

Shinkong Synthetic Fibers Corporation

Operating Procedures for Financial and Business Transactions Between Related Parties

(Approved by the Board of Directors on November 10, 2025 (ROC Year 114))

Article 1

To enhance the soundness of the Company's financial and business dealings with related parties and to prevent non-arm's-length transactions or improper transfer of interests in matters such as purchase and sales transactions between related parties, acquisition and disposal of assets, endorsements and guarantees, and loans of funds, these Operating Procedures are hereby established in accordance with Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for compliance.

Article 2

Financial and business transactions between the Company and related parties shall, unless otherwise provided by laws and regulations or the Articles of Incorporation, be handled in accordance with these Operating Procedures.

Article 3

The term "related party" as used 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 enterprises that exist independently and have any of the following relationships with each other pursuant to Article 369-1 of the Company Act:

1. Companies having a controlling and subordinate relationship.

2. Companies with mutual investments.

In determining the controlling and subordinate relationship set forth in the preceding paragraph, in addition to reviewing legal form, substance over form shall be considered.

Article 4

The Company shall, taking into consideration the Company's overall operating activities, establish effective internal control systems for transactions with related parties (including affiliated enterprises) and shall review such systems from time to time in response to changes in internal and external environments, so as to ensure that the design and implementation of such systems remain continuously effective.

After considering the laws and regulations of the government where a subsidiary is located and the nature of its actual operations, the Company shall urge its subsidiaries to establish effective internal control systems. Where a related party is not a domestic public company, the Company shall still, taking into account the extent of its impact on the Company's financial and business operations, require it to establish effective internal control systems as well as financial, business, and accounting management systems.

Article 5

In supervising the management and operations of affiliated enterprises, in addition to executing the relevant internal control systems established by the Company, the Company shall also pay attention to the following matters:

1. The Company shall obtain appropriate seats for directors and supervisors of affiliated enterprises in proportion to its shareholding ratio.
2. Directors appointed by the Company to affiliated enterprises shall regularly attend the board meetings of such affiliated enterprises. The management of each affiliated enterprise shall report corporate objectives and strategies, financial condition, operating results, cash flows, material contracts, and other matters, so as to enable supervision of operations. Any abnormal matters shall be investigated, the causes shall be ascertained, records shall be made, and a report shall be submitted to the Company's Chairman or President.

3. Supervisors appointed by the Company to affiliated enterprises shall supervise the execution of business operations of such affiliated enterprises, investigate their financial and business condition, inspect books and documents and audit reports, and may request reports from the board of directors or management of such affiliated enterprises. Any abnormal matters shall be investigated, the causes shall be ascertained, records shall be made, and a report shall be submitted to the Company' s Chairman or President.
4. The Company shall appoint suitable personnel to assume key positions in affiliated enterprises, such as President/General Manager, chief financial officer, or chief internal auditor, in order to obtain responsibilities for management, decision-making authority, and supervision and evaluation.
5. Based on the business nature, operating scale, and number of employees of each subsidiary, the Company shall provide guidance on establishing internal audit units and formulating procedures and methods for self-inspection of internal control systems.
6. The Company' s internal auditors shall conduct audit operations at subsidiaries on a regular or irregular basis. After approval of audit findings and recommendations, the audited subsidiaries shall be notified to make improvements, and follow-up reports shall be prepared periodically to confirm that appropriate corrective actions have been taken in a timely manner.
7. Subsidiaries shall regularly (monthly) submit financial statements for the preceding month, including the balance sheet, income statement, monthly reports on loans of funds and endorsements and guarantees, and, where there are abnormalities, attach an analysis report, for the Company' s monitoring and control. Other affiliated enterprises shall also regularly (monthly) provide the Company with financial statements for the preceding month, including balance sheets and income statements, for the Company' s analysis and review.

Article 6

Managerial officers of the Company may concurrently serve as managerial officers of affiliated enterprises; however, they shall not engage in the same type of business as the Company on their own account or in collaboration with others, unless otherwise resolved by the Board of Directors.

The authority and responsibilities for personnel management between the Company and affiliated enterprises shall be clearly delineated. Where support or transfers are indeed

necessary, the scope of work, responsibilities and authorities, and cost allocation method shall be stipulated in advance.

Article 7

The Company shall establish effective financial and business communication systems with all affiliated enterprises, and shall periodically conduct comprehensive risk assessments on correspondent banks, major customers, and suppliers to reduce credit risk.

For affiliated enterprises having financial and business dealings with the Company, the Company shall, in particular, keep track of their material financial and business matters at all times for risk control purposes.

Article 8

Loans of funds or endorsements and guarantees between the Company and related parties shall be prudently assessed and shall comply with the Regulations Governing the Lending of Funds and Making of Endorsements/Guarantees by Public Companies, as well as the Company's Procedures for Lending of Funds to Others and Procedures for Endorsements and Guarantees.

Loans of funds or endorsements and guarantees between related parties shall be subject to detailed review of the following matters, and the assessment results shall be submitted to the Board of Directors.

Loans of funds shall be conducted only after approval by a Board resolution and shall not be delegated to others for decision-making.

Endorsements and guarantees may, in accordance with the preceding paragraph, be authorized by the Board of Directors to the Chairman to be handled within a specified limit; however, they shall be submitted to the most recent Board meeting for ratification thereafter.

1. The necessity and reasonableness of the loan of funds or endorsement/guarantee. Where the loan or endorsement/guarantee is conducted due to business dealings, the Company shall assess whether the loan amount or guarantee amount is commensurate with the amount of business dealings. Where there is a need for

short-term financing, the reasons and circumstances under which funds may be lent shall be enumerated.

2. Credit investigation and risk assessment of the counterparty for the loan of funds or endorsement/guarantee.
3. Impact on the Company' s operational risk, financial condition, and shareholders' equity.
4. Whether collateral should be obtained and the appraised value of such collateral.

Before a subsidiary in which the Company directly or indirectly holds ninety percent (90%) or more of the voting shares provides endorsements and guarantees pursuant to Paragraph 2 of Article 5 of the Regulations Governing the Lending of Funds and Making of Endorsements/Guarantees by Public Companies, it shall be submitted to the Company' s Board of Directors for approval before implementation.

However, this requirement shall not apply to endorsements and guarantees among companies in which the Company directly or indirectly holds one hundred percent (100%) of the voting shares.

Loans of funds between the Company and its subsidiaries, or among its subsidiaries, shall be submitted to the Board of Directors for resolution, and the Chairman may be authorized to disburse loans in installments or permit revolving drawdowns to the same borrower within a specified limit approved by the Board and within a period not exceeding one year.

For loans of funds or endorsements and guarantees between the Company and related parties, the opinions of all independent directors shall be fully considered, and their explicit consenting or dissenting opinions and the reasons for dissent shall be recorded in the minutes of the Board meeting.

Where loans of funds are conducted due to the need for short-term financing among overseas companies in which the Company directly or indirectly holds one hundred percent (100%) of the voting shares, the financing amount shall not be subject to the limitation of forty percent (40%) of the lending enterprise' s net worth.

Where endorsements and guarantees are provided among companies in which the Company directly or indirectly holds ninety percent (90%) or more of the voting shares, the amount shall not exceed ten percent (10%) of the Company' s net worth.

However, this limitation shall not apply to endorsements and guarantees among companies in which the Company directly or indirectly holds one hundred percent (100%) of the voting shares.

Subsequent control measures for loans of funds or guarantees shall be duly implemented. Where receivables are overdue or there is a risk of loss, appropriate preservation measures shall be adopted to protect the Company's rights and interests.

Article 9

Business transactions between the Company and related parties shall clearly stipulate pricing terms and payment methods. The purpose, price, terms and conditions, substance and form, and relevant handling procedures of such transactions shall not be obviously disproportionate or apparently unreasonable compared with normal transactions with non-related parties.

Where, due to business needs, the Company purchases finished goods, semi-finished goods, or raw materials from related parties, procurement personnel shall comprehensively assess the reasonableness of the related party's quoted price based on market prices and other transaction terms. Except where special factors exist or superior terms differ from those offered by general suppliers, in which case preferential prices or payment terms may be reasonably agreed upon, other prices and payment terms shall be comparable to those of general suppliers.

Where the Company sells finished goods, semi-finished goods, or raw materials to related parties, its quoted price shall refer to prevailing market prices. Except where long-term cooperation or other special factors differ from those of general customers, in which case preferential prices or collection terms may be reasonably agreed upon, other prices and collection terms shall be comparable to those of general customers.

Where labor services or technical services are provided between related parties, a contract shall be entered into by both parties stipulating the service content, service fees, term, payment and collection terms, after-sales service, and other matters. Such contract shall be handled upon approval by the President or Chairman, and all terms of such contract shall follow normal commercial practices.

The accounting personnel of the Company and its related parties shall, before the end of each month, reconcile with each other the purchases, sales, and balances of receivables and payables between them for the preceding month. Where there are discrepancies, the causes shall be identified and reconciliation schedules shall be prepared.

Article 9-1

Where the Company conducts purchase and sales transactions, labor services, or technical service transactions with related parties and the estimated annual transaction amount reaches five percent (5%) of the Company's total consolidated assets as stated in its most recent financial statements, unless such transactions are subject to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, or are transactions between the Company and its subsidiaries or among its subsidiaries, the Company shall submit the following information to the Board of Directors for approval before conducting the transaction:

1. The transaction items, purpose, necessity, and expected benefits.
2. The reasons for selecting the related party as the transaction counterparty.
3. The principles for calculating transaction prices and the estimated annual transaction amount ceiling.
4. An explanation as to whether the transaction terms conform to normal commercial terms and do not harm the Company's interests and shareholders' equity.
5. Restrictive conditions of the transaction and other material covenants.

For the related party transactions referred to in the preceding paragraph, after the end of the fiscal year, the following matters shall be submitted to the most recent shareholders' meeting for report:

1. The actual transaction amounts and terms.
2. Whether the transaction was conducted in accordance with the transaction price calculation principles approved by the Board of Directors.
3. Whether the annual transaction amount ceiling approved by the Board of Directors was not exceeded. If the ceiling has been exceeded, an explanation of the reasons, necessity, and reasonableness shall be provided.

Article 10

Asset transactions, derivative product transactions, and mergers, demergers, acquisitions, or share transfers between the Company and related parties shall be handled in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Company's Procedures for Acquisition or Disposal of Assets.

Article 11

Where the Company acquires or disposes of real property or its right-of-use assets from or to a related party, or acquires or disposes of assets other than real property or its right-of-use assets from or to a related party, and the transaction amount reaches twenty percent (20%) of the Company's paid-in capital, ten percent (10%) of total assets, or New Taiwan Dollars Three Hundred Million (NT\$300,000,000) or more, except for trading of government bonds, bonds with repurchase or resale agreements, or subscription for or redemption of money market funds issued by domestic securities investment trust enterprises, the Company shall submit the following information to the Audit Committee and the Board of Directors for approval before entering into the transaction contract and making payment:

1. The appraisal report issued by a professional appraiser or the CPA opinion required by laws and regulations.
2. The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
3. The reasons for selecting the related party as the transaction counterparty.
4. Where acquiring real property from a related party, the relevant information for assessing the reasonableness of the proposed transaction terms in accordance with Articles 16 and 17 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
5. The related party's original acquisition date and price, the transaction counterparty, and the relationship between the counterparty and the Company and the related party.
6. A monthly cash inflow and outflow forecast table for the year commencing from the expected contract execution month, together with an assessment of the necessity of the transaction and the reasonableness of fund utilization.
7. Restrictive conditions of the transaction and other material covenants.
8. An opinion issued by a certified public accountant on whether the related party transaction conforms to normal commercial terms and does not harm the interests of the Company and its minority shareholders.

For transactions involving the acquisition or disposal of real property, equipment, or their right-of-use assets where the transaction amount reaches twenty percent (20%) of the Company's paid-in capital, ten percent (10%) of total assets, or New Taiwan Dollars Three Hundred Million (NT\$300,000,000) or more, the Company shall obtain an appraisal report issued by a professional appraiser. Where the difference between the appraised value and the transaction amount reaches twenty percent (20%) or more of the transaction

amount, the Company shall additionally engage a certified public accountant to express specific opinions on the reasons for such difference and the appropriateness of the transaction price, and the matter shall be approved by a Board meeting attended by two-thirds (2/3) or more of all directors, with the consent of more than one-half of the directors present.

Where the actual transaction price for acquiring real property or its right-of-use assets from a related party is higher than the assessed transaction cost results and objective evidence and specific and reasonable opinions from a professional real estate appraiser and a certified public accountant cannot be provided, the Board of Directors shall fully assess whether the transaction harms the Company's and shareholders' interests. Where necessary, the Board shall reject such transaction, and the Audit Committee shall also exercise its supervisory authority and, where necessary, immediately notify the Board of Directors to stop such conduct.

Where the Audit Committee and the Board of Directors approve the transaction referred to in the preceding paragraph, in addition to appropriating a special reserve for the difference between the transaction price and the assessed cost, which shall not be distributed or capitalized, the Company shall submit the handling of such transaction to the shareholders' meeting and disclose the details of the transaction in the annual report and prospectus.

Where any of the following circumstances occurs in a related party transaction, even after approval by the Board of Directors, the information listed in Paragraph 1 shall still be submitted to the shareholders' meeting for resolution, and shareholders having a personal interest in the matter shall not participate in voting:

1. The Company or its subsidiaries that are not domestic public companies conducts a transaction under Paragraph 1 and the transaction amount reaches ten percent (10%) or more of the Company's total assets.
2. Where, pursuant to the Company Act, the Company's Articles of Incorporation, or internal operating procedures, the transaction amount or terms have a material impact on the Company's operations or shareholders' equity.

Where the Company conducts a transaction under Paragraph 1 with a related party, after the end of the fiscal year, the actual transaction status (including actual transaction amounts, transaction terms, and the information listed in Paragraph 1) shall be submitted to the most recent shareholders' meeting for report.

Article 12

Where financial and business transactions with related parties are required to be approved by a Board resolution, the opinions of all independent directors shall be fully considered. If any independent director dissents, such explicit dissenting opinions and the reasons for dissent shall be recorded in the minutes of the Board meeting.

Where a director has a personal interest in matters discussed at a meeting, or where a director represents a juristic person having an interest in such matters, and there is a risk that such interest may be detrimental to the Company's interests, the director shall recuse himself/herself and shall not participate in discussion or voting, nor act as proxy for another director in exercising voting rights.

Where the spouse or a relative within the second degree of consanguinity of a director, or a company having a controlling and subordinate relationship with such director, has an interest in the matters referred to in the preceding paragraph, such director shall be deemed to have a personal interest in such matters.

Where the Audit Committee finds that the Board of Directors or any director, in the course of performing duties, violates laws and regulations, the Articles of Incorporation, or resolutions of the shareholders' meeting, it shall immediately notify the Board of Directors or such director to stop such conduct, and shall take appropriate measures to prevent the situation from worsening. Where necessary, it shall report the matter to the relevant competent authorities or agencies.

Article 13

The Company shall, in accordance with laws and regulations governing matters required to be publicly announced or filed and their respective deadlines, timely arrange for subsidiaries to provide necessary financial and business information, or engage certified public accountants to audit or review the financial reports of subsidiaries.

The Company shall publicly announce, by the statutory filing deadline for annual financial reports, the consolidated affiliated enterprise balance sheet, consolidated affiliated enterprise statement of comprehensive income, and the CPA review report. Where there are increases or decreases in affiliated enterprises, the Company shall, within two (2) days after such change, file the change information with the Taiwan Stock Exchange.

Material transactions between the Company and related parties shall be fully disclosed in the annual report, financial statements, affiliated enterprise statements, and prospectus.

Where a related party experiences financial difficulties in fund turnover, the Company shall obtain its financial statements and relevant information to assess the impact on the Company's financial and business operations. Where necessary, the Company shall adopt appropriate preservation measures for its receivables. In such circumstances, in addition to stating the impact on the Company's financial condition in the annual report and prospectus, the Company shall also timely disclose a material information announcement on the Market Observation Post System (MOPS).

Article 14

Where an affiliated enterprise of the Company has any of the following circumstances, the Company shall make public announcements and filings of relevant information on its behalf:

1. A subsidiary whose shares are not publicly offered domestically, where the amounts of its acquisition or disposal of assets, endorsements and guarantees, or loans of funds to others reach the thresholds for public announcement and filing.
2. Matters relating to bankruptcy or reorganization proceedings conducted by the parent company or a subsidiary pursuant to applicable laws and regulations.
3. Material decisions resolved by the board of directors of an affiliated enterprise that have a material impact on the Company's shareholders' equity or securities prices.
4. Where a subsidiary of the Company or a non-listed/non-TPEX-listed parent company has material information required to be announced pursuant to the *Procedures for Verification and Disclosure of Material Information of Companies Listed Securities* promulgated by the Taiwan Stock Exchange Corporation.

Where the parent company of the Company is a foreign company, the Company shall, by the next business day before the commencement of trading hours, make filings on behalf of the parent company upon becoming aware of the occurrence of any of the following facts or upon the date of media reporting:

1. Material changes in shareholding structure.
2. Material changes in business policies.
3. Major disasters resulting in severe production reduction or complete shutdown.

4. Changes in laws and regulations of the parent company' s home jurisdiction having a material impact on shareholders' equity or the Company' s operations.
 5. Media reports on the parent company that are sufficient to affect the market price of the Company' s securities.
 6. Other material events that are required to be immediately filed pursuant to the laws and regulations of the parent company' s home jurisdiction.
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Article 15

These Operating Procedures shall be implemented upon approval by the Board of Directors. The same shall apply to any amendments.