

KGI Financial Holding Co., Ltd.

Legal Compliance Policy

Competent Authority: Compliance Department

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Article 1 In order to establish a compliance control mechanism, KGIFH formulates a Legal Compliance Policy (the "Policy") in accordance with the FSC "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries".

Article 2 This Policy aims to heighten the awareness of compliance among KGIFH staff, to familiarize them with the financial regulations and ethical codes relevant to their work, and to ensure that the operations and management continue to abide by the relevant regulations through the operation of a clear internal control system and proper appraising whether personnel comply with relevant laws and regulations with the operations, so as to promote the sound operation , protect investments and maintain financial stability.

Article 3 The compliance unit of KGIFH is the Compliance Department, which is subordinate to the President and is responsible for the planning, management and implementation of the system. The senior executive or the head of the Compliance Department shall serve as the Chief Compliance Officer and shall oversee regulatory compliance matters and report to the Audit Committee and the Board of Directors on a half-yearly basis. If KGIFH or its subsidiaries are found to be in material breach of the laws and regulations or have their ratings downgraded by the financial competent authority, the Chief Compliance Officer shall immediately notify the directors and report to the Audit Committee and the Board of Directors on compliance matters. The report to the Audit Committee and the Board of Directors shall contain, at a minimum, an analysis of the causes of significant deficiency or malpractice in compliance matters within respective departments as well as possible effects and recommendations for improvement.

The criteria for notifying directors of major regulatory violations as set out in the preceding paragraph are separately prescribed in the attached "Schedule".

Article 4 The establishment of KGIFH Chief Compliance Officer shall obey Article 32 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries."

Article 5 The KGIFH Chief Compliance Officer shall immediately notify the independent directors and the Audit Committee, when his/her recommendations for improvements regarding noncompliance are not accepted by management and as a result KGIFH might

incur a material loss.

Article 6 Except for subsidiaries that are required by law to have a Chief Compliance Officer, all other subsidiaries should set up the post of a compliance officer depending on whether there are employees, management structure, compliance risk level, and their shareholding ratio, or their managing company or parent company shall handle their compliance matters.

Article 7 The compliance unit of KGIFH directly-controlled subsidiaries shall propose compliance enhancement measures on the following matters for each company and its subsidiaries on a half-yearly basis, and submit to KGIFH Compliance Department for the incorporation into the KGIFH half-yearly compliance report for presentation to the Board of Directors:

- (1) Material compliance deficiencies identified by the domestic and foreign competent authorities.
- (2) Material compliance deficiencies that occur with high frequency.

Article 8 KGIFH Compliance Department shall periodically evaluate the effectiveness of each unit's regulatory compliance. The results of the evaluation shall be approved by the President and reported to the Audit Committee and the Board of Directors and deemed as an important item in the annual performance appraisal of each unit.

KGIFH Compliance Department shall periodically evaluate the effectiveness of the regulatory compliance for its directly-controlled subsidiaries. The evaluation results shall be approved by the President and reported to the Audit Committee and the Board of Directors, and then reported in the Board of Directors meeting of each subsidiary as an important item in the annual performance appraisal.

The appraisal criteria set forth in the preceding two paragraphs are delegated to the Chief Compliance Officer for determination.

Article 9 The enforcement directions of this Policy are delegated to the President for determination. Any remaining matters shall follow "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and other relevant regulations.

Article 10 This Policy shall be enforced from the date of publication after the approval of the Audit Committee and Board of Directors. The same applies to any amendment thereto.

Schedule: Criteria for Notification of Directors for Material Regulatory Violations

The criteria for notifying a director of a material compliance breach is as follows:

1. The fine imposed by the competent authority for a single violation amounts to NT\$3 million or more, or if the fine does not amount to NT\$3 million but reaches at least one-half of the maximum amount of the statutory fine, but the maximum amount of the statutory fine does not exceed NT\$1 million shall not apply.
2. Cases of severe penalties published on the website of the Financial Supervisory Commission:
 - (1) The revocation of a resolution passed at a board/shareholder meeting;
 - (2) The suspension of all or part of the business of KGIFH;
 - (3) Ordering to dismiss its managers from their duties;
 - (4) The dismissal of directors from their positions or the suspension of such directors from their duties for a specified period of time;
 - (5) Ordering to dispose its shareholdings in the relevant subsidiaries;
 - (6) Revocation of the approval for the establishment of KGIFH; and/or
 - (7) Any other material disciplinary actions.
3. Any malpractice due to poor internal control or any significant deficiency .
4. Any other matter which, as assessed by the Chief Compliance Officer, has a significant impact on the reputation, shareholders' equity or the stock price, or endangers the normal operations and the financial order.