

Kwong Fong Industries Corporation

2023 Risk management policy, scope, organisational 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 chairman 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 Chairman.
- (3) Depending on the difference in the content of the risk, the chairman 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 audit 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

Risk type	Risk management unit	Risk content description	Risk management operations
Operational risk	General Manager's Office	Operational goals achieved	•Manage annual policy and target achievement through management meetings.
Financial risk	Finance Department	Exchange rate changes	•Monitor changes and information in the foreign exchange market, and assess the foreign exchange risks and changes in profit and loss arising from the company's assets and

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			liabilities. <ul style="list-style-type: none"> •Formulate a hedging strategy and carry out exchange rate hedging operations. •For the transfer of funds that cause changes in foreign currency positions, foreign currency exchange rate risk control and related hedging operations are carried out. •The goal of market risk management is to maximize risk-adjusted returns by keeping market risk within a reasonable and tolerable range.
	Finance Department	Interest rate changes	<ul style="list-style-type: none"> •Monitor changes in the interest rate market, control existing long-term and short-term borrowings, and use market tools to lock in interest rate costs in a timely manner. •Grasp the funding situation, evaluate various financing methods and tools according to the annual budget needs, and reduce the cost of capital. •Maintain good banking relationships and strive for the best financing and deposit rates.
Investment risk	Investment	Market changes	<ul style="list-style-type: none"> •Monitor changes in the investment market, control long-term and short-term investment positions, and adjust investment strategies in a timely manner.
Credit risk	Finance Department	Account collection risk	<ul style="list-style-type: none"> •Customer credit assessment, control the progress of account collection, and reduce the risk of overdue.
Manage risk	Management	Personnel changes	<ul style="list-style-type: none"> •Strengthen the channels of communication between labor and

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		Labor relations handling	<p>management to promote harmonious relations.</p> <ul style="list-style-type: none"> •Strengthen the management, implementation and supervision of personnel recruitment channels, education and training. •Ensure that the existing management procedures and related administrative operations of human resources comply with laws and regulations.
	Management	Employee misconduct	<ul style="list-style-type: none"> •We have established the Code of Integrity Management, the Code of Practice and Conduct Guidelines for Integrity Management, and the Code of Ethical Conduct for Employees to implement the values of integrity management and create an honest corporate culture to guide the behavior of the company's colleagues to meet ethical standards, so as to avoid illegal acts and improve corporate.
Information security risk	Management	Internet security	<ul style="list-style-type: none"> •Perform regular internal network security scans.
		Information security	<ul style="list-style-type: none"> •User authorization management mechanism, internal information security publicity. •Regular data backup
Legal Risk	Management	Business risk Manage risk	<ul style="list-style-type: none"> •Through contract management, strengthen the signing status of the company's various types of contracts and control related risks. •Through seal management, strengthen the control of the issuance, use, repeal and other matters of the company's seal, so as

Risk type	Risk management unit	Risk content description	Risk management operations
			<p>to reduce the overall legal risk of the company.</p> <ul style="list-style-type: none"> •Internally, relevant legal education and training will be held to enhance and strengthen the legal risk awareness of colleagues, so that they can comply with relevant laws and regulations and reduce transaction risks when engaging in business activities.
	Audit	Break the law and be punished	<ul style="list-style-type: none"> •The auditor is responsible for legal risk management, providing legal advice and handling suggestions on internal systems, legal compliance, disputes, investment, intellectual property management, etc.