VSO ELECTRONICS CO., LTD.
Guidelines for Financial and Business Operations Between Affiliated

(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

To ensure sound financial and operational interactions between this company and its affiliated enterprises, and to prevent irregular transactions, improper transfers of benefits, or other issues related to the sale and purchase of goods, acquisition or disposal of assets, endorsements and guarantees, and loans between affiliated enterprises, this operational guideline is formulated in accordance with Article 17 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies for compliance.

Article 2

Financial and operational activities between this company and its affiliated enterprises shall be conducted in accordance with this operational guideline unless otherwise stipulated by laws or the Articles of Incorporation.

Article 3

The term "affiliated enterprises" in this guideline refers to entities that are legally independent yet have the following relationships as defined under Article 369-1 of the Company Act:

1. Companies with a controlling and subordinate relationship.
2. Companies with mutual investment relationships.

When determining the controlling and subordinate relationship mentioned above, attention should not only be given to their legal form but also to the substantive relationship.

Article 4

This company shall consider the overall operational activities of the company and its affiliated enterprises, establish effective internal control systems, and conduct timely reviews to adapt to changes in the internal and external environment, ensuring the continuous effectiveness of the system's design and implementation.

For subsidiaries, the company shall ensure compliance with the laws and regulations of the government where the subsidiary operates and consider the actual nature of their operations. The company shall require the subsidiaries to establish effective internal control systems. Even for affiliated enterprises that are not publicly listed, their potential impact on this company's financial and operational matters should be considered, and they should be required to establish effective internal control systems as well as financial, operational, and accounting management systems.

Article 5

The company's supervision over the operations and management of affiliated enterprises shall follow its internal control systems and include the following measures:

1. The company shall acquire appropriate board and supervisor positions in affiliated enterprises in proportion to its shareholding.
2. Directors appointed by the company to affiliated enterprises shall regularly attend board meetings to oversee operations. They should ensure management reports on corporate goals, strategies, financial performance, cash flow, and significant contracts. Any anomalies should be investigated, recorded, and reported to the company's chairman or general manager.
3. Supervisors appointed to affiliated enterprises shall monitor business execution, investigate financial and operational conditions, audit books and records, and request reports from the board or managers of the affiliated enterprise. Anomalies should be recorded and reported to the company's chairman or general manager.
4. The company should appoint suitable personnel to key positions in affiliated enterprises, such as general manager, financial officer, or internal audit manager, to ensure accountability in decision-making and supervision.
5. Depending on the nature, scale, and workforce of the subsidiaries, the company shall guide them in setting up internal audit units and determining the procedures and methods for self-assessment of internal controls.
6. Internal audit personnel from the company shall review audit or self-assessment reports submitted by subsidiaries. Periodic or ad hoc audits should be conducted on subsidiaries, with findings and recommendations documented and communicated for improvements, which should be tracked for implementation.
7. Subsidiaries must submit their financial reports monthly, including balance sheets, income statements, detailed expense reports, cash flow estimates, accounts receivable aging analysis, overdue accounts, inventory aging analysis, and monthly reports on loans to others and endorsements/guarantees. Reports should be analyzed for anomalies. Other affiliated enterprises must provide quarterly financial statements for review and analysis.

Article 6

Managers of this company should not hold concurrent managerial positions at affiliated enterprises, nor should they operate businesses similar to this company, unless approved by a board resolution. Personnel responsibilities between the company and affiliated enterprises should be clearly delineated to avoid personnel exchanges. However, if support or transfers are necessary, work scope, responsibilities, and cost-sharing methods should be pre-defined.

Article 7

The company shall establish effective financial and business communication systems with its affiliated enterprises. Periodic comprehensive risk assessments should be conducted on banking relationships, major clients, and suppliers to mitigate credit risk. For affiliated enterprises with financial and business transactions, significant financial and business matters must be monitored in real time to ensure risk control.

Article 8

The company shall prudently evaluate and ensure compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and the company’s procedures for loans and endorsements/guarantees when conducting loans or endorsements/guarantees with affiliated enterprises.

Loans or endorsements/guarantees with affiliated enterprises shall undergo a detailed review of the following aspects, with evaluation results submitted to the board of directors:

1. Necessity and reasonableness of the loans or endorsements/guarantees. If based on business transactions, the amount of loans or guarantees must correspond to the transaction volume. If short-term financing is required, the specific reasons and conditions must be detailed.
2. Creditworthiness and risk assessment of the counterpart.
3. Impacts on the company’s operational risks, financial status, and shareholder equity.
4. Need for collateral and the appraised value of the collateral.

Loans must be approved by the board of directors and cannot be authorized to others for decision-making. For endorsements/guarantees, the chairman may be authorized to handle within a certain limit, but subsequent ratification by the board is required.

When loans or endorsements/guarantees are conducted between wholly-owned subsidiaries (direct or indirect), specific provisions under the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" may apply.

Adequate monitoring and post-loan control measures should be implemented for loans or guarantees. If overdue debts or potential losses arise, appropriate safeguarding measures must be undertaken to protect the company's rights.

Article 9

Transactions between the company and affiliated enterprises shall specify pricing terms and payment methods. The purpose, price, conditions, and substance of the transactions must align with regular market practices and not exhibit apparent discrepancies or unreasonable arrangements compared to transactions with unrelated parties.

For the procurement of finished goods, semi-finished products, or raw materials from affiliated enterprises, procurement personnel should evaluate the market price and other transaction terms to assess the reasonableness of quotes provided by the affiliated enterprise. Special conditions or competitive terms may allow favorable pricing or payment terms, but otherwise, the terms should be comparable to those offered by regular suppliers.

When selling finished goods, semi-finished products, or raw materials to affiliated enterprises, the pricing should reference current market prices. Favorable terms may be provided for long-term collaborations or other special conditions, but other terms should align with those given to regular customers.

For services or technical support between the company and affiliated enterprises, contracts should be signed specifying service content, fees, duration, payment terms, and after-sales service. Approval from the general manager or chairman is required, and the terms should adhere to normal commercial practices.

The accounting personnel of the company and its affiliated enterprises should reconcile their mutual purchases, sales, receivables, and payables by the end of each month. Any discrepancies must be analyzed, and adjustment sheets prepared.

Article 10

Transactions between the company and affiliated enterprises involving assets, derivative products, mergers, demergers, acquisitions, or stock transfers must comply with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the company's procedures for asset transactions.

When acquiring or disposing of securities from affiliated enterprises or third parties with affiliated enterprises as the underlying target, the latest audited or reviewed financial statements of the target company must be obtained as a reference for evaluating transaction prices. For transaction amounts exceeding 20% of the company’s paid-in capital, 10% of total assets, or NT$300 million, the reasonableness of the transaction price must be evaluated by an accountant prior to the transaction. Exceptions apply if the securities have active market prices or specific regulatory exemptions.

Article 11

When the company acquires or disposes of real estate or usage rights assets with affiliated enterprises, or other assets with transaction amounts exceeding 20% of the company's paid-in capital, 10% of total assets, or NT$300 million, the following documents shall be submitted for approval by the audit committee with consent from more than half of its members and a resolution by the board of directors before signing the transaction contract or making payments:

1. The appraisal report issued by a professional appraiser or the opinion of an accountant as required.
2. The purpose, necessity, and expected benefits of acquiring or disposing of the asset.
3. The reason for selecting the affiliated enterprise as the transaction counterparty.
4. For real estate acquisitions, relevant materials evaluating the reasonableness of the intended transaction terms in accordance with Articles 16 and 17 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."
5. Details on the original acquisition date and price by the affiliated enterprise, the transaction counterparty, and their relationship with the company and the affiliated enterprise.
6. A forecast of monthly cash flow for the upcoming year starting from the transaction month, including an evaluation of the necessity and rationality of the transaction.
7. Limitations and other important terms of the transaction.
8. A professional opinion from an accountant regarding whether the transaction complies with general commercial conditions and does not harm the interests of the company or minority shareholders.

The requirements for the first item above include:

1. The appraisal report must be obtained before the occurrence of the transaction.
2. For transactions exceeding NT$1 billion, appraisal from at least two professional appraisers is required.
3. If there is a discrepancy exceeding 20% of the transaction amount between the appraisal result and the transaction price or if the results from two or more appraisers differ by more than 10%, an accountant shall be engaged to provide a detailed explanation and opinion on the differences and the appropriateness of the transaction price.

If approval by more than half of the members of the audit committee is not obtained, the transaction may proceed with the consent of at least two-thirds of all directors, and the audit committee's resolution shall be recorded in the board meeting minutes.

If the actual transaction price for acquiring real estate or its usage rights from affiliated enterprises is higher than the evaluated transaction cost, and objective evidence or reasonable opinions from professional appraisers and accountants cannot be provided, the board of directors shall carefully assess whether the transaction harms the rights of the company and shareholders. If necessary, the transaction should be rejected, and the audit committee shall exercise its authority to halt such actions.

When the board approves such transactions, the following measures must be taken:

1. Special reserve provisions must be set aside for the difference between the real estate transaction price and the evaluated cost under Article 41, Paragraph 1 of the Securities and Exchange Act, and these reserves cannot be distributed or used to increase capital.
2. Independent directors of the audit committee must act in accordance with Article 218 of the Company Act.
3. The handling of the preceding two items shall be reported at the shareholders' meeting, and detailed transaction information must be disclosed in the annual report and prospectus.

Transactions with affiliated enterprises meeting any of the following conditions must be approved at the shareholders' meeting after a board resolution before signing the transaction contract or making payments. However, transactions between the company and its subsidiaries or between subsidiaries are exempt:

1. Transactions exceeding 10% of total assets.
2. A discrepancy between the transaction amount and appraisal price exceeding 20%.
3. A difference between appraisals by two or more professional appraisers exceeding 10%.
4. Transactions with significant impacts on the company's operations.
5. Transactions with significant impacts on shareholders' equity.
6. Other matters deemed necessary by the board of directors for shareholder approval.

When a shareholders' meeting votes on the preceding proposals, related affiliated enterprises or individuals connected with them shall abstain from voting.

Article 12

For financial and business transactions between the company and affiliated enterprises requiring board approval, the opinions of independent directors shall be fully considered. The explicit agreement or opposition, along with the reasons for dissent from independent directors, shall be included in the minutes of the board meeting.

Directors with conflicts of interest regarding matters discussed in board meetings that may harm the company’s interests shall recuse themselves from discussions and voting. They shall not act as proxies for other directors in exercising voting rights. Directors are expected to exercise self-discipline and refrain from inappropriate mutual support.

If the spouse, relatives within the second degree of kinship, or a company controlled or subordinated to the director has an interest in the matters discussed, such persons shall also be considered to have conflicts of interest.

The audit committee shall notify the board or individual directors to cease any behavior violating laws, the Articles of Incorporation, or shareholder meeting resolutions. Appropriate measures shall be taken to prevent further harm, and if necessary, the competent authorities or relevant units should be informed.

Article 13

The company shall comply with statutory announcement or reporting requirements and deadlines, arranging for subsidiaries to provide necessary financial and business information. The company may also engage accountants to audit or review the financial reports of subsidiaries.

In accordance with the annual financial report submission deadlines, the company shall publish consolidated balance sheets and consolidated income statements for affiliated enterprises, accompanied by the review report of an accountant. In case of changes in affiliated enterprises, these changes shall be reported to the Taiwan Stock Exchange or the Taipei Exchange within two days.

Major transactions between the company and affiliated enterprises shall be adequately disclosed in annual reports, financial statements, related party disclosures, and prospectuses.

Should any affiliated enterprise face financial difficulties, the company shall obtain its financial statements and related information to assess the impact on the company’s financial and business operations. If necessary, appropriate measures should be taken to protect the company’s claims. Such incidents, along with their impact on the company's financial situation, shall be disclosed in annual reports and prospectuses, and significant information shall be promptly disclosed on the Market Observation Post System.

Article 14

The company shall announce and report the following situations concerning affiliated enterprises on their behalf:

1. For unlisted subsidiaries, if the amounts involved in asset acquisitions or disposals, endorsements/guarantees, or loans to others reach the threshold for public disclosure.
2. Matters related to bankruptcy or restructuring of the parent company or subsidiaries, as governed by relevant laws.
3. Significant decisions by the board of directors of affiliated enterprises that materially impact the rights of the company’s shareholders or the market price of securities.
4. Major events involving subsidiaries or unlisted parent companies that meet the criteria under the "Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" or similar rules applicable to over-the-counter companies.

Article 15

This operational guideline shall take effect upon approval by the board of directors. The same procedure applies to any amendments.