

TAIWAN CEMENT CORPORATION
Operation Procedures for Loaning of Funds to Others

Chapter I General Principles

- Article 1 The Company's Operation Procedures for Loaning of Funds to Others (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 loans to others; provided, where other acts provide otherwise, such acts shall govern.
- Article 3 Under Article 15 of the Company Act, funds of the Company shall not be loaned to any of its shareholders or any other person except under the following circumstances:
1. Where a company or firm business transaction with the Company calls for a loan arrangement; or
 2. Where a short-term financing facility of a subsidiary of the Company is necessary, provided that such financing amount shall not exceed 40% of the lender's net worth.
- The term "short-term" as used in the preceding paragraph means one year. The aggregate amount of inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or the aggregate amount of loans extended by an overseas company in which the Company holds, directly or indirectly, 100% of the voting shares to the Company, shall not exceed 200% of the net worth on the most current financial statements of the Company, and the maximum amount permitted to a single borrower shall not exceed 100% of the net worth on the most current financial statements of the Company; the duration of loans will be limited to ten years.
- Article 4 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 5 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 loaning of funds, whichever date is earlier.

Chapter II Formulation of Operation Procedures

- Article 6 The Company intending to loan funds to others shall formulate the Operation Procedures for Loaning of Funds to Others 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 Operation Procedures for Loaning of Funds to Others 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 7 The Company's Operation Procedures for Loaning of Funds to Others are as follows:

1. Entities to which the company may loan funds are companies or firms under Article 3 in Chapter I of these Procedures.
2. Evaluation standards for loaning funds to others:
 - A. Where funds are loaned for reasons of business dealings, the Company shall evaluate at any time whether the amount of a loan is commensurate to the total amount of trading between the two companies.
 - B. Where short-term financing is needed, the reasons for and conditions of extending loans shall be enumerated.
3. The maximum amount permitted to a single company under Subparagraph 1, Paragraph 1 of Article 3 in Chapter I of these Procedures, to which funds are loaned by the Company, shall not exceed the total last annual amount of trading between the two companies and may not exceed 20% of the net worth on the most current financial statements of the Company. The maximum amount permitted to a single company under Subparagraph 2, Paragraph 1 of Article 3 in Chapter I, to which funds are loaned, shall not exceed 20% of the net worth on the most current financial statements of the Company. The aggregate amount of loans under the preceding two paragraphs shall not exceed 40% of the net worth on the most current financial statements of the Company.
4. The funds financing prescription for a company or firm under Subparagraph 1, Paragraph 1 of Article 3 in Chapter I of these Procedures shall be limited to the duration of its contract signed with the Company for the upstream material suppliers and downstream enterprises, or be limited to service life of the certain machinery equipment purchased by such co-operators for the co-operators, and the Company shall collect the funds by installments. The interest on such funds, of which the rate is the highest interest rate of the Company's long-term funds, is calculated on a monthly basis. For the company to which short-term financing funds are loaned under the Procedures, the funds financing prescription shall be limited to one year and in principle the Company will

receive such funds in full; the interest on such funds, which is raised by referencing the cost of the Company's short-term funds, is calculated on a monthly basis or be settled in full at maturity.

5. Procedures for handling loans of funds.
6. When each unit of the Company decides to extend loans which are requested by the above counterparties, the relevant agency shall issue the opinion on whether to loan, and duration of loans, calculation of interest or otherwise, which are subject to the approval of the chairperson. The Company may make a loan of such funds after the passage by the board of directors for a resolution.

When submitting for a resolution by the board of directors pursuant to the preceding paragraph, the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in accordance with Article 3, paragraph 3.

7. Detailed review procedures for loaning of funds shall include:
 - A. The necessity of and reasonableness of extending loans to others.
 - B. Borrower credit status and risk assessment.
 - C. Impact on the company's business operations, financial condition, and shareholders' equity.
 - D. Whether collateral must be obtained and appraisal of the value thereof.
8. Announcement and reporting procedures.

Each unit of the Company shall, after filling in the information and the detailed list concerning the previous month's loaning of funds to others and submitting such information to the finance department for review and summarization, announce and report the same by the 10th day of each month in accordance with Articles 11 and 12 in Chapter IV of the Procedures.

9. Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

Each relevant unit of the Company shall periodically track and evaluate the borrower's credit. In case of delinquent creditor's rights, the Company shall handle such rights in compliance with the following procedures:

- A. After evaluating the business and financial condition of the debtor, the Company may change the repayment arrangement in the original case, subject to the circumstances that the value of such debtor that is assumed to be a going concern is higher than its breakup value.
- B. Except for the circumstances set forth in the preceding Paragraph 1, the Company shall take the following measures swiftly:
 - a. Exercise the rights of a negotiable instrument and claim from principal debtors and secondary debtors, and apply for disposing collateral.
 - b. Check the property of principal debtors and secondary debtors, which are available to be enforced, and apply for the measures for preservation pursuant to the laws if necessary.
 - c. Apply for enforcing the property of principal debtors and secondary debtors.
 - d. Other necessary measures for preservation.

- C. When principal debtors and secondary debtors are indeed considered insolvent, the Company may, at its discretion in considering the fact, under the principle of capital guarantee, reach a settlement after drafting the handling opinion and submitting the same to the board of directors for approval.
 - D. For the foreign creditor's rights which are unable to be paid on time as a result of the change of foreign exchange laws made by the local government, such rights may be reported as a project to the board of directors for approval and be handled thereafter.
- 10. The Company's managers and personnel in charge who cause the Company to suffer certain losses arising from the violation of the relevant rules in these Procedures shall be appropriately punished based on its corresponding authority and responsibility in accordance with the relevant provisions under the Enforcement Rules of Personnel Management Rules of the Company.
 - 11. Procedures for controlling and managing loans of funds to others by subsidiaries.
 - 12. When extending a loan to 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 extend a loan to others, it may be made only after the subsidiary formulates the Operation Procedures for Loaning of Funds to Others pursuant to the competent authority's instruction and the relevant acts and reports the proposed loaning of funds to the Company for approval and recordation. The subsidiary shall submit the information and the detailed list concerning loaning of funds to others to the Company for summarization, which will then be publicly announced and reported by the Company within the prescription under Articles 11 and 12 in Chapter IV of these Procedures.

Chapter III Case Evaluation

- Article 8 Before deciding to make a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with these Operation Procedures. The Company may loan funds to others only after the evaluation results under this paragraph and Paragraph 6 of Article 7 in Chapter II of these Procedures have been submitted to and resolved upon by the board of directors. The company shall not empower any other person to make such decision.
- Article 9 Each relevant unit shall prepare a memorandum book for the Company's fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under the preceding Article. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof 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 10 Where as a result of changes of condition the borrowing counterparty no longer meets the requirements of these Procedures, or the loan balance 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 11 The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.

Article 12 The Company whose balance of loans 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 loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% 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 3 of the preceding paragraph.

Article 13 The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Chapter V Supplemental Provisions

Article 14 Anything not covered in these Operation Procedures for Loaning of Funds to Others will be made in accordance with the last regulations promulgated by the competent authority.

Article 15 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.