

Apex International Company Limited

Procedures for Lending Funds to Other Parties

Article 1

The Company shall follow the Procedures set forth below for lending funds to other parties. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Article 2

The party to whom the Company may lend its funds shall be limited to:

- (1) Companies having business relationship with the Company; or
- (2) Companies in need of funds for a short-term period. For the purpose of this Procedure, "short-term period" shall mean the period of one (1) year.

Fund-lending to companies having business relationship with the Company shall be limited to the circumstance that the said companies need working capital.

Fund-lending to companies which need funds for a short-term period shall be limited to subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.

The significant standards for the Company's receivables overdue exceed three months is TWD10 million or more and more than 2% of the company's most recent net value of financial statements. If it meets such standards, it should be made a resolution by the board of directors to confirm whether it is of the nature of fund lending, and it shall be announced in accordance with relevant laws and regulations.

When a responsible person of the Company violates the Procedure, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.

Article 3

The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.

The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. But this restriction will not apply to inter-company loans of funds between foreign companies whose voting shares are 100% owned, directly or indirectly, by the Company, nor to loans of fund to the Company's voting shares are 100% owned, directly or indirectly, by any foreign company. However, the Company shall still prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans.

The total amount for fund-lending between the foreign subsidiaries whose voting shares are 90% owned, directly or indirectly, by the Company or the Company's voting shares are 100% owned, directly or indirectly, by any foreign company will not be subject to the limit of forty percent (40%) of the net worth of the lending subsidiary.

The total amount authorized limit for any single borrower of the Company's subsidiary shall not exceed ten percent (10%) of its net worth as stated in the latest financial statements or ten percent (10%) of the Company's net worth, whichever is lower. The total amount available for lending shall not exceed twenty percent (20%) of the Company's net worth or its subsidiary's net worth, whichever is lower

Article 4

The term of each loan extended by the Company shall not exceed one (1) year. The interest rate shall be determined on the basis of the Company's funding costs and adjusted accordingly, but in no event shall it be lower than the Company's highest short-term bank borrowing rate at the time of lending. The interests shall be calculated on a monthly basis. In case of special circumstances, adjustments may be made in accordance with actual conditions after the approval of the board of directors.

Article 5

Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail the loan amount requested, term, purpose and collateral, together with certain basic information and financial data, to the Company to facilitate the evaluation and credit checking by the Company.

Finance Department, based on the aforesaid information, shall then evaluate the necessity and rationality of the loan application, the credibility and risk of the borrower, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral.

Article 6

Except for subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares, any other borrower shall provide a promissory note, collateral and/or other guarantee as requested by the Company in an amount equivalent to that of the loan. If any collateral is provided, legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.

Article 7

All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The

Company shall be named as the beneficiary of the insurance. The insured object, quantity, location and coverage conditions must be consistent with the requirements of the Company.

Article 8

After a loan is extended, the finance department shall periodically evaluate the financial status and credit of the borrower and guarantor (if any). In the event that a loan is over-due and not repaid even after the Company's repeated attempt to collect payment, the finance department shall immediately notify the legal department for further legal actions to protect the Company's interest.

Article 9

Any lending of the Company's funds shall be evaluated with and subject to the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority and the Procedures, and then submitted, together with the result of the evaluation made as described in the second paragraph of Article 5, to the Board of Directors for its approval and no delegation shall be made to any person in this regard. However, material lending of funds shall be deliberated by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution. If that has not been approved by more than half of all audit committee members, it shall be adopted by more than two-thirds of the board of directors, and the resolution of the audit committee shall be recorded in the board of directors meeting minutes. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

For any fund lending between the Company and its subsidiary or any fund lending between the Company's subsidiaries, a pre-determined line of credit by installment or revolving limit for a period of no more than one year for a specified borrower may be delegated to the Chairman by the Board of Directors to facilitate execution.

Article 10

Should there be any fund-lending which is required to be reported to the governmental authority-in-charge or to be publicly announced, such report or public announcement shall be made by the Company in accordance with the relevant laws, rules and regulations. If there is any reporting and announcement required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary.

Article 11

The Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide the CPA with necessary information for conducting due auditing.

Article 12

The Company shall establish and maintain a reference book to record all its fund-lending and related information in accordance with the relevant regulations.

Article 13

Internal auditors shall perform auditing on the Company's lending profile every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee and Board of Directors.

Article 14

Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee and Board of Directors and the proposed correction actions should be implemented within the period specified in such plan.

Article 15

When fund-lending to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for lending funds to other parties. Such procedures shall be approved by the subsidiary's Board of Directors and/or Shareholders' Meeting, and become effective thereafter. The Company should also mandate the subsidiary to handle fund-lending in accordance with its procedures.

When fund-lending to other parties is contemplated by the subsidiary of the Company, a credit assessment report and comments, together with the proposed terms and conditions of lending, should be submitted to and approved by the Board of Directors of the subsidiary.

Relevant information of any fund-lending granted by the Company's subsidiary shall be provided regularly to the Company for inspection.

Article 16

The Company's managers and persons-in-charge for fund-lending shall follow the Procedures in order to prevent the Company from any losses incurred due to improper act. Should there be any violation of related regulations or the Procedures, subsequent castigation is subject to the related Personnel Articles of the Company.

Article 17

When adopted or amended the Procedures shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be submitted for a resolution by the Board of Directors and the Shareholders' Meeting. That has not been approved by more than half of audit committee members, it shall be adopted by more than two-thirds of the board of directors, and the resolution of the audit committee shall be recorded in the board of directors meeting minutes.