

## KWONG LUNG ENTERPRISE CO.,LTD.

### Procedures for Endorsement & Guarantee

#### Article 1 Purpose

Matters regarding external endorsement and guarantee shall be executed according to the requirements under the Procedures. Matters unillustrated in the Procedures shall be subject to the requirements under relevant laws and regulations.

#### Article 2 Scope

The endorsement and guarantee in the Procedures refer to the following:

1. Financing endorsement and guarantee include:
  - (1) Note discounting financing.
  - (2) Endorsement and guarantee for the purpose of other companies' financing.
  - (3) Guarantee regarding the issuance of notes to non-financial companies for the purpose of the Company's financing.
2. Customs endorsement and guarantee refer to the endorsement or guarantee provided by the Company regarding matters relating to customs of the Company or other companies.
3. Other endorsement and guarantee refer to matters of endorsement and guarantee that cannot be categorized into the above two paragraphs.
4. Personal estates or real estates provided by the Company for the pledge, security, or other endorsement and guarantee shall be subject to the requirements of the Procedures.

#### Article 2-1 The term used in the Procedures are defined as follow:

1. Subsidiaries and the parent company: As defined in the requirements under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. Net value: Refers to the interests attributable to the owner of the parent company on the balance sheet required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. Date of occurrence of the event: Refers to the date of contract signing, date of payment, date of board's resolutions, or other dates sufficient to prove the target and amount as the abovementioned.

#### Article 3 Target of endorsement and guarantee

1. Companies have business dealings with the Company.
2. Companies that the Company directly and indirectly hold shares with over 50% voting rights.
3. Companies directly and indirectly hold shares with over 50% voting rights of the Company.
4. Companies that the Company directly or indirectly holds shares with over 90% voting rights may be provided with endorsement and guarantee.

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Committed construction requires the co-guarantee provided by the industry or the co-applicant according to the contract, or shall be endorsed and guaranteed to the invested company by all the contributing shareholders according to the proportion of their shareholding ratios due to the co-investment relationship, or the joint guarantee of performance guarantee carried out by the companies in the same industries according to the regulations under the Consumer Protection Law when engaging the sales contract of pre-sale premises are not subject to the requirements of the previous paragraph, and the Company may provide endorsement and guarantee.

The capital contribution mentioned in the previous paragraph refers to the contribution carried out directly through the Company or the contribution carried out through the companies that the Company holds shares with 100% voting rights.

#### Article 4 Amount for endorsement and guarantee

1. The total endorsement and guarantee amount shall not exceed 50% of the latest net value of the financial statement of the Company.
2. The endorsement and guarantee amount provided to a single company shall not exceed 40% of the latest net value of the financial statement of the Company.
3. For companies that the Company directly or indirectly holds shares with over 90% voting rights providing mutual endorsement and guarantee for each other, its amount shall not exceed 10% of the latest net value of the financial statement of the Company. However, companies that the Company directly or indirectly holds shares with 100% voting rights providing mutual endorsement and guarantee for each other shall not be subject to the provision.
4. The overall total endorsement and guarantee amount provided by the Company and the subsidiaries shall not exceed 50% of the latest net value of the financial statement of the Company.
5. The endorsement and guarantee amount provided to a single company by the Company and the subsidiaries shall not exceed 40% of the latest net value of the financial statement of the Company.
6. Where the Company provides endorsement and guarantees to companies with business relationships, the individual endorsement amount shall not exceed the amount of business dealings with such companies for one year.

#### Article 5 Approval authority

1. Matters and limits in relation to the endorsement and guarantee provided by the Company shall be subject to the approval from the resolution of the Board; however, the Board shall authorize the Chairman to determine in advance concerning the limit within NT\$200 million according to the related requirements under the Procedures, and report to the upcoming Board meeting

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subsequently for ratification.

2. Provision of endorsement and guarantee between subsidiaries that the Company directly or indirectly holds shares with over 90% voting rights shall be subject to the resolution of the Board of the Company. However, companies that the Company directly or indirectly holds shares with 100% voting rights shall not be subject to the provision.
3. Regarding the overall total endorsement and guarantee amount provided by the Company and the subsidiaries that exceed 50% of the latest net value of the financial statement of the Company, the Company shall illustrate the necessity and the rationale at the Shareholders' meeting.

Article 6 Procedures for the endorsement and guarantee

1. When carrying out endorsement and guarantee, the Company shall complete the Endorsement and Guarantee Application and apply to the Finance Department for its assessment. If the target for such endorsement and guarantee is a company having business dealings with the Company, and where the endorsement and guarantee are provided by the Company or the subsidiary with net value less than 50% of paid-in capital of the subsidiary, the Company shall illustrate the due diligent for the necessity and the rationale, the credit investigation and risk assessment of the target for endorsement and guarantee, the operating risk imposed to the Company, the effects on financial conditions and Shareholders' interests, and whether obtaining the assessment valuation of the collateral is required, compile the opinions of relevant departments, and carry out an review on the assessment results according to the requirements under Article 5.
2. When providing guarantees for foreign companies, the letter of guarantee issued by the Company shall be signed by the personnel authorized by the Board.
3. Where the endorsement and guarantee is provided according to the requirement of the business and such endorsement is required to be in an amount exceeding the limit set out in Article 4 yet complying with the conditions set out in Article 2 and Article 3, such endorsement and guarantee shall be agreed by the Board, and shall obtain the joint guarantee from the majority of the Board members regarding exceeding the limit of the Company, and amend the Procedures for Shareholders' ratification. When the Shareholders' meeting rejects such proposals, the Company shall establish a plan to eliminate the exceeding parts within a particular time.
4. Where changes of circumstances resulting in the target of endorsement or

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guarantee become non-compliance with the requirements of the Procedures or exceeding the limit, the Company shall establish the improvement plan, deliver such improvement plan to the Supervisors and Independent Directors, and complete the improvement according to the planned schedule.

5. The Company uses the company stamp registered with the Ministry of Economic Affairs as the exclusive stamp for endorsement and guarantee. The notes and company stamp shall be preserved by exclusive personnel separately, and the usage of stamp and the issuance of notes shall be executed according to the procedures required under the "Procedures Governing the Usage of Stamps and Seals." Relevant authorized personnel shall be assigned by the Chairman, with changes thereto.
6. The Finance Department shall establish the memorandum book regarding the target of endorsement and guarantee, amount, date of passing by the Board or determined by the Chairman of the Board, date of endorsement and guarantee, the matters for assessment according to the requirement under the first paragraph, as well as the condition and date for cancelling the obligations for guarantee, for registration and future references.
7. The Accounting Department shall assess or recognize the contingency losses of the endorsement and guarantee and provide appropriate disclosure regarding the information on such endorsement and guarantee in the financial report, and provide relevant information to the CPA for the execution of necessary audit procedures.
8. Where the endorsement and guarantee are provided by the Company or the subsidiary with a net value less than 50% of the paid-in capital of the subsidiary, except for carrying out the assessment required under the first paragraph, it is required to discuss the subsequent handling method at the upcoming Board meeting of the parent company.
9. Where the stock certificate of the subsidiary has nil nominal value or the nominal value per share is not NT\$10, calculate the paid-in capital according to the requirements under 1st paragraph and 8th paragraph, and it shall be calculated as the sum of capital plus capital reserve and minus the premium of issuance.

### Article 7 Standards for public disclosure

1. The Finance Department shall submit the endorsement and guarantee balances of the Company and the subsidiaries for the previous month to the Accounting Department of the parent company by the 5th of each month for the input in relation to the public disclosure on the website designated by the competent

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authority on the 10th of each month.

2. Where the endorsement and guarantee comply with any of the following, the Finance Department shall carry out public disclosure within two days from the date of occurrence of the event:
  - (1) Where the endorsement and guarantee balances of the Company and its subsidiaries amounting to over 50% of the latest net value of the financial statement of the Company.
  - (2) Where the endorsement and guarantee balances provided to a single enterprise by the Company and its subsidiaries amounting to over 20% of the latest net value of the financial statement of the Company.
  - (3) Where the endorsement and guarantee balances provided to a single enterprise by the Company and its subsidiaries amounting to over NT\$10 million, and the sum of endorsement and guarantee, carrying amount of the investment using the equity method , and capital loan balances amounting to over 30% of the latest net value of the financial statement of the Company.
  - (4) Where the endorsement and guarantee balances of the Company and its subsidiaries amounting to over NT\$30 million and exceeding over 5% of the latest net value of the financial statement of the Company.

Article 8 Control over the endorsement and guarantee provided by subsidiaries

1. Where the subsidiary of the Company intends to provide endorsement guarantee or guarantee to others, it shall establish the procedures governing the endorsement and guarantee according to the Procedures, and the implementation shall be subject to the resolution of the Board, and such implementation shall be in compliance with the stated governing procedures.
2. The Finance Department shall compile the reporting information of endorsement and guarantee amount, target, terms of the subsidiaries and report to the Accounting Department of the parent company by the 5th of each month for the public disclosure.
3. Where subsidiaries have matters to be publicly disclosed according to 2nd paragraph of Article 7, it shall submit the disclosure information to the Finance Department of the Company within two days from the date of occurrence of the event for the public disclosure.

Article 9 Punishment

When carrying out matters in relation to endorsement and guarantee, the relevant personnel shall comply with the requirements under the Procedures to avoid losses of the Company arising from improper operations. For circumstances involving

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violations of relevant laws and regulations or the Procedures, the punishment shall be subject to the requirements under the relevant personnel affair regulations of the Company.

Article 10 Internal audit personnel shall at least carry out an audit on the endorsement guarantee operating procedures and its execution on a quarterly basis and prepared written records. Shall there be significant violations, such personnel shall notify the Supervisors and Independent Director in writing.

Article 11 After receiving the approval from the Board, the Procedures have been submitted to the supervisors and proposed to the Shareholders' meeting for approval, shall there be objections from the Directors with records or written declarations, such objections shall also be submitted to the supervisors and Shareholders' meeting for discussion, with amendments thereto.

Article 12 Where the discussion carried out at the Board meetings according to the requirements under Article 11 of the Procedures shall give sufficient considerations to the opinions of independent directors; shall there be independent directors holding opposing opinions or qualified opinions, specify in the meeting minutes of the Board.

Article 13 1<sup>st</sup> amendment on 27 June 2000  
2<sup>nd</sup> amendment on 26 December 2000  
3<sup>rd</sup> amendment on 28 August 2001  
4<sup>th</sup> amendment on 27 March 2003  
5<sup>th</sup> amendment on 30 May 2008  
6<sup>th</sup> amendment on 19 June 2009  
7<sup>th</sup> amendment on 11 June 2010  
8<sup>th</sup> amendment on 20 June 2013  
9<sup>th</sup> amendment on 30 May 2019