

Zhen Ding Technology Holding Limited Policies and Procedures for Financial Derivatives Transactions

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Article 1: Purpose

The risk management system for the Company's derivative trading is established in accordance with the provisions of the Procedures. However, if the relevant laws and regulations are otherwise provided, the regulations shall be complied with. If not covered by the Procedures, the procedures shall be implemented in accordance with relevant laws and regulations.

Article 2: Definition

Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

Article 3: Principles and Approach of Transaction

The principles and operating strategies of the Company for Derivative financial product are as follows:

I. Transaction principle: The Company's derivative financial product operations are the principle of avoiding the exchange rate and interest rate risks arising from business activities.

II. Operating Procedures:

- (1) Confirm the transaction position.
- (2) The limits on transactions and various products and stop-loss limit.
- (3) Decision-making specific methods for hedging.
- (4) Acquisition of transaction approval.
- (5) Execution of transactions
 1. Transaction object: Limited to domestic and foreign financial institutions.
 2. Trading personnel: The personnel who has to execute the derivative commodity transaction shall first notify the financial institution of the company in writing after signing the approval of the highest decision-making supervisor of the finance department. Non-mentioned personnel may not engage in the transaction.
- (6) Transaction confirmation: After the transaction personnel confirmed the transaction, it shall be filled with the transaction document and shall be verified by confirming whether the transaction slip is consistent with the transaction documents, and submitted to the responsible supervisor for approval.
- (7) Education and training: Traders should occasionally add courses on financial-related nature such as foreign exchange and interest rates.

III. Hedging Strategies:

The assets or liabilities of the company's holdings and future needs, in consideration of future market changes, carry out hedging operations to avoid operational financial risks, and can lock or reduce non-operating losses for the company.

IV. Transaction type and scope:

(1) Categories

The type of derivative financial products operations carried out by the Company in the financial market is limited to exchange rate and interest rate related derivative financial products.

(2) Scope

The operation of the company is based on the following businesses, including exchange rates and interest rates:

1. Export sales revenue.

2. Procurement expenses for materials, machinery and equipment, etc. denominated in foreign currencies.
3. Foreign currency borrowings shall be limited to 80% of the total foreign currency borrowings.

V. Transaction Limit for Delegation of Authority:

Delegation of Authority	Daily Credit Line
Finance Division - the highest	US\$15 million (inclusive)
Chairman	More than US\$15 million

VI. Set of total transaction contract and loss limit:

- (1) Total credit line
 1. Two-thirds of the demand for debt receivables is not recovered.
 2. Two-thirds of the unpaid portion of the debt demand is limited.

(2) Setting up limits

For hedging transactions, the amount of losses shall not exceed 10% of the amount of the transaction contract amount, and the maximum amount of losses shall not exceed 7% of the total contract amount. For specific purpose, the Contract Department shall set up stop-loss points to prevent the losses from the contract. The maximum contract loss amount shall not exceed 5% of each contract amount. The maximum limit of contract losses shall not exceed 3% of the total contract amount. For derivative financial instruments transactions, if the transaction limit is exceeded, the Financial Supervisory Commission shall meet in accordance with Article 6 of the Regulations for the purpose of controlling the risks in a timely manner.

Article 4: Organization and Performance Evaluation

I. Financial Management Committee:

- (1) The Board of Directors has delegated the Board of Directors to establish a Financial Management Committee, which is responsible for performance evaluation and supervision procedures and other measures for the management of the Company.
- (2) The Financial Management Committee shall establish a memorandum of understanding for derivative financial products in accordance with Article 4, to provide the Board of Directors for review.

II. Operating Team:

Consists of the Finance Department and operates within the limits of Article 3, paragraph 4. The Financial Management Committee shall regard the operation of the situation and request the Finance Department to make necessary adjustments in writing.

III. The auditing department regularly understands the admissibility of the internal control of derivative commodity transactions, and makes an audit report on the compliance of the operating procedures monthly. If a major violation is discovered, the Audit and Risk Committee shall be notified in writing.

IV. Performance evaluation guidelines:

- (1) Positions held in the derivative transactions shall be assessed at least once a week. If the transaction is required for a business, the Company shall evaluate the transaction at least twice a month. The evaluation report shall be submitted to the highest decision-making supervisor of the financial department. When the evaluation report is found, the highest decision-making supervisor of the financial department shall be required to submit the report to the Board of Directors for approval. The independent director of Board of Directors shall be present and expressing the necessary response measures.
- (2) The Company shall establish a memorandum of understanding for derivatives transactions and the implementation of the implementation of the Board of Directors Meeting. The contents of the Company shall include the following information:

1. The nature and amount of derivatives held.
2. Transaction type.
3. Realized and unrealized gains and losses.
4. Transaction costs.
5. Capital cost.

Article 5: Risk Management Measures

- I. Consideration of credit risk: The choice of transaction correspondent banks is based on credit-worthiness, larger scale and the financial institution who provides professional information.
- II. Consideration of market risks: Based on the volatile price fluctuations of the derivative products in the market, losses may occur. Therefore, after the establishment of the position, the transactional transactions without substantive delivery documents should strictly follow the setting of the relevant stop loss points.
- III. Liquidity Considerations:
 - (1) Liquidity of goods: It is necessary to consider whether the traded goods are generalized and universal in the market..
 - (2) Liquidity of cash: The cash flow of the company should be kept in mind to ensure that the delivery can be completed smoothly when each transaction expires.
- IV. Consideration: Must strictly comply with the authorization quota, the transaction process, and the registration and control of the relevant transaction records.
- V. Legal consideration: In addition to the contracts that are frequently traded, the host contract relating to the transaction is determined, and the legal unit should be counter-signed in advance to avoid the risk of the company in the future.
- VI. Consideration of Risks: Operators should have complete and correct expertise in the derivative products of the transaction to avoid misuse of derivative goods and cause losses.

Article 6: Internal Auditing:

The purpose of internal auditing is to prevent unauthorized transactions, transactions outside the scope of the authorization, unrecorded transactions and unrecognized losses. Including the following requirements:

- I. The company shall formally inform the bank in the name of the company, the name of the trader of the company. It is same if any changes.
- II. Each transaction must be submitted to the accounting department immediately after the completion of the transaction, and then the bank confirmation letter will be sent to the accounting department for future reference.
- III. For trading, confirmation and delivery personnel, the three may not be the same person, nor may they concurrently serve as agents..
- IV. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel who is not responsible for the obligation of trending nor position decision-making.
- V. The persons listed in the third and fourth paragraphs above may, depending on the actual operational needs of the company, assign appropriate personnel to concurrently, without prejudice to the soundness and effectiveness of the internal control system. .
- VI. The operator responsible for the confirmation should verify the transaction record and control the trading position.
- VII. Accountants should regularly reconcile with or with the bank..
- VIII. Auditors and accountants should check at any time whether the total amount of the transaction exceeds the total amount of the contract for this operating procedure.

- IX. For the entire transaction process, auditors should conduct independent audits afterwards.
- X. Auditors should regularly attend courses on financial-related nature such as foreign exchange and interest rates.

Article 7: Accounting Treatment Method

The accounting treatment of the Company's derivative financial products transactions shall be handled in accordance with the Financial Accounting Standards and the relevant authorities' letter.

Article 8: Regular evaluation methods and abnormalities

- I. The position held by the derivative financial commodity exchange shall be assessed at least once a week, but if the hedging transaction required for the business is to be assessed at least twice a month, the evaluation report shall be sent to the senior executive authorized by the Board of Directors.
 - (1) The "Operational Team" should first request each bank to provide pricing and evaluation information on the breakdown of unexpired transactions of various commodities on time.
 - (2) "Operational Group" shall report to the Financial Management Committee on various commodities on a weekly basis according to the information in the preceding paragraph, subparagraph (1).
 - (3) The accounting department shall review and confirm the report according to the evaluation report of the "Operational Team".
- II. When the financial management committee finds that there is an abnormal situation, it should do its duty of care by the manager. After the emergency treatment, report the abnormal situation to the Board of Directors. The Board of Directors should have independent directors to attend and express their opinions.
- III. The Company engages in derivative commodity transactions and handles the authorization level and quota as stipulated in Article 3, Paragraph 5 of this operating procedure, and shall report it to the most recent Board of Directors afterwards.

Article 9: Control over subsidiaries

- I. When a subsidiary of the Company intends to engage in derivatives trading, the Company shall establish the "Handling Procedures for Engaging in Derivatives Trading", which is stipulated in the local regulations, procedures, and the Regulations Governing the Acquisition and Disposal of Assets by the Company, and shall comply with the prescribed "Operational Procedures for Trading Derivatives".
- II. The subsidiaries referred to in this operating procedure shall be identified in accordance with the provisions of Financial Accounting Standards Bulletin Nos. 5 and 7 issued by the Republic of China Accounting Research and Development Foundation, which is the place where the company is listed.

Article 10: Public Announcement

The Company shall publicly announce and report on the status of derivative products transactions of the Company and its subsidiaries that are not listed on the Company's listing on a monthly basis, and shall make public announcement and declaration according to the local financial supervisory commission and securities exchange regulations of the Company's listing.

Except for the aforementioned regulations, if there are other regulations required by law to be disclosed and reported in accordance with the regulations, it shall be conducted in accordance with the regulations.

Article 11: Implementation and Amendment

- I. The Procedures and any amendment thereof shall be effective upon approval by the Audit and Risk Committee first and then by Board of Directors, subject to the ordinary resolution in the general meeting. The same shall apply to any amendments to the Procedures. If a director expresses objection and has a record or written statement, the company shall send the objection to the Audit and Risk Committee and report it to the shareholders meeting for discussion. The same applies to the amendment.
- II. The Audit and Risk Committee shall agree with the consent of the Audit and Risk Committee in a manner more than half of the Audit and Risk Committee's members. If one-half of all members of the Audit and Risk committee do not agree, it may be agreed by more than two-thirds of all directors,

and the resolutions of the Audit and Risk Committee shall be stated in the minutes of the Board of Directors meeting.

- III. The terms "all Audit and Risk Committee members" and "all directors" as stated herein shall be counted as the actual number of persons currently holding those positions.