HSING TA CEMENT CO., LTD.

Category	Procedures for Lending of Funds to Others	Formulated by	Board of Directors	Document No.	HOAC002
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Version	Revision			Description of Revision	Drafted by	Reviewed by	Approved by	Date
	Revision No.	Page	Article(s)					
A				Newly enacted	Regulation Formulation Taskforce	Board of Directors	Shareholders' Meeting	May 30, 2003
A	1	2/6 3/6 5/6 6/6	Article 4 Article 7 Article 15 Article 16 Article 18	1. Amended in accordance with FSC Letter No. 0980000271. 2. Revised to align with the Company's organizational restructuring.	Audit Department	Board of Directors	Shareholders' Meeting	June 19, 2009
A	2	5/6 6/6	Article 17	Amended pursuant to FSC Letter No. 09900113755 to relax restrictions on fund lending and adjust formatting.	Audit Department	Board of Directors	Shareholders' Meeting	June 24, 2011
A	3	2/6 5/6 6/6	Article 4 Article 18 Article 19	Amended in accordance with FSC Letter No. 10100298745.	Audit Department	Board of Directors	Shareholders' Meeting	June 28, 2013
A	4	2/6 3/6 5/6 6/6	Article 4 Article 7 Article 15 Article 16 Article 18 Article 19 ｜ Article 21	Amended pursuant to FSC Order No. 10200531121 to reflect the establishment of the Audit Committee in place of supervisors, revise related wording, and update unit names.	Audit Department	Board of Directors	Shareholders' Meeting	June 21, 2018
A	5	2/6 3/6 5/6 6/6	Article 4 Article 7 Article 15 Article 16 Article 17 Article 18 Article 20 Article 21	1. Revised in accordance with FSC Letter No. 1080304826. 2. Reflected the merger of the Accounting Department and Finance Department into the Finance and Accounting Department. 3. Minor textual revisions.	Audit Department	Board of Directors	Shareholders' Meeting	June 21, 2019

Article 1 (Purpose and Application)

The Company's lending of funds to others shall be conducted in accordance with these Procedures.

Article 2 (Definitions)

The terms used in these Procedures are defined as follows:

1. The term "short-term" in connection with short-term financing refers to a period of one (1) year or one (1) business cycle, whichever is longer.
2. The term "forty percent (40%) of the net worth of the borrower" refers to the balance of total assets minus total liabilities (i.e., shareholders' equity). The forty percent (40%) limit shall be calculated on a cumulative basis for the total loaned amount.
3. "Responsible department" refers to the department of the Company directly handling the business transactions with the borrower, such as purchase/sale, agency, contracting, investment, or other cooperative agreements.

Article 3 (Parties Eligible for Loans)

The Company shall not lend its funds to any shareholder or other person except under any of the following circumstances:

1. Where there is a business transaction between the Company and another company or firm.
2. Where short-term financing is necessary between the Company and another company or firm.

Article 4 (Lending Limits and Interest Calculation)

The total aggregate amount of loans extended by the Company shall not exceed forty percent (40%) of the Company's net worth. The maximum loan amount to any single entity shall, where short-term financing is required for business transactions, not exceed the average transaction amount between the two parties over the past two (2) years and shall not exceed twenty percent (20%) of the Company's net worth. Where short-term financing is required for other reasons, the loan amount shall not exceed twenty percent (20%) of the Company's net worth and shall not exceed forty percent (40%) of the borrower's net worth. Loans between the Company and foreign companies in which it directly or indirectly holds one hundred percent (100%) of the voting shares, or loans made by such wholly owned foreign subsidiaries to the Company, shall not be subject to the foregoing restrictions. However, the total loan amount shall not exceed forty percent (40%) of the Company's net worth, the amount loaned to any single subsidiary or to the Company shall not exceed twenty percent (20%) of the Company's net worth, and the loan period shall not exceed three (3) years.

All loans shall bear interest. The interest rate shall be calculated based on the average medium- to long-term basic lending rate of the Bank of Taiwan plus at least one percent (1%). Unless otherwise specified, interest shall be paid monthly, and the borrower shall remit payment to the Company's Finance and Accounting Department within one (1) week from the agreed interest payment date.

Article 5 (Evaluation Criteria for Loans Based on Business Transactions)

Where loans are made due to business transactions, the evaluation criteria for loan terms and amounts shall be as follows:

1. The borrower's business relationship with the Company shall meet one of the following conditions:
   (1) The borrower has maintained business transactions with the Company for over three (3) years, has good credit standing, and has had an average total transaction amount exceeding NT$50 million over the past two (2) years.
   (2) The borrower has entered into a long-term (five years or more) supply or sales agreement with the Company due to vertical integration needs, with an annual average transaction amount exceeding NT$50 million.
   (3) The borrower has entered into a major contract with the Company.

2. Whether the loan amount corresponds to the amount of business transactions shall be evaluated item by item based on specific quantitative data according to the following criteria:

   (1) Evaluate whether the purpose of the loan contributes to the expansion of the Company's business.

   (2) Evaluate the repayment schedule and the borrower's ability to meet repayment of principal and interest.

   (3) Evaluate whether collateral should be provided.

   (4) For loans requiring collateral, evaluate the collateral's appraised value, net value, and liquidity in the market.

Article 6 (Evaluation Criteria for Short-Term Financing Loans)

Loans made for short-term financing purposes shall be limited to any of the following circumstances:

1. Where an affiliated enterprise of the Company requires financing and, based on its business condition, has the ability to repay within one (1) year.
2. Where an invested enterprise or an enterprise currently under investment has the capacity to repay within one (1) year according to its business plan, or where the loan relates to the investment funds the Company is required to pay within one (1) year.
3. For any other enterprise not covered by the preceding two subparagraphs, the necessity of short-term financing shall be strictly evaluated, and the adequacy of the loan amount shall be assessed in accordance with Item 2 of the preceding Article.

Article 7 (Operational Procedures)

1. The Company's fund lending shall be reviewed by the responsible department and submitted through the proper chain of approval to the Chairperson for authorization and subsequently to the Board of Directors for resolution before implementation.
2. The Finance and Accounting Department shall maintain a registry of fund lending transactions. After Board approval, the borrower, loan amount, date of Board approval, date of fund disbursement, and relevant evaluation details shall be fully recorded for reference.
3. Internal auditors shall audit the lending procedures and their implementation at least once every quarter and prepare written reports. In the event of any material violation, the Audit Committee shall be notified in writing immediately.
4. The Finance and Accounting Department shall prepare monthly detailed schedules (including risk assessment items) of all new and repaid loans for monitoring and tracking, obtain the required approvals, and proceed with public disclosure and reporting. The Finance and Accounting Department shall make quarterly assessments and adequate allowances for doubtful accounts, disclose loan information in financial reports, and provide relevant data to the certifying CPA.
5. If, due to changes in circumstances, the borrower no longer meets the requirements of these Procedures or the loan balance exceeds the limit, the Finance and Accounting Department shall propose a corrective plan for approval, submit the plan to the Audit Committee, and complete corrective actions within the specified timeframe.

Article 8 (Review Procedures)

1. For any loan application, the borrower shall first submit relevant documents and specify the purpose of the loan in writing to the responsible department.
2. After accepting the loan application, the responsible department shall investigate and evaluate the necessity and reasonableness of the loan, determine whether the borrower has direct or indirect business dealings with the Company, and assess the borrower's financial condition, debt-paying ability, credit standing, profitability, and purpose of borrowing.
   In addition, the department shall consider the potential impact of the total amount of fund lending on the Company's operational risk, financial condition, and shareholders' equity, and prepare a written evaluation report to be submitted to the Board of Directors for review.

3. When the Company lends funds, it shall obtain promissory notes of an equivalent amount as security. Where necessary, mortgages on movable or immovable property shall be established and evaluated quarterly.
   If a debtor provides a personal or corporate guarantor with sufficient financial capacity and credit in lieu of collateral, the Board of Directors may approve the loan after considering the review report from the responsible department.
   If the guarantor is a company, it must be confirmed that its articles of incorporation authorize the provision of guarantees.

Article 9 (Notification of Loan Terms)

After loan approval has been granted, the responsible personnel shall promptly notify the borrower in writing or by telephone, specifying the loan terms, including amount, period, interest rate, collateral, and guarantor.
The borrower shall sign the loan agreement within the prescribed period and complete the procedures for creating pledges or mortgages, or for the guarantor's confirmation, before the funds are disbursed.

Article 10 (Contract Signing and Collateral Requirements)

Loan contracts shall be drafted by the responsible department and reviewed by the Company's legal counsel before execution. The loan contract shall conform to the terms approved by the Board of Directors.
After the borrower and joint guarantor have signed and affixed their seals, the Administration Department shall complete the contract verification procedures. Where collateral is required for the loan, disbursement may be made only after the establishment of the pledge or mortgage has been duly completed.

Article 11 (Collateral Maintenance and Insurance Requirements)

Except for land and marketable securities, all collateral provided by borrowers shall be insured against fire or other appropriate risks. Ships and vehicles shall be insured under comprehensive policies, and the insured amount shall not be less than the value of the collateral.
The insurance policy shall designate the Company as the beneficiary, and the insured items, quantities, storage locations, policy terms, and endorsements shall conform to the loan approval conditions.
If a building does not yet have a house number at the time of mortgage registration, its address shall be indicated by its land section and lot number.

The insurance coverage period shall extend at least six (6) months beyond the loan term.

Article 12 (Verification of Loan Documents)

After loan approval, the borrower shall execute the loan contract and deliver the promissory note or IOU (or installment repayment notes).
Funds may be disbursed only after the collateral pledge or mortgage registration and contract verification procedures are completed and all documents have been duly checked and found accurate.

Article 13 (Post-Loan Monitoring and Control)

After the loan has been disbursed, the Company shall continuously monitor the financial, operational, and credit conditions of the borrower and guarantor.
If collateral has been provided, the Company shall also monitor any changes in its value.
Two (2) months prior to loan maturity, the borrower shall be notified to repay principal and interest on the due date or to apply for an extension.

When a borrower repays the loan upon maturity, the responsible department shall first calculate the interest payable.
After both principal and interest have been fully settled, the promissory notes, IOUs, or other debt instruments shall be canceled and returned to the borrower.
If the borrower applies for the cancellation of a mortgage or release of a pledge, the Company shall first verify that both principal and interest have been fully repaid before proceeding with the release.

Article 14 (Extension of Loan Repayment Period)
Prior to loan maturity, the borrower shall be notified to make repayment in accordance with the loan terms. If repayment cannot be made by the due date and an extension is required, a written application shall be submitted in advance and may only be granted upon approval by the Board of Directors.

Article 15 (Procedures for Handling Overdue Loans)
In the event that a borrower fails to repay the principal or interest on time, the Finance and Accounting Department shall immediately notify the responsible department. The responsible department shall report the situation in writing, investigate the assets of the borrower and guarantor as well as the status of the collateral, take immediate preservation measures, and pursue legal remedies and recovery actions as necessary.

Article 16 (Custody of Loan Documents)
After disbursement, the responsible department shall compile and organize the loan contracts, promissory notes, collateral certificates, insurance policies, and related correspondence, place them in a custody envelope, and clearly mark the contents and borrower's name thereon.
The envelope shall then be submitted to the supervising officer for inspection; once verified, it shall be sealed, and the seals of both the handling officer and the supervisor shall be affixed across the seal.
The record shall be entered in the custody register and stored under the safekeeping of the Finance and Accounting Department.

Article 17 (Authority for Loan Approval)
All loans of funds to others shall be approved by resolution of the Company's Board of Directors and may not be authorized to any individual for decision-making. Loans between the Company and its subsidiaries, or among subsidiaries, shall likewise be submitted to the Board of Directors for approval.
The Board may, however, authorize the Chairperson to disburse loans in installments or on a revolving basis to the same borrower within a fixed amount and within a period not exceeding one (1) year as approved by the Board. The "fixed amount" referred to above, except for loans between the Company and foreign companies in which it directly or indirectly holds one hundred percent (100%) of the voting shares, or vice versa, shall not exceed ten percent (10%) of the net worth of the Company or of each subsidiary as shown in its most recent financial statements.

Article 18 (Public Disclosure and Reporting)
1. By the tenth (10th) day of each month, the Finance and Accounting Department shall compile and publicly disclose, within the prescribed period, the balance of fund lending by the Company and its subsidiaries for the preceding month, together with operating revenue data.
2. In addition to the regular monthly reporting, when the balance of fund lending by the Company and its subsidiaries meets any of the following criteria, the Finance and Accounting Department shall, within two (2) days from the date of occurrence, publicly disclose the relevant information on the website designated by the Financial Supervisory Commission (FSC), together with supporting documentation:
   (1) The combined balance of fund lending by the Company and its subsidiaries reaches twenty percent (20%) or more of the Company's net worth as shown in the most recent financial statements.
   (2) The combined balance of fund lending by the Company and its subsidiaries to a single enterprise amounts to ten percent (10%) or more of the Company's net worth as stated in the most recent financial statements.

(3) The Company or any of its subsidiaries makes a new loan of funds in an amount of NT$10 million or more and amounting to two percent (2%) or more of the Company's net worth as stated in its most recent financial statements.

If a subsidiary of the Company is not a domestic public company and any event described in the preceding subparagraph (3) occurs, the Company shall make the required public disclosure on behalf of such subsidiary.

Article 19 (Regulations Governing Subsidiaries)

1. Each subsidiary of the Company shall also establish its own "Procedures for Lending of Funds to Others" in accordance with the *Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies* issued by the Financial Supervisory Commission (FSC).
   Such procedures shall be approved by the Board of Directors, submitted to the supervisors (or the Audit Committee), and presented to the Shareholders' Meeting for approval. The same shall apply to any amendments thereto.
2. When a subsidiary provides loans to others, it shall comply with its own internal control system and its "Procedures for Lending of Funds to Others."
   By the fifth (5th) day of each month, the subsidiary shall submit a written summary report to the Company, detailing the balance, counterparties, and terms of all loans made during the preceding month.
   The Company's Audit Department shall include the subsidiaries' fund-lending operations as an audit item at least once every quarter, and the audit results shall be reported to the Board of Directors and the Audit Committee as part of the regular audit report.
3. If a subsidiary that is not a public company has a balance of fund lending that meets the disclosure thresholds specified in Article 18, paragraph 2, the subsidiary shall notify the Company on the date of occurrence, and the Company shall make the required public disclosure on the designated website in accordance with regulations.

Article 20 (Penalties)

If any employee responsible for the Company's fund-lending operations violates the *Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies* promulgated by the FSC Securities and Futures Bureau, or these Procedures, the following measures shall apply depending on the severity of the violation:

1. Violation of approval authority: a verbal warning shall be given for the first offense; a written warning for a repeat offense; and reassignment for repeated or serious violations.
2. Violation of review procedures: a verbal warning shall be given for the first offense; a written warning for a repeat offense; and reassignment for repeated or serious violations.
3. Violation of disclosure or reporting requirements: a verbal warning shall be given for the first offense; a written warning for a repeat offense; and reassignment for repeated or serious violations.
4. The immediate supervisor of the offending personnel shall also be subject to disciplinary action unless a reasonable explanation is provided.
5. If the Board of Directors or any director violates relevant regulations or resolutions of the Shareholders' Meeting in the course of performing their duties, the Audit Committee shall, in accordance with Article 218-2 of the Company Act, notify the Board or the director concerned to cease such conduct.

Article 21 (Supplementary Provisions)

These Procedures shall be implemented upon approval by at least one-half (½) of all members of the Audit Committee, resolution of the Board of Directors, and consent of the Shareholders' Meeting. If any director expresses dissenting opinions, either verbally recorded or in writing, such opinions shall be submitted to the Shareholders' Meeting for discussion. The same shall apply to any amendments hereto. f approval by at least one-half (½) of all members of the Audit Committee cannot be obtained, these Procedures may be approved by at least two-thirds (⅔) of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting. The term "all members of the Audit Committee" and "all directors" referred to in the preceding paragraph shall mean those actually in office.