Chapter I
Transaction Principle and Guideline

Article 1 Transaction type
1. “Derivative products” refers to forward contracts, option contracts, future contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rates, indexes of prices or rates, credit rating or credit index, or other variable or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. 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.
2. Margin trading of Bond shall be regulated by the Procedure for financial Derivatives Transactions. However, this principle doesn’t apply to bond trading with regards to Repurchase Agreement, Principle Guarantee Notes, and fixed income securities.

Article 2
Financial derivatives are strictly used for hedging purposes to ensure the net income of The Company’s business or investment and to reduce the risk due to fluctuation of interest rate, foreign exchange rate, and the price of assets. The definition of hedging trading is as follows: the trading goals must match positions or expected position of Company’s business or the differences of the Company’s assets & liabilities should be reconciled. The transaction for non-hedging purposes is defined as special purpose transaction.

Article 3 Authorization / Delegation
1. The authorized trader
   1.1 Responsible for drafting the strategy of transactions for the Company’s Financial Derivatives products.
   1.2 The authorized trader shall be familiar with The Company’s business and current assets & liabilities or expected incurred assets & liabilities, collect information in the market, and conduct market trend evaluation and risk assessment.
   1.3 Execute transaction according to decisions from members of executives of board and designated strategies.
   1.4 When changes occur in the financial market, the designated strategies are no longer applied based on the authorized trader’s judgement, the authorized trader shall submit evaluation report, re-draft new strategies as the new guideline for transaction after new authorization is approved from level of authority.

2. Verifying clerk
   2.1 Verify clerk shall confirm the content.
   2.2 Audit and Check if the transactions are authorized or not.

3. The processing clerk: processing trading

4. Level of Delegation/Authorization for Financial Derivatives Transaction
4.1 Level of Delegation/Authorization for Financial Derivatives Transactions

<table>
<thead>
<tr>
<th>The levels of delegation</th>
<th>Delegated Amount of Each Transaction day</th>
<th>Accumulated Amount of Transaction</th>
</tr>
</thead>
</table>

Realtek Semiconductor Corporation
Procedures for Financial Derivatives Transactions
4.2 Level of Delegation/Authorization for special purpose transaction

<table>
<thead>
<tr>
<th>The levels of delegation</th>
<th>Delegated Amount of Each Transaction</th>
<th>Accumulated Amount of Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Up to US$2,000,000</td>
<td>Up to US$10,000,000</td>
</tr>
<tr>
<td>General Manager</td>
<td>Up to US$5,000,000</td>
<td>Up to US$25,000,000</td>
</tr>
<tr>
<td>Chairman of the board</td>
<td>More than US$5,000,000</td>
<td>More than US$25,000,000</td>
</tr>
</tbody>
</table>

Article 4 Essential for Performance evaluation:
1. Hedging transaction: Performance evaluation is based on the net profit and loss incurred due to the transactions between The Company’s book value and Financial Derivatives commodities.
2. Special purpose transaction: Performance evaluation is based on net profit and loss incurred.
Article 5 Maximum Contract amount & Loss Limit

1. Contract amount

1.1 hedging transaction: The amount of hedging transaction shall not exceed the Company’s current or expected overall net asset position. When the amount exceeds the limit, the transaction shall be approved by audit committee and board of directors.

1.2 special purpose transaction: The amount of special transaction shall not exceed 50 million dollars. When the amount exceeds the limit, the transaction shall be approved by audit committee and board of directors.

2. Loss Limit

2.1 The purpose of hedging transactions is for risk management. The total amount of loss from hedging transactions shall not exceed 15% of the total contract. The amount of loss from hedging transactions shall not exceed 15% of individual contract. If the amount for individual contract and total contract exceeds the limit mentioned above, it shall be reported to the general manager or Chairman of the board for further guidance.

2.2 For the contract of special transaction, after the position is setup, a stop point (limit) shall be placed for future loss. The limit shall not exceed 5% of individual contract amount. If the amount exceeds the limit of 5%, it shall be reported to the general manager or Chairman of the board for further guidance.

Chapter 2
Risk management procedure

Article 1 Credit risk management

1. Trading partner: Dealing with international known Banks

2. Transaction amount: The amount of write-off transaction shall not exceed 50 million us dollars for the same individual transaction party except for the transaction approved by the general managers or chairman of board of directors.

Article 2 Market risk management
Targeting products with public market value such as (assets, interests, foreign exchange rates, or other products).

Article 3 Liquidity risk management
Choosing Financial Derivative products with high market liquidity.
Article 4 Cash flow risk management
To ensure security of working capital turnover, the source of capital for financial derivative products shall come from The Company’s own capital.

Article 5 Operation risk management
1. Strictly complying with the limit of the amount of capital for financial derivative products, the procedure for transaction, and inclusion of internal audit system to reduce operation risk.
2. The trader, verifying clerk, and processing clerk shall not be the same person.
3. Supervising and processing personnel shall belong to different department and report to the Board of Directors or senior management with no responsibility for trading or position decision-making.
4. The position of derivative instruments shall be weekly evaluated; transactions for hedging purposes shall be biweekly evaluated. The evaluation report shall be proved to manager authorized by the Board of Directors.

Article 6 Financial commodity risk management
The trader shall have complete and accurate professional knowledge and ask the banks to disclose the risks before engaging trading.

Article 7 Legal risk management
The signed document with financial institutions shall be based on templates of standard market contract. If the contract is special, the contract can only proceed for signing after evaluation from the legal department or legal counsels.

Chapter 3
Internal Audit System

The internal audit personnel shall understand the internal control procedures for derivative transactions procedure and conduct monthly audits and submit corresponding reports. If any misdeed is found, reports shall be made to Audit Committee promptly. If violation of laws or this Procedure, punishment will be given according to the severity of the violation.

Chapter 4
Periodic evaluation and actions under abnormal circumstance

Article 1 the supervision and management principle for board of director when transactions of financial derivatives occurs.
1. Designate senior manager to pay attention to risk supervision and risk control for financial derivative products.
2. Periodically evaluate whether the performance of the financial derivative products falls within the range of already specified operational strategies and tolerance of risk taking.
3. When the Company engages transaction of financial derivative products, the authorized responsible personnel shall report to next coming meeting of board of directors.

Article 2 the supervision and management for the senior managers authorized by board of directors.
1. Periodic evaluating whether current risk management is aligned with this
Realtek Semiconductor Corporation

Procedures for Financial Derivatives Transactions

Principle and is made pursuant to “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

2. Supervise loss incurred by transactions. When serious abnormal events occur, corresponding actions should be taken and a report shall be submitted immediately to audit committee and board of directors.

Chapter 5
A registration book shall be established for derivative transactions. For each derivative transaction, the type, transaction amount, date of the Board of Directors’ approval, and items to be carefully assessed under Chapter2, Article5, paragraph4, Chapter4, Article1, paragraph2, and Chapter4, Article2, paragraph1 shall be recorded in detail therein.

Chapter 6
This procedure shall become effective upon approval by Audit Committee and the Board of Directors and be reported to the shareholders meeting. Any amendment is subject to the same procedure.

The Procedure and corresponding regulation shall be approved by Audit Committee. The approval shall be more than half of members from Audit Committee. If fewer than half of members from Audit Committee approve this Procedure, two third of the Board of Directors shall approve this Procedure with written declaration in meeting of Board of Directors.

Opinions from independent directors shall be thoroughly considered during discussion and their opposing opinions or reservations shall be recorded in meeting minutes. If any member of the independent Board of Directors objects to it with a record or written declaration, the Company shall present it to the meeting of shareholders for discussion. The members of audit committee and members of board directors refer to the current incumbent members.