

Management of Loans to Others of ADDcn Technology Co., Ltd

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1. Goals and Applicable Laws and Regulations

The Procedure is established to make the Company operate accordingly. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

2. Loaning Fund and Object and Evaluation Criteria

In accordance with the Article 15 of the Company Law, the Company shall not Loaning Funds to any shareholders or any other person except under the following circumstances:

1. Companies or business with business relationship with the Company; "business relationship" as referred to above shall mean businesses who have purchase or sale agreement with the Company.
2. A company or business with a short-term financing need offered by the Company; which the Company holds, directly or indirectly, at least 50% of the voting shares, the short-term financing may be granted only to those who have business needs.

3. The Aggregate Amount of Loans and the Maximum Amount Permitted to a Single Borrower

1. The total amount of the Company's loan of funds shall not exceed 40% of the net value of the latest financial statements of the Company, of which:
 - the individual loans and amounts are not more than the total amount of business transaction amount between the two parties of the past 12 months ("Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher) It shall not exceed 10% of the net worth of the Company. Where funds are lent to a company or business with business relationship, the accumulated amount of such loan shall not exceed 20% of the net worth of the Company.
 - Where an inter-company or inter-firm business transaction calls for a short-term financing: the amount of an individual loan shall not exceed the business transaction amount in the past year between the parties. The total amount of the loan shall not exceed more than 20% of the Company's net worth as stated in its latest financial statement.
2. A company or business with a short-term financing need offered by the Company; which the Company holds, directly or indirectly, at least 50% of the voting shares, the short-term financing may be granted only to those who have business needs.

3. The short term as referred to in this operating procedure is one year. However, when the company's operating cycle is longer than one year, the operating cycle shall prevail.
4. The amount of financing as referred to in this operating procedure is the accumulated balance of the Company's short-term financing.
5. "Net worth" as referred to in the Procedures shall be equity attributable to owners of the parent company in the balance sheet, under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4. Duration of Loans and Calculation of Interest

1. Each loan and term of the loan shall not exceed one year or one business cycle from the date of the loan. (The longer one shall be given priority)
2. The calculation of the interest on the loan of funds is based on the daily interest rate. The interest amount is the sum of your balance on each day (also known as "the total product") multiplied by its annual interest rate and then divided by 365. The annual interest rate shall not be lower than the Company's short-term bank interest rates on average.
3. In addition to the special provisions, the loan interest rate shall be paid on a monthly basis, and the borrower shall be notified of the interest payment one week prior to the due dates.

5. Handling and Analytical Procedures

1. Application procedure
 - The borrower shall provide basic information and financial status, and fill in the application form, which shall consist of information about funds, the period of the loan and the amount, and send it to the Company's finance and accounting department. Careful assessments of the necessity and rationality are required of the finance and accounting department.
 - Where funds are lent to a company or business with business relationships with the Company, the case officer from the Company's finance and accounting department shall evaluate the loan and ensure that the amount is equivalent to the amount of business transactions; where short-term financing is necessary, reasons and circumstances of obtaining loans and funds shall be listed, along with credit investigation. The relevant information and the proposed loan requirement shall be submitted to the head and the general manager of the finance and accounting department, and following that is to report to the board of directors. (The following contents are not amended, and therefore are omitted.).
 - The opinions of the independent directors shall be fully taken into account when handling the loan of funds to others, and their explicit opinions of approval or objection and the reasons for objection shall be included in the records of the Board of Directors.
2. Credit investigation
 - For an initial borrower, it is essential to provide basic information and financial report for the sake of credit investigation.

- When it comes to continual borrowers, credit investigation shall be re-applied when the renewal is proposed. Any significant event or of an emergency could be handled at any time as needed.
- If the borrower's financial condition is good and the annual financial statement has been filed with financial certification by CPAs (Certified Public Accountant), the investigation that has not been reported more than one year shall be used. Report assessed and certified by the CPA is another reference for the loan.
- The Company's credit investigation and risk assessment shall also indicate the impact on the Company's operational risk for loaning, financial condition and shareholders' equity.

3. Loan approval and notification

- After the credit investigation and evaluation, if the board of directors disagreed with the loaning, the case officer shall respond to borrower about the refusal as soon as possible.
- After the credit investigation and evaluation, if the board of directors agreed with the loaning, the case officer shall inform the borrower of the approval as soon as possible, detailing the Company's terms and conditions of loan, including the amount, period, interest rate, collateral and guarantor, etc. Ask the borrower to complete the agreement signing before it's due.

4. Identity Verification

- Loan contract terms and conditions shall be drafted by the case officer and reviewed by the chief, and then sent to a legal counsel for verification before signing the contract.
- The contents of the contract shall be in accordance with the approved conditions of borrowing. After the borrower and the joint guarantor sign the contract, the case officer shall complete the identity verification as a formality.

5. Collateral values assessment and setting the pledge

Except for the subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares, promissory notes with the same amount, collateral or other guarantees required by the company shall be provided. The guarantor provider shall deal with pledge or setting the pledge. The company shall also need to deal with collateral evaluations for the creditor's right management.

6. Insurance

- In addition to land and securities, the collateral should be insured against fire and other related risks. The amount of insurance shall not be lower than that of the pledged collateral. The Company shall be indicated as the beneficiary on the insurance policy. The items, quantity, storage location, insurance conditions, insurance approval, etc. indicated on the policy shall be in accordance with the original loan conditions of the Company.
- The case officer shall notify the borrower to renew their policy before it expires.

7. Funding

After the loan conditions are approved and signed by the borrower, the collateral registration is completed, and all the procedures are verified, the funds will be allocated.

8. Repayment

After funding, the financial and business credit report and other credit status of the borrowers and the guarantors shall be checked regularly. Any variations in the collateral value shall be noted. The borrower shall be notified to pay off the principal and interest one month before the loan is due.

- Borrowers shall calculate the interest payable in advance, and along with the principal for loan repayment. The sinking fund certificates such as the promissory note and the IOU, shall be annulled and returned to the borrower.
- If the borrower applies for annulment of the mortgage, it would be subject to that whether there is any loan balance left.

6. Subsequent Loan Measurement and Procedures of Handling Creditors' Rights over Overdue Loan

1. Registration and Custody

- A log book recorded loan of funds shall detail information including target customers, the amount of the loan, board of directors' approval dates, loan date, and the matters required to be carefully evaluated in accordance with the Procedure.
- After lending the loan, the case officer shall organize all the documents in order, such as contractor's receipt, promissory note, collateral certificate, insurance policy and any correspondence, and provide custody for the files with bags. After the bags are marked with item names and customer's name, they shall be submitted to the chief of finance and accounting department for inspection. Once all test passed, the bags are sealed. The two parties shall sign or stamp on a registry.
- The internal auditors of the Company shall audit the endorsement and guarantee work measures and their implementation at least quarterly, and make written records. In case of major violations, they shall immediately notify the Audit Committee in writing form.
- In case of any circumstances change, the loan object fails to conform to the operation procedures or the balance exceeds the limit, the improvement plans shall be worked out and shall be submitted to the Audit Committee.

7. Control Procedures for Managing Loans to Others by the Subsidiaries

1. If the Company's subsidiaries intend to lend funds to others, they shall also set up the operating procedures in obedience to the operating procedures; however, the net worth is calculated based on that of the subsidiaries.
2. Internal auditors of the Subsidiaries shall perform auditing and the Procedures and implementation of loans to others every quarter, and produce written auditing reports. If any serious violation is found, the Audit Committee shall be notified by the Company's auditors with written notices.
3. When internal auditors of the Company conduct the annual audit plan in subsidiaries, they shall be familiar with the Subsidiaries' procedures of leading loans to others. If any fault is found, the general manager shall be notified with track records report and deliver to the Audit Committee for review.

4. When fund lending occurs between the Company and the subsidiaries or among the subsidiaries, an approval from the Board of directors shall be obtained, and the chair of the board (COB) shall be authorized to handle the matter within the specific amount of fund lending to the same party approved by the Board of directors and the lending is authorized in disbursement or revolving within one year.
5. "Specific amount" as referred to above shall mean that the authorized amount of loans by the Company or its subsidiaries to an individual entity shall not exceed 10% of the Company's net value in their most recent financial statement, unless it meets the requirements of Paragraph 2, Article 3.

8. Announcement and Reporting Procedures

1. The Company shall announce and report the previous month's loan balances to its head office and the Subsidiaries by the 10th day of each month.
2. When the Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence of the fact:
 - The balance of loans to others reaches at least 2 percent of the Company's net worth as stated in its latest financial statement.
 - The balance of loans by the Company to a single enterprise reaches at least 10 percent of the Company's net worth as stated in its latest financial statement.
 - The amount of added loans of funds by the Company reaches NT\$10 million or more, and reaches at least 2 percent of the Company's net worth as stated in its latest financial statement.
3. The Company is not a public company's subsidiary in Taiwan. Information required to be publicly announced and reported in accordance with the provisions of the preceding Paragraph shall be reported by the Company.

The loan-to-net-worth ratio as referred above is calculated based on an aggregate of the Company's and its Subsidiaries' loan balance.

4. The Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.
5. The term "Announcement and Report" as used in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission of Taiwan.
6. The term "date of occurrence of the fact" as used in Paragraph 2 of this Article refers to the date of contract signing, date of payment, date of board of directors resolution or other date that can confirm the subject and monetary amount of the loan, whichever date is earlier.

9. Penalty

If the Company managers and case officers violate the Procedures, assessments would be made and submitted in accordance with the Company's employee handbook, and impose penalties accordingly.

10. Implementation and Amendment

1. The setting of the operation procedures shall be approved by more than half of the members of the Audit Committee. The procedures hereof shall be submitted to the Board of Directors for resolution.

After the approval of the Board of Directors, it shall be submitted to the Shareholders' Meeting for approval. And the amended ones shall be done at the same way. If any director has objection and has record or written statement, the Company shall submit the objection to the Audit Committee and the Shareholders' Meeting for discussion.

2. If the preceding paragraph is not approved by more than half of the members of the Audit Committee, it should be approved by more than two thirds of the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Meeting of the Board.
3. All members of the Audit Committee referred to in the preceding two paragraphs and all directors referred to in the preceding paragraph shall be calculated by the actual incumbent.
4. Any matters not covered in the operation procedures shall be handled in accordance with the relevant laws and regulations.