VSO ELECTRONICS CO., LTD.
Supervisory and Management Regulations for Subsidiaries

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistencies between the Chinese version and this translation, the Chinese version shall prevail.)

Article 1 (Purpose)

To provide clear operational strategies for subsidiaries located in different regions, this set of operational regulations has been formulated.

Article 2 (Scope)

These regulations apply to all investee companies controlled by the company. The definition of control adheres to the Financial Reporting Standards for Public Issuers.

Article 3 (Subsidiary Missions)

The purpose of establishing subsidiaries is to execute the following tasks in their respective regions and maximize value for the parent company:

1. Conducting research on local economic and trade environments, establishing marketing networks, collecting and analyzing market information and customer trends to achieve business goals and establish brand foundations.
2. Planning and executing local sales strategies.
3. Developing new customers and exploring new product markets.
4. Ensuring local factories produce high-quality products.
5. Providing excellent product and engineering services to customers.

Article 4 (Management of Subsidiaries by the Company)

1. **Subsidiary Organization:**
   (1) **Directors and Supervisors:** The number of directors and supervisors for each subsidiary shall comply with local laws and be appointed by the Chairman of the company. Changes shall follow the same process.
   (2) **Management:** The top executive of each subsidiary shall be appointed by the Chairman of the company.
   (3) **Organizational Planning:** The establishment and adjustment of subsidiary structures shall be discussed by the Chairman and relevant responsible supervisors, and implemented through unified announcements by the company's management unit.

2. **Audit Management:**
   (1) The company shall guide subsidiaries in establishing internal audit units and internal control systems based on their business nature, operational scale, and staff size, and supervise their implementation.
   (2) If a subsidiary does not establish an internal audit unit, the company shall include the subsidiary within its internal audit scope, conducting regular or irregular audits. Findings and recommendations in audit reports shall be communicated to the subsidiaries for corrective actions and tracked to ensure timely improvement.
3. **Supervision of Financial and Operational Matters:**
   (1) Overseeing subsidiaries in establishing independent financial and operational information systems.
   (2) Establishing effective financial and operational communication systems with subsidiaries. Major financial and operational matters, including but not limited to business plans, budgets, major investments, debt issuance, loans, endorsements, guarantees, and significant property changes, must be reported to the company in advance.
   (3) Other major matters affecting corporate rights and securities prices, as per relevant laws and regulations, must be reported immediately upon occurrence.
   (4) Subsidiaries must submit management reports, including but not limited to operational reports, monthly production and sales reports, balance sheets, income statements, cash flow statements, accounts receivable aging analysis, overdue receivables reports, inventory aging analysis, and loan and guarantee monthly reports, within specified deadlines for analysis and review by the company. Corrective actions must be promptly taken for any irregularities or non-compliance.
   (5) Subsidiaries must cooperate in providing necessary financial and operational information or engaging accountants for audits or reviews of their financial reports as required for the company's disclosures and filings under legal obligations.

Article 5 (Operational Management Guidelines for Subsidiaries)

1. **Procurement Management for Goods and Raw Materials:**
   (1) Subsidiaries may procure required goods and raw materials from local suppliers or affiliated companies, considering procurement costs and time.
   (2) Products purchased from affiliated companies shall be priced based on the sales policy of the affiliated company, market trends, and reasonable profit margins.
   (3) Payment terms for suppliers shall comply with local commercial practices.
2. **Inventory Management:**
   Subsidiaries must strive to minimize inventory levels and maintain a good turnover rate. Relevant management rules include:
   (1) Maintaining proper records to accurately document receipts, issues, and inventory

quantities.

(2) Conducting annual inventory counts to meet the requirements of the company's certified accountants for financial statement audits. Subsidiaries must provide inventory reports and explain and resolve any anomalies, such as inventory surpluses, deficits, or obsolete stock.

3. **Sales Management:**

Subsidiaries shall utilize advantages such as quality, technology, and service to enhance brand value and expand market share. When there are significant changes in target markets, subsidiaries must report to the company’s Chairman and other relevant supervisors to effectively respond to market trends.

(1) **Pricing Policy:**

Pricing decisions must consider cost factors, such as transaction terms, payment methods, customs duties, clearance fees, and transportation costs, to accurately account for costs. Pricing shall adhere to the following principles:

1. Regional price competitiveness.
2. Type of sales or services provided.
3. Customer credit risk.

(2) **Collection Policy:**

1. Payment terms for customers shall comply with local commercial practices.
2. For accounts receivable and payable arising from transactions between the parent and subsidiaries, the terms must be consistent with those for general customers. Inter-company balances may be offset when necessary to avoid exchange rate risks and associated fees.

4. **Financial Management:**

Subsidiaries must implement financial management practices in alignment with the company’s financial policies and local accounting and tax regulations. Key principles include:

(1) Submitting the previous month’s revenue, balance sheet, income statement, loan and guarantee monthly reports, derivative financial product trading reports, and related party transaction summaries to the company by the 9th of each month.

(2) Submitting operational reports, production and sales monthly reports, cash flow statements, accounts receivable aging analysis, overdue receivables reports, and inventory aging analysis to the company by the 15th of each month. Abnormalities must be analyzed and reported.

(3) Completing financial and tax filings within deadlines set by local regulations.

(4) Obtaining prior approval from the company’s authorized supervisors before undertaking actions such as loans, endorsements, guarantees, asset transactions, or major property changes, and reporting back for public announcements when required.

(5) Adhering to the company's or the subsidiary's prescribed "Procedures for Lending Funds to Others" and "Procedures for Endorsement and Guarantee" when providing loans or guarantees.

(6) Following the company's or the subsidiary's "Procedures for Acquiring or Disposing of Assets" when conducting related transactions.

(7) Coordinating financial planning, including fund allocations and borrowings, with approvals from the company's authorized supervisors.

(8) Obtaining the approval of the company's Board of Directors before executing capital plans, such as cash capital increases, capitalizations of earnings, profit distributions, or the issuance of securities.

5. **Personnel Management:**

   (1) Establishing a streamlined staffing structure and selecting the most suitable personnel based on job requirements.

   (2) Conducting regular employee evaluations per personnel management guidelines to determine bonuses, salary adjustments, and promotions.

   (3) Complying with local labor laws for other personnel matters.

6. **General Management:**

   (1) Daily operations must balance efficiency and oversight, with procedures established for critical tasks.

   (2) Procurement and payment requests must strictly follow the authority approval matrix and include necessary supporting documentation.

7. **Budget Management:**

   (1) Preparing budgets for the following year by the end of each fiscal year, covering operational strategies, sales targets, staffing plans, expense estimates, and capital expenditures.

   (2) Aligning subsidiary operational goals and strategies with the company's business strategies and supporting the company's objectives with specific action plans.

   (3) Considering budget execution results as a key performance metric for managers.

Article 6

These regulations shall be implemented after approval by the Board of Directors and any amendments shall follow the same procedure.

Article 7 (Attachments/Forms)

None.