

Connected transactions policy

1. Principle and Rationale

Connected transactions are generally transactions between a listed company and a connected person that may lead to conflicts of interest as such person is in the authority of the decision-making process of the listed companies. Such connected transactions can become controversial whether they are concerning the best interests of the listed company and its shareholders as a whole or to that connected person. For transparency in entering into connected transactions and for an explicit guideline that navigates the company to careful consideration to eliminate conflicts of interest with integrity, rationality, and independence within a proper ethical framework, in addition to the complete disclosure of information, which are in consistency with sound corporate governance principles substantially for the maximum benefits of the company and its shareholder as a whole, the Company are adhering to the following principles:

- The transaction must be approved through a transparent process by directors and executives who performing their duties with responsibility, discretion, and integrity without beneficiaries involved in the decision-making process.
- The transaction must be for the sake of the company's benefits, similarly to any transactions done with the third party.
- There must be a monitoring and audit system to ensure the right transaction process.

2. Affiliated Definitions

"**Connected transaction**" refers to transactions made by a listed company or its subsidiary with the person connected with the listed company.

"**Decision to enter into a transaction.**" means an entering into a decision to enter into any contracts or agreements, whether directly or indirectly, therein leads to the acquisition or disposition of assets, leasing or renting of assets, an offer or receipt of services, an offer or receipt of financial assistance, and the issuance of new securities, including to create rights or waivers of the rights of the activities stated hereinbefore.

"**Connected person**" refers to a person who may have led the company's directors or executives to have a conflict of interest when making decisions whether such decisions are considering the person's benefits or the best interest of the company. This includes:

- (1) Directors, major shareholders, controlling persons, or the persons to be nominated for director or the controlling persons of the listed company or its subsidiaries, including related person and close relative of the person.
- (2) Any juristic person with major shareholder or controlling persons as the following persons of the listed company or its subsidiaries.
 - a) Executives
 - b) Major shareholders
 - c) Controlling persons

d) The persons that to be nominated for executives or controlling persons

e) Related person and close relatives of the persons as per (a) to (d)

“**Major shareholder**” refers to a direct or indirect shareholder of a juristic person with more than 10% holding of the total voting shares of the juristic person, including the number of shares held by related person.

“**Controlling persons**” refers to the person with the controlling power over the company which means

- Holding the voting shares of the juristic person more than 50% of the company’s total voting shares.
- Having controls over majority votes at the juristic person’s shareholders meeting, either directly or indirectly or by any other reasons
- Having controls over an appointment or discharge of more than half of the directors, either directly or indirectly.

“**Close relatives**” refers to the person having blood relations or legal relation by registration who are

1. Spouse
2. Father Mother
3. Siblings
4. Children and spouse of the children.

3. Scope

This policy is applicable for the entering into connected transactions and shall be classified into 3 categories as follows:

- (1) when the Company or its subsidiary enters into a transaction with executives, major shareholders, controlling persons, or persons to be nominated for executives or controlling persons of the Company or its subsidiaries including related persons and close relatives of such persons.
- (2) when the Company or its subsidiary enters into a transaction with another company in which major shareholders or controlling persons are the executives, major shareholders, controlling persons, or persons to be nominated for executives or controlling persons including related persons and close relatives of such persons of the Company or its subsidiaries
- (3) when the Company or its subsidiary enters into a transaction with any individuals, acting with an understanding or agreement that, if the Company enters into a transaction which provides financial benefits to such persons, the directors, executives, controlling persons, and directors of the controlling persons including any persons in connection with the said persons shall also receive financial benefits, but only for such transactions

4. Characteristics of the connected transaction

Connected transactions shall be divided into 2 characteristics as follows:

- (1) when the Company or its subsidiary enters into a transaction with the executives, major shareholder, connected persons, or close relatives of executives or major shareholders

- (2) when the company or its subsidiary enters into a transaction with any juristic person of which its major shareholders or controlling persons are the executives, major shareholders, controlling persons, or the person to be nominated for executive or controlling persons of the registered company or subsidiaries, including related persons or their close relatives of the said persons

5. Types of connected transactions

Connected transactions can be categorised into 5 types as follows:

- (1) Ordinary business transactions.
- (2) Ordinary business support transactions.
- (3) Real estate rental transactions for a period of no longer than 3-years span.
- (4) Transactions relating to assets or services
- (5) Transactions relating to providing or receiving financial assistance.
- (6) Connected transactions other than those set forth in (1) to (5)

6. Consideration procedure for connected transactions

6.1 Collection of name list and list of juristic persons who are connected persons

- a) The Company Secretary sends a confirmation letter to the directors or associated executives, according to the definition, to notify the disclosure of their shareholding, connected persons, close relatives in other juristic persons as per the notification letter of connected person list, list of close relatives, and the list of juristic persons in connection with the executives.
- b) The executive or individual who is a connected person must report information regarding when himself/herself, his/her father, mother, spouse, siblings, children or adopted children who are under the age of majority, including the spouses of his/her children, is entering into any transactions by notifying such transactions immediately when the transactions are made to the Company secretary. The notification can be submitted via electronic mail (e-mail) or as a written notice to the Company secretary. Thenceforth, the Company Secretary will consider forwarding the matter to a person in authority to review and examine the transaction following the conditions set forth in this policy. In any case, connected persons must comply with this this policy which is regarded as the responsibility to the organization and conformity to morality and ethical practice.

- c) The Company Secretary shall submit a name list and list of juristic persons who are a connected person, that the directors and executives mentioned above have confirmed, to the purchasing and accounting department as evidence to verify information/transactions that occurred when the Company or subsidiary has entered into a connected transaction with such juristic person.

Diagram showing consideration of connected transactions

7. Actions when there is a connected transaction

- 7.1 The Company shall consider the types of connected transactions and conditions for each transaction according to Table 1.

Table 1 Connected Transactions

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Type	Description

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1. Normal business transactions.	Commercial transactions that a listed company or its subsidiaries normally make to operate business under general commercial conditions.
2. Normal business support transactions.	Transactions made to support the ordinary business transactions under general commercial conditions.
3. Real estate rental transactions for a period of no longer than 3-years span.	Rental transactions with no more than 3-years contract period and without proof of the general commercial conditions.
4. Transactions relating to assets or services.	Transactions regarding the acquisition or disposition of assets or the right to providing or receiving services.
5. Transactions relating to providing or receiving financial assistance.	Providing financial assistance.
	Receiving financial assistance.

“General commercial conditions” refer to commercial transactions under fair pricing and conditions that does not lead to the transfer of benefit which includes commercial condition with price and terms as follows.

- (1) Price and condition which the listed company (1) or its subsidiary receive from or offer to general people.
- (2) Price and condition which connected person offered to general people.
- (3) Price and condition which the listed company can prove that similar business operators have offered to general people likewise.

Transaction calculation may include multiple connected transactions into one transaction. In case the transactions have been intentionally separated to avoid the rules, an inclusion shall be for all other transactions made six months prior to an agreement to do the transaction by the same person, his/her related person, or close relatives. Nevertheless, this would not include the connected transactions already approved by the shareholders meeting.

7.2 The Company shall appraise the connected transactions value and measure the transactions size by following Table 2 and Table 3 to consider what actions shall be taken by comparing the transaction value against the higher one between the two references as per the latest financial statement. (given that X is the transaction value).

Table 2 Values used for the calculation of the transaction size

Transaction	Value used for the calculation of the transaction size
1. Asset or Service	Use the highest transaction value or book value or market value
2. Providing financial assistance	Principal and interest throughout the loan period, or the guaranteed value in line with potential damages in case the connected person becomes default.
3. Receiving financial assistance.	Rewards or benefits to be paid to connected person throughout the period of financial assistance.

4. Disposition of capital investment. To the extent that the subsidiaries or affiliates no longer exist	Total rewards to be gained including borrowed money (principal plus interest), the guarantee, or other liabilities that the listed company or its subsidiary shall be responsible for.
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Table 3 Measurement of the transaction size and actions according to the connected transaction size

Transaction size	Choose a higher value between	
Small	$X < 1$ million baht	$X \leq 0.03\%$ of NTA*
Medium	1 million baht $< X < 20$ million baht	0.03% of NTA* $< X < 3\%$ of NTA*
Large	$X \geq 20$ million baht	$X \geq 3\%$ of NTA*

*Net asset value (NTA) refers total assets - intangible assets - total liabilities - non-controlling interests (if any) and intangible assets such as goodwill, deferred charges, etc., Exceptions are for intangible assets that generate major income such as the concession and patent permit etc.

Table 4 Approval authority of Connected Transactions

Type of transactions	Execution authority		
	Small	Medium	Large
1. Normal business transactions/ 2. Normal business-support transaction - General commercial conditions	Operate according to the Company's approval authority principles.		
- No general commercial conditions	Management	Board of Directors	Shareholders
3. Rental or rented real estate for not longer than 3-years period and under no general commercial conditions.	Management	Management	Board of Directors
4. Transactions related to assets or services	Management	Board of Directors	Shareholders
5. Transactions on providing or receiving financial assistance.	Board of Directors (less than 100 million baht or 3% NTA, whichever is lower)	-	Shareholders (more than 100 million baht or 3% NTA, whichever is lower)

Type of transactions	Execution authority		
	Small	Medium	Large
- Providing financial assistance to connected person or the company. Word connected persons hold more shares than the listed company. - Providing financial assistance to a company where the listed company hold more chairs than the connected persons. When you say.	Management	Board of Directors	Shareholders

8. Conflict of interest prevention

The Company pay great importance to a transparent consideration of any transactions essentially for the corporate benefit. Therefore, it is necessary to prevent any transactions that may lead to conflicts of interest, connected transactions, or related transactions according to the underlying core principle as follows:

- (1) Directors and executives of the Company must inform the company for acknowledgement of any relationships or connected transactions that may lead to conflicts of interest.
- (2) Avoid entering into any transactions which are connected to the directors, executives, or connected persons that may result in conflicts of interest with to the Company. In case it is necessary to proceed with such transactions, the connected transactions shall be proposed to the Audit Committee for consideration prior to submitting the application for approval to the Board of directors and/or the shareholders meeting (as the case may be) in compliance with connected transaction regulations of the Stock Market, the Capital Market Supervisory Board, and the Office of the Securities and Exchange Commission ("SEC") including the good corporate governance policy.
- (3) The executives and employees shall comply with the Company's regulations and code of business ethics, which is deemed critical and shall be strictly adhered to, for the company creditability and trustworthiness of all stakeholders. The Company shall ensure that explicit dissemination of information regarding code of practice is provided to all employees.

9. Code a practice when entering into connected transactions

Procedures are separated for each different case as follows:

- (1) The CFO is committed to collecting all connected transactions made each quarter and proposed to the Audit Committee for acknowledgement.

“The Company and its subsidiaries may have connected transactions with directors, executives, or related persons from this point forward. The Company thereupon requests for a ratification, in principle, to grant the management for the approval of the said transactions provided that such transactions carry a commercial agreement in the same manner that a person of ordinary prudence shall carry out with ordinary contractual party under the same circumstance thereof, by commercial bargaining power without influence in regard to his status as a director, executive or any connected person.”

- (2) For the connected transactions that under the approval of the Board of Directors, the procedure are as follows.
 1. The originating unit shall present details of necessity and the reasonableness of the transactions to the CFO for collection and submission of the matter to the Internal Audit Department on a monthly basis.
 2. The Internal Audit Department coordinates with the Audit Committee to prepare a meeting agenda.
 3. The CFO and/or originating unit will present the report for the consideration of the Audit Committee during the meeting.
 4. The Internal Audit Department summarizes the views of the Audit Committee and forward it to the Company Secretary to arrange a meeting agenda with the Board of directors, of which the CFO and originating unit shall propose the matter for consideration and approval to proceed with the transaction accordingly. The procedures shall ensure that the directors with conflicts of interest in such connected transactions are not allowed to attend the meeting and have no right to vote.
- (3) For the connected transaction that under the approval of the shareholders meeting, the procedure are as follows.
 1. The company has a duty to send an invitation letter to shareholders meeting to shareholders at least 30 days in advance prior to the meeting date. The invitation letter to the shareholders meeting shall be delivered to the Stock Exchange of Thailand for considering the adequacy of information before sending it to the shareholders at least 5 business days. The invitation letter shall contain at least the following information:
 - a) Information as detailed above
 - b) Information about the Company: Company information and summary of business operations, List of executives and the 10 major shareholders as of the date of closing of a share register book, Connected transactions in the past year and the current year until the latest quarter (if any), Summary of the financial statements for the past 3 years and the current year until the latest quarter with explanation, financial position analysis, including the operating results for the past year and the current year up to the latest quarter and other relevant information that may have a significant impact on investor decision-making (if any)

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- c) A statement stating that the person with conflicts of interest and/or connected persons have no right to vote in addition to the name and number of shares of the shareholders who do not have voting rights (d), asset appraisal by an independent appraiser (in case of the acquisition or disposition of assets of which its fundamental importance is in the form of assets value such as real estate)
 - d) Asset appraisal by an independent appraiser (in case of the acquisition or disposition of assets of which its fundamental importance is in the form of assets value such as real estate)
 - e) Views of the Independent Financial Advisor on the rationality and benefits of the connected transaction to the Company, fairness of prices and conditions of the connected transactions, and reasoning regarding whether the shareholders should vote for an approval of the said transactions.
 - f) Proxy form and the nomination of at least 1 member of the Audit Committee to be a proxy of the shareholders.
 - g) Views of the Board of Directors with respect to an agreement to enter into the transactions in terms of the rationality and the Company's optimum benefit when comparing such transactions with an external independent party.
 - h) Views of the Audit Committee and/or the directors of the Company which differs from the views of the Board of Directors as per (g).
2. Organize a shareholders' meeting to seek approval for entering into the connected transactions, of which shall receive a vote of not less than three-fourths of the votes of the attending shareholders with voting rights, excluding shareholders who have conflicts of interest.

Appendix

Appendix A: Flow Chart of Connected Transaction Process

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Appendix A-01: Normal business transaction / Normal business support transaction

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Addendum A-02: Rental or rented real estate for not longer than 3-years period and under no general commercial conditions.

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Appendix A-03: Transactions related to assets or services

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This connected transaction policy becomes effective from 28 September 2020 onwards and scheduled to be reviewed at least every 1 year.

(Mr. Ormsin Chivapruck)

Chairman of the Board

Grandline Innovation Company Limited