

(Translation)

Policies and Procedures for Financial Derivatives Transactions

Of

AVerMedia TECHNOLOGIES, Inc. (the Company)

I. “Policies and Procedures for Financial Derivatives Transactions” (Hereinafter called as “the Policy”) is set up to fit in with following objectives.

To efficiently manage AVerMedia’s earning, asset, and debt resulting from the financial fluctuation such as foreign exchanges and interest rate and to control the risk resulting from financial derivatives transactions.

Any other matters not mention in the Policy shall be coped with in accordance with the relevant laws, rules, and regulations.

II. Financial derivatives referred herein are defined as the instruments that derive their value from the asset, interest rates, currency exchange rates, index numbers or other. Such instrument includes forwards, options, futures, swaps, leverage contracts and any various combinations thereof.

III. Forwards referred herein exclude insurance, performance, post-sale service, long-term lease and long-term procurement (sales) contracts.

IV. Principles and Guidelines

1. Instruments

Financial derivatives that the Company used are in accordance with the article 2.3 of the Policy.

2. Strategies

(1) Financial derivatives are mainly used for hedging purpose. The transaction shall mainly used for hedging the risk resulting from the Company runs the business.

(2) Choosing the trustworthy bank that have business affair with the Company.

Before operating foreign exchange, the Company shall differentiate between hedging purpose and pursuing profit financial operation, in order to be the basis of entering into the account.

3. Authorization/ Delegation

Financial section:

(1) Collecting information of foreign market, determining trend and risk and knowing the financial regulations and laws and manipulating skills. Providing duly information for the manager, sales department, purchasing department, accounting department, finance department.

(2) Exclusive of the Policy, the relevant accounting of financial derivatives is accordance with the relevant regulation of GAAP.

(3) Financial personnel are in charge of negotiating with banks and submitting application.

Business transaction is processed through the treasurer and the transaction receipt is for accountant to book into the account.

4. Performance Evaluation

(1) Hedging transaction

- A. According to the foreign currency positions, set the goal of foreign exchange gain or loss which has to be included in the performance evaluation and review it regularly.
- B. Foreign exchange personnel complete the financial product types and target exchange rate as proposal and according to this as the basis of the performance evaluation.
- C. Every month, foreign exchange personnel shall provide foreign currency positions evaluation report to the financial director as management and reference.

(2) Financial transaction

Regularly estimating the net profit or loss on respective month, and making reports for managers as reference.

(3) Setting upper loss limitation

- A. Each month, the Company sets the standard exchange rate of foreign promise exchange rate in next three months and establishes the stop loss exchange rate. Supposing surpass this stop loss exchange rate. The Company shall convene the relevant personnel and report to managers and chairman.
- B. The upper loss limitation of the financial derivatives transaction contract is US\$ one million; the upper loss limitation of individual contract is 10% of the sum of individual contract and shall not over US\$ one million.
- C. Each financial derivative shall have the fair open market value. The loss and profit shall reasonably calculate and shall not execute any transaction without upper loss limitation.

V. Operating Procedures

1. Amount of transaction

Financial personnel discuss the amount and condition of hedging product and choose the better product which is suitable for the Company. In accordance with the Company authorized approval, then submitted to the Board of Directors.

2. Delegated amount of transaction

(1) Regular amount

	Each transaction amount	Each Day amount
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CEO	US\$ 6M	US\$12M
Vice Chairman	US\$ 5M	US\$10M
General Manager	US\$ 3.5M	US\$8M
CFO	US\$ 2.5M	US\$5M

1.1 The uppermost regular amount of transaction shall not surpass the net worth of foreign currency asset minus foreign currency debt.

1.2 Prohibited to trade the sell rights of option.

(2) Specific Capital Expenditure

As for the huge amount of specific capital expenditure, it shall evaluate with and obtain concurrence from the CFO, General Manager, and CEO and then execute the transaction.

3. Executive Unit

Financial personnel are appointed by CFO or General Manager or CEO. The appointed personnel shall hold the instructions of CFO or General Manager or CEO and shall not go beyond the scope of instructions.

VI. Procedures of Regulatory Reporting

The Company should, on a monthly basis, report and make a public announcement of the financial derivatives transactions engaged by it and its domestic subsidiary which is not a public company up to the end of the previous month in accordance with relevant regulations.

In addition to the aforesaid, all other reporting/publishing items are subject to the relevant regulations. If there is any reporting and announcement, as aforesaid, required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary. Should there be any mistake or missing in the Company's required public announcements, the Company needs to repeat its public announcement on all items.

VII. Deletion

VIII. Internal Control System

1. Risk Management Measure

(1) Consideration of Credit Risk

Credit risk is restrict to the well-credit and competent counterpart that dealt with AVerMedia and is able to provide sufficient information.

(2) Consideration of Operating Risk

Aside by the delegation limit and operating measures to avoid operating risk.

(3) Legal Risk Control

Any legal documents regarding financial derivatives transaction shall first review before formally signed to avoid legal risk.

(4) Product Risk Control

Both internal trading personnel and counterpart bank personnel shall possess complete and correct professional knowledge in respect of the traded product. Internal trading personnel shall demand the bank completely unveil latency risk to avoid losing on account of misusing financial product.

(5) Cash Transaction Risk Control

Authorized trading personnel, excepting aside by the relevant regulation of delegation limit chart, shall pay attention to foreign cash flow to assure that the Company is able to pay during the settlement.

2. Internal Control

(1) The respective functions of financial derivatives transaction of trading, confirmation, and settlement should be performed by different personnel.

(2) Trading personnel shall turn in the transaction receipt or contract to registering personnel.

- (3) Registering personnel shall check or confirm the account statement with the counterpart bank regularly.
- (4) Registering personnel shall check the transaction amount if it surpass the foreign currency asset or debt and acceptance net positions.
- (5) Accounting unit shall estimate the profit or loss and make a reporting form according to exchange rate of a closing quotation on that day for senior managers reference every end of quarter.
- (6) Regarding evaluation, supervision, and control of the risk shall report to the responsible senior manager according to situation.
- (7) Executing financial derivatives transaction shall establish reference book which shall record in detail the type of financial derivatives transaction, amount, Board of Directors' adopting date, and relevant evaluations for referring.

3. Regular Evaluation

- (1) The Board of Directors shall appoint General Manager and CFO to pay attention to supervising and controlling the transaction risk arising from financial derivatives.
- (2) The Board of Directors shall evaluate regularly whether the effect of financial derivatives transaction is in accordance with the Company's operating strategy and review the associated risks have exceed the Company's risk tolerance.
- (3) The position of financial derivatives due to the transaction shall be evaluated at least once a week; the hedging transaction for the business necessity shall be evaluated twice a month. The evaluating report shall turn in to the senior managers authorized by the Board of Directors.
- (4) Once having unusual results of market price evaluation report (e.g. the holding positions already surpassed the upper loss limitation), the senior managers authorized by the Board of Directors shall report to the Board of Directors and undertake necessary measures to correct the situation. If the Company already establishes the independent director, he/she shall represent the Board of Directors to attend the meeting and express the suggestion.
- (5) After authorized personnel executing the financial derivatives transaction in accordance with the Policy set forth herein, they shall report to the Board of Directors.

IX. Internal Audit

1. Internal auditor shall comprehend the suitability of the internal control system regarding financial derivatives transactions, audit how well the finance department abides by the Policy each month, and make an auditing report. If there is any violation, a written report is needed to notify every Supervisor.
2. Internal audit personnel shall submit the aforementioned report and the executing condition of yearly internal audit condition, report to the competent authority in the end of next February, and report the improvement condition of exceptional affair to the competent authority in the end of next May at the latest.

X. When the Company's subsidiary executes financial derivatives transactions, it shall be in

accordance with the aforementioned procedures.

XI. Performance and Amendment

The Policy executes after the Board of Directors approved. Besides, it will be sent to every supervisor and submitted to the Shareholders' Meeting. Any amendment is subject to the same procedures. Supposing the Directors express any objection and there is record or written declaration, the Company shall send the Directors objection document to every Supervisor. When submitting to the Board of Directors discuss in accordance with the aforementioned procedure, the Company shall fully take every Directors' individual opinion into consideration and take the opinion and the reason of objection into the meeting minutes.

XII. This Policy is concluded on August 30, 1996.

The first Amendment is on December 17, 2001

The second Amendment is on May 28, 2003.

The third Amendment is on October 24, 2003

The fourth Amendment is on April 16, 2004.

The fifth Amendment is on June 9, 2006.

The sixth Amendment is on September 27, 2006.

The seventh Amendment is on October 29, 2007.