

Great China Metal Ind. Co., Ltd.

Operating Procedure for Loaning of Funds and Making of Endorsements/Guarantees

20230619

- 1 The Procedure shall be governed by Article 36-1 of the Securities and Exchange Act, and related laws and regulations.
- 2 The Company shall comply with the Procedure when making loans to and endorsements/guarantees for others; provided, where financial laws or regulations provide otherwise, such provisions shall govern. "Subsidiary" and "parent company" as referred to herein shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3 The counterparts for loaning of fund by the Company:
 - 3.1 Any company or firm engaging in business transaction with the Company;
 - 3.2 Any company or firm with short-term financing need. The term "short-term" means one year or one operating cycle (Whichever longer).
 - 3.3 The loaning of funds is required to satisfy the need for short-term financing only under the following circumstances:
 - 3.3.1 Where the investee in which the Company holds 50% or more of the shares needs the short-term financing in order to satisfy its business needs.
 - 3.3.2 Where another company or firm needs the short-term financing in order to satisfy the needs for purchase of materials or working capital.
 - 3.3.3 Any ones to receive the funds loaned by the Company upon approval of the Company's Board of Directors.
 - 3.4 When a borrower's responsible person violates Article 3.1 and Article 3.2 herein, the responsible person shall bear joint and several liability with the borrower for repayment. Where the Company suffers damage, the responsible person shall also be liable for the damages thereof.
- 4 The endorsements/guarantees as used herein refers to the following:
 - 4.1 Financing endorsements/guarantees
 - 4.1.1 Bill discount financing.
 - 4.1.2 Endorsement or guarantee made to meet the financing needs of another company.
 - 4.1.3 Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
 - 4.2 Customs duty endorsement/guarantee means an endorsement or guarantee for the Company or another company with respect to customs duty matters.
 - 4.3 Other endorsements/guarantees mean the endorsements or guarantees beyond the scope of the above two

paragraphs.

- 4.4 Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also count.
- 5 The counterparts for endorsements/guarantees made by the Company:
 - 5.1 Anyone with which the Company engaged in business transaction.
 - 5.2 A company in which the Company directly and indirectly holds more than 50% of the voting shares.
 - 5.3 A company that directly and indirectly holds more than 50% of the voting shares in the Company.
 - 5.4 A company in which the Company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. This restriction shall not apply to the endorsements/guarantees made between companies in which the Company directly or indirectly holds 100% of the voting shares.
 - 5.5 However, where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of Article 5.1~Article 5.4 herein. The capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.
- 6 The Company's operating procedure for loaning of funds to others:
 - 6.1 Aggregate amount of loans and individual maximum amount permitted to a single borrower
 - 6.1.1 The aggregate amount of the fund loaned by the Company to any company or firm engaging in business transaction with the Company and any company or firm with short-term financing need shall not exceed 15% of the Company's net worth respectively.
 - 6.1.2 The individual maximum amount permitted by the Company to any company or firm engaging in business transaction with the Company shall not exceed the aggregate amount of trading between both parties within 12 months prior to the loaning of funds. The aggregate amount of trading refers to the higher of the sale or purchase amount or payment between both parties, provided that the amount shall be no more than the limit referred to in the preceding paragraph.
 - 6.1.3 The individual maximum amount of the fund loaned by the Company to any company or firm with short-term financing need shall not exceed

10% of the Company's net worth.

6.1.4 The restriction in Article 6.1.1 herein shall not apply to the loaning of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, or the loaning of funds to the Company by any foreign company in which the Company holds, directly or indirectly, 100% of the voting shares, provided that the subsidiaries' related operating procedures shall still be observed.

6.2 Financing term and calculation of interest:

The financing term shall be no more than one year. The interest shall accrue at an interest rate no less than that at which the Company borrows short-term loans from a financial institution, and on a monthly basis. Notwithstanding, the restriction on one year or one operating cycle shall not apply to the loaning of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, provided that the subsidiaries' related operating procedures shall still be observed.

6.3 Execution and review procedures:

6.3.1 For the loaning of funds to any related parties, the Company's handling department shall review the necessity and evaluate the application, purpose and effect thereof, based on the application form for financing issued by the affiliate, and produce a risk assessment report. Then, it shall submit the same, together with Financial Accounting Dept.'s comments, to the senior management, such as President or above, for approval and then to the Board of Directors for resolution.

6.3.2 For the loaning of funds to any non-related party, in addition to complying with the requirements referred to in the preceding paragraph, the Company shall seek a promissory note bearing the same amount as security, and create adequate pledge or mortgage on chattel or real property if necessary.

6.3.3 Before loaning of funds to others, the Company shall carefully evaluate whether it satisfies the Procedure, and submit the evaluation results to the Board of Directors for resolution. The Company shall not authorize any others to make the decision. Where independent directors have been appointed, the Company shall adequately take into account the opinion of each independent director. Assenting and dissenting opinions, and the reasons for the dissent, shall be recorded in the minutes of the meeting of Board of Directors.

6.3.4 Any loan agreement between the Company and its subsidiaries or between subsidiaries shall be approved by the Board of Directors upon evaluation and review conducted according to the relevant procedures. The Chairman of Board may be authorized to, within one year and under a certain limit resolved by the Board, loan the funds to the same borrower in installments or on a revolving basis.

6.3.5 The certain limit referred to in the preceding paragraph shall comply with Article 6.1.4 herein. Meanwhile, the authorized amount of any loan

from the Company or any of its subsidiaries to a single company shall not exceed 10% of the net worth shown in the latest financial statements of the Company or the subsidiary.

6.4 Subsequent control measures and procedure for handling delinquent creditor's rights

6.4.1 The loaning of funds shall be subject to accrued interest and adequate control measures. In the event of NPL, the related departments shall be gathered to conduct discussion, and a written report shall be submitted to the senior management, such as President or above.

6.4.2 If certain collateral is furnished, it is also necessary to note whether there is any variance in the value secured by the collateral. Any significant change shall be reported to the senior management, such as President or above, and take adequate actions per instruction.

6.4.3 Finance Dept. shall prepare a memorandum book for its fund-loaning activities and truthfully record the information about borrower, amount, date of approval by the Board of Directors and date of allocation of the loan.

6.4.4 The Company's internal auditors shall audit the Operating Procedure for Loaning of Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Company's Audit Committee in writing of any material violation found.

6.4.5 Where as a result of changes of condition the counterpart for a loan no longer meets the requirements herein, or the balance of loan exceeds the limit, it shall prepare a corrective action plan and submit the same to the Audit Committee, and shall complete the correction according to the schedule set out in the plan.

7 The Company's Operating Procedure for Making of Endorsements/Guarantees:

7.1 Limit of endorsements/guarantees:

7.1.1 The accumulated amount of an endorsement/guarantee made due to the business relationship shall not exceed the aggregate amount of transactions between the counterpart and the Company in the most recent year, or NT\$100 million.

7.1.2 The aggregate amount of endorsements/guarantees made by the Company shall not exceed the total of the net worth in the latest financial statements.

7.1.3 The amount of endorsements/guarantees made for a single company shall not exceed 50% of the net worth shown in the latest financial statements.

7.1.4 The limit of amount authorized to the Chairman of Board to decide shall be no more than 10% of the Company's current net worth.

7.1.5 The aggregate amount of endorsements/guarantees made by the Company and its subsidiaries shall not exceed 100% of the net worth shown in the latest financial statements of the Company. The aggregate

amount of endorsements/guarantees made for a single company shall not exceed 50% of the net worth shown in the latest financial statements of the Company. Where the aggregate amount of endorsements/guarantees that is set as the ceiling as a whole reaches 50% or more of the Company's net worth, an explanation of the necessity and reasonableness thereof shall be given at the a shareholders' meeting.

7.2 Execution and review procedure for making of endorsements/guarantees:

7.2.1 If necessary, the related business handling unit shall carefully evaluate the compliance with the Procedure and whether the application for endorsements/guarantees shall be filed.

7.2.2 The review shall cover the risk, necessity and reasonableness for the endorsements/guarantees. A complete evaluation record shall be produced accordingly. If necessary, adequate collaterals shall be secured.

7.2.3 The unit head shall check the application for endorsements/guarantees carefully and then submit it to the Finance Dept. for countersignature, and to the senior management, such as President or above, for approval and then to the Board of Directors for resolution.

7.2.4 Where as a result of changes of condition the counterpart of an endorsement/guarantee no longer meets the requirements herein, or the amount of endorsement/guarantee exceeds the limit, it shall prepare a corrective action plan and submit the same to the Audit Committee, and shall complete the correction according to the schedule set out in the plan.

7.2.5 If the Company wishes to make endorsements/guarantees for the subsidiaries whose net worth is less than half of their paid-in capital, the Company's internal control system requirements shall apply.

7.2.6 In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under Article 7.2.5 herein, the sum of the capital stock plus capital surplus in excess of par shall apply.

7.3 Use and custody of corporate chops:

The chop used for making of endorsements/guarantees refers to the one registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors. The same shall apply where it is changed. The chop shall be entered in accordance with the "Official Chop Management Regulations" promulgated by the Company.

7.4 Decision-making authority and delegation thereof:

7.4.1 Any endorsement/guarantee shall be made upon approval of the Board of Directors. If necessary, the Board of Directors may authorize the Chairman to make decisions within a specific amount referred to in Article 7.1.4 herein. Then, the Chairman shall submit the decision to the latest meeting of the Board of Directors for ratification.

7.4.2 Any endorsement/guarantee to be made by a subsidiary in which the

Company directly or indirectly holds at least 90% of the voting shares shall be submitted to the Company's Board of Directors, and may be made only after the Board of Directors gives approval through a resolution. This restriction shall not apply to the endorsements/guarantees made between companies in which the Company directly or indirectly holds 100% of the voting shares.

7.4.3 When making a guarantee for a foreign company, the Company shall have its Guarantee Agreement signed by the Chairman of Board first.

7.4.4 Where the Company needs to exceed the limits set out in the Procedure to satisfy its business requirements, and where the conditions set out herein are complied with, it shall obtain approval from the Board of Directors and a majority of the whole directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Procedure accordingly and submit the same to a shareholders' meeting for ratification afterwards. If the shareholders' meeting rejects it, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

7.4.5 Where the Company has appointed any independent director, the independent director is advised to be present at the meeting and express an opinion, in order to solidify the supervision functions, strengthen management mechanism, and maintain the Company's and shareholders' interests and rights. Meanwhile, the Company shall adequately take into account the opinion of each independent director. Assenting and dissenting opinions, and the reasons for the dissent, shall be recorded in the minutes of the meeting of Board of Directors.

7.5 Subsequent controls

7.5.1 Finance Dept. shall prepare a memorandum book for the endorsements/guarantees and truthfully record the information about counterpart of endorsement/guarantee, amount, date of approval by the Board of Directors or decision by the Chairman of Board, date of the endorsement/guarantee, and matters to be carefully evaluated as required.

7.5.2 The Company's internal auditors shall audit the Operating Procedure for Making of Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Company's Audit Committee in writing of any material violation found.

8 Any executive officers or clerk in violation of the Procedure shall be disciplined in accordance with the "Work Rules" set forth by the Company for its employees.

9 Disclosure of information:

9.1 The Company shall enter the data about balance of funds loaned to others and endorsements/guarantees made for others by the Company and its subsidiaries in the previous month to the information reporting website designated by the Financial Supervisory Commission (FSC) by 10th day of

every month (announcement and report).

9.2 Where the balance of endorsements/guarantees reaches one of the following criteria, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:

9.2.1 The balance of the amount of endorsements/guarantees made by the Company and its subsidiaries reaches 50% or more of the Company's net worth as shown in the latest financial statements of the Company.

9.2.2 The balance of endorsements/guarantees made by the Company and its subsidiaries for a single enterprise reaches 20% or more Company's net worth as shown in the latest financial statements of the Company.

9.2.3 The balance of endorsements/guarantees made by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of investment under equity method in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as shown in the latest financial statements of the Company.

9.2.4 The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more and also 5% or more of the Company's net worth in as shown in the latest financial statements of the Company.

9.3 Where the loaning of funds reaches one of the following criteria, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:

9.3.1 The balance of the funds loaned by the Company and its subsidiaries to others reaches 20% or more of the Company's net worth as shown in the latest financial statements of the Company.

9.3.2 The balance of funds loaned by the Company and its subsidiaries to a single enterprise reaches 10% or more Company's net worth as shown in the latest financial statements of the Company.

9.3.3 The amount of new funds loaned by the Company or its subsidiaries reaches NT\$10 million or more and also 2% or more of the Company's net worth in as shown in the latest financial statements of the Company.

9.4 Information required to be publicly announced and reported in accordance with Article 9.2.4 and Article 9.3.3 herein by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.

9.5 The "date of occurrence" referred to herein means the date of contract signing, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterpart and amount for the loaning of funds or endorsement/guarantee, whichever is earlier/

10 The Company shall evaluate the status in loaning of funds and provide adequate allowance for bad debt. Meanwhile, the Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial statements and provide certified public accountants with relevant information for implementation of

necessary audit procedures. If the Company's financial statements are prepared in accordance with the IFRSs, the net worth referred to herein shall mean the equity attributable to the owners of the parent company in the balance sheet prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- 11 The Procedure adopted by the Company as required shall be first approved by a majority of all Audit Committee members and submitted to the Board of Directors for a resolution, and then to a shareholders' meeting for approval. The same shall apply where the Procedure is amended. Where no approval by a majority of all the Audit Committee members is obtained, the Procedure may be adopted upon approval by more than two-thirds of all the Board Directors, and the Audit Committee's resolution shall be specified in the minutes of meeting of the Board of Directors. The terms "all the Audit Committee members" and "all the Board directors" shall refer to those currently holding the positions. When it submits the Operating Procedure for Loaning of Funds and Making of Endorsements/Guarantees for discussion by the Board of directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director expresses any dissent or reservation, it shall be specifically recorded in the minutes of meeting of the Board of Directors.
- 12 If any subsidiary wishes to make endorsements/guarantees for others or loan funds to others, the Company shall have the subsidiary establish its own "operating procedure for loaning of funds and making of endorsements/guarantees" in accordance with relevant requirements, and enforce the procedure upon approval of both parties' boards of directors. The same shall apply when the procedure is amended.
- 13 The Procedure shall take effect immediately once approved during a shareholders' meeting.