

Zhen Ding Technology Holding Limited

Group Risk Management Policy

Article 1 Purpose

The Company upholds corporate sustainable development ideals, introduces international trends, and actively promotes and strengthens the Company's sustainable management, in order to lower the potential risks from operations. The Company established the Policy and procedures to lower operational risks and serve as reference during the formulation of business strategies, in order to ensure the stable development of the Company's business and overall operations.

Article 2 Scope of Review

The Policy is applicable to risk management processes at all levels of the Company and subsidiaries (hereinafter collectively referred to as the "Group").

Article 3 Organizational Structure

- I. The Chief of Staff is the highest supervisor of risk management and is responsible for the operations of the risk management organization. The Chief of Staff is responsible for supervising the Group's risk identification procedures through R&D, manufacturing, sales, and participation of surrounding units. The first line risk managers detect, identify, and evaluate various risks and formulate related countermeasures. They are responsible for reviewing and supervising the risks regularly during risk management related meetings. If different risks are encountered, the Chief of Staff shall establish response teams for different incidents and appoint a responsible supervisor to coordinate a response.
- II. The Company has established the Risk Management Steering Committee, which consists of the highest supervisors of each business unit. The Committee supervises improvements to risk controls and identifies and approves the prioritization of risk controls, and is responsible for reporting to the Board of Directors.
- III. The Risk Management Project Team has been established below the Risk Management Steering Committee. The Team is responsible for identifying potential risks and operational impacts. They shall adopt actions corresponding to the risk category and establish crisis management procedures and conduct drills.
- IV. Regarding the internal control system, the audit unit shall be responsible for the implementation of audits.

Article 4 Duties of risk management

I. The role of the highest risk management supervisor

The highest risk management supervisor (Chief of Staff) should acknowledge the impact of different risk categories on the Group and ensure the effectiveness of risk management.

Apart from being aware of the risks of each business unit, the supervisor must consider the effects of various risks together from the overall standpoint of the Company. The supervisor is responsible for interdepartmental coordination and communication.

II. Role of the Risk Management Work Group

The main duties are as follows:

- (I) Ensure correct and timely methods for conveying risk information.
- (II) Ensure the effective implementation of risk regulations by related units.
- (III) Determine the risk category and suggest response measures depending on the external environment and internal strategy changes

Article 5 Risk management procedure

In order to strengthen the risk management functions, the Group's risk management is based on risk identification, risk assessment, risk control, risk supervision, and communication. The Company clearly understands the scope of all risks and continues to effectively improve and control the risk factors through appropriate measures, in order to effectively implement risk management with limited resources.

I. Risk identification: To effectively monitor risk factories, the Group's risk are as follows:

(I) Strategy

- 1. Regulatory compliance and response to changes.
- 2. National policy development.
- 3. Changes in technology and industry markets.
- 4. Technology R&D and competitive advantages.
- 5. Market demand and production expansion.

(II) Finances

- 1. Interest rate, exchange rate, inflation, deflation, tax, merger and acquisition.
- 2. Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions.
- 3. Strategic investment.

(III) Operations

1. Customers, centralized procurement.
2. Information security.
3. Intellectual property rights.
4. Recruitment.
5. Corporate image.

(IV) Hazardous Events

1. Earthquake, fire, and other natural disasters.
2. Climate change.
3. Water and electricity supply.

II. Risk assessment:

Business units define risks within the scope of risk management for analysis and identification. After identifying all potential risk factors, we analyze the impact of risks on the Company based on the probability of a risk event occurring, and use it as the basis for risk management.

III. Risk control and monitoring:

- (I) Risks related to the daily operations of each business unit shall be managed by the risk controls of each business unit.
- (II) For important crisis incidents that are cross-departmental or cross-plant, cross-departmental or cross-plant risk assessment should be carried out. The Chief of Staff or a designated representative is responsible for coordinating and negotiating, in order to identify feasible strategies for preventing crisis incidents. The supervisor shall formulate crisis handling procedures and recovery plans according to the crisis incident.