

Apex International Company Limited

Procedures for Endorsement and Guarantee

Article 1

The Procedures set forth below are the guidelines for the Company to provide endorsement and/or guarantee to outside 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 provide endorsement and/or guarantee include the following:

1. Any company who does business with the Company.
2. Any company whose voting shares are fifty percent (50%) or more owned directly and indirectly by the Company.
3. Any company who directly and indirectly own fifty percent (50%) or more of the Company's voting shares.

Subsidiaries whose voting shares are more than 90% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the company holds, directly or indirectly, 100% of the voting shares.

Article 3

The words "endorsement and/or guarantee" used herein are defined as:

1. Financing endorsement and/or guarantee, including:
 - (1) Endorsement/guarantee to customers' notes for cash financing with a discount;
 - (2) Endorsement/guarantee for another company for its financing needs;
 - (3) Endorsement/guarantee to the notes issued by the Company to non-financial institutions and entities for the Company's own financing needs.
2. Endorsement/guarantee of customs duties due from the Company.
3. Other endorsements/guarantees which are not included under paragraphs 1 and 2.

The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan should also follow the policies and procedures set forth herein.

Article 4

The amount of endorsement/guarantee provided by the Company is subject to the following limits:

1. The total amount of endorsement/guarantee provided by the Company is limited to three hundred percent (300%) of its net worth. For any one endorsee/guarantee company, the limit shall not exceed ten percent (10%) of the Company's net worth, nor thirty percent (30%) of the net worth of the endorsee/guarantee company, provided that it is limited to the net worth of the

endorsee/guarantee company.

Subject to the approval of the Board of Directors, the aforementioned limit for any one endorsee/guarantee company and the limit of total net worth of the endorsee/guarantee company may be lifted for endorsement/guarantee provided to the subsidiaries whose voting shares are ninety percent (90%) directly or indirectly owned by the Company, provided that the limit is limited to three hundred percent (300%).

2. The total amount of endorsement/guarantee provided by the Company and its subsidiaries is limited to three hundred percent (300%) of its net worth. For any one endorsee/guarantee company, the limit shall not exceed twenty percent (20%) of the Company's net worth, nor sixty percent (60%) of the net worth of the endorsee/guarantee company.

Subject to the approval of the Board of Directors, the aforementioned limit for any one endorsee/guarantee company and the limit of total net worth of the endorsee/guarantee company may be lifted for endorsement/guarantee provided to the subsidiaries whose voting shares are ninety percent (90%) directly or indirectly owned by the Company , provided that the limit is limited to three hundred percent (300%).

3. The total amount of endorsement/guarantee provided by companies whose voting shares are less than 100% owned, directly or indirectly, by the Company to each other is limited to ten percent (10%) of the Company's net worth.
4. The total amount of endorsements and guarantees made for a company with which the Corporation has business relations may not exceed the amount of the business transacted between the two parties for last twelve months. (The "amount of the business transacted between the two parties" means the sales or purchasing amount between the parties, whichever is higher).
5. In case the above limits have to be exceeded to accommodate business needs, shall be deliberated by Audit Committee and then submitted to the Board of Directors for the resolution. Over half of all the directors shall jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors shall also revise the Procedures and have it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the result shall be submitted to the Audit Committee and Board of Directors which shall furnish a plan containing a timetable to withdraw the excess portion.

Article 5

If, due to changes of circumstances, the party to whom the Company provided endorsement and/or guarantee no longer satisfies the criteria set forth in Article 2 herein, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a corrective plan shall be provided to the Board of Directors and the proposed correction actions should be implemented within the period specified in the plan.

Article 6

The review and procedures, determination and authority level for providing endorsement and/or guarantee are defined as follows:

Any endorsement and/or guarantee to be provided by the Company shall be carefully evaluated with the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority, and the Procedures. Finance Department shall then review the necessity and rationality of the endorsement/guarantee, the credibility and risk assessment of involved parties, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Audit Committee and Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming Board of Directors' Meeting for ratification.

In the case the Company and its subsidiaries provide endorsement and/or guarantee to a subsidiary whose net worth is less than 50% of the paid-in capital, the prescribed evaluating procedures should be followed, must be deliberated by Audit Committee and then submitted to the Board of Directors for the resolution. Financial and Accounting department and related Departments shall follow up on financial status of the guarantees and evaluate the relevant risks. If the unusual issues are found, it shall establish risk control measures and exercise implementation review, as well as regularly report to control the contingent risk that may be brought about by the endorsement.

For purposes of determining the paid-in capital of the above-mentioned subsidiary receiving any it or its subsidiaries endorsement/guarantee who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be deemed as its paid-in capital.

Material endorsements and/or guarantees shall be deliberated by Audit Committee and then submitted to Board of Directors to approve. 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 Finance Department shall establish and maintain a reference book to record all endorsement/guarantee-related information in accordance with the relevant regulations.

The Accounting Department shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, adequately disclose information in the financial statements, and provide the CPA with necessary information for conducting due auditing and issuing auditing report.

Article 7

When providing endorsement/guarantee to another company, the Company may require the endorsee/guarantee company to provide collaterals.

Article 8

Notes used for issuing endorsement/guarantee and seals of the Company shall be kept separately by persons appointed and authorized by the Chairman. Internal procedures must be followed for sealing and note issuance purposes.

When providing endorsement/guarantee to a foreign company, the endorsement/guarantee letter

should be executed and signed by the Chairman or the person delegated by the Chairman.

Article 9

Should there be any endorsement/guarantee 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 10

When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for endorsement/guarantee. Such procedures shall be approved by the Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. The Company should also mandate the subsidiary to handle endorsement/guarantee in accordance with its procedures. Any endorsement and/or guarantee to be provided by the Company's subsidiary shall be submitted to the Company's Board of Directors for approval.

Article 11

Internal auditors shall perform auditing on the Company's endorsement/guarantee 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 12

The Company's managers and persons-in-charge for endorsement/guarantee 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 13

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. Any amendment is subject to the same procedures. 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.