

**TAIWAN CEMENT CORPORATION**  
Operation Procedures for Endorsements and Guarantees

Chapter I General Principles

Article 1 The Company's Operation Procedures for Endorsements and Guarantees (hereinafter referred to as "Procedures") are formulated pursuant to Article 36-1 of the Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies, which is promulgated by the competent authority.

Article 2 The Company shall comply with the Procedures when making endorsements or giving guarantees for others; provided, where other acts provide otherwise, such acts shall govern.

Article 3 The term "endorsements/guarantees" as used in the Procedures refers to the following:

1. Financing endorsements/guarantees, including:
  - A. Bill discount financing.
  - B. Endorsement or guarantee made to meet the financing needs of another company.
  - C. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
2. Customs duty endorsements/guarantees, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs. 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 comply with the Procedures.

Article 4 The Company may make endorsements/guarantees for the following companies:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 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, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Where a public 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, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

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.

- Article 5 The terms "subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.  
The term "net worth" in the Procedures means the balance sheet equity attributable to the owners of the parent company under the paragraph 1 of this Article.
- Article 6 The term "announce and report" as used in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).  
The term "date of occurrence" in the Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of endorsements/guarantees, whichever date is earlier.

## Chapter II Formulation of Operation Procedures

- Article 7 The Company formulates its Operational Procedures for Endorsements and Guarantees in accordance with the regulations promulgated by the competent authority. The amendment to these Procedures shall be subject to the consent of one-half or more of all audit committee members and, after passage by the board of directors, be submitted to the shareholders' meeting for approval.  
The preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the directors' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the shareholders' meeting for discussion.  
The terms "all audit committee members" and "all directors" as used in the preceding two paragraphs shall mean the actual number of persons currently holding those positions.  
Where the Company has established the position of independent director, when it submits its Operational Procedures for Endorsements and Guarantees to the board of directors for discussion under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; when an independent director has a dissenting opinion or qualified opinion, it shall be recorded in the minutes of the directors' meeting.
- Article 8 The Company's Operation Procedures for Endorsements and Guarantees includes the following matters:
1. Entities for which the Company may make endorsements/guarantees are the companies under Article 4 in Chapter I of these Procedures.
  2. Where an endorsement/guarantee is made due to needs arising from business dealings, the amount of an endorsement/guarantee shall not exceed 50% of the total amount of trading between the two companies in the last year.
  3. The aggregate endorsement/guarantee amount for the companies as referred to under Article 4 in Chapter I of these Procedures shall not exceed the net worth

on the most current financial statements of the Company; the limit of endorsements/guarantees for any single company, in addition to the limit under Paragraph 2 of this Article, shall not exceed 50% of the net worth on the most current financial statements of the Company.

4. The aggregate endorsement/guarantee amount that the Company and its subsidiaries as a whole are permitted to make is limited to 2 times net worth on the most current financial statements of the Company; the amount of endorsements/guarantees for any single entity is limited to one time net worth of the Company.

5. Procedures for making endorsements/guarantees.

Any companies as referred to under Article 4, before requesting the Company to make endorsements/guarantees, shall submit the matter concerning appointment guarantees to the board of directors for approval and ask the Company to make endorsements/guarantees in writing thereafter.

6. Detailed review procedures of endorsements/guarantees include:

- A. The necessity of and reasonableness of endorsements/guarantees.
- B. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
- C. The impact on the company's business operations, financial condition, and shareholders' equity.
- D. Whether collateral must be obtained and appraisal of the value thereof.

7. Procedures for controlling and managing endorsements/guarantees by subsidiaries.

8. When making an endorsement/guarantee for others, the subsidiaries of the Company shall not violate the regulations promulgated by the competent authority and the relevant acts. Where a subsidiary of the Company intends to make endorsements/guarantees for others, it may be made only after the subsidiary formulates the Operation Procedures for Endorsements and Guarantees pursuant to the competent authority's instruction and the relevant acts and reports the proposed endorsement/guarantee to the Company for approval and recordation. The subsidiary shall submit the information and the detailed list concerning endorsements/guarantees to the Company for summarization, which will then be publicly announced and reported by the Company within the prescription under Articles 13 and 14 in Chapter IV of these Procedures.

9. Procedures for use and custody of corporate chops shall be made in accordance with Paragraph 3 of Article 9 in Chapter III of these Procedures.

10. Hierarchy of decision-making authority and delegation thereof shall be made in accordance with Paragraph 1 of Article 9 in Chapter III of these Procedures.

11. Announcing and reporting procedures shall be made in accordance with Articles 13 and 14 in Chapter IV of these Procedures.

12. The Company's managers and personnel in charge who cause the Company to suffer certain losses arising from the violation of these Procedures shall be appropriately punished based on its corresponding authority and responsibility in accordance with the Enforcement Rules of Personnel Management Rules of the Company.

13. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, such subsidiary is required to submit the net value improvement report and measure by the 10th day of each month and track its implementation

effectiveness.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital shall be calculated on the basis of the sum of the share capital plus paid-in capital in excess of par.

### Chapter III Case Evaluation

- Article 9 Before deciding to make an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Operation Procedures. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Paragraph 6 of Article 8 in Chapter II of these Procedures have been submitted to and resolved upon by the board of directors, or approved by the chairman of the board, where empowered by the board of directors to grant endorsements/guarantees within the limit of NT\$ 100,000,000 (or an equivalent amount of foreign currencies), for subsequent submission to and ratification by the next board of directors' meeting. Before making any endorsement/guarantee pursuant to Paragraph 2 of Article 4, the proposed endorsement/guarantee made between subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall be submitted to the Company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares. The Company shall use the corporate chop 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 and may be used to seal or issue negotiable instruments only in prescribed procedures. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.
- Article 10 The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under Paragraph 1 of the preceding Article. The Company's internal auditors shall audit the implementation of the Operation Procedures for Endorsements and Guarantees no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee and independent directors in writing of any material violation found.
- Article 11 Where the Company needs to exceed the limits set out in the Operation Procedures for Endorsements and Guarantees to satisfy its business requirements, and where the conditions set out in the Operation Procedures for Endorsements and Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the 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 Operation Procedures for Endorsements and Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the

amount in excess within a given time limit.

Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 12 Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee and independent directors, and shall complete the rectification according to the timeframe set out in the plan.

#### Chapter IV Information Disclosure

Article 13 The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

Article 14 The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single entity reaches 20% or more of the public company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single entity reaches NT\$10,000,000 or more and the aggregate amount of all endorsements/guarantees for, carrying amount of investments accounted for using the equity method of, and balance of loans to, such entity reaches 30% or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30,000,000 or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Subparagraph 4 of the preceding paragraph.

Article 15 The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

#### Chapter V Supplemental Provisions

Article 16 Anything not covered in these Operation Procedures for Endorsements and Guarantees will be made in accordance with the last regulations promulgated by the competent authority.

Article 17 These Procedures, which are subject to the passage through the board of directors' meeting, will be implemented after being submitted to the shareholders' meeting for approval. The same shall apply to any amendments to the Procedures.