

Kwong Fong Industries Corporation

Rules Governing Financial and Business Matters between Related Parties

- Article 1 To ensure sound financial and business interactions between this Corporation and its related parties and to prevent non arm's-length transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds between this Corporation and its related parties, these Rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
- Article 2 Except as otherwise provided by law and regulation or by the articles of incorporation, financial and business matters between this Corporation and any of its related parties shall be handled in accordance with the provisions of these Rules.
- Article 3 The term "related party" referred herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and has either of the following relationships with this Corporation:
1. A relationship of control or subordination.
 2. A relationship of mutual investment. In determining whether a relationship of control or subordination under the preceding subparagraph exists, the substance of the relationship shall be considered in addition to the legal form.
- Article 4 This Corporation shall establish an effective internal control system designed for transactions with related parties (including affiliated enterprises) in regard to its overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.
- This Corporation shall ensure that any subsidiary develops an effective internal control system, taking into account the laws and regulations of the jurisdiction in which the subsidiary is located and the nature of its operations. For any related party that is not a public company, this Corporation shall still, in consideration of the degree of influence it has on this Corporation's business and finances, require that it develop effective systems for internal control and for managing financial, business, and accounting matters.
- Article 5 In addition to implementing the adopted internal control system, the Company shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:
1. The Company shall obtain an appropriate number of the seats of director of the board and supervisor in the affiliated enterprise in accordance with the percentage of the shares it holds.
 2. A director of the board that the Company assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and in order to monitor its operation, shall carefully review its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts, as reported by the various members of the affiliate enterprise's

management. The director assigned to the affiliated enterprise shall ascertain the cause of any irregularity found, compile a record, and report the matter to the chairperson or president of the Company.

3. A supervisor or independent director assigned to an affiliated enterprise by the Company shall supervise the affiliate's business operations, investigate its financial and business conditions, and review its books, records and audit reports, and may also request reports from the affiliate's board of directors or managerial officers. For any irregularity that may be found, the supervisor or independent director assigned to the affiliate shall ascertain the cause, compile a record, and report to the chairperson or president of the Company.
4. The Company shall assign competent personnel to assume important positions at its affiliated enterprise, such as president, financial officer, accounting officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.
5. The Company, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.
6. In addition to the audit plan and the significant deficiencies and improvements mentioned in the internal audit report of the subsidiaries that have set up internal audit unit, the internal audit unit of the Company must also carry out audits of the subsidiaries on a scheduled or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
7. Subsidiaries of the Company shall regularly submit monthly financial statements for the preceding month (ex. before the 15th day of each month), including balance sheets, income statements, statements of expenses, and other relevant statements. In the event of irregularities, analysis reports shall also be submitted to allow management and control by the Company. Other affiliated enterprises shall also regularly submit financial statements for the preceding quarter (ex. before the 15th day of each quarter), including balance sheets and income statements, for analysis and review by the Company.

Article 6 The number of positions that a managerial officer of the Company may concurrently hold in a reinvestment business and subsidiary company is limited to one, and a managerial officer shall not operate the same type of business as the Company, either on the officer's own behalf or with another party, unless the competition otherwise complies with the laws and regulations and is approved by the competent authority. The division of powers and responsibilities between the Company and its affiliated enterprises with respect to personnel management shall be clearly identified, and personnel transfers between the two shall be avoided. However, where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

Article 7 The Company shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters, and to mitigate various risks, shall regularly conduct comprehensive risk assessments of their banks and principal clients. With respect to an affiliated enterprise with

which it has financial and business interactions, the Company shall especially maintain close control over material financial and business items for the purpose of risk management.

Article 8 Any loans or endorsements guarantees between this Corporation and a related party shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements Guarantees by Public Companies and with the procedures prescribed by this Corporation regarding loans to others and provision of endorsements guarantees, and shall be submitted to the Board of Directors in accordance with relevant regulations.

Article 9 Price terms and payment methods shall be expressly stipulated for any business interaction between this Corporation and any related parties. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable. By the end of each month, the accounting personnel of both this Corporation and its related parties shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

For purchases and sales of goods, professional or technical services provided between this Corporation and a Related Party, the transaction amount of which during a whole year is expected to be five percent of this Corporation's most recent total consolidated assets or net value of consolidated business income in the most recent year, in addition that the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall apply, or other than the transactions between this Corporation and its parent company or subsidiary or between its subsidiaries, the following information shall be submitted to the board of directors for approval before the transactions may proceed:

1. Items, purpose, necessity, and projected benefits of the transactions.
2. The reason for choosing the related party as a trading counterparty.
3. The calculation principle of the transaction price and the projected limit of annual transaction value.
4. Description of whether transaction terms are consistent with regular commercial terms and that these terms will not damage the company interest or shareholder equity
5. Restrictions on transaction and other important terms and conditions.

The following particulars about the transactions with related parties in the preceding paragraph shall be reported at the next shareholders' meeting after the end of the year:

1. Actual transaction value and terms and conditions.
2. Whether the calculation principle of the transaction price approved by the board of directors has been followed.
3. Whether the total value is under the limit on annual transaction value approved by the board of directors. If the total amount is above the limit, describe the reason, necessity, and fairness.

Article 10 Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between this Corporation and a related party shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of

Assets by Public Companies and the procedures for acquisition and disposal of assets prescribed by this Corporation.

Article 11 When this Corporation intends to conduct any acquisition or disposal of real property or its right-of-use assets from or to any of its related parties, or to conduct an acquisition or disposal of assets other than real property or its right-of-use assets from or to any of its related parties in which the transaction amount reaches 20% of the corporation's paid-in capital, 10% of its total assets, or NT\$300 million or more, with the exception of purchases/sales of government bonds, repo or reverse repo bond transactions, or subscriptions/redemptions of money market funds issued by domestic securities investment trust enterprises; it shall following the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the company's "Procedures for the Acquisition or Disposal of Assets", the relevant information must be submitted to the Board of Directors for approval and acknowledged by the Audit Committee before it may enter into a contract for the transaction and pay the required payment.

For transactions with related parties that require Board approval as described above, the corporation must report the actual transaction details (including actual transaction amounts, conditions, and information submitted to the Board) to the most recent shareholders' meeting after the end of the fiscal year. However, this requirement does not apply to transactions between the company and its subsidiaries or between subsidiaries in which the company directly or indirectly holds 100% of the issued shares or total capital.

Article 12 With respect to any financial or business interaction between this Corporation and any related party that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

When a director him/herself or the corporation he/she represents is an interested party with respect to a particular agenda item and there is a likelihood that the company's interest may be compromised, that director shall enter into recusal and may neither participate in the discussion of nor vote on that item nor exercise voting rights as proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

If a director's spouse, blood relatives within the 2nd degree of relationship, or a company controlled by that director is an interested party with respect to an agenda item as mentioned in the preceding paragraph, the director him/herself will be deemed as an interested party with respect to that agenda item.

Article 13 The Company, in compliance with the requirements of laws and regulations regarding matters that must be publicly disclosed or filed and the deadlines for so doing, shall make timely arrangements for the provision by each subsidiary of required financial and business information, or to retain CPAs to audit or review the financial reports of each subsidiary.

Article 14 In the event that an affiliate of the Company has any of the following circumstances, the Company shall announce and report the relevant information on behalf of the Company:

1. If the amount of assets acquired or disposed of, endorsement guarantee and capital lending to others of a subsidiary whose shares are not publicly issued

- in Taiwan shall meets the standard declared in the announcement.
2. Matters related to bankruptcy or reorganization proceedings carried out by the parent company or subsidiary in accordance with relevant laws and regulations.
 3. The major decisions made by the board of directors of the affiliated enterprise have a significant impact on the shareholders' equity or securities price of the company.
 4. If the subsidiaries of the Company and the parent company of the unlisted OTC are in accordance with the requirements of the "Procedures for Verification and Public Handling of Material Information of Listed Companies on the Taiwan Stock Exchange" or the "Procedures for Verification and Public Handling of Material Information of OTC Companies on the OTC of the Republic of China Securities Trading Center".

Article 15 These Rules were approved by the Board of Directors and published for implementation, and the same applies to any amendments.

This operating standard was established on November 10, 2023.
The first revision was approved by the board of directors on June 26, 2024