

Silicon Optronics, Inc.

Operational Procedures for Financial and Business Transactions among Related Parties

Article 1 :

To ensure sound financial and business interactions between the Company and its related parties, and to prevent any irregular transactions or improper transfer of benefits arising from transactions such as purchases and sales, acquisition or disposal of assets, endorsements and guarantees, and lending of funds between related parties, this operational guideline is established in accordance with Article 17 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” for compliance purposes.

Article 2 :

Financial and business transactions between the Company and its related parties shall be conducted in accordance with the provisions of these operational guidelines, unless otherwise stipulated by laws, regulations, or the Articles of Incorporation.

Article 3 :

The term “related party” as referred to in these guidelines shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “affiliated enterprise” as referred to in these guidelines shall mean an enterprise that, while existing independently, has any of the following relationships with another enterprise as defined in Article 369-1 of the Company Act:

1. Companies that have a controlling or subordinate relationship.
2. Companies that have mutual investment relationships. When determining the aforementioned relationships, attention shall be paid not only to their legal form but also to the substance of the relationship.

Article 4 :

The Company shall take into account its overall business operations and establish an effective internal control system for transactions with related parties (including affiliated enterprises). This system shall be reviewed and adjusted from time to time in response to changes in the internal and external environment to ensure the continued effectiveness of its design and implementation.

The Company shall also, after considering the laws and regulations of the jurisdictions in which its subsidiaries are located and the nature of their actual operations, supervise its subsidiaries in establishing effective internal control systems. If a related party is a non-public company, the Company shall still, taking into consideration the degree of its impact on the Company’s financial and business operations, require such related party to establish effective internal control systems as well as sound financial, business, and accounting management systems.

Article 5 :

In supervising and managing the operations of affiliated enterprises, the Company shall, in addition to implementing relevant internal control systems established by the Company, pay attention to the following matters: :

- 1 、 The Company shall, in proportion to its shareholding, obtain an appropriate number of seats for directors and supervisors in its affiliated enterprises.
- 2 、 Directors appointed by the Company to serve in its affiliated enterprises shall regularly attend the board meetings of such enterprises. The management of each affiliated

enterprise shall report on its business objectives and strategies, financial status, operating results, cash flows, and major contracts. The appointed directors shall supervise the operations of the affiliated enterprises, investigate and record the causes of any irregularities, and report their findings to the Company's Chairman or President.

- 3 、 Supervisors appointed by the Company to its affiliated enterprises shall oversee the execution of the enterprises' operations, investigate their financial and business conditions, and examine books, records, and audit reports. They may also request reports from the board of directors or managers of the affiliated enterprises. Any irregularities identified shall be investigated, recorded, and reported to the Company's Chairman or President.
- 4 、 The Company shall assign qualified personnel to hold key positions in its affiliated enterprises, such as President, Chief Financial Officer, or Chief Internal Auditor, in order to exercise responsibilities for management, decision-making, supervision, and evaluation.
- 5 、 The Company shall, taking into consideration the business nature, operational scale, and number of employees of each subsidiary, provide guidance for establishing internal audit units and formulating internal control systems, including the procedures and methods for conducting self-inspections.
- 6 、 In addition to reviewing audit reports or self-inspection reports submitted by subsidiaries, the Company's internal auditors shall also conduct regular or ad hoc audits of the subsidiaries. Findings and recommendations in the audit reports, once reviewed and approved, shall be communicated to the audited subsidiaries for improvement. Follow-up reports shall be prepared on a regular basis to ensure that appropriate corrective actions have been taken promptly.
- 7 、 Subsidiaries shall periodically (for example, by the 15th day of each month) submit the financial statements of the preceding month — including the balance sheet, income statement, detailed expense report, cash receipts and payments statement and forecast, accounts receivable aging analysis, overdue accounts receivable details, inventory aging analysis, and monthly reports on loans to others and endorsements/guarantees. Any irregularities shall be accompanied by an analysis report for the Company's monitoring purposes. Other related enterprises shall also periodically (for example, by the 15th day following the end of each quarter) provide the Company with their financial statements for the preceding quarter, including the balance sheet and income statement, for analysis and review. °

Article 6 :

The Company's managerial officers shall not concurrently hold managerial positions in any affiliated enterprise, nor shall they engage, either personally or jointly with others, in any business of the same nature as that of the Company, except as otherwise resolved by the Board of Directors.

The responsibilities and authorities for personnel management between the Company and its affiliated enterprises shall be clearly defined, and cross-employment of personnel shall be avoided. However, if support or personnel transfer is genuinely necessary, the scope of work, responsibilities, and cost allocation methods shall be clearly specified in advance.

Article 7 :

The Company shall establish an effective financial and business communication system with each affiliated enterprise and periodically conduct comprehensive risk assessments of their corresponding banks, major customers, and suppliers to reduce credit risk. For affiliated enterprises that have

financial or business transactions with the Company, the Company shall closely monitor their significant financial and business matters at all times in order to effectively manage and control potential risks.

Article 8 :

Loans of funds to, or endorsements/guarantees for, related parties shall be prudently assessed and shall comply with the Regulations Governing the Loaning of Funds and Making of Endorsements/Guarantees by Public Companies as well as the Company's Procedures for Lending Funds to Other Parties and Procedures for Endorsements and Guarantees. Where any loan to, or endorsement/guarantee for, a related party is involved, the following matters shall be examined in detail, and the evaluation results shall be submitted to the Board of Directors. Loans of funds must be implemented only after a resolution of the Board of Directors and may not be decided by any other person by delegation. Endorsements/guarantees may be handled by the Chairperson within a specified limit pursuant to prior authorization by the Board of Directors under the preceding paragraph; however, such actions shall be submitted to the next meeting of the Board of Directors for ratification.

- 1 、 The necessity and reasonableness of the loan or endorsement/guarantee. For loans made due to business dealings, the loan amount shall be assessed to determine whether it is commensurate with the volume of business transactions. For cases requiring short-term financing, the reasons and circumstances for the loan shall be clearly stated.
- 2 、 The creditworthiness and risk assessment of the party receiving the loan or endorsement/guarantee.
- 3 、 The potential impact on the Company's operational risk, financial condition, and shareholders' equity.
- 4 、 Whether collateral should be obtained, and the appraised value of such collateral.

For any subsidiary in which the Company directly or indirectly holds 90 percent or more of the voting shares, prior to providing any endorsement or guarantee in accordance with Paragraph 2, Article 5 of the Regulations Governing the Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the matter shall be submitted to the Company's Board of Directors for approval before execution. However, this restriction shall not apply to endorsements or guarantees made between companies in which the Company directly or indirectly holds 100 percent of the voting shares. Loans of funds between the Company and its parent company or subsidiaries, or among its subsidiaries, shall be subject to a resolution of the Board of Directors. The Board may authorize the Chairperson to disburse loans in installments or make revolving use within a certain amount and for a period not exceeding one year, as approved by the Board for the same borrower.

When providing loans of funds to, or making endorsements/guarantees for, related parties, the Company shall give full consideration to the opinions of the independent directors. The explicit opinions of consent or dissent, along with the reasons for any objections, shall be recorded in the minutes of the Board of Directors meeting.

For short-term financing needs between foreign companies in which the Company directly or indirectly holds 100 percent of the voting shares, the amount of such intercompany loans shall not be subject to the limit of 40 percent of the lender's net worth.

For endorsements or guarantees made between companies in which the Company directly or indirectly holds 90 percent or more of the voting shares, the total amount shall not exceed 10 percent of the Company's net worth. However, this restriction shall not apply to endorsements or guarantees made between companies in which the Company directly or indirectly holds 100 percent of the voting shares.

Proper follow-up control measures shall be implemented for all loans of funds or guarantees. In the event of overdue claims or any indication of potential loss, appropriate protective actions shall be taken to safeguard the Company's rights and interests.

Article 9 :

In business transactions between the Company and its related parties, the pricing terms and payment methods shall be clearly defined. The purpose, pricing, terms, substance and form of the transactions, as well as the related handling procedures, shall not differ significantly from or be less reasonable than those of normal transactions conducted with non-related parties.

- 1 、 When purchasing finished goods, semi-finished goods, or raw materials from related parties due to business needs, the purchasing personnel shall evaluate the reasonableness of the related party's quoted price by comprehensively considering market prices and other transaction conditions. Except for special circumstances or cases where preferential prices or payment terms are reasonably justified by superior conditions differing from those of ordinary suppliers, all other prices and payment terms shall be consistent with those applied to regular suppliers.
- 2 、 When selling finished goods, semi-finished goods, or raw materials to related parties, the quoted prices shall refer to prevailing market prices. Except for cases involving long-term cooperation or other special factors that justify preferential prices or payment terms under reasonable agreements, all other prices and payment terms shall be consistent with those applied to regular customers.
- 3 、 For services or technical assistance provided between the Company and related parties, both parties shall enter into a contract specifying the service content, fees, duration, payment terms, and after-sales service. The contract shall be executed only after approval by the President or Chairperson, and all terms of such contract shall follow normal commercial practices.
- 4 、 In principle, the accounting personnel of the Company and its related parties shall reconcile the transactions of purchases, sales, and balances of accounts receivable and payable with each other by the end of each month. Any discrepancies shall be investigated, and a reconciliation statement shall be prepared accordingly.

Article 9-1 :

When the Company plans to engage in the purchase or sale of goods, or in the provision of labor or technical services with a related party, and the estimated total annual transaction amount is expected to reach 5 percent of the Company's most recent consolidated total assets or the net operating revenue of the most recent fiscal year, the following information shall be submitted to the Board of Directors for approval before the transaction may proceed, except where the transaction is subject to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies or involves transactions between the Company and its parent or subsidiaries, or between subsidiaries themselves:

- 1 、 The items, purpose, necessity, and expected benefits of the transaction.
- 2 、 The reasons for selecting the related party as the transaction counterparty.
- 3 、 The reasons for selecting the related party as the transaction counterparty.
- 4 、 An explanation as to whether the transaction terms conform to normal commercial practices and do not harm the interests of the Company or its shareholders.
- 5 、 Any restrictive conditions and other significant terms and agreements of the transaction.

Transactions with related parties as mentioned in the preceding paragraph shall be reported to the next shareholders' meeting after the end of the fiscal year, including the following matters:

- 1、The actual transaction amount and terms.
- 2、Whether the transaction was conducted in accordance with the pricing principles approved by the Board of Directors.
- 3、Whether the total annual transaction amount exceeded the limit approved by the Board of Directors. If the limit was exceeded, an explanation shall be provided regarding the reasons, necessity, and reasonableness.

Article 10：

Transactions involving the acquisition or disposal of assets, derivative financial products, mergers, demergers, acquisitions, or share transfers between the Company and its related parties shall be handled in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Company's internal procedures for the acquisition or disposal of assets. When acquiring or disposing of marketable securities from or to a related party, or when acquiring securities issued by an affiliated enterprise, the Company shall, prior to the transaction, obtain the most recent financial statements of the target company, audited or reviewed by a certified public accountant, as a reference for evaluating the transaction price. If the transaction amount reaches 20 percent of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, the Company shall, prior to the transaction, engage a certified public accountant to provide an opinion on the reasonableness of the transaction price. However, this requirement shall not apply where the securities have an active market quotation or where otherwise specified by the Financial Supervisory Commission. When acquiring or disposing of intangible assets, right-of-use assets, or membership certificates from or to a related party, and the transaction amount reaches 20 percent of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, the Company shall, prior to the transaction, engage a certified public accountant to issue an opinion on the reasonableness of the transaction price.

Article 11：

When the Company acquires or disposes of real estate or right-of-use assets from or to a related party, or when it acquires or disposes of assets other than real estate or right-of-use assets from or to a related party and the transaction amount reaches 20 percent of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, the following information shall—except for transactions involving government bonds, bonds with repurchase or resale conditions, or subscriptions to or redemptions of money market funds issued by domestic securities investment trust enterprises—be submitted to the Board of Directors for approval and to the supervisors for acknowledgment before any transaction contract may be executed or payment made:

- 1、An appraisal report issued by a qualified professional appraiser or an opinion from a certified public accountant, as required by applicable regulations.
- 2、The purpose, necessity, and expected benefits of the acquisition or disposal of the asset.
- 3、The reasons for selecting the related party as the transaction counterparty.
- 4、For the acquisition of real estate from a related party, relevant information for evaluating the reasonableness of the proposed transaction terms in accordance with Articles 16 and 17 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
- 5、Details regarding the related party's original acquisition date and price, transaction counterparty, and its relationship with the Company and the related party.
- 6、A forecast of monthly cash inflows and outflows for the year following the anticipated month of contract signing, along with an assessment of the necessity of the transaction and the reasonableness of fund utilization.

- 7、Any restrictive conditions and other significant terms and agreements of the transaction.
- 8、An opinion issued by a certified public accountant on whether the transaction with the related party conforms to normal commercial terms and does not prejudice the interests of the Company or its minority shareholders.

When the Company acquires or disposes of real estate, equipment, or right-of-use assets and the transaction amount reaches 20 percent of the Company's paid-in capital, 10 percent of total assets, or NT\$300 million or more, an appraisal report issued by a professional appraiser shall be obtained.

If the appraised value differs from the transaction amount by 20 percent or more, a certified public accountant shall be engaged to provide a specific opinion on the reason for the discrepancy and on the appropriateness of the transaction price.

In such cases, the resolution must be approved by a meeting of the Board of Directors attended by at least two-thirds of all directors, with the consent of a majority of those present.

If the actual transaction price for acquiring real estate or right-of-use assets from a related party is higher than the appraised transaction cost and no objective evidence or specific reasonable opinion from a professional real estate appraiser and a certified public accountant can be provided, the Board of Directors shall fully evaluate whether the transaction would impair the interests of the Company or its shareholders. If necessary, the Board shall reject the transaction. The supervisors shall also exercise their supervisory authority and, if necessary, immediately notify the Board of Directors to cease such action.

If the Board of Directors approves and the supervisors acknowledge the aforementioned transaction, the Company shall set aside a special reserve equal to the difference between the transaction price and the appraised cost. Such reserve shall not be distributed as dividends or converted into capital stock. In addition, the handling of the transaction shall be reported to the shareholders' meeting, and detailed information regarding the transaction shall be disclosed in the annual report and the prospectus.

In the event that a related-party transaction falls under any of the following circumstances, the information listed in the preceding paragraph shall, after approval by the Board of Directors, also be submitted to the shareholders' meeting for resolution. Any shareholder who has a personal interest in the transaction shall abstain from voting:

- 1、When the Company or any of its non-publicly traded domestic subsidiaries engages in a transaction as described in the preceding paragraph, and the transaction amount reaches 10 percent or more of the Company's total assets.

- 2、When, in accordance with the Company Act, the Company's Articles of Incorporation, or its internal operating procedures, the transaction amount or terms have a significant impact on the Company's operations or the interests of its shareholders.

If the company and related parties have conducted the transaction mentioned in Item 1, the actual transaction details (including the actual transaction amount, transaction terms, and the information specified in each subparagraph of Item 1) shall be reported to the most recent shareholders' meeting after the end of the fiscal year. 本公司已設置審計委員會者，依本條 Matters that are required to be approved by supervisors shall first be approved by more than one-half of all members of the Audit Committee and then submitted to the Board of Directors for resolution, in accordance with Paragraphs 4 and 5, Article 6 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 12 :

When conducting financial or business transactions with related parties that require a resolution by the

Board of Directors, the opinions of all independent directors shall be fully considered, and their explicit approval or objection, along with the reasons for any objections, shall be recorded in the minutes of the Board meeting.

If a director has a personal interest in a matter under discussion, or represents a legal entity that has such an interest, which may be detrimental to the interests of the company, the director shall voluntarily abstain from participating in the discussion or voting on that matter, and may not act as a proxy for another director in exercising voting rights. Directors shall exercise self-discipline and shall not improperly support one another.

If a director's spouse, relative within the second degree of kinship, or any company having a controlling or subordinate relationship with the director has an interest in the matter referred to in the preceding paragraph, such interest shall be deemed the same as if the director personally had an interest in the matter.

If a supervisor discovers that the Board of Directors or any director has violated laws, the Articles of Incorporation, or resolutions of the shareholders' meeting in the course of performing their duties, the supervisor shall immediately notify the Board or the director to cease such conduct, take appropriate measures to prevent the misconduct from escalating, and, when necessary, report the matter to the relevant competent authority or agency.

Article 13 :

The Company shall, in compliance with applicable laws and regulations regarding required public announcements or filings and their respective deadlines, promptly arrange for each subsidiary to provide the necessary financial and business information, or engage certified public accountants to audit or review the financial statements of each subsidiary.

The Company shall, within the statutory filing period for annual financial reports, publicly disclose the consolidated balance sheet, consolidated statement of comprehensive income, and the CPA's review report of its affiliated enterprises. In the event of any increase or decrease in the number of affiliated enterprises, the Company shall report such changes to the Taiwan Stock Exchange or the Taipei Exchange within two days of the change.

Major transactions between the Company and its related parties shall be fully disclosed in the annual report, financial statements, "Three Reports on Affiliated Enterprises," and the prospectus.

If any related party encounters financial difficulties, the Company shall obtain its financial statements and related information to assess the potential impact on the Company's own financial position, business, or operations. When necessary, the Company shall adopt appropriate measures to safeguard its claims. In such circumstances, in addition to disclosing the impact on the Company's financial condition in the annual report and prospectus, the Company shall also immediately publish a material information announcement on the Market Observation Post System (MOPS).

Article 14 :

When any of the following circumstances occur in the Company's affiliated enterprises, the Company shall make the required public announcement and filing on their behalf:

- 1、For any subsidiary whose shares are not publicly issued in Taiwan, if the amount involved in the acquisition or disposal of assets, endorsement or guarantee, or lending of funds to others reaches the threshold for public announcement and filing.
- 2、When the parent company or any subsidiary undertakes bankruptcy or reorganization proceedings in accordance with relevant laws and regulations.
- 3、When an affiliated enterprise makes a major resolution through its board of directors that has a significant impact on the Company's shareholders' equity or the market price of its securities.
- 4、When any of the Company's subsidiaries or an unlisted parent company has

information that meets the definition of “material information” as stipulated in the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities or the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities, such information shall be publicly disclosed accordingly.

If the Company’s parent company is a foreign company, the Company shall, upon becoming aware of the occurrence of any of the following events or upon the reporting of such events by the media, make the required filing on behalf of the parent company before the commencement of trading hours on the next business day:

- 1 、 Occurrence of any significant change in shareholding structure.
- 2 、 Any major change in business policy.
- 3 、 Suffering a major disaster resulting in severe production reduction or complete suspension of operations.
- 4 、 Any change in laws or regulations of the country in which the company is incorporated that materially affects shareholders’ equity or the company’s operations.
- 5 、 Reports by mass media concerning the parent company that are likely to affect the market price of the Company’s securities.
- 6 、 Any other material event that, under the laws or regulations of the country where the foreign company is incorporated, is required to be reported immediately.

Article 15 :

These operating procedures shall take effect upon approval by the Board of Directors. The same shall apply to any amendments thereto.

Article 16 :

These Regulations were established on July 1, 2006.

The first amendment was made on June 12, 2017.

The second amendment was made on November 10, 2020.

The third amendment was made on March 15, 2023.