

Kwong Fong Industries Corporation

Procedures for Ethical Management and Guidelines for Conduct

Formulation Date: August 12, 2022

Article 1 Purpose of formulation and scope of application

The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct are adopted pursuant to the provisions of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-listed Companies," with a view to providing all personnel of the Company with clear directions for the performance of their duties. The scope of application of these Procedures and Guidelines includes the subsidiaries of the Company, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by the Company.

Article 2 Applicable subjects

For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, managerial officer, employee, mandatary, or person having substantial control, of the Company or its group enterprises and organizations. Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

Article 3 Unethical conduct

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties, or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees, substantial controllers, or other stakeholders.

Article 4 Types of benefits

Article 4 For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 5 Responsible unit and duties

The Company shall designate the President's Office as the solely responsible unit (hereinafter, "responsible unit") and provide it with sufficient resources and competent personnel to be in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall also submit regular reports (at least once a year) to the Board of Directors.

Article 6 Prohibition against providing or accepting improper benefits

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the Ethical Corporate Management Best-Practice Principles for TWSE-/TPEX-listed Companies and the provisions of these Procedures and Guidelines, and the relevant procedures shall have been carried out:

- I. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
- II. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
- III. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
- IV. Attendance at folk festivals that are open to and invite the attendance of the general public.
- V. Rewards, emergency assistance, condolence payments, or honorariums from the management.
- VI. Social etiquette custom or any conduct complying with the Company's regulations.

Article 7 Procedures for handling the acceptance of improper benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, money, gift, service, preferential treatment, entertainment, dining, or other benefits by a third party, the matter shall be handled in accordance with the following procedures:

- I. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the

personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.

- II. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit. "A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:
 - (I). When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
 - (II). When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
 - (III). Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact. The responsible unit of the Company shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported to and approved by the President's Office.

Article 8 Prohibition of and handling procedure for facilitating payments

The Company shall neither provide nor promise any facilitating payment. If any personnel of the Company provide or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit. Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

Article 9 Procedures for handling political contributions

The Company's providing political contributions shall be in line with the Company's internal regulations and the laws and regulations governing political contributions made in the country in which the recipient of the political contribution is, and shall not be for the purposes of seeking business benefits or exchanging for preferential treatment.

Article 10 Procedures for handling charitable donations or sponsorships

The Company's providing charitable donations or sponsorships shall be in accordance with its "Regulations Governing Procedure for Board of Directors Meetings" and the following provisions:

- I. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where this Corporation is doing business.
- II. A written record of the decision-making process shall be kept.
- III. A charitable donation may not be a disguised form of bribery.
- IV. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.

Article 11 Recusal

The Company's directors shall be highly self-disciplined. Where an agenda item at a Board of Directors meeting involves the interest of a director or the legal person represented by a director and such interest conflicts with the Company's interest, such a director may present his/her opinions and answer any inquiry, but shall not participate in discussion or voting; he/she shall recuse himself/herself from discussion and voting, and shall not exercise the voting rights on other director's behalf. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions. No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 12 Special unit in charge of confidentiality regime and its responsibilities

The Company shall set up a responsible unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

Article 13 Prohibition against unfair competition

The Company shall follow the Fair Trade Act and applicable competition laws

and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 Prevent Products or Services from Causing Harm to Stakeholders

The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services for which it shall observe and gather and publish all guidelines to cause personnel of the Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

Article 15 Prohibition against insider trading and non-disclosure agreement

All Company personnel shall adhere to the provisions of the Securities and Exchange Act and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading. Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

Article 16 Compliance and announcement of policy of ethical management

The Company shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy. The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the Company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17 Evaluation of Ethical Management Prior to Development of Commercial Relationships

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the

Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes. When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

- I. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
- II. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- III. Whether enterprise's business operations are located in a country with a high risk of corruption.
- IV. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- V. The long-term business condition and degree of goodwill of the enterprise.
- VI. Consultation with the enterprise's business partners on their opinion of the enterprise.
- VII. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18 Statement of Ethical Management Policy to Counterparties in Commercial Dealings

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name, including kickbacks, commission, facilitating payment, or other improper benefits provided or accepted via other channels.

Article 19 Avoidance of Commercial Dealings with Unethical Operators

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparties in commercial interactions that are involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20 Stipulation of Terms of Ethical Management in Contracts

Before entering into a contract with another party, the Company shall gain a

thorough knowledge of the status of the other party's ethical management and shall make observance of the ethical management policy part of the terms and conditions of the contract, stipulating at the least the following matters:

- I. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to the prohibition of acceptance of commissions, rebates, or other benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other benefits that were provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim from the other party 200 percent of the contract price as damage compensation, and may also deduct the full amount of the damages from the contract price payable.
- II. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
- III. Specific and reasonable payment terms, including the place and method of payment and the requirements for compliance with related tax laws and regulations.

Article 21 Handling of Unethical Conduct by Personnel of the Company

When the Company finds, or receives the report of, any unethical conduct involving its personnel, it shall immediately verify the finding or reporting. If a person being reported is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer the said person to judicial authority for investigation, or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests. With respect to unethical conduct already occurred, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence. The responsible unit of the Company shall report the unethical conduct, actions taken, and subsequent reviews and corrective measures taken to the board of directors.

Article 22 Actions Upon Events of Unethical Conduct by Others Towards the Company

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves

alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall also notify the governmental anti-corruption agency.

Article 23 Internal awareness sessions and establishment of a system for rewards, penalties, complaints, and related disciplinary measures

The responsible unit of the Company shall organize the awareness session periodically and arrange for the Chairperson, President, or senior management to communicate the importance of ethics to its directors, employees, and mandataries. The Company shall incorporate the ethical operations management best practice into its employee performance appraisal system and human resource policies to establish a clear and effective reward-penalty and grievance system. If any personnel of the Company seriously violate ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company shall disclose on its intranet information the position title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 24 Enforcement and Revision

These Procedures and Guidelines shall be implemented after the resolution of the Board of Directors and shall be reported at the shareholders' meeting, and likewise for revisions.

When these procedures and guidelines are submitted to the Board of Directors for discussion, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.