

Apex International Co., Ltd.

Procedures for Transactions with Related Party, Specified Company, or Group Enterprise

Article 1: Objectives

"Procedures for Transactions with related Party, Specified Company, or Group Enterprise" (the "Procedures") outlined herein are set up to stipulate purchases, sales, transactions of assets, fund lending, and endorsement/guarantee between the Company and its related party, specified company, or group enterprise.

Article 2: Scope of the Procedures

The transaction or the transfer of resources and obligations between the Company and related party, specified company, or group enterprise irrespective of whether or not any consideration is paid.

Article 3: Principle and Policy

1. Definition

1.1 Related party: Per International Accounting Standards (IFRS) IAS 24 "Related Party Disclosures", those with one of the following circumstances are regarded as a related party of the Company.

1.1.1. Natural person

- (1) has control or joint control over the Company;
- (2) has a significant influence on the Company; or
- (3) A member of the key management team of the Company or parent company.

1.1.2. Legal person

- (1) The legal person and the Company are members of the same group (parent company, subsidiary company, brother company).
- (2) An associated enterprise or joint venture of the Company (or an associated enterprise or joint venture of a member of a group of which another legal person is also a member).
- (3) The Company is a joint venture with the same third party.
- (4) The legal person and the Company, one is a joint venture of a third party and the other is an affiliate of the third party.
- (5) Post-retirement benefit plan.
- (6) The legal person is under the individual control or joint control listed in 1. above.
- (7) The individuals listed in 1.1.1 (1) above have a significant influence on the legal person or are members of the key management of the legal person (or the parent company of the legal person).

- (8) When judging whether it is a related person, in addition to paying attention to its legal form, it is still necessary to consider its substantial relationship.

- 1.2 Specified Company: Any party meets one of the following conditions is deemed as a specified company of the Company.
- 1.2.1 It holds 20% to 50% of the total number of issued shares of the Company.
 - 1.2.2 It holds shares, together with those held by any of its directors and shareholders holding more than 10% of the total number of shares, in and aggregate total of 30% or more of the total number of issued shares of the Company, and there is a record of financial or business transactions between it and the Company. The shareholdings of any of the aforesaid persons include the shares held by the spouses or any minor child of the person or by the person under others' names.
 - 1.2.3 It, together with any of its affiliates, serves as a source of 30% or more of the operating revenue of the Company.
 - 1.2.4 It, together with any of its affiliates, serves as a source of 50% or more of the total volume or total purchase amount of principal raw materials are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30% or more of total operating revenue) of the Company.
- 1.3 Group Enterprise: Any party with the following relationship of control or subordination with the Company is deemed as a group enterprise.
- 1.3.1 The relationship is one of parent company, subsidiary company, or affiliated company.
 - 1.3.2 The Company directly or indirectly controls personnel, financial, or business operations of another company; or another company directly or indirectly controls the personnel, financial, or business operations of the Company. The standards for determination thereof are as follows:
 - (1) Obtaining more than half of the director's positions in the other company;
 - (2) Having an appointee selected as general manager of the other company.
 - (3) Possessing managerial authority over the other company under a joint venture agreement.
 - (4) Providing financing for the other company equaling one-third or more of the total assets of the other company.
 - (5) Providing endorsements/guarantees for the other company equaling one-third or more of the total assets of the other company.
 - 1.3.3 The Company and another company are mutually invested in each other, each in a total of one-third or more of the other's total voting shares or total authorized capital, and have direct or indirect control over each other's personnel, financial, or business operations.
 - 1.3.4 In any of the following circumstances, a relationship of control or subordination is deemed as a group enterprise; provided that relevant evidence is submitted proving otherwise, this shall not apply:
 - (1) If the other company invests in the Company and, under the equity method of

valuation, such other company and its related party(ies) together hold the majority of the total issued voting shares of the Company, or if the Company invests in the other company and, under the equity method of valuation, the Company and its related party(ies) together hold the majority of the total issued voting shares of such other company.

- (2) Half or more of the issued voting shares or authorized capital of the Company and the other company each are held or contributed by the same shareholders.
- (3) Half or more of the directors and general manager of the Company and the other company are the same. Calculation of this figure shall include the spouses, children, and relatives within the second degree of kinship of such persons.

1.3.5 Calculation of the number of shares held in, or the amount of capital contributions to, another company by the Company shall additionally include all of the following shares or capital contributions:

- (1) Shares held in, or capital contributions to, the other company by a subordinate company of the Company;
- (2) Shares held by or capital contributions made by a third party on behalf of the Company;
- (3) Shares held by or capital contributions made by a third party on behalf of a subordinate company of the Company.

1.3.6 The definitions of parent company, subsidiary company, affiliated company and related person mentioned in 1.3.1~1.3.5 above are in accordance with the relevant provisions of International Accounting Standards IAS 24, IAS 27 and IAS 28.

2. Procedures

2.1 The administration and execution of major transactions with related party, specified company, or group enterprise shall be governed by the Company's policies and procedures and approved by the Board of Directors, and if necessary, the Chairman could execute the transactions first and report to the most upcoming Board of Directors' Meeting for ratification.

With respect to any financial or business interaction between the Company and any affiliated enterprise that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

When a director is an interested party with respect to a particular agenda item, that director shall enter into recusal and may neither vote on that item nor exercise voting rights as a proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

Upon discovering that, in the course of their duties, the board of directors or a director has committed a violation of law or regulation, the articles of incorporation, or a shareholders meeting resolution, an independent director shall immediately notify the board of directors or the individual director to cease the misconduct, and shall take appropriate measures to curb expansion of the misconduct. When necessary, an independent director shall also file a report with the relevant regulatory authority or agency.

2.2 The transactions between the Company and related party, specified company, or group enterprise include:

- 2.2.1 Sales;
- 2.2.2 Procurement;
- 2.2.3 Transaction of assets and long-term equity investment;
- 2.2.4 Fund lending;
- 2.2.5 Endorsement and guarantee.

2.3 In accordance with the requirements of International Accounting Standard 24 (IFRS IAS 24), the Company shall disclose material transactions with related parties in the notes to the financial report, including:

- 2.3.1 Name of the related party;
- 2.3.2 Relationship with such related party;
- 2.3.3 If there are related party transactions during the period covered by the financial statements, the nature of the related party relationship, and the related party transactions and outstanding balances are required to enable users to understand the potential impact of the relationship on the financial statements (including commitments), the disclosure shall at least include:

- (1) Transaction amount;
- (2) Outstanding balances (including commitments), and:
 - I its terms and conditions, including whether there is a guarantee and the nature of the consideration for settlement;
 - II accept or provide details of any warranties;
- (3) Allowance for doubtful debts related to outstanding balances; and
- (4) Expenses recognized in the current period for bad debts or bad debts due to related parties.

2.3.4 The provisions of 2.3.3 above shall be disclosed separately according to each of the following categories:

- (1) Parent company;
- (2) An individual who has joint control or significant influence on the individual;
- (3) Subsidiaries;
- (4) Affiliated enterprises;
- (5) The entity is a joint venture of the joint venture;
- (6) Key management personnel of the entity or its parent company; and

(7) Other related persons.

2.3.5 Any related party transactions which are canceled or eliminated need not be disclosed in the consolidated financial statements.

2.3.6 Unless the Procedures of the Company provide otherwise, the administration of sales and procurements with related party, specified company, or group enterprise and the management of account receivables and account payables shall be governed by the Company's internal control system.

2.3.7 When sales or purchase transaction or service provision between the Company and affiliate enterprises with estimated whole year transaction amount reaches to 5% of the latest year consolidated assets or consolidated operating revenues, unless applicable to Regulations Governing the Acquisition and Disposal of Assets by Public Companies, or belong to transactions between the Company and its subsidiaries or between subsidiaries, shall submit following information for a resolution of board of directors:

- (1) The items, purpose, necessity, and expected benefits of the transaction
- (2) The reasons for choosing this related party as trading partner
- (3) The formula of price calculation and the ceiling of whole year total transaction amount
- (4) An elaboration on whether transaction terms and conditions conform to ordinary commercial terms and are not damaging the profits of the Company and is shareholder's equity
- (5) Any restrictions on the transaction and other important stipulations.

The following matters of the aforementioned related party transaction shall be reported in the next shareholders' meeting after year-end:

- (1) Actual transaction amount and term
- (2) Whether the transaction price is in accordance with the resolution of the board of directors
- (3) Whether the total whole year transaction amount does not exceed the ceiling. If exceeds the ceiling, shall provide reasons, necessity, and reasonableness to explain.

2.3.8 Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between the Company and an affiliated enterprise shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for acquisition or disposal of assets prescribed by the Company.

When the Company makes an acquisition of securities from or a disposition of securities to an affiliated enterprise, or an acquisition of securities whose underlying is the stock of an affiliated enterprise, it shall obtain the financial statements of the issuing company for the most recent period, audited and attested or reviewed by a certified public accountant (CPA) prior to the date of occurrence, for reference in appraising the transaction price. If the amount of the transaction is 20 percent or more

of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, it shall also request a CPA to provide an opinion on the reasonableness of the transaction price prior to the date of occurrence. If a CPA needs to use an expert report, it should follow the Statement of Auditing Standards No. 71 issued by the Accounting Research and Development Foundation. Except for securities quoted on an active market or that meet any regulations regulated by the Financial Supervisory Commission.

When the Company engages in the acquisition of memberships or intangible assets from or their disposition to any of its affiliated enterprises, if the amount of the transaction is 20 percent or more of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, it shall request a CPA to provide an opinion on the reasonableness of the transaction price.

- 2.3.9 When the Company intends to conduct any acquisition or disposal of real property from or to any of its affiliated enterprises, or to conduct an acquisition or disposal of assets other than real property from or to any of its affiliated enterprises in which the transaction amount is furthermore 20 percent or more of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, with the exception of the purchase or sale of government bonds, repo or reverse repo bond transactions, or subscription to or redemption of domestic money market funds, it shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for acquisition or disposal of assets prescribed by the Company.

The Company shall report the actual transaction status (including the actual transaction amount, transaction terms, and the information listed in the first paragraph, etc.) to next shareholders' meeting after the end of financial year, if it conducted the transaction mentioned in the first paragraph with affiliated party.

- 2.3.10 The endorsement/guarantee and fund lending between the Company and related party, specified company, or group enterprise shall be governed by the Company's "Procedures for Endorsement and Guarantee" and "Procedures for Fund Lending to Other Parties."

The board of directors shall give full consideration to each independent director's opinion with respect to loans, endorsements, or guarantees between the Company and any of its affiliated enterprises. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

Article 4: Effective Date and Amendment

The Procedures shall be approved by the Board of Directors. Any amendment is subject to the same procedures.