

Greatek Electronics Inc.

Procedures for Financial Derivatives Transactions

Section 1. Purpose and Basis

Article 1: Greatek Electronics Co., Ltd. (hereinafter referred to as the Company) is responsible for effectively managing the Company's revenues, expenses, assets and liabilities, reducing the risks arising from foreign exchange, interest rate changes and trading in derivative commodities, implementing information disclosure and increasing corporate competitiveness, and therefore the Company specially engage in derivative commodity transaction processing procedures (hereinafter referred to as this processing procedure).

These Procedures are established and modified based on “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission, unless so prescribed in other laws or regulations.

Section 2. Principles and Guidelines

Article 2: Product Types

Derivatives referred to herein are broadly defined as instruments that derive their value from the performance of underlying assets, interest or currency exchange rates, indexes or other. Such instruments include swaps, options, futures contracts, leverage contracts, forwards, and various combinations thereof. Forwards referred to herein exclude insurance, performance, post-sale service, long-term lease and long-term sales/procurement contracts.

Article 3: Strategies

Financial derivatives are mainly used for hedging purpose to limit the Company's net exposure after internal netting of income against expense, and asset against liability in terms of timing, amount and currency type. Transactions involving financial derivatives need to be assured as for hedging purpose. The Company shall not engage in any transaction for trading purposes.

Article 4: Authorization and Delegation

Finance & Accounting Dept. (Finance Personnel)

Finance personnel is responsible for conducting derivatives transactions, collecting market information, evaluating trends and risks, and processing derivatives transactions according to the instruction and authorization given by the manager-in-charge to avoid the risk of fluctuant market prices. Counterparty needs to be informed of trading personnel being assigned or discharged before the effective date.

The confirmation of trading should be performed by personnel of Finance dept. who does not responsible for trading responsibility, which the function being assigned and discharged is implemented in accordance with trading personnel.

The functions of settlement should be performed by personnel of Finance dept. who does not responsible for trading or confirmation for internal control.

Finance & Accounting Dept. (Accounting Personnel)

Accounting personnel shall perform accounting in accordance with methods regulated in this Procedures, and then confirm the derivative transactions and review the relevant vouchers.

Audit Personnel

Periodically assess if the derivative transaction is implemented according to this Procedure, and review if the associated risks thereof have exceeded the Company's risk tolerance.

Article 5. Aggregate Contract Amount and Maximum of Losses for individual and all contracts

Hedging

The aggregate amount of all hedge contracts shall not exceed the net position, that is, the difference between the Company's account receivables and account payables, over the next three months. The maximum losses on total derivatives transactions or under each derivatives contract shall not exceed twenty percent (20%) of the aggregate amount of total transactions or the amount of each contract respectively.

Article 6. Performance Evaluation

Hedging

Hedging strategy of the Company's integral and its target shall be evaluated for the condition of achievement. Implementation and weekly reports in connection with the derivatives transactions entered into for hedging purpose shall be prepared and submitted to the General Manager for his/her review as the basis of management.

Section 3. Operating Procedures

Article 7. Level of Delegation/Authorization

Transaction execution:

<u>Level</u>	<u>Amount of Each Transaction</u>	<u>Monthly Amount</u>
Board of Directors	US\$ 20million+	US\$ 100million+
Chairman	US\$ 10 million+ and up to 20million	US\$ 100million
General Manager	US\$ 3million+ and up to 10million	US\$ 50million
Finance Director	Up to US\$ 3million	US\$ 10million

Derivatives transactions shall be prior approved with the amount and level in writing by managers.

A company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivate trading in accordance with its Procedures for Engaging in Derivatives Trading.

Article 8. See Form 1 for departments of execution and operation procedure

Section 4. Filing and Disclosure

Article 9:

- a. The Company shall each month file the information of derivatives transactions engaged by it and any of its subsidiaries which is not a Taiwan public company up to the end of the previous month with the securities authorities and publicly disclose the same on appointed website by 10th of each month in accordance with the relevant regulations.
- b. In addition to the foregoing, all other matters required to be filed with the securities authorities and/or publicly disclosed shall be subject to the relevant regulations.
- c. Should there be any error or omission in the required public disclosures, the Company shall publicly disclose the entirety again within two days from the date of acknowledgement.

Section 5. Accounting

Article 10: The accounting treatment for the operation of long-term foreign exchange and other derivative commodities is based on the International Financial Reporting Standards and International Accounting Standards that is approved by the Financial Supervisory Commission and is examined at fair value on the balance sheet date.

A memorandum book shall be established and maintained to record the derivative transactions in which the types and amounts of derivatives trading, dates of the Board of Directors' approvals, and the matters required to be carefully evaluated under Paragraph 1 and Sub-paragraph 2, Paragraph 2 and Sub-paragraph 1, Paragraph 3 of Article 13 shall be stated in detail.

The financial report on the trading of derivative commodities shall be based on the Regulations Governing the Acquisition and Disposal of Assets by Public Companies that is disclosed and published by the International Financial Reporting Standards and International Accounting Standards approved by the Financial Supervisory Commission.

Section 6. Internal Control

Article 11: Risk Management

Credit Risk Control

Credit risk is controlled by restricting the counterparties that GTK deals with to those who either have banking relationship with GTK or are internationally renowned, well credit and can provide sufficient information.

Market/Price Risk Control

Market price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled.

Liquidity Risk Control

To assure market liquidity, financial products with a higher liquidity, namely that it can always be offset in the market, shall be the main trading targets, and counterparties shall be restricted to those who have sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.

Cash flow Risk Control

The Company shall maintain adequate level of quick assets and credit facilities to meet the cash settlement requirement. The Company shall use its own capital to fund derivatives transactions.

Operating Risk Control

The delegation and authorization, operating procedures and internal audit system provisions set forth herein shall be strictly observed to control operating risk.

Legal Risk Control

Any legal documents in respect of financial derivative transactions shall first be reviewed by the relevant in-house personnel and/or outside legal counsel, if necessary, and then submitted to the manager-in-charge for his/her approval before being executed to control legal risk.

Article 12: Internal Control

- a. The respective functions of trading, confirmation and settlement shall be performed by different personnel belonging to one or more departments.
- b. The dealer shall, during the transaction, fill out the transaction statement to be verified by the personnel in charge for verification, submit the verified transaction statement to Finance and Accounting chief for his/her approval, and then report it to general manager.
- c. Finance and Accounting dept. shall evaluate and make an profit and loss statement according to foreign exchange rate on that day at the end of each month for general

manager reference.

d. Risk evaluation, monitoring and control functions shall be assigned to personnel belonging to one or more departments different from those in the preceding paragraph, and such personnel shall report to the Board of Directors or any other officers who are not responsible for making decisions on transactions or trade positions.

e. Dealers in the Company shall have complete and correct professional knowledge as to financial products, and the Company shall request banks to sufficiently disclose the associated risks to avoid misuse of financial products.

Article 13. Regular Evaluation

a. Possessing position of derivative transaction shall be evaluate at least once a week. Bi-weekly reports in connection with the derivatives transactions entered into for hedging purpose shall be prepared and submitted to the General Manager for his/her review.

b. The Board of Directors shall supervise derivatives transactions in accordance with the following principles:

(1) holding the General Manager accountable for the monitoring and control of risks arising from derivatives transactions from time to time; and

(2) evaluating the hedging performance and result on a regular basis to oversee how well they fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk tolerance.

c. Designated by the Board of Directors, the General Manager shall monitor and control derivatives transactions in accordance with the following principles:

(1) regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the principles and procedures set forth herein; and

(2) monitoring trading and profit-loss circumstances, and upon having identified unusual performances and results, undertaking any actions deemed necessary to correct the situation and reporting to the Board of Directors at a meeting where any independent director shall be present and express opinions.

Section 7. Internal Audit System

Article 14. The Company's internal auditors shall evaluate the suitability of the internal control system in connection with derivative transactions on a regular basis, to conduct auditing on how well the related departments follow these Procedures, and to produce reports with trading cycle analysis on a monthly basis. Any material violation shall be reported in writing to the Audit Committee.

Section 8. Others

Article 15. If there are any unfinished matters in this Procedures, it shall be handled in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission.

Article 16. The adoption of these Procedures and any amendment hereto shall be approved by the Audit Committee, submitted to the Board of Directors, and then proposed to shareholders' meeting for its approval. If there is any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the Audit Committee.

In determining whether to approve and adopt these Procedures and any amendment hereto, the Board of Directors shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the meeting of the Board of Directors.

The adoption of these Procedures and any amendment hereto shall be approved by a

majority of members of the Audit Committee and then submitted to the Board of Directors for its approval.

Without the approval of the Audit Committee, these Procedures and any amendment hereto may also be approved and adopted by two third (2/3) of members of the Board of Directors with the detail of the Audit Committee's decision being recorded in the Board meeting minutes.

"Members" of the Board of Directors or of the Audit Committee referred to herein shall mean the existing members.

These Articles were adopted on May 20, 1999.

The First amendment hereto was adopted on June 3, 2003.

The Second amendment hereto was adopted on Jun 12, 2006.

The Third amendment hereto was adopted on Jun 11, 2007.

The Fourth amendment hereto was adopted on Jun 13, 2008.

The Fifth amendment hereto was adopted on Jun 28, 2012.

The Sixth amendment hereto was adopted on Jun 11, 2014.

The Seventh amendment hereto was adopted on May 29, 2018.

By

Operation Procedure

Notice/Point of Internal Control

Finance &
Accounting dept.

Derivatives transactions shall be prior approved with the amount according to specification.

-- Derivatives transactions shall be prior approved with the amount according to specification and report it to counterparty.
-- Derivatives transactions shall be implemented in compliance with approved amount. If the amount is exceeded, shall acquire supervisor for approval.

Finance &
Accounting dept.

The method of transaction is dealing with counterparty directly.

Finance &
Accounting dept.

If the transaction is done, the dealer shall fill out the transaction statement and state the detail.

Finance &
Accounting dept.
Authorized level

The transaction statement shall be verified by the personnel for verification and counterparty, and then submit the verified transaction statement to chief for his/her approval

Finance &
Accounting dept.

Report the position to the personnel in charge of settlement for capital management and report it to Accounting dept. for accounting.

-- The respective functions of trading, confirmation and settlement shall be performed by different personnel belonging to one or more departments.

Finance &
Accounting dept.
Authorized level
General manager

Periodically assess hedging strategy and performance as future operation policy, and then periodically submitted report to chairman or board of directors by general manager.