

Grand Pacific Petrochemical Corporation

Operational Procedures for Loaning Funds to Others

Officially resolved in the Board of Directors on October 31, 2022
Approved at the shareholders' meeting on June 28, 2023

1. Objectives

These Operational Procedures are duly enacted in accordance with Article 36-1 of Securities and Exchange Act and rules & regulations concerned promulgated by the Financial Supervisory Commission, Executive Yuan.

2. Scope of application

The Company's operational procedures for loaning funds to others shall be in accordance with the provisions of these Operational Procedures.

3. Relevant referential papers

PRC-01 Public Relations Operations

4. Definition of terms

4.1 The amount and duration of a loan mentioned in these Operational Procedures shall be:

- 1) The term “financing amount” as set forth herein denotes the accumulated balance of the short-term financing granted by the Public Companies.
- 2) The term as a short-term refers to one year or one business cycle (whichever is the longer).

4.2 The term the parent company or subsidiary shall be identified in accordance with the requirements of Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.3 The term “net worth” as set forth herein denotes the equity attributable to owners within the ascription of the parent company, as shown through the Company’s balance sheet which has been worked out in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.4 The term “date of occurrence of fact” as set forth herein denotes the date of contract signing, date of payment, date when resolved in the Board of Directors or other date which is adequate to prove the target loanee and amount, whichever is the earlier.

5. Operational Procedures and descriptions:

5.1 The causes and necessities of funds to be loaned to others: The Company may lend funds to companies that have business dealings and companies that have short-term financing needs. The funds loaned amidst the need of short-term financing shall be confined to those as enumerated below:

- 1) Where a company where the Company holds shares with voting powers in excess of 50% either directly or indirectly falls in a need for short-term financing.
- 2) Where another company falls in a need for short-term financing for purchase of materials for as working capital.
- 3) In another need where the Company's Board of Directors agrees to loan fund with.

5.2 Maximum limits of the aggregate total of funds loaned and the individual targets.

- 1) The aggregate total amount of the fund loaned by the Company shall not exceed 40% of the Company's net worth.
- 2) The total amount of loans to companies with which the Company has business dealings shall not exceed 10% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term, and the amount of individual loans shall not exceed the higher of the Company's purchases or sales in the most recent year or the current year up to the time of the loan.
- 3) The credit limit of the fund to be loaned by the Company or its subsidiary toward a single enterprise shall not exceed 10% of the Company's net worth as shown through its financial statements of the most recent term.
- 4) In a case of fund loaned, amidst the change in situations afterward, the target loanee becomes inconsistent with these Operational Procedures or the balance of the loan exceeds the specified maximum limit, the Company shall work out corrective plan and shall submit such corrective plan to the Audit Committee and shall duly complete the corrective action within the time limit specified in the plan.
- 5) Funds loaned by and between the Company and the foreign company(ies) where the Company holds 100% voting power either directly or indirectly, or from the foreign companies where the Company directly and indirectly holds 100% voting powers to the Company, the amount of funds loaned shall not be subject to the restriction of 5.2(6). However, the total amount of the loan and the amount of individual loans shall not exceed 100% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term, and the duration of the loan shall not exceed ten years.
- 6) For companies with short-term financing needs, the total amount of loans shall not exceed 40% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term. The amount of individual loans shall be limited to 10% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term.

5.3 Operational Procedures of funds to be loaned:

5.3.1 Credit investigation

- 1) Where the Company loans fund, the loanee shall first submit the Company data and financial data as necessary and shall apply to the Company for financing credit in writing.
- 2) After the Company accepts the application, the Finance Department shall conduct investigation and evaluation over the target loanee's business undertakings, financial conditions, solvency, profitability and purposes of the loan use and shall work out report.

5.3.2 Collateral for security

Where the Company loans funds, the Company shall acquire a commercial promissory note for security in amount equivalent to the loan and shall proceed with mortgage establishment with real estate or movable properties and insurance against fire risk. For the aforementioned security need, in the event that the loan applicant provides an individual or a company with adequate financial capability as the guarantee instead of collateral security, the Board of Directors may, as appropriate, take reference to the credit investigation report worked out by the Department of Finance instead. Where a company serves as

the guarantor, the Company shall check and make sure whether its Articles of Incorporation bear the terms to permit guarantee.

5.3.3 Scope of the authorized power

The Company shall establish the information for the purpose of the fund to be loaned and shall prepare for memorandum data toward such facts of the target loanees, amounts, the date of pass by the Board of Directors, and the date when the fund is loaned which shall be put into prudential investigation into the memorandum record. After the Company's Finance Department completes the credit investigation process, the credit investigation report shall be submitted to the chairman for approval, reported to the Board of Directors for resolution beforehand.

5.3.4 Other issues concerned

Where the Company's responsible person proves in contravention of provisions set forth under Articles 5.1 and 5.2, such responsible person shall team up with the loanee to assume the joint responsibility. In the event that the Company is impaired as a result, such responsible person shall assume the responsibility for damage indemnity as well.

5.4 Duration of loan and method for interest

5.4.1 The duration of each loan of funds shall be limited to one year or less. For funds loaned by and between the Company and the foreign company(ies) where the Company holds 100% voting power either directly or indirectly, or from the foreign companies where the Company directly and indirectly holds 100% voting powers to the Company, the duration of loaning of fund shall be limited to 10 years.

5.4.2 In a case of fund loaned by the Company, the interest rate shall not be lower than the highest interest rate when the Company borrows from a financial institution. In a case of fund loaned by the Company, the interest shall be payable on a monthly basis in principle. In an extraordinary event, the interest pay interval may be subject to flexible adjustment in response to approval by the Board of Directors.

5.4.3 A loan case by and between the Company and its parent company or subsidiary or between the Company and its subsidiaries shall be submitted to and approved by the board of directors through resolution in accordance with the preceding Paragraph. The board of directors may appropriate the loan in installments or on a circulatory basis within the duration not beyond one year and within the amount not beyond the specified limit. The above-mentioned specified limit shall not exceed 10% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term.

5.5 Timeframe and contents of public announcement and filing

5.5.1 The Company's Accounting Department shall launch public announcement and filing of the balances of the funds loaned by the Company and its subsidiaries as of the preceding month not later than the 10th day of every month.

5.5.2 Where balance of the funds loaned by the Company meets any one among those standards/criteria as enumerated below, the Finance Department shall launch public announcement and filing according to the requirements of the competent authority within two (2) days from date of occurrence of the fact.

- 1) Where the balance of the funds loaned by the Company and its subsidiaries exceeds 20% of the net worth as shown through the Company's financial statements of the latest term.
- 2) Where the balance of the funds loaned by the Company and its subsidiaries to a single enterprise exceeds 10% of the net worth as shown through the Company's financial statements of the latest term.
- 3) Where the amounts of the funds newly loaned by the Company or its subsidiaries are up to NT\$10 million or 2% of the net worth as shown through the Company's financial statements of the latest term.

5.5.3 Where a subsidiary of the Company is not a firm publicly listed in the Republic of China and where that subsidiary is required to announce to public Subparagraph 3 of the preceding paragraph, that announcement to public shall be conducted by the Company instead.

5.6 Penalty clauses

Where the Company's manager and person-in-charge in loaning the Company's funds to others are found in contravention of these Operational Procedures, they shall be reported for performance evaluation in accordance with the Company's Employee Rewards and Punishments Procedures as the actual situations may justify.

5.7 The subsequent follow-up control measures for the amounts having been loaned, procedures to manage overdue creditor's rights

5.7.1 After a loan is appropriated, the Company shall closely watch the financial conditions, business performance and relevant credit standing of the loanee and the guarantor(s). If collateral has been provided, the Company shall closely watch a potential change in the collateral value. In case of a significant change, the personnel in charge shall report to the chairman forthwith and take measures to safeguard the credit as instructed.

5.7.2 Where a loanee pays back his or her loan when due or before due date, the Company shall first calculate the interest payable. The loanee shall clear off the interest along with the principal in full before the commercial promissory note may be cancelled and returned to the loanee or before the mortgage can be cancelled.

5.7.3 As soon as the loan expires, the loanee shall pay off the principal and interest immediately. If the loan is not repaid and needs to be extended, the improvement plan shall be duly worked out and submitted to the Board of Directors for approval. In case of violation, the Company may dispose of or claim payback with the provided collateral or guarantor(s).

5.7.4 The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof on a quarterly basis as the minimum and shall work out documented records. In case of a significant offense noticed, the internal auditors shall keep the audit committee informed forthwith in writing.

5.7.5 The Company shall duly evaluate the facts of funds loaned and appropriate adequate allowance for potential bad debts and shall duly disclose the relevant information and provide the supporting data to the certified public accountant(s) to implement the audit procedures as necessary.

5.8 Enforcement and amendments

An amendment to these Operational Procedures shall be implemented after the approval of the shareholders' meeting and the approval of the shareholders' meeting after the approval of more than one-half of the members of the Audit Committee and the resolution of the Board of Directors; the opinions of the independent directors shall be fully considered when the issue is submitted to the Board of Directors for discussion. Objections or reserved opinions shall be stated in the minutes of the board of directors meeting. In the event that a director expresses objection as backed by a record or written statement, the Company shall submit the objection to the Audit Committee and report it to the shareholders meeting for discussion. This same provision is applicable *mutatis mutandis* to an event of amendment. In the event that the aforementioned issue is not approved by more than one-half of all members of the Audit Committee, it may be agreed by more than two-thirds of all directors, and the resolutions of the Audit Committee shall be expressly stated in the minutes of the board of directors meeting.

5.9 Other significant issues

Where a subsidiary of the Company intends to loan its fund to others, the Company shall order that subsidiary to duly work out “Operational Procedures for Loaning of Funds to Others” based on its “internal control system” and these Operational Procedures. That subsidiary shall duly act based on the Operational Procedures so worked out and shall declare the balances, target loanees, duration of the loans of the preceding month to the Company not later than the 5th day of every month.