 2016 Business Report

- Explanation:

Please refer to ATTACHMENT I for 2016 Business Report (P.10 ~ P.15).

(II) 2016 Consent Report of Audit Committee

- Explanation:

Please refer to ATTACHMENT II for 2016 Consent Report of Audit Committee (P.16).

(III) 2016 Report of Remuneration Distribution to Employees and Directors

- Explanation:

1. Pursuant to Article 27 of the Articles of Incorporation of the Company: For a particular fiscal year, if profits are made (i.e., if net profits before-tax are available prior to the deduction of remuneration to employees and Directors), the Company shall allocate one to twenty percent as remuneration to employees and up to 2% as remuneration to Directors.
2. The Board of Directors of the Company had approved to allocate TWD 52,646,000 as the remuneration to employees and TWD 6,700,000 as the remuneration to the Directors for the year 2016, where all remuneration shall be paid in cash. (hereinafter all monetary unit will be TWD)
3. The above-mentioned remuneration to employees and to Directors had been expensed for the year 2016, the amount of the expenditures is consistent with that of the remuneration allocation agreed by the Board of Directors.

(IV) Implementation report on the short-form merger between AXIOMTEK CO., LTD. and Axiomtek Display Solutions, Co., Ltd.

- Explanation:

To consolidate operating efficiency and enhance management performance, the Company had proceeded with a short-form merger with Axiomtek Display Solutions, Co., Ltd. (hereinafter referred to as “ADS”), a 100% owned subsidiary by the Company. Pursuant to Article 19 of the Enterprises Mergers and Acquisitions Act, the short-form merger took place on October 1st, 2016 referred to as the record date for the merger where the Company had survived, whereas ADS had expired. After the completion of the relevant merger, the Company shares needed not be converted and no change for the shareholders’ equity, thus the net worth and earnings per share remained unaffected.

(V) Stipulation of “Operating Procedures and Conduct Principles for Ethical Corporate Management”

● Explanation:

In order to carry out ethical management policies while proactively preventing acts lacking of integrity, the Company has stipulated the “Operating Procedures and Conduct Principles for Ethical Corporate Management” - as shown in ATTACHMENT III (P.17 ~ P.26) - in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and the “Ethical Corporate Management Best Practice Principles” of the Company.

(VI) Stipulation of “Corporate Social Responsibility Best Practice Principles”

● Explanation:

In order to implement corporate social responsibility and promote economic, environmental and social progress to achieve the objective of sustainable development, the Company has stipulated the “Corporate Social Responsibility Best Practice Principles” - as shown in ATTACHMENT IV (P.27 ~ P.35) - with reference to “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”.

(VII) Implementation report on the issuance of The First Domestic Unsecured Convertible Corporate Bonds

● Explanation:

1. In order to enrich the working capital, for the first time the Company had planned to issue unsecured convertible corporate bonds (hereinafter referred to as “the Convertible Corporate Bonds”) matter of which was entering into effect as per an official approval letter (of Jin-Guan-Zheng-Fa-zi-No. 1050022240) dated June 16th, 2016 issued by Financial Supervisory Commission; further, this matter was approved for an extended period for fund raising as per an official approval letter (of Jin-Guan-Zheng-Fa-zi-No. 1050036756) dated September 2nd, 2016 issued by Financial Supervisory Commission.
2. Particulars about the issuance and conversion of the Convertible Corporate Bonds are as follows:
 - (1) Total amount of issuance: The face value of each Convertible Corporate Bond was set to be TWD 100,000 even sold at the full price where totally 4,200 Convertible Corporate Bonds were issued this time totaling in TWD 420 million even.

- (2) Coupon rate/ yield to maturity: Annual coupon rate was set to be 0%.
- (3) Issuance period: The maturity period was set to be five years from December 13th, 2016 (the issuance date) to December 13th 2021(the maturity date).
- (4) Conversion status: As of March 31st, 2017, none of any conversion of the Convertible Corporate Bonds had taken place

(VIII) Revision of “Rules of Procedure for Board of Directors’ Meeting”

● Explanation:

In line with the name change within the organization of the Company, the Company has revised the “Rules of Procedure for Board of Directors’ Meeting” - as shown in ATTACHMENT V (P.36 ~ P.38) - which lists a comparison table for Articles in the “Rules of Procedure for Board of Directors’ Meeting” (before and after Revision).

II. Proposals and Acknowledgement

(I) Proposal One (proposed by the Board of Directors)

- Subject:

Regarding 2016 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements), please kindly acknowledge it.

- Explanation:

1. 2016 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company had received consent of the Audit Committee and passed the resolutions of the Board of Directors where the Financial Statements had been audited by CPA Ming-Juan Feng and Shien-Chung Hsu of PricewaterhouseCoopers Taiwan. The Audit committee had also issued a written Consent Report incorporating 2016 Business Report, Financial Statements along with 2016 Profit Distribution.
2. For details, please refer to ATTACHMENT I for 2016 Business Report (P.10 ~ P.15). ATTACHMENT VI for 2016 Independent Auditors' Report and Parent Company Only Financial Statements (P.39 ~ P.51), and ATTACHMENT VII for 2016 Independent Auditors' Report and Consolidated Financial Statements (P.52 ~ P.64).
3. Please kindly acknowledge this proposal.

- Resolutions:

(II) Proposal Two (proposed by the Board of Directors)

- Subject:

Regarding 2016 Profit Distribution, please kindly acknowledge it.

- Descriptions:

1. Please refer to ATTACHMENT VIII (P.65) for 2016 Profit Distribution.
2. For 2016, the beginning retained earnings of the Company is TWD 59,039,395, deducting other comprehensive income and loss_net defined benefit liability (assets) measuring adjustment of TWD 6,806,667, and unappropriated retained earnings after adjustment is TWD 65,846,062, plus 2016 net income of TWD 360,022,769, and set aside legal reserve of TWD 36,002,277, the total unappropriated retained earnings are TWD 389,866,554, the distribution of 2016 profits is following:

【TWD 389,866,554 =

TWD 59,039,395 + 6,806,667 + 360,022,769 – 10% x (360,022,769)】

The final surplus TWD 389,866,554 is to be allocated for 2016 Profit Distribution

according to provisions of regulations as follows:

- (1) The dividend of the shareholders is to be distributed in the form of cash dividend totaling in TWD 288,463,274, or TWD 3.65 per share. Once this Proposal is passed at the Annual Meeting of Shareholders this time, the Chairman of the Board of Directors is authorized to determine the record date and relevant matters for the distribution of the cash dividend.
- (2) If there is any change in the number of common shares of the Company which consequently leads to a change in the dividend distribution ratio, it is proposed by the Meeting, the Chairman of the Board of Directors is authorized to adjust the dividend distribution ratio based on the actual shares outstanding on the record date for distribution.
- (3) In line with the implementation of the Integrated Income Tax System, when extra 10% of the undistributed profit is levied as income tax according to Article 66.9 of the Income Tax Act, the net income for the most recent year shall be distributed with higher priority – which is to be verified on a case-by-case basis - in accordance with the provision stated in the letter (of Tai.Fin.Tax No. 871941343) dated April 30th, 1998 issued by Ministry of Finance.
- (4) Regarding the cash dividend distribution this time, the cash dividend is to be calculated to the integral number with all decimals truncated. And all the truncated decimals from all distorted figures are accumulated to a summation amount which will then be adjusted among shareholders - in the order of decimal of each cash dividend amount from big to small as well as in the order of account number from the top to the bottom - until the total amount of cash dividend actually paid out can match that in the book.

3. Please kindly acknowledge this proposal.

- Resolutions:

III. Proposals and Discussion

(I) Proposal Three (proposed by the Board of Directors)

- Subject:

Regarding the revision of partial Articles in the “Articles of Incorporation” of the Company, please kindly discuss it.

- Explanation:

1. In accordance with the practical operations, and long-term financial planning of the Company, hereby it is proposed to revise the “Articles of Incorporation” of the Company. Please refer to ATTACHMENT IX (P.66 ~ P.67) for the comparison table for articles in the “Articles of Incorporation” (before and after Revision).
2. Please kindly discuss this proposal.

- Resolutions:

(II) Proposal Four (proposed by the Board of Directors)

- Subject:

Regarding the revision of partial Articles in the “Operating Procedures for Acquisition and Disposal of Assets” of the Company, please kindly discuss it.

- Explanation:

1. In line with the letter (of Fin-Sup-Sec-Cor-No. 1060001296) dated February 9th, 2017 and the letter (of Fin-Sup-Sec-Cor-No. 1060004523) dated February 13th, 2017 issued by Financial Supervisory Commission regarding the revision of partial articles in the “Operating Procedures for Acquisition and Disposal of Assets by Public Companies”, hereby it is proposed to revise the “Operating Procedures for Acquisition and Disposal of Assets” of the Company. Please refer to ATTACHMENT X (P.68 ~ P.75) for the comparison table for articles in the “Operating Procedures for Acquisition and Disposal of Assets” (before and after Revision).
2. Please kindly discuss this proposal.

- Resolutions:

(III) Proposal Five

(proposed by the Board of Directors)

- Subject:

Regarding the revision of the “Operating Procedures for Trading Derivatives”, please kindly discuss it.

- Explanation:

1. In accordance with the relevant provisions related to engagement in derivative goods as stated in the “Operating Procedures for Acquisition and Disposal of Assets” of the Company, hereby it is proposed to repeal the previous “Operating Procedures for Trading Derivatives” and re-stipulate a new “Operating Procedures for Trading Derivatives” as shown in ATTACHMENT XI (P.76 ~ P.80).
2. Please kindly discuss this proposal.

- Resolutions:

(IV) Proposal Six

(proposed by the Board of Directors)

- Subject:

Regarding the revision of partial Articles in the “Methods for Election of Directors”, please kindly discuss it.

- Explanation:

1. In line with the comprehensive adoption of the revised candidate nomination system and the electronic voting for the election of Directors as stated in the Articles of Incorporation of the Company, hereby it is proposed to revise partial articles of the “Methods for Election of Directors” of the Company. Please refer to ATTACHMENT XII (P.81 ~ P.86) for the comparison table for articles in the “Methods for Election of Directors” (before and after Revision).
2. Please kindly discuss this proposal.

- Resolutions:

(V) Proposal Seven

(proposed by the Board of Directors)

- Subject:

Regarding the release of the prohibition on Directors from participation in competitive business, please kindly discuss it.

- Explanation:

1. In accordance with Article 209 of the Company Act: “A Director shall address the important contents of his conducts - acting on behalf of himself or on others within the scope of the business of the Company - to the Shareholders’ Meeting while obtaining the permission from the shareholders”, this Proposal is proposed.
2. In order to take advantage of the specialty and relevant experience of the Directors of the Company, hereby it is proposed – according to the provision mentioned above - to add a new clause which is to release the prohibition from participation in competitive business for Director Mr. Shih-Yang Tsai of the Company who is also a Director of Winmate Inc, hereby propose for getting approval of shareholder’s meeting.
3. Please kindly discuss this proposal.

- Resolutions:

IV. Extemporary Motions

PART TWO – Attachments

(ATTACHMENT I)

AXIOMTEK CO., LTD.

2016 Business Report

Dear Shareholders:

In 2016, the annual operating income of Axiomtek Co., Ltd. (hereinafter referred to as "the Company") had reached TWD 2.46 billion - a 7.15% reduction in comparison with TWD 2.649 billion in 2015.

Looking into Year 2017, the Company is to continue the pursuit of the construction of the IIoT (i.e. Industrial Internet of Things) Ecosystem under the collaboration with technological partners in regard to the industries of intelligent transportation system, smart energy, and factory automation; so that software and hardware technology can be integrated and richer solutions for vertical markets can be further developed. In the product aspect, in compliance with regulatory certification, the Company is to continue to develop controller, gateway, data extractor, human-machine interface, security monitoring system, embedded servers, etc. while adopting more modular design to expedite the R&D process along with more flexible combinations. Furthermore, products are to be applied in visual recognition, motion control system, data acquisition via high-speed sensor along with large cloud computing operations, the optimization of production efficiency and quality, the tracking of the analysis and diagnostics of the equipment as it ages, as well as to help strategic partners promote smart factory, intelligent transportation system, and smart energy for them to ultimately reach the goal of smart city in the long run.

Herewith, business results for 2016 and business plan for 2017 are reported as follows:

I. Business Results for 2016:

(I) Implementation results of the business plan:

The operating income of the Company totaled in TWD 2.46 billion for year 2016 where the net profit for the same period amounted to TWD 360 million, the comprehensive profit TWD 351 million, and the after-tax earnings per share TWD 4.56.

(II) Implementation particulars about budgeting:

Since the Group did not disclose its financial forecast for year 2016, there were no budgeting particulars to share.

(III) Financial revenues, expenditures, and profitability:

Item		2016	2015
Financial Structure	Debt Ratio (%)	38.17	31.92
	Ratio of long-term capital to Property, plant and equipment (%)	1,038.99	772.94
Solvency	Current Ratio (%)	281.15	196.24
	Quick Ratio (%)	226.64	141.49
	Interest earned ratio (times)	95,167.80	256,675.00
Profitability	Return on total assets (%)	13.58	18.52
	Return on Equity (%)	20.94	26.06
	Pre-tax Income to Paid-in Capital Ratio (%)	53.05	62.33
	Profit ratio (%)	14.64	16.01
	Earnings Per Share (TWD)	4.56	5.38

(IV) Particulars about research and development:

In response to the trend of Industrial 4.0 and IoT, five mid- to long-term development directions had been planned:

1. Regarding factory automation, solution had been provided to vision control motion, real-time operating system, automation control over EtherCAT Ethernet network, automated visual identification with underlined integration of software and hardware in smart factory, heavy industry, and robot industry.
2. Regarding process automation industry, solution had been provided to data extractor and gateway of high speed and high resolution for the upgrade and smartization of industrial equipment as well as for the establishment of quality assurance system for health care and production; also, solution had been developed to assist factories - such as in manufacturing, steel, petrochemical, food and pharmaceutical industries involved in large-scale production using high-end equipment – in collecting big data with sensors to conduct analysis of predictive maintenance according to the status of equipment under monitoring; thus, reducing inefficient working hours of the production capacity and improving manufacturing processes with enhanced efficiency and quality.
3. Continuous attention had been paid to mission-critical solutions to transportation - such as security monitoring applications integrating hardware, software, and peripherals, or intelligent transportation systems – so as to enhance the safety and efficiency of transportation systems with real-time information, as well as to march towards the long-term goal of smart city.
4. Continuous efforts had been made in deepening the gaming industry and digital electronic billboard applications, including the creation of long-term development strategy, the cultivation of independent expertise in vertical industry, and the offering to

partners of exclusive, customized and flexible services of added values.

5. Continuous focus had been placed on the product development on network application platform and in cloud computing, including the investment in the research and development of new technology, integration of hardware and software, and modular design, as well as in the construction of network application platforms of safety, stability and high quality for software designers, system integrators.

The key products undertaken by the Company had mainly lain in the design, manufacturing, and sales of industrial and embedded system, industrial network communication system, embedded board and system-on-module (SoM), touch panel computer, among other products. According to business models, the Company had comprised Embedded Board and System Business Group (EBS) and Design & Manufacturing Services Business Group (DMS) where the former being brand-oriented dedicated to application markets while the latter project-oriented according to customer attributes – both had been providing better B2B and B2B2C services. The Company had been committed to investing more than 9% of its turnover on R&D so as to continuously introduce innovative products to meet market demand and provide technical support services to customers while maintaining its competitiveness in the market.

II. Summary of Business Plan for 2017:

(I) Operating principles:

1. Aiming towards specific vertical application markets, a complete product line and professional customized services are to be provided for customers to obtain relevant products and technical support.
2. With a focus on technologies and products related to IIoT and Industry 4.0, the Company is to continue to be a leading brand around the globe in the targeted vertical application markets such as factory automation, intelligent transportation, and energy smart energy.
3. To pursue long-term development and sustainable operation, the Company is to cooperate with strategic partners to form alliance relations while integrating hardware and software to enhance product added values.
4. The Company is to aggressively expand oversea service outlets, understand customer demands, ride on market trends, deepen customer relationships, and establish global distribution franchise for win-win partnership.
5. The Company is to attach importance to organizational development and talent cultivation, develop organization of amoeba profit centers as what well-known Japanese enterprises had been practicing, and actively cultivate talents embracing business visions, so that each member under the Company may handle the product or the market from an owner's perspective.

(II) Production and sales & marketing policy:

1. The MES smart factory operating management is to be introduced so that gradually implemented may be the factory automation and the efficient management of warehouse, equipment, and product.
2. Global information management and communication mechanism is to be implemented for better grasp of the information about the inventory of materials, semi-finished goods, and finished goods, and about the quantity of demand in future market so that the cost of logistics management and the loss of depreciation due to sluggish inventory may be comprehensively reduced.
3. The coordination between production and marketing is to be strengthened, so that the turnover of inventory may be activated while the crisis of material shortage may be reduced through regular business sales forecasting and specific material supplying mechanism.
4. Localization of brand recognition around the globe is to be promoted, so that the penetration of the brand may be expedited overseas with the help of alliance with channel partners or the technique of investment in vertical markets.

III. Future Development Strategy of the Company:

(I) Sales strategy:

1. To continue to promote its independent brand of the Company for marketing worldwide, as well as to focus on research and development, manufacturing, sales while accumulating hardware and software integration technology to provide customers with more information and diversified product applications.
2. To actively build more sales and technical outlets while expanding marketing channels and realizing the localization services, so as to perfect the local customer and project management.
3. To develop strategies and tactics based on the sales objective of key account and channel partner, so as to expand sales scale and help clients develop new markets.
4. To strengthen the added value of integration of hardware and software products while duplicating success stories, so as to shorten the time to market for customers and build win-win business model.
5. To utilize the Salesforce Service Cloud application platform, so as to effectively manage customer experience and project progress with IT technology as well as improve customer experience with comprehensive digital marketing pattern.

(II) Product technology:

1. Embedded product technology

(1) Embedded board and SoM

Continuous effort is to be made in product development and the provision of customized design-in service in a timely fashion while duplicating such effort over in oversea markets, so as to sustain the leading position of the Company in the designated field.

(2) Industrial and embedded systems and touch panel computer

The Company has been gearing towards the development of IIoT-related products to suit mission-critical and heavy-duty applications with industrial modular and industrial aesthetic design. Focus of the Company is also being placed on factory automation, intelligent transportation, and smart energy where various professional certificates have been obtained in vehicle/ railway/ marine, power grid, explosion-proof, etc.

(3) AXView 2.0 intelligent remote monitoring and management software

The AXView 2.0 intelligent software independently developed by the Company has not only enhanced the capability of remote monitoring and management but also supported features such as embedded Application Programming Interface (eAPI), online management tools, controlling mechanism and database services. Integrated with Microsoft Azure cloud service, AXView 2.0 has made analytics of big data possible for enterprises.

(4) Dedicated computer platform for gaming industry and electronic digital signage player

Especially designed for the gaming industry, the Video Mixer technology and the Tracking system platform for the game player are to cultivate the independent expertise and integration capabilities in vertical industry and to enhance the added value of products. Also, electronic digital signage players with a high degree of integration are to be developed in compliance with Intel® Open Pluggable Specification (OPS) for quick access to the market.

(5) Network application hardware platform and cloud application computer

Targeting at the network security application market, the Company is to develop remote monitoring technology IPMI (Intelligent Platform Management Interface), 10G Ethernet module, and the SDN (Software-Defined Networking) application platform.

2. Vertical market technology

(1) Intelligent transportation and smart energy

The Company is to pursue the certification for mission-critical transportation and the technology in dedicated outdoor computer, with a focus on the development of communications protocol, industrial converters and remote monitoring management system for applications in transportation, public engineering, factory automation, etc.

(2) Factory automation

Incorporating software motion, software PLC, EtherCAT master, GigE vision camera, and real-time OS, solution of vision control motion are to be provided, combining hardware and software for automated visual identification to be used in smart factory, heavy industry, and robotic applications.

(3) Process automation industry

Smart monitoring and diagnostic & predictive maintenance solution is to be developed, assisting factories of process automation involved in mass production of high-end equipment to collect information from big data about sensors and to conduct analysis of predictive maintenance according to the status of monitoring equipment.

(4) Gaming industry and digital educational market

Dedicated computer motherboards and system platforms for the gaming industry are to be developed, so as electronic digital signature players in compliance with Intel® OPS. With mature professional technical knowhow and customization capabilities, the Company can quickly penetrate the game entertainment industry and the emerging digital whiteboard educational market.

(5) Network security and cloud server

A complete series of network security hardware platform and cloud application computer are to be developed, combined with hardware and software compatibility test as well as fanless, modular and industrial design. In alliance with Intel Network Builder Program, the Company has obtained the white paper for its latest technology, deeply penetrating the network Application market.

IV. Impact of the external competitive environment, regulatory environment, and the overall operating environment:

With regards to the external competitive environment, the scale of IIoT vertical application market will continue to grow in size while the globe will deploy infrastructure construction plan for the long term. The Company is striving to build up its own technical expertise, focusing on specific vertical application market, constructing its core competitiveness with differentiation and innovation. In terms of the overall environment, the development of industrial IoT, smartness, and automation will be prosperous more rapidly due to the new trend of IIoT and Industry 4.0. Upon launching relevant products, the Group will be engaged more in the integration of hardware and software while aiming to develop wireless network technology; thus providing a more diversified product portfolio.

Looking into the future, continuous efforts shall be made to deepen the local operation and actively engage in sales and marketing activities, to open up market reputation, to gradually solidify the brand recognition and lay the foundation for sustainable management. It is believed that more success stories would be told at the Company based on its healthy operation, its clear development objective, as well as its thorough global deployment and specific brand positioning; thus driving the Company's revenue to new heights.

Yang, Yu-Te, Chairman

Yang, Yu-Te, President

Hsu, Chin-Chuan, Principal accounting officer

AXIOMTEK CO., LTD.

2016 Consent Report of Audit Committee

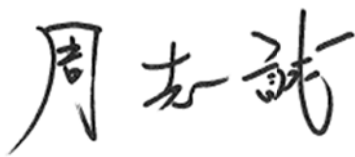
To: 2017 Annual Meeting of Shareholders
AXIOMTEK CO., LTD.

Date: February 23rd, 2017

Consented by the Audit Committee, 2016 Business Report, Financial Statements and profit distribution proposals have also been resolved by the Board of Directors of the Company where the financial statements have been completely audited and subsequently an 2016 Unqualified Opinion Independent Auditors' Report has been issued by CPA Ming-Chuan Feng and Shien-Chong Hsu of PricewaterhouseCoopers Taiwan which has been entrusted by the Board of Directors.

In compliance with the provisions of relevant laws and regulations, the abovementioned 2016 Business Report, Financial Statements and profit distribution proposals are being reported and presented herewith for review in accordance with the provisions of Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

Handwritten signature in Chinese characters: 周志誠

Chou, Chih-Chen
Convener of Audit Committee
AXIOMTEK CO., LTD.

AXIOMTEK CO., LTD.

Operating Procedures and Conduct Principles for Ethical Corporate Management

Article 1 - Purpose and scope of application

AXIOMTEK CO., LTD. (hereinafter referred to as “the Company”) has been engaged in business activities on the basis of fairness, honesty, trustworthiness and transparency. In order to fully implement the policy of ethical management and actively prevent any unethical conduct, the Company has stipulated the “Operating Procedures and Conduct Principles for Ethical Corporate Management” (hereinafter referred to as “the Ethical Corporate Management”) specifically specifying the guidelines on business conducts for personnel of the Company in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the “Practice Principles for Ethical Corporate Management” of the Company, and relevant laws and regulations applicable to the location where the enterprise and the organization of the Company and its subsidiaries are operating.

“The Ethical Corporate Management” shall be applicable to the Company and its subsidiaries as well as other legal entities (hereinafter referred to as “the Group” together with the Group and all subsidiaries) such as institutions, corporations, enterprises and organizations over which the Company carries substantial controlling power.

Article 2 – Applicable candidates

The term “the personnel of the Company” in “the Ethical Corporate Management” refers to Directors, Supervisors, professional managers, employees, appointees and any individuals with the substantial control capability within the enterprise and the organization of the Company and the Group. Any personnel of the Company shall be presumed to have committed an unethical conduct upon offered, promised and demanded or accepting any unentitled interests by or from a third party.

Article 3 – Unethical conduct

The term “unethical conduct” in “the Ethical Corporate Management” refers to the conduct of the personnel of the Company - during the course of carrying out the business, directly or indirectly for the purpose of acquiring or maintaining interests - in offering, promising, demanding or accepting any unentitled interests to/for/by/from a third party; or in engaging in any activities unethical or illegal, breaches of good faith or fiduciary duty.

The term “third party” involved in an abovementioned unethical conduct refers to public officials, political candidates, members of/for a political party, as well as Directors, Supervisors, professional managers, employees, appointees, any individuals with the substantial control capability, or other stakeholders within any public and private enterprises or institutions.

Article 4 – Forms of interests

The term “interests” in “the Ethical Corporate Management” refers to money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitation payment, hospitality, entertainment, and other valuable thing in any shape of forms or under any guise of names.

Article 5 – Competent Unit

For the integrity of the ethical corporate management of the Company, Human Resources Department and Finance Department shall handle the revision, implementation, interpretation, consultation service, the posting and filing of any publicizing contents, among other matters relevant to “the Ethical Corporate Management”, whereas an audit team shall be responsible for supervising the abovementioned handling and reporting periodically to the Board of Directors about their observation. All aforementioned departments/team shall mainly hold the following duties:

1. To assist the incorporation of ethical and moral values into business strategy of the Company as well as to stipulate relevant prevention measures against corruption and malfeasance to ensure ethical management of the Company in accordance with the legal system.
2. To stipulate programs on the prevention of unethical conduct as well as to stipulate in each program standard Operating Procedures and conduct principles relevant to business undertaken.
3. To plan the internal organization, structure and responsibility as well as to deploy mutual supervision and balance mechanism for business activities within the business scope that may engage in a higher risk of unethical conduct.
4. To promote and coordinate trainings on the advocacy of ethical management policy.
5. To plan the prosecution system to ensure the effectiveness of the implementation.
6. To assist the Board of Directors and the management level in auditing and evaluating the effective operation of the preventive measures established for the execution of ethical management as well as to carry out regular reporting on the particulars about the compliance of relevant business processes.

Article 6 - Prohibition of the provision or acceptance of unentitled interests

When directly or indirectly offering, promising, demanding or accepting any unentitled interests as specified in Article 4, the personnel of the Company shall comply with the provisions of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and “the Ethical Corporate Management” as well as handle the matter according to the relevant procedures unless otherwise under the following circumstances:

1. Any conducts based on business needs during the visit at home or abroad, the reception of foreign guests, the business promotion, communication and coordination, that are in line with local courtesy, practice or custom.
2. Any social activities that the personnel participates in or invites others to participate in that are based on normal social customs, business purposes, or relation building.
3. Any specific business activities or factory touring that the personnel participates in or invites others to participate in because of business needs where activity details had been clearly set out beforehand such as cost bearing methods, number of participants, accommodation class and period.
4. Any folk festivals in which the personnel participates are also open to the general public.
5. Any rewards, deliverances, condolences or honorariums from the upper management.
6. Any gifts with a market value not exceeding TWD 50,000 received by the personnel due to engagement, marriage, maternity, relocation, assumption of a job, promotion, transfer, retirement, resignation, or demission; or any gifts received by the personnel due to injury, illness, or death of the personnel himself, his spouse or immediate family member, that are in compliance with the provisions of the Company.
7. Any other matters in compliance with the provisions of the Company.

Article 7 – Handling procedure for the acceptance of unentitled interests

Unless otherwise under the circumstances as stipulated in aforementioned Articles, when directly or indirectly offered, promised, demanded or accepted any unethical interests as specified in Article 4, the personnel of the Company shall handle the matter according to the following procedures:

1. If the third party who offering or promising to the personnel of the Company bears no interest in the business conducted by the personnel, the personnel shall within three days of receiving the interest report to his direct supervisor and, if necessary, inform the Component Unit of the Company.
2. If the third party who offering or promising to the personnel of the Company bear specific interest in the business conducted by the personnel, the personnel shall return or refuse the interest as well as report to his direct supervisor and inform Component Unit of the Company; if the interest cannot be returned, it shall, within three days from the date of receipt, be handed in to the Component Unit for processing.

The aforementioned "bearing specific interest in the business conducted by the personnel" refers to one of the following circumstances:

1. The third party and the personnel have remained business contacts, relating to each other in the relations of command/supervision or expenditure supplement/incentive.
2. The third party and the personnel have been seeking, engaged or entered into a contract of authorization, sale or other contractual relations.
3. Any other circumstances where the third party may be favorably or adversely affected by the decision of implementation or non-implementation of a certain business.

Depending on the nature and value of the interest offered or promised as stated under paragraph 1

above, the Competent Unit of the Company shall propose to return, pay for the acceptance of, or confiscate the interest, redirect the interest to a charitable organization, among other appropriate advices, as well as shall report to the President for approval.

Article 8 - Prohibition of and handling procedure for facilitation payment

The Company shall not offer or promise any facilitation payment.

If the personnel of the Company has offered or promised any facilitation payment by threat or intimidation, he shall detail such a process while reporting to his direct supervisor and notifying the Competent Unit of the Company.

Upon notification of such an incident, the Competent Unit of the Company shall immediately handle the matter and review relevant circumstances to reduce the risk of recurrence. If any illegal acts were found involved, they shall be immediately reported to a judicial authority.

Article 9 – Handling procedure for political contributions

The Company may offer political contributions which shall be reported to the President for approval if its amount does not exceed TWD 0.5 million or to the Board of Directors for approval if its amount is over TWD 0.5 million and which shall be brought to the attention of the Competent Unit of the Company. Political contributions shall be handled in accordance with the following provisions:

1. Laws and regulations related to political contributions in the country where a political contribution has been designated shall be upheld, including the limits, forms, etc. of political contributions.
2. Any decision on political contributions shall be documented in writing.
3. Any political contributions shall be recorded in the book in accordance with relevant laws and regulations and accounting procedures.
4. The offering of political contributions shall be excluded from any matters involving business dealings with relevant government agencies, applications of permit/license, or the interest of the Company, etc.

Article 10 - Handling procedure for charitable donations or sponsorships

The Company may offer charitable donations or sponsorships which shall be reported to the President for approval if its amount does not exceed TWD 0.5 million or to the Board of Directors for approval if its amount is over TWD 0.5 million and which shall be brought to the attention of the Competent Unit of the Company. Charitable donations or sponsorships shall be handled in accordance with the following provisions:

1. Laws and regulations related to charitable donations or sponsorships in the country where a charitable donation or sponsorship has been designated shall be upheld.
2. Any decision on charitable donations or sponsorships shall be documented in writing.
3. The beneficiary of charitable donations shall be a charity, rather than any party else in disguise of a charitable donation for bribery.

4. The feedback as a result of the sponsorship shall be clear and reasonable, rather than involving any parties in business dealing with the Company or in joint interest with the personnel of the Company.
5. It shall be verified that the purpose of a charitable donation or sponsorship is to match that of the application of the money donated.

Article 11 – Avoidance of conflict of interest

Should resolutions proposed at the meeting of the Board of Directors present a conflict of interest, either to himself or to the legal person he represents, a Director, a professional manager, or a stakeholder shall, at the board meeting, explain the important contents of his interest while excusing himself from the discussion and voting of the resolution proposals on behalf of himself or other Directors if his interest may jeopardize that of the Company. Directors shall also govern themselves with self-discipline without supporting each other in a conflict of interest.

In the execution of the business for the Company, the personal of the Company shall report relevant matters to his direct supervisor for advice and to the Component Unit of the Company if he should find that himself or the legal person he represents might be in a conflict of interest or that unentitled interests might be accrued to himself, his spouse or children or parents, or an relevant stakeholder.

The personnel of the Company shall not apply any resources of the Company to any commercial activities other than for the Company and shall not adversely affect his performance due to his participation in business activities other than for the Company.

Article 12 - Organization and responsibility of confidentiality mechanism

The Legal Department of the Company is to be designated as the Component Unit in charge of the stipulation and implementation of the Operating Procedures of management, preservation and confidentiality of intellectual properties such as business secrets, trademarks, patents and copyrights of the Company. It shall review the implementation results on a regular basis to ensure the continuity of the effectiveness of the Operating Procedures.

Strictly abiding by the relevant Operating Procedures for the preceding intellectual properties, the personal of the Company shall not disclose any information about the intellectual properties such as business secrets, trademarks, patents and copyrights of the Company, as well as shall not inquire about or collect any information - irrelevant to his position - about the intellectual properties such as business secrets, trademarks, patents and copyrights of the Company.

Article 13 - Prohibition of disclosure of business secrets

Guided under the Fair Trade Act and relevant laws and regulations on competition, the Company shall engage in business activities with fairness during competition without sharing or dividing markets by ways of fixed price, tender manipulation, constraint of production and distribution, or allocation of customers, suppliers, operating areas or business sectors.

Article 14 – Prevention of impairment to stakeholders by products or services

Regarding the relevant laws and regulations and international standards with which the products and services provided by the Company shall comply, the Company shall proceed to collect, study, summarize and post matters of importance so that the personnel of the Company can follow as required accordingly throughout the process of research and development, procurement, manufacturing, supply, sales and distribution to ensure the transparency about and security of the products and services provided.

The Company has stipulated and publically disclosed on the Company website policies on the protection of the interest of consumers or other stakeholders, lest the interest, health and safety of the consumers and other stakeholders should be impaired directly or indirectly by the products and services.

Upon the coverage of an incident by news media or the verification of an incident where the safety and health of the consumers and other stakeholders might be impaired by the products and services of the Company, the Company shall recover the products or cease its services within 30 days while investigating the incident and proposing plans for rectification and improvement.

The Component Unit of the Company shall report to the Board of Directors about the aforementioned incident, measures in handling the incident, and subsequent measures for rectification and improvement.

Article 15 – Prohibition of insider trading and imposition of confidentiality agreement

The personnel of the Company shall comply with the requirements of the *Securities and Exchange Act* without engaging himself in or facilitating others to engage in the insider trading by taking advantage of or disclosing to others of any undisclosed information at hand.

Any institutions or personnel who have involved in the merger, severance, acquisition and share transferring, important memorandum, strategic alliance, among other business cooperative plans or important contracts related to the Company shall enter into a confidentiality agreement with the Company while undertaking not to disclose to others any trade secret or other critical information about the Company. Under no circumstances shall such information be used unless otherwise approved by the Company.

Article 16 – Explicit exposure of the policy of ethical management

The Company shall disclose its ethical management policies not only on the Company website, in its internal regulations, annual reports, or other government propaganda, but also at public activities such as product presentation, investor update briefing, etc., so that its suppliers, customers or other relevant business organizations and personnel may clearly understand the philosophy and norms of the ethical management of the Company.

Article 17 - Assessment of the ethical management of a counter party prior to the establishment of mutual business relations

Prior to the establishment of mutual business relations with a potential company, the Company shall first assess the legality, ethical management, and any records of unethical conducts (if any) of its agents, suppliers, customers or other business counterparties of the subject company to ensure that the fairness and transparency of the business management of the Company without any demand, offering or acceptance of bribes.

In the event of the foregoing assessment, the Company may adopt appropriate auditing/review procedures to learn any particulars about the ethical management of potential business counterparty, including the following matters:

1. The country, the operating location, the organizational structure, the business policy of the company under dealing and the place of payment.
2. Whether the company under dealing has stipulated its ethical management policy and any particulars about the implementation of such a policy.
3. Whether the operating location of the company under dealing falls unto the list of countries of high risk of corruption.
4. Whether the business of the company under dealing inclines to high risk of bribery.
5. The long-term business status and reputation of the company under dealing.
6. Opinions towards the company under dealing via consultation with its business partners.
7. Whether the company under dealing has ever involved in bribery, illegal political contribution or any other unethical conduct.
8. Conveyance about ethical management policy with the company under dealing.

During the course of business engagement, the personnel of the Company shall explain the ethical management policies and relevant regulations of the Company to any company under dealing while explicitly refusing to directly or indirectly offer, promise, demand or accept any improper interests in any shape or under any name.

Article 18 – Avoidance of business dealing with unethical companies

The personnel of the Company shall refrain from engaging in business transactions with agents, suppliers, customers or other business parties who have involved in unethical conducts. Any business transaction shall be ceased with a company under dealing where the company shall be put on a black list of no-dealing if it is found that the company has committed unethical conducts, so as to fully implement the ethical management policy of the Company.

Article 19 – Incorporation of provisions about ethical management into all contracts signed

When signing a contract with other companies, the Company shall fully understand any particulars about the ethical management of those companies as well as shall incorporate into the terms of the contract a provision about the compliance with the ethical management of the Company, including at least the following matters:

1. Upon knowledge of violation a contractual clause about the prohibition of acceptance of commission, kickback/rebate or other unentitled interest by any personnel of either party, either

party shall promptly inform the other party of the fact about the identity of the violator, any method/amount/or other unentitled interest of any offer, promise, demand or acceptance, along with any relevant evidence while cooperating in any investigation with the other party. If one particular party has suffered any damage as a result of such a violation, it shall be entitled to any indemnity for its damage as well as to 20 percent of a contractual price, which shall be deducted from any payables to the violating party.

2. During any business activity, either party shall be entitled to unconditionally terminate or cancel a contract if the other party should be found involved in any unethical conduct.
3. Contents about payment shall be stipulated specifically and reasonably, including the place and method of payment, and all details in compliance with relevant tax laws and regulations.

Article 20 - Handling of unethical conduct by any personnel of/towards the Company

The Company encourages internal and external personnel to report any unethical conduct or misconduct and shall reward to a reporter any range from NT\$2,000 to \$200,000 according to the severity of the circumstances of the misconducts. If any internal personnel should commit a false or malicious report, disciplinary action or dismissal from position shall be imposed upon him.

An internal independent mailbox and a dedicated hotline have been set up and posted on the Company's internal and external websites to facilitate the reporting by internal and external personnel.

While reporting a violation, a reporter shall provide at least the following information:

1. The name, citizenship identity number, and address, telephone, e-mail of contact of the reporter.
2. The name of the violating party or other information that can lead to the identity of the violator.
3. Any specific evidence for investigation.

Relevant personnel of the Company handling a report shall declare in writing to keep confidential the identity of a reporter and the contents of the report; and the Company shall be committed to protecting the reporter from being improperly disposed of due to the report.

The Component Unit of the Company shall handle any violation in accordance with the following procedures:

1. A department head shall be reported if a reported violation has involved general personal of the company, whereas independent Directors shall be reported if a Director or high-level management has been involved.
2. The Component Unit of the Company or the personnel/supervisor in charge of the aforementioned report shall immediately proceed to the investigation of relevant facts and, if necessary, seek assistance from Legal Department or other relevant units.
3. If it should be confirmed that the personnel being reported has indeed violated relevant laws and regulations or the ethical management policies and regulations of the Company, the violator shall be required to immediately stop the relevant conduct, be properly disposed of, and if necessary be sought after for damages through legal proceedings, so as to maintain the reputation and interests of the Company.

4. The handling of a report, including receipt, investigation and outcome of the report, shall be detailed in writing and filing and remained in custody for five years in electronic means. Prior to the expiry of any filing, if another litigation arising should be related to the contents of an existing report, the relevant information shall be retained until the end of the litigation proceedings.
5. Regarding any reported matter verified to be factual, relevant departments of the Company shall review relevant internal control system and Operating Procedures while proposing improvement measures to prevent the same misconduct from happening again.
6. The Component Unit of the Company shall report to the Board of Directors on the report matter, its handling approaches, and subsequent review and improvement measures.

Article 21 - Handling of unethical conduct by any personnel outside/towards the Company

When an unethical illegal conduct by any personal outside/towards the Company is observed, the Company shall inform the judicial and procuratorial institutions of the relevant facts. Furthermore, if public institutions or public servants are involved in such a conduct, relevant integrity authority of the government shall be informed.

Article 22 - Establishment of a system for reward, penalty, appeal, and disciplinary actions

At least once a year, the Component Unit of the Company shall be holding an internal advocacy, arranging the importance of ethical management to be conveyed by the Chairman, President or senior management team towards Directors, employees and appointees.

The ethical management has been incorporated by the Company into its corporate culture and human resources policy where a clear and effective system for reward, penalty and appeal has been established.

In the event of a major violation of an ethical conduct by the personnel of the Company, the violator shall be dismissed or terminated in accordance with the relevant laws and regulations or methods of Human Resources.

On the Company's internal website, the Company shall disclose information about the incident of the violation of an ethical conduct, including the title, name of the violator, the date of violation, the contents of the violation, and handling particulars.

Article 23 – Implementation

The “the Ethical Corporate Management” has been implemented according to a resolution of the Board of Directors and shall be reported to Audit Committee and a shareholders' meeting. Any revision of the “the Ethical Corporate Management” shall be going through the same procedure of resolution, implementation and report.

Upon presentation and discussion of “the Ethical Corporate Management” to and by the Board of Directors, all independent Directors' opinions, of objection or reservation, shall be fully taken into

consideration and clearly recorded in a meeting minute of the meeting of the Board of Directors. If any independent Directors should hold an opinion of objection or reservation yet be unable to attend the meeting of the Board of Directors in person, his opinion shall be presented in writing ahead of time (unless otherwise except for a legitimate excuse) and be recorded in the meeting minute of the meeting of the Board of Directors.

AXIOMTEK CO., LTD.

Corporate Social Responsibility Best Practice Principles

Chapter I General Principles

Article 1

For the purpose of establishing sound corporate governance systems, the Company hereby formulates this principles in accordance with the 『Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies』 adopted jointly by The Taiwan Stock Exchange Corporation (TWSE) and the GreTai Securities Market (GTSM), and discloses this principles through the Market Observatory Post System (MOPS).

Article 2

The Principles applies to the Company, including the entire operations of each such company and its business group.

The Principles encourages the Company to actively fulfill their corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.

Article 3

In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

Article 4

To implement corporate social responsibility initiatives, the Company is advised to follow the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of corporate social responsibility information.

Article 5

The Company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the Board of Directors and then reported to the shareholders meeting.

When a shareholder proposes a motion involving corporate social responsibility, the company's Board of Directors is advised to review and consider including it in the shareholders meeting agenda.

Chapter II Exercising Corporate Governance

Article 6

The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article 7

The Directors of the Company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The Board of Directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:

1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
2. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The Board of Directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the Board of Directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8

The Company is advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9

For the purpose of managing corporate social responsibility initiatives, the Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the Board of Directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders. It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.

Article 10

The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

Chapter III Fostering a Sustainable Environment

Article 11

The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management

Article 12

The Company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13

The Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.

2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14

The Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

Article 15

The Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

1. Reduce resource and energy consumption of their products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
3. Improve recyclability and reusability of raw materials or products.
4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

Article 16

To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures.

The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article 17

The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.

2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

The Company is advised to monitor the impact of climate change on their operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of their business operations on climate change.

Chapter V Preserving Public Welfare

Article 18

The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
4. In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. A company shall respond to any employee's grievance in an appropriate manner.

Article 19

The Company shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

Article 20

The Company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company is advised to organize training on safety and health for their employees on a regular basis.

Article 21

The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The Company shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22

The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 22-1

The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. Said company shall also develop the relevant strategies and specific measures for implementation

Article 23

The Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company shall ensure the transparency and safety of their products and services. The Company further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article 24

The Company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.

The Company shall follow relevant laws, regulations and international guidelines when marketing or labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25

The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26

The Company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the Company enter into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27

The Company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Chapter VI Enhancing Disclosure of Corporate Social Responsibility Information

Article 28

The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the Company shall disclose includes:

1. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the Board of Directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
4. Major stakeholders and their concerns.
5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
6. Other information relating to corporate social responsibility initiatives.

Article 29

The Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
2. Major stakeholders and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
4. Future improvements and goals

Chapter VII Supplementary Provisions

Article 30

The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Article 31

These Principles, and any amendments hereto, shall be implemented after adoption by the Board of Directors.

Article 32

These Principles are agreed to and signed on October 26, 2016 by all the promoters of the Company.

AXIOMTEK CO., LTD.**Comparison Table for Articles in the “Rules of Procedure for Board of Directors’ Meeting” (before and after Revision)**

Article	Contents after revision	Contents before revision	Explanation
4	<p>The designated unit responsible for the board meetings of the Company shall be <u>Finance Division</u>.</p> <p>The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.</p> <p>A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.</p>	<p>The designated unit responsible for the board meetings of the Company shall be Administration Division.</p> <p>The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.</p> <p>A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.</p>	Act in concert with the name change of Meeting Affairs’ Division.
8	<p>When a board meeting is held, <u>Finance Division</u> shall furnish the attending Directors with relevant materials for ready reference.</p> <p>As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.</p> <p>The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the Directors are in attendance. If one-half of all the Directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If</p>	<p>When a board meeting is held, Administration Division shall furnish the attending Directors with relevant materials for ready reference.</p> <p>As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.</p> <p>The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the Directors are in attendance. If one-half of all the Directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If</p>	Act in concert with the name change of Meeting Affairs’ Division.

Article	Contents after revision	Contents before revision	Explanation
	<p>the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.</p> <p>The number of "all Directors," as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2, shall be counted as the number of Directors then actually in office.</p>	<p>the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.</p> <p>The number of "all Directors," as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2, shall be counted as the number of Directors then actually in office.</p>	
15	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, <u>paragraph 3</u> of the same Act.</p>	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 2 of the same Act.</p>	Item in Article is modified.
16	<p>Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> 1. The meeting session (or year) and the time and place of the meeting. 2. The name of the chair. 3. The Directors' attendance at the meeting, including the names and the number of Directors in attendance, excused, and absent. 4. The names and titles of those attending the meeting as non-voting participants. 5. The name of the minute taker. 6. The matters reported at the meeting. 7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any director that is an interested party as 	<p>Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> 1. The meeting session (or year) and the time and place of the meeting. 2. The name of the chair. 3. The Directors' attendance at the meeting, including the names and the number of Directors in attendance, excused, and absent. 4. The names and titles of those attending the meeting as non-voting participants. 5. The name of the minute taker. 6. The matters reported at the meeting. 7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any director that is an interested party as 	Item in Article is modified.

Article	Contents after revision	Contents before revision	Explanation
	<p>referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, <u>paragraph 4</u>.</p> <p>The rest is omitted.</p>	<p>referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.</p> <p>The rest is omitted.</p>	
18	<p>These Rules of Procedure shall be adopted by the approval of meeting of the Board of Directors and shall be reported to the shareholders meeting. <u>The Board of Directors may be authorized to adopt, by resolution, any future amendments to these Rules.</u></p>	<p>These Rules of Procedure shall be adopted by the approval of meeting of the Board of Directors and shall be reported to the shareholders meeting.</p>	<p>Act in concert with “Rules of Procedure for Board of Directors Meeting”, the BOD can be authorized to adopt as the future amendments to these Rules if any.</p>
19	<p>These Rules of Procedure was revised at the date of February 23, 2017.</p>	<p>These Rules of Procedure was revised at the date of March 31, 2015.</p>	<p>The date was amended.</p>

(ATTACHMENT VI)

2016 Independent Auditors' Report
(Parent Company Only Financial Statements)

(106) Cai-Shen-Bao-zi-No. 16003037

February 23rd, 2017

To the Board of Directors and Shareholders of AXIOMTEK CO., LTD.:

Opinion

We have audited the accompanying Parent Company Only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2016 and 2015, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon,

we do not provide a separate opinion on these matters.

Assessment of Allowance for Reduction of Inventory to Market

Description of the matter

Please refer to Notes 4(11) in the “Parent Company Only Financial Statements” for the accounting policies related to the assessment of the “Allowance for Reduction of Inventory to Market”. Please refer to Notes 5(2) in the “Parent Company Only Financial Statements” for the accounting estimate and the uncertainty of the assumption related to the assessment of the “Allowance for Reduction of Inventory to Market”. Please refer to Notes 6(6) in the “Parent Company Only Financial Statements” for the description of the accounting items of the inventory. As of December 31st, 2016, the balance of “Allowance for Inventory to Market” and that of “Allowance for Reduction of Inventory to Market” had been assessed at TWD 337.42 million and TWD 25.70 million, respectively.

In view that the main business of the Company lies in the manufacturing and sales of products related to industrial computers which are susceptible to fluctuations in market prices due to rapid evolution of technology, the Company has been facing a higher risk of losses arising from “Allowance for Inventory to Market” or obsolescence of the inventory. At Axiomtek, the approach it has been taking was to adjust the balance sheet based on the cost or the net realizable value – whichever is the lower - of the normally sold inventory, as well as on the net realizable value - provisioned as the loss - of the obsolete or damaged inventory individually identified.

Herewith, out of the discretion of the CPAs, the assessment of the “Allowance for Reduction of Inventory to Market” evaluated by Axiomtek has been put among the most significant matters of this audit for further verification because the inventory of Axiomtek represented a huge amount of value and high diversification of items where it has been subject to the subjective judgment of the management level for the identification of the net realizable value of any individual obsolete or damaged items in the inventory.

How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Based on the understanding towards the operation of Axiomtek, the nature of the industry the Company is in, and the nature of the products of the Company, the rationality was assessed for the proposed policies and procedures adopted for the “Allowance for Reduction of Inventory to Market”, including the determination of the rationality in the classification of inventory for net realization value and in the judgment of individual obsolete or damaged items in the inventory.
- After CPAs’ learning about the process of logistics management of Axiomtek, reviewing the annual inventory counting plan and participating in the annual inventory counting, the effectiveness was assessed for the classification of the management level and the control of the obsolete or damaged

inventory.

- The suitability was validated for the logic behind the inventory age statements adopted for the evaluation done by Axiomtek, in order to confirm that the information contained in the report was consistent with the Company policies.
- After CPAs' reviewing the sales details and interviewing the management level, the rationality was assessed for the forecast of future sales based on year-end inventory. Based on spot checks on individual stock item number supplemented by the previously proposed "Allowance for Reduction of Inventory to Market" along with reference to relevant subsequent matters, "Allowance for Reduction of Inventory to Market" was verified, hence the rationality was assessed for the "Allowance for Reduction of Inventory to Market" determined by Axiomtek.

Impairment of Investments accounted for using the Equity Method

Description of the matter

Please refer to Note 4(9) in the "Parnet Company Only Financial Statements" for the accounting policies for the impairment of investments using the equity method. Please refer to Note 5(2) in the "Parent Company Only Financial Statements" for the accounting estimate and the uncertainty of the assumption related to the "Impairment of Investments accounted for using the Equity Method". Please refer to Note 6(7) in the "Parent Company Only Financial Statements" for the description of the accounting items of the investments using the equity method. As of December 31st, 2016, the balance of the investments using the equity method had been assessed at TWD 873.271 million.

In the year prior, Axiomtek had acquired with premium its subsidiaries Axiom Technology Inc. U.S.A and EtherWAN Systems, Inc. where such investments had adopted the equity method. At the end of 2016, testing was implemented for the impairment of investments using the equity method - where impairment was assessed contingent upon the future profitability of the subsidiaries, including the forecast of future cash flows and the decision on the discount rate.

Herewith, out of the discretion of the CPAs, the assessment of the "Impairment of Investments accounted for using the Equity Method" evaluated by Axiomtek has been put among the most significant matters of this audit for further verification because the assessment of impairment was highly affected by the accounting estimates associated with the degree of uncertainty where it has been subject to the subjective judgment of the management level for a multitude of major assumptions.

How our audit addressed the matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- After CPAs' evaluating of the process of estimation by the management level for future cash flows of Axiom Technology Inc. U.S.A. and EtherWAN Systems, Inc., the rationality was recognized for traces of impairment with reference to the impairment assessment table evaluated by the Company.

- The sensitivity was assessed for the assumptions adopted in the compiling model of the Company, including the suitability of cash flow forecast and discount rate.

Other Matters – Short-Form Merger

As stated in Note 6(7) of the Financial Statements, on October 1st, 2016 a short-form merger took place between Axiomtek and Axiomtek Display Solutions Co., Ltd., one of the subsidiaries of the Company. Since this merger fell into the reorganization within the Group, the financial statements of this subsidiary were deemed incorporated into that of the parent company retrospectively; therefore, 2015 Parent Company Only Financial Statements were retrospectively recompiled while 2016 Parent Company Only Financial Statements were compiled.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the Parent Company Only financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company Only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Parent Company Only financial statements, including the disclosures, and whether the Parent Company Only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company Only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences

of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ming-Chuan Feng, CPA

Shien-Chong Hsu, CPA

PricewaterhouseCoopers Taiwan

Former Securities and Futures Bureau of the

Financial Supervisory Committee of the Executive Yuan

Approval certificate no.: Jin-Guan-Zheng-VI-zi-No.0960038033

Financial Supervisory Commission

Approval certificate no.: Jin-Guan-Zheng-Shen-zi-No.1010034097

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2016, December 31, 2015 and January 1, 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016/12/31		2015/12/31		2015/01/01	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Total cash and cash equivalents	\$ 649,319	23	\$ 333,842	14	\$ 176,166	8
Total current financial assets at fair value through profit or loss	244,028	9	98,013	4	173,101	8
Notes receivable, net	4,355	-	5,998	-	3,171	-
Accounts receivable, net	91,895	3	186,868	8	136,170	7
Accounts receivable due from related parties, net	285,354	10	333,181	13	220,535	11
Other receivables, net	13,288	-	10,464	-	8,763	-
Other receivables due from related parties, net	74,631	3	22,059	1	19,662	1
Total current tax assets	274	-	830	-	556	-
Total inventories	311,720	11	377,180	15	304,866	15
Total prepayments	16,214	1	7,072	-	9,450	1
Total other current assets	473	-	1,633	-	5,105	-
Total current assets	1,691,551	60	1,377,140	55	1,057,545	51
Non-current assets						
Non-current financial assets at cost, net	923	-	923	-	923	-
Investments accounted for using equity method, net	873,271	31	828,330	34	761,705	36
Total property, plant and equipment	213,725	7	230,968	9	209,950	10
Total intangible assets	16,220	1	18,337	1	16,045	1
Deferred tax assets	20,667	1	25,659	1	18,697	1
Prepayments for business facilities	-	-	-	-	24,455	1
Guarantee deposits paid	5,884	-	5,643	-	4,541	-
Total non-current assets	1,130,690	40	1,109,860	45	1,036,316	49
Total assets	\$ 2,882,241	100	\$ 2,487,000	100	\$ 2,093,861	100

(Continued)

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2016, December 31, 2015 and January 1, 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016/12/31		2015/12/31		2015/01/01	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Liabilities						
Current liabilities						
Total notes payable	\$ 42	-	\$ 720	-	\$ 92	-
Total accounts payable	329,058	11	379,300	15	197,778	10
Total accounts payable to related parties	25,244	1	55,617	2	13,065	1
Total other payables	191,152	7	188,312	8	190,089	9
Current tax liabilities	29,686	1	51,886	2	45,310	2
Total advance receipts	25,257	1	24,606	1	9,436	-
Other current liabilities, others	1,220	-	1,312	-	1,243	-
Total current liabilities	601,659	21	701,753	28	457,013	22
Non-current liabilities						
Total non-current financial liabilities at fair value through profit or loss	6,048	-	-	-	-	-
Total bonds payable	386,161	14	-	-	-	-
Total deferred tax liabilities	50,749	2	51,540	2	43,695	2
Accrued pension liabilities	32,422	1	40,640	2	31,626	1
Guarantee deposits received	336	-	-	-	-	-
Total non-current liabilities	475,716	17	92,180	4	75,321	3
Total liabilities	1,077,375	38	793,933	32	532,334	25
Equity						
Share capital						
Ordinary share	790,310	28	790,310	32	783,450	38
Advance receipts for share capital	-	-	-	-	153	-
Capital surplus						
Total capital surplus	183,745	6	143,033	6	128,062	6
Retained earnings						
Legal reserve	331,163	12	288,752	11	257,801	12
Total unappropriated retained earnings (accumulated deficit)	425,869	15	441,283	18	371,791	18
Other equity interest						
Total other equity interest	13,779	1	29,689	1	20,270	1
Total equity	1,744,866	62	1,693,067	68	1,561,527	75
Major commitment & contingent item						
Total liabilities and equity	\$ 2,822,241	100	\$ 2,487,000	100	\$ 2,093,861	100

The accompanying notes are an integral part of the parent company only financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	2,016		2,015	
	Amount	%	Amount	%
Operating revenue				
Total operating revenue	\$ 2,459,756	100	\$ 2,649,125	100
Operating costs				
Total operating costs	(1,668,242)	(68)	(1,825,822)	(69)
Gross profit (loss) from operations	791,514	32	823,303	31
Unrealized profit (loss) from sales	(43,129)	(2)	(65,967)	(2)
Realized profit (loss) on from sales	65,967	3	38,975	1
Gross profit (loss) from operations	814,352	33	796,311	30
Operating expenses				
Total selling expenses	(85,585)	(3)	(76,565)	(3)
Total administrative expenses	(88,522)	(4)	(101,585)	(4)
Total research and development expenses	(350,861)	(14)	(301,164)	(11)
Total operating expenses	(524,968)	(21)	(479,314)	(18)
Net operating income (loss)	289,384	12	316,997	12
Non-operating income and expenses				
Total other income	27,734	1	16,254	1
Other gains and losses, net	(14,485)	(1)	11,018	-
Finance costs, net	(441)	-	(192)	-
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	117,057	5	148,547	6
Total non-operating income and expenses	129,865	5	175,627	7
Profit (loss) before tax	419,249	17	492,624	19
Total tax expense (income)	(59,226)	(2)	(68,525)	(3)
Profit (loss)	\$ 360,023	15	\$ 424,099	16
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss :				
profit or loss:				
Remeasurement of defined benefit obligation	\$ 7,411	-	\$ (9,822)	-
Share of other comprehensive income (loss) of subsidiaries and associates	656	-	(1,176)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	(1,260)	-	1,670	-
Items that may be reclassified subsequently to profit or loss :				
profit or loss:				
Exchange differences arising on translation of foreign operations	(17,026)	(1)	5,777	-
Share of other comprehensive income (loss) of subsidiaries and associates	(1,778)	-	4,761	-
Income tax benefit (expense) related to items that may be reclassified subsequently	2,894	-	(1,119)	-
Other comprehensive income, net of tax	\$ (9,103)	(1)	\$ 91	-
Comprehensive income	\$ 350,920	14	\$ 424,190	16
Basic earnings per share				
Total basic earnings per share	\$	4.56	\$	5.38
Diluted earnings per share				
Total diluted earnings per share	\$	4.43	\$	5.25

The accompanying notes are an integral part of the parent company only financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Share capital		Capital surplus					Retained Earnings			Total	
	Ordinary share	Advance receipts for share capital	Capital surplus In Excess of par value-Common Stock	Capital surplus In Excess of par value-Treasury Stock	Capital surplus from consideration and carrying amount of subsidiaries acquired or disposed	Capital surplus from Gain on Disposal of Property	Capital surplus from stock option exercised by employees	Capital surplus from stock option	Legal Reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements
Year 2015												
Beginning balance, January 1, 2015	\$ 783,450	\$ 153	\$ 110,793	\$ 1,026	\$ -	\$ 2	\$ 16,241	\$ -	\$ 257,801	\$ 371,791	\$ 20,270	\$ 1,561,527
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	-	-	-	-	37,056	(37,056)	-	-
Reversal of Legal reserve	-	-	-	-	-	-	-	-	(6,105)	6,105	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	(314,328)	-	(314,328)
Net income for 2015	-	-	-	-	-	-	-	-	-	424,099	-	424,099
Other comprehensive income(loss)	-	-	-	-	-	-	-	-	-	(9,328)	9,419	91
Stock option exercised by employees	6,860	(153)	7,826	-	-	-	-	-	-	-	-	14,533
Compensation cost of employee stock options	-	-	-	-	-	-	7,145	-	-	-	-	7,145
Ending balance, December 31, 2015	\$ 790,310	\$ -	\$ 118,619	\$ 1,026	\$ -	\$ 2	\$ 23,386	\$ -	\$ 288,752	\$ 441,283	\$ 29,689	\$ 1,693,067

(Note 1) The directors' and supervisors' compensation were \$8,148 and the employees' bonuses were \$61,110, which had been deducted from net income for the year 2014.
(Note 2) The directors' and supervisors' compensation were \$7,018 and the employees' bonuses were \$61,754, which had been deducted from net income for the year 2015.

The accompanying notes are an integral part of the parent company only financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Share capital		Capital surplus					Retained Earnings			Exchange differences on translation of foreign financial statements	Total
	Ordinary share	Advance receipts for share capital	Capital surplus In Excess of par value-Common Stock	Capital surplus In Excess of par value-Treasury Stock	Capital surplus from Difference between consideration and carrying amount of subsidiaries acquired or disposed	Capital surplus from Gain on Disposal of Property	Capital surplus from stock option exercised by employees	Capital surplus from stock option	Legal Reserve	Unappropriated retained earnings		
Year 2016												
Beginning balance, January 1, 2016	\$ 790,310	\$ -	\$ 118,619	\$ 1,026	\$ -	\$ 2	\$ 23,386	\$ -	\$ 288,752	\$ 441,283	\$ 29,689	\$ 1,693,067
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	-	-	-	-	42,411	(42,411)	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	(339,833)	-	(339,833)
Net income for 2016	-	-	-	-	-	-	-	-	-	360,023	-	360,023
Other comprehensive income(loss)	-	-	-	-	-	-	-	-	-	6,807	(15,910)	(9,103)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	177	-	-	-	-	-	-	177
Compensation cost of employee stock options	-	-	-	-	-	-	16,175	-	-	-	-	16,175
Proceeds from issuing convertible bonds	-	-	-	-	-	-	-	24,360	-	-	-	24,360
Ending balance, December 31, 2016	\$ 790,310	\$ -	\$ 118,619	\$ 1,026	\$ 177	\$ 2	\$ 39,561	\$ 24,360	\$ 331,163	\$ 425,869	\$ 13,779	\$ 1,744,866

(Note 1) The directors' and supervisors' compensation were \$8,148 and the employees' bonuses were \$61,110, which had been deducted from net income for the year 2014.

(Note 2) The directors' and supervisors' compensation were \$7,018 and the employees' bonuses were \$61,754, which had been deducted from net income for the year 2015.

The accompanying notes are an integral part of the parent company only financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities, indirect method		
Profit (loss) before tax	\$ 419,249	\$ 492,624
Adjustments		
Adjustments to reconcile profit (loss)		
Reversal of provision for bad debt expense	(734)	-
Provision for bad debt expense	-	427
Depreciation expense	37,591	31,047
Amortization expense	6,578	4,383
Interest income	(2,104)	(1,746)
Loss (gain) on disposal of investments	(456)	(662)
Net loss (gain) on financial assets at fair value through profit or loss	(15)	88
Net loss (gain) on financial liabilities at fair value through profit or loss	546	-
Share of loss (profit) of associates and joint ventures accounted for using equity method	(117,057)	(148,547)
Dividend income	91,657	64,295
Loss (gain) on disposal of property, plan and equipment	(157)	188
Impairment loss on intangible assets	-	3,869
Interest expense	441	192
Share-based payments	16,175	7,145
Unrealized profit (loss) from sales	(22,838)	26,992
Changes in operating assets and liabilities		
Changes in operating assets		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(145,544)	75,662
Decrease (increase) in notes receivable	1,643	(2,827)
Decrease (increase) in accounts receivable	143,534	(163,771)
Decrease (increase) in other receivable	(55,397)	(4,098)
Decrease (increase) in inventories	65,460	(72,315)
Decrease (increase) in prepayments	(7,982)	5,850
Changes in operating liabilities		
Increase (decrease) in notes payable	(678)	628
Increase (decrease) in accounts payable	(80,615)	224,074
Increase (decrease) in other payable	228	(2,599)
Increase (decrease) in other current liabilities	559	15,188
Increase (decrease) in accrued pension liabilities	(807)	(808)
Cash inflow (outflow) generated from operations	349,277	555,279
Interest received	2,104	1,746
Interest paid	(168)	(192)
Income taxes refund (paid)	(74,152)	(60,790)
Net cash flows from (used in) operating activities	277,061	496,043

(Continued)

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) investing activities		
Acquisition of investments accounted for using equity method	\$ (14,676)	\$ -
Acquisition of property, plant and equipment	(22,943)	(22,358)
Proceeds from disposal of property, plant and equipment	234	725
Acquisition of intangible assets	(4,461)	(10,544)
Increase in prepayments for business facilities	-	(5,293)
Increase in refundable deposits	(241)	(1,102)
Net cash flows from (used in) investing activities	(42,087)	(38,572)
Cash flows from (used in) financing activities		
Proceeds from issuing bonds	420,000	-
Increase in Guarantee deposits received	336	-
Cash dividends paid	(339,833)	(314,328)
Exercise of employee share options	-	14,533
Net cash flows from (used in) financing activities	80,503	(299,795)
Net increase (decrease) in cash and cash equivalents	315,477	157,676
Cash and cash equivalents at beginning of period	333,842	176,166
Cash and cash equivalents at end of period	\$ 649,319	\$ 333,842

The accompanying notes are an integral part of the parent company only financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

(ATTACHMENT VII)

2016 Independent Auditors' Report

(Consolidated Financial Statements)

(106) Cai-Shen-Bao-zi-No. 16003277

February 23rd, 2017

To the Board of Directors and Shareholders of AXIOMTEK CO., LTD.:

Opinion

We have audited the accompanying Consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as “the Group”) as at December 31, 2016 and 2015, and the related Consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the Consolidated financial position of the Group as at December 31, 2016 and 2015, and its Consolidated financial performance and its Consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (hereinafter referred to as the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in

the context of our audit of the Consolidated Financial Statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The cut-off of the revenue from the sales of goods in the inventory

Description of the matter

Please refer to Note 4(29) in the “Consolidated Financial Statements” for the accounting policy for revenue recognition.

In view that the sales model of the Group mainly lies in generating revenue from sales of products shipped out of the inventory warehouse out of which revenue is recognized upon shipping of products. At the Group, the approach it has been taking was to record the revenue based on the change of inventory in the inventory warehouse. Seeing that warehouses of the Group are located in Europe, America, and China as well as that each warehouse had used different inventory system, it had been prone to improper timing of revenue recognition or inconsistent quantities between the actual inventory and the recorded bookkeeping, taking into the consideration that tremendous manual operation may be involved in the process of revenue recognition.

Herewith, out of the discretion of the CPAs, the “cut-off of the revenue from the sales of the inventory” has been put among the most significant matters of this audit for further verification because the transaction for sales of goods in the inventory of the Group represented a huge amount of value on a daily basis and that the impact of the transaction value, especially before and after the cut-off date of financial statements, on the financial statements remained a highly significant factor.

How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Based on the understanding towards the operation of the Group, the rationality was assessed for the circular system adopted for the revenue in product sales as well as the procedure for the logistics of inventory and warehouse.
- The CPAs had conducted tests on the cut-off of the revenue from sales of goods during a certain period before and after the year-end cut-off dates, including the verification of supporting documents kept by custodians of the inventory warehouse, and the review of transactions records noted during the proper time frame upon any change of inventory and any settlement of sales costs.
- The CPAs had physically inspected and observed the quantity of inventory at warehouses while verifying the consistency of the quantity of the inventory between the reality and the records. Any inconsistency found had been investigated by the CPAs as well. Finally, tests had been conducted by the CPAs on the adjustment items compiled by the Group to verify whether any major inconsistency had been adequately adjusted and recorded.

Assessment of Allowance for Evaluation of Inventory to Market

Description of the matter

Please refer to Note 4(12) in the “Consolidated Financial Statements” for the accounting policy related to the assessment of the inventory. Please refer to Note 5(2) in the “Consolidated Financial Statements” for the accounting estimate and the uncertainty of the assumption related to the assessment of the inventory. Please refer to Note 6(6) in the “Consolidated Financial Statements” for the description of the accounting items of the inventory. As of December 31st, 2016, the balance of “Allowance for Inventory to Market” and that of “Allowance for Evaluation of Inventory to Market” had been assessed at TWD 807.525 million and TWD 49.235 million, respectively.

In view that the main business of the Group lies in the manufacturing and sales of products related to industrial computers and Ethernet networking products which are susceptible to fluctuations in market prices due to rapid evolution of technology, the Group has been facing a higher risk of losses arising from “Allowance for Inventory to Market” or obsolescence of the inventory. At the Group, the approach it has been taking was to adjust the balance sheet based on the cost or the net realizable value – whichever is the lower - of the normally sold inventory, as well as on the net realizable value - provisioned as the loss - of the obsolete or damaged inventory individually identified.

Herewith, out of the discretion of the CPAs, the assessment of the “Allowance for Evaluation of Inventory to Market” evaluated by the Group has been put among the most significant matters of this audit for further verification because the inventory of the Group represented a huge amount of value and high diversification of items where it has been subject to the subjective judgment of the management level for the identification of the net realizable value of any individual obsolete or damaged items in the inventory.

How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Based on the understanding towards the operation of the Group, the nature of the industry the Company is in, and the nature of the products of the Company, the rationality was assessed for the proposed policies and procedures adopted for the “Allowance for Reduction of Inventory to Market”, including the determination of the rationality in the classification of inventory for net realization value and in the judgment of individual obsolete or damaged items in the inventory.
- After CPAs’ learning about the process of logistics management of the Group, reviewing the annual inventory counting plan and participating in the annual inventory counting, the effectiveness was assessed for the classification of the management level and the control of the obsolete or damaged inventory.
- The suitability was validated for the logic behind the inventory age statements adopted for the evaluation done by the Group, in order to confirm that the information contained in the report was

consistent with the Company policies.

- After CPAs' reviewing the sales details and interviewing the management level, the rationality was assessed for the forecast of future sales based on year-end inventory. Based on spot checks on individual stock item number supplemented by the previously proposed "Allowance for Reduction of Inventory to Market" along with reference to relevant subsequent matters, "Allowance for Reduction of Inventory to Market" was verified, hence the rationality was assessed for the "Allowance for Reduction of Inventory to Market" determined by the Group.

Assessment of the Impairment to the Goodwill

Description of the matter

Please refer to Note 4(16) in the "Consolidated Financial Statements" for the accounting policies for the impairment to the goodwill. Please refer to Note 5(2) and 6(9) in the "Consolidated Financial Statements" for the accounting estimate and the uncertainty of the assumption related to the "Impairment to Goodwill". Please refer to Note 6(8) and 6(9) in the "Consolidated Financial Statements" for the description of the accounting items of the reputation. As of December 31st, 2016, the balance of the goodwill had been assessed at TWD 77.39 million.

In the year prior, the Group had acquired with premium its subsidiaries Axiom Technology Inc. U.S.A. and EtherWAN Systems, Inc. where such investments had adopted into the goodwill of the Group. At the end of 2016, testing was implemented for the impairment to the goodwill - where impairment was assessed contingent upon the future profitability of the subsidiaries, including the forecast of future cash flows and the decision on the discount rate.

Herewith, out of the discretion of the CPAs, the assessment of the "Impairment to the Goodwill" evaluated by the Group has been put among the most significant matters of this audit for further verification because the assessment of impairment was highly affected by the accounting estimates associated with the degree of uncertainty where it has been subject to the subjective judgment of the management level for a multitude of major assumptions.

How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- After CPAs' evaluating of the process of estimation by the management level for future cash flows of Axiom Technology Inc. and EtherWAN Systems, Inc., the rationality was recognized for traces of impairment with reference to the impairment assessment table evaluated by the Group.
- The sensitivity was assessed for the assumptions adopted in the compiling model of the Group, including the suitability of cash flow forecast and discount rate.

How our audit addressed the matter

Our key audit procedures performed in respect of the above include the following:

- Evaluate the management process for the future cash flow of Axiom Technology Inc. U.S.A and EtherWAN Systems Technology Inc. and obtain the company's own assessment of the impairment assessment table to identify the rationality of the signs of impairment.
- When evaluating the impairment assessment, we tested management's assumptions and inputs used for testing the impairment for goodwill, including cash flow projections and discount rates.

Other matter – Parent company only financial reports

Compiled by the Company, both 2016 and 2015 Individual Financial Statements had also been audited by the undersigned CPAs for reference as stated in corresponding reports without any reservation.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Component Unit (including Audit Committee) of the Group is responsible for overseeing financial reporting process of the Group.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements. As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ming-Chuan Feng CPA

Shien-Chong Hsu CPA

Former Securities and Futures Bureau of the
Financial Supervisory Committee of the Executive Yuan
Approval certificate no.: Jin-Guan-Zheng-VI-zi-No.0960038033

Financial Supervisory Commission
Approval certificate no.: Jin-Guan-Zheng-Shen-zi-No.1010034097

Notice to Readers

The accompanying Consolidated Financial Statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such Consolidated Financial Statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying Consolidated Financial Statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and Consolidated Financial Statements shall prevail.

AXIOMTEK CO., LTD. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Current assets				
Total cash and cash equivalents	\$ 995,597	30	\$ 559,006	19
Total current financial assets at fair value through profit or loss	244,028	7	98,013	3
Notes receivable, net	8,434	-	9,407	-
Accounts receivable, net	610,308	18	600,180	20
Accounts receivable due from related parties, net	53	-	5	-
Other receivables, net	16,874	1	14,072	-
Total current tax assets	6,113	-	2,035	-
Total inventories	758,290	23	975,223	33
Total prepayments	28,014	1	26,066	1
Total other current assets	1,610	-	2,121	-
Total current assets	2,669,321	80	2,286,128	76
Non-current assets				
Non-current financial assets at cost, net	923	-	923	-
Total property, plant and equipment	484,696	15	504,890	17
Total intangible assets	138,464	4	141,829	5
Deferred tax assets	41,982	1	46,534	2
Total other non-current assets, others	10,201	-	10,233	-
Total non-current assets	676,266	20	704,409	24
Total assets	\$ 3,345,587	100	\$ 2,990,537	100

(continued)

AXIOMTEK CO., LTD. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Liabilities				
Current liabilities				
Total short-term borrowings	\$ -	-	\$ 10,000	-
Total notes payable	178	-	825	-
Total accounts payable	524,757	16	501,779	17
Total accounts payable to related parties	14,835	1	48,077	2
Total other payables	314,813	9	315,861	11
Current tax liabilities	43,270	1	74,505	2
Total current provisions	1,018	-	1,327	-
Total other current liabilities	34,078	1	46,498	1
Total current liabilities	932,949	28	998,872	33
Non-current liabilities				
Total non-current financial liabilities at fair value through profit or loss	6,048	-	-	-
Total bonds payable	386,161	12	-	-
Total long-term borrowings	119,137	4	128,319	4
Total deferred tax liabilities	75,443	2	73,592	3
Total other non-current liabilities	42,241	1	51,540	2
Total non-current liabilities	629,030	19	253,451	9
Total liabilities	1,561,979	47	1,252,323	42
Equity				
Equity attributable to owners of parent				
Share capital				
Ordinary share	790,310	24	790,310	26
Capital surplus				
Total capital surplus	183,745	5	143,033	5
Retained earnings				
Legal reserve	331,163	10	288,752	10
Total unappropriated retained earnings (accumulated deficit)	425,869	13	441,283	15
Other equity interest				
Total other equity interest	13,779	-	29,689	1
Total equity attributable to owners of parent	1,744,866	52	1,693,067	57
Non-controlling interests	38,742	1	45,147	1
Total equity	1,783,608	53	1,738,214	58
Total liabilities and equity	\$ 3,345,587	100	\$ 2,990,537	100

The accompanying notes are an integral part of the consolidated financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	2016		2015	
	Amount	%	Amount	%
Operating revenue	\$ 4,707,109	100	\$ 4,790,899	100
Operating costs	(2,961,663)	(63)	(3,084,184)	(65)
Gross profit	1,745,446	37	1,706,715	35
Operating expenses				
Total selling expenses	(660,353)	(14)	(630,675)	(13)
Total administrative expenses	(113,383)	(2)	(120,660)	(2)
Total research and development expenses	(480,916)	(10)	(415,572)	(9)
Total operating expenses	(1,254,652)	(26)	(1,166,907)	(24)
Net operating income	490,794	11	539,808	11
Non-operating income and expenses				
Total other income	26,413	-	20,753	1
Other gains and losses, net	(19,937)	-	17,665	-
Finance costs, net	(3,701)	-	(3,733)	-
Total non-operating income and expenses	2,775	-	34,685	1
Profit before income tax	493,569	11	574,493	12
Total income tax expense	(118,761)	(3)	(133,987)	(3)
Net income	\$ 374,808	8	\$ 440,506	9
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	\$ 8,304	-	\$ (11,463)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(1,412)	-	1,949	-
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	(19,742)	-	12,104	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	3,356	-	(2,057)	-
Other comprehensive income, net	\$ (9,494)	-	\$ 533	-
Total comprehensive income	\$ 365,314	8	\$ 441,039	9
Net income attributable to:				
Shareholders of the parent	\$ 360,023	8	\$ 424,099	9
Non-controlling interests	\$ 14,785	-	\$ 16,407	-
Comprehensive income attributable to:				
Shareholders of the parent	\$ 350,920	8	\$ 424,190	9
Non-controlling interests	\$ 14,394	-	\$ 16,849	-
Earnings per share				
Total basic earnings per share	\$ 4.56		\$ 5.38	
Total diluted earnings per share	\$ 4.43		\$ 5.25	

The accompanying notes are an integral part of the consolidated financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to Shareholders of the Parent									
	Share capital			Retained earnings			Other equity			
	Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity	
Beginning balance, January 1, 2015	\$ 783,450	\$ 153	\$ 128,062	\$ 257,801	\$ 371,791	\$ 20,270	\$ 1,561,527	\$ 38,515	\$ 1,600,042	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	37,056	(37,056)	-	-	-	-	
Reversal of legal reserve	-	-	-	(6,105)	6,105	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(314,328)	-	(314,328)	-	(314,328)	
Net income for 2015	-	-	-	-	424,099	-	424,099	16,407	440,506	
Other comprehensive income	-	-	-	-	(9,328)	9,419	91	442	533	
Stock option exercised by employees	6,860	(153)	7,826	-	-	-	14,533	-	14,533	
Compensation cost of employee stock options	-	-	7,145	-	-	-	7,145	-	7,145	
Changes in non-controlling interests	-	-	-	-	-	-	-	(10,217)	(10,217)	
Ending balance, December 31, 2015	<u>\$ 790,310</u>	<u>\$ -</u>	<u>\$ 143,033</u>	<u>\$ 288,752</u>	<u>\$ 441,283</u>	<u>\$ 29,689</u>	<u>\$ 1,693,067</u>	<u>\$ 45,147</u>	<u>\$ 1,738,214</u>	
Beginning balance, January 1, 2016	\$ 790,310	\$ -	\$ 143,033	\$ 288,752	\$ 441,283	\$ 29,689	\$ 1,693,067	\$ 45,147	\$ 1,738,214	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	42,411	(42,411)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(339,833)	-	(339,833)	-	(339,833)	
Net income for 2016	-	-	-	-	360,023	-	360,023	14,785	374,808	
Other comprehensive income	-	-	-	-	6,807	(15,910)	(9,103)	(391)	(9,494)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	177	-	-	-	177	-	177	
Compensation cost of employee stock options	-	-	16,175	-	-	-	16,175	-	16,175	
Proceeds from issuing convertible bonds	-	-	24,360	-	-	-	24,360	-	24,360	
Changes in non-controlling interests	-	-	-	-	-	-	-	(20,799)	(20,799)	
Ending balance, December 31, 2016	<u>\$ 790,310</u>	<u>\$ -</u>	<u>\$ 183,745</u>	<u>\$ 331,163</u>	<u>\$ 425,869</u>	<u>\$ 13,779</u>	<u>\$ 1,744,866</u>	<u>\$ 38,742</u>	<u>\$ 1,783,608</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities, indirect method		
Profit (loss) before tax	\$ 493,569	\$ 574,493
Adjustments		
Adjustments to reconcile profit (loss)		
Provision (reversal of provision) for bad debt expense	353	839
Depreciation expense	53,909	44,089
Amortization expense	17,252	13,451
Interest income	(2,103)	(2,206)
Loss (gain) on disposal of property, plan and equipment	336	204
Loss (gain) on disposal of investments	(456)	(662)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(15)	88
Net loss (gain) on financial liabilities at fair value through profit or loss	546	-
Interest expense	3,701	3,733
Impairment loss on non-financial assets	-	3,868
Share-based payments	16,175	7,145
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in financial assets held for trading	(145,544)	75,661
Decrease (increase) in notes receivable	973	(3,068)
Decrease (increase) in accounts receivable	(10,423)	(43,862)
Decrease (increase) in other receivable	(2,802)	(1,118)
Decrease (increase) in inventories	217,255	(194,727)
Decrease (increase) in prepayments	(1,948)	(7,114)
Decrease (increase) in other current assets	511	697
Changes in operating liabilities		
Increase (decrease) in notes payable	(647)	633
Increase (decrease) in accounts payable	(10,264)	211,326
Increase (decrease) in other payable	(5,042)	(4,582)
Increase (decrease) in other current liabilities	(12,296)	21,196
Cash inflow (outflow) generated from operations	613,040	700,084
Interest received	2,103	2,206
Interest paid	(3,882)	(3,734)
Income taxes refund (paid)	(145,515)	(125,710)
Net cash flows from (used in) operating activities	465,746	572,846

(continued)

AXIOMTEK CO., LTD. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	\$ (42,650)	\$ (60,154)
Proceeds from disposal of property, plant and equipment	2,641	724
Acquisition of intangible assets	(14,689)	(14,599)
Increase in other non-current assets	32	(1,070)
Net cash flows from (used in) investing activities	(54,666)	(75,099)
Cash flows from (used in) financing activities		
Decrease in short-term loans	(291,000)	(424,600)
Increase in short-term loans	281,000	419,400
Repayments of long-term debt	(6,934)	(6,844)
Decrease in other non-current liabilities	(995)	(988)
Proceeds from long-term debt	-	7,938
Proceeds from issuing bonds	420,000	-
Cash dividends paid	(339,833)	(314,328)
Exercise of employee share options	-	14,533
Change in non-controlling interests	20,799	10,217
Net cash flows from (used in) financing activities	83,037	(294,672)
Effect of exchange rate changes on cash and cash equivalents	(57,526)	(21,571)
Net increase (decrease) in cash and cash equivalents	436,591	181,504
Cash and cash equivalents at beginning of period	559,006	377,502
Cash and cash equivalents at end of period	\$ 995,597	\$ 559,006

The accompanying notes are an integral part of the consolidated financial statements.
(With PricewaterhouseCoopers audit report dated February 23, 2017)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.
2016 Profit Distribution Table

Unit : TWD

Item	Amounts	
	Sub-total	Total
Unappropriated retained earnings at the beginning of the term		59,039,395
Other comprehensive income and loss_net defined benefit liability (assets) measuring adjustment	6,806,667	
Adjusted unappropriated retained earnings		65,846,062
2016 Net income	360,022,769	
10% set aside as legal reserve	(36,002,277)	
Total unappropriated retained earnings		389,886,554
Distributable item:		
Shareholders' dividend – cash (\$3.65 per share)		(288,463,274)
Unappropriated retained earnings at the end of the term		101,403,280

Remarks: The 2016 profit distribution shall prevail for the profit distribution this time.

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.**Comparison Table for Articles in the “Articles of Incorporation”
(before and after Revision)**

Article	Contents after revision	Contents before revision	Explanation
4	The Company may provide endorsement and guarantee and act as a guarantor, the proceeding in accordance with the Operating Procedures <u>of Fund Lending and Making</u> of Endorsements and Guarantees.	The Company may provide endorsement and guarantee and act as a guarantor, the proceeding in accordance with the Operating Procedures of Endorsement and Guarantees.	Act in connection with the name of Operating Procedures
7	<u>The Company is exempted from having the stock shares printed out; however, the Company should contact the securities depository and clearing institution for registration.</u>	The share certificates of the Company shall all be name-bearing share certificates, and shall be affixed with the signatures or personal seals of three or more Directors and duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance. The shares to be issued to the public may be exempted from printing any share certification, but the Company shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares. For the new shares to be issued by the Company offering its shares to the public, the Company may print a consolidated share certificate representing the total number of the new shares to be issued at the same time of issue, the shares certification to be issued in accordance with the provision of the preceding sentence may be exempted from printing any share certification for the shares issued, but the Company shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares.	Act in connection with the paperless share of the Company
9	All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholder of the Company shall follow the “Guidelines for Stock Operations for Public Companies”.	All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholder of the Company shall follow the “Guidelines for Stock Operations for Public Companies”. Taiwan Depository & Clearing Corporation (TDCC) has the right to	Act in connection with the paperless share of the Company

Article	Contents after revision	Contents before revision	Explanation
		request the Company merge the stock mentioned above and renew to the large denomination securities.	
27-1	When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution of the dividends and bonuses to the shareholders base on the amount in this provision and provide the proposal to shareholders' meeting to get resolution. The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than <u>25%</u> as shareholders' dividends; the dividends in the said proceeding sentence can be distributed in the form of shares or in cash, the stock Dividends of Share Allocations will not be higher than 80% of the Total Dividends.	When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution of the dividends and bonuses to the shareholders base on the amount in this provision and provide the proposal to shareholders' meeting to get resolution. The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 50% as shareholders' dividends; the dividends in the said proceeding sentence can be distributed in the form of shares or in cash, the stock Dividends of Share Allocations will not be higher than 80% of the Total Dividends.	Act in connection with the practical operations, and long-term financial planning of the Company
29	The first time to the twenty-two (slightly) The twenty-three Amendment was made on May 31, 2016 <u>The twenty-four Amendment was made on May 22, 2017</u>	The first time to the twenty-two (slightly) The twenty-three Amendment was made on May 31, 2016.	Additional amendment and the date.

AXIOMTEK CO., LTD.

**Comparison Table for Articles in the “Operating Procedures
for Acquisition and Disposal of Assets”
(before and after Revision)**

Article	Contents after revision	Contents before revision	Explanation
7.2.4	The calculation of the transaction amounts referred to in the preceding three articles (7.2.1, 7.2.2, 7.2.3) shall be done in accordance with Article 7.6.1.7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	The calculation of the transaction amounts referred to in the preceding three articles (7.2.1, 7.2.2, 7.2.3) shall be done in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	Act in connection with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.
7.3.2	When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or redemption of domestic money market funds <u>issued by domestic securities investment trust business</u> , the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:	When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Supervisors:	
7.3.2.6	An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article <u>7.3.1</u> .	An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.	
7.3.3	The calculation of the transaction amounts referred to in Article <u>7.3.2</u> shall be made in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers	The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 7.6.1.5 herein, and "within the preceding	

Article	Contents after revision	Contents before revision	Explanation
	to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.	year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.	
7.3.7	Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Article <u>7.3.6</u> .	Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.	
7.3.9.3	Completed transactions for neighboring or closely valued parcels of land in Article <u>7.3.9.2</u> in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	
7.3.10.3	Actions taken pursuant to Article <u>7.3.10.1</u> and Article <u>7.3.10.2</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	
7.3.11	The Company that has set aside a special reserve under Article <u>7.3.10</u> may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.	The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.	

Article	Contents after revision	Contents before revision	Explanation
7.5.1	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>But the public offering company merges its direct or indirect holding of 100% of the issued shares or total capital, or a subsidiary thereof, either directly or indirectly, of 100% of the issued shares or capital of the Company, the reasonable advice of the experts could not be obtained.</u></p>	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.</p>	
7.5.2	<p>The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to Article 7.5.1 when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p>	<p>The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p>	
7.5.4	<p>A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Authority is notified in advance of extraordinary circumstances and grants consent.</p>	<p>A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p>	
7.5.5	<p>A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the</p>	<p>A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the</p>	

Article	Contents after revision	Contents before revision	Explanation
	transaction, unless another act provides otherwise or the Authority is notified in advance of extraordinary circumstances and grants consent.	transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.	
7.6.1	Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:	Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:	
7.6.1.1	Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, <u>or redemption of domestic money market funds issued by domestic securities investment trust business,</u> .	Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.	
7.6.1.4	<u>The types of assets acquired or disbursed are used for business purposes and the counterparties are not Interested Parties, the transaction amount is as one of the following:</u>	(change from Article 7.6.1.4. to Article 7.6.1.6.)	
7.6.1.4.1	<u>Paid-up Capital is under TWD10 billion dollars, transaction amount is over than TWD 500 million dollars.</u>	(change from Article 7.6.1.4.1 to Article 7.6.1.6.1.)	
7.6.1.4.2	<u>Paid-up Capital is over than TWD10 billion dollars, transaction amount is over than TWD 1000 million dollars.</u>	Securities trading by investment professionals on foreign or domestic securities Exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.	
7.6.1.4.4	(removed)	Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than TWD500 million.	

Article	Contents after revision	Contents before revision	Explanation
7.6.1.4.5	(removed)	Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than TWD500 million.	
Change from 7.6.1.4.6. to 7.6.1.5	Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than TWD500 million.	Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than TWD500 million.	
Change from 7.6.1.4. to 7.6.1.6	Except for the asset transaction stated in <u>Article 7.6.1.1 to 7.6.1.5</u> , Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or TWD300 million; provided, <u>this shall not apply to the following circumstances:</u>	Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:	
Change from 7.6.1.4.1. to 7.6.1.6.1	(same as before)	Trading of government bonds.	
Change from 7.6.1.4.3. to 7.6.1.6.2	Trading of government bonds or bonds under repurchase and resale agreements, or <u>subscription or redemption of domestic money market funds issued by domestic securities investment trust business.</u>	Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.	
Change from 7.6.1.5. to 7.6.1.7	The amount of transactions above shall be calculated as follows:	The amount of transactions above shall be calculated as follows:	
Change from 7.6.1.5.1. to 7.6.1.7.1	(same as before)	The amount of any individual transaction.	
Change from 7.6.1.5.2. to 7.6.1.7.2	(same as before)	The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.	

Article	Contents after revision	Contents before revision	Explanation
Change from 7.6.1.5.3. to 7.6.1.7.3	(same as before)	The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.	
Change from 7.6.1.5.4. to 7.6.1.7.4	(same as before)	The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.	
Change from 7.6.1.6. to 7.6.1.8	"Within the preceding year" as used in <u>Article 7.6.1.7</u> refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.	"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.	
Change from 7.6.1.7. to 7.6.1.9	(same as before)	The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.	
Change from 7.6.1.8. to 7.6.1.10	When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it <u>within 2 days upon acknowledgment</u> , all the items shall be again publicly announced and reported in their entirety.	When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.	
Change from 7.6.1.9. to 7.6.1.11	(same as before)	The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.	

Article	Contents after revision	Contents before revision	Explanation
7.6.2	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with <u>Article 7.6.1</u> , a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:	
7.8	The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in <u>Article 7.7</u> is subject to Article 7.6.1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.	The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 7.6.1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.	
7.11	The Company that engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with <u>Article 7.10</u> , shall also establish related procedures in accordance with the provisions of this Procedure.	The Company that engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with the provisions of the preceding paragraph, shall also establish related procedures in accordance with the provisions of this Procedure.	
7.13	With respect to a public company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to Audit Committee. Where the position of independent director has been created <u>in accordance with Securities Exchange Act</u> , when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall	With respect to a public company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to Audit Committee. Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the	

Article	Contents after revision	Contents before revision	Explanation
	be recorded in the minutes of the Board of Directors meeting.	minutes of the Board of Directors meeting.	
8.1	Engaged in derivative commodity transaction processing procedures.	(not available)	

AXIOMTEK CO., LTD.

Comparison Table for Articles in the “Operating Procedures for Trading Derivatives” (after Revision)

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 a log book 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 Acquisition or Disposal of Assets

8.3 Record and Others:

Not applicable.

AXIOMTK CO., LTD.

Comparison Table for Articles in the “Methods for Election of Directors” (before and after Revision)

Article	Contents after revision	Contents before revision	Explanation
1	To ensure a just, fair, and open election of Directors and Supervisors, these Procedures are adopted pursuant to Articles 21 of the 『Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.』		This Article is added.
Change from 1 to 2	Except as otherwise provided by law and regulation or by the Company's articles of incorporation, <u>elections</u> of Directors shall be conducted in accordance with these Procedures.	Except as otherwise provided by law and regulation or by the Company's Articles of Incorporation, elections of Directors shall be conducted in accordance with these Procedures.	Act in connection with the wording modification of 『sample Template for XXX Co., Ltd. Methods for Election of Directors and Supervisors』
	(removed)	The election of the Directors of the Company is held at the Shareholders' Meeting	deleted
	(removed)	The number of Directors of the Company is subject to the number stipulated in the 『Article of Incorporation of AXIOMTEK CO., LTD.』	deleted
3	<u>The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's Directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:</u> <ol style="list-style-type: none"> 1. <u>Basic requirements and values: Gender, age, nationality, and culture.</u> 2. <u>Professional knowledge and skills: A professional background (e.g., law,</u> 	(not available)	This Article is added.

Article	Contents after revision	Contents before revision	Explanation
	<p><u>accounting, industry, finance, marketing, technology, professional skills, and industry experience.</u></p> <p><u>Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:</u></p> <ol style="list-style-type: none"> <u>1. The ability to make judgments about operations.</u> <u>2. Accounting and financial analysis ability.</u> <u>3. Business management ability.</u> <u>4. Crisis management ability.</u> <u>5. Knowledge of the industry.</u> <u>6. An international market perspective.</u> <u>7. Leadership ability.</u> <u>8. Decision-making ability.</u> <p><u>More than half of the Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</u></p> <p><u>The Board of Directors of the Company shall consider adjusting its composition based on the results of performance evaluation.</u></p>		
4	<p><u>The qualifications for the Independent Directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</u></p> <p><u>The election of Independent Directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.</u></p>	(not available)	This Article is added.
5	<p><u>Elections of Directors (including Independent Directors) at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. The Company shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with</u></p>	(not available)	This Article is added.

Article	Contents after revision	Contents before revision	Explanation
	<p><u>respect to nominee Directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified Directors will be elected</u></p> <p><u>When the number of Directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of Directors falls short by one third of the total number prescribed in the Company's articles of incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</u></p> <p><u>When the number of Independent Directors falls below that required under the provision of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent Directors are all dismissed, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</u></p>		
<p>Change from 4 to 6</p>	<p>The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.</p> <p><u>The election of Directors at the Company, shareholder may exercise the right by choosing the way of electronic or cast the vote.</u></p> <p><u>Shareholder shall exercise the vote right in the electronic platform assigned by the Company as executing election right stated in preceding paragraph.</u></p> <p>The election of the Company's Independent Directors is used candidate nominate system, independent and non-Independent Directors elected at the same time, but in separately calculated numbers.</p>	<p>The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.</p> <p><u>Attendance card numbers printed on the ballots is used instead of recording the names of voting shareholders.</u></p> <p>The election of the Company's Independent Directors is used candidate nominate system, independent and non-Independent Directors elected at the same time, but in separately calculated numbers.</p>	<p>The article number correction. Act in connection with using electronic vote and candidate nominate system for Directors.</p>
<p>Change from 6 to 7</p>	<p><u>The Board of Directors shall prepare separate ballots for Directors and Supervisors in numbers corresponding to the Directors or Supervisors to be</u></p>	<p>The Board of Directors shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected, attendance</p>	<p>The article number correction. Article is</p>

Article	Contents after revision	Contents before revision	Explanation
	<u>elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. The ballots will not be printed if shareholder use the way of electronic election.</u>	card numbers and the number of voting rights printed on the ballots of voting shareholders.	added.
Change from 5 to 8	The number of Directors will be as specified in the Company's articles of incorporation, <u>with voting rights separately calculated for independent and non-independent director positions.</u> Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. <u>The voting right stated in the preceding paragraph will be calculated with electronic and cast vote in the shareholder's meeting.</u> <u>The results of the preceding vouchers shall be determined by the shareholders who meet the requirements of Article 44 of the Rules of Shareholders before the shareholders' meeting, confirm the identity of the shareholders and vote and complete the statistical verification</u>	The number of Directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.	The article number correction. Act in connection with using electronic vote and candidate nominate system for Directors.
Change from 7 to 9	<u>Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel, vote monitoring personnel shall be shareholder to execute each job of duty. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.</u>	The Chairman appoints the vote monitoring and counting personnel, and solicits a number of shareholders to attend the vote monitoring. If the attendance of the shareholders is not appliance to be a vote monitoring, the vote monitoring may be appointed by the chairman directly.	The article number correction. Article content modification.
	(removed)	The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.	Merge into Article 7
Change	<u>If a candidate is a shareholder, a voter must enter the candidate's account</u>	When the electors fill in the ballot papers, the names of the electors and	The article number

Article	Contents after revision	Contents before revision	Explanation
<p>from 9 to 10</p>	<p><u>name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</u></p>	<p>the number or identity of the electorate shall be made by a brush, fountain pen or pen in the column of 『the elector of the election』, If a candidate is a governmental organization or juristic-person shareholder, the should be deal with as following:</p> <ol style="list-style-type: none"> 1. the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, 2. both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. 3. The representative of governmental organization or juristic-person shall have capacity of action, and the right to be elected of the elector shall be written. <p>The shareholder's stamp can be stead of the electors' name, card number, ID number or Uniform number.</p>	<p>correction. Simplify the contents of the article.</p>
<p>Change from 10 to 11</p>	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. <u>The ballot was not prepared by the Board of Directors.</u> 2. <u>A blank ballot is placed in the ballot box.</u> 3. <u>The writing is unclear and indecipherable or has been altered.</u> 4. <u>The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</u> 5. <u>Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights</u> 	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. The ballot was not prepared by this rules of procedures. 2. The ballot is not put in the box. 3. The ballot is not prepared by the board of meeting, or not sealed by the Company, or not fill in the attendance number of electors and the election vote with election right in the ballot. 4. A blank ballot is placed in the ballot box. 5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted. 6. The writing is unclear and indecipherable. 7. One of the name and the shareholder number or ID number in the ballot is altered. 8. The candidate whose name is entered in the ballot is a 	<p>The article number correction. Article content modification.</p>

Article	Contents after revision	Contents before revision	Explanation
	<p><u>allotted.</u></p> <p>6. <u>The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.</u></p>	<p>shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</p> <p>The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.</p>	
<p>Change from 11 to 12</p>	<p>The voting rights <u>shall be calculated on site immediately</u> under the supervise of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors or Supervisors and the numbers of votes with which they were elected, shall be announced by the chair on the site.</p>	<p>The voting rights shall be calculated on site immediately under the supervise of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors or Supervisors and the numbers of votes with which they were elected, shall be announced by the chair on the site.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the vote monitoring and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	<p>Article number correction.</p>
<p>Change from 12 to 13</p>	<p>(same as before)</p>	<p>These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.</p>	<p>Article number correction.</p>
	<p>(removed)</p>	<p>The present Measures do not stipulate that the Company shall handle the Company Law and the relevant laws and regulations.</p>	<p>Deleted and merge into Article 2.</p>
<p>14</p>	<p><u>These Rules of Procedure was stipulated at the date of May 22, 2017.</u></p>	<p>(not available)</p>	<p>This Article is added. Amendment date is added.</p>

PART THREE – Appendices

(APPENDIX I)

AXIOMTEK CO., LTD.

Rules of Procedure for Board of Directors' Meeting

(before Revision)

Article 1

To establish a strong governance system and sound supervisory capabilities for the Company's Board of Directors and to strengthen management capabilities, these Charters are adopted pursuant to Article 2 of the 『Regulations Governing Procedure for Board of Directors Meetings of Public Companies』.

Article 2

With respect to the Board of Directors meetings ("board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Charter.

Article 3

The Board of Directors shall meet at least quarterly.

A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.

The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.

All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.

Article 4

The designated unit responsible for the board meetings of the Company shall be General Affair Division.

The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.

A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.

Article 5

When a board meeting is held, an attendance book shall be provided for signing-in by attending Directors, which shall be made available for future reference.

Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's articles of incorporation. Attendance by videoconference will be deemed attendance in person.

A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 6

A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all Directors to attend and suitable for holding board meetings.

Article 7

Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected Board of Directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the Directors were elected; if two or more Directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the Directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or Directors shall select one person from among themselves to serve as chair.

Article 8

When a board meeting is held, General Affair Division shall furnish the attending Directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the Directors are in attendance. If one-half of all the Directors are not in attendance at

the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

The number of "all Directors," as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2, shall be counted as the number of Directors then actually in office.

Article 9

Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 10

Agenda items for regular board meetings of the Company shall include at least the following:

1. Matters to be reported:
 - A. Minutes of the last meeting and action taken.
 - B. Important financial and business matters.
 - C. Internal audit activities.
 - D. Other important matters to be reported.
2. Matters for discussion:
 - A. Items for continued discussion from the last meeting.
 - B. Items for discussion at this meeting.
3. Extraordinary motions.

Article 11

A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of Directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the Directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of Directors sitting at the meeting does not constitute a majority of the attending Directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply *mutatis mutandis*.

Article 12

The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:

1. The Company's business plan.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following Board of Directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of TWD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current Board of Directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

With respect to a matter that, under Article 14-3 of the Securities and Exchange Act, must be approved by resolution at a board meeting, any and all Independent Directors of the Company shall attend the meeting in person or appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

Article 13

When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.
4. A vote by a method selected at the Company's discretion.

"Attending Directors," as used in the preceding two paragraphs, does not include Directors that may not exercise voting rights pursuant to Article 15, paragraph 1.

Article 14

Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the Directors in attendance at a Board of Directors meeting attended by a majority of all Directors.

When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be Directors.

Voting results shall be made known on-site immediately and recorded in writing.

Article 15

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 2 of the same Act.

Article 16

Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The Directors' attendance at the meeting, including the names and the number of Directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.
8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

1. Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
2. A resolution is adopted with the approval of two-thirds or more of all Directors, without having been passed by the audit committee of the Company.

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may produced and distributed in electronic form.

Article 17

With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, when the Board of Directors appoints a party to exercise the powers of the board in accordance with applicable laws and regulations or the Company's articles of incorporation, the levels of such delegation and the content or matters it covers shall be definite and specific, general authorization is not allowed:

1. Handled by the chart of Level of Authority.
2. Handled by Management Regulations, System, and the rules of the Company.
3. Evaluate the qualification of the Account and nominate qualified candidate.
4. Handled with the matters with endorsement/guarantee matters in accordance with the regulations of making a loan and endorsement/guarantee, and have trade in accordance with the amount in accordance with the procedures of the procedure for Acquisition of Disposal of Assets depending on the Company's funds, and report the execution situation to the Board of Directors.

Article 18

These Rules of Procedure shall be adopted by the approval of meeting of the Board of Directors and shall be reported to the shareholders meeting.

Article 19

These Rules of Procedure was stipulated at the date of March 31, 2015.

AXIOMTEK CO., LTD.

Operating Procedures for Acquisition and Disposal of Assets (before Revision)

Article 1 Purpose

For the purpose of the Company's acquisition or disposal of assets 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

The Company's acquisition or Disposal of assets should be made in compliance with these Regulations; provided, where another law or regulation provides otherwise, such provisions shall govern.

Article 3 Definitions

- 3.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts products, whose value is derived from assets, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- 3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
- 3.3 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.4 Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- 3.5 Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- 3.6 Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the

provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4 Reference Regulations

- 4.1 Item 218 of Company Law.
- 4.2 Item 36-1 of Security and Exchange Law
- 4.3 Item 41 I of Security and Exchange Law
- 4.4 『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 made by Financial Supervisory Commission (FSC).
- 4.5 Organizational Rules of Audit Committee.

Article 5 Duty

- 5.1 Applicant: To issue the application of acquisition or disposal of Assets.
- 5.2 Finance Department:
 - 5.2.1. To evaluate the risk for acquisition or disposal of Assets.
 - 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 To provide the related information for Certified Accountants exercise the necessary audit program.
 - 5.2.5 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 acquisition or disposal of Assets by routine.
- 5.4 President: To review the evaluation report of acquisition or disposal of Assets issued by Finance Department.
- 5.5 Audit Committee: To establish and modify the procedures herein, and supervise any issue related to the acquisition or disposal of Assets.
- 5.6 Board Meeting: To make resolution for the issue related to the acquisition or disposal of Assets.

Article 6 Flow Chart

(Not applicable)

Article 7 Procedures/Way

- 7.1 The Scope of Assets
 - 7.1.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - 7.1.2 Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
 - 7.1.3 Memberships.

7.1.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.

7.1.5 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).

7.1.6 Derivatives.

7.1.7 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.

7.1.8 Other major assets.

7.2 Appraisal Procedures

7.2.1 Acquired or disposed of real property or equipment

7.2.1.1 In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or TWD300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

7.2.1.1.1 Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

7.2.1.1.2 Where the transaction amount is TWD1 billion or more, appraisals from two or more professional appraisers shall be obtained.

7.2.1.1.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

7.2.1.1.3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

7.1.1.1.3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

7.2.1.2 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional

appraiser.

7.2.1.3 The decision procedure for transaction condition and authorized facilities

7.2.1.3.1 The ability of acquiring or disposing of real property needs to be made the analysis report for the transaction condition and value to the chairman with referring to the issue of current value, assessed valuation, the real transaction value of real property nearby etc., when the transaction amount is under TWD50 millions, the report needs to be approved by the chairman and filing in the Board of Directors in the last time; when the transaction amount is higher than TWD 50 millions, the transaction need to be approved by the Board of Directors.

7.2.1.3.2 The ability of acquiring or disposing of other fixed assets should be in the way of inquiry, parity, bargain, or bidding; when the transaction amount is under TWD30 millions, it should be approved by authorized level in accordance with the regulations of authorized level in the Company; when the transaction amount is higher than TWD 30 millions, it should be approved by the General manager and report to the Meeting of Boarding to get approval in advance.

7.2.2 Acquired or disposed of Securities

7.2.2.1 Acquiring or disposing of securities of the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or TWD300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

7.2.2.2 The decision procedure for transaction condition and authorized facilities

7.2.2.2.1 To trade the securities in the centralized trading market or the counter specially provided by securities firms, it should be analyzed and decided by the responsible unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 millions, it should be approved by the Board of Directors.

7.2.2.2.2 To trade the securities neither in the centralized trading market nor in the counter specially provided by securities firms, it should get the finance statement audited the certified account from the target company for the

reference of transaction evaluation, and EPS, the ability for benefit gaining, and the future potential need to be considered, this transaction should be responsible by the related unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 millions, it should be approved by the Board of Directors.

7.2.2.2.3 To invest the bond funds with fixed-income investments, it should authorized to the Finance Supervisor to approve it.

7.2.3 Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or TWD300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

7.2.4 The calculation of the transaction amounts referred to in the preceding three articles(7.2.1, 7.2.2, 7.2.3) shall be done in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

7.2.5 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

7.3 Related Party Transactions

7.3.1 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7.2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7.2.4 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

7.3.2 When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Supervisors:

- 7.3.2.1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 7.3.2.2 The reason for choosing the related party as a trading counterparty.
- 7.3.2.3 With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
- 7.3.2.4 The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
- 7.3.2.5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 7.3.2.6 An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- 7.3.2.7 Restrictive covenants and other important stipulations associated with the transaction.
- 7.3.3 The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.
- 7.3.4 With respect to the acquisition or disposal of business-use equipment between a public company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article 7.2.1.3 and Article 7.2.2.2 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.
- 7.3.5 When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- 7.3.6 The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - 7.3.6.1 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 7.3.6.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply

where the financial institution is a related party of one of the trading counterparties.

7.3.7 Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

7.3.8 The Company that acquires real property from a related party and appraises the cost of the real property in accordance with Article 7.3.6.1 and 7.3.6.2 shall also engage a CPA to check the appraisal and render a specific opinion.

7.3.8.1 Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 7.3.2 and Article 7.3.6, 7.3.7 and 7.3.8 do not apply:

7.3.8.2 The related party acquired the real property through inheritance or as a gift.

7.3.8.3 More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.

7.3.8.4 The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

7.3.9 When the results of the Company's appraisal conducted in accordance with Article 7.3.6.1 and 7.3.6.2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.3.10, Article 7.3.11 and Article 7.3.12. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

7.3.9.1 Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

7.3.9.1.1 Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

7.3.9.1.2 Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

7.3.9.1.3 Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard

property leasing market practices.

7.3.9.2 Where a public company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

7.3.9.3 Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

7.3.10 Where a public company acquires real property from a related party and the results of appraisals conducted in accordance with Article 7.3.6 and Article 7.3.9 are uniformly lower than the transaction price, the following steps shall be taken:

7.3.10.1 A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

7.3.10.2 Audit Committee shall comply with Article 218 of the Company Act.

7.3.10.3 Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

7.3.11 The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

7.3.12 When the Company obtains real property from a related party, it shall also comply with the Article 7.3.11 and Article 7.3.12 if there is other evidence indicating that the acquisition was not an arms length transaction.

7.4 Engaging in Derivatives Trading

7.4.1 Public companies engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:

- 7.4.1.1 Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.
- 7.4.1.2 Risk management measures.
- 7.4.1.3 Internal audit system.
- 7.4.1.4 Regular evaluation methods and the handling of irregular circumstances.
- 7.4.2 The Company engaging in derivatives trading shall adopt the following risk management measures:
 - 7.4.2.1 Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
 - 7.4.2.2 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
 - 7.4.2.3 Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
 - 7.4.2.4 Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
 - 7.4.2.5 Other important risk management measures.
- 7.4.3 Where the Company engaging in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:
 - 7.4.3.1 Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
 - 7.4.3.2 Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- 7.4.4 Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:
 - 7.4.4.1 Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
 - 7.4.4.2 When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where a company has Independent Directors, an independent director shall be present at the meeting and express an opinion.
- 7.4.5 The Company shall report to the soonest meeting of the Board of Directors and Audit

Committee after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

7.4.6 The Company engaging in derivatives trading shall establish a log book 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 under Article 7.4.2.4, Article 7.4.3.2 and Article 7.4.4.1 shall be recorded in detail in the log book.

7.4.7 The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

7.5 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

7.5.1 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.

7.5.2 The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

7.5.3 Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

7.5.4 A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

7.5.5 A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

7.5.6 When participating in a merger, demerger, acquisition, or transfer of another company's

shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- 7.5.6.1 Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- 7.5.6.2 Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
- 7.5.6.3 Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- 7.5.7 When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directorss, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 7.5.6.1 and 7.5.6.2 of the preceding paragraph to the FSC for recordation.
- 7.5.8 Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Article 7.5.6 and Article 7.5.7.
- 7.5.9 Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- 7.5.10 The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - 7.5.10.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - 7.5.10.2 An action, such as a disposal of major assets, that affects the company's financial operations.
 - 7.5.10.3 An event, such as a major disaster or major change in technology, that affects

shareholder equity or share price.

- 7.5.10.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- 7.5.10.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- 7.5.10.6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 7.5.11 The contract for participation by a public company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
 - 7.5.11.1 Handling of breach of contract.
 - 7.5.11.2 Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - 7.5.11.3 The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - 7.5.11.4 The manner of handling changes in the number of participating entities or companies.
 - 7.5.11.5 Preliminary progress schedule for plan execution, and anticipated completion date.
 - 7.5.11.6 Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 7.5.12 After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- 7.5.13 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 7.5.4, Article 7.5.9, and Article 7.5.12.

7.6 Public Disclosure of Information

- 7.6.1 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

- 7.6.1.1 Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
- 7.6.1.2 Merger, demerger, acquisition, or transfer of shares.
- 7.6.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- 7.6.1.4 Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:
 - 7.6.1.4.1 Trading of government bonds.
 - 7.6.1.4.2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
 - 7.6.1.4.3 Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
 - 7.6.1.4.4 Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than TWD500 million.
 - 7.6.1.4.5 Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than TWD500 million.
 - 7.6.1.4.6 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than TWD500 million.
- 7.6.1.5 The amount of transactions above shall be calculated as follows:
 - 7.6.1.5.1 The amount of any individual transaction.
 - 7.6.1.5.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - 7.6.1.5.3 The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
 - 7.6.1.5.4 The cumulative transaction amount of acquisitions and disposals (cumulative

acquisitions and disposals, respectively) of the same security within the preceding year.

7.6.1.6 "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

7.6.1.7 The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

7.6.1.8 When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

7.6.1.9 The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

7.6.2 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

7.6.2.1 Change, termination, or rescission of a contract signed in regard to the original transaction.

7.6.2.2 The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

7.6.2.3 Change to the originally publicly announced and reported information.

7.7 Information required to be public announced and reported in accordance with the provisions of the related Regulations on acquisitions and disposals of assets by a subsidiary of a public company that is not itself a public company in Taiwan shall be reported by the Company.

7.8 The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 7.6.1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

7.9 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than TWD10, for the calculation of transaction amounts of 20 percent of paid-in capital under these

Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

- 7.10 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.
- 7.11 The Company that engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with the provisions of the preceding paragraph, shall also establish related procedures in accordance with the provisions of this Procedure.
- 7.12 The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations.
- 7.13 With respect to a public company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to Audit Committee. Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- 7.14 The provisions of the Procedure shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, the same applies when the procedures are amended. If an independent 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 Audit Committee. Where the position of independent director has been created in accordance with the related law, when a procedure involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Article 8 The related documents

8.1 Documents

(Not applicable)

8.2 Form

8.2.1 The memorandum book of Acquisition or Disposal of Assets.

8.3 Record and others

(Not applicable)

AXIOMTEK CO., LTD.
Operating Procedures for Trading Derivatives
(before Revision)

Article 1 Purpose and Legislative:

For the purpose of protecting investors, fulfilling information disclosure, this Procedure are handled in accordance with Article 36,38 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:

- (I) 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).
- (II) 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.
- (III) The Company engaging in deposit trading of bonds shall comply with these Key Points.

Article 3 Trading principles and policies:

- (I) 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.

- (II) Duties

1. Finance division: 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.
2. Accounting Dept.: Is responsible for confirming the trading, delivery, and login details.

- (III) Transaction Amount:

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.

(IV) The Maximum of loss

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

1. The maximum for the single floating loss is under 6%.
2. The maximum for the total floating loss is under NT \$10 millions.
3. Each of the total floating loss of the fiscal year is under NT \$ 10 millions.

(V) The 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.

Article 4 Procedure

(I) 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

(II) Executed Unit: Authorize Personnel of Finance Dept. to execute.

(III) Statement of Work:

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 (I) herein, the personnel shall get the approval from his/her supervisor in advance.
2. 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.
3. Finance dept. collect and pass 「Foreign exchange transaction monthly report」 to Accounting Dept. by month for being the basement of accounting valuation.

Article 4-1 Supervision and Management

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

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

The High Top Management Personnel appointed by the Boarding Meeting shall manage Derivatives Transactions in accordance with the principals as follows:

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.
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 Boarding Meeting. The Company who has established Independent Directors, Independent Directors shall attend to the Boarding Meeting and express their opinions.

The personnel who is authorized to deal with Derivatives Transactions in accordance with the rules of Operating Procedures for Trading Derivatives should be reported to the Boarding Meeting after the transaction done.

Article 5 The Risk Management Control Measure

1. Credit Risk Management

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

2. Market Risk Management

The Market shall be focus on the open foreign exchange provided by bank for hedging transactions.

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.

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.

5. SOW Risk management

- (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.
- (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.
- (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.
- (4) The derivatives products hold in the Company shall be evaluated with twice times a month, and the evaluation report shall be submitted to the high level management authorized by the Boarding Meeting.

6. Legal Risk Management

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

Article 6 Announcement/Declare

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

Article 7 Methods of handling accounting

The Methods of handling accounting shall be in accordance with the No. 14 and No. 34 of Financial Accounting Standards Bulletin.

Article 8 Internal Audit

1. 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.
2. The Audit Unit shall file the auditing report of the preceding Paragraph and the implementing status of annual auditing plans of internal audits to the SEC before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the SEC before the end of May of next year.

Article 9 The Disclosure of Financial Report

The Company shall disclose the particulars of the derivatives transactions while making the periodic financial report (including yearly, half- yearly, financial statement and Consolidated Financial Statements).

Article 10 Exercise and Amendment

These Procedures shall be adopted by the approval of meeting of the Board of Directors and shall be 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 all Supervisors. If Independent Directors are exhibited, the Independent Directors' opinion shall be fully considered, and the reasons of the agreement/objections shall be recorded in the meeting minute.

AXIOMTEK CO., LTD.
Methods for Election of Directors
(before Revision)

Article 1

Unless otherwise provided by law and regulation or by this Company's Articles of Incorporation, elections of Directors shall be conducted in accordance with these Procedures.

Article 2

The election of the Directors of the Company is held at the Shareholders' Meeting

Article 3

The number of Directors of the Company is subject to the number stipulated in the 『Article of Incorporation of AXIOMTEK CO., LTD.』

Article 4

The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates. Attendance card numbers printed on the ballots is used instead of recording the names of voting shareholders.

The election of the Company's Independent Directors is used candidate nominate system, independent and non-Independent Directors elected at the same time, but in separately calculated numbers.

Article 5

The number of Directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

Article 6

The Board of Directors shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected, attendance card numbers and the number of voting rights printed on the ballots of voting shareholders.

Article 7

The Chairman appoints the vote monitoring and counting personnel, and solicits a number of shareholders to attend the vote monitoring. If the attendance of the shareholders is not appliance to be a vote monitoring, the vote monitoring may be appointed by the chairman directly.

Article 8

The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.

Article 9

When the electors fill in the ballot papers, the names of the electors and the number or identity of the electorate shall be made by a brush, fountain pen or pen in the column of 『 the elector of the election 』 , If a candidate is a governmental organization or juristic-person shareholder, the should be deal with as following:

1. the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper,
2. both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered.
3. The representative of governmental organization or juristic-person shall have capacity of action, and the right to be elected of the elector shall be written.

The shareholder's stamp can be stead of the electors' name, card number, ID number or Uniform number.

Article 10

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by this rules of procedures.
2. The ballot is not put in the box.
3. The ballot is not prepared by the board of meeting, or not sealed by the Company, or not fill in the attendance number of electors and the election vote with election right in the ballot.
4. A blank ballot is placed in the ballot box.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The writing is unclear and indecipherable.
7. One of the name and the shareholder number or ID number in the ballot is altered.
8. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.

9. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

Article 11

The voting rights shall be calculated on site immediately under the supervise of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors or Supervisors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the vote monitoring and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 12

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Article 13

The present Measures do not stipulate that the Company shall handle the Company Law and the relevant laws and regulations.

AXIOMTEK CO., LTD.

Articles of Incorporation

(before Revision)

Section I-General Provisions

Article 1

The Company shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 艾訊股份有限公司 in the Chinese language, and AXIOMTEK CO., LTD. in the English language.

Article 2

The scope of business of the Company shall be as follow:

1. CB01020 Office Machines Manufacturing
2. CC01080 Electronic Parts and Components Manufacturing
3. F219010 Retail Sale of Electronic Materials
4. I301020 Data Processing Services
5. I301030 Digital Information Supply Services
6. I501010 Product Designing
7. E605010 Computing Equipment's Installation Construction
8. CC01060 Wired Communication Equipment and Apparatus Manufacturing
9. CC01070 Telecommunication Equipment and Apparatus Manufacturing
10. CC01110 Computers and Computing Peripheral Equipments Manufacturing
11. CE01010 Precision Instruments Manufacturing
12. EZ05010 Apparatus Installation Construction
13. I301010 Software Design Services
14. F213030 Retail sale of Computing and Business Machinery Equipment
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 3

The Company shall have its head office in New Taipei County, Taiwan, Republic of China, and shall has its right to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Company deems it necessary or advisable to carry out any or all of its activities, upon approval of government authorities in charge.

Article 4

The Company may provide endorsement and guarantee and act as a guarantor, the proceeding in accordance with the Endorsement and Guarantee Regulation of the Company.

Section II – Capital Stock

Article 5

The total capital stock of Corporation shall be in the amount of 1,600,000,000 New Taiwan Dollars, divided into 160,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments upon approval of Board of Directors.

The Company may issue employee stock options from time to time upon Directors' resolution. A total of 10,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

Article 6

The Company may transfer shares to employees at less than the average actual share repurchase price in accordance with Article 10-1 in the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, To transfer shares to employees at less than the average actual share repurchase price, a company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

Article 6-1

The Company may issue the shares to employees with Employee stock options and the share price would be less than the Ordinary Shares Closing Price of the issued date of the Company, and the Employee stock options mentioned herein shall be adopted by two-thirds of the shareholders present who represent majority of the total number of its outstanding shares by the Company.

Article 7

The share certificates of the Company shall all be name-bearing share certificates, and shall be affixed with the signatures or personal seals of three or more Directors and duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance. The shares to be issued to the public may be exempted from printing any share certification, but the Company shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares. For the new shares to be issued by the Company offering its shares to the public, the Company may print a consolidated share certificate representing the total number of the new shares to be issued at the same time of issue, the shares certification to be issued in accordance with the provision of the preceding sentence may be exempted from printing any share certification for the shares issued, but the Company shall appoint a centralized securities custody enterprise/institution to make recordation of the issue of such shares.

Article 8

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date

of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

Article 9

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholder of the Company shall follow the “Guidelines for Stock Operations for Public Companies” . Taiwan Depository & Clearing Corporation (TDCC) has the right to request the Company merge the stock mentioned above and renew to the large denomination securities.

Article 10

The investment amount of the Company will not be limited to regulation 「 Shall not exceed forty percent of the paid-up share capital of the Company 」 in the Article XIII of the Company Law of the Republic of China.

SECTION III- Shareholders’ Meeting

Article 11

Shareholders’ meeting of the Company are of two types, namely : (1) regular meeting and (2) special meetings. Regular meeting shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant, rules and regulations of the Republic of China.

Article 12

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. Regarding to the issue of Power of Attorney, would be follow the regulations of “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies”.

Article 13

Each share of stock shall be entitled to one vote. But the share will not be entitled to have vote in accordance with the regulations of Article 179 of the Company Law of the Republic of China.

Article 14

Except as provided in the Company Law of the Republic of China, shareholders’ meetings may be held if attended by shareholders in person more than one half of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

Article 15

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Company for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders.

Article 16

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Company. In his absence, Chairman should appoint one of the Board of Directors as his representative to preside the meeting, or one of the Directors shall be elected among Directors if Chairman does not appoint anyone. If the meeting is convened by the outsider of the Board of Directors, the convener should preside the meeting; when there are more than 2 conveners, conveners should elect one among conveners to preside the meeting.

Article 17

The resolutions of the shareholders' meeting shall be recorded in the minutes, and handle in accordance with the regulations of Article 183 of the Company Law of the Republic of China.

Section IV-Directors and the Functional Committee

Article 18

The Company shall have seven to nine Directors where the term of office for Directors shall be three (3) years. Directors should be elected by adopting candidates' nomination system, the shareholders can elect the Directors from the candidates list of Directors, and all Directors shall be eligible for re-election. All Directors of the proportion of the total shareholding of the Company shall be governed by the provisions of the securities regulatory authorities. The Company reserves the right to purchase Liability Insurance for the Directors according to his function and the compensation liability the Directors might take in accordance with the Law as the Director conducting his business.

Article 18-1

The Company must have at least three Independent Directors in accordance with the regulations of Article 14-2 of the Securities Exchange Act of the Republic of China, and no less than one-fifth of total number of Directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to Independent Directors shall be prescribed by the Security Competent Authority. Independent Directors and Directors shall have election together, and the elected quota shall be calculated separately, the Independent Directors and Directors shall be elected by the high suffrage represented by the resulting ballot.

Article 19

The Directors shall elect from among themselves a Chairman of the Board of Directors by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Company.

Article 20

In Chairman's absence, any one of the Directors shall be acting for him according to the regulations of Article 208 of the Company Law of the Republic of China.

Article 21

In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The remuneration of Directors, be authorized the Board agreed according to Directors' value to the extent of their involvement of the Company's operations and the contribution, also referred with general standard of the similar industry standard.

Article 22

In the case that vacancies on the Board of Directors exceed, for any reason, on third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies within 60 days, the new Directors shall serve the remaining term of the predecessors.

Article 23

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting. A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

Article 24

Resolutions adopted at a meeting of the Board of Directors shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all Directors within fifteen (15) days after the close of the meeting. The minute of the meeting of the Board of Directors shall record the date and the place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes and the attendance register book of the Directors, including the authorizations, shall be kept persistently.

Article 24-1

The Company shall establish a Remuneration Committee, an Audit Committee or other Functional Committees.

The Company establishes an Audit Committee consist of all Independent Directors in compliance with Article 14-4 of the ROC Securities and Exchange Law, The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.

Section V-Management of the Company

Article 25

The Company may, by resolution of the Board of Directors, appoint managerial personnel to meet the Company's operational or managerial needs, appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the regulations of the Article 29 of the Company Law. Managerial personnel has the right to manage and perform such duties under the function scope of authorization by the Board of the Directors. The Company has the right to purchase Liability Insurance for the managerial personnel according to his function and the compensation liability the managerial personnel might take in accordance with the Law as the managerial personnel conducting his business.

Section VI-Accounting

Article 26

At the close of each fiscal year, the Board of Directors shall prepare the following statements and records and shall forward the same to the general meeting of shareholders for its ratification:

1. Business Report;
2. Financial Statement; and
3. The surplus earning distribution or loss off-setting proposals.

Article 27

The Company shall set aside 1%-20% as employees' compensation and the percentage lower than 2% as Directors' compensation if the Company has profit (means the Pre-tax Income before deduction of the employees' and Directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings).

The Company may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, the remuneration of Directors only can receive the profit in the form of cash.

The Company shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of Directors for the preceding two paragraphs distributed and such distribution shall be submitted to the shareholders' meeting.

Article 27-1

When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution of the dividends and bonuses to the shareholders base on the amount in this provision and provide the proposal to shareholders' meeting to get resolution.

The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 50% as shareholders' dividends; the dividends in the said proceeding sentence can be distributed in the form of shares or in cash, the stock Dividends of Share Allocations will not be higher than 80% of the Total Dividends.

Section VII-Supplementary Provisions

Article 28

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

Article 29

These Articles of Incorporation are agreed to and signed on May 8, 1990 by all the promoters of the Company.

The first Amendment was approved on January 7, 1993;

The second Amendment was made on October 1, 1993;

The third Amendment was made on May 24, 1997;

The fourth Amendment was made on August 15, 1997;

The fifth Amendment was made on September 5, 1997;

The sixth Amendment was made on June 20, 1998;

The seventh Amendment was made on June 12, 1999;

The eighth Amendment was made on June 24, 2000;

The ninth Amendment was made on June 16, 2001;

The tenth Amendment was made on March 5, 2002;

The eleventh Amendment was made on June 25, 2002;

The twelfth Amendment was made on June 30, 2003;

The thirteenth Amendment was made on May 24, 2004;

The fourteenth Amendment was made on June 24, 2005;

The fifteenth Amendment was made on June 9, 2006;

The sixteenth Amendment was made on June 25, 2007;

The seventeenth Amendment was made on June 6, 2008;
The eighteenth Amendment was made on June 22, 2009;
The nineteenth Amendment was made on June 17, 2010;
The twentieth Amendment was made on June 24, 2011;
The twenty first Amendment was made on June 18, 2012;
The twenty second Amendment was made on June 3, 2015.
The twenty third Amendment was made on May 31, 2016.

AXIOMTEK CO., LTD.

Rules of Procedures for Shareholders' Meeting

1. To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Unless otherwise provided by law or regulation, the Company's shareholder meetings shall be convened by the Board of Directors.

The Company shall make including the shareholders meeting notice, proxy form, approval proposal, discussion proposal, election or discharge Directors and so on (a regular meeting of shareholders prior within 30 days or special meeting of shareholders prior 15 days) as electronic forms upload to MOPS. And the amendment of the meeting shall be made as electronic files and upload to MOPS (a regular meeting of shareholders prior within 21 days or special meeting of shareholders prior 15 days). Before the 15 days of the shareholders meeting, the Company shall well prepare the Shareholders meeting's handbook and the amendment to be put in the place of professional stock transfer agency authorized by the Company and reviewed by each shareholder anytime, and shall grant to shareholders in the place of the meeting.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of Directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issue shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular shareholders meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. And the proposal issued by shareholder should be pursuant to Article 172-1 of the Company Act, any proposal with regards to the Item 4 of Article 172-1 of the Company act will not be discussed for

the motion.

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

4. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

5. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the Independent Directors with respect to the place and time of the meeting.
6. The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders or their proxies (collectively, “shareholders”) shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker’s slips, voting slips, and other meeting materials. Where there is an election of Directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

7. If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the Directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the Directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the Board of Directors be chaired by the chairperson of the board in person and attended by a majority of the Directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The Company shall retain the recording for at 1 year. If, however, a shareholder files a lawsuit

pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

9. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act, all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

10. If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders, when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the

speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor, the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

12. Voting at shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

13. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be established in accordance with the laws and shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting

in person. However, the shareholder mentioned in the preceding paragraph will be deemed to waive the right for the motion and the modification of the proposal at that shareholders' meeting mentioned herein, therefore, the Company shall avoid the situation of providing the proposal for the motion and the modification for the agenda item.

When shareholder exercises voting rights by written consent or electronic means in accordance with the preceding paragraph, the intention shall be delivered to the Company before 2 days before the date of the shareholders' meeting, when the intention repeat, the one received earliest shall prevail unless a declaration is made to cancel the previous intention.

After shareholder exercises voting rights by written consent or electronic means, if they want to attend to the shareholders' meeting in personal, the shareholder mentioned in the preceding sentence shall withdraw the intention by written consent or electronic means in the same way of exercising voting rights before 2 days before the date of the shareholders' meeting; when the withdraw mentioned herein is overdue, the voting rights by written consent or electronic mean shall prevail. If shareholder exercises voting rights by written consent or electronic means and appoint agent as proxy to attend the shareholders meeting, the voting right of proxy shall prevail.

Except as otherwise specified in the Company Act or in the Company's articles of incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed veto, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, and all monitoring personnel shall be shareholders of the Company.

Vote counting shall be conducted in public at the place of the shareholders meeting, and voting results shall be reported on –site immediately and recorded in writing.

14. The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the company Act, the ballots shall be retained until the conclusion of the litigation.

15. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The distribution of the meeting minutes could be in the way of electronic form.

The distribution for the meeting minutes in the preceding paragraph can be in the ways of

published in MOPS.

The meeting minutes shall record the date of the meeting, place, the chair name, the way of resolution and the results, and keep it forever during the term of continuing of the Company.

16. On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute information under applicable laws or regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

17. The personnel who is responsible for the shareholders' meeting shall wear the badge or identification card.

The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the meeting place. Such disciplinary officers or the security guard shall wear the badge marked "Disciplinary officers" for identification purpose.

At the place of meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceeding and refusing to heed calls to stop, the chair may direct relevant personnel to escort the shareholder from the meeting.

18. During the meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

19. These Rules and Procedure shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

20. The amendment was made on June 3, 2015.

AXIOMTEK CO., LTD.**Particulars about Shareholding of All Directors**

I. As per calculation based on the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the overall shareholding by Directors are as follow:

- (I) The Company has issued 79,031,034 common shares of which 10% (i.e. 7,903,103 shares) shall be held by all Directors according to statutory requirements. Also, the Audit Committee comprising Independent Directors has been established by the Company in accordance with Article 14.4 of the Securities and Exchange Act, responsible for the implementation of the authority of Supervisors under the provisions of the Company Act, the Securities and Exchange Act and other laws and regulations. Therefore, supervisors' shareholding requirements are not applicable.
- (II) The Company has also elected three Independent Directors; subsequently, the statutorily required number of common shares held by the Directors shall be reduced according to 80% of the abovementioned shares that shall be held by Directors. Hence, the total number of common shares held by the Directors of the Company shall come to 6,322,482 shares.

II. As of March 24th, 2017 (book closure date), the shareholding of common shares held by all Directors in the shareholders' registry has been as follows:

Title	Name	Representative	Current shareholding	
			Shares	Shareholding ratio %
Chairman	Yang, Yu-Te		3,154,512	3.99
Director	Advantech Co., Ltd.	Liu, Wei-Ting	20,537,984	25.99
Director	Huang, Ming-Ta		140,119	0.18
Director	Tsai, Shih-Yang		419,000	0.53
Independent Director	Liu, Chun-Lian		0	0
Independent Director	Chou, Chih-Chen		0	0
Independent Director	Lin, Yih-Jong		0	0
The shareholding of common shares held by all Directors			24,251,615	30.69

III. As it has stood, the number of common shares held by all Directors has reached the statutorily required number.