

Kedge Construction Co., Ltd.

Regulations for Endorsements & Guarantees

Chapter I Purpose

Strengthen the financial management of endorsement guarantees and reduce operating risks, and formulate this operating procedure in accordance with the "Public Offering Company Fund Loans and Endorsement Guarantee Processing Guidelines".

Chapter II Scope of application

The endorsement guarantee referred to in this operating procedure includes:

1. Financing endorsements/guarantees, including:
 - (1) Bill discount financing.
 - (2) Endorsement or guarantee made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Construction Project Guarantee: This is the endorsement guarantee provided by the company or other companies regarding construction projects.
4. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above three subparagraphs.

Any creation by the company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.

Chapter III Object of Endorsement

The company may make endorsements/guarantees for the following companies:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

Companies in which the company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the public company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

Where the company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the company, or through a company in which the company holds 100% of the voting shares.

"Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where the company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Chapter IV Amount of endorsement guarantee

1. The total amount of the company's external financing, tariffs and other endorsements is limited to 200% of the company's latest financial statement net value, and the amount of financing, tariffs and other endorsements for a single company shall not exceed the company's latest financial statements a limit of 200% of the net value of the statement.
2. The company's total amount of guarantees for construction projects shall not exceed

ten times the net value of the company's latest financial statements, and the total amount of endorsement guarantees for a single enterprise's construction projects shall not exceed five times the net value of the company's most recent financial statements.

3. The company and its subsidiaries as a whole can have the same amount of endorsement guarantee as the previous two items, and the parent company (Kindom Development) and the subsidiary as a whole can have the same amount of endorsement guarantee as the parent company. The total amount of financing, tariffs and other endorsements of the company and its subsidiaries exceeds 50% of the company's net worth, and its necessity and rationality shall be explained in the shareholders' meeting.

Chapter V Endorsement guarantee procedures

1. When handling the endorsement guarantee, the responsible department shall, in accordance with the application of the endorsement guarantee object, send to the financial unit to review whether its qualifications and quota meet the requirements of this operating procedure and whether it has reached the announcement and reporting standards and shall be submitted to the chairman of the board of directors for approval in conjunction with the review and evaluation results of the " VI " of this operating procedure, and then the board shall discuss and agree; however, in order to meet the needs of timeliness, the board of directors shall authorize the chairman to make a decision first, and then afterwards resubmit to the latest board ratification.
 - (1) Except for the construction project guarantee, the amount of the endorsement guarantee to a single enterprise shall not exceed 20% of the net value of the company's latest financial statements.
 - (2) The guaranteed amount of construction projects for a single enterprise shall be less than twice the net value of the company's latest financial statements.
2. Endorsements and guarantees of a material nature shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting. The terms "all Audit Committee

members" and "all Directors" shall be counted as the actual number of persons currently holding those positions.

3. The company's endorsement guarantee for others shall be handled by the resolution of the board of directors. When submitting to the board of directors for discussion, the opinions of independent directors shall be fully considered, and the clear opinions of their agreement or opposition and the reasons for their opposition shall be included in the records of the board of directors.
4. The financial unit shall establish reference books for endorsement and guarantee matters. After the endorsement guarantee is approved by the board of directors or approved by the chairman, in addition to applying for seals in accordance with the prescribed procedures, the endorsement guarantee object, amount, the date of approval by the board of directors or the chairman's decision, the date of endorsement guarantee, and the " VI " application in accordance with this operating procedure. The items of the prudential assessment shall be published in detail for future reference, and the relevant bills, agreement and other documents shall also be photocopied for safekeeping.
5. The internal auditor shall audit the Procedures for Endorsements and Guarantees and its execution process at least quarterly and prepare written records accordingly. If any material violation is found, the each member of the audit committee shall be immediately notified in writing.
6. The financial unit shall prepare a detailed list of the guarantee events that occur and cancel each month to control tracking and handle announcements and declarations, and shall assess and recognize the contingent losses of the endorsement guarantee on a quarterly basis, and disclose the endorsement guarantee information and information in the financial report and provide relevant information for the certified accountant.
7. If due to changes of circumstances in the Company, the party to whom the Company provides endorsements/guarantees no longer satisfies the criteria set in the Procedure, or the amount of endorsements/guarantees exceeded the limits, the competent department shall formulate a corrective plan, obtain the approval of the Chairman of the Board and provide such plan to each member of the Audit Committee and the proposed corrective actions should be implemented within the period specified in the plan.

8. Before the end of the endorsement guarantee date, the financial unit shall take the initiative to notify the guaranteed company to withdraw the guarantee notes retained by the bank or creditor's institution, and cancel the relevant deed of endorsement guarantee.
9. If the object of the endorsement guarantee is a subsidiary whose net value is less than one-half of the paid-in capital, the relevant management and control measures shall be specified for its renewal.

Chapter VI Detailed review procedure

When handling the endorsement guarantee, the authority and responsibility department shall evaluate the following matters, make records, and send them to the financial unit for review:

1. Understand the relationship between the endorsement guarantee object and the company, the purpose and purpose of the loan, the relationship with the company's business or the importance of its operation to the company, etc., and endorse the guarantee limit and current balance with the company, and evaluate its necessity and rationality.
2. Obtain relevant data such as the annual report and financial report of the endorsement object, analyze the operation, financial and credit status of the endorsement object, and the source of repayment, etc., to measure the possible risks.
3. Analyze the company's current endorsement guarantee balance to the company's net worth, liquidity and cash flow status, and the results of the first and second reviews to evaluate the impact on the company's operating risks, financial status and shareholder equity.
4. Depending on the nature of the guarantee, the credit status of the insured and the evaluation results of one to three, the insured is required to provide appropriate collateral, and whether the value of the collateral is equivalent to the endorsement guarantee balance is assessed every six months, the insured may be required to provide additional collateral when necessary.

Chapter VII Procedures for Controlling and Managing Endorsements/Guarantees by Subsidiaries

1. Subsidiaries of the company shall also formulate the "Endorsement Guarantee Operation Procedure" in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ". After

approval by the board of directors, they shall be sent to the supervisors and reported to the shareholders meeting for approval, the same applies to corrections.

2. If a subsidiary of the Company is to make endorsements/guarantees for others, it shall do so in accordance with the internal control system and the Procedures for Endorsements and Guarantees, and shall submit the written reports of the previous month's endorsement/guarantee balances, subjects and dates to the Company on the 5th day of each month. The audit unit of the Company shall list the endorsements/guarantees provided by subsidiaries as one of the monthly audit items, the implementation of this audit shall be listed as a necessary item when reporting audit operations to the Audit Committee and the Board of Directors.
3. If a subsidiary of the company is not a domestic public offering company, the subsidiary shall notify the company on the date of the occurrence of the matters that should be announced and declared in the fourth paragraph of the second paragraph of the "X". The company also handles the announcement declaration on the website designated by the Financial Supervision and Administration Commission (hereinafter referred to as the Financial Regulatory Commission) in accordance with regulations.

Chapter VIII Decision-making and authorization levels

1. When the company handles the endorsement guarantee, it shall sign and approve in accordance with the procedures stipulated in this operating procedure "X ", and shall do so after the approval of the board of directors. However, in order to meet the requirements of the time limit, the board of directors shall authorize the chairman of the board of directors to make a decision within the following quota, and then report to the latest board of directors for ratification.
 - (1) Except for the construction project guarantee, the amount of the endorsement guarantee to a single enterprise shall not exceed 20% of the net value of the company's latest financial statements.
 - (2) The guaranteed amount of construction projects for a single enterprise shall be less than twice the net value of the company's latest financial statements.
2. If the company handles the endorsement guarantee due to business needs, it is necessary to exceed the endorsement guarantee limit stipulated in this operating procedure and meet the requirements of the company endorsement guarantee operating procedure, it shall be approved by the board of directors and more than half of the directors may cause the company to exceed the limit. The loss can only be

taken after the named joint insurance, and this operating procedure should be revised and reported to the shareholders' meeting for ratification. If the shareholders' meeting disagrees, a plan should be made to eliminate the over-limit part within a certain period of time.

3. Subsidiaries of the company that directly and indirectly hold more than 90% of the voting shares shall be subject to a resolution of the company's board of directors before the endorsement is guaranteed in accordance with the second item of "Participation". However, the inter-company endorsement guarantee for which the company directly or indirectly holds 100% of the voting shares is not subject to this limitation.

Chapter IX Seal storage and procedures

1. This company shall use the company seal applied for registration with the Ministry of Economic Affairs as a special seal for endorsement and guarantee. The large and small seals shall be kept by the secretary of the board of directors and the financial officer approved by the board of directors, and according to the prescribed procedures, only to get the seal or issue the bill.
2. After the endorsement guarantee is approved by the board of directors or the chairman of the board of directors, the financial unit shall fill in the "application form for printing", together with the approval record and the endorsement guarantee contract or guarantee bills and other printing documents after being approved by the financial supervisor, then get the seal from the seal custodian.
3. When the seal manager uses the seal, it should check whether there is an approval record, whether it has been approved by the financial supervisor and whether the application for the seal is consistent, can only use the seal.
4. When guaranteeing a foreign company, the letter of guarantee issued by the company shall be signed by the chairman or general manager authorized by the board of directors.

Chapter X Announcement declaration procedure

1. Before the tenth of each month, the financial unit shall endorse the company and its subsidiaries to guarantee the balance of the previous month, and apply for an announcement with the turnover on the designated website of the FSC.

2. In addition to the monthly announcement and declaration of the endorsement guarantee balance, when the amount of the endorsement guarantee handled by the company and its subsidiaries reaches one of the following standards, the responsible unit shall immediately attach the relevant information and notify the financial department to apply for an announcement on the website designated by the FSC within two days from the date of the fact:

- (1) The aggregate balance of endorsements/guarantees by the public company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.
- (2) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
- (3) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
- (4) The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.

The date of occurrence of the fact refers to the date of signing the contract, the date of payment, the date of the board of directors' resolution, or the date when the object and amount of the endorsement guarantee is fully determined, whichever is the former.

Chapter XI Penalties

In the event that the persons in charge of the company's provision of endorsements/guarantees violate the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" from the Financial Supervisory Commission or this Procedures, the following measures shall be taken depending on the violation. The record of non-compliance will serve as a reference for the annual performance evaluation.

1. Violation of verification authority, review procedures, announcements: first-time violations should be given verbal warnings, re-offenders should be given written

warnings, and forced to participate in the company's internal control training courses, repeat offenders or serious circumstances should be transferred.

2. Those who violate the regulations should also be punished by higher-level supervisors, but those who can reasonably explain that they have not taken precautions are not limited to this.
3. If the Board of Directors or Directors violated the relevant regulations and the resolutions of the shareholders' meeting, the Audit Committee shall notify the Board of Directors or Directors in accordance with Article 218-2 of the Company Act.

Chapter XII Other Matters

1. The handling of endorsement guarantees and related matters of the company and its subsidiaries in each business year shall be reported to the next annual shareholders meeting for reference.
2. The Procedures will be implemented after passing resolution of the Board of Directors and Audit Committee and being sent to the shareholders' meeting for approval. If there is any Director expresses dissent and it is contained in the records or a written statement, the Company shall send the dissenting opinions to the members of the Audit Committee and report them to shareholders' meeting for discussions. The same shall apply to any amendment.
3. Where the Procedure is submitted for discussion of the Audit Committee in accordance with the preceding paragraph, the Procedure shall first be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.
4. The terms "all Audit Committee members" and "all Directors" in paragraph 3 shall be counted as the actual number of persons currently holding those positions.
5. When submitting this operating procedure to the board of directors for discussion in accordance with the second provision, the opinions of independent directors shall be fully considered, and the clear opinions of their agreement or opposition and the reasons for their opposition shall be included in the board of directors' records.

Chapter XIII This amendment was made on Jun. 15, 2020.