

Giant Heavy Machinery Service Corporation

Procedures for Handling Transactions of Related Parties, Specific Companies and Group Enterprises

Article 1 This policy is formulated in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “International Accounting Standards”, “International Financial Reporting Standards”, and other relevant laws and regulations.

Article 2 The term “related party” of Giant Heavy Machinery Service Corporation (hereinafter referred to as this Corporation) includes the following:

1. An investee company evaluated using the equity method.
2. An investor evaluated this Corporation with the equity method.
3. A company whose chairman or president is the same person as the chairman or president of this Corporation, or a company that has a spousal or second-degree relative relationship with the chairman or president of this Corporation.
4. A non-profit legal entity that has received donations from this Corporation equal to or exceeding one-third of its actual capital.
5. The directors, president, vice president, and department heads who directly report to the president of this Corporation.
6. The spouses of the directors and president of this Corporation.
7. The second-degree relatives of the chairman and president of this Corporation.

Article 3 The term “Specific Company” of this Corporation refers to any company that meets any of the following criteria:

1. A company that holds between 20% and 50% of the total issued shares of this Corporation.
2. A company, its directors, and shareholders holding more than 10% of the total issued shares of the company collectively hold more than 30% of the total issued shares of this Corporation, and there is a record of financial or

business dealings between the two parties. The shares held by the aforementioned personnel include those held by their spouses, minor children, and nominees.

3. A company from which this Corporation derives 30% or more of its business revenue, including revenue from its affiliated companies.
4. A company from which this Corporation obtains 50% or more of its key raw materials (i.e., raw materials accounting for 30% or more of the total cost of goods sold and essential for the production of goods) or main products (i.e., products accounting for 30% or more of total sales revenue), in terms of quantity, value, or total cost of goods sold, including those obtained from its affiliated companies.

Article 4 The term “Group Enterprise” of this Corporation refers to any company that meets any of the following criteria:

1. An enterprise that is related to this Corporation as a parent company, subsidiary, or affiliate.
2. An enterprise in which this Corporation and its related parties collectively hold more than half of the total issued voting shares or capital, in which case that enterprise and this Corporation are considered to be part of the same group.
3. An enterprise whose personnel, finances, or business operations are directly or indirectly controlled by this Corporation, in which case that enterprise and this Corporation are considered to be part of the same group.
4. An enterprise in which this Corporation and another enterprise each hold more than one-third of the total issued voting shares or capital, and each can directly or indirectly control the other's personnel, finances, or business operations, in which case that enterprise and this Corporation are considered to be part of the same group.
5. An enterprise in which an investor company that is evaluated using the equity method by this Corporation and its related parties collectively hold

more than half of the total issued voting shares, in which case that investor company and this Corporation are considered to be part of the same group.

6. An enterprise in which more than half of the total issued voting shares or capital are held or invested by the same shareholders as those of this Corporation, in which case that enterprise and this Corporation are considered to be part of the same group.
7. An enterprise in which more than half of the total number of directors and general managers are the same as those of this Corporation, including their spouses, children, and relatives within the second degree of kinship, in which case that enterprise and this Corporation are considered to be part of the same group.
8. When calculating the shareholding or investment amount held by this Corporation in another company, the following types of shareholding or investment amounts shall be included:
 - (1) The shareholding or investment amount held by this Corporation's subsidiaries in that company.
 - (2) The shareholding or investment amount held by a third party on behalf of this Corporation.
 - (3) The shareholding or investment amount held by a third party on behalf of this Corporation's subsidiaries.

Article 5 The management unit of this Corporation shall, based on the definition of related parties, regularly or irregularly review and verify the list of related parties (including individuals and institutions) and their relationship with the company to determine whether they still meet the definition of related parties. If there are any changes to the related party status or criteria, the relevant data shall be updated. The responsible supervisor shall diligently perform the supervision responsibilities for the identification and data maintenance of related parties.

Article 6 The term “transactions” as used in these Procedures includes the following:

1. Purchase.

2. Sales.
3. Property Transaction.
4. Collection and payment of entrusted sales commissions.
5. Collection and payment of entrusted processing fees.
6. Financing allocation and interest collection and payment.
7. Endorsement guarantee.
8. Others.

Article 7 Terms of transactions are as follows:

1. Purchase: If there are special factors or favorable conditions that differ from those of a general supplier, a reasonable price or payment terms may be agreed upon, otherwise the prices and payment terms shall be the same as those of ordinary suppliers.
2. Sales: If there are long-term cooperative relationships or other special factors that differ from those of a general customer, a more favorable price or payment terms may be agreed upon, otherwise the prices and payment terms shall be the same as those of ordinary suppliers.
3. Property Transactions: The transactions of property shall be carried out in accordance with the “Procedures for Acquisition or Disposal of Assets” and shall be based on fair market value (if the market value is clear) or appraised value.
4. Entrusted sales: Commission shall be calculated based on general commission agents.
5. Entrusted processing: Processing fees shall be calculated based on general processing factories.
6. Financing allocation: Financing shall be handled in accordance with the “Procedures for Lending Funds to Other Parties” and interest shall be calculated based on the short-term interest rate of general banks.
7. Endorsement and guarantee: Endorsement and guarantee shall be handled in accordance with the “Procedures for Endorsement and Guarantee”.

8. Other: Other transactions shall be decided on a case-by-case basis. This Corporation or other members of the board of directors shall not obstruct, refuse or circumvent independent directors from performing their duties.

After this Corporation is publicly offered, when the independent directors deem it necessary to perform their duties, they may request the board of directors to appoint relevant personnel or hire experts to assist.

The necessary expenses for hiring experts and other independent directors to exercise their powers in the preceding paragraph shall be borne by this Corporation.

Article 8 If there is a major transaction between this Corporation and its related parties, the following information shall be disclosed in the notes to the financial statements:

1. The name of the related party.
2. The relationship with the related party.
3. The following major transactions with related parties, their prices and payment periods, and other relevant information that is helpful in understanding the impact of related party transactions on the financial statements:
 - (1) The amount or percentage of purchase.
 - (2) The amount or percentage of sales.
 - (3) The amount of property transactions and the amount of profits and losses generated therefrom.
4. Closing balance or percentage of notes receivable and accounts receivable.
5. Closing balance or percentage of notes payable and accounts payable.
6. The maximum balance, interest rate range, closing balance and current total interest provided or obtained for financing.
7. The closing balance of endorsement and guarantee, collateral or credit guarantees provided or obtained.
8. Other transactions that have a significant impact on current profits and losses

and financial status:

For example: significant agency transactions, provision or receipt of labor services, leasing transactions, franchise authorization and transfer of research plans, management service contracts, etc.

Article 9 When preparing financial reports, for information that should be disclosed in the preceding article, this Corporation shall present it separately if each individual related party transaction amount or balance that meets or exceeds 10% of the total transaction amount or balance for the respective item, the remaining may be aggregated and listed together.

Article 10 When this Corporation prepares the consolidated statements of parent and subsidiary companies in accordance with regulations, transactions between related parties that have been eliminated may not be disclosed.

Article 11 The processing of purchase and sale orders between this Corporation and its related parties, specific companies and group enterprises, and the management of accounts payable and receivable arising from the purchase and sale of goods, are based on the relevant regulations in the purchase and sale cycle of this Corporation's internal control system.

Article 12 The business transactions of this Corporation's related parties, specific companies and group enterprises with a value exceeding NT\$100 million per transaction, in addition to following the general transaction regulations and procedures of this Corporation, prior approval from the board of directors is required. If necessary, the chairman may make a decision first and then submit it for ratification at the next board of directors meeting. For transactions between this Corporation and its related parties, the board of directors may establish a limit for the total amount and for individual related parties, and authorize the president to execute it.

Article 13 Reconciliation, Adjustment and Settlement of Related Party Transactions

1. Each relevant department responsible for the business of related party transactions should establish a specific accounting subject or be able to distinguish and separate the sales and purchases, labor service costs,

accounts receivable and notes receivable, accounts payable and notes payable, loans and guarantees to others, and other receivables and payables to related parties through purpose, function, detail, or summary, to prevent omissions in consolidation. Each relevant department shall complete the reconciliation procedure with each related party in accordance with the relevant internal control system to ensure the completeness and accuracy of the data. Any differences arising from the reconciliation shall be investigated, and adjustments shall be made with the approval of the responsible supervisor to reflect the true situation.

2. The management unit shall consolidate the information related to related parties on a quarterly basis and fully disclose it in the financial report, including:
 - (1) The name of the related party.
 - (2) The relationship with the related party.
 - (3) The content and price and payment terms of the transaction.
3. Each relevant department responsible for the business of related party transactions shall take necessary measures to preserve the creditor's rights in accordance with the law if the related party breaches the contract or if there are signs of financial or operational difficulties.

Article 14 The transaction contract with related parties is the original evidence of the transaction, and the responsible unit shall keep it within the legal period.

Article 15 After this Corporation's public offering, the audit committee shall implement verification procedures at any time on the following related party transactions:

1. Whether the transaction amount and terms of sales and purchases between specific companies or related parties are the same as those of non-related parties, and if not, whether they are reasonable.
2. Whether there is appropriate approval for the transactions of a specific company or related parties, and whether the transaction amount is within the approved limit if there is one.

3. Whether the content and other necessary disclosures of related party transactions disclosed in financial reports in accordance with Article 7 are consistent with the accounting records.

Article 16 After this Corporation's public offering, the members of the audit committee shall determine whether specific companies or related parties exist, and shall implement the following verification procedures depending on the actual situation:

1. Inquire with the party being audited about the names or names and relationships of all related parties.
2. Review the shareholder register, list of directors, and important personnel.
3. Review the minutes of shareholders meetings and board of directors meetings.
4. Review the working papers of the previous period and identify known related parties.
5. Inquire with the auditor from the previous period about known related parties.
6. Review significant investment matters during the current period to determine whether new related parties have been generated.

Article 17 After this Corporation's public offering, if the audit committee and auditors discover the following situations during a general audit procedure, they shall pay attention to whether the transaction involves a related party or a specific company:

1. Major transactions with a small number of enterprises or individuals, such as labor, purchases and sales of goods, real estate, stocks and loans.
2. Transactions with special terms such as price, interest rate, guarantee and payment.
3. The reasonableness of the transaction.
4. The substance and form of the transaction are inconsistent.
5. The transaction handling procedure is abnormal.

Article 18 The following audit procedures shall be implemented to determine whether this Corporation has engaged in transactions with related parties:

1. Review the minutes of shareholder and board of directors meetings and pay attention to the discussion of important matters.
2. Review large or unusual transactions and account balances, and pay attention to transactions occurring near the end of the accounting period.
3. Review borrowing and lending transactions between this Corporation and non-financial institutions.
4. Review letters of inquiry from financial institutions and pay attention to their guarantees and collateral.
5. Review the content of deposited and received guarantees.
6. Review investment transactions.
7. Review the size and nature of transactions between this Corporation and its major customers, suppliers, and financial institutions.
8. Review whether there have been any transfers of resources or obligations between this Corporation and related parties that have not been properly recorded at fair value.
9. Review the content of commission payments or other income items.

Article 19 After this Corporation's public offering, the audit committee may assign this Corporation's auditors or appoint accountants who audit the financial statements to perform the above-mentioned inspections regularly. If any violation of regulations or any abnormality is discovered, the audit committee shall notify the board of directors, and request an explanation and necessary improvements.

Article 20 These Procedures shall be implemented upon approval by the board of directors, and any amendments shall be subject to the same approval process.