

Kwong Fong Industries Corporation
2024 Risk Management Policy, Scope, Organizational Structure and Operation

1. Risk management policy
- In order to safeguard the rights and interests of the shareholders of the Company and ensure the proper compliance of asset quality, financial security and relevant laws and regulations, the risk management policy and procedures were formulated on November 11, 2022 as the highest guiding principle for risk management.
2. Risk management organizational structure and responsibilities
- (1) The Chairperson of the Board of Directors is the top supervisor of risk management, and the general manager and the heads of each unit serve as the first-level risk management personnel.

(2) The Level 1 Risk Management Officer is responsible for identifying risks, formulating countermeasures, and reporting the results to the Chairperson.

(3) Depending on the difference in the content of the risk, the Chairperson of the Board of Directors may convene a meeting to review the response measures according to its importance, and set up a relevant response team if necessary.

(4) The Auditor checks the implementation of various important controls according to the audit plan, and submits the audit report to the Audit Committee and the Board of Directors.
3. Risk management scope
- The Company's risk management at all levels includes the Company's operational risks, financial risks, investment risks, credit risks, management risks, information security risks, legal risks and other identifiable risks, and is adjusted in a timely manner in response to changes in the business environment, business and operating activities.

4. Risk management operations in 2024

Type	Management unit	Risk description	Preventive measures	Risk management operations
Operational risk	President's Office	Operational goals achieving	1. Implementing the budget management system. 2. Reviewing budgets versus actual performance.	•Managing the achievement of annual policies and objectives through Management meetings.
Financial risk	Finance Department	Exchange rate fluctuations	1. Management of foreign currency positions to minimize the risk of exchange rate losses. 2. Weekly exchange rate reports to provide monitoring data on the impact of exchange rate fluctuations.	•Monitor foreign exchange market fluctuations and information, and assess the foreign exchange risks and profit/loss variations arising from the company's asset and liability positions. •Develop hedging strategies and execute foreign exchange hedging operations. •Manage foreign exchange risk and conduct relevant hedging operations for fund transfers that cause changes in foreign currency positions. •The objective of market risk

Type	Management unit	Risk description	Preventive measures	Risk management operations
				management is to maximize risk-adjusted returns by keeping market risks within a reasonable and tolerable range.
	Finance Department	Interest rate fluctuations	<ol style="list-style-type: none"> 1. Strengthen fund management, reduce idle funds, and lower funding costs. 2. Provide weekly loan reports with interest rate quotes from banks, seeking the best financing terms. 	<ul style="list-style-type: none"> • Monitor changes in the interest rate market and manage existing short- and long-term loan positions, leveraging market tools to lock in interest rate costs when appropriate. • Assess various financing methods and instruments based on annual budget requirements to minimize funding costs by optimizing cash flow management. • Maintain strong relationships with banks to secure the best financing and deposit interest rates.
Investment risk	Investment Department	Market changes	<ol style="list-style-type: none"> 1. Execute authorized investments in accordance with the company's policies. 2. Prepare daily and weekly investment equity reports to monitor changes in net value. 	<ul style="list-style-type: none"> • Monitor changes in the investment market, control long-term and short-term investment positions, and adjust investment strategies as needed. • Disclose derivative transactions in accordance with regulations.
Credit risk	Finance Department	Account collection risk	<ol style="list-style-type: none"> 1. Accounts aging analysis report. 2. Overdue accounts receivable tracking report. 	<ul style="list-style-type: none"> • Customer credit assessment, monitoring the progress of account collection, and reducing the risk of overdue.
Management risk	Management Department	Personnel changes Labor-management relations handling	<ol style="list-style-type: none"> 1. Salary and benefits system superior to Labor Standards Act. 2. Review working hours and staff allocation adequacy. 3. Employee training and further education planning. 	<ul style="list-style-type: none"> • Strengthen the channels of communication between labor and management to promote harmonious relations. • Strengthen the implementation and supervision of personnel recruitment channels and training management. • Ensure that the management procedures and related administrative operations of human resources comply with laws and regulations.
	Management Department	Employee misconduct	<ol style="list-style-type: none"> 1. Promotion and seminars. 2. Establish the reporting system and channels. 	<ul style="list-style-type: none"> • With established "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Professional Code of Ethics". To implement the values of integrity operation, create an honest corporate culture, guide

Type	Management unit	Risk description	Preventive measures	Risk management operations
				colleagues behaving to ethical standards, prevent illegal acts, and complete corporate governance.
Information security risk	Management Department	Internet security Information security	1. Strengthen antivirus software and firewall. 2. Improving information security management. 3. Information security training. 4. Information security response drills.	<ul style="list-style-type: none"> • Perform regular internal network security scans. • User authorization management mechanism, internal information security promotion. • Regular data backup.
Legal Risk	Management Department	Business risk Manage risk	1. Major contracts reviewed by the Legal Department. 2. Implement the seal management procedures. 3. Legal compliance promotion and training.	<ul style="list-style-type: none"> • Through contract management, control the signing status of all various contracts and related risks. • Through seal management, strengthen the control of the issuance, use, repeal, and other matters of seals, then reduce the overall legal risk of the company. • Take place in Internal legal training to enhance and strengthen the legal risk awareness of colleagues, to help them comply with relevant laws/regulations, and to reduce transaction risks when executing business activities.
	Internal Auditor	Violation and punishment	1. Legal compliance promotion. 2. Legal advisor.	<ul style="list-style-type: none"> • The auditor is responsible for legal risk management, providing legal consulting and suggestions based on internal systems, legal compliance, disputes, investment, intellectual property managing... etc.

Note: Risk management policies, scope, organizational structure and operations are reported to the Board of Directors once a year. This year, the report was submitted to the Board of Directors on November 8, 2024.