

Kinmen Kaoliang Liquor Inc.

Selection Guidelines for Korean International Duty-Free Channel Distributor

1. Distribution Territory Selection Target: Korean International Duty-Free Channel Distributor
2. Qualifications for Partnership:
 - A. Possess valid Korean licenses, including a Liquor Import (Export) Permit and a Business Registration Certificate listing liquor as a business item, along with supporting documentation.
 - B. Maintain a paid-in capital and net worth of at least KRW 100 million or equivalent in another currency.
 - C. Provide a proven track record in sales through Korean duty-free channels.
 - D. Submit proof of partnership intent or supplier documentation from at least two of Korea's three major duty-free retailers: Lotte, Shilla, or Shinsegae.
3. Selection Timeline: May 15, 2025 through June 30, 2025. Bidding distributors must submit their marketing proposals (as specified in Section 7) either personally or via mail to Mr. Fu at the Company's Sales Department at No.1, Taoyuan Rd., Jinning Township, Kinmen County 89248 within this timeframe, factoring in postal delivery time.
4. Contract Term: One year. Subject to the Company's evaluation and approval, the contract may be renewed only once for an additional year, provided the renewal is agreed upon within thirty (30) days prior to the contract's expiration.
5. Distribution Amount Requirements:
 - A. The minimum annual distribution amount is USD 150,000.
 - B. Bidding distributors shall assess all foreseeable and unforeseeable market factors regarding their ability to achieve the annual distribution amount. Distributors shall estimate potential losses from risks associated with their assessment and may not request reductions to the annual distribution commitment during the contract term.
 - C. The aforementioned amount represents the publicly announced minimum threshold for selection. The final committed distribution amount shall be based on the target specified by the bidding distributor in the submitted marketing proposal.
 - D. Unless otherwise stipulated in this contract, the rights and obligations set forth in this selection project shall not be affected by the winning distributor's marketing performance. All adverse or obstructive factors in marketing—whether foreseeable or unforeseeable—resulting in losses or inventory accumulation shall be solely borne by the distributor.
6. Distribution Items and Suggested Retail Prices:

Please refer to the attached Kinmen Kaoliang Liquor Inc. Price List of Products for Korean International Duty-Free Channels.

7. Marketing Proposal (10 copies each in Chinese and English):

A. Contents of the Marketing Proposal:

- (1) The bidder must provide the following required documents: a valid Korean Liquor Import (Export) Permit and a Business Registration Certificate listing liquor as a business item; documentation showing paid-in capital and net worth of at least KRW 100 million (or the equivalent in another currency); a proven track record in sales through Korean duty-free channels; and partnership intent or supplier documentation from at least two of Korea's three major duty-free retailers: Lotte, Shilla, or Shinsegae. The proposal lacking any of these documents will not be considered for award.
- (2) An annual minimum committed distribution amount of USD 150,000.
- (3) The supply pricing for distribution items is calculated by deducting the distributor's profit (including channel margins) from the suggested retail price set by Kinmen Kaoliang Liquor Inc., with the profit margin capped at 70% of the suggested retail price. Example: For a 0.5L, 58% Kinmen Kaoliang Liquor - Platinum Dragon (Twin pack) with a suggested retail price of USD 42, if the distributor (including channel) margin is 70%, the contractual supply price would be $USD\ 42 \times 30\% = USD\ 12.6$.
- (4) Channel Liquor Product Placement Planning (e.g., negotiating with operators, handling customer complaints, training sales staff, coordinating product display locations, monitoring sales and inventory levels, providing market-related information, etc.)
- (5) Overview and Analysis of the Korean Duty-Free Channel Market.

B. The commitments outlined in the bidding distributor's marketing proposal shall constitute a valid annex to these Selection Guidelines and shall carry the same legal effect as the contract. Any matters involving a request for the Company to perform an obligation, or any other obligation not expressly stipulated in the contract, shall not be binding on the Company. Any terms in the proposal that are conditional upon the Company's performance shall be deemed as not stated.

C. The annual distribution commitment and distributor profit margin (including channel margins) specified in the marketing proposal are deemed primary contractual obligations.

D. The recommended formatting is as follows:

- (1) Use A4-sized paper in vertical orientation, with text typed horizontally.
- (2) Include a table of contents, page numbers, and a cover page, and bind the document into a booklet.
- (3) Excluding the cover, table of contents, and annexes, the proposal should preferably not exceed 100 pages.

8. Selection and Award Principles:

- A. The Company will form a Selection Committee to evaluate the marketing proposals submitted from bidding distributors. Scoring will be based on the criteria set forth in the "Kinmen Kaoliang Liquor Inc. Marketing Proposal Evaluation Criteria for Korean International Duty-Free Channel Distributors."
- B. The selection process will adopt a ranking method to determine the most advantageous bid. Rankings will be assigned based on each Selection Committee member's score according to the "Kinmen Kaoliang Liquor Inc. Marketing Proposal Evaluation Criteria for Korean International Duty-Free Channel Distributors." Any bidder with an average score below 60 points will not be considered for contract award.
- C. The ranking of bidding distributors shall be determined according to the positions assigned by each Selection Committee member. The distributor with the lowest cumulative ranking shall be deemed the most preferred candidate, with subsequent rankings determined in ascending order.
- D. In the event of a tie in ranking, the tie shall be resolved in accordance with the Kinmen Kaoliang Liquor Inc. Marketing Proposal Evaluation Criteria for Korean International Duty-Free Channel Distributors, in the following order: (1) the committed annual distribution amount, (2) distributor profit margins on products, (3) channel product placement planning, and (4) duty-free channel sales performance. If the tie remains unresolved, the Selection Committee will make a decision by majority vote.
- E. One winning distributor and one backup distributor will be selected during the evaluation meeting. No compensation or reward will be provided to distributors who are not selected.

9. Contract Execution and Performance Bond:

- A. The selected distributor must, within thirty (30) calendar days following the date of award (extended to the next business day if the deadline falls on a holiday), remit a performance bond to the Company. The amount shall be equal to 10% of the annual distribution amount stated in the marketing proposal, payable via T/T. The contract signing process must be completed within this period.
- B. If the winning distributor fails to execute the contract within the specified period, or violates the terms during the contract period resulting in contract termination, the Company may proceed with contract signing with a backup distributor.

10. For any matters not covered herein or unclear in meaning, the terms of the "Kinmen Kaoliang Liquor Inc. Distribution Agreement for Korean International Duty-Free Channel Distributor" shall prevail.

11. For details regarding the selection process, please contact Mr. Fu from the Sales Department at 082-325628 ext. 86325, E-Mail: beckhan@mail.kkl.gov.tw