



DELPHA CONSTRUCTION CO., LTD.

Procedures for Endorsement and Guarantees

Amended and approved by the shareholders' meeting on June 23, 2020

Article 1. Purpose

These Procedures are established in accordance with relevant regulations of the competent authorities to enhance financial management and mitigate operational risks in connection with endorsements and guarantees made by the Company.

Article 2. Scope of Application

The endorsements and guarantees governed by these Procedures shall include the following:

1. Financing-related endorsements and guarantees:

- (1) Endorsements for the discounting of commercial papers.
- (2) Endorsements or guarantees provided to other companies for their financing purposes.
- (3) Issuance of negotiable instruments to non-financial enterprises as collateral for the Company's own financing needs.

2. Customs-related endorsements and guarantees:

Endorsements or guarantees issued in connection with customs-related matters of the Company or other companies.

3. Other types of endorsements and guarantees:

Items that do not fall under the categories of financing or customs-related endorsements and guarantees.

4. Provision of collateral for the debts of other companies:

The establishment of pledges or mortgages on movable or immovable properties for the purpose of securing loans obtained by other companies.

Article 3. Entities Eligible for Endorsements and Guarantees

The Company may provide endorsements and guarantees only to the following entities, except under the following circumstances: where mutual guarantees are required under contractual arrangements between contractors or co-developers for construction projects; where endorsements or guarantees are provided by all shareholders of an investee company in proportion to their respective shareholdings due to joint investment; or where joint guarantees



are issued by industry peers for the performance of presale housing contracts in accordance with the Consumer Protection Act:

1. Companies that have business transactions with the Company.
2. Companies in which the Company directly or indirectly hold more than 50% of the voting shares.
3. Companies that directly or indirectly hold more than 50% of the voting shares of the Company.
4. Endorsements or guarantees may be made between subsidiaries in which the Company directly or indirectly holds more than 90% of the voting shares, provided that the total amount does not exceed 10% of the Company's net worth. This restriction shall not apply where the Company holds 100% of the voting shares.

For purposes of these Procedures, "investment" refers to direct investments made by the Company or through its wholly owned subsidiaries.

The terms "subsidiary" and "parent company" shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term "net worth" refers to the equity attributable to owners of the parent, as presented in the balance sheet prepared under the Regulations.

Article 4. Endorsement/Guarantee Limits

1. The total amount of external endorsements/guarantees shall not exceed 50% of the Company's most recent net worth. Endorsements/guarantees for a single entity shall not exceed 20%.
2. For endorsements/guarantees made due to business needs, the limit per entity is also 20%.
3. The total amount of endorsements/guarantees by the Company and its subsidiaries combined shall not exceed 50% of the Company's net worth, and the amount for a single company shall not exceed 20%.

Article 5. Procedures for Handling Endorsements/Guarantees

1. The Accounting Department shall review each application for endorsements or guarantees to verify the applicant's eligibility, compliance with the limits stipulated in these Procedures, and whether public disclosure is required. The application, along with the evaluation conducted pursuant to Article 6, shall be submitted to the Chairperson for approval, subject to the consent of the Audit Committee and resolution by the Board of Directors.
 - (1) If the application falls within the scope of delegated authority, the Chairperson may approve the endorsement or guarantee based on the counterparty's creditworthiness



and financial condition, with subsequent reporting to the most recent meetings of the Audit Committee and Board.

- (2) Where the endorsement or guarantee is to be provided to a subsidiary in which the Company directly or indirectly holds more than 90% of voting shares, prior approval by the Audit Committee and Board is required. This requirement does not apply to wholly owned subsidiaries.
2. The Accounting Department shall maintain a dedicated register of all endorsements and guarantees, recording the counterparty, amount, date, resolution or approval details (by the Audit Committee, Board of Directors, or Chairperson), endorsement/guarantee date, and items requiring evaluation under Article 6. All relevant documents, such as promissory notes and agreements, shall be photocopied and properly archived.
3. The Audit Office shall conduct a quarterly audit of the Company's endorsement and guarantee operations and implementation. Any material violations identified shall be reported in writing to the Audit Committee.
4. The Accounting Department shall compile a monthly summary of all newly issued and cancelled endorsements and guarantees to facilitate internal control, monitoring, and public disclosure. It shall also perform a quarterly assessment of potential losses and disclose such information in the financial statements, along with providing relevant information to the certifying CPA.
5. If a counterparty originally meeting eligibility requirements subsequently becomes ineligible, or if the total amount of endorsement or guarantee exceeds the prescribed limits due to changes in the calculation basis, the Accounting Department shall develop a remediation plan. The plan shall be submitted to and approved by the Chairperson and must be fully executed within a designated timeframe. The plan shall also be submitted to the Audit Committee for supervision and follow-up.
6. Prior to the expiration date of any endorsement or guarantee, the Accounting Department shall proactively notify the counterparty to retrieve the original documents retained with banks or creditors and cancel the relevant guaranteed instruments.

Where the Audit Committee fails to give approval by a majority of all its members, the endorsement or guarantee may proceed with the consent of at least two-thirds of all directors. The Audit Committee's resolution and related deliberation shall be recorded in the minutes of the Board meeting. For the purpose of these Procedures, "all members" shall refer to those currently in office.

Article 6. Detailed Review Procedures



The Accounting Department shall conduct evaluations and maintain records of the following matters when processing an endorsement or guarantee application:

1. Evaluate the relationship between the Company and the counterparty, the purpose and use of the loan, the relevance to the Company's business operations, the strategic or operational significance of the counterparty, and assess the necessity and reasonableness of the endorsement or guarantee in light of applicable limits and current outstanding balances.
2. Obtain and analyze the counterparty's annual reports, financial statements, and other relevant data to assess its operational performance, financial condition, credit standing, and sources of repayment.
3. Assess the potential impact on the Company's operational risk, financial position, and shareholder equity by analyzing the ratio of outstanding guarantees to net worth, the Company's liquidity, and cash flow status.
4. Based on the nature of the guarantee, the credit standing of the counterparty, and the assessments in Items (1) through (3), determine whether collateral should be required. If so, assess the value of the collateral on a quarterly basis to ensure it corresponds to the outstanding amount of the endorsement or guarantee. Additional collateral may be requested if necessary.

Article 7. Control Procedures for Subsidiary Endorsements/Guarantees

1. Each subsidiary of the Company shall establish its own Procedures for Endorsements and Guarantees in accordance with applicable laws and regulations. Such Procedures shall be approved by the subsidiary's Board of Directors and submitted to its shareholders' meeting for approval. The same process shall apply to any amendments.
2. Where the subsidiary is not a public company, endorsements and guarantees shall be handled in accordance with its internal control system and its own established procedures. A summary of endorsement and guaranteed activities for the previous month shall be submitted to the Company by the 5th day of each month for reporting purposes.
3. If a non-public subsidiary reaches the public disclosure threshold set forth in Article 10, Paragraph 2, Subparagraph 4 of these Procedures, it shall immediately notify the Company, which shall in turn make the necessary public disclosure on the designated information reporting website in accordance with applicable regulations.

Article 8. Decision-making and Authorization Levels

1. When handling endorsements and guarantees, the Company shall follow the approval procedures set forth in Article 5. The transaction shall be executed only after obtaining the



consent of the Audit Committee and a resolution by the Board of Directors. During the Board's deliberation, the opinions of the independent directors shall be duly considered. Any objections or reservations expressed by the independent directors shall be clearly recorded in the meeting minutes.

However, to accommodate time-sensitive needs, the Board may authorize the Chairperson to make decisions in advance within a specified aggregate limit or limit per single entity. Such decisions shall be subsequently reported to the most recent meetings of the Audit Committee and the Board of Directors, and a report on the endorsement/guarantee activity shall be submitted to the shareholders' meeting in the following year for record.

2. If, due to business necessity, the Company deems it essential to provide an endorsement or guarantee exceeding the limits prescribed in these Procedures and such action still complies with the applicable conditions set forth herein, the transaction shall be approved by both the Audit Committee and the Board of Directors. In addition, more than half of all directors shall jointly and explicitly assume surety liability for any potential loss arising from the excess amount. The Procedures shall then be amended accordingly and submitted to the shareholders' meeting for discussion. If the shareholders' meeting does not approve the excess amount, the Company shall establish a remediation plan to eliminate the excess within a prescribed timeframe.

Article 9. Use and Custody of Company Seal

1. The registered company seal shall be used exclusively for endorsements and be kept by designated personnel.
2. The seal may be used only upon verifying that the request form is approved by the Chairperson and matches the relevant documents.
3. For foreign guarantees, the letter of guarantee shall be signed by the Chairperson or General Manager as authorized by the Board.

Article 10. Public Disclosure Procedures

1. By the 10th of each month, the Accounting Department shall publicly disclose the balance of endorsements/guarantees for the previous month.
2. In addition to monthly disclosures, if any of the following thresholds are met, disclosures shall be made within two days from the date of occurrence:
 - (1) Total endorsement balance exceeds 50% of net worth.
 - (2) Endorsement balance for a single entity exceeds 20%.
 - (3) Endorsement for a single entity exceeds NT\$100 million and the combined investment



(under equity method) and loans exceed 30%.

(4) Newly added endorsement exceeds NT\$300 million and 5% of net worth.

"Date of occurrence" means the earliest contract date, payment date, or board resolution date.

Article 11. Penalty Provisions

Personnel violating these Procedures shall be subject to the following penalties based on severity:

1. Breach of approval authority: verbal warning → written warning → mandatory training → reassignment.
2. Breach of review procedures: same as above.
3. Breach of disclosure obligations: same as above.
4. Supervisors of violators shall also be punished unless they can justify their lack of prior knowledge.

If the Board or any director violates these Procedures or shareholders' resolutions, independent directors shall act in accordance with Article 218-2 of the Company Act to stop such conduct.

Article 12. Subsidiary Net Worth Below 50% of Capital

If the Company's endorsement counterparty is a subsidiary whose net worth is less than 50% of its paid-in capital, it shall be ordered to formulate a corrective plan within 10 days and the implementation status shall be reported quarterly to the Audit Committee and Board.

If shares are without par value or the par value is not NT\$10, the paid-in capital shall include share capital and capital surplus—premium on issuance.

Article 13. Approval and Amendment of the Procedures

The establishment of these Procedures shall be approved by more than one-half of all members of the Audit Committee and then submitted to the Board of Directors for resolution, followed by submission to the shareholders' meeting for approval. If any director expresses dissent during the Board discussion and such dissent is recorded or stated in writing, the Company shall submit the dissenting opinion to the shareholders' meeting for deliberation. The same procedure shall apply to any amendments.

If the Procedures fail to obtain the consent of more than one-half of all Audit Committee members, they may still be adopted with the approval of at least two-thirds of all directors, provided that the resolution of the Audit Committee is recorded in the minutes of the Board meeting.

The term "all Audit Committee members" and "all directors" shall refer to those currently



holding office.

During the Board's deliberation, the opinions of independent directors shall be duly considered.

Any objections or reservations expressed by independent directors shall be clearly recorded in the minutes of the Board meeting.