

Kinmen Kaoliang Liquor Inc.

Guidelines for the Export and Trade Operations of Alcoholic Beverages

Approved by the 14th Board of Directors at its 3rd Meeting on December 18, 2024

- Article 1 Kinmen Kaoliang Liquor Inc. (hereinafter referred to as "the Company") has established these guidelines to develop the international export market for its alcoholic beverages (excluding Mainland China, with the exception of the Hong Kong and Macau Special Administrative Regions).
- Article 2 Eligibility Criteria:
1. Merchants (including trading companies) in countries or regions announced by the Company that are legally qualified to import alcoholic beverages locally and submit the following documents for review and approval by the Company:
 - (1) Basic information of the merchant.
 - (2) Proof of qualification to sell imported alcoholic beverages locally, except for designated merchants (e.g., government agencies).
 - (3) Distribution and sales planning for the market, except for designated merchants (e.g., government agencies).
 2. Merchants (including trading companies) in importing countries or regions with legal qualifications and distribution capabilities who submit the following documents for review and approval by the Company:
 - (1) Basic information of the merchant.
 - (2) Proof of business registration showing inclusion of alcoholic beverage-related sales and international trade, except for designated merchants (e.g., government agencies).
 - (3) Distribution and sales planning for the market, except for designated merchants (e.g., government agencies).
- Article 3 Product Categories and Pricing:
1. Product Categories and Pricing: Refer to the attached table.
 2. The Company may adjust supply and sales prices in response to market conditions, government taxation policies, wholesale price index fluctuations, and raw material cost fluctuations. Any changes will be announced separately.
 3. Quoted Currency: Pricing is based on either a fixed New Taiwan Dollar (NTD) or a floating U.S. Dollar (USD), with conversions calculated according to the USD exchange rate published by Taiwan Customs every ten days.
 4. Labeling of Alcoholic Beverages:
 - (1) To meet sales requirements, merchants may propose secondary labels complying with the import country's regulations. The label design must be submitted to and coordinated with the Company.
 - (2) Secondary labels must be provided by the merchant prior to the production of the Company's alcoholic beverages. If not provided, it will be deemed unnecessary.

- (3) Secondary labels provided by the merchant must be simple and easy to apply. If any issues arise during application, the Company reserves the right to claim additional costs from the merchant.
- (4) The merchant is responsible for ensuring the accuracy and legality of the secondary label's content and must bear all associated legal liabilities. The label must not negate or remove the original labeling on the Company's products.
5. Collaborative Product Development: To address local sales needs, merchants may submit a product development proposal along with projected sales volumes. Upon the Company's approval, new product development and production for supply and sales will proceed.

Article 4 Order Quantity: Orders must be based on full pallet quantities to facilitate transportation.

Article 5 Delivery Location: Delivery will be made FOB at designated ports or international airports in Taiwan. Other delivery methods or locations will be handled as specified in the contract or purchase order.

Article 6 Order-Based Trade Operations Process:

1. Quotation: The Company will issue a quotation form for inquiries and purchase orders submitted by merchants, following the internal approval process. Once the quotation content is confirmed by the merchant with a signed acknowledgment, the purchase process is deemed established.
2. Ordering and Payment:
 - (1) Merchants are required to submit their purchase orders at least 90 days prior to the desired delivery date to ensure sufficient time for production and preparation.
 - (2) After receiving the purchase order and completing the quotation process, the Company will issue a "Sales Confirmation" to the merchant.
 - (3) Upon receiving the "Sales Confirmation," merchants must sign and return the document within three working days (including the day of confirmation).
 - (4) Merchants must remit the full payment for the "Sales Confirmation" amount, including advance payment for alcohol and tobacco taxes, via wire transfer to the Company's designated account within ten working days.

NTD Account:

- Bank: Land Bank of Taiwan, Kinmen Branch
- Account Name: Kinmen Kaoliang Liquor Inc.
- Account Number: 039-058-00131-1

USD Account:

- Bank: Land Bank of Taiwan, Kinmen Branch
(SWIFT CODE: LBOTTWTP039)
- Account Name: Kinmen Kaoliang Liquor Inc.
- Account Number: 039-101-000323

- (5) If the merchant fails to sign and return the "Sales Confirmation" or remit the full payment and advance taxes within the specified time frame, the "Sales Confirmation" will automatically become invalid and the order will be considered canceled.
3. Shipment:
 - (1) Upon receipt of the full payment and advance taxes, the Company will issue a "Shipping Notice" during the preparation period, informing the merchant of the estimated shipping date.
 - (2) A "Sales Invoice" will be issued to the merchant for each batch shipped.
 - (3) After shipment, the merchant must provide the Company with the original fourth copy of the export declaration form (for domestic tax refunds) signed by Customs for each batch shipped. Upon receipt of the export declaration form, the Company will refund the advance alcohol and tobacco taxes without interest within 15 days.
4. Export Customs Clearance:
 - (1) Export declarations may be processed by a customs broker under the Company's name or the merchant's name.
 - (2) If the export declaration is processed under the merchant's name, the Company will collect advance alcohol and tobacco taxes and refund them upon receipt of the import/export declaration documents. If the declaration is under the Company's name, no advance taxes are required.
 - (3) To effectively control the distribution of alcoholic beverages, all export orders for the Hong Kong and Macau markets must include advance payment of alcohol and tobacco taxes.
 - (4) All export merchants must provide, upon the Company's request, their country's export declaration, the import declaration documents (customs declaration or bill of lading) for the destination country, or proof of import tax payment.

Article 7 Loss Allowance Rate:

1. For single orders of at least one 20-foot container (10 pallets), the Company will provide an allowance equivalent to 0.3% of the total order amount (rounded to the nearest decimal) to cover losses during transportation.
2. The 0.3% allowance will be deducted from the payment for the respective order.

Article 8 Order-Based Purchase Incentives:

1. The purchase incentive standards are as follows:
 - (1) For single orders of at least one 20-foot container (10 pallets), the Company will provide an incentive equivalent to 2% of the total order amount (rounded to the nearest decimal).
 - (2) For single orders of at least three 20-foot containers (30 pallets), the Company will provide an incentive equivalent to 4% of the total order amount (rounded to the nearest decimal).
 - (3) For single orders of at least five 20-foot containers (50 pallets), the Company will

provide an incentive equivalent to 6% of the total order amount (rounded to the nearest decimal).

2. The purchase incentive will be deducted from the payment for the respective order.

Article 9

Eligibility Criteria for International Export Distributors (Contract-Based):

1. The Company may evaluate the need for non-order-based alcoholic beverage sales and recruit international export project distributors through a public selection process. Details of the selection process will be announced separately.
2. Based on the demand in a specific country's international export market, the Company will evaluate and select suitable distributors. Merchants wishing to become an exclusive distributor for a specific country must meet the following criteria and pass the Company's evaluation and scoring process. Qualified merchants may be considered for a two-year distribution contract. The possibility of contract renewal depends on the Company's evaluation, and distributors cannot claim the right to renewal. If multiple merchants meet the eligibility criteria, the Company will select the highest-scoring merchant for the contract.
 - (1) The merchant must have achieved a cumulative total order value of at least NTD 5 million for alcoholic beverages over the past six months.
 - (2) Submission of a marketing proposal that includes at least the following:
 - i. Company structure, sales system, capital, and financial status.
 - ii. Annual commitment to a minimum distribution value of NTD 15 million.
 - iii. Annual commitment to allocate at least 2% of the annual distribution value for marketing expenses.
 - iv. Market overview and analysis of the export country.
 - v. Channel expansion plan (including distribution of main sales outlets).
 - vi. Product marketing and promotion plan.
 - vii. Pricing strategy analysis.
3. Evaluation and scoring criteria for contract-based distributors:
 - i. Company structure, sales system, capital, and financial status: 10 points.
 - ii. Annual commitment to a distribution value of at least NTD 15 million: 25 points. Merchants meeting the minimum requirement will score 20 points, with an additional 0.5 points for every extra NTD 1 million.
 - iii. Annual commitment to allocate at least 2% of the annual distribution value for marketing expenses: 10 points. Merchants meeting the minimum requirement will score 7 points, with an additional 1 point for every extra 1%.
 - iv. Market overview and analysis of the export country: 10 points.
 - v. Channel expansion plan (including distribution of main sales outlets): 20 points.
 - vi. Product marketing and promotion plan: 20 points.
 - vii. Pricing strategy analysis: 5 points.

- viii. Merchants scoring less than 70 points will not be considered for a contract and must revise their marketing proposal for reevaluation. In the event of a tie between two merchants, scoring priority will follow this order: annual commitment to distribution value, annual commitment to marketing expenses, channel expansion plan, product marketing promotion plan, company structure, sales system, capital and financial status, market overview and analysis, and pricing strategy analysis.

Article 10 Prohibition of Resale in Restricted Areas

1. Merchants are strictly prohibited from reselling the ordered alcoholic beverages to Taiwan, Penghu, Kinmen, or Matsu, as well as to Mainland China or any other sales regions not approved by the Company.
2. If a merchant violates this provision, and the Company verifies the violation with concrete evidence such as sales records:
 - (1) For International Export Distributors (Contract-Based): Actions will be handled in accordance with the terms of the contract.
 - (2) For Order-Based Sales: The Company reserves the right to refuse any future orders from the merchant and may claim punitive damages calculated at three times the total amount of the violating order.

Article 11 Merchants are prohibited from adulterating or altering the alcoholic beverages sold under these guidelines or changing their packaging. The trademarks on these alcoholic beverages are the property of the Company, and merchants are not permitted to use them on other products. Any actions that infringe on the Company's rights may result in legal action.

Article 12 The Company may request merchants to provide information on market sales conditions for reference.

Article 13 The Company reserves the right to interpret the terms and content outlined in these guidelines. Merchants and related contractual parties shall not raise objections.

Article 14 Any matters not covered in these guidelines shall be handled in accordance with relevant laws and regulations. The Company reserves the right to review and amend these guidelines at any time.