

Kwong Fong Industries Corporation
Procedures for lending funds to others

Approved May 31, 2022

- Article 1 These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act") and the "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees for Public Companies" promulgated by the competent authority.
- Article 2 Funds are loaned to the object
- Under Article 15 of the Company Act, the company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
1. Where an inter-company or inter-firm business transaction calls for a loan arrangement;
 2. Where an inter-company or inter-firm short-term financing facility is necessary.
- The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.
- The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the public company's short-term financing.
- Article 3 Evaluation standards for loaning funds to others:
1. Where funds are loaned for reasons of business dealings, evaluation standards shall be specified for determining whether the amount of a loan is commensurate to the total amount of trading between the two companies.
 2. Where short-term financing is needed, the reasons for and conditions of extending loans shall be enumerated.
- Article 4 The aggregate amount of loans and the maximum amount permitted to a single borrower shall each be prescribed separately.
1. The total amount of funds borrowed by the Company shall not exceed 40% of the net value of the Company; The total amount of capital loans of the Company and its subsidiaries shall not exceed 40% of the net value of the Company.
 2. For companies or banks that have business dealings with the Company, the total amount of capital loans shall not exceed 40% of the net value of the Company; The amount of individual loans should be assessed to be commensurate with the amount of business transactions, and the amount of loans shall not exceed 40% of the net value of the Company.

3. For companies or banks that have the necessary short-term financing funds with the Company, the total amount of capital loans shall not exceed 40% of the net value of the Company; The amount of individual loans does not exceed 40% of the net value of the Company.
4. For the purposes of this procedure, the term "net worth" is based on the most recent financial statements that have been audited or inspected by accountants.

Article 5 The term of the loan and the method of calculating interest

1. The term of each loan is limited to one year or one business cycle, whichever is longer.
2. The interest rate of the fund loan shall not be lower than the average interest rate of the Company's short-term borrowings from financial institutions, and the interest on each loan shall be calculated according to the contract, and the interest shall be settled at the end of each month.

Article 6 Funds loan and processing and review procedures

1. When the company handles the capital loan, it should be reviewed in detail by the finance department:
 - (1). The necessity of and reasonableness of extending loans to others.
 - (2). Borrower credit status and risk assessment.
 - (3). Impact on the company's business operations, financial condition, and shareholders' equity.
 - (4). Whether collateral must be obtained and appraisal of the value thereof.
2. When applying for a loan to the Company, the borrower shall issue an application letter detailing the amount, term, purpose and provision of guarantee and provide basic information and financial information for the purpose of handling credit investigation. And the handling personnel fill in the credit report and opinions, prepare the loan conditions, and submit them to the financial manager for approval by the general manager, vice chairman and chairman of the board of directors, and pass the resolution of the board of directors.

The Company and its subsidiaries, or their subsidiaries, shall submit a resolution to the board of directors in accordance with the provisions of the preceding paragraph, and may authorize the chairman of the board of directors to allocate or revolve the loan for the same loan recipient within a period of not more than one year within a fixed amount determined by the board of directors, and the financing target may also be repaid in one or installments.

The amount specified in the resolution of the board of directors in the preceding paragraph shall not exceed 10% of the net value of the Company's latest financial statements.

3. If the Company lends funds to others, if it deems it necessary, the financing object shall provide collateral equivalent to the financing amount and ensure

the integrity of its rights.

In lieu of the collateral provided, the debtor may provide an individual or company with considerable capital and credit as a guarantee for the creditor's rights in the preceding paragraph. If the company acts as a guarantor, the guarantor company shall have a clause in the articles of association that can be used as a guarantee.

4. When lending funds to others, the Company shall fully consider the opinions of each independent director, and if any objection or reservation is expressed by the independent directors, it shall be stated in the minutes of the board of directors.
5. When the Company signs a financing contract with the financing object, it shall be handled on the basis of the company seal applied to the Ministry of Economic Affairs.
6. When the Company handles the matters of capital loans, the financial department shall establish a memorandum book, which shall publish in detail the objects and amounts of funds to be loaned, the date of approval by the board of directors, the date of capital lending and the date of capital lending and the matters that should be prudently assessed in accordance with the provisions of Paragraph 1 of Paragraph 1 of this Article.
7. The company's internal auditors shall audit the Operational Procedures for Lending Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found.

Article 7 Announcement declaration procedure

1. The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence.
2. If the Company's capital loan meets any of the following criteria, it shall be entered into the Public Information Observatory within two days from the date of the occurrence of the fact, and the date of occurrence of the fact shall refer to the date of signing, payment, resolution of the board of directors or other dates on which the object and amount of funds to be lent are determined, whichever is the former.
 - (1). The aggregate balance of loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
 - (2). The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.
 - (3). The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or

more of the public company's net worth as stated in its latest financial statement.

3. The public company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.
4. A public company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Article 8 Follow-up control measures for the amount of loans and overdue creditor's rights handling procedures.

1. The term of the Company's financing may be extended upon the expiration of the term with the approval of the Board of Directors. If the extension is not approved by the board of directors, the financing object shall repay the principal and interest immediately, and the violator shall recover according to law.
2. If the financing target fails to perform the financing contract for any reason, the company may dispose of its collateral and recover its debts, and impose an additional 10% liquidated damages at the agreed interest rate.
3. If the financing target fails to perform the financing contract for any reason, the Company may dispose of and recover the collateral or guarantor provided by the financing object in accordance with the law.

Article 9 Penalties

If the company's managers and organizers violate this procedure, they will be punished in accordance with the relevant provisions of the company's regulations.

Article 10 Procedures for controlling the lending of funds to others by subsidiaries

1. If a subsidiary of the Company intends to lend funds to others, the Company shall instruct the subsidiary to formulate the operating procedures for lending funds to others in accordance with the provisions of this Code, and shall handle the procedures in accordance with the prescribed operating procedures.
2. When the auditors of the Company conduct an audit of the subsidiary in accordance with the annual audit plan, they should also understand the implementation of the operating procedures of the subsidiary's capital lending to others, and if any deficiencies are found, they should continue to track the improvement and make a follow-up report to the independent directors, and complete the improvement according to the planned schedule.

Article 11 Supplements to relevant laws and regulations

Matters not covered in this operating procedure shall be handled in accordance with the relevant laws and regulations.

Article 12 Implement and modify

The establishment of these operating procedures shall be approved by more than one-half of all members of the Audit Committee, and shall be implemented after the resolution of the Board of Directors is passed and submitted to the shareholders' meeting for approval.

In the case of the preceding paragraph without the consent of more than one-half of all members of the Audit Committee, the approval of more than two-thirds of all directors shall be obtained, and the resolution of the Audit Committee shall be stated in the minutes of the Board of Directors.