HSING TA CEMENT CO., LTD.

Category	Procedures for Making of Endorsements and Guarantees	Formulated by	Board of Directors	Document No.	HOAC003
Procedures		Date of Issuance	June 21, 2019	Page	1／5

Version	Revision No.	Page	Article(s)	Description of Revision	Drafted by	Reviewed by	Approved by	Date
	Revision							
A				Newly enacted	Regulation Formulation Taskforce	Board of Directors	Shareholders' Meeting	May 30, 2003
A	1	2/5 4/5	Article 2 Article 4 Article 9	Revised in accordance with Statement of Financial Accounting Standards No. 7, to amend the provisions regarding the parties eligible for endorsements and guarantees. Amended based on practical needs and with reference to peer companies' endorsement and guarantee limits. Corrected the designation of the reporting unit in accordance with the reorganization of the competent authority under the Securities and Exchange Act.	Audit Department	Board of Directors	Shareholders' Meeting	June 9, 2006
A	2	2/5 3/5 4/5 5/5	Article 2 Article 5 Article 6 Article 8 Article 9 Article 10	1. Amended in accordance with FSC Letter No. Jin-Guan-Zheng-Liu-0980000271. 2. Revised to reflect the organizational adjustments of the Company.	Audit Department	Board of Directors	Shareholders' Meeting	June 19, 2009
A	3	2/5 5/5	Article 4 Article 12 Article 13	Amended in accordance with FSC Letter No. Jin-Guan-Zheng-Shen-09900113755, taking into account the Company's overall future development needs; revised the provisions regarding the aggregate amount of endorsements and guarantees permitted for the Company and its subsidiaries, as well as the limit applicable to any single enterprise. Amended in accordance with FSC Letter No. Jin-Guan-Zheng-Shen-09900113755; added new provisions to specify subsequent control measures for managing potential risks arising from endorsements and guarantees, and adjusted article numbering accordingly.	Audit Department	Board of Directors	Shareholders' Meeting	June 24, 2011
A	4	2/5 4/5 5/5	Article 2 Article 9 Article 10 Article 12	Amended in accordance with FSC Letter No. Jin-Guan-Zheng-Shen-10100298745.	Audit Department	Board of Directors	Shareholders' Meeting	June 28, 2013
A	5	2/5 3/5 4/5 5/5	Article 5 Article 6 Article 8 Article 10 Article 11 Article 12 Article 13	1. Amended to change the name of certain departments. 2. Amended in accordance with FSC Order No. Jin-Guan-Zheng-Fa-10200531121 to establish the Audit Committee in place of supervisors and revise related wording accordingly.	Audit Department	Board of Directors	Shareholders' Meeting	June 21, 2018
A	6	2/5 3/5 4/5 5/5	Article 5 Article 6 Article 8 Article 9 Article 11 Article 12 Article 13	1. Amended in accordance with FSC Order No. Jin-Guan-Zheng-Shen-1080304826, and revised related wording accordingly. 2. Revised to reflect the organizational adjustments of the Company, merging the Accounting Department and the Finance Department into the Finance and Accounting Department. 3. Minor wording revisions.	Audit Department	Board of Directors	Shareholders' Meeting	June 21, 2019

Article 1 (Purpose)

All matters relating to endorsements and guarantees by the Company shall be conducted in accordance with the provisions of these Procedures.

Article 2 (Parties Eligible for Endorsements and Guarantees)

The parties eligible for endorsements and guarantees made by the Company shall be limited to the following entities:

1. Companies having business dealings with the Company.
2. Companies in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.
3. Companies that directly or indirectly hold more than fifty percent (50%) of the voting shares of the Company.

   Endorsements and guarantees may be made between companies in which the Company directly or indirectly holds one hundred percent (100%) of the voting shares.

Where, for construction project needs, the Company and other enterprises in the same industry or co-developers mutually provide guarantees in accordance with contractual provisions, or where all shareholders jointly investing in a company provide endorsements and guarantees to the invested company in proportion to their shareholding, or where joint guarantees are made among enterprises in the same industry for performance guarantees under pre-sale housing contracts pursuant to the Consumer Protection Act, such cases shall not be subject to the preceding restrictions.

The term "investment" referred to in the preceding paragraph means an investment made directly by the Company or through a company in which the Company holds one hundred percent (100%) of the voting shares.

Article 3 (Scope of Application)

The term "endorsements and guarantees" as used in these Procedures refers to the following circumstances:

1. Financing endorsements and guarantees:
   (1) Discounting of notes receivable for financing purposes.
   (2) Endorsements or guarantees made for the purpose of another company's financing.
   (3) Issuance of negotiable instruments for the Company's own financing purposes to non-financial enterprises as security.
2. Customs endorsements and guarantees: endorsements or guarantees made for customs-related matters of the Company or another company.
3. Other endorsements and guarantees: endorsements or guarantees that do not fall within the two categories above.

Article 4 (Limits on Endorsements and Guarantees)

The aggregate amount of external endorsements and guarantees provided by the Company shall not exceed the Company's net worth as stated in its most recent financial statements, and the total amount of endorsements and guarantees for any single enterprise shall not exceed fifty percent (50%) of such net worth.

For endorsements and guarantees made due to business transactions, in addition to being subject to the preceding limits, the amount of such endorsements and guarantees shall correspond to the higher of (i) the transaction amount of purchases or (ii) the transaction amount of sales between the Company and such enterprise, based on either the most recent fiscal year or the current year up to the time of the endorsement or guarantee.

The combined total amount of endorsements and guarantees made by the Company and its subsidiaries shall not exceed two hundred percent (200%) of the Company's net worth as stated in its most recent financial statements, and the total amount of endorsements and guarantees for any single enterprise shall not exceed one hundred percent (100%) of the Company's net worth.

Where the aggregate total amount of endorsements and guarantees established by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth, the necessity and reasonableness thereof shall be explained at the **Shareholders' Meeting**.

Article 5 (Decision-Making and Authorization Levels)

When the Company handles any endorsement or guarantee, the **Finance and Accounting Department** shall submit the case to the **President** for review, then forward it to the **Chairman** for approval, and finally obtain a resolution of approval from the **Board of Directors** before execution. The Board of Directors may authorize the **Chairman** to approve endorsements and guarantees within a limit of **NT$100 million** in accordance with these Procedures, with such actions to be subsequently ratified by the next Board meeting. The status of all endorsements and guarantees shall also be reported to the **Shareholders' Meeting** for record.

When, due to business needs, the Company is required to exceed the limits set forth in these Procedures for making endorsements and guarantees, such action shall be subject to the approval of the Board of Directors. More than half of the directors shall jointly assume responsibility for any potential losses that may result from the excess. The Company shall amend these Procedures accordingly and submit the amendment to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not approve, a corrective plan shall be established to eliminate the excess portion within a prescribed period.

Article 6 (Procedures for Handling Endorsements and Guarantees)

1. When a company requests the Company to provide an endorsement or guarantee, it shall submit a written application stating the purpose, the current and cumulative amount of the requested endorsement or guarantee, and other relevant details, together with supporting documents, to the **Finance and Accounting Department**. The department shall review and assess the risks, prepare written comments and records, and submit them to the **President** for approval before seeking a final resolution in accordance with **Article 5**.
2. The **Finance and Accounting Department** shall maintain a "Register of Endorsements, Guarantees, and Cancellations," in which details such as the nature of the commitment, the guaranteed party, the amount, the date of the Board's approval or the Chairman's authorization, the date of endorsement or guarantee, evaluation details, collateral obtained, and the conditions and dates for the release of the guarantee shall be recorded for reference.
3. **Internal auditors** shall audit the procedures for making endorsements and guarantees and their implementation at least quarterly, prepare written reports, and immediately notify the **Audit Committee** in writing upon discovery of any material violation.
4. The **Finance and Accounting Department** shall compile a monthly schedule of all new and cancelled endorsements or guarantees (including risk assessment items) for monitoring and tracking purposes. After review and approval through the reporting hierarchy, the data shall be used for public disclosure and filing. The department shall assess and recognize potential contingent losses on a quarterly basis, disclose endorsement and guarantee information in the Company's financial statements, and provide relevant documents to the **certifying CPA**.
5. If the guaranteed party originally met the requirements but later no longer complies with these Procedures, or if the guaranteed amount exceeds the prescribed limit due to changes in the calculation base, the **Finance and Accounting Department** shall establish an improvement plan, obtain the **Chairman's approval**, submit it to the **Audit Committee**, and complete improvements within the specified timeframe.
6. When an endorsement or guarantee is cancelled due to debt repayment or renewal, the guaranteed company shall submit a written notice enclosing the original documents to the **Finance and Accounting Department**, which shall stamp "Cancelled," make a copy for return, retain the original for record, and immediately update the "Register of Endorsements, Guarantees, and Cancellations" and recalculate the total amount of outstanding endorsements and guarantees.

Article 7 (Review Procedures)

1. Understand the relationship between the guaranteed party and the Company, the purpose and use of the loan, its connection to the Company's business, or its operational significance to the Company. Assess the necessity and reasonableness of the endorsement or guarantee in light of the Company's limits and current balances.
2. Obtain the annual report, financial statements, and other relevant information of the guaranteed party, analyze its operational, financial, and credit conditions and repayment sources to evaluate potential risks.
3. Analyze the ratio of the Company's outstanding endorsements and guarantees to its net worth, liquidity and cash flow position, and the review results under the preceding two items to assess the impact on the Company's operational risks, financial condition, and shareholders' equity.

4. Depending on the nature of the guarantee, the credit standing of the guaranteed party, and the results of the preceding evaluation, the Company shall determine whether to require the guaranteed party to provide appropriate collateral. The value of such collateral shall be assessed quarterly to ensure it corresponds to the balance of endorsements and guarantees, and the guaranteed party may be required to provide additional collateral when necessary.

Article 8 (Seal Custody and Procedures)

1. The Company shall use the official company seal registered with the **Ministry of Economic Affairs** as the seal dedicated for endorsements and guarantees. The seal shall be kept under the custody of designated personnel upon the **Board of Directors' approval**. Any change of custodian shall also be approved by the Board, and a proper handover procedure for the seal shall be completed.
2. After the endorsement or guarantee has been approved by the **Board of Directors** or authorized by the **Chairman**, the **Finance and Accounting Department** shall complete the "Seal Usage Register." The seal may only be affixed upon approval by the head of the Finance and Accounting Department, together with the relevant authorization records and endorsement or guarantee contracts or negotiable instruments.
3. When the Company issues a guarantee letter to a foreign company, such letter shall be signed by the person authorized by the **Board of Directors**.

Article 9 (Public Disclosure Procedures)

1. By the tenth (10th) day of each month, the **Finance and Accounting Department** shall publicly disclose, within the prescribed period, the balance of endorsements and guarantees made by the Company and its subsidiaries for the preceding month, together with their respective operating revenues.
2. In addition to the regular monthly disclosure, when the endorsements and guarantees made by the Company and its subsidiaries meet any of the following criteria, the **Finance and Accounting Department** shall, within two (2) days from the date of occurrence, disclose the relevant information on the website designated by the **Financial Supervisory Commission (FSC)**:
   (1) The combined balance of endorsements and guarantees made by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its most recent financial statements.
   (2) The combined balance of endorsements and guarantees made by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its most recent financial statements.
   (3) The combined balance of endorsements and guarantees made by the Company and its subsidiaries for a single enterprise exceeds NT$10 million, and the aggregate amount of such endorsements and guarantees, equity-method investments, and loans of funds equals thirty percent (30%) or more of the Company's net worth as stated in its most recent financial statements.
   (4) Any new endorsement or guarantee made by the Company or its subsidiaries exceeds NT$30 million and equals five percent (5%) 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 public company in Taiwan and meets the reporting threshold set forth in subparagraph (4) above, the disclosure shall be made by the Company on behalf of such subsidiary.

   For purposes of these Procedures, the "date of occurrence" means the earlier of the contract signing date, payment date, Board resolution date, or any other date on which the transaction counterparty and amount are definitively determined.

Article 10 (Control Procedures for Subsidiaries' Endorsements and Guarantees)

1. Each subsidiary of the Company shall also establish its own **Procedures for Making of Endorsements and Guarantees**in accordance with the **Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies** promulgated by the FSC. Such procedures shall be approved by the **Board of Directors**, submitted to the **Audit Committee**, and reported to the **Shareholders' Meeting** for approval. The same process shall apply to any subsequent amendments.

2. When a subsidiary provides endorsements or guarantees for others, it shall comply with its own **Internal Control System**and **Procedures for Making of Endorsements and Guarantees**. Each subsidiary shall, by the fifth (5th) day of every month, submit to the Company a written report summarizing the balance, counterparties, and terms of endorsements and guarantees made in the previous month. The Company's **Audit Department** shall include the subsidiaries' endorsement and guarantee operations as an audit item at least once every quarter, and the results of such audits shall be incorporated into the reports submitted to the **Board of Directors** and the **Audit Committee**.
3. If a subsidiary that is not a public company has an endorsement or guarantee balance reaching the disclosure threshold set forth in **Article 9** of these Procedures, the subsidiary shall notify the Company on the date of occurrence. The Company shall, in accordance with regulations, publicly disclose the relevant information on the **Financial Supervisory Commission (FSC)** designated website.

For subsidiaries established overseas, the dedicated seal for endorsements and guarantees as prescribed in **Article 8** of these Procedures shall be replaced by the official company seal registered in the local jurisdiction of the subsidiary.

Article 11 (Penalties)

If any personnel responsible for endorsements and guarantees violate the **Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies** promulgated by the **Securities and Futures Bureau (SFB)** or the provisions of these Procedures, disciplinary actions shall be taken depending on the severity of the violation as follows:

1. Violation of approval authority: verbal warning for the first offense; written warning for the second offense; transfer or reassignment for repeated or serious violations.
2. Violation of review procedures: verbal warning for the first offense; written warning for the second offense; transfer or reassignment for repeated or serious violations.
3. Violation of disclosure and reporting requirements: verbal warning for the first offense; written warning for the second offense; transfer or reassignment for repeated or serious violations.
4. The immediate supervisor of the violating personnel shall also be subject to disciplinary action, unless a reasonable explanation is provided. 。
5. If the **Board of Directors** or any director conducts business in violation of applicable regulations or resolutions of the **Shareholders' Meeting**, the **Audit Committee** shall, in accordance with **Article 218-2 of the Company Act**, notify the Board or the director to cease such conduct.

Article 12 (Control Measures)

When the Company or any of its subsidiaries provides an endorsement or guarantee for a subsidiary whose **net worth is less than one-half of its paid-in capital**, the necessity, reasonableness, and risk associated with such endorsement or guarantee shall be thoroughly reviewed in accordance with **Article 7**. The **Finance and Accounting Department** shall conduct monthly follow-ups on the subsidiary's operational, financial, and credit conditions, as well as its repayment sources, and report the findings to the next meeting of the **Board of Directors**.

For subsidiaries whose shares have no par value or a par value other than NT$10 per share, the calculation of **paid-in capital** under the preceding paragraph shall be based on the sum of **share capital and capital surplus—share premium**.

Article 13 (Other Provisions)

1. The status and details of endorsements and guarantees made by the Company and its subsidiaries during each fiscal year shall be reported to the **Shareholders' Meeting** of the following year for record.
2. These Procedures shall be implemented upon approval by a majority of the **Audit Committee**, resolution of the **Board of Directors**, and consent of the **Shareholders' Meeting**. If any director expresses an objection and such objection is recorded or presented in writing, the Company shall submit the objection to the **Shareholders' Meeting** for discussion. The same procedure shall apply to any amendment.

   If the approval of more than one-half of all members of the **Audit Committee** is not obtained, the matter may be approved by **two-thirds (2/3) or more 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 the actual incumbents.